



Seminar on Poverty Research in Sri Lanka

held on 12 June 2000

A joint initiative of
German Development Organisations
in cooperation with the Faculty of Arts,
University of Colombo

Sponsored by
Heinrich Boell Foundation
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Poverty Research
In Sri Lanka**

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**Sri Lanka Foundation Institute
Colombo, Sri Lanka**

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1. Inaugural Plenary Session

1.1 Opening Address by Christoph Feyen, Poverty Impact Monitoring Unit

Christoph Feyen welcomed the Chief Guest, the speakers and participants to the first Seminar on Poverty Research in Sri Lanka, co-sponsored by German development organizations in cooperation with the Faculty of Arts, University of Colombo. He said that this seminar completed the first year of the scholarship programme to provide support for poverty research / social policy at the post-graduate level.

The scholarship programme is a joint initiative of several German-funded organizations such as German Agro Action, Heinrich Boell Foundation (HBS), Friedrich Ebert Foundation (FES), and German Development Cooperation (GTZ)-supported projects, including the Poverty Impact Monitoring Unit (PIMU). PIMU was given the mandate to co-ordinate the programme on an experimental basis. As a part of this programme, 10 students who were engaged in MA research were identified and selected for academic and financial support. Five of these students have completed the programme and will be presenting their research findings.

The Seminar provides a forum for Sri Lankan scholars who have been working on key issues in poverty / social policy from the universities, research institutes and other related organizations to present their current research.

1.2 Address by Chief Guest Heinz Kopp, Acting Ambassador, Federal Republic of Germany:

While thanking the organizers, Mr. Kopp reiterated that poverty reduction was the overriding goal of the Federal Republic of Germany. Germany assists Sri Lanka with financial aid and through the GTZ. In 1999-2000, 68 million marks were pledged towards aid.

While Sri Lanka had made extensive gains in poverty-alleviation since 1948, poverty levels are still high. However, in the context of the South Asian region, Sri Lanka's record of human development was commendable. Germany would continue its commitment to address poverty issues in Sri Lanka within its overall programme of development co-operation..

**1.3 Welcome Address by R. M. K. Ratnayake,
Ministry of Samurdhi, Youth Affairs and Sports:**

Dr. Ratnayake mentioned the importance of addressing issues of poverty, particularly since there was growing anxiety in Sri Lanka over the increase in the number of poor people. Poverty research can help policy-makers to influence the government. This seminar is useful because the government is in the process of preparing the next budget. Research of this nature was important to develop a sound economic framework. The traditional thinking of reducing poverty gaps to improve the lives of the poor must be addressed. In addition, more input from the private sector was also vital.

2. Keynote Address

Sociological Perspectives on Rural Poverty in Sri Lanka: An Overview of Knowledge Gaps

Kalinga Tudor de Silva
Professor of Sociology
University of Peradeniya

The Existing Explanations of Rural Poverty and Their Limitations

In the World Bank Poverty Assessment of 1994, as of 1990-91 the incidence of poverty in Sri Lanka in the rural sector was estimated to be 24.4% as compared to 18.3% in the urban sector and 12.6% in the estate sector (World Bank 1995). In this study a significant decline of poverty in Sri Lanka as a whole between 1985-86 and 1990-91 was noted. This in turn was seen as a significant achievement in light of economic liberalization and related cutbacks on welfare expenditure since 1977. The higher incidence of poverty in the rural sector was attributed to slower economic growth in that sector which, in turn, was mainly attributed to three imperfections in rural markets: land market inhibited by lack of marketable title to land particularly in irrigated settlements, excessive fragmentation of landholdings and frequent regularization of encroachments, absence of a fully developed irrigation water market and somewhat erratic trade policies involving too much state interference in produce markets where paddy and certain other field crops are concerned (World Bank 1988, 1996).

This macro-level analysis of poverty gives primary importance to economic criteria both in identification of poverty and the explanation of it. Quantitative data from a wide variety of sources are used to compute poverty trends and understand their causes. One of the main merits of the World Bank Poverty Assessment (WBPA) and subsequent research sponsored by the World Bank is the linkage sought to be established between macroeconomic policies on the one hand and observed trends in poverty on the other. Criticisms of the World Bank perspectives on poverty-alleviation in Sri Lanka have mainly come from Dunham and Edwards (1997) who argue that there is evidence of an "agrarian crisis" contrary to the World Bank (WB) contention that there has been a marked reduction in rural poverty from 1985 onwards. Another reaction has come from the NGO sector, where it is held that the World Bank Poverty Assessment has typically focused on market mechanisms to the neglect of assessment of the impact of social welfare programmes and social mobilization activities widely established over a long period of time in Sri Lanka (Clearly 1995).

While the existing research highlight various dimensions of poverty and its multiple causes, they do not fully address some of the relevant issues relating to the local poverty situation. Most analyses and explanations of poverty are guided by either theoretically or logically derived concepts and categories with no critical analysis of ground realities in Sri Lanka.

The widely prevalent WB view represents a global perspective accompanied by a worldwide push of structural adjustment policies. It does not give sufficient attention to historical realities, political aspirations, and structural and cultural determinants of poverty in the various countries. While the importance of rapid economic growth as a prerequisite for poverty-alleviation is widely recognized and supported by the experience of the East Asian economies, the political thrust of promoting rapid economic growth in a society characterized by widespread poverty and related social conflict, and the way in which the anticipated negative "short-term" effects for the poor of such a policy may be addressed without undermining the entire social framework, are issues that need further analysis and discussion. The concepts used by the WB in its analysis such as "consumption poverty" and "rural stagnation" are not unambiguous. The validity and reliability of databases selected by the WB for analysis of poverty and social development in Sri Lanka in the pre- and post-liberalization eras are questioned by some critics (Moore 1990). The WB's interpretation of Sri Lanka's substantial gains in social development prior to 1977, under a policy package contrary to that advocated by the WB, has given rise to considerable controversy (Bhalla & Glewwe 1986, Pyatt & Isenman 1987).

The WBPA as well as many of the other macro-level poverty research in Sri Lanka pays insufficient attention to relevant sociological variables. For instance, the absence of an agricultural land market may be related to other factors besides legal restrictions against sale or subdivision of land alienated by the state. This may include traditional inheritance patterns, systems of land tenure sanctioned by social custom and cultural values attached to hereditary landholdings, as well as the political significance of the preservation and establishment of "an independent peasantry" in post-independence Sri Lanka (Moore 1985).

We would like to point out four areas where further sociological research is necessary in order to arrive at a more comprehensive explanation of poverty, which in turn should inform policy formulation:

1. *Subjective Dimensions of Poverty*

Variations in the perceptions of and subjective experience of poverty and its relation to objective dimensions of poverty are not known. Do all people defined as poor – using income level or inadequacy of food intake as the principle criterion – see themselves as poor people, seeking to change the status quo? What are the effects of being identified or not identified as 'poor' for their conception of self, motivation and the capacity for improvement and self-help? As regards the subjective experience of poverty, the available evidence suggests that in Sri Lankan culture one's asset base (*yamak kamak tibima*), level of social support and notions of an accumulated balance of merits and demerits (*dukasapa*) are more important than the level of food intake per se in the subjective experience of poverty (Ratnapala 1989).

One may argue that if we are to create the appropriate macroeconomic environment, the subjective orientation of people will necessarily fall in line as the World Bank studies tend to imply. However, given the fact that people's response to the macroeconomic environment

and the conditions giving rise to this macroeconomic environment are mediated by the subjective orientation of people, as evident in the cases of marginal farmers' attachment to uneconomical land-holdings, or their unwillingness to move away from paddy to more remunerative crops, an understanding of this subjective orientation can shed light as to why people remain poor and what makes it difficult for them to exit poverty.

The rural poor in Sri Lanka have been characterized as manifesting a "dependency syndrome." Heavy dependence on welfare measures over generations has reportedly thwarted the drive and initiative of the poor, inhibiting their ability to respond to market-led growth. Referring to the 1970-77 period Ralph Pieris noted:

The basic cause of Sri Lanka's current economic crisis has been the priority given to welfare rather than investment, with the result that resources are inadequate for either. This welfare-oriented style presents special problems, particularly the indiscipline resulting from an over-generous government distributing welfare services to the masses from whom nothing is expected in return... Policies to redress this imbalance, to harden a soft state, are resisted by a pampered electorate" (1977: 24-25).

In this context poverty-alleviation may require not just growth-oriented economic policies and programmes but also programmes designed to bring the subjective orientation of the poor in line with market forces. For instance, this may point to an important role that social mobilization has to play as an adjunct to market-oriented policies.

2. *Lifestyles of the Poor*

There is some evidence that attitudes and lifestyles of the poor sometimes play an important role in perpetuation of poverty. Lack of long-term aspirations, orientation to immediate gratification only and wasteful expenditure are often seen as aspects of a culture of poverty reportedly present mainly in poorer urban communities (Silva & Atukorala 1991). Similar patterns of wasteful expenditure have been reported among colonists in irrigated areas particularly during seasonal peaks of income (Amunugama 1965; Siriwardena 1981; Hettige 1993). During low-income periods when cash flow problems arise, colonists tend to sell or mortgage their assets as well as to borrow from private lenders, sometimes pledging their harvests as security in these transactions. Behavior patterns such as alcoholism also contribute to poverty in rural households. An estimated 5-10% of the household expenditure in rural areas is devoted to alcohol, smokes and betel, signifying an inappropriate allocation of household resources away from basic needs (Hettige 1993). The lack of reinvestment of substantial incomes from Middle East employment, which has represented a new opportunity opened to the poor since 1977, also requires attention from the point of view of its impact on poverty-alleviation (Marga 1996).

Once again macroeconomic policies alone cannot fully address problems presented by inappropriate lifestyles of the poor. Such policies can even aggravate poverty generated

through wasteful expenditure, etc. In this regard, it may be useful to examine the experience of some NGOs seeking to promote appropriate social values among the poor.

3. *Variation among Poverty Groups*

Beyond economically-derived distinctions such as that between poor and ultra poor (World Bank 1995, Silva, Abeysekera, de Silva & Nanayakkara 1996), it would be useful to understand internal differentiation among the poor in order to identify which strategies would be most useful to address specific poverty issues in each group. Which categories of the poor need the long-term assistance of the state or the NGOs; which categories may be capable of escaping poverty and even contributing to economic growth with short-term assistance from outside? Which categories may benefit from purely market forces, or which categories respond to group processes? And which categories may be better approached as individuals or households? We do not have concrete answers to any of these questions but they are critically important from the angle of developing a diversified approach to poverty alleviation.

4. *Social Marginalization and Its Impact on Poverty*

Recent research in India has highlighted the importance of understanding the role of structures such as gender, caste and class in mediating rural people's access to market opportunities (Kapadia 1997).

Research in Sri Lanka points to several categories of rural poor who are socially marginalized. This includes depressed-caste communities (e.g. Rodiya villages), marginal ethnic groups (e.g. Veddas, displaced estate inhabitants, war-related refugees), village expansion colonies which are often at the lower-end of both class and caste configurations, squatter settlements and chena cultivators in marginal farming areas, and fishing communities on the coastal belt.

Some of these communities have been described as pockets of poverty in rural Sri Lanka. For instance, in their study of village expansion colonies Moore and Perera (1978) found that much of rural poverty and related social problems – including crime, illicit brewing of liquor, prostitution and social unrest in general – are concentrated in these congested and relatively inaccessible neighborhoods characterized by poor services, outmigration for work and lack of social support.

The poverty in these rural communities is not merely due to lack of economic assets. Their poor economic situation is often accompanied by social marginalization, powerlessness and inability to access resources controlled by various agencies including that of the state, NGOs and the private sector. Tied relations with non-institutional moneylenders and traders and the inability to access institutional credit and market mechanisms giving better terms of trade, can be also seen as further aspects of social marginalization.

While some efforts have been made to identify and mobilize some of the marginal social groups in poverty-alleviation programmes, and some progress has been made in improving their housing and living conditions in recent years, further research is needed to identify ways and means of facilitating their full integration with mainstream society.

Conclusion and Recommendations

In addition to a lack of economic growth which has progressively curtailed the capacity of the Sri Lankan state to provide basic services and maintain the required level of social expenditure, the politicization of state apparatus has tended to distort and dilute the impact of state policies and programmes vis-à-vis certain marginal sections of the population. However, social barriers such as gender, caste and social prejudice have added to the social marginalization of the poor and made it difficult for some segments of the population to take advantage of opportunities offered by the welfare state. Dependency and lifestyle issues indicate that the poor in general and the socially marginal in particular may shift from one form of dependency to another and, indeed, to potentially harmful adaptations to markets in certain situations.

The findings of this study lead to the following recommendations regarding policy and programme development:

1. Development of policies/programmes unlikely to change with a change in government.
2. The need for peace and reconciliation as a means to reduce the adverse economic and social consequences of war and civil disturbances.
3. Social mobilization programmes aiming at the empowerment of marginalized social groups.
4. Educational and recreational programmes in estates and frontier populations as a means to wean them away from lifestyles contributing to a perpetuation of poverty.
5. Micro-enterprise development and promotion of income-generating activities may not be an effective strategy for poverty-alleviation in the general population. However, it may be a viable approach with a more upwardly mobile layer of rural population.

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3. Current Poverty Research in Sri Lanka

3.1 Understanding Links between Macroeconomic Policy And Micro-Level Welfare: Issues And Problems

Neranjana Gunatilleke
Institute of Policy Studies

This paper presents very briefly some issues that arose from the work carried out under a research programme which focused on the impact of macroeconomic policies on household welfare¹.

This research focus has considerable relevance in the current Sri Lankan policy and political context, as a certain stability has been reached in the way both macro-policy and poverty are viewed by decision makers – both political and technocratic – irrespective of the regime in power. In the case of poverty and welfare, the political/electoral reality, and to some extent the inherited ideology, has meant that there is continued commitment to poverty-alleviation and welfare orientation. The intensity of focus changes fairly frequently in response to different pressures, but the commitment to maintaining a certain universal standard of living and household income has become a constant.

In the case of macroeconomic policy, ‘liberal economic’ or market-oriented policies have been accepted by the major political parties as offering the best prospects for the development of the country. While there have been changes in orientation and emphasis, the basic policy direction has remained with the liberalization model since the change of regime in 1977.

Hence, the point of entry for the research effort was the position that, if there was greater knowledge about the mechanisms behind the policy process – i.e. how macroeconomic policies change variables, which in turn has an intended or unintended impact on household welfare – it would be possible to understand, and thereby better influence, the policy impact on vulnerable groups.

The objective is to get a clearer and more structured understanding of the way the poor – both as producers and consumers – are affected by macroeconomic and adjustment policies, to find critical causal relationships, and ideally, to feed this information back into the fine-tuning of policy.

The work done so far has, to a large extent, concentrated on centralizing the knowledge existing in Sri Lanka². More interestingly, the process of reviewing existing literature, models and data generated considerable debate among the team members regarding concepts

¹ *Micro Impacts of Macroeconomic and Adjustment Policies (MIMAP) - Sri Lanka project.*

² Five studies conceptualising policy impact monitoring and reviewing existing literature, data and data sources and macroeconomic models have been generated under the MIMAP-Sri Lanka project.

that were initially taken as given. Questions arose regarding the conceptualization of policy reforms, the methodology of assessing its impact, the identification of critical links, the variables that need to be considered when conceptualizing poverty and indicators for measuring welfare, etc.

The existing research and information on macroeconomic and adjustment policies and poverty has been influenced by two factors:

1. Sri Lanka has been on the path of economic reform for over 20 years. Hence a long period has elapsed – giving time for the impacts of the policy changes to work through the economy. More importantly, the initial move towards the reform process took place in an environment of high political and populist visibility. As a result, a substantial amount of research interest was directed towards it.
2. Sri Lanka has high welfare achievements resulting from the early policy orientation and continued commitment to welfare despite the subsequent emphasis on economic growth. This has meant that macroeconomic adjustment has taken place within a socio-political and academic/research environment of acute awareness and constant debate regarding the potential social impacts of adjustment.

The net result has been a large body of literature which can roughly be grouped as literature on: a) macroeconomic policy and reform; b) poverty – its conceptualisation and estimation; c) changes in socio-economic conditions, macro-level and sector specific analysis.

A review of this literature reveals that despite numerous limitations, the existing literature does provide a sound base for understanding the cause and effect links between the macroeconomic and adjustment policies, and household welfare.

Channels of transmission between macro-policy changes and household level welfare can be identified through two methods:

1. By linking the literature on macro-policy reform with literature on welfare and poverty. Though most of the literature looks at macro-policy and welfare in isolation, it does provide substantial indicators regarding links and impacts.
2. Using literature which itself attempts to link policy reform and welfare in a cause and effect relationship. Broadly, these are of two types:
 - i) that analyse the impact of policies to the general structure of poverty and those welfare at a macro-level¹, and

¹ See, among others: Kurukulasuriya 1984; Lakshman 1986, 1994, 1996; Shan 1987; Alailima 1988; Indraratne 1992; World Bank 1992; Jayasuriya 1995.

- ii) those that focus on specific groups and sectors at a more disaggregated level¹.

While the former takes policy change as the point of entry to the analysis, the latter frequently starts with the group affected. However, few studies rigorously attempt to identify channels of transmission. Exceptions are Shan (1988), Edirisinghe (1987) and Gulde (1991) which use an econometric and statistical base specifically to identify channels of transmission through which price changes impact primarily on food consumption and nutrition. Gutkin (1988) attempts to establish links by modeling the impact of different macro-policies on specific aspects of household welfare. The majority assess the impact of policy in more aggregated terms.

As a result, the links identified are at different levels of clarity:

1. Strong links, such as the relationship between fiscal contraction and levels of nutrition and consumption of households, are rigorously analyzed and evidenced. The most prolific research has been in the area of the impact of fiscal contraction, specifically on pricing policy, on household nutrition and consumption patterns. The high sensitivity of the wellbeing of lower income groups in Sri Lanka to changes in fiscal policy is widely acknowledged, and the relationship traced to the dependence of the lower income groups in Sri Lanka on public services to maintain their standards of living. Changes in budgetary allocations translate into changes in household standards of living which is maintained through subsidized food, health, education, transport, etc.

The greatest and most direct impact has been through the change in the food subsidy programme. Much of the literature surveyed maintains that Sri Lanka's policy on subsidizing food has been the major cause of better nutrition and greater equality (Sen 1981; Edirisinghe 1987, 1988; Shan 1987; Basu 1988). The removal and reduction of subsidies and the phasing off of administered prices has had a direct and adverse impact on the consumption levels of poor households. A primary cause has been the structure of the food stamp scheme which, combined with rapid inflation, created a sharp deterioration in the real value of the food stamps (see Edirisinghe 1987; Shan 1988; Gulde 1991).

In the case of price changes caused by devaluation, the change in the prices of basic commodities such as rice, wheat, sugar have an impact on the consumption and nutrition levels of all types of low income groups. Shan (1988) concludes that due to the low price elasticity of rice and its high share in the budget of a low income household, changes in the price of rice cause reductions in the consumption of all other commodities. In the case of price changes of other imported goods, the impact differs based on the consumption patterns of the household. The impact on urban consumers is greater than the impact on rural and estate consumers due to the significance of imported goods in their consumption patterns (Lakshman 1994).

¹ See, among others: Athukorale 1986; Gunasinghe 1986; ILO 1986; Osmani 1987; Rodrigo 1994; Dunham and Edwards 1997.

Considering the groups most affected by the reduction in public spending on food subsidies, Shan (1988) concludes that strongest impact is felt by urban and landless labor. This is backed up by Gulde's (1991) analysis of the relationship between price changes and the welfare of the poor. She estimates the adjustment induced changes of real spending power disaggregated by employment type¹ and concludes that while the changes have a negative impact on all three disaggregated groups, the urban informal sector is worst affected and the small-holders least. However, Gulde's estimations hold that some of this negative impact will be mitigated by the positive effects on income.

Looking at intra-household impact, Edirisinghe (1987) maintains that nutritional distribution between economically-productive adults and dependants depend on the intra-household food allocation practices. More equitable distribution occurs between the two groups when about 80 per cent of the calorie requirement of the economically active members are met.

The literature also explores coping strategies employed by low income groups in the face of a deteriorating welfare due to a reduction in public spending on food subsidies. Gulde (1991) and Shan (1988) show the importance of consumption and expenditure patterns of the poor in their ability to cope with the deteriorating real values of food stamps and wages. Their levels of consumption are most sensitive to price changes in staple food (rice) due to the low price elasticity of rice and its large budget share.² The price of rice has a major impact on the consumption of other commodities even though there are efficient substitutes for most other commodities (Alailima 1985; Shan 1988; Gulde 1991).

The extent to which the falling values of the food stamps affected a given group also depended on their capacity to generate an income by taking advantage of the new economic opportunities. Literature identifies fixed income earners in the organized sector as a group adversely affected by the subsidy withdrawal and price de-regulation components of policy reform (Sandaratne 1985; Rodrigo 1994). A compensatory factor created by the policy changes has been the increase in employment opportunities. This has meant that households which find their real income falling have increased the number of earners as a coping strategy (Rodrigo 1994).

2. Relationships that are only hypothesized, and links drawn at best from a theoretical base, and at worst, from a speculative base.

An example is the relationship between the state's withdrawal from bus transport provision and its impact on school attendance. Transport has been widely identified in the literature (Jayaweera 1988; Knight 1993; Kelegama 1994, 1997) as a socially desirable service which has been adversely affected by private sector participation and the subsequent divestiture of the state transport system. Rather than improving, the service has deteriorated due to an increase in bus fares and the disruption of services to socially desirable but

¹ Urban informal sector, rural landless laborers and smallholders.

² Share of food in the budget of a household in the lower income decile: Urban 63 %, Rural 69%, Estate 76%, All Island 70%. Of this the greater percentage is spent on rice (Gulde 1991: 5).

financially non-viable routes. Loss of affordable and accessible transport translates into lower standards of living of low income groups through weakened access to education, health, employment, markets, etc. Transport is a vital link to low income groups benefiting from state services as well as for those taking advantage of economic opportunities arising from adjustment induced growth. The worst affected are the low income groups in outlying areas, and school children. However, there has been little rigorous testing of these relationships.

Another link hypothesized is that between increased private sector participation and the impact on the quality of services provided to lower income groups. There are indications that, in addition to the fiscal contraction impact, the increase of private sector participation in the provision of health and education has had a qualitative impact on the services provided. As the private sector expands, higher income earners are moving out of state sector provision and into the higher-priced private supplier segment such as international schools, foreign or private universities, and private hospitals. A segmented market is developing with the state offering services at a different standard of efficiency and quality to lower income groups. This impact has been felt strongly in the health and education services and has been translated into an equity issue. It can be expected that these changes will have serious consequences for the basic standards of living of future generations (see Alailima 1985; Cornia *et al.* 1987; Jayaweera *et al.* 1988a; Rodrigo 1994).

However, on the positive side, Alailima (1985) identifies how liberalization of medical practice has translated into greater access to doctors by the more marginalized communities. Lucrative private practice in the suburban and regional areas lured doctors to peripheral units and district hospitals in remote and previously unattractive areas.

There are a number of other areas where links are identified in the literature. Key among them are the impact of trade liberalization, export promotion and FDI, public sector reform, liberalization of overseas travel and employment, etc.

Despite the fact that existing literature provide a good basis for study, a number of problems can be identified:

1. As a body of literature it is fragmented and does not fit easily into a general framework, either in terms of methodology or subject matter. Of course, given that this was not the objective of the existing literature, it may be optimistic to expect such coherence in a diverse body of literature.
2. The literature seems to build upon its strengths, and little attempt has been made to venture out into less researched areas. The existence of a strong information base regarding policy change has meant that most studies commence analysis from a macro-policy level. The exception has been the socio-anthropological studies.
3. The availability of published data of acceptable quality has meant that many studies restrict themselves to levels of disaggregation facilitated by this data. An exception is the block of micro-level empirical work.

4. Very few studies explore the potential impact as being a two way process.

Moving on to the doubts raised regarding the very idea of studying the impact of macroeconomic policy on household welfare, questions were raised as to whether there are fundamental problems with the way policy reform and its impact on poverty is conceptualized.

Problems that are considered inherent to the process are already well documented and discussed in the international literature:

1. Methodological difficulties in isolating and measuring the impacts of a single policy on a household, especially when policy reforms are frequently structured as a package of interrelated policies;
2. Difficulties in separating the impact of the policy per se and the implementation of it;
3. Difficulties in disentangling the effects of policy from the effects of other exogenous factors.

In addition to these accepted constraints other issues were debated:

1. Conceptualising policy reform and impacts on poverty:

The core of the discussion revolved around the necessity to go beyond the orthodox framework when assessing the impact of policy on households. In impact assessment are we paying sufficient attention to the subtle changes in policy direction and the different interest groups that influence policy-making and its implementation? Has the pre-occupation been on highly visible aspects of reform? For example, what may to an orthodox technical assessment seem an error in policy design or inefficient implementation, may in actual fact be a calculated response to local political realities. Decision-makers and implementers constantly respond to current or anticipated pressures from powerful interest groups. The point of discussion was whether the right questions were being asked.

2. The relationship between policy trends and methodology of impact assessment:

The conceptualisation of the two variables 'policy' and 'poverty' has an impact on the methodology used in assessment, and the data/information used in arriving at conclusions.

At one extreme, poverty could be conceptualised primarily in absolute terms, i.e. in terms of minimum income and minimum acceptable levels of basic needs. Correspondingly, policy reform could be seen as a technical process, and the assessment of impact done primarily to ensure that the implementation was on track.

In this scenario, the monitoring indicators used were macro-variables such as trends in unemployment, real wage rates, incidence of consumption poverty, and key aggregated social indicators mainly in the form of head count statistics of basic needs. Statistical rigor becomes the crucial aspect to the quality of the assessment

At the other extreme – or at least what is currently considered the other extreme – is the conceptualisation of poverty in terms of relative deprivation. Policy reform is conceptualised in a more dynamic manner – the result of a bargaining process that is necessary to gain and sustain support for reforms. The differing impacts on different interest groups need to be taken into account, and the focus moved towards the local level, the sub groups of occupation, etc.

In this scenario, the impact assessment process becomes more proactive, as there is greater scope to inform policy adjustments rather than just monitor them. In terms of data, greater disaggregation is needed regarding the varying impacts on varying groups. The impact analysis would have a more political-economy bent, using more qualitative indicators.

Hence, the methodology of impact assessment and the role of impact assessment changes depending on the way policy and poverty is viewed. This brings up the questions; how can this view be influenced? Should it be influenced? Could impact assessment be a medium of change?

This brings up the next issue:

3. To what extent do researchers need to break out of the orthodox political-economy framework?

Is there a trade off between stretching the boundaries and staying within the existing framework? If the final idea of impact assessment is to influence policy, the researcher needs to address the issues that are important to policy-makers/politicians, and rationalise them in a way that appeals to policy-makers. It can not be an abstract diagnostic tool i.e. it should be usable to the policy-maker. This often necessitates a degree of acceptance of the status quo.

On the other hand, impact assessment can also try to influence the mindset of the policy-maker, i.e. perform a wider educative function by introducing the possibility of new approaches, subtle changes in the process, and different conceptualisations of the issues at hand. This would involve stretching the boundaries of the existing framework.

In the final analysis, greater understanding of the policy process, the mechanisms that link it to welfare at the household level, and what ever cause and effect relationship that can be established to any degree, can come up with two conclusions:

1. There are critical links that can be identified, and modifications to the policy process can be designed so as to have a more favourable outcome for the poor.
2. In contrast, certain macro-policies may be identified as not being of critical importance to the principal causes of poverty in households. This would relieve some of the tensions of balancing the needs of various interest groups.

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3.2 Floor Discussion

The following points were raised and discussed after this presentation:

- Certain areas such as nutrition and food policy and the contraction of the state, were the most popular areas of economic research. But other issues, which did not seem to be directly concerned with economics, but nonetheless were related to state contraction and had an impact on poverty were not the focal points. Some significant issues remained unexplored. These are, for example, the issue of remittances of migrant workers and the way in which these affect the economy and then comes back to determine the status of the economic condition of the family unit; and the impact of transport policy on education.
- With regard to transport policies, it was discussed that recent experiences in border villages have demonstrated that the distance and accessibility to schools have a strong impact on the levels of education achieved. The distance traveled, coupled with factors such as the non-availability of season tickets, deters the educational levels achieved by a child. The time spent on travelling, the unstable transport system, and the amount of time spent on child labor, also impacts on the levels of education achieved. Gender safety issues are also crucial. For example, if it is unsafe in some areas for unaccompanied girls to go to school, then they often stay at home, and give up their education.
- The way poverty is researched defines the type of data selected for analysis.
- A concern was raised about whether nutritional indicators are reliable indices of poverty. While food is basic for survival, and often used as a good indicator of poverty, it does not represent all indicators. For instance, if the state provides subsidies, then the levels of poverty change. Other factors, such as education and income must also be taken into consideration in determining levels of poverty.
- The poor are not sufficiently integrated into the economic system. The speaker said that a study conducted by Prof. Lakshman and others on micro-enterprises by low-income groups was cited, which revealed that macro-level policies had not affected this group. They utilized raw materials available within the locale, from within the community, and their products were bought within their community and by the community. Yet, some macro-level policies did affect them: for instance, changes in food subsidies. One reason for this is because the market is segmented, and certain types of policies and services have an impact on the markets.

3.3 The Underemployed and the Poor

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1. *Introduction*

Poverty covers over a fifth of Sri Lanka's population. It is a phenomenon that has been persistent over a long period of time. It is not location specific, but is spread throughout the island. Various attempts and approaches have been used to tackle the problem. The attempts can be classified broadly into two groups. One is "protective" policy including welfare grants, subsidized provision of basic needs (health care, education, water and sanitation facilities etc.). These attempts have a direct impact on the physical quality of life of the poor, and in spite of certain inefficiencies within such programmes, the overall results seem to reflect positively in human development indicators. The other approach is to promote people out of poverty by paving ways to avenues of income generation and employment. This requires the poor to use the initiatives provided to them to pull themselves out of poverty through earning more. Most micro-enterprise development schemes, credit schemes that ease market constraints, skills development and vocational training programmes fall into the latter category. The key thesis of this paper is that such promotional policies, that attempt to make the poor more mobile in the context of the labor market, should analyze closely the relations the poor have with the labor market. This may be in terms of access, mobility and status (that is, unemployed, underemployed, discouraged, long-term unemployed, hidden unemployed).

In this paper we look at the core visibly underemployed in the labor market and argue that this group represents a disadvantaged segment of the labor market. We also argue that this segment bears characteristics that are akin to those of the poor, that seem to indicate that they may be worse off than most people who are traditionally defined as poor. The discussion also looks at how general policies aimed at improving the efficiency of the labor market and employment creation will not necessarily reach this group, just as much as general measures to alleviate poverty will tend to be ineffective in reaching this group. In fact, some of the policies which attempt to alleviate poverty might actually result in aggravating the segmentation and further marginalizing the core underemployed.

The paper is organized as follows. Section 2 discusses key traits of the core underemployed in Sri Lanka. The section also looks at the social and economic implications of being underemployed and reasons for considering the underemployed as a special subset of those poor, and simultaneously a disadvantaged subset of the labor force. Section 3 looks at the types of labor market efficiency-improving policies and income-generating schemes under poverty-alleviation programmes which may not often capture those underemployed. The concluding section suggests certain policy directions and further research that can be conducted.

2. *Core Underemployment in Sri Lanka*

2.1. Trends and Characteristics of the Core Underemployed

Although several studies have looked in detail at the problem of unemployment in Sri Lanka, few studies have focused on the issue of underemployment. Technically, unemployment is a head-count measure of those who were willing to work during the reference period (usually 1 week), but did not find work for even an hour during this period. As a ratio, therefore, the rate of unemployment UN_R is calculated thus:

$$UN_R = UN/LF * 100$$

(where UN is the number of people unemployed and LF is the number of people in the labor force.)

Clearly, this estimate is no indication at all of the extent of utilization of labor. For instance, those who work for 1 hour a week are as easily classified as those employed as are those working for 40 hours a week. This issue was hotly debated in the 1970s, and led to the widespread belief amongst economists that open unemployment rates were a relatively unimportant measure in developing countries. The more important theme was considered to be labor underutilization (Rodgers 1989).

Labour underutilization may occur in many ways. It may be in a "visible" form where hours worked are less than desired, or "invisible", where there is skills mismatch or relative pay deprivation. Although important, the latter form of labor underutilization is very difficult to measure. However, an estimate of visible underemployment may be measured somewhat roughly using national labor-force survey data. Again, severe data limitations make this an arduous task for estimating underemployment in Sri Lanka. But at least a "core" measure of underemployment can be gauged (see Salih, forthcoming). The study uses the micro-level data gathered by the Department of Census and Statistics in their Quarterly Labour Force Survey from 1992 to 1998 and uses data for 1997 to identify characteristics of those who are underemployed. The paper measures the rate of underemployment (UR_1) as follows:

$$UR_1 = UE/E$$

(where UE refers to the number of people underemployed and E refers to the number of persons employed.)

The rate of underemployment (UR_1) therefore is the underemployed as a proportion of those employed¹.

The underemployed are defined as those people who are already classified as being employed, but whose actual hours of work fall short of their usual hours of work, where the usual hours of work are less than full-time. Full-time hours are estimated to be 35 hours of

¹ This measure, of course, fails to capture the extent of an individual's labor under utilization. This too can be measured using the LFS data (see Salih, forthcoming). But this distinction is not vital for the discussion in this paper.

work a week, erring on the conservative side. Moreover, the reasons for working less hours than usual should be *economic reasons* such as a reduction in economic activity of the firm, raw material / fuel shortages and strikes rather than worker illness, injury or being on vacation. Salih (forthcoming) discusses in detail why this definition (which is the only workable definition given the data limitations) results in the capturing of only the “core” or minimum level of those underemployed in the country. The bottom-line of this discussion is that those captured by this measure of underemployment will necessarily be captured by any superior definition. An example of a superior definition, that is used in certain developed-country assessments is to define the visibly underemployed as those who work less hours than they *desire*, providing that the *desired* hours are less than full-time hours (usually taken as 35 hours). In Salih (forthcoming), a worker’s “usual” hours of work as disclosed in the survey are taken to be a suitable proxy for “desired” hours. The overall estimate, therefore, is likely to be less than average, but close enough to the minimum possible level.

The key observations made regarding the underemployed in Sri Lanka in Salih (forthcoming) are as follows:

1. Underemployment has been rising over the past decade. In 1992, the rate of underemployment was around 2.2 % while in 1998 it was 4 %. This has to be seen in the light of declining official unemployment rates during this period.
2. The group of people defined as underemployed is very vulnerable to macroeconomic shocks and environment. Those industries that recorded high growth in employment over the past few years also recorded an even higher growth in underemployment. The industries that this was most commonly demonstrated in 1998 were construction, activities not adequately defined, agriculture, transport, storage, communication, financing, insurance and business services.
3. The key characteristics of those underemployed are as follows: 82 % of them have less than O/L education (6% no schooling, 34 % primary, 42 % secondary), marginally more rural, female, mostly in the agriculture sector and in “undefined” activities, mostly skilled agriculture workers or those in elementary occupations.

Observation 3 seems to indicate that all those captured as core-underemployed have characteristics very similar to those who are “poor”: primary occupations, primary industries, low education implying low marketable skills and low entitlements. Observation 2 seems to make this implication even more concrete: the group so captured is vulnerable (as the poor very often are). Further, manipulation of the micro-level data shows that family-members of those captured as underemployed are also underemployed. It is likely, therefore, that those defined as underemployed are also poor, possibly in “poverty”. This result is not totally surprising.

It is useful at this point to go back to the definition of underemployment and look at it from the point of view of a segmented labor market. Note that the estimate will capture largely the following categories of workers:

1. Mainly those in the informal sector and not certain segments of “formal employment”— wage earners working for fixed hours, public sector workers.
2. Part time workers, casual employees, self-employed, shift workers.

So in estimating the underemployed, we seem to have chanced upon evidence of strong labor-market segmentation in Sri Lanka that probably contributes to poverty. The causality of the relationship may work both ways, reinforcing both positions. The important point to note, however, is that this group of people who have been so identified are a disadvantaged group within the labor market. Their position is so debilitated that it also means that opportunities of access are limited.

2.2 The Underemployed as a Disadvantaged Group of Poor in the Labour Market: Social and Policy Implications

The discussion in the previous section showed that the underemployed can be captured as a disadvantaged segment of the labor market¹. Being in a state of underemployment on its own is economically inefficient. Since it is not a state that the individual chooses to be in, it leads to low motivation, low “attachment” to the job and low productivity, quite apart from lower earnings. At the aggregate level it is inefficient because it is an under-utilization of skills. Now if this status actually causes poverty or helps people persist in poverty or if being among the core underemployed makes one actually disadvantaged in terms of the labor market position because of possessing certain characteristics, the situation becomes more complex.

For a group in the labor market to be classified as “disadvantaged” they should face constraints that debilitate their mobility within the market and should be generally worse-off as a group in terms of accessibility to the market. Normally, minority groups, the elderly, migrants and even women in certain societies are considered disadvantaged in the labor market. Key characteristics include: being subject to high turn-over rates, vulnerability to exogenous shocks, low average wages, occupational and industrial segregation (see Whitfield and Ross 1996: 133-67). The characteristics of the underemployed discussed in Section 2 show that, as a group, these people seem to be poor *and* disadvantaged in the labor market because their marketable skills are less than the labor market average. The key proxy for

¹ In most studies on underemployment, carried out mainly in developed countries, underemployment coexists with structural changes in the market, such as the move towards growing part-time employment. In such studies, characteristics of part-time workers are found to be very similar to the characteristics of those underemployed, and appropriate policy often recommends supply side restructuring (for example, the creation of labor market opportunities). A key difference in the characteristics of the underemployed identified in those studies and the present study is that in the former studies the underemployed do not show up as a disadvantaged group.

marketable skills is education. In terms of education, 82 per cent of those underemployed are less than O Level qualified compared to the unemployed of whom less than 50 per cent are O Level qualified or the employed of whom around 70 per cent fall into the same category. Clearly, the underemployed is substantially below the average compared to the rest of the labor force in terms of education. The segment is also disadvantaged because they are clustered around "second-class" jobs and primary industries.

The poor so identified, therefore, face a double-bind. They are a disadvantaged group in the labor market and suffer from poverty. The two attributes are no doubt mutually reinforcing.

Thus, the problems that the underemployed faces as a disadvantaged group in the labor force and as those in poverty cannot be treated in isolation. There are strong links that bind these people's position in the labor market and as poor. The group can be reached via special labor market policies and poverty policies. But reaching this group requires a different set of tools to reaching those unemployed or "poor" as broadly classified in most studies. Using most of the prescriptive tools currently used are not only ineffective in reaching this segment but may also lead to further convolutions that marginalize this group.

3. *Why General Labour-Market And Poverty Policies Will Miss the Underemployed:*

Many reports on unemployment and the labor situation look at the labor market as a separate and exclusive entity for analytical purposes, which means that their policy prescriptions are partial. For example, the World Bank (1999) report on Unemployment in Sri Lanka identified the main problems of the labor market in Sri Lanka to be 1) excessively restrictive in terms of labor legislation that raises the cost of labor to the firm 2) poor quality education coupled with high aspirations 3) Public sector tendency to hire large numbers of unemployed graduates, increasing incentives for unemployment. Moreover, examination of the characteristics of the unemployed seems to suggest that graduate unemployment is the key problem in the labor market. So the policy prescriptions are to 1) ease regulatory restrictions to make the market more flexible, lower aspirations of the entrants, improve the quality of education, reduce public sector "creating" public sector jobs and to create "good jobs" such as those in the regulated sector. Other policies include formal sector pension scheme improvements, retrenchment compensation, etc. Although sound on their own, and very worthy in terms of improving overall efficiency in the labor market, none of these policies are strictly relevant to the core underemployed in Sri Lanka who may largely be in the informal sector. Overall labor market efficiency improving neo-classical arguments hardly suggest ways to reach the underemployed.

Let us now turn to income-generating measures and employment promotion programmes. The post-1977 programmes that have benefited the poor were:

1. The employment generating projects of the public-works type such as construction of irrigation facilities, housing and urban development.
2. Employment generation through export promotion (free trade zone).
3. Migration for employment abroad.
4. Employment creation schemes associated with the IRDP.
5. Self-employment promotion and micro-enterprise development projects.

The first of these has a direct and positive impact on the core underemployed. Items 2 and 3 are strictly irrelevant to those underemployed because gaining employment in these sources implies that you will not be identified as being underemployed. With regard to the micro-enterprise development projects and self-employment schemes, around 25 per cent of the underemployed are self-employed. But most self-employment schemes tend to ignore the fact that some of the poor, such as those underemployed, are actually a segment of the market whose mobility is constrained. This seems to be the reason why most self-employment schemes and micro-enterprise development schemes do not result in the expected flying dividends. The usual explanations are that the poor are not entrepreneurs anyway, they lack further sources of credit, and so on. But a crucial point to be noted is that the poor are constrained by a niche, facing a limited market and limited demand. Unless they have access to something larger, in terms of markets and demand, it is difficult for them to move up in the labor market. On the contrary, catering to limited "markets of the poor" might lead to further social exclusion and marginalization of this segmented, disadvantaged group.

4. Conclusions

The underemployed are a special group in the labor market who are victims of exogenous factors in the market that compel them to accept less working hours than they would like to. They are those, whose labor is underutilized in terms of hours worked. The core visibly underemployed turn out to have characteristics that correspond closely to those we consider 'poor.' The underemployed not only show up as a special subset of the labor market, they also show up as a disadvantaged subset of the labor market.

Relations between poverty and the labor market — whether one's status is employed, unemployed or underemployed — are never clear-cut. Individuals may always flow between these states in the labor market, as they will from being poor to being non-poor. But a close analysis of the underemployed, their characteristics and their position in the labor market is important, especially if their position is not transient but persistent, across classes across generations. This may inadvertently lead to further social exclusion. This is why specific

policy that targets this group becomes important and a careful analysis of the relations between the labor market and poverty becomes urgent.

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3.4 Floor Discussion

The following points were raised and discussed after this presentation:

- A concern was raised from the floor about the conclusion that the underemployed (hereafter UE) were classified as poor, because the category of UE also constitutes the sick, and those away from work for long periods. According to one study cited, at any one time 10% of those employed are said to be away from work for reasons of illness. But the definition used here did not seem to take these factors into account.
- The presenter emphasized that UE were defined here according to *involuntary* reasons for being unable to work the maximum number of hours they desired. In the survey, the usual number of hours worked and the actual number of hours worked were tabulated, and if the actual number was less than the usual then the reasons were tabulated according to the categories of voluntary and involuntary reasons. From this list, the exogenous reasons (i.e., beyond the control of the worker) was taken into consideration, and UE were defined accordingly. The category of *usual* is a proxy for desire.
- Problematic aspects of this definition were pointed out. A crucial factor that had not been considered in the definition was seasonality. Harvest trends can be tested and are a key factor in poverty. The question that arose was: to what extent agricultural growth and productivity are linked to the UE, and what percentage of the UE are involved in these processes.
- In addition, if the definition of UE is based on the number of hours worked, then it was noted that the poorest of the poor cannot afford to be underemployed, and they usually work the longest hours.
- The presenter did agree that, while being inferior and problematic, the criteria employed captured the core of what constituted the UE. She made the point that if you examine the individuals who constitute the UE and their families, it is significant that they are from large family units and other members of the families are also underemployed. Their educational levels are also low. They are a marginalized group, a group that cannot be approached easily, and they must be looked at as a socially excluded group.
- It was suggested that in the terms of reference employed to analyze the UE, gradations of poverty must be examined to gain a wider perspective. The point was made that, although studies have focussed upon the high levels of unemployment among those who have O and A Level, and undergraduate qualifications, this group constituted less than 50% of the total unemployment figure. Since they are more vocal, they gain more visibility. Hence, an examination of the two groups of the UE and Unemployed, of the changes and fluidity from one to another, may be valid points of consideration.

- Another point about the UE that needed consideration was the concept of skills mismatch. The utilization of skills had to be considered alongside the hours measurement, and the pay mismatch, to capture a clear sense of the characteristics of this group.

4. Dialogue Workshops on Poverty Issues, Group A Case Studies on Poverty Alleviation

4.1 Abstract: A Comparative Study of the Effectiveness of CBOs In Conflict and Non-Conflict Areas With Special Regard to Poverty Alleviation

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Introduction

Community-Based Organizations (CBOs) are expected to play a catalytic role in participatory rural development. On the one hand, they serve as an important channel for providing/securing vital outside resources for the benefit of target populations in local communities. On the other, they are expected to mobilize and organize local communities so as to promote their participation in the development process. The CBOs have a vital role to play in the development process in both non-conflict and conflict areas. The significance of CBOs may be much greater in the conflict areas in view of the urgency of the situation, greater needs, breakdown of civil administration and the need to rebuild communities where war has had disintegrating effects. This study compares the function of CBOs in non-conflict and conflict areas with a view to identify their role in and impact on poverty alleviation. This study has chosen CBOs established by Seva Lanka Foundation (SLF), a leading NGO operating in both war-affected areas and elsewhere in Sri Lanka. Selected CBOs in one conflict area (Vavuniya district) and one non-conflict area (parts of the Anuradhapura district) have been chosen for the study for comparative purposes.

Problem Statement

What is the role and effectiveness of CBOs in poverty-alleviation and how does it vary between selected non-conflict and conflict areas?

Objectives of the Study

- To identify the degree of success or failure of CBOs in poverty-alleviation in selected non-conflict and conflict areas;
- To ascertain factors associated with the success or failure of CBOs in each area;
- To identify ways and means of strengthening the role of CBOs in relief and rehabilitation, on the one hand, and the development process on the other.

Research Questions

- 1 What are the nature, composition and activities of CBOs in the two areas?
- 2 What are the common tasks that the CBOs are required to perform in the non-conflict and conflict areas?
- 3 What are the differences in the task performed by CBOs in the non-conflict and conflict areas?
- 4 What are the means of social mobilization adopted by CBOs and how does it vary in conflict and non-conflict areas?
- 5 What is the degree of success or failure of CBOs in each area?
- 6 What are the factors associated with the success or failure of CBOs in each area?
- 7 How do factors like homogeneity of membership and gender composition influence the effectiveness of CBOs?
- 8 Is there any difference in the level of self-reliance or level of dependency in CBOs and what factors account for any observed difference in this regard?

Hypotheses

The present study will test the validity of two hypotheses formulated on the basis of literature review and preliminary discussions with different stakeholders:

1. That the effectiveness of CBOs in poverty-alleviation varies with level of community mobilization achieved by each CBO
2. That CBOs and small groups controlled by women are generally more effective in relation to the goal of poverty-alleviation compared to those controlled by men.

Methodology

In this study, CBOs established by SLF were chosen in consideration of the significance attached to CBOs by this NGO and its presence in both conflict and non-conflict areas. Of the six districts in which SLF is active, two districts, namely Vavuniya and Anuradhapura, were chosen for the study in view of their relative proximity, relative accessibility and comparability on the basis of similar agro-ecological circumstances. From each district, one highly successful, one moderately successful and one least successful CBO was chosen for the study in order to identify reasons for success or failure. In determining the level of

success of the CBOs, criteria adopted by SLF were used in the present study. Basic information about the resulting six study communities is given in the Annex 1.

For this study, data was obtained over a 3-month period from the selected villages using mainly quantitative research techniques. The researcher obtained information in the following ways:

1. Key informant interviews with officers of SLF at various levels. The objective of these interviews was to identify the role of CBOs within SLF.
2. Participation in CBO meetings. This enabled the researcher to familiarise himself with the kind of issues discussed in these meetings, the level of participation by various participants, and to assess the nature and level of activity of each CBO.
3. Focus Group Discussion with office-bearers of each CBO. These discussions helped the researcher to clarify various issues relating to the functioning of the relevant CBOs. These discussions were often held before or after the CBO meetings to make it possible to get the office-bearers together as a group without disrupting their normal activities.
4. Case studies. A total of twenty case studies of CBO members were conducted in order to assess their relation with the CBO, the nature of the assistance they received, their level of participation and the overall impact of CBO activities on their livelihoods and living conditions. Of the 20 case studies, 12 were from the Vavuniya district and 8 were from the Anuradhapura district.

Situation Analysis

All the study villages were rural agricultural communities situated within the dry zone. However, there were some important differences between the study communities in Anuradhapura and Vavuniya districts. The study communities in Anuradhapura district were settled over a 50 year period at least. Inhabited mainly by Sinhala people, the study communities in the Anuradhapura district were outside the war zone even though they too had in some ways been affected by the war: due to the increased significance of employment opportunities in the security forces; restricted mobility and inability to cultivate chenas in the deep jungle due to the war; and the employment of some internally displaced people in some of the villages. On the other hand, all three study villages in the Vavuniya district were refugee settlements where SLF has been engaged in relief and rehabilitation work. The inhabitants in two of these villages were Tamils who had been displaced many times since the eruption of war in the 1980s. The third is a Sinhala border village, which had been partially depopulated as a result of the war. People in all three study communities in the Vavuniya district had spent sometime in the refugee camps (welfare centres) and had been resettled either in their villages of origin or in completely new settlements. Where they had been resettled in their villages of origin they often managed to reclaim their original land. Where they have been "relocated", they are often provided with 1/2 acre highland plots for

both residential and agricultural purposes. As the security forces have introduced a pass system, restriction on mobility is much greater in the Vavuniya district, compelling the inhabitants to eke out a living from various subsidies given under Refugee Rehabilitation (RR) programmes, income from farming and wage labor and remittances sent by relatives abroad.

The SLF activities in the two areas started under different circumstances. In the Anuradhapura area, the SLF began its activities with support from the National Development Trust Fund (NDTF), effectively since 1999. The NDTF supported activities that involved: social mobilization; formation of community-based saving and credit programmes; infrastructure development; and the promotion of income-generating activity and micro-enterprises. This was based on the model of poverty-alleviation advocated by NDTF and the accompanying Janasaviya Programme. By 2000, SLF activities in the Anuradhapura district were merely continuation of operations begun in the Janasaviya era with no additional funding from any outside sources. On the other hand, the SLF operations in the Vavuniya district were well funded, as German Agro-Action and various other donors had been supporting RR operations in these areas. In the refugee resettlement or relocation schemes, the CBO formed by the SLF had emerged as the primary link between the local communities and outside agencies, including government agencies, as the civil administration has been disrupted in this war-affected area. Since most of the resources flowing from outside were channeled through this CBO, it proved to be a key organization in the conflict areas.

Main Findings

1. Of the CBOs operating under SLF, those in the selected conflict area were found to be generally more active than those in the non-conflict area. This was reflected in routine CBO operations like frequency of meetings as well as in outputs like volume of credit per CBO, the range of activities and the significance of CBOs in the delivery of services and external assistance. This can be attributed to a variety of factors, including greater significance of external assistance in conflict areas and the diversion of NGO efforts to RR activities in the conflict areas. This, in turn, may be related to higher donor support for RR activities in response to the ongoing war and the significance of CBOs set up by the SLF as the sole organization and the primary channel for accessing external support for the refugee settlements (where no other organizations exist due to weakening of civil administration and break up of any pre-existing organizations as a result of displacement), as well as the greater competition from alternative CBOs in the Anuradhapura district where several NGO and government programmes for poverty-alleviation are in place. This study found that SLF activities in the Vavuniya district are much better funded through RR funds available in the conflict areas, as compared to Anuradhapura district where current SLF operations were seen as follow up to activities initiated in the Janasaviya-NDTF era. This was reflected in the variation in number of field staff. While Anuradhapura district had only 12 SLF field staff, the Vavuniya district had a total of 40 field staff. Community-rebuilding efforts, currently in progress in many parts of the Vavuniya district side by side with relief and rehabilitation programmes, have meant that the CBOs have become an important catalyst in this process.

2. Within each district there is considerable variation in the effectiveness of CBOs due to variation in community organization, the type of leadership in control of the CBOs, the nature of membership, the nature of the relationship, and the means of social mobilization, adopted by the NGO. The SLF has adopted its own criteria for assessing the effectiveness of CBOs for monitoring and administrative purposes. This study found that the criteria adopted by the SLF for assessing the effectiveness of CBOs are quite appropriate although they tend to emphasise the operational aspects (e.g. frequency of meetings, volume of savings) rather than the impact of CBOs in terms of income-generation or poverty-reduction.
3. As for variation in community organization this study does not show that CBOs are necessarily more active in settled agricultural villages with established social networks like kinship relations as compared to new settlements where social networks are being newly established. On the contrary, in the case of selected CBOs in the Vavuniya district, the CBOs appeared to be more active in relocation settlements where people from various places of origin are newly settled, in comparison to resettlement schemes where displaced people come back to their places of origin and try to re-establish livelihoods and social networks that existed prior to displacement. The reason may be that in completely new settlements the need for infrastructural development and the need for establishment of basic services generate a much stronger basis for collective action. Another factor may be that in established village communities, existing social divisions along the lines of caste, kinship or political factors may sometimes serve as a barrier for mobilization of communities for collective action across customary social divisions.
4. The commitment and capabilities of leadership of CBOs have a decisive influence on the effectiveness of CBOs. This was clearly demonstrated in the case of Shrawasthiwatta where micro-finance activities were most effective because a person with prior experience in the co-operative movement gave leadership to these micro-finance activities. As a result, the CBO had evolved an effective banking system with attractive banking and credit schemes and high dividends for the members of the CBO. In contrast, in Kalaththawa where the CBO was least effective, many of the leaders has lost credibility because of their suspect financial dealings.
5. As for the type of membership, the CBOs controlled by women were found to be generally more effective than those where men were more active. In Anuradhapura district the most effective CBO in Shrawasthipura had several women leaders. On the other hand, the CBO in Kalaththawa – which was the least effective – had been controlled by men. Similar pattern was observed in the Vavuniya district. Female participation was greater in the more successful CBOs. In Pirappamaduwa, the Sinhala border village, the CBO was relatively inactive, with only male household members taking part, as their women folk had moved to safer area in view of potential attacks from the LTTE. The findings support one of the two hypotheses formulated at the beginning of this study. The higher female participation in a CBO tends to make it more active as the practice of saving and ability to work in groups may be more established among women (Hewavitarana). On the other hand, some of the male leaders more interested in power and influence and more inclined to introduce factional policies into the operation of CBOs.

6. The degree of income differentiation within the community also maybe a factor in the effectiveness of CBOs. The CBOs set up by SLF in the Anuradhapura district primarily catered to the poor, as they were established under NDTF support. This had the effect of alienating the more affluent villages who were not beneficiaries of the Janasaviya programme. On the other hand, in the Vavuniya district, the CBOs cater to the entire community as they provide relief and rehabilitation services to all the displaced people irrespective of their income level. However, given the fact that the war has had the effect of eliminating any sharp disparities among the population affected, the CBOs in the conflict areas tend to serve fairly homogenous target populations. On the whole, it appears that the CBOs in relatively homogeneous communities are more effective than those operating in internally differentiated communities.

7. The SLF has adopted a common strategy for mobilisation of rural communities whether they are in the conflict or non-conflict areas. The community mobilisation strategy used by the SLF had evolved from the Janasaviya era. It involved formation of small groups, implementation of savings and credit programmes and formation of CBOs through the federation of these small groups. This strategy had been modified in the conflict areas in consideration of the urgency of needs and the inability to introduce a long mobilization process prior to the formation of CBOs. However, in recent years, attempts have been made to start the mobilization process while people are still living in the welfare centres, as a means of preparing them for the subsequent resettlement process. It is difficult to attribute the level of effectiveness of CBOs to the nature of mobilization process, as detailed information about the mobilization procedures used in each study community was not available. However it was clear that in the case of refugees where the mobilization process had started prior to their shift from the welfare centres they tended to have a higher degree of participation in CBO activities.

Preliminary Conclusions

1. While effectiveness of CBOs may be greater in the conflict areas, the higher dependency of CBOs on external assistance must be seen as a cause for concern.
2. The lull in the CBOs' activities, currently witnessed in the case of SLF-assisted CBOs in the Anuradhapura district, may also be applicable to CBOs in the conflict areas, once current subsidies under RR programmes are withdrawn. Therefore, lessons learnt from the Anuradhapura district in building viable CBOs, and the gradual withdrawal of external assistance, may be relevant for determining the future direction of SLF operations in the conflict areas as well.
3. Efforts must be made to enhance the sustainability of CBOs through promoting their self-reliance, asset formation and capacity development.
4. Future research must aim at identifying mobilization strategies appropriate for different types of communities – such as *purana* ('traditional') villages and new settlements – and programmes for resettlement of internally displaced people.

Poverty Alleviation and CBOs

- 5 The CBOs must be seen as an important tool for empowering the poor in general and impoverished women in particular. They have an important role to play in organizing the poor and in enhancing their capacity for self-employment within a competitive market environment. In the war-affected areas the CBOs can play a vital role in community rebuilding and rehabilitation programmes.

Annex 1

| Name of CBO | No of HHs in village | CBO Members | | | Total Savings Rs. | Total Volume of Loans Rs. |
|------------------|----------------------|-------------|------|-------|-------------------|---------------------------|
| | | Female | Male | Total | | |
| Shrawasthriwatta | 360 | 72 | 11 | 83 | 240,000 | 600,000 |
| Kalaththewa | 175 | 10 | 22 | 32 | 11,000 | No info |
| Wettamkulama | 156 | 15 | 00 | 15 | 1,600 | 20,000 |
| Sethamparapurm | 180 | 43 | 20 | 63 | 31,000 | 236,000 |
| Pirappammaduwa | 86 | 20 | 06 | 26 | 2,000 | No info |
| Kumankulama | 501 | 136 | 74 | 210 | 231,000 | 842,500 |

4.2 Floor Discussion

The following points were raised and discussed after this presentation:

- The word CBO has been used in common parlance for several years, and it has got to the stage where there is no clear meaning for it anymore. But its role in conflict areas has given it a new sociological meaning.
- It was demonstrated that CBOs play an important role in conflict areas. There is an active and high level of participation from the community. The CBOs provide security for areas where there is a breakdown in law and order, and has the presence of military and para-military organizations. It fulfils some functions of a state body, for instance, of providing grants, relief to the underprivileged groups, and builds a bridge between the state and the community. Because of the breakdown of traditional services, CBOs force people to come together and work together.
- In some areas the CBOs have to provide greater relief than even the State, because the community has to survive the war. The context here is very different to the non-conflict areas, and may, therefore, explain the high successes of the CBOs.
- The question was then raised whether CBOs are defeating their purpose. For instance, most NGOs work towards sustainability and ultimate self-sufficiency, but the CBOs may be creating an ethos of dependency.
- In reply to this it was pointed out that in many of the conflict areas, the CBOs are compelled to provide everything, from rebuilding houses to psychological support, for the survival of the war. Although there was concern about the dependency on the CBO, the speaker said that they too work with the objective of self-sustenance.
- The high success of the women and their leadership roles in the CBOs was a main point of the CBO. The reasons for their commitment towards the CBOs were seen as the sense of responsibility that women seemed to demonstrate in financial matters. For instance, in the case of loans, women had a high level of repayment. They used the grants available for social mobility. They displayed an ability to work together, and attended meetings more regularly than men. It was felt that the conflict situation broadened the traditional female roles, and they were taking new roles, which included leadership.

**4.3 Abstract: The Factors Affecting Success and Failure
Of Women Returnees from the Middle-East:
A Sociological Study of Middle-East Employment
In the Kurunegala District**

**By H. M. K. B. S. Wanninayake
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Introduction

Migration from Sri Lanka to other countries, especially to the Middle East, has contributed greatly to the island's gross national product. This has been the main factor directing the attention of the government towards Middle East migrants. Income from migrants, by way of foreign exchange earned, has contributed nearly 40 billion rupees annually, which amounts to 5% of the GDP of the country. The ILO has estimated, however, that throughout the world the total number of legal migrant workers was 25 million, while illegal migrants were in the range of 45 million (Fernando 1998). The total number of Middle East workers, both men and women, amounts to 700 thousand (Fernando 1998). The estimates of the Sri Lanka Bureau of Foreign Employment (SLBFE) indicate that this number could increase to 1.2 million by the year 2000 (Kottegoda 1999).

The present study focuses on the following problem: Why is there a wide variation in the socio-cultural impact on the family and the community of the returnee women when a massive increase in the economic sphere of the villages and households of the returnees has taken place?

To understand this dilemma, the present study seeks to explain why some returnee families consider themselves 'successful' while some others consider themselves 'failures.' It is assumed in this study that failure and success are more widely reflected in the socio-cultural variables than in the variables that are associated with the economy of Middle East employment.

In analysing this problem, the study focuses specifically on the following research questions:

1. Is there any association between the post-migrant socio-economic situation and the pre-migrant socio-economic status of the migrant women?
2. What roles do the amount of money remitted by the migrant woman to the household during her employment, and money management (including expenditure, investment and saving) by the family and the woman while in employment and after return, play in promoting the socio-economic situation of the family?
3. How important is the composition (for example, presence or absence of husband) and structure of the family when the migrant woman was away in employment, for the later development of the socio-economic situations of the returnee woman's family?

4. How important is the role that was played by banks and financial institutions in handling remittances for the later development of socio-economic conditions of the family of the returnee woman?
5. Is there any relationship between the education level of the returnee woman and the post-return socio-economic development of the returnee woman's family?
6. Is there any impact of the attitudinal changes of the returnee woman on the post-returnee socio-economic development of the family?

Hypotheses

It is hypothesized that:

1. Positive family relationships and family support during employment abroad enhance the economic success of returnee women from Middle East employment;
2. Personal characteristics, levels of education and literacy, the ability to liase with people and adaptability, all play an important role in enhancement of the 'success' of returnee women from Middle East employment.

Methodology

The study covers the entire administrative district of Kurunegala in the North Western Province. Of the 28 DS divisions, 8 rural DS divisions were chosen by the Participatory Development Project in the North Western Province, of which Maho was chosen for the study. Quantitative data for the study were collected from a sample of 60 families chosen from the villages in Maho, while the qualitative data were obtained from 16 households (8 each from 2 groups of 'successful' and 'failed' cases). The women were chosen to represent the successful and failed cases of returnee women, as perceived by the women themselves. The data for both types were collected to understand the situation of the returnee families before migration and after migration.

Data collection was carried out during three months from December 1999. The quantitative data were collected using survey methodology in sociology, while the qualitative data were collected using the interview technique in the main. Field notes and extensive interview notes were coded and classified manually for the use in the final analysis. The quantitative data were entered into the computer and finally analysed using the SPSS program.

Findings

General

1. There were 258 people in the sample of 60 families, of which 136 were females. 57 children were under 14 years. Of the 60 families, 51 did not have the wife or the husband's parents living in the family. 9 Families had husband's parents living in the family. Thus 51 can be viewed as nuclear families of husband, wife and children, and 9 could be considered as extended families where either husband's or wife's relations were living in the households. 2 households had more than 1 family, while 6 had only 1 family in the household. The average family size was 4.3.
2. Of the 60 families, there were 64 women who had been employed in the Middle East. The sample of 60 comprised returnee women who were present for the interview. The average duration of a returnee's visit was 46 months. The range of duration was 12 months to 132 months.
3. The average age of a returnee was 36.6 years, and the range is 17 to 51 years. There were 4 women less than 20 years of age, 11 women 21-30, and 22 women 31-40, 18 women 41-50, and another 5 women who were over 50.
4. Of the 60 women, 51 were married and of these 45 had children. There were 4 unmarried women, 4 widows and 2 who were separated from the husbands.
5. Of the 60 women, 34 had used legal channels for migration, while 26 had used unofficial channels.
6. Of the 60 women, 3 were not formally educated, 41 were educated only up to 6th standard, while 24 had been up to GCE O/L, and 2 persons had been to GCE A/L.
7. Of the 60 women, 58 had migrated for employment as house-maids. Only 2 migrated for employment to garment factories.

Socio-Economic Status (Before Migration)

1. House type and ownership of land before migration:
 - 18 houses constructed with wattle and daub structures, 9 with clay, while 14 were constructed with cement, and 32 with clay/cowdung. 8 houses had tiles for roofing, 5 houses had iron sheets, and 34 were thatched. Only 32 had their own house to live in, while 11 were in parental houses. 9 houses had wells, and 31 had their own toilets. Only 2 houses had electricity. The average land ownership (highland and paddy both) was 1.5 acres each.

2. Income:
23 households had an income of Rs. 2000 a month while 5 had Rs. 5000 or more. 10 households were considerably poorer with incomes of less than Rs. 2000 a month. The average income of the sample was Rs.1547.
3. Property ownership:
1 family had two-wheel tractors, while 12 families had cows, and 3 families had poultry. None of the families owned a vehicle, while 45 families had a bicycle each.
4. Assistance:
Of the 60 families, 33 were Samurdhi beneficiaries, and there were no Janasaviya receivers. 10 families were getting assistance in kind, for instance, plants for cultivation by organizations such as IFAD.
5. Household Items:
Radio – 14 households (HHs); TV – 6 HHs; Sewing machine – 3 HHs; Refrigerator – 1 HH; Gas Cooker – 1 HH; Rice Cooker – 1HH; Elec. Fan – 1 HH; Elec. Iron – 1 HH; Wall Clock – 7 HHs;
6. Civil Status:
45 were married at the time of migration, only 10 women were single.
7. Literacy and language ability:
All the women were able to speak Sinhala, while 3 were not able to write and read any language.

Financial Management: (Before Migration)

1. Financial and assets:
Loans – 20 women had gotten loans from moneylenders
Bank Accounts: Only 6 women had bank accounts

Socio-Economic Status (After Return)

1. House type and ownership of land after return:
2 houses constructed with wattle and daub structures, 4 constructed with clay, and 48 constructed with cemented floors. 42 houses have tiles for roofing. 56 had their own house to live in, while 2 are in parental houses. 20 houses had wells, and 55 had their own toilets. 27 houses had electricity. The average land ownership was 25 perches each.

2. Income:
20 households had an income of Rs. 2000 a month while 8 had Rs 5000 or more. 10 households were considerably poorer with incomes of less than Rs. 2000 a month. The average income of the sample was Rs. 2262.
3. Property ownership:
3 families have two-wheel tractors, 1 family has a van while 5 families have cows, and 2 families have poultry. None of the families own a vehicle, while 51 families had a bicycle each.
4. Assistance:
Of the 60 families, 28 were Samurdhi beneficiaries, while there were no Janasaviya receivers. None of the families were getting assistance in kind (such as plants for cultivation by organizations such as IFAD).
5. Household items:
Radio – 49 Households (HHs); TV – 34 HHs; Sewing machine – 14 HHs; Refrigerator – 5 HHs; Gas Cooker – 5 HHs; Rice Cooker – 1HH; Elec. Fan – 6 HHs; Elec. Iron – 13 HHs; Wall Clock – 8 HHs;

Financial Management: (After Return)

1. Financial and assets:
Loans – 13 women have settled their loans
Bank Accounts and Savings: 38 have opened savings accounts at a bank and 7 women have saved money.
2. Investments: Only 5 women have invested money.
Money remitted: Average amount = Rs. 4700 a month.

Degree of Success as Revealed in the Quantitative Data:

Of the 60 women, 4 said that they were 'extremely successful,' 30 women considered themselves as 'successful,' 8 women did not claim to be either 'successful' or 'failures,' 9 considered themselves 'somewhat successful,' 7 said they were a 'failure' (2 women did not respond to this question).

Qualitative Assessment of Success and Failure:

Of the 16 women interviewed for the study, 8 were successful cases while the other 8 were failures. The characteristics of success and failure are the following:

Reasons for Success

1. Individual personal appearance, efficiency, honesty, and commitment to work.
2. Co-operation of family members to look after the children of the employed women.
3. Small family size and relatively less responsibility, such as being unmarried.
4. Additional income of other family members.
5. Adequate education and communication skills.
6. Getting on well with the employers and receiving high regular salary.
7. Satisfactory financial management skills (saving and investment).
8. Having a clear objective to be successful and working towards it on a long-term basis.

Reasons for Failure

- Laziness, inappropriate behavior, dishonesty, and failure to adjust to the new environment.
- Being isolated/disorganized due to lack of family support to take care of the children of the employed women.
- A large number of dependants in the family and higher percentage of earnings spent on consumption in own family.
- Lavish spending by family members.
- In the case of married women, their husbands' wasteful habits and conspicuous spending.
- Poor educational knowledge and deficiencies in decision-making and communication.
- Aggression or hostility of members of the host family, sexual harassment, payment of low or reduced wages, delayed payment, or wages not paid at all.

Conclusions

1. Although there is economic gain through employment wages, the success or failure of a migrant woman relies largely on money management aspects, both at home and abroad.
2. The impact of social relationships of the woman in her family is crucial in the successful management of remittances.
3. The personal characteristics of the woman, her level of education and literacy, and her ability to liaise with the host family are important for the success of women in Middle East employment.

4.4 Floor Discussion

The following points were raised and discussed after this presentation:

- The point that family support significantly impacted upon the success of the family's economic situation after the migration of a female member of the household was queried. The main contention was how family support was assessed.
- The speaker pointed out that although many studies had been carried out to measure the benefits or failures of migration to the Middle East, these studies did not examine the family support available. Many families had not benefited from remittances from the Middle East not because of poor money management per se.
- The woman is one of the primary figures in the family, and she is either the mother, wife or sister. When she leaves the family unit she loses this status, and her absence disrupts the unit. Thus if more members of the extended family provided support for the dependants, the family structure may be more stable.
- To the question of the time frame selected for the study, the speaker replied that the period between 1997 and December 1999 was chosen for analysis. It was then suggested that the number of years that they stayed was also important.
- A concern was raised about measuring the success/failure on factors entirely due to family support. Other factors such as geographical context, and the organizational support available were also crucial in determining the status of the family unit.
- Although in this study there was a change in status for the women who went to the Middle East and their families – about 59% of the sample were said to be successful – it was pointed out that in another study carried out in the Nikaweratiya district, the failure rate was more than 60%. Hence there was a concern about the sample that was selected.

5. Dialogue Workshops on Poverty Issues, Group B Credit Systems & Micro-Entrepreneur Programmes

5.1 Abstract: An Empirical Investigation Of the Credit Operation System for Rural Low- Income Groups Implemented by the Co-operative Rural Banks of Sri Lanka.

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The contribution of rural financial institutions to poverty-alleviation programmes is assumed to be important to the development strategy adopted by developing countries. The sustainability of economic development depends on the economic empowerment of underprivileged categories of population. Formal as well as informal sources cater to the financial requirements of the rural sector. Formal rural financial organizations comprise government banks, private banks, non-governmental organizations, and co-operative banks.

This study is based on the credit operation system of Co-operative Rural Banks (CRBs) of Sri Lanka. Recent studies conducted on CRBs, as well as on the views of the policy-makers, indicate that its performance, especially in relation to the credit operation system, is not up to expectations. During 1997, the value of total credit granted was Rs. 3,363 million and the value of past due loans was Rs. 444 million. This is 15% of the total loans granted. During 1997 the total number of branches were 1329, and out of this 16.7% of branches were running at a loss.

The above facts raise the concern whether internal factors within the CRBs have influenced the poor performance of their credit operation system. An attempt is made in this study to evaluate the CRB credit operation system in depth, and identify the factors which may have hindered their performance. Further, this study deals with the problem: "Do the present internal factors of the CRB influence the poor performance of their credit operation system?"

There are three major objectives of the study. The first objective is to review and analyse the present credit operation system of the CRB, with special reference to financial, institutional development and member development aspects. The second objective is to identify the effect of institutional, human resources, and technical factors on the performance of the credit operation system. Finally, this study proposes to identify changes which are necessary to improve the performance of the CRB credit operation system. An organization is a system which utilises physical and human resources, and processes them to produce goods and services in achieving organizational and social objectives. Its performance is determined by how efficiently and effectively it integrates its resources.

In the study, financial performance, institutional development and the extent of member development are used to assess the performance of the credit operation system. The factors

affecting the performance of the CRB credit operation system is grouped into three major areas as institutional factors, human resource factors, and technical factors.

The study was conducted in Ratnapura district of Sabaragamuwa province. A sample of six CRBs was selected out of 13 CRBs operating in Ratnapura district. Primary and secondary data was collected to analyse the performance.

To measure financial performance, the profit percentage of income and amount of past due loans are used. According to the standards, the profit percentage of income must be around 60%. But during the 3-year period of 1996 to 1998, profit percentage of income of all the banks were less than 60%. The average value was around 40%. When past due loans are considered, during the above period, the highest value of past due loans was Rs. 4 million and the lowest was Rs. 0.4 million. The above facts reveal that financial performance is not up to the expected standards.

To measure institutional development and the extent of member development, branch expansion and active accounts per branch are used. During the above 3 years, only 3 banks have opened a new branch. Where active accounts per branch are concerned, 3 banks show a decline in the number of active accounts. In the other 3 banks, the improvement is marginal. This shows that they have not performed a significant role in institutional and member development aspects.

To strengthen these findings the major causes are identified. The major institutional factors are as follows: CRB is not administered as an independent entity, and it is attached to the Multipurpose Co-operative Societies (MPCSs). This has prevented CRB decision-making in relation to credit operations. In some cases, political leadership has badly affected the selection of borrowers and that has directly affected loan recovery. Another factor is that a team approach is not prominent in credit-related activities. This has led to an information gap and hinders performance. There is also no strategic plan for the CRB, and this has also contributed to poor performance.

The major technical factors affecting performance are as follows: the loan application form has not been simplified and clients face difficulty filling these forms; the credit delivery process is too lengthy and there are some steps which can be eliminated. In addition, there is no organized customer group, and finding guarantors is difficult. Borrowers also mentioned that credit is not given as a total package and there is no close monitoring and follow up. This has led to misallocation of credit and has affected recovery. In a CRB, loans are given to the members, but a larger proportion of savings comes from non-members. Thus, even though they have savings, they do not have the opportunity to obtain a loan. Further, the first priority of the loan portfolio is not given to project loans and this has affected the recoveries. Also, with project loans, there is also no proper evaluation of feasibility. Finally, there is no good social mobilization programme and no regular formal contacts with the borrowers, which leads to lower recovery.

Weaknesses identified with human resource factor are as follows: A very high proportion of employees remain less motivated because they do not have a proper performance

evaluation scheme or reward system; their remuneration is low in comparison to other banks; and most employees are not professionally qualified in the field of rural banking.

Although the above factors are common findings, there are some successful cases. The most significant factor that contributed to the success is the human resource factor. In successful cases, employees are found to be fully committed to the service and are satisfied when their clients' needs are fulfilled.

The above findings conclusively reveal that the performance of the credit operation system of the CRB is not up to the expectations of clients, as well as policy-makers. Performance is hindered by some institutional, technical and human resource factors. Although institutional and technical factors are common to all CRBs, there is a variation in the human resource factors. In some cases, employees are highly committed and their clients are satisfied with the service provided by the bank. Therefore, there is potential for the CRBs to further improve their performance by addressing the bottlenecks in the institutional, technical and human resource factors.

5.2 Floor Discussion

The following points were raised and discussed after this presentation:

- The question was posed whether the presenter had compared the performance of Co-operative Rural Banks with that of other Sri Lankan banks, as well as banks offering micro-credit in other parts of South Asia, such as the Grameen Bank. The speaker replied that the savings component in the CRBs was good but the credit component was not as good as in other banks. The recovery rate was 70%. This was because decision-making in regard to the selection of borrowers was done by the members of Multipurpose Co-operative Societies (MPCSs), who were partial to their friends and associates.
- The extent to which the MPCSs were subsidizing the CRBs or vice versa was queried. The speaker said that the banks were being used to cover the losses of MPCSs. A member from the audience pointed out that MPCSs were political clubs and for the banks to be viable there should be a clear separation between the two institutions.
- A question was asked how CRBs banks have responded to macro-level changes in the economy, such as liberalization and reforms in the banking sector and how competitive they were in the present context. The speaker replied that the close link between the MPCSs and rural people, and an island-wide network, has been instrumental in the high mobilization of savings in CRBs. She did not see an immediate threat to CRBs but Samurdhi banks could take over some of their clientele in the future. The CRBs would have to provide improved services at the micro-level. What was most important was the human resource factor, especially the attitudes of the employees towards their clients.
- The presenter was advised to consult the micro-finance literature more comprehensively, and place her study on CRBs in the context of other such studies.

**5.3 Abstract: Determinants of the Success
Of Women's Micro-Enterprises of the Samurdhi Programme
At Hettipola DS Division in the Kurunegala District.**

**By V. Maheswary
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This study will attempt to determine the factors which influence the success or failure of the micro-enterprises of women within the Samurdhi programme at Hettipola DS division in the Kurunegala district. The Samurdhi programme is a national-level poverty-alleviation programme implemented by the People's Alliance Government from 1994. The Samurdhi programme targets the poor whose income level is below Rs. 1500 per month. 13.5% of the total population in the Hettipola DS division of the Kurunegala District benefit from the Samurdhi programme. As the Samurdhi programme is a growth and welfare-oriented programme, it consists of different types of income promotion programmes.

The Hettipola DS division demonstrates that the people in the Dry Zone, with its harsh climatic conditions, depend on off-farm activities as a major source of income. They mainly engage in wage labor for earning an income. Most of the men leave their homes early in the morning and come back in the late evening or once in 2-5 days. This situation enables women to participate in all the activities of the Samurdhi programme. Therefore, most of the small group members and the Samurdhi bank union members are women. Samurdhi banks provide financial assistance to their members for initiating or improving micro-enterprises. Thus, it is women who have access to the benefits of the Samurdhi bank.

However, women have to face more hardships generally than men in engaging in income-generating activities, mainly because of the stereotypical activities expected by their families and society. This is different to the expectations for men. Therefore, women have to make an extra effort to initiate an enterprise. The unpaid workload is higher and their domestic responsibilities minimise the time and the opportunities available to gain skills and knowledge towards small enterprise development. As the Samurdhi programme promotes income generation among the poor in general, the extent to which they contribute to the development of women's enterprises is still questionable.

This study concentrates on the factors which influence the success or failure of women's enterprises within the Samurdhi programme, as well as within households. The factors identified within the Samurdhi programme are credit facilities, training, marketing facilities, monitoring and project approach. The intra-household factors are supportive family members, better mutual understanding between wife and husband, generation skills, decision-making within the family, and alcoholism.

Semi-structured questionnaires were used to collect information from Samurdhi managers and Samurdhi Development officers (SDOs). Pre-structured questions were utilized in constructing case studies from beneficiaries, and informal discussions were conducted with senior officers within the Samurdhi hierarchy. Further, group discussions,

observations and documents were also used to gather data. The analysis was completed using qualitative techniques.

Samurdhi banks play a vital role in the process of granting credit to beneficiaries, including women, to develop micro-enterprise in the area. When a loan is used for investment, then repayment is not a problem. But in some cases, there is a misuse of credit (for example, for the construction of houses), and then they face difficulties in repayment. In these cases they decrease the money available for household expenses to pay the installments. The attitude of women who ensure that their loan installments are paid on time drastically affects the nutritional intake of the family. Lack of business management training for women who receive loans for business development result in low impacts of the loan granted within Samurdhi. The same group of beneficiaries is always selected by the SDOs to provide different types of skill training, with poor consideration of the interest and requirements of the participants. Therefore, after the training, many of them engage in activities that are not related to the skills gained by the training. In terms of market facilities, women who were engaged in business before they received the Samurdhi loans, have found market facilities for their products. Starters face difficulties in searching for markets for their products. Further, villages with a better monitoring system demonstrate success in women's micro-enterprises. Samurdhi development officers are responsible for the monitoring of the programmes within Samurdhi. As the Samurdhi programme is a national-level poverty-alleviation programme implemented by the state, the same approach is adopted all over the country. But the requirements of the beneficiaries vary depending on the availability of resources, social factors and the economic conditions of the community. Due to this programming gap, there are some inconsistencies in the implementation. This situation leads to the poor impacts of the credit programme, which is below expectations.

It was clearly demonstrated that supportive family members and generation skills have a positive impact on business performance. The main factor for the failure of business is the husband's alcoholism, which negatively affects the economic, social and health condition of the family. Families with better mutual understanding between wife and husband showed equality in the process of decision-making within the family, which directly influenced the success of women's enterprises.

Therefore, the Samurdhi Programme should integrate a gender concept at the policy level, in order to create awareness of the concept of gender among Samurdhi staff to enhance the outcome of enterprise programmes for women. Based on the requirements and resource availability of the area, the approach of the Samurdhi programme should be localised. Further, micro-credit programmes of Samurdhi should be integrated with other related training programmes (Business management, Gender and Development, Business counselling) for the maximum utilisation of the loan issued.

Moreover the monitoring strategies of the Samurdhi programmes at the village level should be improved and strengthened, women's leadership roles in decision-making (at the level of the control board and executive committee) should be enhanced by at least 50% within Samurdhi. The alcohol prevention programme should be strengthened using effective

strategies, and the appraisal mechanism of issuing loans for micro-enterprises after approving the project should be implemented.

To sum up, it will be beneficial if Samurdhi programmes include special institutional and organizational aspects towards more gender equity for women to ensure the success of women's micro-enterprises.

5.4 Floor Discussion

The following points were raised and discussed after this presentation:

- The speaker was asked what the percentage of women beneficiaries was under the Samurdhi micro-enterprise programme in Hettipola. She replied that there was a lack of gender segregated data at the DS level but from her interviews with officers and beneficiaries it was clear that women's involvement was higher than men's.
- A question was posed on the training needs of women, and whether there was an initiative to link up with existing programmes. She said that some women beneficiaries had attended enterprise development training, empowerment and business management skills training courses.
- To a question on what kinds of micro-enterprises were receiving loans, the speaker replied that these included: coir-making, patchwork quilt-making, pottery, cashew processing and anthurium cultivation.
- In discussing how to define success among micro-entrepreneurs, it was pointed out that it was business expanders, who already had some experience, who were successful rather than starters. Some people were always chosen for training because they were already somewhat successful. They were considered as demonstrating the way for others. The question was posed to what extent the success could be attributed to Samurdhi, rather than the experience of the individuals concerned. The query was made whether the poorest were successful and it was pointed out that it was not the poorest who had been able to continue with an enterprise. Richer people were receiving loans through the programme due to political influence.
- The question was raised on the recovery rate of loans, and the speaker replied that it was very high. This was attributed to women being more committed to paying back loans, as well as the fact that compulsory savings under the Samurdhi income support programme acted as a guarantee for the loans. In discussing the problem of repayment of loans and the nutrition status of the household, the speaker pointed out that 11, out of her sample of 38, had difficulties with repaying the loan and were taking money away from their food allocations.

6. Institutionalizing Poverty Research in Sri Lanka

6.1 Review of the Scholarship Programme: Lessons Learned

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Background

A scholarship programme to provide support for poverty research / social policy in Sri Lanka at the postgraduate level was initiated in March 1999.

The objectives of the scholarship programme are:

- To facilitate independent research on poverty-related issues by providing incentives in terms of financial support plus academic guidance;
- To contribute to increasing Sri Lankan expertise in the field of poverty reduction, social policy formulation and impact monitoring of poverty relevant programmes;
- To form a study group of professionals on poverty issues in order to create an independent resource pool that government, development organizations and students could draw on.

Programme Implementation, 1999-2000

In the 1999-2000 period, 26 applications from students who were registered for their Masters degrees, representing various fields at local universities, were submitted to the scholarship programme, following an open advertisement. Altogether 23 candidates were interviewed by an independent committee of scholars and 10 were selected for support.

A series of three workshops were conducted to provide academic support to the students between June 1999 and May 2000 with the following objectives:

- To explain and discuss basic concepts of poverty;
- To explain and discuss the basic elements of applied research;
- To enable the students to refine their research proposals and elaborate a research design;

¹ This report incorporates the contribution of Dr. Hans Gsaenger who co-conducted the training.

- To give guidelines for the planning of field work, analysis of data collected;
- To give guidelines for writing of the research report.

The first workshop was conducted over a period of 10 days; each day comprised three contact units of 90 minutes. Participants were asked to actively contribute to the workshop. All research proposals were discussed in the classroom as well by means of individual tutorials.

The following topics were discussed:

- Concepts of poverty and poverty measurement;
- Research methodology with special emphasis on the role of hypotheses in empirical research;
- Discussing individual research proposals: problem statement, research questions, hypothesis formulation;
- Methods of empirical research, including survey techniques, sampling, and case studies;
- Discussing individual research proposals: empirical research design .

As a result of the discussions, research topics were adjusted, research questions became more focused, hypotheses were developed and/or rewritten. Students welcomed the workshop and responded positively to it. All students needed to do a thorough literature review before they were in a position to rewrite their proposals. It was agreed that all research proposals and research designs would be finalized by 30th August 1999, including a written literature review.

The second workshop (five days) was conducted in November 1999. It focused on the issues of data collection, data analysis, and report writing techniques. Survey methodologies and case study techniques were discussed and applied to the specific research projects of the Masters-level students.

The third and final workshop (three days) took place in May 2000. The individual draft reports were thoroughly discussed by the workshop participants.

The first workshop was conducted jointly by Dr. Hans Gsaenger and myself, and the other two by Dr. Hans Gsaenger. I provided monthly tutorial and standby academic support.

The monthly seminars for the students covered research methods, fieldwork, and data analysis. I also met individually with students, when requested. The students were supported financially with a monthly stipend and research allowance. Following the submission of research designs by the students, six of the ten qualified for continuing support for their

research. One student dropped out of the programme on his own initiative. Five of the six students completed their research on schedule.

Lessons Learned

The scholarship programme to improve poverty research capacities in Sri Lanka seems to have garnered mixed results for a number of reasons. Of the 10 students chosen for fellowships only 5 survived the year and completed their research project reports. The reports themselves varied in quality with a couple being of high standard and others being less well focused. The most significant reasons for the attenuation were:

1. The Selection of Students

The relatively poor analytic, research and English-language skills of the students, who applied and were selected for the scholarship, were a constraint. The committee of 6 academics, who chose the 10 scholarship recipients, based their selection of fellowship recipients on two criteria: i) research proposal merit; and ii) research topic diversity. The selection committee wondered why the programme was restricted only to university students, and that at the Masters' level only. It was suggested that better quality students must be attracted to apply for the fellowship. In this context there might be a need to:

- Advertise the programme well in advance of the deadline so that students would have adequate time to develop their research project proposals;
- Advertise as widely as possible – though it appeared that all the universities and relevant departments had been notified, in addition to the newspaper advertisement that publicly announced the fellowship;
- Open the competition to people working in the NGO sector and other relevant sectors and agencies who might also benefit from having a year to reflect upon their practical experiences.

Although the 10 students were selected for support by the committee with the understanding that they would be full-time students during the course of the programme, all except one student remained part-time students. This could have been one reason for the lack of commitment and the low rate of attendance at monthly seminars during the second half of the programme.

2. Structure and Content of the Programme

Since the selection committee had recommended additional tutorial assistance for the students who had received the fellowship, three intensive training periods, one at the beginning, one in the middle and one at the end of the research year, were provided for

students. At the midpoint of the course in December 1999, students were required to give a progress report on their research projects.

While the training was rigorous and intensive, some students felt that they would have liked to have had the course in two parts with two weeks in the middle to develop their literature reviews and restructure their research questions, before moving on to discussion of research methods, design of questionnaires, interview schedules and so on. This is an issue that might be considered in the future. Perhaps a 3-week-long intensive training might be more appropriate, with the first 2 weeks fairly close to each other so that students might benefit more fully from such a course.

In terms of course content, it was also felt that while a lot of theoretical and technical ground was covered in that period, there was not enough discussion of the history, philosophy and politics of development, and the relationship of poverty in Sri Lanka to international development. The students expressed the need to contextualize the study of poverty and the poverty debate in the border development discourse particularly the politics of poverty in the developing world. It is suggested that the content of the intensive training course include broad concepts of international development and debates in development.

3. Lack of a Library/Resource Centre

The lack of a library/resource centre and materials on development/poverty issues was a major concern. This is a very large and important issue because of the lack of materials and well-stocked libraries in this county. Should PIMU consider setting up a poverty research documentation centre?

4. Issues with regard to Sponsorship of Research

In some instances, there appeared to be a conflict of interests between the student's research agendas and those of the research agendas identified by the sponsors of an individual student's research topic. Sponsors had initially suggested research topics that might be of value to existing projects, and 9 out of the 10 initially selected students had designed their research projects in relation to the topics suggested by sponsors. While one student subsequently reformulated her project and worked independently, several others expressed a sense of conflict between their projects and that of the sponsors' interests.

In this context, this instructor felt that research on poverty is distinct from project monitoring and sponsor agendas. Obviously, research on poverty, project monitoring and evaluation of poverty impacts are not entirely separate processes. However, where conflict might arise between a student's research design and that of the project sponsor's needs, priority should be given to enabling the student to design a solid research project, independent of project needs. Developing critical research and analytic skills is a prerequisite for effective poverty project design, monitoring and evaluation.

6.2 Outline of the Future Institutionalization Of the Scholarship Programme

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Background

The scholarship programme was initiated by German Development Organizations and coordinated by PIMU-supported postgraduate students who were registered at local universities. However, it functioned as an autonomous programme to encourage and enhance poverty-related research in Sri Lanka. To increase the benefits to a local partner organization and to guarantee long-term sustainability, the programme needs to be linked up with a Sri Lankan institution.

In discussions regarding the future of the scholarship programme, it was felt that there was an urgent need to improve the social science programmes of the university system within Sri Lanka. It is advantageous to train students before they pass out. In addition to developing a variety of courses that would help students in producing better dissertations and research, it is important to identify good students who display the potential and inclination for research in the social sciences.

Outline of the Proposed Programme

In institutionalizing the programme, a proposal to expand its scope and to include other components has been considered. The scholarship programme would then be a part of a larger structure of support to enhance poverty-related research. In principle, the programme is open to co-operation with any Sri Lankan institution. However, given the fact that PIMU as well as the South Asia Institute of the University of Heidelberg have already established links with the Arts Faculty, University of Colombo, both German organizations have expressed their willingness to further strengthen the collaboration with the Colombo University.

The institutionalization of the programme would focus on five components:

- Resource Unit on Poverty Research
- Course development
- Exchange programme
- Scholarship programme
- Annual Seminar on Poverty Research in Sri Lanka

1. Resource Unit on Poverty Research

The programme will establish a Resource Unit on Poverty Research to be located at the University of Colombo. The Unit will serve as the focal point of the programme to facilitate a dialogue with policy-makers, development practitioners and independent scholars so that research undertaken by the university remains policy relevant and useful to the wider community. As a first contribution it will house the existing database of the National Youth Survey for current and future use. Furthermore, the Unit will be a clearinghouse for information on poverty research with a collection of books and documents that would be available to students and faculty, as well as to the community at large.

2. Course Development

The programme also proposes to enhance capacity building in the teaching of poverty-related topics at both undergraduate and postgraduate level by supporting course development and teacher training. The programme would provide support for developing new curricula for third-year cross-disciplinary undergraduate courses to enable students to acquire the kind of knowledge needed to work in the applied development field.

The courses will include a practical component either in the form of internships or fieldwork training in poverty-related topics in co-operation with organizations working in the development field. At present, the Youth Livelihood Project (YULIP) – supported by the Centre for Anthropological and Sociological Studies (CASS) at Colombo University, SAI and GTZ – is engaged in the task of developing a training module for unemployed graduates to initiate social mobilization and development activities in their home regions.

3. Exchange Programme

An exchange programme will be implemented between the University of Colombo and the South Asia Institute of the University of Heidelberg to facilitate course development and teacher training. It will strengthen the existing institutional links between the two institutions and will provide more opportunities to carry out joint programmes. This component will aim at enhancing the institutional and capacity-building efforts at the University of Colombo in order to increase the quality and innovative nature of curricula and teaching methods.

Exchanges between the two institutions will give priority to junior faculty and postgraduate students, whose avenues of academic advancement are currently limited and who will gain by experiencing an international academic environment.

4. Scholarship Programme

This component would continue with the current academic and financial support provided to postgraduate students working on their MA dissertations. In future the scholarship programme will give priority to junior lecturers who are doing research for their MAs in a poverty-related topic. The scholarship support would be available to lecturers from all Sri Lankan universities.

Academic support, in the form of a series of workshops on poverty concepts and research methodology, as well as monthly tutorials and individual guidance, would be offered by Sri Lankan / German academics, subject to the availability of funds.

It is envisaged that young lecturers participating in the scholarship programme will eventually take over the teaching of new poverty-related courses. They would also form a cohort of interdisciplinary scholars who can initiate innovative approaches to the study of poverty and social policy.

5. Annual Seminar on Poverty Research in Sri Lanka

The Poverty Research Seminar will be an indicator of the successful planning and implementation of the other components. The Resource Centre at the University of Colombo and PIMU would have joint responsibility for organizing this annual event. It will serve as an occasion for the scholarship holders, reputed academics and development practitioners from research institutes, as well as projects, to present state-of-the art research on poverty in Sri Lanka.

6.3 Floor Discussion

The following points were raised and discussed after this presentation:

- During the discussion there were several concerns about the proposals to institutionalise this programme.
- It was felt that by restricting this programme to junior lecturers and those within the university community, those who were outside this community, particularly those who were unable to access the system, would be denied an opportunity to participate in this programme. For instance, practitioners within the NGO sector could productively work with the poverty researchers to produce valuable policy initiatives and research.
- In reply to this concern the speaker said that the kind of objectives of the scholarship programme had to be evaluated. If the objective is to improve quality of research and build up expertise, then it was necessary to involve those who were academically oriented.
- However, there was a concern that since the university already has facilities for scholarships, those outside the universities will have limited opportunities to improve the quality of their work.
- There was also concern about the choice of the location of the resource centre. In situating it at the University of Colombo, some members of the audience questioned the availability to resources to other universities.
- It was reiterated that the University of Colombo was suggested for convenience, and it was to be open to anyone working within the field or interested in poverty research.
- Another problem with limiting the programme to the university members was the long delays in the system. Bureaucratic and political problems often prevented courses from being carried out at a particular time, and completed within a particular timeframe.
- There was also a necessity to review the process of selection. For instance, the original intention of PIMU to provide a stipend to enable full-time research had not been fulfilled. Those selected had carried on with their other commitments while pursuing their research projects.
- Furthermore, the problem of linking research to GTZ projects was also foregrounded. Unless there is a clear project in mind, there is a tendency for the research to be completely taken over by the project, and compel one to work entirely within the parameters of the project, thereby influencing the direction in which the research is carried out.

6.4 The Joint Initiative to Monitor Development Trends In the Central Province (JIMOD): An Introduction

Nireka Weeratunge (PIMU)

1. *Introduction*

1.1 Objectives of JIMOD

The Joint Initiative for Monitoring Development Trends in the Central Province (JIMOD) of Sri Lanka was formed to bring together an alliance of government, bilateral, non-government and private sector organizations to facilitate a study of overall development trends in this region that would help projects/programmes to orient their planning and design towards significant socio-economic changes. The study will assess the aggregate development progress of this region, by focusing on six parameters: employment, income, health, education, conditions of living, and empowerment. It will provide a basis for initiating a dialogue among researchers, policy-makers and project designers to understand socio-economic change in the Central Province and respond to such change in the planning and implementation of programmes/projects. The study is envisaged to provide a framework for project-independent impact monitoring and to be replicable in the long-term, in order to obtain useful longitudinal data for programmes/projects. It could potentially serve as a pilot case study for other regions.

The broad questions addressed by the study would be:

- What were the significant socio-economic changes taking place in urban, rural and estate areas in the Central Province in the last decade?
- What are the main factors and reasons for these changes?
- What are future trends that could be anticipated?

1.2 Rationale

It is obligatory for government programmes and donor-supported projects to undertake impact monitoring or some sort of evaluation of project interventions on target groups. Evaluations tend to focus on monitoring project-related activities and results. Impact monitoring captures the additional effects that can be linked to benefits that accrue to target groups. However, since development is a result of a large number of intervening factors, impact monitoring faces the problem of isolating or estimating the impacts of a single programme/project.

The difficulty in separating changes that can be attributed to programmes/projects from general changes taking place in the region can be called the “attribution gap.” The attribution gap points to the dilemma that the longer the chain of cause-effect relationships, the more difficult it is to attribute final results on the ground to the programme/project. Impact monitoring and assessment carried out in GTZ- supported projects indicate that development experienced by target groups during a project cycle may encompass wider socio-economic activities and changes taking place in the region, such as employment overseas and in the armed forces, increasing industrialisation and informal sector activity.

Therefore, project/programme-related impact monitoring needs to be complemented by project-independent monitoring of wider development trends in society. This approach would overcome the programme/project bias that is characteristic of many evaluations. The findings of the study would be used to generate a discussion among policy-makers, project designers and researchers to bridge the “attribution gap” in conceptualising programmes/projects. By monitoring the aggregate development of a region, projects and programmes can begin the task of exploring the extent of their own contribution to this process of development.

1.3 Outline of the JIMOD Design

The JIMOD design is made up of two inter-linked processes. On one hand, an independent multidisciplinary team of researchers would work on the main study comprising three core components – household survey, participatory assessments, macro-analysis – and several complementary mini-surveys/studies. The household survey and participatory assessments will focus on the six parameters to be monitored – income, employment, education, health, conditions of living and empowerment. The macro-analysis would consist of examining trends in economic growth, investments, real wages, and market integration. The topics covered by the mini-surveys studies would vary according to the needs of projects/programmes at any given time. The mini-surveys proposed in the first JIMOD study include district level sampling of educational and health institutions, as well as enterprises.

Therefore, the components of the study would be:

- A sample household survey in the three districts of the province;
- Participatory assessments in the three districts of the province;
- A macro socio-economic analysis based on available provincial data;
- Complementary mini-surveys and studies to further comprehend the dynamics of the development process .

Alongside the research team, a consultant team would work with projects/programmes to obtain an overall picture of project interventions in the Central Province and facilitate self-assessments by participating projects/programmes on their possible contribution to the development trends in the Province.

Finally the researchers and practitioners would be brought together at an initial meeting which would look at ways to translate the research findings to feasible recommendations for projects/programmes. These recommendations would be discussed at a Dialogue Workshop where government, bilateral, non-government and private sector organizations would deliberate their policy implications and their potential for implementation.

2. *The Socio-Economic Situation of the Central Province*

The Central Province comprises the three districts of Kandy, Matale and Nuwara Eliya, each with its own distinct socio-economic features. Over half of the Province's 2,558,594 population lives in Kandy district, followed by 29% in Nuwara Eliya and 18% in Matale (RIS 1997, UNDP 1998, Central Province 1997). Nuwara Eliya with a population estimated at 740,875 and Matale with a population of 469,388 in 1997 have experienced a marginal decline in their population share (0.6% and 0.08% respectively) between 1983 and 1997. Kandy, with an estimated population of 1,348,331, has increased its share marginally by 0.7% in the same period. Population density has risen in all three districts between 1981 and 1994, with the highest increase of 21% in Matale, followed by 15% in Kandy and 11% in Nuwara Eliya (Census and Statistics 1998).

A comparison of the Central Province with other provinces could be misleading because of the wide disparities in development indicators that exist within the Province. Therefore, the more relevant district-wise position is discussed here. In terms of GDP per capita growth between 1990 and 1994, Nuwara Eliya recorded the highest growth rate of 14%, well above the national average, while Kandy and Matale recorded low growth rates of 4.3% and 2.5% respectively. Kandy district has the lowest human development ranking in the entire country, with Matale also at the lower end of the spectrum, below the national average. Nuwara Eliya has the highest human development ranking in the Province, above the national average.

| District | H.D. Index | H.D. Rank* | GDP per capita | GDP Rank* | Poverty Index | Poverty Rank* |
|--------------|------------|------------|----------------|-----------|---------------|---------------|
| Kandy | 0.649 | 17 | 6664 | 16 | 17.391 | 4 |
| Nuwara Eliya | 0.806 | 7 | 13987 | 3 | 30.545 | 17 |
| Matale | 0.727 | 12 | 7592 | 9 | 21.581 | 9 |
| Sri Lanka | 0.753 | | | | 17.756 | |

(compiled from the UNDP's *National Human Development Report*, 1998)

* Ranking is for the 17 districts of Sri Lanka, excluding the North and the East.

The human development index is measured in terms of life expectancy, education and GDP per capita. The low human development ranking of Kandy (UNDP 1998) coexists with a low

incidence of human poverty (UNDP 1998). Nuwara Eliya, on the other hand, combines its much higher human development ranking with the highest human poverty ranking in the country (UNDP 1998). Matale reveals human development and human poverty rankings in between the other two districts. The human poverty index is calculated in terms of mortality before 40, adult illiteracy, non-access to safe water, incomplete immunization of children, births outside institutions, non-access to electricity, lack of safe sanitation and non-enrolment rates in Grades 1-9 (UNDP 1998). Nuwara Eli's GDP per capita rate is double that of Kandy. The UNDP indicators appear to show an inverse relationship between general human development indicators and human poverty.

Clearly the indicators pose a problem in understanding the socio-economic situation in Nuwara Eliya. The paradox may be due to a vast disparity in incomes and living conditions within the district's urban, rural and estate sectors. Equally it could be a statistical error in the calculation of the district's GDP. These issues with respect to Nuwara Eliya underscore the need for the type of study that is proposed in order to gain a more systematic understanding of the situation in the three districts of the province.

Another explanatory variable could be that the undercounting in rural informal economic activities resulted in low per capita levels in Matale and Kandy districts. In comparison Nuwara Eli's high GDP per capita level might be accounted for by the formal estate sector income. Average monthly household income is highest in the Kandy district at Rs. 5900 and lowest in Matale at Rs. 4550, with Nuwara Eliya at Rs. 4946 (Census and Statistics 1995/96). This pattern again contradicts with that of the National Human Development Report's district-wise GDP figures. All three districts have an average monthly household income well below the national average of Rs. 6476.

The consumption poverty incidence, based on the calculation of an absolute poverty line (Rs. 791.67 per person per month), is highest in Matale (35%), followed by Kandy (30%) and lowest in Nuwara Eliya (21%) (Census and Statistics 1995/96). Thus, according to the criteria used to measure poverty, Nuwara Eliya district can either have the lowest or the highest incidence of poverty in the Central Province. The Central Province is estimated to have 17% of the total poor in the country, after Western (19%) and North Western (18%) Provinces (Census and Statistics 1995-96).

Over 40,000 people from the province are employed overseas, accounting for around 5% of all employment in Kandy and Matale districts, and 2% in Nuwara Eliya (RRDP/RIS 1997). Remittances from these workers appear to have contributed significantly to their households moving out of poverty (Silva et.al 1999).

Nuwara Eliya has a low ranking in education indicators, with higher rates of illiteracy and school non-enrolment, in comparison to Kandy and Matale. However, both enrolment and literacy rates have increased in Nuwara Eliya district during the last 20 years. In the health sector, the variations among the three districts are not as stark. The study would have to verify some of the disparities in social indicators among the three districts and account for the variations.

Successive governments in Sri Lanka have supported large-scale poverty-alleviation and employment programmes such as Janasaviya and Samurdhi which have incorporated up to half the population of the province. These have been supplemented by donor-supported public investment in IRDP and RRDPs, focussing on rural infrastructure and mobilization. In recent years the government has promoted the “Growth with Equity” paradigm, encouraging the private sector to be the engine of economic growth, while also complementing private sector efforts with the government/donor supported Rural Economic Advancement Programme (REAP), as well as public infrastructure development. In addition, the state continues to be the main provider of health and education services in the Province and has introduced a number of significant reforms in the latter sector.

To obtain a better understanding of development trends in the Central Province, changes in the private and informal sectors, as well as Middle East employment patterns, inadequately accounted by macro-level statistics, need to be investigated.

3. *Methodology*

3.1 Available Data and Gaps

The main sources of data currently available for the analysis of development trends in the Central Province are the Household Income and Expenditure Survey of 1995-96, the Demographic Survey of 1994, and the Child Activity Survey of 1999 from the Department of Census and Statistics. The department also publishes annually Labour Force Surveys, Crop, Industries, Trade and Services Surveys and collaborates with the Ministry of Education to produce the School Census. Apart from the Child Activity survey, which provides provincial level data, all other surveys generate district-level data. However, the data on industries, trade and services are not comprehensive, and there is a problem in obtaining reliable data on the informal sector. The School Census has never provided data on the number of children out of school, and has since 1993 provided no data on drop-out and repetition rates.

The UNDP National Human Development Report 1998 provides district-level indices on human development, human poverty and gender development, as well as data on components/indicators that were used to calculate these indices but the validity of the indices has been contested.

The Central Bank Report on Consumer Finances and Socio-Economic Survey of 1996-97 provides data on income, employment, education, health and housing conditions. However, as all data are collected and analysed on a zonal basis which combines the Central Province with Uva and Sabaragamuwa, with poorer socio-economic conditions, the use of the data as a proxy for those of the Central Province would give a distorted picture of the province.

The Registrar of Births and Deaths maintain district-level statistics on infant mortality, maternal mortality and cause of death. The national Nutrition Surveys carried out by the

Ministry of Plan Implementation maintain statistics on a zonal basis where Kandy and Nuwara Eliya are split up from Matale. The Ministry of Health maintains records of diseases at district-level that are widely considered as unreliable.

In addition, the Provincial Planning Unit and several of the GTZ-supported projects based in Kandy maintain the Regional Information System (RIS) which incorporates a wide range of socio-economic data at the Grama Niladari (GN) level of the Province. The two series of data for 1993 and 1997 have not been compared or analyzed in a comprehensive manner so far, nor categorized in a useful way for the JIMOD study and remains to be used as "raw data." In addition the categories used in 1993 and 1997 are not consistent.

The World Bank Household Survey is currently underway but its results are not expected before the completion of this study. The World Bank survey would provide comparative data with some aspects of the JIMOD study, such as: income, employment, education, health, and living conditions. In addition, the unpublished report on the Household Livelihood Security Assessment in the Plantation Sector, carried out by CARE in 1998 could also provide comparative data for the plantation sector.

While some quantitative data are available at the district and provincial level, these do not explain why particular changes are happening and how people are responding to them. The data are inadequate and the analysis is insufficient or absent. There is no analysis of overall development trends at provincial and district level or of their causes. No significant work has been done on the changes in the informal sector at district and provincial level as a result of economic liberalization. The poverty situation among the districts varies according to the yardstick used. The macro-statistics do not provide sufficient data to identify pockets of poverty within the districts. There has been no qualitative analysis of how people living in the province would assess the changes in the last decade and what criteria they would use to measure development or poverty. It is these lacunae that the JIMOD study expects to fill.

3.2 Proposed Approach to Monitoring Current Development Trends

The objective of the study is to develop a model for project-independent monitoring that is replicable. The model is envisaged to help projects/programmes bridge the gap between identifying the impacts that can be directly attributed to them and those impacts that cannot be directly attributed to any single project/programme. This process would enable projects/programmes to make plausible causal links between their impacts and overall socio-economic change in the region.

Development is a broad concept encompassing varied factors and a complex process. Thus, the study needs to restrict itself to a manageable and useful framework to monitor development trends in a given region.

The following six parameters were selected as significant:

- Income
- Employment
- Health
- Education
- Conditions of living
- Empowerment

These variables were chosen as they provide a framework for monitoring development in both economic and human terms, as well as approaching change from both quantitative and qualitative perspectives. They permit an analysis based on both the available macro-level statistical data, as well as micro-level quantitative and qualitative data to be generated by the study, and a comparison between the two sets of data. They take into account the possibility of both external and participatory assessments of what constitutes development in a region. The significance of institutional change in relation to the six aspects will be an important focus of the study, as well. It is understood that by studying these particular variables a clearer understanding of poverty and constraints/opportunities to alleviating poverty in the Central Province would emerge.

The current trends in relation to these variables, the indicators to measure the variables and the kind of questions that the study could address through the household level survey and participatory assessments have been explored by the initial research team who prepared the study design.¹ It is proposed that all data gathered by the study would be disaggregated by gender, ethnicity, income level and age wherever appropriate. An initial assessment of current trends has been made by using data on the Central Province or on each of the three districts, from the Department of Census and Statistics, the Provincial Council, Regional Information System and the UNDP Human Development Report 1998. Whenever such data were not available or unreliable, Zone 4 data from the Central Bank Consumer Finances and Socio-Economic Survey or national statistics have been used.

¹JIMOD 2000. Joint Initiative for Monitoring Development Trends in the Central Province: Draft Study Design.

3.3 Hypotheses to be Tested

1. The socio-economic changes, which have occurred in the rural and estate sectors of the Central Province, have been mainly due to external impacts, rather than internal dynamism within the districts and province.
2. National and provincial economic growth has had a significant impact on household incomes, alleviation of poverty and living conditions in the Province.
3. Gender is an important factor in explaining socio-economic change in the Central Province.
4. Informal economic enterprises are a significant source of income in the province
5. The private sector has been a significant source of income growth in the province.
6. The urban/rural/estate sector divide is disintegrating, as more households become dependent on more than one sector for their combined income.
7. The role of the private sector has increased in importance in educational and health services.
8. The household perception of development places greater emphasis on improved conditions of living, health and education, rather than an increase in income.

3.4 Methods of Data Collection and Analysis

The study combines primary data collection with analysis of secondary macro-level data. Primary data collection will be in the form of two core components – the household survey (including the fieldworker reports) and participatory assessments – as well as the variable component of mini-surveys on education, health and enterprises. The primary data collection will focus on updating the knowledge base of former surveys / field studies, as well as generating currently unavailable data. Secondary data will be evaluated under the core component of macro-analysis to monitor trends in five major variables (with the exception of empowerment), as well as economic growth, market integration, investment and real wages. It is anticipated that the core components of the JIMOD study will be carried out every 2 years or any other agreed upon interval. The subject of mini-surveys/studies will vary according to the needs and requests of participating projects/programmes at any given time.

The four components of the study are summarized below:

3.4.1 Household Survey (Core Component)

- Focus on income, employment, health, education
- 44 GN divisions (2% of total GN divisions)
- 440 households (44X10)
- Stratified according to rural (interior / peri-urban), urban, estate,
- “more developed” / “less developed” (RIS database; criteria: land ownership, electricity, house type, TV)

3.4.1a *Fieldworker Reports (Core Component)*

- Background information of each GN division covered
- Help interpret survey findings

3.4.2 Participatory Assessments (Core Component)

- Focus on living conditions, empowerment
- GN divisions (25% of sample)
- Stratified according to “Well-off”, “Average”, “Poor” groups
- Stratified according to gender and ethnicity
- Focused group discussions in 9 GN divisions
- Qualitative case studies of 45 households (9X5)
- Perceptions of development and poverty

3.4.3 Macro-Analysis (Core Component)

- An analysis of the available province and district level data on income, employment, health, education, and living conditions, for e.g. from the Household Income and Expenditure Survey, Census and Statistics Dept. 1995-96 and the World Bank Integrated Household Survey

- An analysis of economic growth trends in the three districts and the province
- A study on trends in agricultural product market integration through a price analysis within Central province and between the province and Colombo metropolitan market
- A study on investment trends in the three districts and in the province
- An analysis of Real Wage trends in the rural, plantation and urban sectors in the Central province

3.4.4 Mini-Surveys/Studies (Variable Component)

- A mini sample survey of health institutions in the Central Province to obtain health data unavailable/unreliable at household level
- A mini sample survey of education institutions in the Central Province to obtain education data unavailable/unreliable at household level
- A mini sample survey of micro, small, medium and large enterprises in the Central Province to obtain data on investment, turnover, output, profit and employment

4. *Analysis of Programme/Project Interventions in the Central Province*

The findings of the study team will be complemented by a separate process of analysis of key programme/project interventions in the Central Province to ascertain the relationship of these interventions to development trends in the province.

This includes two components:

4.1 Overview of Programme/Project Interventions

An overview of the investments by and outputs of the major state, donor-supported and NGO projects/programme during the last decade will be done to ascertain the levels of intervention in the three districts and the Province as a whole. Besides the public investments into basic infrastructure and social services including the Janasaviya/Samurdhi Programme, the Regional Rural Development Projects (RRDP) of the three Districts will be of special importance.

4.2 Self-Assessments by Programmes/Projects

The overview will be followed by a series of one-day workshops with the most relevant projects/programmes, conducted by PIMU. The workshops are aimed at helping the project teams/implementers to critically self-assess their own contribution to the development trends identified by the research team engaged in the study. The projects/programmes could thereby prepare for their active participation in the final JIMOD workshop.

5. **Linking Research to Practice**

5.1 Translating Findings into Recommendations

Once the research team has completed their analysis of development trends and the projects/programmes have completed their self-assessments, the two groups will meet and work jointly to translate the findings into feasible recommendations. The process would facilitate a discussion on the relevance of the research findings to project/programme planning and implementation, taking into account both the socio-economic changes that have taken place in the last decade in the Central Province, as well as anticipated future trends.

5.2 Dialogue Workshop

The JIMOD process would culminate in a Dialogue Workshop where practitioners, researchers and policy-makers would meet to discuss the recommendations proposed by researchers and the participating projects/programmes. The main objective of the workshop would be to determine how the recommendations could form the basis for a dialogue among decision-makers in the government, NGO, bilateral and private sectors to respond to current and future development trends in the Province. The policy implications of the recommendations as well as their viability in terms of implementation will be debated. The study and the discussion at the Workshop will be documented together and made available to the participating organizations. The extent to which the project-independent monitoring approach used by the JIMOD study would eventually contribute to both a better understanding of the impact of development programmes/projects on the aggregate development processes taking place in the Central Province – as well as practical strategies to orient towards socio-economic change – will be debated.

6.5 Floor Discussion

The following points were raised and discussed after this presentation:

- A question was raised about the time frame for such an extensive study, and its implications for replicability. The presenter said that the objective was to repeat certain components such as the household survey based on a relatively small sample, participatory assessments and macro analysis on an agreed-upon time interval such as every 2 or 5 years, while other components would be added on as the need arose.
- A question was raised about the variables and trends to be explored and assessed, and how often they would change. The presenter said that while certain parameters, and variables that are to be studied, will remain constant, others will change according to the context and situation of the region.
- A point was made that debates relating to the Plantation sector in the last 15 years had centred on social mobility and development theory, particularly since the group was regarded as an ethnic minority, and income growth was not the main parameter for analysis. Similarly, was it necessary to use a particular social theory in this study? The presenter replied that for the proposed study, several theoretical approaches would have to be adopted because of the multi-disciplinary nature of the team of researchers. An eclectic approach would be used to explore the diverse variables of the study.

7. From Research to Policy

7.1 Fiscal Decentralization, Rural Development and Poverty Reduction

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1. Introduction¹

As Sri Lanka pursues further fiscal decentralization as a solution to its secessionist conflict, the political objectives of fiscal decentralization have tended to dominate the policy debate. But at the same time, policy-makers and donors have become increasingly convinced of the potential of fiscal decentralization as an instrument to develop rural areas, increase inter-regional equity and reduce rural poverty, all of which remain high priority issues in Sri Lanka's policy agenda. The majority of Sri Lanka's poor (84 per cent) live in rural areas and, during the period 1985-86 to 1995-96, poverty in rural areas declined much more slowly than in the urban sector (see Table 1).² Sluggish growth in the primary sectors of the economy during the same period (see Table 2) is probably a key reason for the slow decline in rural poverty as the majority of poor (45 per cent) remain employed in the agricultural sector.

In any case, since even before independence, Sri Lankan policy-makers have been preoccupied with issues of rural poverty and rural development. There are several reasons for this. First, the prospect of a rural economy founded on rice farming has traditionally had an emotive significance for the Sri Lankan polity, based as it were on the idealization of the rural sector as the repository of an indigenous culture that had remained uncorrupted by four centuries of foreign rule. Secondly, Sri Lanka's ancient civilization in the dry zone had been founded on a technologically advanced hydraulic system. Hence, land settlement schemes centred on irrigation works were regarded as the best way to restore the country's past prosperity (Moore 1985; Peiris 1996). But at the same time, the grant of universal franchise as early as in 1931, the first-past-the-post electoral system that prevailed in practical terms until 1988, and the demarcation and delimitation of electorates in favour of the rural voter in the hinterland, also forced the Sri Lankan State to be highly responsive to issues of rural

¹ Based on a paper presented at the International Seminar on Monetary and Fiscal Policy and Poverty and Public Policy, in felicitation of Prof. Raja Chelliah, Institute for Social and Economic Change, Nagarabhavi, Bangalore, India, 17-18 January 2000. I would like to acknowledge the insightful comments of Richard Bird, Arindam Das-Gupta and Govinda Rao on an earlier draft of the original paper. The comments of Senaka Abeyaratne, Sunil Bastian, Darini Rajasingham-Senanayake, Tudor Silva, and of several other participants of PIMU's Poverty Research Seminar at which the present paper was presented, were incorporated wherever possible. However, the usual disclaimer applies with respect to errors and omissions and the views expressed.

² However, it is quite likely that the incidence of urban poverty has been understated and that of rural poverty overstated. This is because of definitional problems related to the urban and rural sectors, as only the areas coming under Municipal Councils and Urban Councils are treated as urban in the Household Income and Expenditure Survey. Former Town Councils later absorbed into Pradeshiya Sabhas have been treated as rural. Moreover, many new urban areas have sprung up since the last Census was held in 1981. The Census of Population and Housing due in 2001 is expected to rectify this problem (Nanayakkara 2000).

poverty, inequality and welfare. This policy emphasis has survived the liberalization of the economy and the shift to a growth-oriented approach since 1977.

Table 1: Consumption Poverty in Sri Lanka by Sector: 1985-86, 1990-91 and 1995-96

| | Incidence of Poverty % | | | | | |
|---------------|------------------------|---------|---------|---------------------|---------|---------|
| | Lower Poverty Line | | | Higher Poverty Line | | |
| | 1985-86 | 1990-91 | 1995-96 | 1985-86 | 1990-91 | 1995-96 |
| Sri Lanka | 27 | 22 | 21 | 41 | 35 | 33 |
| Rural Sector | 32 | 24 | 23 | 45 | 38 | 35 |
| Urban Sector | 16 | 18 | 12 | 27 | 28 | 21 |
| Estate Sector | 14 | 13 | 12 | 31 | 28 | 27 |

| | Depth of Poverty % | | | | | |
|---------------|--------------------|---------|---------|---------------------|---------|---------|
| | Lower Poverty Line | | | Higher Poverty Line | | |
| | 1985-86 | 1990-91 | 1995-96 | 1985-86 | 1990-91 | 1995-96 |
| Sri Lanka | 7 | 5 | 4 | 11 | 9 | 8 |
| Rural Sector | 8 | 5 | 5 | 13 | 10 | 9 |
| Urban Sector | 3 | 4 | 2 | 7 | 7 | 5 |
| Estate Sector | 4 | 2 | 2 | 8 | 5 | 5 |

Notes: Estimates based on consumption needs. Lower Poverty Line denotes minimum expenditure necessary to reach minimum nutrition requirements and minimum level of clothing, footwear and nutrition. This was calculated as Rs. 471.20 per person per month 1985-86, and 1990-91 at 1990-91 Sri Lankan prices, and Rs. 717.09 per person per month in 1995-96. Higher poverty line denotes minimum consumption necessary to achieve a decent standard of living and includes a small amount of discretionary expenditure over essentials such as food, clothing, housing, transport, communications, and health expenses. The higher poverty line was Rs. 565.44 per person per month in 1985-86 and 1990-91 at 1990-91 Sri Lanka prices, and Rs. 860.51 per person per month in 1995-96.

Sources: Data for 1985-86 and 1990-91 are from World Bank (1995); data for 1995-96 from Aturupane and Gunewardena (1998). All estimates based on data for the first quarter from the Household Income and Expenditure Surveys of 1985-86, 1990-91 and 1995-96.

Table 2: Growth of Output 1986-1991, 1992-1997

| | 1986- 1991 | 1992-1997 |
|-----------------------------------|---------------|-----------|
| Agriculture, Forestry and Fishing | 1.4 | 1.4 |
| Agriculture | 1.2 | 1.3 |
| Tea | 2.2 | 3.7 |
| Rubber | -4.1 | 1.1 |
| Coconut | -3.5 | 3.5 |
| Paddy | -0.6 | 0.3 |
| Mining and Quarrying | 6.3 | 4.7 |
| Manufacturing | 6.8 | 8.9 |
| Services | 3.6 | 5.8 |
| GDP | 3.6 | 5.4 |

Source: Calculated from Data from Central Bank of Sri Lanka Annual Reports, various years.

The objective of this paper is to examine what fiscal decentralization theory and practice have to offer Sri Lankan policy-makers intent on developing rural areas, increasing inter-regional equity, and reducing rural poverty. However, the analysis places the implications of fiscal decentralization theory for rural development firmly in the context of a macroeconomic policy framework designed to encourage export-oriented economic growth and greater integration with the world market. But note that even though fiscal decentralization in Sri Lanka has been driven by political imperatives related to the secessionist conflict, this paper focuses only on the economic objectives of fiscal decentralization. It does not attempt to analyse or assess the political, social or even the cultural objectives of Sri Lanka's decentralization exercise, which remain beyond the scope of this paper.

The analysis is structured as follows: Section 2 defines fiscal decentralization in economic terms, and reviews the insights offered by the decentralization literature for rural development, inter-regional equity, poverty reduction, and economic growth; Section 3 draws on the New Economic Geography literature, and assesses the relevance and implications of fiscal decentralization and rural development policies in a macroeconomic framework geared at export-oriented industrialization; Section 4 concludes.

2. *Fiscal Decentralization, Inter-regional Equity and Economic Growth*

Fiscal decentralization theory addresses the vertical structure of the public sector, the assignment of functions and instruments to different levels of government, and the ways in which different levels of government relate to one another through instruments such as intergovernmental transfers. Hence, the fiscal decentralization literature offers insights on ways and means to reduce rural poverty and inter-regional inequity that are grounded within the parameters of fiscal decentralization theory and practice.

What are these insights?

First, as Bird *et al.* (1995) in their discussion of intergovernmental fiscal relations and poverty-alleviation in Vietnam argue, greater decentralization of spending and revenue decisions to sub-national units can make sure that pro-poor expenditures (such as local infrastructure, health care and education) reflect the preferences, needs and fiscal abilities of different localities. This is because sub-national and local governments are 'closer to the people,' and hence information and transaction costs of service provision are greatly reduced.

However, the fiscal abilities of different regions to supply such services may vary. For example, poorer regions typically have greater concentrations of poor people, and have fewer resources to provide necessary services for their poor. In such cases, the second insight offered by decentralization theory is that the federal transfer in a fiscally decentralized structure of government can act as an instrument to bring about greater redistributive justice between rich and poor regions. First, it can ensure a more equitable sharing of resources among jurisdictions and help establish a level playing field through the general-purpose transfer. Second, the specific-purpose transfer (for example, a transfer aimed at providing irrigation facilities for poor farmers) can ensure that they do so (Rao and Das-Gupta 1995:8-9). Moreover, as Bird and Rodriguez (1999: 317) point out, the main objective of the inter-jurisdictional equalizing transfer is to "discourage migration [from poor to rich regions] in response to ... fiscal rather than real economic differentials."

However, it is appropriate to raise three caveats at this point in the discussion:

First, how efficient sub-national governments are in providing public services depends not only on the capacities of sub-national units, but also on the extent to which they are accountable and transparent in their activities (Tanzi 1995).

Second, while the general-purpose transfer may take care of inter-jurisdictional equity to a great extent, the specific-purpose transfer is no guarantee that intra- or within-jurisdictional equity will be looked after. Given unequal power relations in rural societies, the local elite is usually well placed to capture decision-making about development projects, frequently

working through decentralized structures of government themselves.¹ The problem is confounded by the quasi-public nature of most public goods and services provided by sub-national governments: access may be denied to others, and benefits appropriated by the more powerful. For example, even if a specific-purpose transfer is aimed at increasing irrigation facilities for poor farmers, the irrigation canal may be sited in such a way that the lands belonging to the village headman and his family are irrigated first.

Third, while inter-jurisdictional equalizing transfers may be designed to discourage migration in response to fiscal rather than real economic differentials, fiscal differentials themselves may well reflect real economic differentials. Then a key issue that arises is whether it makes sense to continue transferring resources to poor regions that have few comparative advantages and are likely to lag behind in the economic growth race, anyway. Perhaps the better option may be to encourage the migration of people from such regions, to those with better economic prospects. I return to this theme in Section 3 below.

Finally, what are the implications of fiscal decentralization for economic growth? The idea that “development policies that are sensitive to particular regional or local needs for infrastructure and even human capital are likely to be more effective in promoting economic growth than are centrally determined policies” (Oates 1999: 1143) has wide appeal. Meanwhile, donors and others have come to regard greater fiscal decentralization as necessary to provide more demand-driven services that would enhance the capabilities of the poor and help them exit poverty.² Coupled with the fiscal equalization possibilities between rich and poor regions of an inter-governmental transfer system in a decentralized framework, the net result is an intuitively appealing set of arguments that sees greater fiscal decentralization contributing positively towards both the efficiency and equity aspects of economic growth. From this set of propositions to the proposition that fiscal decentralization is necessary for rural development and regional economic growth, is just one enticing step.

But is there any empirical evidence to support this argument?

The short answer is that while there is no formal theory of fiscal decentralization and economic growth, the empirical literature has yet to yield any firm conclusions on the relationship between the two variables. Admittedly, Huther and Shah's (1996) study of decentralization and economic growth in 80 nations found a statistically significant and positive correlation between increased decentralization and improved economic and political performance. But correlations between variables do not prove causation, and Davoodi and

¹ A case in point is the extent of targeting errors of the Samurdhi income transfer programme at local level compared with the allocation of funds at central government level. Preliminary results of the Sri Lanka Integrated Household Survey reveal that the allocation of benefits across provinces correspond to poverty rates with poorer districts and provinces receiving more Samurdhi funds in per capita terms. But poorer provinces were found to allocate a smaller share of their Samurdhi funds to their poor. This suggests that targeting errors in the programme derive from the misallocation of funds at local level where the actual targeting takes place (World Bank 2000).

² For example, World Bank (1990) carried a clear unequivocal message that fiscal decentralization is necessary to reduce poverty even though World Bank (1999/2000) is much more circumspect in its advocacy of fiscal decentralization. UNDP (1998) also advocates greater decentralization for poverty reduction, but with the cautionary note that such efforts need to be accompanied by measures to ensure accountability and to strengthen civil society.

Zou (1998) in their study of 46 countries found a negative relationship between the two. In contrast, Bahl and Linn (1992) argue that the gains from fiscal decentralization emerge as economies grow and mature.

Given that the causal relationship between fiscal decentralization and economic growth is still at the hypothetical stage, I am emboldened to advance an alternative set of hypotheses in this paper. Hence, in the next section I draw on the New Economic Geography literature on industrial location, and question whether objectives such as rural development, regional economic growth and rural poverty reduction can be achieved, with or without fiscal decentralization, when the macroeconomic policy framework favours greater integration with the world market.

3. *Walking On Two Legs: Rural Development Policies And the Economics of Agglomeration*

In this section I argue that there are fundamental contradictions between policies to develop rural areas based on equity considerations on the one hand, and policies to generate economic growth through closer integration with the world market, on the other. Whether overtly expressed or not, this has been Sri Lanka's development strategy, and I suggest that it may have actually helped (a) reinforce urban-rural differentials; (b) perpetuate a dualistic economic structure; (c) encourage low productivity in rural areas; and, (c) transform the rural economy into a remittance and transfer economy. Admittedly, the empirical evidence is yet to be gathered, but I hope that the discussion to follow will trigger some informed policy debate about these issues.

Consider a simple model with an urban sector and a rural sector. The urban sector has a pre-existing concentration of industries due to some inherent (static) comparative advantages in factor endowments such as airports and seaports, electricity and telecommunications. The rural sector is involved in agricultural production. Also assume that there are significant transport costs between the two sectors, increasing returns to scale and inter-industry linkages. Now introduce policies that favour equitable access to public services, rural infrastructure development programmes, and restrictions on the use and transfer of agricultural land on the one hand, and on the other, macroeconomic policies that favour industrialization and export-oriented growth. What may be the impact of such policies on the two sectors?

If the rural development priorities and policies are anything like those implemented in Sri Lanka over the last five decades, one can expect rural access roads to be prioritized over roads linking rural regions with the metropolis,¹ and transport costs between urban and rural sectors may be high. Agricultural policies may favour rural smallholders and impose restrictions on the use and transfer of cultivable land.² Public expenditure on housing

¹ Thus, road density of A Class roads may be 0.23 km per 1000 people, and the corresponding figure for rural roads may be 3.83 as in Sri Lanka (Kumarage 1998).

² For example, land distributed by the Sri Lankan government under a variety of 'protected tenure' schemes, such as land settlement schemes, colonisation schemes and village expansion schemes, do not contain freehold rights.

construction may favour rural areas over urban areas, while policies relating to electricity, health care and education provision may try to ensure that everybody has access to a basic service despite the high marginal costs (due to lower population density in rural areas) of providing a geographically wide network of services.

Introduce to this scenario, macroeconomic liberalization policies designed to induce export-oriented industrial growth. This would encourage the concentration of new economic activities such as export industries in the urban centre because of its initial comparative advantages. Thereafter, as the New Economic Geography literature suggests, the further clustering of industries and populations will take place because of (centripetal) agglomeration forces affecting firm location.¹ That is, when there are significant transport costs, increasing returns to scale and inter-industry linkages, producers are encouraged to locate close to their input suppliers or to their customers, and locate close to each other. And first-mover advantages may be crucial where agglomeration forces are strong because “people follow jobs and jobs follow people” (Muth 1971), so industry clusters attract people and population clusters attract industries, stimulating further agglomeration. Thus, with the exception of materials-oriented industries such as agro-processing that have a definite comparative advantage in locating in rural areas, rural locations become less attractive for most types of industries, and certainly for the kind of non-agro-based export industries that Sri Lanka specializes in. For example, tea-processing industries will locate near tea plantations and desiccated coconut mills will locate near coconut plantations and will probably create their own urban nodes, but manufacturing-based industry will tend to locate near the metropolitan hub. For example, in Sri Lanka, 56 per cent of all industries were located Colombo District in 1999, and 19 per cent and 4 per cent in Gampaha and Kalutara respectively (Table 3).

¹ The discussion on agglomeration and dispersal forces is culled from Jayasuriya (1999).

Table 3: Regional Distribution of Industrial Enterprises (1994-99)

| Region | Number of Industries | | % Share of Total | | % Share of Total Increase |
|---------------|----------------------|------|------------------|-------|---------------------------|
| | 1994 | 1999 | 1994 | 1999 | 1994-99 |
| Western | 2060 | 2701 | 83.6 | 79.5 | 68.8 |
| Colombo | 1514 | 1893 | 61.4 | 55.7 | 40.8 |
| Gampaha | 465 | 659 | 18.8 | 19.4 | 20.9 |
| Kalutara | 81 | 149 | 3.28 | 4.4 | 7.3 |
| Central | 90 | 155 | 3.7 | 4.6 | 7.0 |
| Southern | 118 | 186 | 4.8 | 5.5 | 7.3 |
| North Western | 91 | 183 | 3.7 | 5.4 | 9.9 |
| North Central | 27 | 37 | 1.1 | 1.1 | 1.1 |
| Uva | 31 | 44 | 1.3 | 1.3 | 1.4 |
| Sabaragamuwa | 36 | 63 | 1.5 | 1.9 | 2.9 |
| Eastern | 12 | 23 | 0.5 | 0.7 | 1.2 |
| Northern | n.a. | 5 | 0.0 | 0.1 | n.a. |
| TOTAL | 2465 | 3397 | 100.0 | 100.0 | 100.0 |

Notes: Figures denote industries registered under Ministry of Industrial Development, under BOI (including the 200 Garment Factory Programme) and those of the 50 Garment Factory Programme.

Source: Calculated from data from Central Bank of Sri Lanka Annual Reports, various years.

However, the rate of agglomeration will slow down, other factors being equal, if dispersal (centrifugal) forces set in. That is, the concentration of firms will raise the demand for factors of production, raising their prices (for example wages and rents), and the production costs of firms as well, and firms will be encouraged to disperse from the urban centre. But if the supply of factors is elastic due to greater spatial mobility of factors, then the rise in factor prices may be dampened. For example, if labor is able to move to the urban sector from labor abundant rural areas at little cost, then wages would rise more slowly and dispersal forces would be weaker. High rents would encourage firms to disperse from the urban centre but if transport costs between urban and rural areas continue to be high, agglomeration forces may tip the balance. That is, some firms may move only a relatively short distance away from the urban centre so that the fall in rent costs more than compensates for the increase in transport costs. This may encourage the urbanization of adjacent rural areas and the development of

suburbs around the metropolitan hub. This may explain the regional distribution of industrial enterprises in Sri Lanka. For example, as Table 3 shows, even though industrial concentration in Colombo District decreased marginally from 61 per cent of all industries to 56 per cent of all industries between 1994 and 1999, 69 per cent of all new industries that were established during that period located in Western Province and mainly in Colombo and Gampaha Districts.

What may happen to rural-urban differentials when the two sets of policies operate side by side?

First, urban wages¹ would rise as the concentration of industry tightens the urban labor market, but the pace, at which labor moves from rural areas to dampen the rise, may be slowed by push and pull factors that would tend to keep the majority of people in rural regions. On the one hand, inadequate urban housing, congestion and high rents would discourage people from moving to urban areas. On the other hand, rigidities in the rural land market may make it difficult for them to sell up and move out. At the same time, many rural people may not have the necessary skills and attitudes necessary for urban sector jobs. So people may settle for an intermediate arrangement, whereby one member of a rural household may move to the city for employment, leaving the rest of the family in the home village. This may lead to high rates of absenteeism and low productivity among urban sector workers as they commute to their home villages to visit their families at weekends and off-days.

But in the rural sector, the natural increase in population will cause the average farm size to dwindle, depress productivity in the peasant sector, and lead to greater rural underemployment. As the size of agricultural plots decrease (roughly 67 per cent of holdings in Sri Lanka are less than 2 hectares in extent), rural farmers would become more risk averse, relying more heavily on low risk, low return crops such as paddy. Many rural households will become more dependent on transfers and remittances from family members working in urban areas or abroad. Meanwhile, new rural families would encroach on state lands and forest reserves, subsist by cultivating chena crops, and form a constituency that would demand more of the same rural development policies, namely, regularization of title, rural access roads, electricity, healthcare and education.

High transport costs between the rural and urban sectors would further exacerbate dualism because rural agricultural product markets will be segmented from the urban consumer market. Food prices in the urban sector will be high, perhaps triggering wage-price spirals, but farmers would get only a fraction of the consumer price. The substantial differential between producer prices and consumer prices would denote not only transport costs but also the substantial margin of middlemen acting as monopsonistic buyers in segmented markets. Even so, firms may yet be reluctant to move to more rural areas because of high transport costs and lower quality infrastructure services. Instead, dispersal forces may see an unhealthy pattern of urban development along arterial roads, particularly near the metropolitan hub, and investors may decide to locate in more favourable foreign locations.

¹ In Sri Lanka, wages would imply total take-home pay including bonuses and allowances rather than the minimum wage that acts as a wage ceiling in some sectors.

Lower quality infrastructure in rural areas may come about due to increasing resources being spent on ensuring access even at high marginal costs of service provision, leaving little surplus to upgrade its quality. For example, many rural households will have electricity connections, but breakdowns will be frequent as the Electricity Board finds it difficult to maintain the vast network of power lines. Similar forces may adversely affect the quality of health and education services in rural areas. Thus, the poor may need only to travel a short distance to the nearest health centre, but as maintaining the basic infrastructure would swallow most of the budget, there would be little money left over to buy drugs or up-grade medical equipment. Secondary school enrolment rates may be more than 70 per cent, but only 20 per cent of children would pass the GCE Ordinary Level Examination as funds for buying teaching equipment would be scarce. Poverty alleviation strategies that try to encourage the development of micro-enterprises in rural areas may actually spawn only survival strategies as rural producers are unable to access larger, higher-income markets due to high transport costs (Gunatilaka and Williams 1999).

The model described above may be a plausible explanation of how agglomeration forces unleashed by economic liberalization policies alongside equity-oriented rural development policies may have reinforced urban-rural differentials in Sri Lanka, perpetuated dualism, encouraged low agricultural productivity and helped transform the rural economy into a remittance and transfer economy.¹ Note that this may happen even if the overall policy framework does not contain an overt urban bias, and may in fact be tilted favourably towards the rural sector.

Admittedly, the model still needs to be tested through rigorous analysis, but a few preliminary observations merit consideration:

First, while rural development policies aim to prevent rural-urban migration, the paradigm is firmly rooted in the static theory of comparative advantage. For example, rural industrialization policies aim to redress the balance of infrastructure and facilities between rural and urban areas. But given the dynamic forces of industrial agglomeration and first-mover advantages, such efforts seem doomed to failure if rural areas cannot offer firms a cost advantage that would encourage dispersal forces, particularly when transport costs between the two sectors remain high.

So would reducing transport costs between the urban and rural sectors remove the urban bias of industrial location and encourage the development of rural areas?

Not necessarily, because better transport cuts transport costs both to and from rural areas: rural areas can now be supplied more cheaply by firms located in urban centres that can also enjoy the advantages of being in a cluster. Reductions in transport costs can favour rural development only where transport costs of agricultural goods fall more slowly than for industrial goods (produced in urban areas); where a higher real / lower nominal rural wage

¹ The impact of the secessionist conflict has been excluded for greater simplicity, but it is likely to have exacerbated some of these negative trends. However, note that regional inequity in economic opportunities is one cause for the current conflict, and proposed solutions hope to bring about greater regional equity through fiscal decentralization measures.

can compensate for the lack of agglomeration economies in rural locations;¹ and where rural production of goods or services can be qualitatively differentiated according to their origin of production (Kilkenny 1998a). Thus, processing industries that have materials cost advantages in locating in rural areas such as desiccated coconut mills or the ceramic industry, or service industry such as trade or tourism based on location advantages of some rural areas (for example, Dambulla, Sigiriya, and Kataragama), will continue to thrive and create their own urban nodes. At the same time, the significant reduction in transport costs of the information technology industry may encourage its location in certain rural locations but only so long as there are sufficient concentrations of skilled workers and high quality provision of infrastructure services such as telecommunications and electricity (both of which are hard to come by in rural Sri Lanka). But even these will tend to grow in urban clusters though independently from the metropolitan hub.

Even so, while rural development policies may ameliorate living conditions in rural areas, the majority of rural people may need to move out of rural areas and become increasingly urbanised if rural poverty is to be reduced in a sustained manner. Then the pressure on the land is likely to ease and consolidation of land-holdings will make agriculture more viable for those who remain. Recall that no country in the world has succeeded in reducing poverty by keeping the majority of its population on the land and engaged in the primary sectors of the economy. Therefore, a policy framework geared at reducing poverty should encourage planned urbanization and encourage the migration of labor from rural areas to urban areas. If the metropolitan hub is congested and dispersal forces are setting in, then policy-makers should promote intermediate urban centres close enough to the metropolitan hub to permit some degree of dispersal without losing the advantages of clustering.² Admittedly, the socio-cultural costs of large numbers of rural people relocating to urban areas may be considerable. But given that higher rates of urbanization will be the inevitable result of Sri Lanka becoming more integrated with the global market, it may be better if policy-makers recognize this and prepare and implement policies and programmes to minimize the costs and ease the transition.

What may be the role of fiscal decentralization in such a scenario? Recall that two key objectives of fiscal decentralization and inter-jurisdictional equalizing transfers are to bring about greater inter-regional equity and discourage migration in response to fiscal differentials. But while first-mover advantages and agglomeration forces favour metropolitan regions, most other rural regions will never catch up. Therefore it makes little sense to discourage people from moving from such areas to those that have better economic prospects. In fact, the more appropriate policy response may be to facilitate such migration, as argued above. The impact of agglomeration forces should also make clear why no rural development policy framework has been entirely successful in preventing rural-urban migration. Bird and Rodriguez (1999: 317) cite the classic case of Mezzogiorno in Southern

¹ But a high rate of urban-rural remittances would tend to exert upward pressure on rural wages.

² The Sri Lankan Government seems to have learned this lesson during the last three or four years. A large urban development project to develop and expand the Colombo metropolitan area is in the pipeline. The government has also begun implementing several programmes to create industrial estates and townships in rural areas relatively close to the metropolitan hub and elsewhere. But the location of such projects remains a political decision as each Member of Parliament lobbies to have an industrial estate in his or her electorate.

Italy where “the major beneficial effect of increasing public spending in poor regions was... to make it easier for those who wanted to do so to leave, both by upgrading the human capital they carried with them and by improving the transportation systems.”

If the rural development paradigm as currently conceived is fundamentally flawed, then it is unlikely that fiscal decentralization will make it any more effective in reducing rural poverty. Rather, policy-makers need to define the role of fiscal decentralization in a policy framework that is in tune with the forces of urban agglomeration and global integration. Else fiscal decentralization, like rural development policies, will work against the inevitability of greater market integration, thereby making the eventual adjustment process far longer and more painful.

4. *Conclusions*

While Sri Lanka pursues greater fiscal decentralization measures as a solution to its current conflict, many observers expect fiscal decentralization policies to deliver development objectives such as rural development and economic growth, greater inter-regional equity, and rural poverty reduction that centralised government structures have failed to achieve. This paper argues that greater fiscal decentralization may be no more effective in achieving these development objectives as policies followed thus far have accomplished. Rural development policies, with or without greater fiscal decentralization, will reduce rural poverty and urban-rural differentials only marginally, when implemented alongside macroeconomic policies that favour the dynamic forces of urban agglomeration. The analysis suggests that contrary to conventional wisdom, rural poverty reduction may actually need policies that favour planned urbanisation in line with centripetal forces, and higher rates of rural-urban migration that ease the pressure on agricultural holdings, making them more viable for those who remain in rural areas. The parameters and objectives of the current fiscal decentralization exercise need to be modified accordingly.

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7.2 Floor Discussion

The following points were raised and discussed after this presentation:

- It was pointed out that the analysis presented did not take into account the context of the armed conflict. Many of the problems stem from the social and political culture, and the economic culture. Thus the State has a responsibility to serve the interest of *all* its citizens, and governments cannot be Colombo-centric. This concern was voiced by several members of the audience, who felt that there were several problems with the uni-polar model that was propounded in the presentation.
- The level of urbanization in other centres was increasing at a higher rate and thus Colombo is not the only growth centre. Several small cities like Dambulla were also expanding. As a wholesale market centre it had taken over Colombo because it is centrally located, and functions as a collection and distribution centre. Small urban centres have also generated growth. Anuradhapura and Polonnaruwa have demonstrated a growth of 3%. Two other growth centres have been identified recently by the government, Trincomalee and Hambantota, while places like Negombo, Homagama and Biyagama had also developed because of tourism, and the garment trade respectively.
- The presenter noted that while problematizing the concept of focussing solely on rural development, what was necessary was a readjustment of labor to create more economic efficiency to avoid the problems that arose from urban poverty, and a lack of preparedness in coping with migration into the centres. Some cities have certain locational advantages, and metropolitan hubs could evolve in different places according to the services they could offer (for example, tourism). The factors that had to be taken into account were the number of skilled workers and the quality of the industry that had to be serviced.
- In addition, fiscal decentralization is not a new concept, for instance, in the United States this policy was in place, and each state controls its own economic status. This policy was new to Sri Lanka and it is important to look at the benefits more carefully. In doing so, the significance of culture cannot be overlooked.
- The presenter agreed that although the presentation was Colombo-centred, she had intended to keep the reference model simple. While it was not possible to ignore the ramifications of the ethnic problem, economic deprivation was the root cause of many of the problems that beset the country. While the concept of multi-urban centres in each province was feasible, the attempt to create towns like Dehiyattakandiya is not successful. The cost of building such towns falls on the taxpayers.
- While discouraging urban sprawl, there was also the need to accept that urban migration is a reality, and work towards addressing the problems that arise with this phenomenon.

- While pointing out that this presentation was important in breaking down the myth of rural development and the romanticization of the village, the questions regarding decentralization and devolution definitely had an impact on the way in which political currents in the country were determined. Fiscal decentralization is a discourse of the South, whereas in the north the legitimacy of a devolved state and legislative power is accepted.
- In examining decentralization, ways of opening up the system of checks and balances, supervision, and accountability were crucial. At present there is a problem in the political culture. Not only is the State inefficient but the economy is also politically geared. The political culture of Sri Lanka is not conducive to challenging the existing system. The people are poor to begin with and then they depend on the government for basic services. Every decision is based on a system of political patronage or revenge. As the system becomes restrictive, goods and services are rationed according to the political culture. A clear example is that Tamils are less likely to get Samurdhi benefits.

Appendix 1

Seminar on Poverty Research in Sri Lanka

A joint initiative of German Development Organizations
In cooperation with the Faculty of Arts, University of Colombo

12 June 2000

Sri Lanka Foundation Institute

08.30 - 09.00 Tea

09.00 - 10.30 Inaugural Session

Chairperson: Mr. Christoph Feyen (Poverty Impact Monitoring Unit, GTZ)

Welcome Address: Dr. R.M.K. Ratnayake (Ministry of Samurdhi, Youth Affairs and Sports)

Address by Chief Guest: Acting Ambassador of the F.R. of Germany

Keynote Address by Prof. Kalinga Tudor Silva (University of Peradeniya):
*Some Sociological Aspects of Rural Poverty in Sri Lanka:
An overview of Knowledge Gaps*

10.30 - 11.00 Tea

11.00 - 12.30 Current Poverty Research in Sri Lanka

Chairperson: Dr. Pat Alailima (National Planning Department)

Ms. Neranjana Gunatilleke (Institute of Policy Studies):
Linking Macroeconomic Policy to Micro-Level Welfare: Issues and Problems

Ms. Rozana Salih (Institute of Policy Studies):
The Underemployed and the Poor

12.30 - 13.30 Lunch

13.30 - 15.00 Dialogue Workshops on Poverty Issues

Group A: Case Studies on Poverty-Alleviation

(Facilitator: Dr. D. Rajasingham-Senanayake)

Mr. W.M.K.B. Wickremasinghe:

A Comparative Study of the Effectiveness of CBOs in Conflict and Non-Conflict Areas with Special Regard to Poverty-Alleviation

Mr. K.B. Wanninayake:

The Factors Affecting Success and Failure Of Women Returnees from The Middle-East: A Sociological Study of Middle-East Employment in the Kurunegala District.

Group B: Credit Systems and Micro-Entrepreneur Programmes

(Facilitator: Dr. N. Weeratunge)

Ms. C. Thilakaratne:

An Empirical Investigation of the Credit Operation System for the Rural Low-Income Groups Implemented by Co-Operative Rural Banks of Sri Lanka.

Ms. V. Maheswary:

Determinants of the Success of Women's Micro-Enterprises of the Samurdhi Programme at Hettipola Division in the Kurunegala District

15.00 - 15.30 Tea

15.30 - 16.30 Institutionalising Poverty Research in Sri Lanka

Chairperson: Mr. Sunil Bastian (ICES)

Dr. Darini Rajasingham-Senanayake (Social Scientists' Association / ICES):

Review of the Scholarship Programme: Lessons Learned

Prof. S.T. Hettige (University of Colombo) and Markus Mayer (SAI):

Outline of the Future Institutionalisation of the Scholarship Programme

Dr. Nireka Weeratunge (PIMU):

The Joint Initiative to Monitor Development Trends In the Central Province(JIMOD):. An Introduction

16.30 - 17.30 From Research to Policy

Chairperson: Mr. Seneka Abeyratne

Ms. Ramani Gunatilaka (Independent researcher):

Fiscal Decentralization, Rural Development and Poverty Reduction in Sri Lanka

17.30 Vote of Thanks

Appendix 2

List of Participants

1. Seneka Abeyratne, Agro-Enterprises Project (AgENT)
2. Dayalal Abeysekera, University of Sri Jayawardenapura
3. Ayoma Abeysooriya, South Asia Institute, University of Heidelberg
4. Pat Alailima, National Planning Department
5. R.R.M. Amaratunga, Ministry of Samurdhi, Youth Affairs and Sports
6. J.H. Bandula, Royal Netherlands Embassy
7. Sunil Bastian, International Centre for Ethnic Studies (ICES)
8. Mahinda de Silva, Seva Lanka Foundation (SLF)
9. Tamara Dorabawila, Institute of Policy Studies (IPS)
10. Marisa Fernando, Vocational Training for Women and Youth Project (VTW)
11. Christoph Feyen, Poverty Impact Monitoring Unit (PIMU)
12. Gert S. Geut, Royal Netherlands Embassy
13. Wilbert Gunaratne, University of Colombo
14. Ramani Gunatilaka, Independent Consultant
15. Neranjana Gunatilleke, Institute of Policy Studies (IPS)
16. Azra Jafferjee, Poverty Impact Monitoring Unit (PIMU)
17. Adil Khan, Ministry of Plan Implementation
18. Dietmar Kneitschel, Friedrich Ebert Stiftung (FES)
19. H. Kopp, German Embassy
20. P. Maheswary, PASS Research and Consulting
21. Markus Mayer, South Asia Institute, University of Heidelberg
22. David Morgan, Agro Vocational Training Centre (YGRO)
23. Wilhelm Morgan, KBI, Australia
24. Myrtle Perera, MARGA Institute
25. Bharati Pflug, Poverty Impact Monitoring Unit (PIMU)
26. Anton Piyarathne, University of Colombo
27. Darini Rajasingham-Senanayake, Social Scientists' Association (SSA)
28. Yoga Rasanayagam, University of Colombo
29. Malaka Ratnatilleke, University of Peradeniya
30. R.M.K. Ratnayake, Ministry of Samurdhi, Sports and Youth Affairs
31. M.G.M. Razaak, Consultant, LED
32. Rozana Salih, Institute of Policy Studies (IPS)
33. Heinz Seidler, German Agro Action
34. Neluka Silva, University of Colombo
35. Tudor Silva, University of Peradeniya
36. Selvi Sirikananathan, University of Colombo
37. H.D.C.N. Thilakaratne, Sri Lanka Institute of Cooperative Management
38. Indra Tudawe, Hector Kobbekaduwa Agricultural Training and Research Institute (ARTI)
39. K.B. Wanninayake, University of Peradeniya
39. Nireka Weeratunge, Poverty Impact Monitoring Unit (PIMU)
40. W.M.K.B. Wickremasinghe, University of Peradeniya

42. H.M. Wijayasinghe, North Western Province Dry Zone Participatory Project (NWPDP)
43. Jan Wimaladharmasiri, Poverty Impact Monitoring Unit (PIMU)
44. C. Yuvaraj, Eastern University