

**Inclusive Post-War Recovery
through Employment,
Entrepreneurship, and SME
Resilience in Northern and
Eastern Sri Lanka**

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Abstract

The protracted civil conflict and the subsequent COVID-19 pandemic created persistent economic challenges in Northern and Eastern Sri Lanka, including high unemployment, vulnerable livelihoods, and a fragile small and medium enterprise (SME) sector. This study examines pathways for inclusive post-war economic recovery through employment generation, entrepreneurship development, and SME resilience. The study employs a mixed-methods approach that combines household surveys, key informant interviews, focus group discussions, and secondary data sources. The findings reveal that youth and women continue to experience disproportionately high levels of unemployment and underemployment, while SMEs face significant constraints related to access to finance, market integration, digital adoption, and long-term sustainability. Econometric analysis demonstrates that education, digital skills, access to credit, and diaspora-based mentorship positively influence employment outcomes and SME performance. Although diaspora remittances represent an important financial resource, the evidence suggests that they are largely directed toward household consumption rather than productive investment, limiting their contribution to regional economic transformation. The study highlights the importance of locally anchored and inclusive recovery strategies. It recommends targeted interventions, including blended finance mechanisms, diaspora–entrepreneur partnership platforms, digital capacity-building initiatives, and gender- and youth-focused enterprise support programs.

Keywords: Post-conflict recovery, SMEs, Diaspora engagement, Inclusive growth, Northern and Eastern Sri Lanka

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