

Socio-Economic Costs of Terrorism

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Limitations of Illustrating the Cost of Terrorism

- Data constraints (multiple sources, methodology, etc.). All figures will be approximate values or what is available.
- Cost of terrorism can be mixed up with other external and internal shocks. Separation may be difficult, thus some data interpretation should be attempted with caution.

Cost manifested as loss in output in regions of terror

- Share of the North and East in GDP: 5-10% (North 2.9% and East 5.4% in 2004).
- Agriculture losses and reduced production from Industries (cement – Kankasanturai, chemicals – Paranthan, sand – Pulmodai, etc.) and services.
- Let us take agriculture sector to demonstrate loss of output and other damages.

Agriculture: Damage and Losses

- Agriculture land taken over for military purpose.
- Damage to irrigation networks.
- Damage to transport facilities.
- Damage to electrification.
- Vast tracks of land rendered unusable due to land mines, bombing, etc.

Agriculture: Landmines (LM)

- Approximately 1.8 million LM spread over 640 villages in the North and the East. LM laid both by the LTTE and government armed forces.
- During 1995-2000, 500-700 people per year became victims of LM – major deterrent to agriculture work.
- Clearing LM is a costly exercise. Some reports claim 40% of LM cleared since 2002, others claim it is only 10%.

Agriculture Production Share of N/E

(Source: Sarvananthan, 2006, EWC Study)

Crop	1980 (%)	2005 (%)
Paddy	33	30
Chillies	25	11
Red Onions	62	23
Potato	13	0.6
Livestock (eggs)	13	12.6
Fish	64	34

Cost on the Environment

- Forest area has reduced in the North and the East because LTTE indulges in the illegal logging of timber and other wood for revenue.
- Security forces clear forests for reducing security cover for the LTTE.
- Damage to natural vegetation and biodiversity due to military operations and land mines.
- Water pollution posing health hazards from bunkers/abandoned dug wells.
- Many animals killed in military operation. More than 1500 elephants killed by the North and the East war (Ariel bombing, mines etc.).
- War debris has reduced the productivity of land.

Cost manifested in the N/E Labour market

Labour force statistics, 2002, (per cent)

Province	Labor force participation	Unemployment rate
Northern	33.8	13.0
Male	54.6	6.9
Female	15.7	31.5
Eastern	40.3	15.9
Male	63.6	9.3
Female	18.0	38.0
National excl. North and East	50.3	8.8
Male	67.9	6.6
Female	33.6	12.9

Source: Labour Force Survey (LFS) 2002, Department of Census and Statistics

Damage & Destruction of Physical Capital: Infrastructure

- Due to years of inadequate maintenance, the quality of roads in the North and East is of poor condition and most of the information on the quality of roads is unavailable.
- The inadequacy of the road network is reflected in the low accessibility potential in the region.
- No rail service is available in the North beyond Vavuniya.
- Minimal power and telecommunications facilities in certain areas of the N/E-deprive agricultural producers and fisherpersons access to information and markets.
- According to the CFSES 2003/04 only 64 % of total households in the N/E have power, while the average for the island is 73 %. This figure for the North is likely to be an overestimate because the CFSES could not cover the remote districts of Kilinochchi, Mannar, and Mullaitivu where estimates suggest that up to 90 % of the households may not have power.
- Only about 20 % of households in the North and 14 % in the East have either a land or cellular phone while nationally about one-quarter of households have one or the other.

Damage & Destruction of Physical Capital: Infrastructure outside N/E

- Oil refinery (1995), Central Bank (1996), Colombo Stock Market/Galadari Hotel (1997), Temple of the Tooth (1998), Island-wide Transformers (1999), Airport (2001), etc.
- For example, the cost of the Airport attack was US \$ 30 million – more than what the govt. earned from privatization of the national airline (US \$ 25 million).

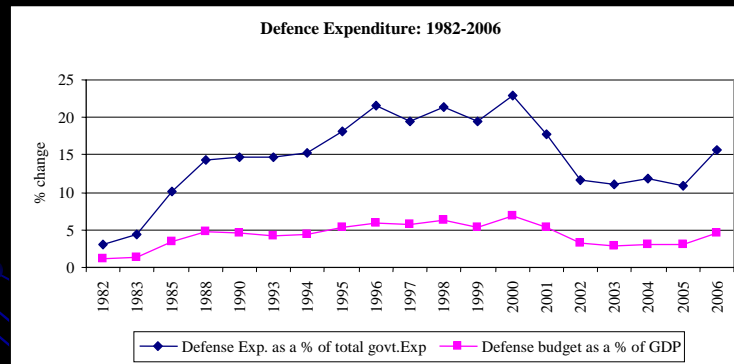
Damage to Social Infrastructure in N/E

- Complete destruction of 2000 schools.
- 360,000 housing units have sustained varying degree of damage.
- Out of 400 health institutions, 55 totally destroyed, 49 are not functioning, and 115 centres are damaged -- minimum or no maintenance of these assets.
- 4,522 posts are vacant in the health care sector mainly in the skilled and professional category due to security fears.

Cost of Physical and Social Capital Destruction

- As per background paper "Assessment of Needs in the Conflict Affected Areas" submitted to the Tokyo Donor Conference in 2003, approximate cost US \$ 2.5 billion (US \$ 522 immediate, US \$ 946 medium term, US \$ 1031 long term).

Defence Expenditure



Annual Reports, central Bank of Sri Lanka, Various issues

Defence Expenditure as a percentage of GDP: 1991-2005

Country	1991	1995	1999	2000	2001	2002	2003	2004	2005
South Asia									
Bangladesh	1.0	1.4	1.4	1.4	1.3	1.2	1.2		
India	3	2.7	3.1	3.1	3	2.9	2.8	2.6	2.8
Nepal	0.9	0.8	0.9	0.9	1.1	1.5	1.6	1.8	2.1
Pakistan	5.8	5.3	3.9	3.7	3.9	3.9	3.7	3.6	3.5
Sri Lanka	2.8	5.3	5.4	6.8	5.4	3.3	2.9	3.1	3.0
Conflict Ridden									
Cambodia	[1.7]	[2.6]	3.5	3.4	3.8	3.6	[3.9]	[3.8]	[3.7]
Myanmar	3.2	3.7	2.0	2.1	1.7	1.2	NA	NA	NA
Philippines	1.3	1.4	1.1	1.1	1	1	1	.9	.9
Sierra Leone	2.1	2.9	NA	[4.1]	2.4	1.7	1.8	1.2	1
Sudan	[3.6]	[2.3]	4.1	4.8	2.9	3.2	2.3
Uganda	2.6	2	2.4	2.1	2.1	2.1	2.1	2.6	2.3

Source: Stockholm International Peace Research Institute, *The SIPRI Military Expenditure Database*, Stockholm.
http://www.sipri.org/contents/milap/milex/mex_database1.html

Financing Defence Expenditure: Tax Increases

- Tax on the private sector – National Security Levy (increased from 3% in 1992 to 6.5 % in 2001) financed 48% defence expenditure in 2000.
- Many other taxes, cess, levies, etc., imposed from time to time meet the defence requirements – becoming a burden on the private sector.

N/E reconstruction/rehabilitation

- Among others, high allocation for defence has restricted expenditures on physical and social infrastructure and thus the government has to depend heavily on external donor assistance for reconstruction and rehabilitation work.
- Reconstruction/rehabilitation in N/E also restricted by LTTE terror activities.
- Social indicators reflect this situation.

Cost manifested in Human Development Indicators (Source: SFG and Sarvananthan, 2006)

	Sri Lanka	North & East
Infant mortality rate	11.2	14.7
Maternal mortality ratio per 1000 live births	14	81
Children born underweight	16.7%	25.7%
Underweight 0-5 years	29.4	46.2
Home births	4.0	19.4
Child Malnutrition	29.4%	46.2%
Literacy	92%	68%
School drop out rate	4%	15%

Cost on the Health Sector in N/E

Indicator	Sri Lanka excluding N&E	North & East	Ampara	Batticaloa	Trincomalee	Jaffna	Kilinochehi	Mannar	Mallaitivu	Vavuniya
Low birth weight < 2.5 kg*	18.0	25.7	22.7	24.3	30.5	30.5	N.A	12.7	N.A	38.8
Underweight 3-59 months*	29.4 (2000)	46.2	44.1	53.2	44.7	43.1	N.A	38.3	N.A	50.6
Access to safe drinking water	61.9	45.9	-	-	-	-	-	-	-	-
** No latrine**	5.6	5.0	29.2	7.3	14.4	4.6	2.7	3.4	4.6	1.0

Note: * 2001; ** 2003-04

Source: Department of Census and Statistics (2004), Poverty Statistics / Indicators for Sri Lanka, Colombo, pp 4 and 42; Central Bank of Sri Lanka (2005), CFSES 2003/04.

- In terms of health outcomes, 46 % of children below five years of age in the N/E are underweight, compared to 29 % for the rest of the country.
- The percentage rate of babies born underweight in the country is 18 %, but the proportion is 26 % for the N/E. The figures are even worse in districts like Batticaloa and Vavuniya, where over one-half of the children are underweight.
- Access to safe drinking water and safe sanitary facilities are also inadequate. Nationally, 62 % of households have access to safe drinking water, but only 46 % of those in the N/E have such access.
- About 80 % of households in Sri Lanka have access to water seal latrines, while less than one-half of households in the N/E have such access (the lowest two among all provinces).

Cost on Education in N/E

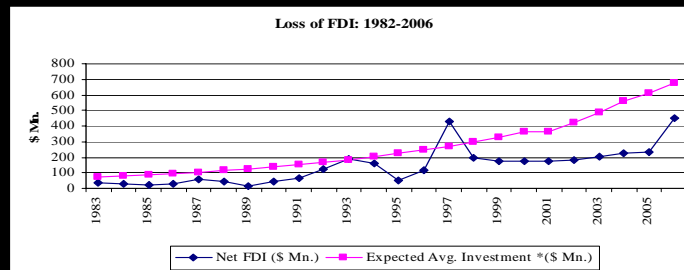
- Eastern province has the lowest literacy rate in the country (87 %) - a significantly larger share of population has no schooling, and a lower share of population has secondary or tertiary education, compared with the country averages.
- In contrast, literacy and education outcomes in Northern province are closer to those for the country as a whole; tertiary education attainment is much higher (28 % of the Northern population) than the average for the island (21 %).
- According to the Census of Schools of 2003 the repetition and drop out rates in the N/E were among the highest in the country after Sabaragamuwa and Uva provinces. At Grade One level, Sabaragamuwa province had the highest repetition rate (2.6 %) followed by Eastern (1.9 %), and Uva and Northern (1.8 %) provinces.
- Primary school (Grade 4) children in the N/E also have the poorest mastery of skills in their mother tongue, the English language, and mathematics against the national average.

Cost to the Economy: Foreign Direct Investment

Loss of Foreign Direct Investment

Year	Net FDI (\$ Mn.)	Expected Avg. Investment *(\$ Mn.)	Loss (\$ Mn.)
1982	63.6	63.6	-
1990	42.0	138.2	96.2
1995	53.0	224.4	171.4
1996	120.0	247.2	127.2
1997	430.0**	272.4	-
1998	193.0**	300.1	107.1
1999	177.0	330.3	153.3
2000	176.0	363.3	187.3
2001	172.0	366.0	194
2002	185.0	420.9	235.9
2003	201.0	484.0	283
2004	227.0	556.6	329.6
2005	233.8	613.3	379.5
2006	451.1	675.4	224.3
Total	2,872.4	6,432.4	2,937.0

Source: Cost of the War in Sri Lanka, NPC, Annual Reports, Central Bank of Sri Lanka, Various issues
 Note: On assumption of a average growth rate of 10.18% from 1982-2001 (according to Cost of the War in Sri Lanka, NPC study). From 2002-2004 (CFA period) growth is predicted at 15% while 2005-06 again its 10.18%



Source: Cost of the War in Sri Lanka, NPC, Annual Reports, central Bank of Sri Lanka, Various issues

- FDI flows to Sri Lanka has fluctuated widely during 1982- 2006 period, but overall remained at a very low level.
- FDI has dipped in line with deterioration in the security situation since 1983.
- It declined during the unrest in the 1987-89 period and then with a pick-up in early 1990s, dropped sharply in 1996 after the bombing of the Central Bank.
- Total cumulative FDI from 1982-2006 has been about \$ 2.8 billion while the estimated potential is about \$ 6.4 billion.
- Therefore, the unrealized FDI due to the war could be estimated as \$ 3.5 billion.

Cost to the Economy: Tourism

Loss of Tourism: 1983-2004

Year	Estimated Tourism Arrivals	Actual Tourist Arrivals	Loss of Tourist Arrivals	Earnings per Tourist (\$)	Loss of Earnings (\$ Mn.)
1983	431,664	337,530	94,134	343.7	32.4
1990	649,063	297,888	351,175	433.0	152.1
1995	868,592	403,101	465,491	559.9	260.6
1996	920,708	302,265	618,443	550.5	340.5
1997	975,950	366,165	609,785	570.2	347.7
1981	1,034,507	381,063	653,444	604.4	394.9
1999	1,096,578	436,440	660,138	627.8	414.4
2000	1,162,373	400,414	761,959	631.3	481.0
2001	1,232,115	336,794	895,321	626.8	561.2
2002	1,306,042	393,171	912,871	643.5	587.4
2003	1,384,404	500,642	883,762	679.1	600.2
2004	1,467,469	566,202	901,267	729.4	657.4
Total loss					6,341.9

Source: Cost of the War in Sri Lanka, NPC, Cost of Conflict in Sri Lanka, Strategic Foresight Group
 Note: The estimated tourist arrivals is calculated on the basis of 6% growth as given in the Cost of the War in Sri Lanka, NPC report by Marga Institute

Cost on the Economy: Tourism

- The tourism industry is a major contributor to the country's economy - fourth largest foreign exchange earner and a major employment generator.
- The conflict has clearly affected the tourist arrivals to the country where it has lost about \$ 6.5 billion in earnings.
- During the period 1975-1982, tourism grew at 22%, reaching a peak of 407,000 tourist arrivals in 1982.
- After the violence in 1983, it steadily declined to a level between 182,000 and 192,000 during 1987-1990. Again it picked up in 1994 reaching 407,000 arrivals but started declining to 366,000 in 1997. During CFA a remarkable growth in arrival rates were seen.
- The volatile nature of tourist arrivals to Sri Lanka is not only affected by the conflict in the North and East but also other internal conflicts like JVP insurrections that took place in late 1980s also affected the adverse trend.

Cost of adverse publicity

- Terror attacks are a major deterrent to FDI, tourism, aid flows, etc.
- “Genocide”, “Killing fields”, “failed state”, “worse place to live”, etc. have contributed in no small measure to the same.
- SL is one country that supplies food and other items via the existing state network to all parts of N/E despite terror activities.

Human Cost: Deaths

- Unofficial estimates place the total number of civilian casualties up to 2005 at around 65,000.
- Though the official estimates put the Sri Lankan armed forces casualties prior to the ceasefire at around 12,000, independent estimates peg this figure at 25,000.
- The LTTE has lost about 14,000 cadres – 1.5 times its current strength. Almost 28% of their casualties were women.
- Government pays compensation for conflict related deaths.

Human Cost: Females of N/E and Rest of Sri Lanka

- There are an estimated 47,500 war widows in Sri Lanka and more than 50% belong to Jaffna.
- More than 30,000 female-headed families in N/E.
- Number of widows looking after households of 3 or more dependents is approximately 13,000.
- Many of the female-headed households are dependent on government or NGO support due to lack of steady income.

Human Cost: War-Widows

	< 20 Years	21-30 Years	31-40 Years	41-50 Years	51-60 Years	> 60 Years	Total
Batticaloa	192	285	1,220	1,954	2,662	4,146	10,459
Trincomalee	9	47	214	45	650	1,109	2,074
Vavuniya	5	58	155	210	238	365	1,031
Mannar	385	317	311	405	411	696	2,525
Kilinochchi	15	296	1,356	1,323	844	911	4,745
Jaffna	91	760	2,212	4,256	6,805	12,621	26,745

Human Cost : Children

- LTTE recruits child soldiers. Parents fear sending children to school due to fear of being abducted. Child marriages are conducted as LTTE is unlikely to recruit among married couples
- There are approximately 50,000 children out of school in the N/E
- Of the IDPs around 35% are children
- Children have been exposed to the brutality of war. For 95% of such children post-traumatic stress disorder applies

Human Cost: Internally Displaced People (IDP) (Sources: www.unhcr.lk & www.internal-displacement.org & SFG)

Year	No. of IDPs (approx)	Returnees
2002	750,000	269,000
2003	481,000	76,722
2004	352,000	33,084
2005	325,000	27,185
2006	314,000 (Apr)	9,900 (Apr)

Top 20 Countries with IDPs (Source: UNHCR, 2006 ASR. Data are provisional and subject to change. Status as at 15 June 2007)

Country	No. of IDPs (persons)
Nepal	3,640,043
Colombia	3,000,267
Iraq	2,181,189
Uganda	2,169,028
Dem. Rep. of the Congo	1,814,990
Sudan	1,622,222
Pakistan	1,047,141
Syrian Arab Rep.	1,007,425
Islamic Rep. of Iran	969,492
United States	967,721
Lebanon	772,853
Côte d'Ivoire	738,985
Myanmar	728,000
Azerbaijan	691,988
Germany	668,226
Sri Lanka	559,242
Afghanistan	527,710
Jordan	519,486
United Rep. of Tanzania	485,679
World Total	32,861,285

Cost of Relief

- Govt provides dry rations to 127,000 IDFs with a monthly income of less than Rs. 1500 (US \$ 13.3). Free distribution of this cost the govt. US \$ 1.3 million per month.
- Livelihood assistance of US \$ 250 per family for 100,000 returnees cost the govt. US \$ 25 million. About 125,00 families have still not received livelihood assistance according to SFG study.

Human Cost of Returning is High

Number of returnees have declined.

- Lack of infrastructure in war-torn areas.
- Security concerns, especially regarding landmines.
- Unresolved issues in regard to original property.
- Lack of income generating opportunities.
- Existence of High Security Zones near by.

Human Cost: Impact of Migration

- It is estimated that the Sri Lankan Tamil population has declined from 12% in the early 1980s to 8% by 2005 due to conflict terrorism induced migration.
- Sri Lanka has lost the services of many talented Tamil professionals due to the conflict and terrorism.
- Internal displacement has resulted in decrease in Sinhala and Muslim populations in the North and the East and disturbed the ethnic balance.

Change in Ethnic Balance due to Migration

	Sinhalese		Tamil		Muslims	
	1981	2001	1981	2001	1981	2001
Ampara	37.65	39.33	20.51	18.76	41.53	41.59
Batticaloa	3.22	0.16	71.99	74.38	23.97	24.98
Trincomalee	33.62	26.50	36.41	33.04	28.97	40.19
Mullathivu	5.09	0.01	89.88	99.99	4.87	0.00
Vavuniya	16.55	8.45	76.26	85.64	6.92	5.89
Mannar	8.14	0.02	63.75	94.84	26.62	5.14
Jaffna	0.56	0.01	97.73	99.95	1.66	0.04

Socio-Economic Costs of Terrorism is very high and difficult to fully quantify

- These are only some areas to demonstrate the cost of terror related war in N/E of Sri Lanka.
- For physical and social infrastructure reconstruction Sri Lanka welcomes donor assistance.
- The deep wounds on humans will take a long time to heal.
- These costs should be an eye opener for the international community to unite to eliminate terrorism from the globe.

Socio-Economic Costs of Terrorism

- Thank you

