ECONOMIC REVIEW

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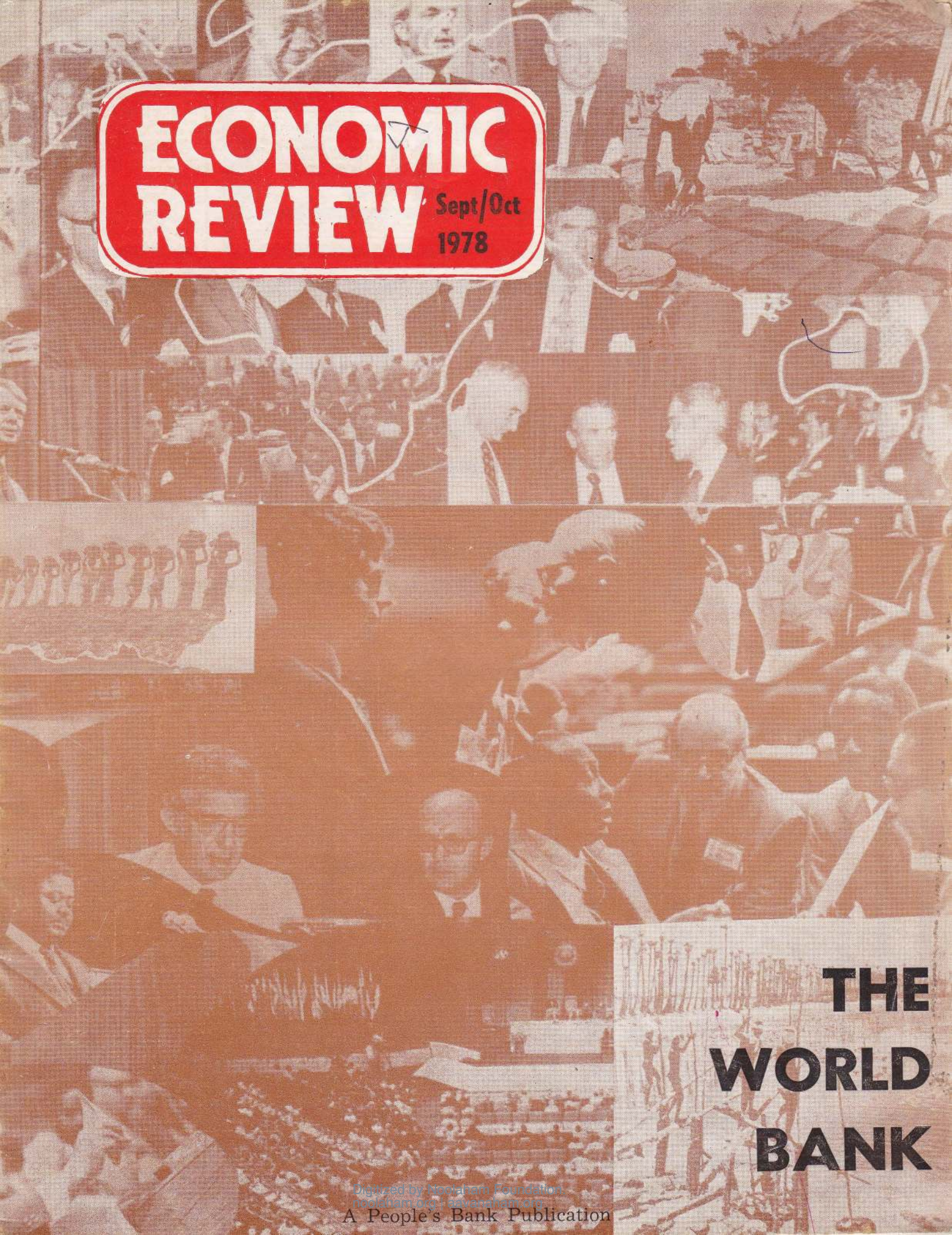

THE WORLD BANK

A People's Bank Publication

Through the word maze

A New Internationalist guide to understanding the vocabulary of international economics.

Gold Standard

The post-war economic plan valued all currencies in terms of gold in order to facilitate international trade and convertibility from one currency to another.

Each nation declared a *par value* for its currency in both ounces of gold and the US dollar, and had to intervene in foreign exchange markets to keep it within one per cent of the fixed US dollar rate. Changes in the basic *par value* could only occur after approval by member states through the International Monetary Fund.

Currency Devaluation

A deliberate government move to make its currency *worth less* in terms of the world's strongest currencies. The intention is to make exports cheaper, and more competitive, thus encouraging economic growth.

International liquidity

This is *spending power* created by the International Monetary Fund and private multinational banks that stimulates global trade and investment. The creation of liquidity should be based on an actual increase in production or wealth. The creation of liquidity outside international control – via the Eurocurrency market – is unrelated to actual world production and has contributed to the generation of global inflation.

Balance of Trade

This is the balance in the national ledger between *the value of goods imported and those exported*. It does not include the money flows from service industries like tourism, insurance or shipping. Nor does it include the movements of investment capital into, or out of, the country.

Stagflation

A new addition to the economist's lexicon in the 1970's. The term denotes a combination of *rising prices* (inflation) and *economic recession* (stagnation) – previously thought incompatible.

Balance of Payments

This reflects whether a nation is a debtor or a creditor in the international economy. It is the *financial ledger which tallies exports and imports of goods, services and capital*. It may not accurately reflect a country's true debit account, since investment from overseas is counted as a credit rather than a long term liability. In the end, dividend and interest payments on overseas investment may become a drain on the economy.

Bank Rate/ Rediscount Rate

This is the rate of interest charged by a national central bank, i.e. The Bank of Canada or the Federal Reserve Bank in the US, on loans to private banks. The central bank rate is an important tool of *monetary policy* and acts as a signal to private banks to raise or lower their interest rates and therefore the availability of credit to investors and the general public.

Foreign Exchange Rates

This is the *amount of foreign currency* a specific national currency can buy. Exchange rates are maintained in two ways.

Pegged or fixed rates – Part and parcel of the gold standard and an important element in the stability of world trade during the post war era. A currency's value in terms of other currencies is related to a *fixed amount of gold*, and after 1945, the US dollar.

Floating rates – The value of a currency in terms of other currencies is theoretically determined by *market forces*. It is only theoretical because the float is 'managed' by national governments who intervene to iron out peaks and troughs through judicious buying or selling of their own currency on the international exchange markets. Floating exchange rates are inherently unstable and promote speculation and inflation. Since 1971, when the US effectively demolished the gold standard, and in the process fixed exchange rates, most Western nations have allowed their currency to float.

Special Drawing Rights

SDR's were introduced by the International Monetary Fund in 1969 as *a new, internationally acceptable currency*. They are sometimes called *paper gold*. They are now based on the average worth of 16 major currencies although they were initially valued in terms of gold. Members are allotted SDR's according to a quota system, dependent on their membership deposits with the IMF. As a means of expanding purchasing power of poor nations, they have been grossly ineffective. Up to 1974, 75 per cent of SDR's created went to rich countries.

Eurocurrency

A term used to denote *foreign currency deposits in European banks;* mostly American dollars – thus Eurodollars – and petro-dollars – American dollars belonging to oil-rich Arab nations. The dollar pile-up is a result of a persistent US balance of payments deficit since 1945 – i.e. more dollars going out of the US than coming in. Eurocurrency deposits were estimated at more than $400 billion in 1977. Eurocurrency is controlled by private corporations and banks and is not subject to any national authority. This lack of control means that huge sums are used by speculators, adding to world financial instability. Eurodollars are continually loaned and reloaned expanding global spending power and boosting inflationary pressures.

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THE ECONOMIC REVIEW is intended to promote knowledge of and interest in the economy and economic development process by a many sided presentation of views & reportage, facts and debate.

THE ECONOMIC REVIEW is a community service project of the People's Bank. Its contents, however, are the result of editorial considerations only and do not necessarily reflect Bank policies or the official viewpoint. Signed feature articles also are the personal views of the authors and do not represent the institutions to which they are attached. Similar contributions as well as comments and viewpoints are welcome.

THE ECONOMIC REVIEW is published monthly and is available both on subscription and on direct sale.

Readers Please Note

We have combined two issues (September and October, 1978) in order to catch up on our backlog in printing which had arisen through circumstances beyond our control. We assure all our subscribers, however, that the validity of their annual subscriptions would extend over 12 separate issues.

NEXT ISSUE

- The Mahaweli Project — a discussion of current plans and problems, and economic and social goals and impact from Sri Lanka's biggest ever development project.
- The Brain Drain — two recent assessments of the problem in Sri Lanka and Malaysia.
- Banking as a tool for development.

COVER: A view of World Bank sessions and operations as designed by Palitha Kannangara.

DIARY OF EVENTS

SEPT.

1 An International Tea Producers and Exporters seminar which concluded in Colombo recorded its concern over the continuing fall in world tea prices which had already declined to 1976 levels while there had been a large increase in the cost of production. This resulted in an unremunerative return to the producer noted a report issued at the end of the three-day seminar.

The fees prescribed for medical services available in paying wards of government hospitals and other services offered by the Department of Health at a fee-including drugs, vaccination and medical certificates, laboratory tests and blood transfusions — were raised.

5 The Asian Development Bank has approved a technical assistance grant for Sri Lanka to finance an in-depth examination of the country's rural credit system in all its aspects, stated an ADB news release.

6 The new constitution of the Democratic Socialist Republic of Sri Lanka became legally effective from mid-night.

Local textile production amounted to only 32.7 million metres for the first six month of this year against a production target of 71.8 million metres, according to reports received by the Department of Textile Industry states a press report. The reasons attributed for the drop are the high cost of local production and the availability of better quality imported textiles that were available, sometimes cheaper in the market.

7 The President, Mr. J. R. Jayewardene, in his address to the First Parliament of the Democratic Socialist Republic of Sri Lanka pledged he would "endeavour to expand and broaden the freedom the New Constitution creates until the people are assured that the ever-widening freedoms they enjoy can never again be taken away from them."

8 The government of India has reduced its export duty on tea from Rs. 5 per kilo to Rs. 2 per kilo with the objective of making Indian teas more competitive in the world markets, states a report in the Bombay *Economic Times*.

The President of India promulgated an ordinance for the payment of a minimum bonus of 8.33 per cent for the accounting year 1977, irrespective of loss or profit made by an enterprise. The maximum limit will be 20 per cent, states the Indian Journal *Commerce*.

11 An agreement was signed between the Government of Sri Lanka and the Government of Canada for a loan of Canadian $ 20 million (Rs. 271.2 million) for the purchase of aluminium rods and asbestos fibre, from Canadian sources.

18 A 12-day conference of the Inter-governmental Group of Experts from tea producing and tea consuming countries, sponsored by UNCTAD, which began in Geneva discussed a programme of buffer stocks and export quotas to promote stability in the international tea trade.

20 The Government has banned the export of vegetables to Middle Eastern countries in order to prevent further rise in the local price of vegetables, the acting Minister of Trade told the press.

23 The 33rd Annual Meetings of the Board of Governors of the IMF and the World Bank began in Washington where among the important decisions of the sessions it was agreed to provide an inter-related package intended to strengthen the SDR and provide the Fund with adequate resources for the next five years. The total of the Fund quotas is expected to rise during this period from SDR 39 billion to SDR 59.6 billion, if all members consent to their quota increases.

26 Sri Lanka shares the fourth place with three other countries for the slowest growing population among 33 countries of the Asian and African continents according to the World Population Data Bank Sheet. Japan and Cyprus have the slowest rate of natural increase—1 per cent, Hongkong came second with an increase of 1.3 per cent, while China and Singapore had an increase of 1.3 per cent.

28 The government has decided not to permit the setting up of any more block rubber factories outside the Free Trade Zone as ten such factories have already been approved, according to press reports.

The Government has approved a guaranteed minimum price for tea small-holders whereby all owners of tea lands of 50 acres and under will receive a minimum price of 70 cents per pound for the green leaf supplied by them. This scheme will be brought into operation from October 1, 1978.

33 Plans for district development formulated and implemented at grass-root levels will form the basis of three Integrated District Development Projects covering the districts of Kurunegala, Matara and Hambantota. The projects will be financed by the World Bank in Kurunegala by the Swedish International Development Agency in Matara, and by the Norwegian Aid Agency NORAD in Hambantota and work will begin in 1979, states a press report.

THE WORLD BANK AND THE WORLD'S POOREST

Many billions of dollars are poured into the developing world each year through various international agencies to finance the development efforts of the emerging nations. The largest financer of Third World development today, among these institutions is the World Bank Group comprising the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), and the International Finance Corporation (IFC). Quite naturally this institution and its policies have been very much in the spotlight over the years and at times sparked off much controversy. More recently, after about 30 years of its existence, the Bank announced a shift in its policies and development objectives. Many points of view have been expressed since the changes were announced, (and reiterated around the time of the Bank's Annual Sessions at the end of September this year); and with a view to giving our readers "a many sided presentation" on this crucial subject in the development debate, we present first the World Bank's viewpoint by three of its major protoganists and then at the other end two critical assessments which touch on the more important aspect of the views expressed by the official spokesmen.

The World Bank and the International Monetary Fund were two separate but complementary agencies set up, at the initiative of the Western industrialised nations, at the end of the Second World War with the intention of rehabilitating a world economic system that was in a state of collapse. All the European economies had been largely exhausted or destroyed after the war. The memories of the monetary turmoil of the capitalist countries in the 20's and 30's was still fresh and concern about a possible recurrence was widespread. These memories and concerns, prompted the major Western nations to convene at Bretton Woods, New Hampshire, USA, in July 1944, in order to find a workable solution to the task of international economic reconstruction. The outcome of this conference was a comprehensive blueprint for setting up two international agencies, the IBRD and the IMF, which were to exert their influence on the World Economic Order ever since.

The World Bank (IBRD) was established in December, 1945 following the Bretton Woods Conference, where the major western nations met to design a workable International Monetary System and set up an agency through which war-torn Europe could be restored with long-term loans. The International Bank for Reconstruction and Development, as its name implied, was thus established primarily with this end in view.

From the 1950's, however, the Bank directed most of its financing to development projects in the Third World and is today regarded as the world's leading international institution for development financing. From the 28 countries which signed the Articles of Agreement drawn up at Bretton Woods in July, 1944 its membership has now risen to 132 countries each of which subscribes to the Bank's capital base. Over the years its sub-agencies the IFC and IDA were brought into the World Bank to provide more specialised forms of financing to the developing world.

The original purposes of the IBRD were

"to assist in the reconstruction and development of territories of members by facilitating the investment of capital for productive purposes; to promote private foreign investment, when private capital is not readily available on reasonable terms; to supplement private investment by providing loans for productive purposes out of its own capital funds raised by it and its other resources; and to promate the balanced growth of international trade and the maintenance of equilibrium in balances of payments by encouraging international investment for the development of the productive resources of the Bank's members."

The IDA, which came into existence on September 27, 1960 and whose administration is the responsibility of the World Bank was set up

"to promote economic development, increase productivity and thus raise standards of living in the less developed areas of the world included within its membership by providing finance to meet their important development requirements on terms which are more flexible and bear less heavily on the balance of payments than conventional loans such as those of the IBRD and IFC."

Its assistance was to be concentrated on countries regarded as very poor — mainly those with annual per capita incomes of less than $300. This association was intended to further the developmental objectives of the Bank and supplement its activities.

The other agency of the World Bank, the IFC, was set up a few years earlier. Though established in July 1956 it became a specialised agency in relationship with the United Nations in February, 1957. While closely associated with the World Bank, the IFC is a separate legal entity, and its funds are distinct from those of the Bank. Its main purpose is

"to further economic development by encouraging the growth of productive private enterprise in its member countries, particularly in the less developed areas."

The IFC persues its objectives by investing in productive private enterprises, in association with private investors and, without Government guarantees of repayment, in cases where sufficient private capital is not available on reasonable terms; serving as a clearing-house to bring together investment opportunities, private capital (both foreign and domestic) and experienced management; and helping to stimulate the productive investment of private capital, both domestic and foreign.

The International Monetary Fund (IMF) is sometimes confused with the World Bank or one of its agencies. It must be made clear that the IMF was set up as an Organisation that would be responsible for the new Monetary System that was established in December 1945 at Bretton Woods. The IMF's objectives were thus clearly defined as follows:

"to promote international monetary co-operation and the expansion of international trade; to promote exchange stability, maintain orderly exchange

arrangements and avoid competitive exchange depreciations; and to assist in the establishment of a multilateral system of payments in respect of currency transactions between members and in the elimination of foreign exchange restrictions which hamper trade."

The functions and operations of the IMF were such, that they invariably have resulted in the Fund laying down rigidly its terms to governments seeking its assistance, and the measures it has recommended have not been popular in these countries. This has led to much criticism of the IMF, among some of these countries, who in balance of payments difficulties have been compelled to seek the Funds facilities. The World Bank, on the other hand, with its more populist stance, particularly after the Nairobi sessions in 1973 has, in recent years, come in for less criticism than the IMF.

The World Bank has over the years directed a major part of its loans to commercial development, particularly large scale projects like electric power stations, railways, ports, hotels, mining and manufacturing installations.

About five years ago the Bank gave notice that it was making a complete change in policy and lending patterns and redirecting its programmes with the intention of raising the productivity of the poor and enabling a greater transfer of resources from the more developed to the less developed countries. The occasion was the Annual Meetings of the World Bank and IMF in Nairobi in 1973, when Bank President Robert S. McNamara made his address. Many critics have maintained, however that the money from the World Bank has not gone to really help the poor people although its activities have been carried on in the name of the poor. "It's been done in the name of the poor, but when you look over the projects there's very little evidence that it's ever really done anything to the poor", said Clarence Long of the US House of Representatives commenting on World Bank assistance. This criticism of the World Bank caused a certain amount of resentment within the Bank towards the US Congress for what it considered "unwarranted attacks upon successful attempts to assist the poorest of the poor". This is part of the debate that has gone on in recent times concerning the fundamental nature and purposes of the World Bank. These basic issues have been set out more simply in the following questions.

Is the World Bank a bank with traditional banking concerns whose object is to make a profit by ensuring an adequate return on its lending and investments. Or is it a development agency with the goal of underwriting those projects most likely to promote economi and social progress among the poor. Or can the Bank successfully accomplish both objectives simultaneously?

Bank officials maintain that their's is an international lending agency which provides critically needed development capital to the Third World with a view to solving the problems of mass poverty. They are doing so by funnelling billions of dollars in aid to development projects which are likely to be financially successful. Their sole object, it is claimed, is to assist the poor to become more productive, through such assistance, but with no political strings attached.

The critics argue, however, that the World Bank, by its very nature, is political; since it is controlled by the financial elites of the world's leading capitalist countries. The Bank, according to this view, helps to maintain the prevailing financial, economic, political, and social orders of the Third World — and indirectly, the First World — at the expense of the aspirations of the poor. As presently structured and governed the critics maintain that the Bank may be an excellent bank, but many questions are raised as to whether it can operate effectively as a development institution. For instance, the planning of several bank projects, according the these critics, have taken for granted that the eradication of poverty can be planned from Central Planning offices. The result is that many such projects have not been firmly fixed in local conditions and the poor communities for whom they were intended were therefore unable to take control of their development. The point at issue has been not the quantum of money spent, but who receives the major benefits from such development projects.

The Bank's spokesmen maintain that its present emphasis is on helping the poor to raise their levels of productivity. As Mahbub Ul Haq argues, behind the Bank's programmes is the rationale that the poor also have to participate in increasing production and they must also fully benefit from it; that new development strategies must be aimed at the satisfaction of the 'basic human needs' of the entire population rather than at fulfilling market demand; that the Bank has adapted itself pragmatically to the evolving needs of the developing world; and that beside expanding the capacity of the poor to produce and purchase market goods it was equally necessary to redesign and extend public services such as education, health care, water supply and public transportation. He maintains that is has been recognised that most of the present services end by serving the interests of a privileged few rather than the deprived many and, therefore the main emphasis has been placed on low cost, replicable public services.

Critical assessments made by Joseph Collins and Frances Moore Lappe and India's *Economic and Political Weekly*, which contribute to the debate, argue that the Bank treats the symptoms of poverty and not the causes. They suggest that some projects can "undercut" the very poor it claims to help; as intervening with funds for profit generating investments while opting to keep intact the social structures that generate poverty only strengthen the grip of the elites. The *Economic and Political Weekly* which deals with the Bank's Annual Report goes further to maintain, as has been done very effectively at many UNCTAD fors, that "the poor countries were forced to use a larger part of their new borrowings to meet the repayment of service obligations on their existing debts."

The Chairman of the Bank's Urban Poverty Task Group, Edward Jaycox, goes on to state that even with much greater effort in rural development there are limits to what can be achieved. Effective national strategies will also require a more efficient approach to urban development. For it is only by significantly slowing population growth and increasing productivity in both urban and rural areas, he says, can any real gains be achieved in employment and per capita incomes for the very poor.

Several other issues in the debate connected with the orientation, and thinking within these institutions, also the specific policies they have insisted upon, and even the degree of impartiality of these institutions have been dealt with in previous issues of the *Economic Review* and are therefore not covered here.

Bank Group Operations in Sri Lanka

Since the beginning of its operations in Sri Lanka in 1954, the Bank Group has made eight loans totaling US $73.4 million net of cancellations and fifteen credits totalling US $145.5 million net of cancellation and exchange adjustment in support of 21 projects.

Upto April 1978 about 39 per cent of Bank Group assistance has been for power, 33 per cent for irrigation (including agricultural and dairy development), and the remainder for development finance, economy operations, highways, a program credit (mainly involving the import of raw materials for industry) and water supply. Three early hydro-power loans, the credit for the Mahaweli Ganga Development Project 1 and the program credit, together with the program completed 1971 Irrigation and Drainage and Land Reclamation credits have been completed to the satisfaction of the Bank and fully disbursed. Of the two loans made to the Development Finance Corporation of Ceylon (DFCC), US $6.0 million of the US $12.0 million available was cancelled by the DFCC due to a sudden deterioration in the private investment climate resulting from a change of government in 1970. Under an ongoing IDA credit of US $4.5 million made to the DFCC in 1976, sub-projects for the total credit amount have been approved. A second IDA credit of US $8.0 million to DFCC and an equity investment by the IFC of about US $100,000 equivalent in the DFCC were approved by the Board early in financial year 1978. An IFC non-revolving line of credit of US $2.0 million to the Bank of Ceylon for onlending to local private small and medium scale industrial enterprises has also been approved in financial year 1978. At the request of the Government, a loan/credit for highways was cancelled in 1970 after disbursement of US $0.8 million of the credit, following the Government's decision to make major changes in the scope of the project. An IFC investment of US $320 million to the Pearl Textile Mills Ltd. (Ceylon) was approved by IFC's Board of Directors in January 1970, but cancelled the same year because Government approval for the project was withdrawn.

The Bank Group's current strategy is focussed on the agricultural sector in support Government efforts to increase food production and reduce its dependence on rice/flour imports, and to increase production in the tree crops subsector. Projects to support industry and basic infrastructure are also included. The Bank Group has agreed to assist the Government of Sri Lanka to accelerate the development of the Mahaweli Ganga Development Area by helping to develop an implementation strategy and to coordinate external assistance for project preparation and implementation. Agriculture has been largely neglected for an integrated rural development project for the Kurunegala District and preparation is under way for a rural maintenance project. In addition, projects in other fields, including irrigation and drainage and rainfed farming, are being prepared for possible IDA financing.

The Bank Group by April 1978 accounted for nearly 13 per cent (Bank, 5 per cent; IDA, 10 per cent) of Sri Lanka's total external debt outstanding, and about 8 per cent (almost totally Bank) of debt service. The Bank Group's share in total external debt is estimated to increase to about 17 per cent by 1980 (with the Bank's share reaching to about 2 per cent). The Bank and IDA shares in the debt service is expected to show a slight decline.

Details of the World Bank Group financed projects in Sri Lanka are given in the table below.

WORLD BANK GROUP LOANS/CREDITS TO SRI LANKA UPTO 1978

US $ Million amount net of Cancellation and Exchange adjustments

No.	Year	Purpose	Amount	Undisbursed
BANK LOANS				
1	1954	Power	18.5	—
2	1958	Power	7.4	—
3	1961	Power	15.0	—
4	1967	Development Finance Corp.	1.3	—
5	1969	DFCC Project 2	2.0	—
6	1968	Highways Study (Technical Assistance)	0.3	—
7	1969	Power (CEB)	16.5	0.7
8	1978	Mahaweli Ganga Development	14.5	4.1
			73.4	4.8
IDA CREDITS				
1	1968	Lift Irrigation Project	2.00	—
2	1969	Highways Development Project	0.65	—
3	1969	Drainage & Reclamation Project	2.6	—
4	1970	Mahaweli Ganga Devl. Project	14.5	—
5	1974	Purchase of Commodities	15.0	—
6	1973	Power Transmission	8.0	0.4
7	1974	Dairy Development	9.0	7.8
8	1976	Industrial - Agricultural Development (DFCC)	4.5	1.1
9	1975	Agricultural Development	25.0	13.0
10	1976	Tank Irrigation	5.0	4.9
11	1977	Mahaweli Ganga Development	19.0	19.0
12	1977	Water Supply	9.2	9.2
13	1977	Industry (DFCC)	8.0	8.0
14	1978	Tea Crops Rehabilitation Project	21.0	—
15	1978	Tree Crops (Tea Diversification)	4.5	—
			146.8	64.4
IFC FACILITIES				
1	1977	Development Finance Corp. (Development Finance)	0.1	
2	1977	Bank of Ceylon (Development Finance)	2.1	
			2.2	

The Bank's Lending Policies —A changing emphasis

MAHBUB UL HAQ

There has been an apparent change in the Bank's lending policies and patterns during the 1970s toward helping to raise the productivity of the poor. This article by the Director of the Policy Planning and Program Review Department of the World Bank reviews the evolution of the thinking behind the change and briefly discusses the implications for the Bank's lending policies.

The thinking on economic development has undergone a quiet revolution in the 1970s. The essence of this revolution is quite simple: all of us have finally graduated from a fascination with the intermediate means of development to a consideration of its ultimate ends. We have recognized that the growth of gross national product (GNP) is absolutely necessary but that it must be directed intelligently toward solving the problems of mass poverty. While we still need to worry about how to increase production, we have finally added the critical question: "for whose benefit?".

Like all revolutions, this one has had its excesses. Growth of GNP was forgotten sometimes in the anxiety to reach the poor directly. Some governments and populist leaders tried the futile and short-lived experiment of income distribution without increasing production. A consensus has finally been reached among those concerned with development that production and distribution policies must be fully integrated. Increased production is a must in a poor society. But the poor also have to participate in increasing this production, as well as fully benefit from it.

The debate on development strategies is continuing and is likely to go on for a long time. But it is perhaps fair to say that there is by now — broad agreement on certain propositions which would have been regarded as heresies only a decade ago:

- **Growth in the GNP often does does not filter down. What is needed is a direct attack on mass poverty.**
- **The market mechanism is often distorted by the existing distribution of income and wealth in favour of the rich, and is generally an unreliable guide to setting national objectives. Reforming existing institutions is usually more decisive than modifying prices to benefit the poor.**
- **New development strategies must be aimed at the satisfaction of the basic human needs of the entire population rather than at fulfilling market demand.**
- **Policies to improve the distribution of benefits and employment opportunities must be an integral part of any production plan. It is generally impossible to produce first and distribute later.**
- **A vital element in distribution policies is to increase the productivity of the poor by directing investment toward them.**
- **A drastic restructuring of political and economic power is often required if development is to spread to the vast majority of the population.**

The World Bank's lending policies have taken shape in the midst of this ferment in development thinking. The Bank has both contributed to the intellectual debate, through its research and policy work and through its changing lending patterns, and has adapted itself pragmatically to the evolving needs of the developing world.

ANNUAL SPEECH THEMES

The overall policy signals from the Bank during the past decade have often been conveyed through the speeches of its President, Mr. Robert S. MacNamara, at the Annual Meetings of the Bank's Board of Governors. A recurrent theme of these speeches has been how to attack mass poverty directly, through both national and international efforts. While a number of separate issues were covered in these speeches, there has been a gradual evolution of thought. A major theme of the address in Santiago in 1977 was that economic growth is not filtering down to the bottom 40 per cent of the populations in the developing world. This conclusion was backed up for the first time in the Bank with some detailed empirical work in a number of member countries.

In subsequent speeches Mr. MacNamara made a distinction between "relative poverty" and "absolute poverty". The relative poor were those whose average income was less than one third of the national average. But the main attention was focussed on the over 900 million absolute poor, with an average per capita income of less than $100. This group has an infant mortality rate eight times higher, life expectancy one third lower, and adult literacy rate 60 per cent less than the average in the developed countries. There is also widespread malnutrition among 600 million persons, many of them small children. A distinction was also made between the poorest countries — defined as those with average per capita incomes below $265 in 1975 dollars, where over 80 per cent of the absolute poor live and which require concessional assistance from the international community — and those middle-income countries with average incomes above $265 which need greater access to international markets, both to sell their manufactures and to obtain capital.

The focus of national and international efforts, including that of the Bank, was to be directed during the 1970s toward increasing the productivity of the poor. It was recognized that welfare programs, without corresponding increases in the productivity of the recipients, could only be short-lived and even counterproductive. It was emphasized that to the extent that the poor possessed some tangible assets, however meagre (a small farm, a cottage industry, or a small-scale commercial operation in the urban sector) national and international action should focus on helping them to become more productive through better access to credit, extension assistance, and production imputs such as fertilizer and improved seeds.

It was also recognized that, besides expanding the capacity of the poor to produce and purchase market goods, it was equally necessary to redesign and expand public services such as education, health care, water supply, and public transportation. The main emphasis, however, was placed on low-cost, replicable public services, since it was recognized that most of the present services end up serving the interests of a privileged few rather than the deprived many.

In recent years, the direct attack on mass poverty has also been broadened by the World Bank to

include those who have no tangible assets, or those who cannot easily be reached by simply expanding existing public services. There has been an exploration of how the basic needs of the entire society can be met in a short time, without sacrificing economic growth or turning this objective into a short-lived welfare approach. Thinking on this aspect, however, is still in an early and experimental stage.

WORLD BANK POLICIES

The past ten years have witnessed a major change in the World Bank's lending patterns and policies in order to help increase the productivity of the world's poorest people.

To begin with, this has meant channeling International Development Association (IDA) resources increasingly to the poorest countries. That is, those with a per capita income of less than $265 in 1976 dollars, even though the formal per capita income cutoff point is currently $520. About 84 per cent of IDA resources are being allocated to these countries. By comparison because of political pressures and "special relationships", only 42 per cent of total bilateral Official Development Assistance from the Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development (OECD) is being channeled to the same group of poorest developing countries. Thus, IDA has been able to maintain a strong emphasis on poverty in its assistance. This is mainly because IDA is multilateral and nonpolitical, and because its overall objective is to reach the poorest people, 80 per cent of whom live in the poorest countries.

Because of the change in the focus of development policies, it was also inevitable that the sectoral emphasis of Bank Group lending should shift dramatically — and so it did. About ten years ago 55 per cent of Bank Group lending was devoted to infrastructure projects; this proportion had dropped to 30 per cent by financial year 1977. Most of the World Bank's lending is now allocated to those sectors that directly contribute to increasing the productivity of the poor. Lending for rural development has increased from a negligible proportion ten years ago to over 20 per cent of total lending today. For social sectors, such as education and water supply, lending has more than doubled. In fact, over the past ten years, many new sectors and subsectors have been added in the lending program: among them, rural development, primary education, population control, nutrition, sites and services and water supply (see table).

Sectoral composition of World Bank lending (percentage share)

	FY 67	FY 77
Infrastructure		
Communications	3.6	2.0
Power	29.7	18.5
Transportation	21.2	14.6
Subtotal	54.5	35.1
Economic sectors		
Agriculture	7.7	32.7
(Of which: rural development)	(—)	(20.0)
Industry	11.9	21.1
Tourism	—	1.4
Subtotal	19.6	55.2
Social sectors		
Education	4.0	9.1
Population	—	0.6
Urbanization	—	2.2
Water supply	0.1	4.2
Nutrition	—	0.2
Subtotal	4.7	11.2
Others (including program loans)	21.2	8.3
Total	100.0	100.0

Not only have the lending sectors broadened, but the content and design of projects have also changed considerably within these sectors. The Bank has increasingly designed "new style projects" with the objective of directly benefiting the poor people. A minimum objective of these new-style projects is this: at least 51 per cent of their beneficiaries should fall within the poverty target group constituting the bottom 40 per cent of the population. In fact, the actual experience so far shows that the coverage has been far higher. In 1976, 89 per cent of the beneficiaries of the new-style rural development projects were in the poverty target group. Another distinctive feature of these new-style projects is that they are sufficiently low in cost per beneficiary to be replicable throughout the country.

The Bank's lending policies and techniques have also evolved in other ways. For instance, ten years ago the Bank made no loans to government-owned Development Finance Companies (DFCs) and virtually none to small-scale enterprises. Last year, 60 per cent of such Bank lending was to government-owned DFCs. By 1980, it is expected that about 30 per cent of this DFC lending will be directed toward small business. Ten years ago, the Bank made few loans to state-owned industrial enterprises. Last year, virtually all of the Bank's lending to industry went to state enterprises. The Bank has recognized that it faces a diverse world with complex issues. It cannot afford to be rigid or doctrinaire. It must keep on improving, as indeed it has.

Not only the content and direction of the Bank Group's lending but also the substance of its policy dialogue with member governments and the scope of its country economic and sector work has changed. A considerable part of this work is now focussed on identifying the dimensions of poverty and on the institutional framework and systems through which the poverty target groups can be reached directly.

It would be incorrect to suggest that the Bank effort has already made a decisive difference to world poverty. But it would be fair to say that Bank policies have changed rapidly over the course of the last decade to focus on increasing the productivity of the poor. We must recognize that in the final analysis, the Bank's role is more to persuade member countries and to give the right policy signals. It cannot coerce national governments into adopting appropriate policies for attacking their poverty problem if they neither have the political will nor the institutional means to do so.

The Bank's role can thus be only a supporting one. The Bank, along with the member countries, still has to learn a good deal about how the productivity of the poor can be increased effectively and on a sustainable basis. The developing countries concerned and the international community have still to find out how public services can be extended on a nationwide basis at a low, affordable cost. We all have yet to discover how alternative delivery systems can be devised to reach the poor people and to obtain their willing and enthusiastic participation. The Bank doubtlessly has made some progress in addressing the problems of poverty. But we should neither be immodest nor apologetic about what has been achieved so far. The Bank has taken just the first steps in dealing directly with the vast needs of the world's poorest; the real challenge for the Bank, and the international community, still lies ahead.

The Bank and Urban Poverty

EDWARD JAYCOX

In September, 1973, World Bank President, Robert S. McNamara outlined in his address to the Governors of the Bank at their Annual Meeting what he called a major new undertaking for the Bank — a programme to help national governments alleviate poverty in the rapidly growing cities of the developing countries. This article by Edward Jaycox, currently the Bank's Director of the Urban Projects Department, and Chairman of the Urban Poverty Task Group attempts to set out the background to this major effort, outline the basic strategy that has been developed and report on progress to date.

The reason why the Bank is undertaking a major offensive against urban poverty is readily understandable in the light of the realities faced by most less developed countries today. Over the past 25 years, the urban population of developing countries has increased at the unprecedented rate of close to 5 per cent per annum—nearly twice the rate of the overall population growth of these countries. Over 550 million people have been absorbed by the cities in the developing world in a single generation. Today these cities contain over 840 million persons, or about 28 per cent of their total population. About 25 per cent of the total population in Africa and South Asia lives in urban areas; the proportion rises to between 30 per cent and 40 per cent in East Asia and North Africa, and to nearly 60 per cent in Central and South America. So while the pace of urbanisation over the past 25 years has been faster than ever before the level of urbanisation is still relatively low.

This makes the challenge of the future even greater. The United Nations estimates that by the year 2000 another 1.2 billion people will have to be absorbed by the existing and new cities of the developing world. Africa's urban population will triple. In Latin America urban dwellers will exceed 75 per cent of the total population. Except for the poorest countries of South Asia and Africa, at least half of the developing world will live in urban areas. About half these urban newcomers will come from natural population growth and the rest from migration to the cities from the rural areas. Most of these new city dwellers will be poor and unskilled. The resources available for accommodating this urban growth are, and will remain, severely limited. The pressures on those cities and national governments are already enormous and, by and large, the developing countries are not ready — in terms of attitudes, policies, management capacity, or ability to mobilise the financial and other resources required — for the task ahead.

The heart of the problem of urbanisation lies in the rising numbers of the urban poor. If a city's population is growing at twice the national rate, the poor — in their illegal, unserviced squatter settlements, unemployed or underemployed in low productivity jobs — are typically growing at twice or three times the rate of the city's population as a whole.

The Bank estimates that currently almost one third of the urban dwellers in the developing countries lack the incomes and therefore the consumption sufficient to maintain a productive life. Over 250 million of them lack reasonable access to minimal nutrition, safe water, minimal sanitation, and basic education and shelter. We also estimate that these numbers are growing by perhaps as much as between 15 and 18 million persons per annum, and that unless much more is done to alter present trends, by the year 2000 over 600 million urban dwellers will be found living in these deplorable conditions. The implications of this explosion of the urban poor for overall economic and social progress as well as for political stability are indeed stark. Appropriate national strategies to cope with this situation are generally lacking and overdue and must now be formulated in haste.

POPULATION AND RURAL DEVELOPMENT

Clearly any responsive strategy has to involve attempts to stem the overall rate of increase in population and to attack the backlog of irrigation typically paid to rural development. These are major thrusts of the World Bank's operations. Only by significantly slowing population growth and increasing productivity in both urban and rural areas can any real gains be achieved in employment rates and per capita incomes for the very poor.

Even with much greater efforts in rural development, however, there are limits to what can be achieved. The amount of land that can realistically be brought under cultivation in most countries is either quite limited or can only become productive at high and increasing costs — for clearance, infrastructure, irrigation and settlement. Furthermore, even with greatly increased output per hectare, which assumes the continuing spread of technology, fundamental questions remain. How much labour can be productively absorbed in the development process? Can per capita rural incomes be raised to reasonable level without a substantial exodus of people from the land? The problem is most dramatic in Asia. In the Philippines, for instance, assuming that agricultural productivity grows at 5 per cent per annum over the next 35 years (which would be an unprecedented feat) rural per capita incomes (now about $75) will probably not exceed $125 unless the urban areas absorb some 30 million people. To achieve $125 rural per capita income in Pakistan by the year 2000 will require nearly 6 per cent per annum real growth in farm productivity, plus a shift of over 40 million people from agriculture to dependence upon non farm employment. If the cities and towns cannot absorb and employ these people, then even these modest levels of rural income are not likely to be achieved.

Persons who will join the labour force every year up to the mid 1980s have already been born. Clearly we cannot expect rural development or population planning to reduce significantly the pace or scale of urbanisation in the remaining years of this century. Utter failure on these fronts would no doubt unnecessarily aggravate the problems of increasing urbanization, but even rigorous and successful efforts will not resolve these problems in the near future.

The cities of the developing world, therefore, have an enormous if not overwhelming economic task to perform, assuming even the most favourable increases in rural productivity and decreases in hu-

man fertility. Effective national strategies will require not only continued gains in rural productivity and family planning but a very different and more efficient approach to urban development.

THE BANK'S PROGRAM

The objective of any responsible urban strategy must be to increase the capacity of towns and cities to absorb the newcomers. Absorption means providing productive employment and essential services at basic levels for the unprecedented numbers of poor people who will inevitably dwell in urban areas. This may sound obvious, but for many national and city authorities this formulation of objectives would involve a major shift in attitude, away from concern for the preservation of unrealistically high urban standards, and toward, a concern for the national economy and the efficient inclusion of the urban newcomers in the development process.

The World Bank's urban poverty program, therefore, has two complementary thrusts: (1) to create productive nonfarm employment opportunities at much lower capital costs per job and in much greater numbers than would take place otherwise; and (2) to develop programs to deliver basic services to the masses of urban poor on a very large scale, at standards which they and the economy can afford. The emphasis on low capital investment per job and low cost standard services affordable by poor households is the key to the program. The basic concept is to spread a larger proportion of the available capital over a larger number of people, so that the poor gain access to some minimal level of individual productivity and to essential services they can afford to pay for. This emphasis on affordability is to ensure that these programs are financially replicable on the large scale that is needed and that unnecessary subsidies are minimized.

In order to make the Bank's urban poverty program operational, a continuing priority has been to refine and deepen our understanding of the nature and extent of urban poverty in specific countries. The statistical information necessary for a sound analysis of urban poverty and appropriate interventions is lacking for most countries. There is a general need to improve this data base, to "map" urban poverty in terms of employment, income, consumption of basic needs, and physical location. This work is now a part of the routine country economic analysis done by Bank staff.

The country economic work of the Bank is also beginning to focus increasingly on questions of demographic, employment, and income distribution trends, and to examine implicit and explicit national strategies with respect to these trends. In this work, the complementary relationships between urbanization and rural development, and the policy variables that are important for managing equitable growth are being explored.

This economic work, together with special studies of particular sectors or issues, is intended not only to provide guidance for project selection and design, but more importantly to provide a sound basis for policy dialogues within governments and between the Bank and its borrowers.

The sectors of Bank lending which have the greatest potential to create employment and provide services to the urban poor are small-scale, labour-intensive enterprises, integrated urban projects (community development, slum upgrading, and serviced sites for shelter), water supply and sanitation, education and health, nutrition, and family planning. The Bank's operations within each of these sectors have been examined in detail to illuminate the potential beneficial impact of our lending on the productivity and welfare of the urban poor. Prototypical projects are being developed in each sector. The performances of these "new style" projects are being monitored to ensure that the experience is accumulated and can be synthesized for further development of project designs.

LABOUR-INTENSIVE PRODUCTION

The generation of nonfarm employment opportunities at low capital cost is a major component of the urban poverty program and probably the most difficult to achieve. Most developing countries have very little capital available for investment relative to the number of people that need employment. In most countries the gap between the average amount of capital available per work place (job) and the average cost per work place in the modern nonfarm sector is enormous. Scarce capital is being concentrated on a relatively few workers, increasing their productivity greatly, but leaving most of the work force without access to capital and with very low productivity.

The Bank's traditional operations in manufacturing and mining adhere to this general pattern. In heavy industry, work places financed by the Bank have cost well over an average of $100,000 each, whereas in the average operation financed by the Bank through local intermediary development finance companies work places have cost about $25,000. The average capital available, however, for each work place needed is $1,000 in India, $1,000 in Kenya, and $13,000 in Mexico. This is not to say that the traditional projects are not economically justified; all indications are that this lending has been highly justified and has used capital sparingly relative to the manufacturing process being financed. However, it does mean that for the Bank to be involved in large-scale employment generation at appropriate costs per job created, it must find ways of reaching the poor directly in areas that it has hitherto not touched — such as service enterprises, small-scale operations, the self-employed, artisans, and cottage industries. It also means that the Bank in many instances, must help its established intermediaries develop new modes of operation or must find new kinds of intermediaries — commercial banks, cooperatives, credit unions — capable of reaching borrowers at the "grass roots" or "curb side".

Many borrowing countries, too, lack experience in directly assisting their low-capital, small-scale sector. Basic policy decisions to redirect investment have not been made and the capacity to implement programs often does not exist. In many countries, the policies and institutions are even hostile to the small-scale labour-absorptive operations to which the Bank is now turning attention.

The typical "urban poverty project" — defined as such by virtue of its performance in employment creation — is one which creates employment at less than the national average amount of capital available per work place. This "new style" project is essentially labour-intensive, but nevertheless fully justified in economic and financial terms. It is typically financed through intermediaries, often at two levels: one national and one

very local. It includes a technical assistance or "urban extension" service, either financed and managed by the financial intermediaries or separately organized. The loan to the beneficiary bears a real positive interest rate reflecting the opportunity cost of capital and ensuring that employment is not reduced by subsidized capital. There is heavy emphasis on the strengthening of intermediary institutions and the development of a policy environment conducive to appropriately labour-intensive productive technology. The project is carefully monitored for its actual impact. In 1977 the Bank financed about a dozen projects containing components with these essential characteristics. There were over 80 under preparation at that time. By 1981 the Bank aims to lend over $400 million per annum (in 1978 dollars) for such projects.

INTEGRATED URBAN PROJECTS

The aim of these projects is to give security of residence and access to basic services to the very large numbers of urban poor who already live or will otherwise live in unserviced, illegal settlements. Essentially there are two types of integrated urban projects: the squatter settlements and the creation of serviced sites for additional low income residence. Most often the projects contain elements of both types. Each project is, of necessity, tailor made to the specific problems, needs, and institutional environment of each borrower. However, these projects have certain common characteristics. Their emphasis is on self-help, and they supply public finance only for those services that people cannot provide for themselves. The design of the service levels and layouts of these communities is based on what the residents can afford, given reasonable access to longer-term credit. Since we are talking of very poor people, the service levels are very low by international standards and executing the projects often requires abandoning existing unrealistic building and zoning codes. Upgrading is accomplished with an absolute minimum of relocation. New sites are selected on the basis of their access to employment centres.

The integrated urban projects attempt to cover those aspects of the community development that are critical to the productivity, health, and welfare of the people. Education, vocational training, nutrition, family planning, small business credit, and technical assistance elements are commonly included as integral parts of the project. Each project is aimed at initiating or promoting a long-term program. Great emphasis is placed on whether the project can be duplicated on a scale commensurate with the size of the problem. If not, it cannot meet the Bank's lending criteria which rule out support of the unsustainable highly subsidized "showcase" project. Self-financing through recovery of full costs from the beneficiaries not only helps to ensure the ability to duplicate a project but also maintains discipline over design standards and costs. Because the beneficiaries are expected to pay the costs, it often becomes not only desirable but essential that they participate in the decisions in planning and implementing the project.

The Bank has now financed 85 of these integrated urban projects in 38 countries. Up to now they have been the major component of the urban poverty program. Over 60 of these projects are under preparation, many of them "repeater" projects in countries where previous projects have been successfully implemented. By 1980 the Bank aims to lend about $800 million per annum (in 1978 dollars) for integrated urban projects benefiting at least 5 million persons per annum (equivalent to about one third the actual increase in squatter population). Each of the basic urbanization projects is being carefully monitored to allow in-depth, external evaluation and feedback to new projects.

SECTOR APPROACHES

Quite apart from the water and waste disposal components in integrated urban projects, and more important in terms of dollars invested and people served, are the "new style" projects which address the water and sanitation needs of the poor on a city wide or national basis. Typically these projects involve public standpipes and communal washing and toilet facilities or pit latrine building programs. They involve appropriate integration of this part of the system, with and the development of, the needed trunk and source or treatment facilities. These projects require imaginative thinking about system design, cost recovery methods, pricing strategies, and coordination with urban development programs.

Nearly all the urban located water and sewerage lending of the Bank involves important direct benefits to the urban poor. The aim is to increase these benefits to overcome the backlog of inadvertention to the poor and keep pace with their growing numbers.

While school enrollment ratios in urban areas are typically much higher than those in rural areas, these averages mask marked educational disadvantages for the urban poor, who usually have about the same lack of access to education as their rural counterparts. "New style" education projects are being developed to directly benefit the urban poor. These projects increasingly emphasize nonformal education, functional literacy, primary schooling, vocational training, and adult education. More attention is now being paid to the location of schools within the low-income neighbourhoods and to encouraging the demand for basic education and skill development.

There is a great deal of evidence that in many countries the health and nutrition status of the poor in urban areas is inferior to that of the rural poor, due to unsanitary crowded conditions, lack of access to proper and adequate food, less breast-feeding of infants and generally higher costs of living. Also with heavy migration by the young, the fertility of the urban population is often increasing. The main health, nutrition, and family planning aspects of the urban poverty program have up to now been mainly addressed through components within integrated urban projects, but sectoral approaches to these problem areas are planned for the future.

OVERALL TARGET

The overall target for Bank lending to combat urban poverty is that by financial year 1980 at least one third of all urban-related lending will provide direct benefits to the poverty group. This proportion roughly corresponds to the proportion of the poor in the total urban populations of the developing world and would involve a substantial gain for the poor where their normal share of benefits from public investments. However, the target is essentially arbitrary to challenge the Bank itself to make the breakthroughs in design, to take the initiatives, and to change its own comparative advantages to be able to help its borrowers with this high priority work.

Priority for two fundamental objectives

ROBERT S. McNAMARA

As one surveys the international development scene today, it is clear that there are two fundamental objectives that must command the priorities of us all.

One is to accelerate overall economic growth in the developing countries, and the other is to reduce the massive dimensions of absolute poverty.

In the *World Development Report, 1978* the initial volume in a new annual series of World Bank analyses of economic and social progress in the developing world, these two issues are examined in detail.

Based on a number of feasible — though admittedly optimistic — assumptions, projections for the period 1975-1985 indicate that the low income countries could increase their overall growth rate from roughly 4 to about 5 per cent, and that the middle-income countries could sustain their current growth at about 6 per cent.

These are not, however, predictions of what will actually happen. They are prospects which are far from certain. To achieve them, both the developing countries themselves, and the developed nations, must increase their efforts.

The developing countries must, for example, mobilize even greater domestic savings than they do now. This will call for difficult reforms in a number of sensitive areas of public policy.

Further, they must expand their export programs, and their agricultural productivity — which in the case of the low-income countries would mean doubling their current agricultural growth rates, raising them from 1.5 per cent to 3.0 per cent a year: a difficult but attainable goal.

But if the developing countries were to do all of this — as necessary as it is — they simply could not achieve the projected levels of economic growth without substantially greater support from the developed nations.

That support is required, first of all, in the matter of trade. Just as the developing countries have begun to demonstrate their natural comparative advantage in certain labour-intensive manufactures, a new threat of protectionism is gathering momentum in the developed world.

This is both inequitable and shortsighted since it denies the developing countries the only long-range economic strategy that can ultimately decrease their dependence on foreign assistance.

Already the developing world constitutes an important and growing market for the exports of the industrialized nations, stimulating demand and helping to hasten their own economic recovery. But if the developing countries are to import even more goods and services from the OECD nations — which they both need and want to do — then they must be allowed in return to export more to those same nations in order to earn the foreign exchange necessary to do so.

In the end, excessive protectionism is self-defeating, for everyone: for consumers, who are denied less expensive, and hence less inflationary, imports; and for producers who are denied competitive access to expanding markets.

What is required is a more rational framework of international trade that will reduce protectionism on both sides by promoting the dismantling of non-tariff barriers, and by broadening the scope of true comparative advantage. In the industrial countries this will require initiating adjustment procedures that can ease the shift of capital and labour away from marginal industries into more competitive and productive sectors.

The expansion of international trade is, then, essential to the economic growth the developing countries so desperately need.

Another requirement, particularly for the middle-income developing nations, is the continuing assurance of adequate capital flows from both the multilateral financial institutions and the private capital markets.

In the recession that followed the economic turbulence of the early 1970s, the middle-income countries had to rely on heavy borrowing abroad to maintain their development momentum. The international development institutions, and the commercial banks, responded to that need, and debt obligations rose swiftly.

This was, on the whole, a very positive phenomenon, and assisted the recovery process in the developed as well as the developing nations. But as the debt grew, there began to be some anxiety that prudent levels might be exceeded.

The World Bank has followed these developments closely, and has concluded that the potential dangers lie not so much in the absolute amounts of the debt itself, but rather in a generally burdensome maturity structure and in liquidity problems that will affect a limited number of borrowers.

The poorest developing countries, because of their limited debt-servicing capacity must of necessity depend on capital at concessional terms, and are in urgent need of greater Official Development Assistance.

If the poorest countries are to sustain the very modest economic growth levels projected for the period 1975-1985, there must be an end to the virtual stagnation in ODA flows, and an increase of at least 5 per cent a year in real terms.

Though some of the smaller countries of the Development Assistance Committee have made a strong showing, the overall trend in Official Development Assistance is very disappointing. In relation to combined GNP, ODA has declined from .52 per cent in 1960 to .31 per cent in 1977.

But increasing economic growth — essential as it is — is not the sole objective of the development task. Reducing the massive and cruel dimensions of absolutely poverty is equally imperative.

And it is here that the *World Development Report* comes to its most shocking conclusion: that even if the growth rates projected for the developing countries were to be achieved by 1985 — which is by no means certain — and even if that growth were to continue for another 15 years, it seems likely that at the end of the century there would still remain some 600 million individuals trapped in absolute poverty.

These years will clearly demand a more determined effort from us all if the central goals of development — sustained economics growth and the reduction of absolute poverty — are to have any realistic chance of succeeding.

We must be candid about the choices that confront us.

There are no easy alternatives.

But to relax in the development effort, to lose momentum, to procrastinate, to let problems fester and grow worse — that choice can benefit neither us, nor those others who must follow after us.

THE WORLD BANK —A CRITICAL ASSESSMENT

Joseph Collins and Frances Moore Lappe

Joseph Collins and Frances Moore Lappe has authored "Diet for a Small Planet" and "Food First" and whose interview with the *Economic Review* was carried in our January, 1978 issue has sent us this article on the World Bank based on a revised and updated chapter of their book "Food First" which will be published in August, 1979. They work with the Institute for Food and Development Policy based in San Francisco, California.

"Perhaps more than any other institution in the world, the World Bank is helping large numbers of people move out of absolute poverty towards a more decent life."

WORLD BANK PRESIDENT,
ROBERT S. McNAMARA APRIL 2, 1978

The World Bank has rapidly emerged as the leading institution for development financing, with lending commitments for 1979 projected at $8.8 billion. President Carter has asked American taxpayers to virtually double their contribution to the Bank. Our $2.2 billion in fiscal 1979, we are told, would help the Bank further its "assault on poverty."

The World Bank's Assault on Poverty

Important insights into the World Bank's battle plan can come from reading any of its confidential rural project planning documents ("gray covers"). Here the Bank staff seem to follow a ritual formula — one apparently unaffected by the Bank's "basic needs" rhetoric of the past five years.

Technical and statistical data are paraded forth. Poverty is quantified. The poor are spoken of in para-military terms: that is, as "the target population". Despite the stress on "participation" in publicly-touted policy papers (for example, "The rural poor must participate in designing and operating a program which involves so many of them"), poor people, project documents imply, can be reached from the top down. The poor are never seen as the participants, much less the instigators, of their own development.

Project proposals, nominally written by the local government, are in most cases ghost-written by Bank "missions" that fly in at no small expense from Washington for a few days.

The presumption throughout project design is that development can be achieved only by bringing in external resources. Foreign investment is thought of as essential. That a project design includes ongoing reliance on imports is not seen as a problem.

The project implementation section amounts to a series of best-of-all worlds projections. Statement of goals plus money equals success. Poverty is simply *there* with no hint that forces are at work creating and sustaining it. A project plan is an exercise in economics divorced from political, sociological and cultural factors. The possibility of conflicting interests on any level is apparently unthinkable. Government and other actors are all presumed to be working together to eliminate poverty.

Results of projects are measured only in statistics, not in the experiences of real people.

The Case of Bangladesh

With the Bank's projects opting to ignore the social roots of poverty, is it surprising that they seem time after time to achieve the reverse of stated goals?

Take the Bank's credit to the government of Bangladesh to fund 3000 deep tubewells. Each tubewell can irrigate 60 acres, making possible an extra crop of rice in northwestern Bangladesh. According to a Bank press release, each well would serve from 35 to 50 in a cooperative irrigation group. But independent American researchers Betsy Hartmann and James Boyce, who lived for nine months in one of the villages covered by the project, found what was no secret to anyone in the village: the tubewell has wound up as the property of one man, the richest landlord in the village. The World Bank (in reality the Bangladesh government) paid $12,000 for each well; this landowner paid less than $800 for his. And the vaunted irrigation cooperative is but a few signatures he collected on a scrap of paper.

Was the Hartmann and Boyce experience atypical? Apparently not at all. Expressing their dismay to a foreign expert working on the project, they were told:

> I no longer ask who is getting the well. I know what the answer will be and I don't want to hear it. One hundred per cent of these wells are going to the "big boys."

The project should not be thought of as simply failing to help the "target groups". Such a project actually *undercuts* the supposed beneficiaries by enriching their enemies. Thanks to their increased income due to World Bank tubewells, larger landowners will be better positioned to buy out the small farmers, thus driving them into the growing ranks of the landless. The same foreign expert commented:

> On paper it all sounds quite nice. When the officials fly in from Washington for a three-day visit to Dacca, they look at these papers. They don't know what is happening out here in the field, and no one is going to tell them.

World Bank officials who find themselves forced to admit the failure of such a project invariably do not question its premises. "More managers", they say, are what is needed.

Not Neighbours, But Rivals

We ourselves investigated another Bank rural development program in Bangladesh, a major "pilot" program called RD—1 (Rural Development Phase One). The stated goal of the $16 million RD-1 is "to reduce the domination of rural institutions by the more prosperous and politically influential farmers and to make farm credits and agricultural inputs..... available to the small farmers through the cooperative system."

The Bank, you will note, presupposes there could be a cooperative system not dominated by the elite landowners.

People in each village we visited, however, told us that the so-called cooperatives were for the

well-off-generally the top 10 per cent owning six acres or more — who controlled the records and determined who could join and get credit. For the rest, especially the half owning one acre or less, the payment terms are too stringent and the membership fees too high. Moreover, without land, coming up with collateral is virtually impossible. "Even if I did come up with a scheme to pay back a loan", one landless villager complained, "the cooperative would still not give me credit."

One case in Bangladesh confirms a pattern we have found throughout the world; village cooperatives will inevitably be co-opted by the elite groups long as land remains grossly unevenly distributed.

Projects conceived up in a social vacuum play themselves out in the real world of injustice and conflict. As one Food and Agriculture Organization agronomist with 10 years experience in Bangladesh told us, "The thing to remember about the villages is that the people are not neighbours but rivals". Similarly the fundamental social reality we were repeatedly told, is a struggle over land; the well-off scheme to get their smaller neighbours in debt to them in order to foreclose on their land; the poor farmers desperately manoeuvre to hold on to the little land they have.

Thus the rural elite who now usurp the tubewell — or the new machines or the extension worker's guidance or whatever the Bank projects supposedly earmark for the small farmer — make sure the poor will not benefit. This is true even if it means vastly underutilizing the new inputs.

Don't Rock the Boat

A recent Bank policy paper on rural development explains how projects should deal with "the existing social system". The paper states: "In many countries, avoiding opposition from powerful and influential sections of the rural community is essential if the Bank's program is not to be subverted from within."

The Bank's commitment to not rocking the boat is clear when we discover that many of its rural programs do not even make the pretense of aiding the poor smallholders. In *Assault on World Poverty* the Bank states that it is allocating almost half of its rural credit to small farmers. But this means then that more than half of the Bank's rural credit will still be going to medium and large farmers who at most constitute only 20 per cent of all landholders in the underdeveloped countries.

Moreover, closer examination of project appraisals has taught us to be on the alert about even the "almost half" allegedly going to "small farmers". For whether or not World Bank credit is getting to the rural poor depends, in part, on how the Bank defines "small".

Also if the Bank is serious about attacking rural poverty, what does it offer the many landless in countries where a few monopolize the land? (Even in the Bank's own conservative estimate, the landless make up 40 to 60 per cent of the population). To deal with the landless, the Bank revives the "trickle down" theory. We were told, for example, that millions of dollars for an irrigation dam will generate more farm employment, a boon to the landless. But as Hartmann and Boyce ask, "Is giving aid to the rich so they can hire more poor at subsistence wages really the way to best help the poor?"

As an utterly rare exception, the Bank did design a sub-project in Bangladesh to benefit landless villagers directly. The $18 million RD-1 project includes a meager $4000 loan for a single landless cooperative to purchase from the government a pond and three acres of land. (There is much more government land in the village but the well-off have usurped it). Since the workers' income is still such that they must also work for the villages landowners to survive, this program amounts to a wage subsidy for the rich landowners.

The program furthermore includes only a third of this single village's landless and does nothing to confront the structures that generate their landlessness.

In visiting this project, we could not avoid feeling that it was nothing more than a showcase. In signing the co-op's visitors book, we noticed signatures of visitors from several European countries and Canada. Were the poor people we met there being underpaid for their unwilling service to the Bank's image?

The Bank goes out of its way not to rock the boat even in cases of outright corruption by elites. In Bangladesh the price tag on pump-sets for the Bank's deep tubewell project jumped from $8 to $12 million simply to meet the demand for super profits by the pump-set importer among Bangladesh's richest citizens.

While "feeding the hungry" might warm the heart of World Bank officials, there is no column on their ledger sheets headed "full stomachs". Poor people growing food for themselves do not produce much money and foreign exchange. Are only if they sell their production, that is, generate "marketable surplus", will loans get repaid. That is what the Bank is concerned about.

The World Bank, like any commercial bank, seeks to minimize risk. The Bank itself notes, "Lending only to those with investment opportunities sufficient to produce a significant marketable surplus is perhaps the best way to reduce the level of default". Those with investment opportunities" is a euphemism for the larger landholders. Besides backing on the largeholder, the Bank often carries its risk minimization one step further; Farmers are "encouraged" to produce non-food crops. This will ensure a marketable surplus.

The Bank is pushing money, yes, but not giving it away. Loans must eventually be repaid — and with foreign exchange earned, as we have seen, largely by the labour of rural people producing for export. At least the Bank through its IDA operation gives loans on concessional terms. Much of these loans, however, merely serve to create the cash flow that makes it possible to make payments on previous regular Bank loans as well as private U.S. and European bank loans.

Repaying mounting debts puts a country under ever greater pressure to orient every aspect of the economy towards exports. The "debt trap" pushes countries away from building a basis of self-reliance, the only foundation for a new international economic order.

More than a Bank

The World Bank is not simply a provider of development loans. Over the past few years it has become a major force in shaping national economic policies. In the Bank's own words:

> IDA's borrowers, in particular, would be unlikely to obtain finance on terms as satisfactory as IDA's from any other source; they are therefore unlikely to disregard the kind of advice they may be given by Bank IDA missions whose periodic surveys of their economies in-

The World Bank's Annual Report — An Old Theme In New Garb

states India's "Economic and Political Weekly"

Is the World Bank beginning to lose steam? According to the Bank's latest annual report, loans approved in the fiscal year 1978 (from July 1, 1977 to June 30, 1978). This represented a rise of a little under 6 per cent over 1977 — undoubtedly a modest achievement by the standards of the Bank under Robert MacNamara. The rise in loan approvals had been 75 per cent in 1974, 34 per cent in 1975, 15 per cent in 1976 and 16 per cent in 1977. The trend in disbursements is similar. At $2,787 million, disbursements in 1978 were again a little less than 6 per cent higher than in 1977. By contrast, the rise in disbursement had been 30 per cent each in 1974 and 1975, 24 per cent in 1976 and 7 per cent in 1977. The operations of the IDA, the World Bank's soft loan association, tell the same story. Loans approved by the IDA in 1978 at $2,313 million may seem to mark a big jump of 37 per cent over 1977 but this is only because IDA's operations in 1977 had had to be cut back for lack of resources. Disbursements by the IDA in 1978 were actually 18 per cent lower than in the previous two years and were only just a little higher than in 1976.

Even more striking is the decline in the net transfer of resources by the World Bank and IDA to the underdeveloped countries. Repayment of principal and payment of interest and other charges by borrowing countries added up to $2,251 million in 1978 — or equal to more than 58 per cent of fresh disbursements during the year. In other words, the poor countries were forced to use the larger part of their new borrowings from the World Bank and IDA to meet the repayment and servicing obligations on their existing debt to those institutions. This is part of being caught in what has been so aptly described as the 'debt trap'. The net transfer of resources to the underdeveloped countries by the World Bank and IDA in 1978 was just $1,588 million, compared to $2,078 million in 1977. It is indeed, a sobering thought that $1.5 billion was the sum total of the World Bank's net contribution to the developmental resources of all the poor countries put together. To make a rough and ready comparison, this is equal to no more than amounting to $6,098 million were about 11 per cent of this year's proposed public sector Plan outlay of India.

However, President MacNamara is not one to allow the Bank's evangelical aspirations to be circumscribed by the modest dimensions of its material contribution to the cause of the upliftment of the poor. Five years ago, at the annual meeting of the Bank in Nairobi in 1973, he decided that in order to improve the condition of the poorest segments of the population of the poor countries, the emphasis in the development programmes of these countries needed to be shifted to agriculture and rural development. Accordingly, he set a target of World Bank lending to projects in these areas of $4,400 million in real terms over the quinquennium 1974 — 78. Now, at the end of the five years, the Bank can claim to have exceeded this target. Loans approved by the Bank and IDA for agriculture and rural development during 1974 — 78 amounted to $10,020 million, equal to $5,950 million in real terms. MacNamara's target of $4,400 million has thus been surpassed by about 35 per cent.

In the discussion in its annual report on the policy changes recently effected by the governments of the countries of South Asia, the report notes with obvious satisfaction that "governments are reappraising the role of public investment in the economic development process. Throughout the region, this reappraisal is leading to a shift away from an earlier emphasis on heavy industry and certain types of infrastructure in favour of agriculture, irrigation, rural development, small scale industry and health". What is significant here is, of course, the counterposing of emphasis on agriculture, irrigation, rural development and so on — the need for which will hardly be questioned — against development of heavy industry and infrastructure. The suggestion is that if agriculture and rural development and all the other activities undoubtedly essential for the upliftment of the poor did not make enough headway in the past, it was because undue attention was given to investment and public investment especially in steel, heavy machine building, basic chemicals, power and so on and so forth.

The dangers of such a view of the development experience of

include assessments of the soundness of new economic policies.

The Bank has begun establishing permanent missions in underdeveloped countries, often located right within planning ministries. In an increasing number of countries the Bank puts together and chairs a consortium of the principal bilateral and multilateral lenders that coordinate donor contributions and policies. In many countries, such as Bangladesh, the Bank is quietly placing advisers in key ministries of the government. One trump card of the Bank is that it determines governments' international credit ratings.

Evaluations are sometimes commissioned of outside consultants; but how independent are they, given that their next contract might come from the Bank. One such major evaluation we heard of was critical. It has been suppressed and the author was ordered to do a 're-write'. Public reports, we are told, must be upbeat in order to gain support in the congress and parliaments of donor countries.

While in Bangladesh informed foreign sources told us that recently a mission had flown in from Washington and pronounced the RD-1 program we discussed earlier a success "because it is based on sound principles" and that it should be expanded. Yet only the day before a Bangladesh government official had shown us an internal Bank memorandum indicting every aspect of the implementation of the project and concluding that the w-on system operates "excessively in favour of the more wealthy farmers."

Some at the Bank might reason that meeting the basic needs of the poor would pacify those working to alter present social structures. But, even if this be the goal, their programs are ultimately self-defeating. Intervening with funds for profit-generating investments, while opting to keep intact the social structures that generate poverty, only strengthens the grip of elites. The result is that the poor are even further impoverished.

the underdeveloped countries are brought out sharply in the reference in the report to other changes in government policies from which also the bank derives great satisfaction. Thus, to quote from the report, "In the wake of major political changes in several South Asian countries, an intense scrutiny of existing social and economic policies has started. It has already resulted in important measures, such as liberalisation of import and investment controls, greater recognition of the role of exports and reduced emphasis on import substitution....." Hallelujah! The poor are opening up their economies to make way for classic patterns in international division of labour — concentrating on agriculture and light industries and flogging the products of those sectors in the world markets to pay for liberal imports of the creations of the developed countries.

It is remarkable how unchanging has been the strategy of Western capitalism and its spokesmen like the World Bank towards the underdeveloped countries. Only, the advocacy has gained in sophistication. Earlier, these same policies used to be enjoined on the strength of arguments about the superior efficiency of private enterprise, international and domestic, and the importance, therefore, of giving such enterprise maximum freeplay. Now the case is advanced in the name of social justice and improving the living conditions of the poorest of the poor in the underdeveloped countries.

What is glossed over — and in this operation, governments and ruling classes of the poor countries are only too happy to aid and abet the World Bank and those for whom it speaks — is that if economic disparities have widened in the poor countries and the condition of the poor in these countries has failed to improve or has worsened, it is not because public investment was misdirected into the development of heavy industry and of infrastructure facilities — such development has been pitifully small any way — but because the distribution of productive assets in society, or land most important of all, has been left untouched; because, despite the appearance of government control and regulation, the allocation of investment and the patterns of production have been decided by the flows of effective demand as determined by the highly unequal distribution of income and property; because as a result of this, resources have cascaded in the direction of provision of goods and services to make better the good life of the relatively well-off; and because too little resources have consequently trickled into the production of the basic necessities of life for the poor. These causal relationships between existing institutions and policies on the one hand and the deepening poverty of the poor have been altogether by-passed in the "intense scrutiny of existing social and economic policies" which the World Bank sees going on in the ruling circles of its client countries. The Bank, of course, could wish for nothing better.

BANK, IDA, IFC commitments top $ 8,700 million

Commitments to lend $8749.1 million to developing nations were made by the World Bank and its affiliates, the International Development Association (IDA) and the International Finance Corporation (IFC) during fiscal year 1978, according to details of the Bank's *Annual Report* issued in September.

The World Bank approved 187 loans — totalling $6,097.7 million — to 46 countries during the year. In fiscal 1977, Bank commitments totalled $5,759 million.

IDA commitments in fiscal 1978 amounted to $2,313 million, and were for 98 credits to 42 nations. In fiscal 1977, IDA commitments were $1,398 million.

The IFC made 41 investments amounting to $338.4 million in 31 countries in the past year. By contrast, the Corporation — its essential function is to assist the economic development of its less developed member countries by promoting private sector growth — made loan and equity investments that amounted to $238.9 million in fiscal 1977.

The commitment figures for the Bank, IDA, and IFC were all record highs. The 77 per cent increase in lending by IDA over fiscal 1977 was due to the increased resources that were available to it by the Association's donor nations during the first year of a three-year Fifth Replenishment period that runs through fiscal year 1980. The Association has received $7,731.7 million in pledges from 26 countries for the Fifth Replenishment period. Almost 80 per cent of IDA's lending was to countries with annual per capita incomes of below $380. More than half of all IDA credits (58%) during fiscal year 1978 were for agriculture and rural development. Almost a third (32%) of Bank lending was to that sector.

COMMITMENTS — FISCAL 1978

The *Annual Report* states that the Bank's 22-member Board of Executive Directors representing 132 countries — has agreed to commitments of $6,800 million by the Bank in fiscal 1979. The annual contribution of the World Bank Group, however, that for figures will be reviewed in a few months' time to take account of the progress in discussions surrounding a General Capital Increase for the Bank. The *Annual Report* does state that the need for the Bank to have a General Capital increase sufficiently large so as to permit its lending to grow in real terms over the next five years was endorsed during informal discussions — held in fiscal 1978 — on the subject. According to the Bank's Articles of Agreement, outstanding loans cannot exceed the sum of the Bank's subscribed capital, surplus, and reserves. Loans held by the Bank on June 30, 1978 amounted to $47.98 billion.

NET INCOME — BANK

In fiscal 1978, the Bank's net income increased by 14 per cent to a level of $338 million. The figure was the second highest in the Bank's history.

Most of the Bank's net income is allocated to its reserves (which, on June 30, 1978 totalled $3.26 billion), and to the operations of IDA. Since 1964, $1.225 billion has been allocated to IDA, making the Bank the third largest contributor to the Association's resources.

Colombo's Master Plan

The key features of the newly planned Colombo Central Area in the Colombo Master Plan Project were publicly released in well illustrated document in September this year. The Central Area consists of 1,280 acres of land. Now covering Hulftsdorf, the Pettah the Fort and Galle Face areas it will be restructured as six distinct areas known as: Echelon Centre, Lotus Centre, Marine Drive, Kachcheri Road, Fish Market and the Courts.

The development and re-development of metropolitan Colombo is one of the three major development priorities of the Government; the other two being the Mahaweli Ganga Scheme and the Free Trade Zone Project. The Colombo Master Plan Project is expected to cover about 1,600 square miles of the Colombo metropolitan region. Within this area a plan has been prepared for 100 sq. miles of the Colombo Urban area; while another plan is now being prepared for the 180 sq miles of the adjoining Greater Colombo Economic Commission area. In the words of the planners

"These plans comprise bold efforts to rejuvenate and to expand the supply of housing, water supply, sewerage, transport..... indeed all of the equipment and infrastructure that make a modern city. Work is already underway on improving the slum and shanty areas, on new housing construction, on water supply expansion, on transport improvements and in many other fields of activity.

But the heart of a city, where the aspirations of a society are most dramatically made manifest, where the greatest concentration of employment and generation of wealth is located, where the image of a city is most sharply presented to visitors and citizens alike, is the city centre. The rebuilding of central Colombo is an important element both in the Government's economic programme and in projecting a new image for Colombo and for Sri Lanka".

The significance of planning the development of the city of Colombo and its environs has repeatedly been emphasised in similar terms.

The Master Plan was orginally conceived by its present Director in the mid 1960's when he was head of the Government's Town and Country Planning Department. His main motives in mooting this project at that stage appeared to be the apprehension that insufficient attention could be focussed on the planning of Colombo due to inadequacies of the Town and Country Planning Ordinance and lack of qualified technical personnel; and also the fact that there was a general ignorance of the importance of physical planning among economists in the Ministry of Planning. Some influential officials actively opposed the establishment of the Project partly on the grounds that more emphasis should be given to the rural areas than a high powered project for planning and development of Colombo. The Director's views eventually prevailed when the project was established in the early 1970's though in retrospect there were rights and wrongs on both sides of the original controversy. The rationale and outline of this proposed development plan has been well summarised in a document, dated January 1976 prepared by the Colombo Master Plan Project.

This review appears to have involved firstly an assessment of the present role and likely future role of Colombo in the nations. context; an assessment of the current situation of Colombo; and finally an estimate of the future situation of Colombo. All these are described in terms of economic indices, population infrastructure and amenities etc. The objectives of the Plan have been visualised, and with these in view projects and policy issues identified and amplified. The methodology is sound with one welcome feature, namely the inclusion of the eight "action projects", a recent acquisition in the urban planners tool kit via the work of Prof. Otto Koenigsberger.

Need for National Urban Policy

While there are many sound aspects in the proposal there are also some major criticisms that could be made. Perhaps the most important is on the assessment of the present role and likely future role of Colombo in the national context. An assessment of a subject of this importance is tantamount to the identification of a national urban policy. To date no such policy has been identified. Basic issues such as, how a national urban system can help rural transformation and development, how the present proposals fit into a national urban policy and the relation of the urban system to rural areas and the whole in relation to development strategies have yet to be spelled out. The Colombo Master Plan Project has thus far not made public its detailed work on these aspects. Judging by the content of the present proposal it would appear that the role of Colombo has been overstated.

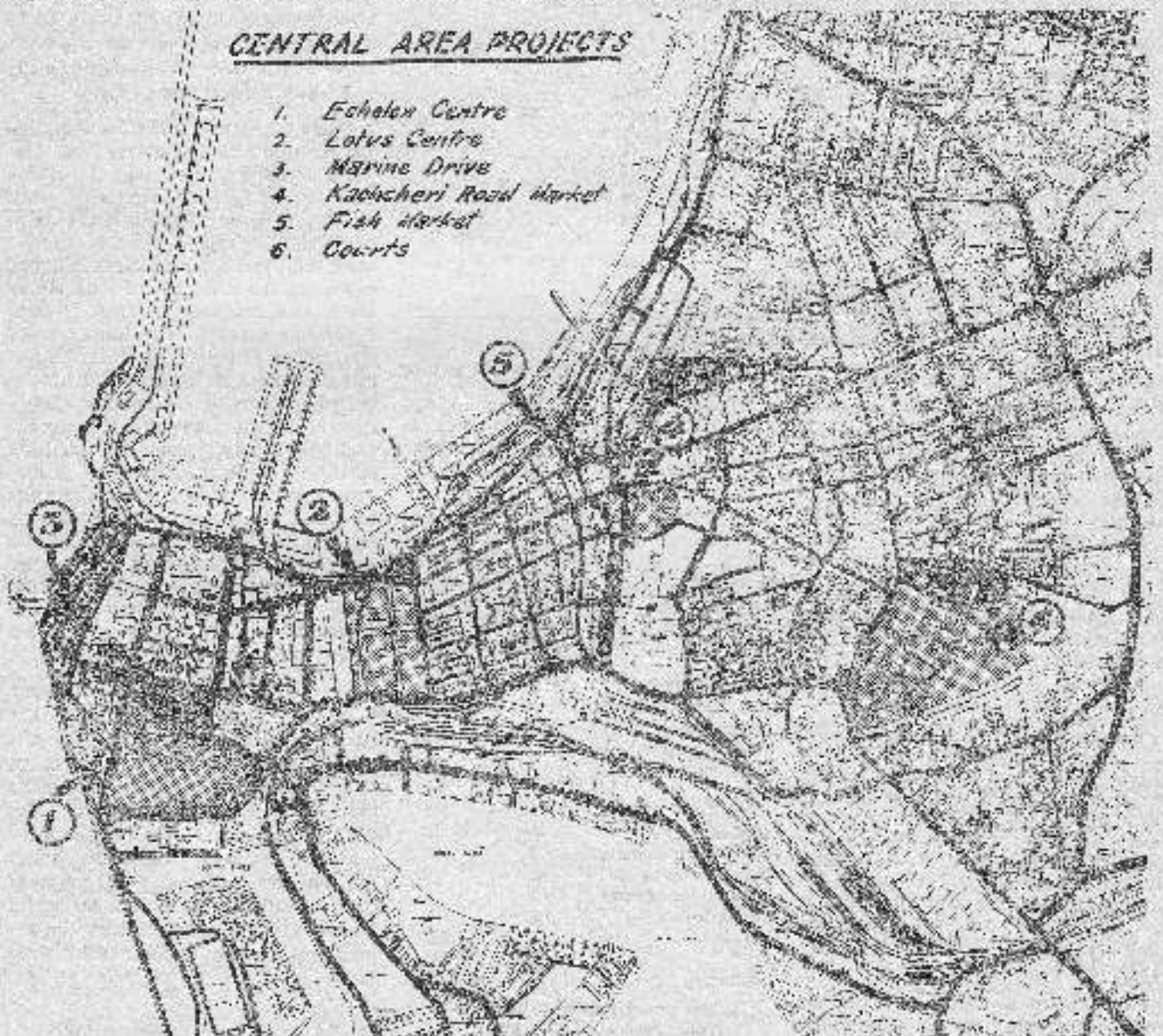
The authorities quite rightly have recognised that the problems of development of the country's major urban area will get worse if there is no planned line of action. A major plan was necessary and is being duly conceived. As to how effectively this plan would help to solve the socio-economic issues confronting the country only time will tell. One reason for the mounting problems of urbanisation in many of the developing countries is that the urban economies have been treated as distinct from the rural, particularly when investments were made for development and this has been the case in Sri Lanka too. In the Colombo Master Plan Project again the focus of attention, by a high powered team of technical specialists has been on the problems of Colombo. No similar effort has been made as regards urban problems elsewhere in the island. The result is that the problems of Colombo have been identified while those elsewhere are escaping attention.

An important element in this development planning exercise is the exposition of the cost implied in the various plans and programmes of the Master Plan Project. The approximate costs are worked out for two separate periods 1978—1985 and 1986—2001. In the first period, the total capital investment costs (excluding land) are Rs. 4,884 million, while, the second period, 1986—2001, the total capital investment costs (excluding land) are estimated to be Rs. 7,261 million (See table on page 16). A major part of this capital investment is to be on housing and on transport followed by commerce. If investment on the proposed scale by this project is made in the metropolitan area of Colombo, this may solve some of the immediate problems in Colombo, but it may also create new and serious problems. All the investments within this project point towards a more rapid growth and development and

increasingly important role for Colombo and its hinterland. But there is a danger that this may exacerbate rural migration to Colombo which upto now has been comparatively negligible.

In assessing the situation in Colombo the Project Report points out that unemployment is in the order of 28 percent in metropolitan Colombo as compared with 19 percent in the nation as a whole. The project sees this situation as one of imbalance where the solution is to correct that imbalance. The report commenting on this aspect of employment appears to have drawn an erroneous conclusion based on a common misconception regarding the solutions to the employment problem of developing countries. It states: "*Obviously the central and critical problem facing the metropolitan region is the lack of employment opportunities. Equally obviously the potential for increased employment in the primary sector, particularly agriculture, is very limited. Expansion of manufacturing holds the key to the region's future economic health*". That increased industry within the Colombo metropolitan region may lead to increased rural urban migration does not appear to have been sufficiently considered.

In addition to manufacturing, the Plan foresees considerable employment potential in construction. Housing is a relatively labor intensive activity. The expansion and development of infrastructure, water supply, sewerage, drainage, land reclamation, canals, roads, etc all have major employment potential.



[illegible] of the Central area of Colombo is among the important development programmes of the Government. The objective is to [illegible] Central Colombo. The Colombo Master Plan has identified three project sites in the Central area which underlying [illegible] Marine Drive. [illegible] Olcott Junior [illegible]. Within the Echelon Centre [illegible] for office space; the Marine Drive [illegible] luxury housing; the Fish market [illegible] Kachcheri Road Market and Fish market which were the first in a series of projects slated for the development of central areas of the Central area.

Commerce and service employment has high employment elasticity but its potential for expansion in the near future is limited because, particularly in government and administration, the system is currently saturated. But expansion of the secondary sector will generate employment in the tertiary sector, a multiplier of perhaps 2.0 to 2.5, according to the Plan.

Employment estimates for the Metropolitan Region are set forth in the above table.

Employment in Colombo Metropolitan Region 1971 — 2001
(in '000's)

	1971	1986	2001
Total Metropolitan Population (a)	3026	4070	4800
Labour force	977	1392 1400	1700—1794
Employment: Total	713	1127	1594
Agriculture, Fishing	*82*	*81*	*110*
Manufacturing	*173*	*188*	*289*
Utilities, Construction	*30*	*57*	*85*
Commerce, Finance	*132*	*215*	*295*
Transport	*83*	*135*	*195*
Services	*180*	*281*	*385*
Others	*112*	*170*	*235*
Unemployment (job-gap)	*264*	265 273	173—200

(a) Dependent on female participation rates.

Clearly it is Government's objective to eliminate the job gap to those not actively seeking employment. The figures above suggest the difficulty of this laudable objective, but they are not meant to imply its impossibility, adds the report.

In this instance, however, improved employment opportunities in the Plan region in relation to the rest of the island may not be the most advisable as it could encourage migration from the rural areas.

The details of this Plan help to focus serious attention on the need for preparation of a national urban policy which would take into account fully our overall national development strategies. The newly created Urban Development Authority may naturally regard this as one of its tasks. Of special importance would be the relation and importance of such a policy to the accelerated Mahaweli Project.

Planning of a particular area, however, should not be allowed to unduly influence national policy. This would apply in the present context of Colombo. Development planning in any form would require government intervention at various levels of decision making and action in order to bring about changes in the community, social and physical structure. For an explicit national urban policy, therefore, physical planning expertise will be required to guide decision making at the national level and also complementary planning work at the regional and local level.

Among the more positive aspects of the work of the Colombo Master Plan Project are the "Action Projects" which have been selected according to the following criteria:

1. Each major development problem area should be represented insofar as time and manpower permit.
2. Each should represent a response to an immediate and urgent problem.
3. Each should have an impact beyond its immediate area, that is to say, repercussions should follow.
4. Each should be a pilot programme that, if successful, could be replicated on a larger scale and in other locations.

The eight projects listed include Slum upgrading; Shanty upgrading; Shanty resettlement; Export Processing Zone; Kotte Stormwater Diversion;; Pettah Market; Baseline Road; and Sub-centre Homagama.

There are many positive technical features too being emphasised by the Project. For instance it accepts that drainage has been and still continues to be a major problem in the Colombo region and it emphasises the need for a judicious balance between the demand for land reclamation and drainage in this region. Following careful consideration of the entire Colombo landscape it is proposed that major emphasis in the drainage plan be on natural gravity flow. Limiting capital investment and maintenance costs in pumping stations; while the drainage proposals include funds for flood protection and storm water diversion and this will also serve as locations for new water mains, sewer lines, other utilities and roads. One intention here is to reduce land acquisition problems and provide a means for coordinated construction.

Of the policy issues highlighted, perhaps the most important is the need for an Urban Development Authority which it states, would be of vital importance in maintaining the momentum generated through the current exercise of the Colombo Master Plan Project. The Government has already acted on this proposal and established such an Authority which it is hoped would fulfil the aspirations of the Master Plan Project.

Estimated Capital Investment Costs
(Rs. Million)

	1978—1985	1986—2001
transport	962	2439
water supply	190	295
sewerage	410	518
drainage	166	295
electricity	80	137
street-lighting	25	46
telecommunications	1,888	166
gas supply	706	25
fire protection	107	7
solid waste disposal	7	40
health	1	290
education	1	140
post offices	5	18
cemeteries/crematoria	7	10
playgrounds/parks	61	2
community centres	142	1
recreation	15	--
housing	3	1,862
land	10	257
commerce	71	759

The grand totals are as follows:

Total cost excluding land	1978 - 1985	Rs. 4,601	million
Total cost excluding land	1986—2001	Rs. 7,261	million
Of which foreign exchange	1978—1985	Rs. 1,156	million
Of which foreign exchange	1986—2001	Rs. 2,107	million
Cost of land	1978—1985	Rs. 383	million
Cost of land	1986—2001	Rs. 531	million

COMMODITIES

COCONUT

Production Recovery Boosts Earnings

Sri Lanka's export earnings from coconut products were up by nearly 190 percent in the first ten months of 1978, as compared with the same period last year which proved to be one of the worst years for the coconut industry. The largest increase in earnings was recorded in coconut oil as exports went up by over 2,000 percent over that of the 1977 period exports were at a virtual standstill. Earnings from Desiccated Coconut exports were also up by about 136 percent, while among the coconut shell products, coconut shell charcoal earnings showed the biggest increase up by 160 percent. Among the other coconut products, coconut oil exports recorded a significant increase, going up by about 166 percent in volume and about 130 percent in value.

In terms of volume too, there was a heavy increase with kernel products alone, going up from 188 million nut equivalents in the first ten months of 1977 to 422 million nut equivalents in the same period of 1978, the main reason being the slump the industry experienced in 1977 and comparably better conditions from the end of 1977 which helped in a production recovery in 1978. Thus coconut oil production for the ten month period rose from 35,279 metric tons in 1977 to 88,879 metric tons in 1978, while desiccated coconut production rose from 24,446 metric tons in 1977 to 33,896 metric tons in the 1978 period.

International prices of almost all vegetable oils were up during the first ten months of 1978, and that of coconut oil in the Rotterdam market was up from an average of $ 586 per metric ton in the 1977 period to $ 848 per metric ton in the 1978 period.

The largest quantities of Sri Lanka coconut oil were shipped to Italy (6,807 M.T.) U.K./Europe (8,300 MT) Bangladesh (3,039 M.T.) and India (2,950 M.T.) Pricewise too there was an increase with the average export value per metric ton of coconut oil going up from Rs. 4,988 in 1977 to Rs. 10,896 per metric ton in 1977.

EXPORT OF COCONUT PRODUCTS

	January—October 1977 Volume (MT)	January—October 1977 Value (Rs. '000)	January—October 1978 Volume (MT)	January—October 1978 Value (Rs. '000)	Percentage Increase in value in 1978
1. Coconut Oil	2,065	10,259	23,309	254,513	2382.8
2. DSC	25,279	228,108	33,950	522,297	131.4
3. Copra	130	888	874	8,951	908.1
4. Fresh Nuts	—	—	—		—
5. Sub Total Kernel Products	159.09 (Mn. nut equivalents)	237,249	422.04 (Mn. nut equivalent)	785,861	231.2
6. Mattress Fibre	44,354	38,778	48,588	83,836	116.4
7. Bristle Fibre	11,008	33,319	7,069	54,676	64.1
8. Twisted Fibre	23,632	34,551	19,282	54,490	57.7
9. Coir Yarn/Twine	1,770	4,795	1,649	10,698	124.5
10. Coconut shell charcoal	23,685	15,285	24,708	40,038	160.2
11. Coconut Shell Flour	623	393	503	331	188.9
12. Coconut shells	1,530	419	850	395	42.0
13. Coconut shell activated carbon	334	1,638	614	6,394	290.4
14. Coconut ekels	1,919	1,435	5,080	7,621	431.1
15. Other by products	—	—		5,701	
16. Non kernel products		190,684		264,941	102.7
17. Total value of all products		387,933		1,050,803	180.6

TEA

Crop and Price Decline

PRODUCTION

Sri Lanka's tea crop is expected to record a deficit of about 10 million kgm. in 1978 when compared with the previous year's production. Up to the end of October production reached 182.9 million kgm. with a total deficit for the first ten months of the year of 10.2 million kgm. as compared with the same period of the previous year. High and Medium Grown tea's between them had recorded a deficit of 13.1 million kgm. while Low Growns maintained their favourable position with approximately 3 million kgm. in excess of the previous year and contributing generously to reduce the overall deficit.

The sales figures for the January to October period show that quantities sold under the category of High Grown's during the past ten months had registered the highest shortfall amounting to 8.1 million kgm., followed by Medium Grown's with 4.2 million kgm., the two totalling 10.3 million kgm. The happy position enjoyed by Low Grown's has helped tremendously to reduce this deficit to 3.7 million kgm.

Despite the deficit in Sri Lanka's crop, world tea production for 1978 was expected to end up about 15 million kgm. in excess of that of the previous year. Mainly responsible for this situation was the crop from Kenya and also that of North India and Indonesia. Up to the end of October the total Indian production showed an increase of 6.1 million kgm. while Kenya's production was up by 6.2 million kgm. and Indonesia's by 6.8 million kgm. (See table on p. 20).

Shipments to the U.S. and Britain, leading markets for tea, were expected to drop in 1978 while prices in these markets have also been on the decline. These lower tea prices have been attributed to an increase in crop by some of the producers together with a decrease in demand following an raising of prices of coffee.

London auction prices for tea have been on the decline during 1978 and were down from about $ 1.60 a pound in 1977 to about $ 1 per pound in 1978.. Quantities and values of U. S. imports also were on the decline and during the first seven months of 1978 totalled 43,028 tons valued at $ 89.5 million compared with 87,898 tons valued at $ 183.3 million a year earlier. For the whole

Average Tea Sale Prices at the Colombo Auctions

	Jan/October 1978			Jan/October 1977	
	Gross	Nett	Approx. Difference on Gross	Gross	Nett
	Rs./Kilo				Rs./Kilo.
High Grown	13.65	11.37	— 3.33 .. 19.6%	16.98	14.03
Medium Grown	10.66	9,54	— 4.61 .. 30.1%	15.27	12.49
Lown Grown	17.64	13.46	+ 1.23 .. 7.5%	16.41	13.44
TOTAL:	14.19	11.57	— 2.04 .. 12.6%	16.24	13.34

of 1977 the U.S. imported 92,086 tons of tea valued at $175.2 million.

PRICES

Colombo auctions prices were trailing well behind those of 1977, though in October there was a favourable change. A welcome situation emerged when October 1978 prices were compared with those recorded for October last year. High Grown's enjoyed the best marketing conditions and registered a 21.5 percent price increase while the total gross average increase was 13.7 percent. The position is reversed, however, when January—October figures are compared. Only Low Grown's have moved up in price this year and enjoyed an upward swing of 7.5 percent whilst the other two categories have come down in price. The Medium Grown's have suffered the worst with a drop in price of 30.1 per cent on last year's levels. Despite the good prices enjoyed over the past few months prices for High Grown's too have come down this year. See details in table above.

There were a few record prices fetched at the auctions in October. Of special significance was the record of Rs. 1,000/- per kgm. established in mid-October which was bettered the following week when an invoice of Hapugastenne Flowery Fanning Sugar Silver Tips realised Rs. 1,200/- per kgm.

Crop figures of major producing countries (in million kg.)

Country	Total	1977	1978
Sri Lanka	up to October	173.1	162.9
Bangladesh	up to October	32.3	30.5*
South India	up to October	111.5	108.2*
North India	up to October	382.2	391.6*
Malawi	up to September	24.6	25.6*
Kenya	up to October	70.5	76.7
Indonesia	up to September	49.0	55.6*
Tanzania	up to August	9.8	11.6
Uganda	up to September	11.2	8.7*
		864.2	871.4

* *Estimated*

RUBBER

New Peak Prices

Rubber prices continued to break all records at the Colombo auctions during the latter months of this year and by the end of October 1978, the maximum price being quoted for latex crepe was Rs. 11.25 per kgm. This increasing level of prices was the end result of the hike in petroleum prices in recent years. There is a 30 — 35 % petroleum base in synthetic rubber and naturally with petroleum prices on the rise, the earlier demand for synthetic rubber had to shift towards natural rubber. With a 10 — 15 % increase in petroleum prices anticipated in 1979, the prospects for natural rubber appear even brighter.

Upto date Sri Lanka has not been able to take advantage of this situation. In the early 1970's the Director of the R.R.I. Dr. Ossie Peiris, predicted that natural rubber would enjoy peak levels between 1978 and 1980 and called for a doubling of the annual growth rate in rubber production. But rubber production in Sri Lanka, within the first six months of 1978, totalled only 79,837 metric tons, an increase of 9,183 metric tons or about 12 percent when compared to the corresponding period in the previous year. The result was that actual exports during this period totalled 83,694 metric tons an increase of only 4,942 metric tons when compared to the corresponding period last year.

The prices were fluctuating at high levels at the major rubber terminals by the end of October 1978. In the Singapore and London rubber markets values remained steady due to continued forward demand; one reason being the reports of unsatisfactory weather in some areas of South Malaysia.

At the Colombo auctions, sheet rubber prices were breaking records by the last week of October 1978 and RSS.1 reached an all time high auction price of 8.56½ per kgm. on the last date of trading in October, in keeping with the higher values being recorded in other auctions centres. From available records this was the highest price obtained for RSS 1 during the last 27 years.

Maximum closing prices per kilogramme at the end of October

	October '77	October '78	% increase in prices
	Rs.	Rs.	
RSS No. 1	4.80½	8.91½	85.6
Latex crepe	4.70	11.21	138.5
Scrap Crepe	4.36	7.71	76.8
Sole Crepe	7.00	11.10	58.6
Froth and Cuttings	3.60	5.11	41.9
Curly and Shell Scrap No. 1	2.85	3.26	14.3
Average price increase for all grades	4.5	7.8	73.3

With the rapidly advancing overseas market RSS 1 finally touched Rs. 8.91½ per kgm. at the close of October 1978. The corresponding price at the end of October 1977 was only Rs. 4.80½ per kgm. an increase of nearly 86 percent during the ten months of this year. The highest overall price increase, however, was recorded for latex crepe where by the end of October 1978 prices had risen by as much as 138 per cent when compared with prices at the end of October 1977.

Latex crepes were in good demand during October and there was an in-

Money Supply - Expansion Contained

The country's money supply recorded a decrease, by as much as Rs. 340 million, in the first eight months of this year as compared with the corresponding period of 1977. The rate of the increase in the money supply has tended to fall in the months from June 1978 and by the end of August 1978 it had dropped further to 12.4 per cent for the whole of the 1978 period. The increase in 1976 was 35 per cent and in 1977 it was 29 per cent. A comparison of the first eight month period of this year with that of the same period in the previous year shows that in the 1978 period the money supply had increased by Rs. 158 million or 3 percent, as against an increase of Rs. 746 million or 18 per cent in the corresponding period of 1977.

The main reason for the expansionary influence in the money supply during the first eight months of this year was the sharp increase in commercial bank credit to the private sector and government corporations. The lending of the banks to the private sector, including the co-operatives, rose sharply by Rs. 1,943 million while credit granted to the government corporations rose by 552 million.

The increase in bank credit to the private sector has risen mainly as a result of the liberalisation of imports and the exchange rate reform; while the increased volume of credit to the co-operatives has gone to meet the higher level of cultivation loans to farmers and payments for the high level of paddy purchasers, which was further increased by the upward revision of prices under the Guaranteed Price Scheme.

The expansionary effect of the increase in bank credit to these two main sectors was further reinforced by an increase in the country's net external banking assets by Rs 805 million. The continued growth in external banking assets has been a major reason for the increase in money supply.

The expansionary influences in the money supply, however, were partly moderated by a sharp decrease in the credit of Government from the banking system. The financial operations of the Government sector have helped to exert a major contractionary influence on the money supply. The decline recorded for the eight months ended August 1978 amounted to as much as Rs. 133 million. Furthermore, borrowing from the Central Bank declined by Rs. 1,174 million.

Another important contractionary factor was the increase in time and savings deposits of the private sector and co-operatives by as much as Rs. 972 million.

This increase in time and savings deposits produced a Rs. 1,189 million contraction in the money supply. The other important factor which helped to contain the expansion in money supply in the first eight months of this year was the increase of Rs. 881 million in other liabilities and accounts (net) of the Central Bank and of Commercial Banks.

The principal factors that contributed to the changes in the money supply situation between January and August 1978 are summarised in the table below.

Change in Money Supply — End December 1977 to End August 1978

		Rs. Million	
Expansionary Factors			
1. Increase in external Banking Assets (Net)	..	805.9	
2. Increase in commercial bank credit to Private sector (a)	..	1,942.8	
3. Increase in Commercial bank Credit to Government Corporations	..	551.6	
4. Decrease in Government cash balances	..	211.8	— 3,511.1
Contractionary Factors			
1. Increase in Time and Savings Deposits of the Private Sector (a)	..	971.6	
2. Increase in Time and Savings Deposits of Government Corporations	..	217.2	
3. Decrease in credit to Government from the banking system	..	1,333.4	
4. Increase in other liabilities and accounts (net) of Central Bank	..	308.8	
5. Increase in other liabilities and accounts (net) of commercial banks	..	532.3	
6. Adjustments	..	320.0	— 3,683.3
Change in Money Supply	..		— 157.0

Source: Central Bank of Ceylon

(a) Includes Co-operative Institutions

* *In all, external banking assets (net) rose by Rs. 1,219 million in the first eight months ending August, 1978. A considerable part of this approx. Rs. 364 million, represented increases resulting from the revaluation of existing assets following exchange rate changes and an upward revision in the representative rate of the SDR in February and April. As this part of the increase in external banking assets has no effect on the course of money supply, it has been excluded from the analysis in this table*

increase of 488 metric tons sold at the Colombo auctions when compared to the previous month and also an increase of 421 metric tons when compared to the same period of the previous year. The continued rise in the price of latex crepe was attributed to the reduced arrivals at the public auctions. The prices of scrap crepe were also steady and closed the period at Rs. 8.66 to Rs. 9.71 per kgm. as compared with the Rs. 4.25 to Rs. 4.36 at the end of October 1977. The maximum closing price for latex crepe at the end of October 1978 was Rs. 11.21 per kgm. as against Rs. 1.30 per kgm. at the same time the previous year, an increase about 138 per cent.

For sole crepe too there was a greater demand and approximately 188 metric tons were offered during October, an increase of 20 metric tons when compared to the previous months and 78 tons more than that of October 1977. Even the poorer sorts and miscellaneous thicknesses of sole crepe sold at Rs. 7.00 to Rs. 11.10 per kgm. as against Rs. 3.47 to Rs. 7.00 per kgm. in October, 1977.

Extension Services and the Small Famer

Many of the problems faced by small farmers in the rice growing regions of the developing nations arise from the lack of an efficient system of extension services. In Sri Lanka, for instance, as far as the small farmer is concerned defaults in the repayment of loans has been a major problem. Numerous reasons have been attributed to the non-repayment of loans by small farmers, but the basic causes have been traced to defects in the agrarian and credit organisational structures and attitudinal conditions not favouring repayment. A fundamental drawback in the agrarian structure which has prevented the small farmer from repaying his loans has arisen simply out of his inability to obtain a sufficient income to repay what he has borrowed. The main reason for this is that his family subsistence expenditure and other immediate financial commitments exceeds his farm income; while he is unable to generate an adequate income owing to inadequate agricultural inputs. It is here that the country's extension services have failed him —the productivity potential of his land holdings has been low, with irrigation facilities and other inputs such as fertiliser and pesticides of good quality and at reasonable prices not available to him in time, while proper storage, milling and marketing facilities and remunerative prices have not been readily available. Any attempts to increase agricultural production therefore necessitates a more effficient system of extension services than what is now available to the small farmer in this country.

Agricultural extension covers those activities directly connected with the improvement of cultivation practices and is basically meant to change the outlook of the traditional farmer in order that he may improve his farm conditions and also help him to adopt improved practices and develop new skills. Extension services no doubt have created a very favourable impact on agricultural production but the exact extent of this impact is not easy to assess. Agriculture is a very complex activity with many interacting factors making it almost impossible to determine exactly what part of any increase in production is due to which variable. For instance, it is difficult to adjust for variations in weather and this complicates comparisons between different years. Or again comparisons between farmers, for instance those covered by extension services as against those not covered during the same year, can be questioned on the grounds that perhaps only the better off farmers were included in the extension service, and therefore they would have obtained higher yields. Or even in the case of the farmer who follows the Agricultural Extension Officers advice for use of a particular manner of sowing and his yields increase, still it would be difficult to assess whether it was because of this step or that he used more fertilizer or managed his water better or increased labour. If it is the result of a combination of extension services and other factors, what is the extension's share?

Perhaps the most convincing testimony to the effectiveness of the extension approach is the reaction of the field-level extension staff. In many countries they have been found to be a dispirited group, having an enormous task, with inadequate administrative and technical support and insufficient motivation. In the few instances where they have continued to show enthusiasm their services have apparently been effective.

An attempt to assess a fundamental aspect of the effectiveness of agricultural extension services was made recently in Sri Lanka when the ARTI carried out a study on "The Effectiveness of Agricultural Extension Methodology". This study found that interpersonal contact with the farmer still occupies more than half the working hours of an extension worker. And this, according to the ARTI study, was considered to be the most effective method of diseminating information to the farmer.

Among the most popular methods adopted by local extension workers are inter-personal contact; demonstrations, field aids; farmer training classes; mini kits and production kits; journals, advisory leaflets and radio programmes. The ARTI study which was confined to the Amparai District revealed that inter-personal contact, though it is the most costly extension method, specially in a "small farm — high population" situation such as is found in Sri Lanka, still appeared to be the most effective. The number of clients that could be reached through this method, however, is low and this results in a tendency to concentrate contact with farmers who show "a friendly, co-operative and 'progressive' attitude", often at the expense of those who may need the extension worker most. The ARTI study maintains, however, that though the "efficiency of personal contact as an extension method is questionable under these circumstances it could be widely used by the extension workers as a means of identifying the "key" people who by their innovativeness would help in the lateral spread of information, thus causing a multiplier effect. This helps in establishing a base for the gradual use of less personal methods", says the study.

Inter-personal or individual contact methods are exemplified by the extent and frequency a farmer seeks the assistance of the extension worker in his area, which is invariably dependent on the personal relationships that the extension worker has established with his clients. According to this study over 90 percent of the farmers knew the Agricultural Instructor (AI) and Krushikarma Viyapthi Seveka (KVS) and have visited both officers during the period of the two seasons under study. The purposes of these visits are shown in the table below.

Distribution of farmers by reasons for visiting AI and KVS officer
N = 157

Reasons	AI		KVS	
	No.	%	No.	%
For advice	116	74	104	66
Obtain seed paddy	107	68	93	59
Obtain other seed	51	32	28	17
For pesticides	25	16	22	14
Obtain fertilisers	9	5	4	2
	5	3	2	1

The table above however reveals that an equally large proportion of farmers did visit AIs and KVSs for the purpose of seeking advice when compared to those who visit for plan-

ing materials and other inputs. However, two earlier ARTI studies revealed that only a small percentage of farmers knew the AI and the KVS and made visits to their offices, while more farmers visited the offices for inputs rather than for advice.

The latest ARTI study shows, however, that the Agricultural Instructor has an average of 3,000—6,000 farm families and a KVS an average of 700—1,000 farmers in their area of operation and very frequent contact with a few selected farmers would be at the risk of neglecting those who may need extension personnel most. It is apparent that this method could result in the specific needs and priorities of the low income agricultural producer and workers being overlooked. It is generally established that most of the early adopters of the new extension methods comprise the higher income group within the village, who could afford to take the risk and avail of the facilities involved in the new technology. However, the basic question as to whether the extension and training methods being advocated are aimed at the better endowed farmers who are usually hailed as being "progressive" has not been raised. The aim of our Agricultural Extension workers appears to be to help farmers to increase their production. These extension workers have not realised that their efforts should not be at the expense of a better distribution of their services and of improving the productive power of the wider groups of farmers who are less well off. Often the extension worker carries on with his objective of helping to increase rates of production, but as to who benefits from the increased production is rarely considered.

Initiative stifled by rigid structures

This problem is not confined to Sri Lanka alone, it appears to be typical of the Asian Region. At a recent Parliamentary Training for Development programme, organised by the FAO sponsored Freedom From Hunger Campaign, where participants visited several Asian countries, the role of government servants as village agents was discussed at length with the farmers themselves. It emerged from these discussions that village people often had a bad opinion of government servants. Some of the peasants whom the group had said that the officers came as masters to push and order them around. They seldom had the time to sit down to talk to them, to live with them. They came in their swelling uniforms and were always afraid of soiling them in the dirt and dust of village problems. All they were interested in was good reports from their bosses and not good relations with the poor people. The group felt that individuals in government service cannot always be blamed for their behaviour because of the rigid structures of government service. All orders come from top. The people in the field have only to implement whatever is ordered. Reports are given more importance than actual work. If your report is alright, you are alright. This being the case the field workers spend most of their time doing paper work. The emphasis is on pleasing the bosses rather than the farmers. The bosses seldom consult the field workers before having direct policies or formulating programmes. Various examples of such cases were cited.

Since there is little scope for initiative and drive, and swimming against the current is difficult, those who join the government service with initiative, drive and idealism, lose it after some time. It was felt that there is very little scope for free and frank discussion within government offices. Those who are interested in an honest soul-searching have to do it outside the office as an 'extra curricular' activity.

This problem is further borne out by recent studies on Sri Lanka. In the course of a recent People's Bank study on agricultural credit in the Polonnaruwa and Vavuniya districts it was found that the majority of farmers were of the view that Extension Officers rarely visited them. In the Vavuniya district the farmers went on to add that even if Extension Officers visited them they felt they had little to learn from these officers and that their traditional knowledge and techniques were good enough. It is possible that either the techniques of the Extension Officers were not effective enough for farmers to benefit from the new knowledge or that the officers are more concerned with the reports and paper work in their offices.

Targets

Another recent study on these aspects of Agricultural Extension by Robert Chambers and B. E. W. Wickremanayake, published in the Cambridge Commonwealth Series under the title "Technology and Change in Rice-Growing Areas of Tamil Nadu and Sri Lanka", draws attention to the problems of targets and reporting of Agricultural Extension Officers. They maintain that the achievements of targets becomes "largely a book-keeping affair" and they quote — a study by Byron Monk of the Institute of Development Studies, Sussex, where the District Agricultural Officer tells his extension officer "*we have achieved all our targets. Do you understand? Move all the necessary arrangements in your blocks*". They argue that the credibility of the extension worker becomes a cause for doubt because of the pressure to falsify and invent returns and the connivance at this, all up the line. While this system persists without reform, the extension agent becomes discredited in his own eyes, in those of his supervisors and in those of the public.

A corollary of targets is reporting. Wickremanayake and Chambers, whose study covered the Hambantota district, show how one Agricultural Instructor was required to submit no less than 29 reports and returns a month or 348 a year. New reports are added but old ones are not stopped. They go on to state that in Sri Lanka one effect of the creation of an extra Ministry in Colombo was to add to the reports required from the field. Moreover, as part of the food war there was a flow of urgent demands for ad hoc information, demands to the District Agricultural Extension Officer having often to be repeated to AIs and from them to KVs who then reported back to AIs, who reported back to the DAEO.

"It would be an over-statement to say that the food war became a paper war, but the food war did add to the reports and information required from the and information required from the field, did increase the burden of paper-work on junior staff, did consume more paper, ink and typewriter ribbon and did perversely tie extension staff more than ever to their offices. Often too, in such situations, much of the extra information demanded is already available in other reports but senior officials do not bother to find this out. This common failing, is remediable. Without reform the extension agent becomes a clerk."

These issues only bring into focus the urgent need to make a complete evaluation of the objects and effectiveness of the country's Agricultural Extension Service. There is hope, however, that it is been increasingly realised that development cannot merely be brought to a people. It must come largely from within them through the unleashing of their enthusiasm, creativity and energy; and it is they who have to be actively involved in the process of change.

On The Kelani Valley Line

I. S. Fernando

The future of that 87 miles of narrow rail track that runs from Colombo—Fort, through the Kelani Valley, upto Opanaike has been the subject of much debate in recent times. Here I. S. Fernando, a keen student of transport discusses some practical solutions to the problems of the K.V. Line. Mr. Fernando, who served in the Transportation Department of the Railway for several years, was last the head of a newly created "Traffic Costing Unit" in the Railway. On his initiative many railway statistical systems were modernised in order to provide meaningful data to monitor the Railway's activities for in-depth studies and for traffic costing.

Whenever the future of the KV Line comes up for review, it immediately rouses widespread interest though the enthusiasm generated is not always matched with facts or meaningful analysis. The KV Line is a historical antiquity; its construction commenced in 1900, just 36 years after the first broad gauge train ran from Maradana to Ambepussa. It rapidly expanded during the early years of the century but started to shrink during the Second World War and again in recent years. In the Colombo commuter area the users of the KV Line are mostly Government servants who have their season tickets heavily subsidised by the Government and in the remote areas those who do not have ready access to road transport. These groups along with some non-users have clamoured for its retention and improvement. On the other hand, the pre-occupation of the operators, that is, the Railway, appears to have been centred almost wholly on the problem of procuring and maintaining an adequate set of rolling stock for service on the Line. The question of viability, or profitability, does not seem to have engaged the attention of any particular group seriously. This is understandable because in the context of a heavily losing Railway enterprise — the annual losses being in the region of Rs. 100 million — it could be argued that the losing lines of the Railway would not be the KV Line only and that this Line should be treated no differently, from the other losing lines.

There are, however, fundamental differences between the narrow gauge and the broad gauge which may not be widely known. There was, even in the pioneering years, a school of thought which opposed a two-gauge system and which successfully resisted the attempt to introduce a narrow gauge in the up-country even though the differences so noticeable now in the operation of a two-gauge system would not have been as evident then. When the KV Line was constructed as a narrow gauge, the Railway was supplanting the animal-drawn vehicle so that the new Line despite the handicaps did confer an advantage to transport users. Today, the situation has changed. The motor vehicle has encroached on the Railway preserves, and the differences between the broad and narrow gauge lines have become more marked than ever. The width of the narrow gauge is 2 feet 6 inches as against 5 feet 6 inches of the broad gauge. Its maximum permissible speed, that is, the maximum speed of trains permitted on the track, is only 20 m.p.h. as against 50 m.p.h. on the broad gauge. These differences under the operation of trains cause wide differences in output.

The average speed of a stopping passenger train is about 14 m.p.h. on the KV Line and about 25 m.p.h. on the broad gauge, and the passenger carrying capacity of a full length passenger train on the KV Line is about half the carrying capacity of a double power coach set. It is easily seen from this that for one train hour the broad gauge will produce 3½ times the passenger miles produced by the KV Line. This also means that, since the tariff is the same on both gauges, to produce the same revenue earning capacity on both gauges the train hours on the KV Line would have to be as much as 3½ times the passenger miles produced by the KV Line. The results are almost identical when considering the goods service though the values are different. This is an approximate value but it is sufficient to show that with regard to effort and output there is a wide gap between the KV Line and the broad gauge, a gap which cannot be bridged because of the limitations which have been built into the KV Line. Apart from the relatively high effort needed to earn revenue, its potential to attract traffic or to earn revenue is also low. Passenger traffic is not attracted to the KV Line because parallel road services are much cheaper for long distance travel and the services much faster. Goods traffic has been declining over the years and what is left-over now moves one-way, being mainly food traffic originating from Colombo. For economy in operation traffic must be two-way. Though there is traffic in the region it is not rail borne.

The KV Line — as it was until recently — ran from Fort to Opanaike, a distance of 87 route miles. It formed 9 per cent of the total route mileage or 12 per cent of the total track mileage, that is, the mileage of track available for the running of trains. But the train miles operated, the passenger journeys undertaken, and the goods moved did not exceed even 4 per-cent of the total. The train miles per track mile was less than half that on the broad gauge. There was, therefore, a serious under-utilisation of available track capacity.

The KV Line as it is now constituted has several unsatisfactory features and it would, therefore, be difficult to support a case to extend the KV Line as a narrow gauge. There are other matters requiring priority attention such as, for example, the situation in the broad gauge where goods traffic has been declining at an accelerating rate from 1970. From the all-time high figure of 228 million ton miles moved by Rail in 1970, it had dropped to 184.1 million ton miles in 1975 — a drop of 19 per cent in 5 years.

What then should be done with the KV Line, it may be asked. There are really five options. It will be useful — the reasons will become evident later — to break up the length Fort/Opanaike into Fort/Homagama and Homagama/Opanaike. The options are:—

I. Closure of the whole KV Line;
II. Broadening the whole KV Line;
III. Closure of Homagama/Opanaike and operating Fort/Homagama as a narrow gauge;

IV. Closure of Homagama/Opanake and broadening Fort/Homagama;

V. Operating Homagama/Opanake as a narrow gauge and broadening Fort/Homagama.

Closure of the whole KV Line would remove at one blow all the problems of operation but it would be a drastic solution paying no heed to social consequences and to the possible existence of less drastic alternatives.

Broadening the whole Line along the existing track will only increase the payload capacity of trains. If the curvature of the track is retained and the speed remains unaltered this will bring in no advantage. The under-utilisation of track capacity will worsen if traffic does not increase in the same proportion as the increase of track capacity. Additional motive power and rolling stock will be required to provide a suitable service since these resources are scarce even now.

Even though the permissible speed is brought up to the level of the main line the KV Line will have to depend largely on goods traffic because long distance passenger traffic will still continue to patronise the cheaper road service. To broaden the KV Line the following conditions must, at least, be satisfied to start with.

Additional locomotives and rolling stock to meet the entire needs of the service would need to be imported; the fare differential would have to be eliminated either by raising road fares or by lowering KV Line rail fares; the track must permit a speed of about 50 m.p.h. for more than half the total distance; there must be a guarantee of sufficient goods traffic, say of more than one train load each way daily (about 340 tons make up one train load). The conditions of purchase and construction can only be attained at high cost. There will be difficulties to implement the conditions regarding traffic.

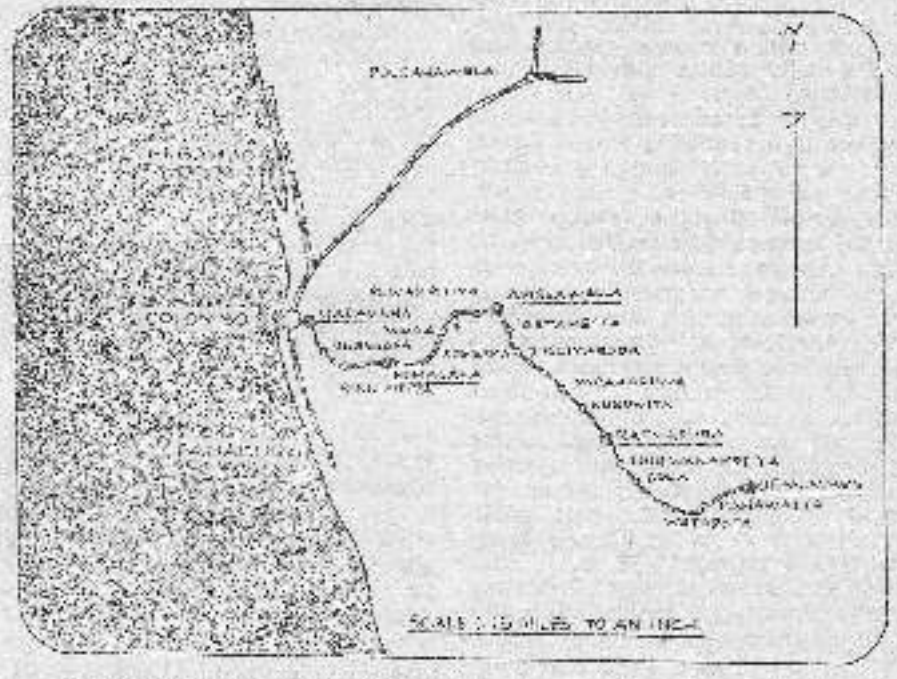
The fifth option will not work in the long run. Passengers will not put up with all the inconveniences which will result when having to change gauges and with the slow narrow gauge speed. The transport of goods at the break of gauge will delay goods and rolling stock since labour intensive methods will have to be used. The third option is what the Railway is doing at present and this too is not a long term solution.

Broading the KV Line up to Homagama the fourth option — will without doubt bring the level of passenger traffic up to the level of the other comparable suburban sections, namely, the sections Fort/Panadura and Fort/Gampaha, provided the speed and the services are right; and provided the Line keeps close to the present track. The revenue which will be earned when the traffic has come up to the level of the broad gauge suburban sections will probably cover the operating costs but not the capital costs. But to compensate for this there will be a saving in other areas as for example, a saving in buses. The authorised load of a double unit power coach set is 1380 passengers which is equivalent to 23 buses with 60 passengers in each bus. Thus, one power coach train has the capacity for, say, 23 buses. There will also be savings in road congestion and pollution, and a saving in time to those who commute into and out of the KV Line area by rail or by a combination of rail and bus. If the Steel Factory at Oruwela which is about 2½ miles from Homagama is connected by rail and a reasonable goods load is assured then the Line could approach conditions of viability.

It will be necessary to import about 6 to 10 power coach sets to provide a satisfactory service. Since the service will have to be operated on single line and will have to serve traffic in both directions, power coaches would be more suitable than loco-hauled trains. If the traffic in any one of the power coach trains exceeds its capacity then the question of replacing it by a loco-hauled train can be considered.

However, the decision to broaden the Line up to Homagama should not be based on the factor of viability but on important socio economic grounds. The rail area encircled by Gampaha, Panadura and Inglis at a radius of about 18 miles from Colombo forms the Inner Suburban Area. There is heavy concentration of traffic within this area with a peak of about 2½ hours in the morning and a super-peak within it of about 50 minutes. The Railway is the best mode of transportation for such a concentration of traffic and to provide for future growth. The addition of Fort/Homagama to this Area is the most logical step to provide efficient transportation for commuters residing within it.

The whole project of broadening the KV Line could flounder if a reasonable speed cannot be attain-



The K. V. Line covers 67 miles of narrow gauge rail track running from Colombo Fort via Homagama, Avissawella and Ratnapura to Opanake. The diagram shows the areas by this Line serves and the possibilities of integration, it with the heavy rail traffic within the suburban sections of the Greater Colombo area.

COMPARATIVE TABLE OF SPEEDS AND DISTANCES

	Homagama/ Maradana	Gampaha/ Maradana	Panadura/ Fort
1. Route Miles	15	16	16
2. Time taken by best commuter trains (mins.)	77	51	51
3. Time allowed for stops (mins.)	12	12	12
4. No. of stops	12	12	13
5. Maximum permissible speed (m.p.h.)	20	50	50
6. Average speed, with stopping time (m.p.h.)	12	19	19
7. Average speed, less stopping time (m.p.h.)	14	25	25
8. Average length between stops (miles)	1.2	1.2	1.2

ed to operate a train service. The KV commuters will want a speed comparable to that enjoyed by the broad gauge commuters. The increase of passenger traffic as forecast cannot be attained unless a reasonable speed is assured. A comparative table of speeds and distances which is given above will reveal some points both useful and worthy of note.

On the broad gauge the average speed of operation for a stopping train is 25 m.p.h. though the maximum allowed is twice that speed. On the KV Line the average speed is much closer to its maximum value. The average distance between stops is the same in the narrow gauge and the broad gauge, being 1.2 miles. This low value acts as a constraint to the attainment of high speeds by stopping trains. A paralled situation operating in the Upper District can now be brought in for comparison. A commuter service operates between Kandy and Matale where the maximum permissible speed between Kandy and Katugastota (3.54 miles) is 20 m.p.h. and between Katugastota and Matale (13.83 miles) is 25 m.p.h., while the average speed, less stopping time, is 19 m.p.h. Thus high maximum speeds are not required by stopping trains.

It will be obvious that the maximum permissible speed should be higher than the present speed on the KV Line and, taking the example of the Upper District, it should be higher than 25 m.p.h. It has also been shown that the upper limit may not be as high as 50 m.p.h. Such a high speed is required mostly by long distance passenger trains running express and this does not apply to the Fort/Homagama section. Between these two wide speed limits lies a narrower range, which could be deduced.

The components of the total time taken by a train between two consecutive stops are:

Acceleration to steady speed;

Running at steady speed (that is, running at the maximum permissible speed);

Deceleration from steady speed.

Three acceptable assumptions will now be made to simplify the working. It will be assumed that deceleration which is faster than acceleration is twice the rate for acceleration and, secondly that the train should run a reasonable distance at the steady speed, say, for half the total distance between stops, that is, for half of 1.2 miles. Thirdly, a value for acceleration (See Footnote) will be assumed. It can now be calculated that the maximum permissable speed under these circumstances need not exceed 42 m.p.h. For speeds, say, of 42.4, 36, 30 and 24 m.p.h. the total time taken by a train under the same conditions, to cover the same distance between stops are 151, 163, 180 and 209 seconds respectively. These selected speeds have a 6 m.p.h. difference. The difference in the total time taken between 30 and 24 m.p.h. is 29 seconds while between 42.4 and 36 m.p.h. is only 12 seconds. As the speed increases the saving in journey time decreases. In the circumstances it may not be necessary to go as high as 42.4 m.p.h. Under the circumstances assumed the maximum permissible speed can lie between 30 and 36 m.p.h.

There is thus a clear case for broadening the line upto Homagama. The fact that it will be a single track will, if at all, be an impediment only to operations, but not to the development of traffic. The Steel Factory, is 2½ miles from Homagama. If the railway is extended to the factory it will be connected to the entire Railway System, to all its sources of raw materials and to its fuel supply.

Commuter traffic originates as a result of separation of dwellings from work places. If the area around terminals is developed with dwellings, say, upto a distance equivalent to journey time of about 20 minutes whether by bus, foot or both then that area has potential commuter traffic. The section Maradana/Bambalapitiya of 4.3 route miles is studded with work places. Most of the commuters on a morning detrain in this section. On the narrow gauge the work places are on the section Maradana/Narahenpita of 3.51 route miles. The total route mileage exposed to work places, with the broadening, will now be 7.90, say, 8 route miles. Again, the area upto Homagama has a high density of dwellings on both sides of the track and compares favourably with the coastline, which is exposed only on one side to rail influence, and to the Main and Negombo lines which run through sparsely populated areas. Because of the improved accessibility of work places in the Colombo region, there will be an increase in traffic not only in the broadened section but also in the other sections.

It may not be widely known that two-thirds of the total season ticket journeys undertaken in the Railway lie, that is, originate and terminate, in the area enclosed by Gampaha / Panadura / Ja-ela, of radius 16 miles from Colombo and of length 34 route miles. The traffic is self-contained within this area. Though there are 829 route miles opened for passenger traffic, the season ticket traffic is concentrated in this area of 34 route miles. The addition of the broadened line upto Homagama, which is also of 16 route miles from Colombo, will bring the total to 50 route miles. A satisfactory train service provided for this area will solve two thirds of the total season ticket traffic problem of the Railway. In any scheme to electrify the Railway System, priority should be given to this area first rather than, say, electrifying the stretch to Polgahawela, also about 50 rout miles from Colombo.

A Strategy for Land Consolidation in Dry Zone Purana Villages

Marcus Karunanayake

The need for consolidation of the fragmented paddy lands of the peasant farmers in the dry zone purana villages with a view to increasing productivity is discussed in this paper by Marcus Karunanayake, Dean Faculty of Arts, Vidyodaya Campus. Dr. Karunanayake has carried out studies and written many papers on the attitudes of peasants in Sri Lanka's Dry Zone villages to land consolidation, adaption to droughts and other agricultural practices of peasant farmers.

Consolidation of the heavily fragmented paddy lands in the rice growing countries of Asia can help to a large extent in the more efficient use of water for irrigating those lands. This is a principle now accepted in many of these countries where it is acknowledge that through increasing the efficiency of existing irrigation systems and exploiting known ground water resources could be found the greatest potential source for stepping up levels of food production in the South Asian region. Several studies of agriculture in the varying countries of Asia have highlighted the large and undeveloped potential for irrigation in this region; India, Pakistan, Bangladesh and Burma being the outstanding examples. More important is that even where irrigation capacity has been built water is often used inefficiently.

In many such places, irrigation systems are less efficient than they should be because their design characteristics are antiquated or because farm holdings are fragmented into large numbers of irregular plots. Many of these traditional systems do not seem suitable to present day intensive cultivation. It has been found that many modern designs for new systems and renovation of old systems can add substantially to the amounts of water available right down to the smallest farmer, thus easing the redistribution of water and expanding the total of irrigated area with a resultant gain in productivity. But land consolidation, though it is generally agreed is a good thing, has not been easy to achieve.

A recent observation on the agricultural situation in the low income Asian countries made in the "World Development Report 1978", issued by the World Bank in August, draws attention to this aspect as follows: "Consolidation of fragmented holdings has been an objective of the agrarian policy for many decades in Low Income Asian countries. It serves other objectives besides efficient water distribution — for example, land levelling and shaping, reducing the land used in boundaries and cutting the time required to travel among the plots. It also simplifies land use planning. But little land has actually been consolidated. Even where it has, the consolidation has generally been incomplete and not in accordance with any systematic plan for land, soil and water development". This statement is an accurate summing of the situation in Sri Lanka as well. Despite the provisions in both the Paddy Lands Act No. 1 of 1958 and the Agricultural Productivity Law No. 3 of 1972 little or no effort has been made at land consolidation; even where attempts have been made these have met with failure owing largely to peasant resistance.

There is now a great need for consolidation of holdings in the Dry Zone *purana* (ancestral) villages. A central problem today is that much land in the *purana* villages that can be brought under cultivation is annually left fallow even when sufficient water is available or may be cultivated once in a few years only, largely due to excessive fragmentation of land. It may also be that optimum use of land may not be possible. However, if all such land is annually brought under cultivation there should undoubtedly be a greater contribution to national paddy production, even without the addition of capital intensive inputs. In any case the present pattern of tenure also prevents the easy adoption of innovative practices in irrigated paddy cultivation. Hence, the urgent need for serious thought to be given to the problem of land consolidation in the *purana* villages as Dry Zone development has to be nonetheless both in terms of the many large scale land settlement schemes and the multitude of *wewa* (tank) based villages. (In the Anuradhapura district alone there are well over 200 *wewa* based villages. The average extent of paddy under a *wewa* varies from 50 - 75 acres.) Furthermore, water and not land is the limiting factor in Dry Zone peasant agriculture. Hence, there is the need to maximize on the available water resources. But in the *purana* villages water could be land augmenting only by an effective and rational approach to the problem of land consolidation.

PATTERN OF LAND TENURE

As a prelude to an examination of the tenurial system of the *purana* villages of the Dry Zone it is necessary to consider the underlying principles. Since water is the source factor the rights to irrigation water are of utmost importance. This has resulted in an elaborate and finely worked out dispersed system of land tenure which ensures social equity by a fair and equal access to irrigation water. The need to provide social justice by way of equal access to irrigation water has resulted in the fragmented ownership of paddy land; this has also ensured a more or less equitable distribution of the fertile and infertile land among the different *yaya* owners. The *yaya* (paddy-fields) below the tanks are laid out in several sections. The number of divisions into which a *yaya* is sub-divided depends on the irrigation potential of the *yaya*, i.e. a larger village tank will have a larger number of units within a *yaya* than a smaller one. Indeed the fields under the realtively smaller tanks may not be sub-divided. At Parangiyawadiya — a village in the Hurulu Palatha, the *yaya* is in 4 unequal sections.[4] Again at Thala Puliyankulama in the Puttalam district a still more complex pattern is in evidence. The major tank is supported by a number of smaller tanks; each tank provides for a distinctive *yaya* pattern depending on irrigation potential.[5] Investigations in the field reveal that in its pristine form the tenurial system was designed to provide each owner a *panan* (share) in each section of the *yaya*. This is a rational and convenient arrangement whereby the problem of differential access to water is overcome by the *yaya* shareholders. In particular it ensures maximizing on the available water supply in the drought prone Dry Zone environment. That is to say, the system permits the *yaya* cultivation in reduced units (determined by the drought intensity) without affecting the relative return per share per owner.[5]

This practice in the parlance of the Dry Zone peasant is called the *bethma* (division) system. However, it should be noted that the system cannot function efficiently unless there is equality or moderate inequality in the pattern of ownership. It becomes increasingly evident that rising inequality in land ownership is constraining the operation of the *bethma* principle on the basis of finely worked out *yaya* divisions and require more flexible arrangements as those described by Yalman for Vilawa — a village in the North-Western Province.[4]

In an environment, where scarcity of water is the crucial factor influencing settlement and agriculture, the rights to irrigated paddy land are of the utmost importance. This has, for example, resulted in a highly complex and finely worked out system of land tenure among the peasants of Parangiyawadiya

The division of the yaya in four unequal sections provides the framework within which the tenurial system is operated. It is argued that the fragmented ownership of *yaya* land may not be a problem when labour is the only in put in agriculture. However, if other capital inputs are to be introduced and utilized efficiently in peasant agriculture, the fragmented ownership of land is bound to place constraints. Thus, it is seen that land consolidation is an essential prerequisite in the modernization of peasant agriculture. This fact is recognied in recent legislation relating to the peasant sector. of Sri Lanka. (e.g. the Agricultural Productivity Law No. 2 of 1972).

It is claimed by the peasants of Parangiyawadiya that the fragmented ownership of land is an important factor in the proper maintenance of the channel system which forms a vital component of irrigation. Unless the channel bed is clear and graded, it is not possible to ensure the equitable distribution of water among the different sections of the *yaya*. The failure to achieve this results in an inadequate supply of water especially to the lower sections of the *yaya;* there is also the attendant problems of water loss due to evaporation and seepage. Further, some parts of the *yaya* may be affected by a surfeit of water. It is, therefore, suggested that the present system of dispersed ownership of land is a factor which contributes to the collective maintenance and management of the channel system. There is the fear that consolidation of land, resulting in the localization of individual interest in the *yaya*, might result in the neglect of the channel network.

The peasant resistance to land consolidation is also supported by the fear that it would result in the disintegration of the finely worked out cultural practices designed to maximize on the scarcity of water and provide social justice to the community. A close examination of the cultural practices involved is necessary for the proper appraisal of the point at issue. Thus it is seen that the usual practice in irrigated agriculture is to irrigate the fields farthest from the *wewa* first and then work in progression towards the source of water supply. Even if the entire *yaya* is not cultivated (based on collective decisions when the *wewa* water is insufficient), the same principle is adhered to, i.e. cultivation begins at the farthest point. This is a sensible practice since it ensures that the fields located at some distance from the *wewa* will have water for cultivation. On the contrary, if the fields closer to the *wewa* are irrigated first it might not be possible to provide sufficient water to lower sections of the *yaya*. It is also pertinent to mention that the *wagula* principle is adhered to by the peasants of Parangiyawadiya to derive further advantage from the cultural adaptation described above. It is therefore, a common practice sanctioned by tradition that in the preparatory stages of cultivation, irrigation water is conducted in temporary channels (wagula) which cut across fields lying above those irrigated. Such channels are usually non-circuitous. It is therefore, possible to minimize the losses due to evaporation. It should be noted that such practices are possible because the peasant is socially conditioned to adhere to group norms; without it the group as a whole stands to lose. It is feared that consolidation would remove the social compulsion to obey group normg thus creating problems in the management and utilization of irrigation water.

The dispersion of shares within the *yaya* is also a convenient arrangement to overcome the differential fertility of the *yaya*. It is observed that there is a progressive increase in fertility from the upper to the lower end of the *yaya:* this has much to do with the flow of irrigation water i.e. the coarser material is deposited nearer the source of water supply while the finer silts are deposited in the lower reaches. Thus the situation arises where in the upper reaches there is an assured water supply combined with low-fertility. and in the lower reaches a less reliable water supply combined with high-fertility. Hence, the tenurial principles outlined above tend to balance the inequalities of the land-water relationship.

It has also been argued that the small units of cultivation permit better regulation of irrigation water and allow for more intensive use of the *liyaddas* (fields enclosed by bunds).[5] Further, fragmentation permits the proper maintenance of the irrigation system because it ensures collective responsibility for the channel system.

It is useful at this stage to examine the more specific characteristics of fragmentation. The statistics given in the tables relate to Parangiyawadiya but in the author's experience the generalizations drawn from these tables hold true for other *wewa - yaya* systems of the Dry Zone.

Table — I OWNERSHIP PATTERN IN RELATION TO YAYA DIVISIONS

Ownership Pattern	n = 87 Number
Shares in all 4 divisions	57
Shares in 3 divisions only	19
Shares in 2 divisions only	07
Shares in a division only	04

Source: *Field Survey*

The data in table I reveal that of the 87 shareholders of the *yaya*, 66 percent own land in all four divisions of the yaya. (It has already been mentioned that the *yaya* in Parangiyawadiya is in four unequal sections). But 13 per cent hold shares in one or two sections of the *yaya*. Another 22 per cent have ownership rights in three divisions only. The inequality of *pangus* evident in the table is a negation of the ideal referred to earlier. It is clearly a recent development and is a sure indication of the increas-

Table — II OWNERSHIP OF PARCELS OF PADDY LAND

Number of	Number	Ownership percentage
1 — 4	47	54
5 — 8	22	26
9 — 12	10	11
13 — 16	06	07
17 — 20	01	01
21 — 24	01	01

Source: *Field Survey*

ing pressure of population on land.

Table II clearly indicates the nature of fragmentation arising from the dispersed ownership of paddy land. The data reveal that 54 per cent of the owners held 1 to 4 parcels of land; but 46 percent owned between 5 and 24 parcels of land.

The figures relating to the size of holdings show that 94 percent of the parcels are below one half acre in extent; indeed 47 percent of the parcels are below ¼ acre. Only 3 percent of the parcels are over 1 acre in extent (Table III).

Need for Consolidation

The principles of the tenurial system discussed above indicate the rationale behind fragmented holdings in an environment subject to periodic droughts. The question, therefore, may be posed as to why a system of land tenure that has undergone cultural selectivity needs change or to rephrase the question, what is the need for land consolidation?

The smooth operation of the traditional system necessitates that the *weewa* - *yaya* system is the focal point of interest of the community. It is then only that elaborate cultural practices associated with irrigated paddy cultivation could be completed in time. Further, the collective — co-operative effort of the community is needed in the sequential cultivation of the *yaya*.[1]

However, the pressures of change have eroded the importance of the *yaya* as the focal point of economic activity of the *purawa* village.

favourable market prices for *hena* (chena) crops, have resulted in a shift of interest to the *hena*. Besides there are other attractions. Quite often labour is the only input in *hena* cultivation; and returns to labour expended are high. *Hena* cultivation also makes for a greater degree of individual decision making unlike in *yaya* cultivation which necessitates collective decision making; it is imperative that individual decisions accord with group norms.

In some instances noted by the author there is the preferential use of land received under village settlement expansion. The situation at Paranagiyawediya is a case in point. The new land received is in larger units (2 acres per individual) and such land does not come under the rigid social and cultural norms adhered to by the community in respect of the *purawa yaya*. Thus the approach is more individualistic and cultural practices such as *bethma* which asserts collective right over individual rights are ignored. This in a sense encourages the addition of capital inputs and the adoption of innovative practices.

Table — III PARCELS OF PADDY LAND

Extent in acres	Number of plots	Percentage	Cumulative percentage
1/16	74	14	14
1/16 — 1/8	113	22	36
1/8 — 1/4	57	11	47
1/4 — 1/2	249	48	95
1/2 — 01	17	03	98
01 — 14	14	03	101

Source: *Field Survey.*

All this means that the focal position occupied by the *weewa* - *yaya* system originally is now relegated to a peripheral one. The *weewa-yaya* system receives attention only after the initial activities relating to the cultivation of 'new fields' and *hena* have been completed. If too much time of the agricultural calendar is taken up by these activities in a particular season it invariably follows that the *purawa* fields will be left in fallow or not used to full capacity. There is also the added point that the *weewa-yaya* system demands a collective co-operative approach. The cultural practices associated with the cultivation of the *yaya* demands that cultivation should begin at the lower end of the *yaya*. Unless all *yaya* holders work in unison it will not be possible for the upper reaches of the *yaya* to be worked because the *wapile* principle sanctioned by custom demands that water be taken to the lower sections of the *yaya* by means of temporary channels to minimize the labour expended and reduce water loss due to seepage and evaporation; these temporary channels cut - across *bandds* in the upper and middle divisions of the *yaya*. Therefore, failure by individuals to meet common work schedules retard the cultivation of *yaya* operations and frustrates the efforts of enterprising individuals. It is such factors, therefore, which contribute to the apathy shown by the peasantry towards the cultivation of the *purawa* fields. However, the crucial point is that owing to the above there is a large-scale neglect and non-operation of *purawa* fields which can be ill afforded from a national point of view.

It is thus imperative that a well formulated policy of land consolidation be implemented in the *purawa* villages of the Dry Zone. Hopefully, consolidation will result in larger holdings that will facilitate easier and better cultivation. It will also provide the incentive to adopt innovative methods. The agricultural practices in the *purawa yaya* at present functions, often at a level of 'static — efficiency' because of limitations set by the terminal system. But it has been demonstrated that this system of tenure evolved in response to the drought hazard. Hence any scheme for land consolidation should take note of this factor and the alternative strategies should be capable of overcoming the 'cultural inertia' of the peasant to change a time honoured system.[2]

SUGGESTED STRATEGY FOR CONSOLIDATION

This section introduces a strategy that may be adopted to consolidate land in the *purawa* villages of the Dry Zone. It takes into consideration three crucial variables influencing peasant resistance to

land consolidation viz. (a) scarcity of water (b) the differential fertility of the land and (c) the size of individual holdings.

Land consolidation necessarily implies a change in the present practices relating to irrigation water use. It has already been observed that the scarcity value attached to water is a factor in the present system of land tenure. If the water supply can be assured for both *Maha* (rainy season) and *yala* (dry season) it will be possible in large measure to overcome peasant resistance to land consolidation. However, it calls for a change in the methods of cultivation as now practised. The usual practice at present is to commence irrigated paddy cultivation after the *wewa* is filled to capacity by the *Maha* rainfall. As a consequence much of the initial fall runs to waste. However, the Dry Zone farmer is also adept at rainfed paddy cultivation under certain conditions. In the terminology of the Dry Zone peasant, rainfed cultivation is known as *kekulan*. The technique of rainfed paddy cultivation is less exacting than that for flow irrigated paddy cultivation. It is suggested that by a combination of both techniques it is possible to maximize on the available water supply. This will necessitate rainfed cultivation of the *yaya* in *maha* thus conserving the *wewa* water for yala cultivation. If necessary wewa water may be stringently used to supplement rainfed paddy cultivation in *maha*. An alternative strategy for *maha* cultivation (is that of utilizing sub-surface water by recourse) to lift irrigation as suggested by Madduma Bandara.[8] This, however, involves a wide departure from existing cultural practices.

The adoption of the charges suggested above calls for a better system of water use than that available at present. Therefore, it is imperative to do away with the present permissiveness in irrigation water use. It will, therefore, be necessary to introduce strict supervision and discipline in water issue and serious thought has to be given to evolving an efficient institutional mechanism at village level for the enforcement of irrigation rules. As Chambers suggests these measures would be ineffective without political support from the highest level.[9]

The process of consolidation itself could be a gradual one. It will assess the importance of land consolidation through practical experience. An example will illustrate the point. It has been pointed out that the *yaya* is in four divisions in Parangiyawadiya. It has further been observed that there is fragmentation within each section of the *yaya*. It is suggested that as a first step the dispersed ownership of land in the different divisions of the *yaya* be maintained while achieving consolidation within each section. Total consolidation of holdings — i.e., the consolidation of the entirety of an individual's holdings in the different sections of the *yaya* into 'one block' may be effected on a pre-determined time - scale.

In effecting 'total consolidation' due consideration must be given to the extents held by individuals. The differential fertility of the *yaya* too has to be taken into account. It would, therefore, be necessary for those owning small extents to be allocated land in the more fertile sections. It needs to be mentioned in passing that the greatest resistance to land consolidation is shown by those owning relatively small extents of land. Those owning larger extents will have to be accommodated in the less fertile sections. This might call for forceful action on the part of the village level institutions. Indeed in some cases compulsory acquisition may be a prelude to land consolidation. In regard to those owning small extents of land it may also be necessary to explore the possibilities of resettling them elsewhere. But the extent of land allocated under village settlement expansion must be sufficiently attractive to influence the decisions of the peasant to relinquish his rights to the *purana yaya*.

Once land consolidation becomes a reality measures should be taken to prevent subdivision and fragmentation. This is imperative as the traditional laws of inheritance allow for the transmission of property both through males and females[10] however, there is bound to be great ressistance towards any legislative measures aimed at modifying the rules of inheritance. The way out of this impasse appears to be to make a distinction between the unit of ownership and the unit of operation. It could be legislated that while property can be subdivided for the purpose of inheritance, the consolidated units of operation should be maintained intact. The Paddy Lands Act No. 1 of 1958 recognized this distinction. However, it did not lead to any far reaching results because this provision primarily applied to land held by tenants only.

CONCLUSION

It has to be borne in mind that land consolidation is a means to an end and not the end itself. Theoretically, land consolidation by facilitating the application of more efficient methods of production should lead to a rise in productivity. However, this cannot be achieved by the act of land consolidation alone. It is necessary that supporting measures for agricultural development should be made available to the peasant by further strengthening infrastructural facilities.

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India's Fish Economy

John Kurien

The evolution and development of India's fishing industry, upto very recent times, has in many ways been on the same lines as those of Sri Lanka. In India, however, there has emerged a new force in the form of an 'ultra-modern sector', in the industry. John Kurien, in an incisive analysis of India's fish economy and the impact of the entry of big business concerns into fishing in India, published in India's *Economic and Political Weekly*, first discusses marine fish resources (potential and then traces the evolution of the fish economy before he makes his assessment. Part II of this paper, continues with the entry of the ultra-modern sector and concludes with the final impact and possible future trends in India's fishing industry.

The current involvement of big business in fishing is basically the logical extension of trends that set in motion into India's fish economy about three decades ago with emphasis on modernisation and the introduction of capital intensive technology. This was greatly facilitated by the existence of plentiful resources and a rapidly expanding market. However, with the proclamation of a 200-mile Exclusive Economic Zone (EEZ) which sparked off a debate on the future trend in fisheries development, a new twist is being given to the entry of big business interests to exploit our newly acquired deep-sea resources. The argument has been that the involvement of big business is an inevitable step taken only to ensure that the extension of our fishing rights will not bring a fall in world fish out-put because of our present inability to exploit the resources for want of capital and technology. To this debate a 'humanistic' overtone has lately been added by viewing with concern the multi faceted impact of this 'new' phase on those traditionally involved in fishery-related activities. The consensus seems to be that while traditional fishermen be safeguarded, our commitment to the global community must be honoured.

To understand the implication of the entry of big business in fishing in terms of the concrete reality, one has to take an overview of the evolution of the fish economy as a whole. At the same time it is necessary to examine and be informed of some characteristics of the aquatic terrain and the potential and the exploited marine resources of India's Exclusive Economic Zone.

(Having discussed the characteristics of the aquatic terrain and the potential and exploited marine resources of India's Exclusive Economic Zone the author makes a brief review of the evolution of the Indian fish economy. In the final part he attempts to highlight the crucial issues that confront India's deep-sea fishing interests and their impact on the whole fish economy).

Evolution of Fish Economy

Let us now briefly review the historical evolution of the fish economy. This is being undertaken, in spite of the limitations of such an exercise, for two reasons. First, it will portray the process and the conditions under which — and in spite of which — the persons presently engaged in fishing were able to achieve such high levels of exploitation of resources. Secondly, it will help to highlight the sequence of trends which led to the development of 'new' interests in fishing, expose and examine their motivation, providing an insight into the manner in which the remaining untapped resources will be exploited.

The fish economy of the country consists of participants engaged in the activities of production (catching), marketing and consumption of fish. It is presently made up of two sectors, traditional and modern each consisting of the three activities.

The traditional sector forms the base of the economy. It consists now of well over half a million fishermen using over a dozen of different types of non mechanised craft. They are spatially dispersed over 1600 fishing villages along the coastline and account for about 70 percent of the total marine fish catch of the country. The bulk of this is distributed by an equally large number of small distributors who carry fish on their heads or on cycles to a predominantly rural clientele. The sector is really the consequence of gradual evolution and innovation of individuals confronted with the sole motion of making a living from fish.

The modern sector has a relatively shorter history. It became prominent only in the post-independence period of development planning. The producers of this sector are also by and large traditional fishermen numbering about 65 to 70 thousand and operating around 11 to 12 thousand small mechanised boats which contribute a little over a quarter of the total marine fish catch. Much of the landings, restricted to about 350 centres, are initially handled by big merchants who transport it by road and railway to distant inland urban centres. It is consumed there by the upper and middle income consumers. (The approximate figures given in the descriptions of the sectors are roughly extrapolated for 1977 from data given in several sources pertaining to different points in time).

A third sector, which we term as the ultra-modern sector is now in the making with the emerging trends.

Traditional Sector

The traditional fishermen of our country, residing on the fringes of the 4,600 km. of our coastline, belong to communities which have for centuries been involved in this caste-based activity. Over the centuries they have evolved their own craft and gear and fishing techniques which were best suited for their local conditions. Their greatest asset is the accumulated knowledge about fish, fish habits, waves, currents and stars handed down from generation to generation.

The labour intensity of their technology and the space limitations on their craft restricted their operations to the shallower waters nearer the coast which abound in large quantities of the smaller species of fish.

Though fishing is a sort of perpetual harvesting operation, the low productivity of the traditional techniques prevented any rapid depletion of the resources. Yet, even at very low levels of productivity — because of the perishability and the fact that it formed only a small portion of the producers' consumption — there were large surpluses available for disposal and trade. The increasing demand from communities outside the fishing villages provided an outlet for these surpluses to be bartered or traded. The initial trade activities were taken up by the wives of fishermen and subsequently men from other communities who did not consider fish trade a labour also got involved. The perishability of fish posed the main limitation to the expansion of this trade.

Preservation techniques like salting and drying which increased the

shelf-life of fish partially tackled the problem of perishability. This further expanded the potential for disposals of larger surpluses. The production and use of ice revolutionised trade potentials further and as a consequence there was a greater proliferation of activities related to on-the-beach transactions: icing, packing and transportation, bulk disposals at inland centres; and so forth.

These developments provided opportunities for a larger number of people to make a living out of activities allied to fishing. Since not many from among the actual producers came up to tap these opportunities gaps developed between the production and consumption stages and these were filled up by outsiders. They initially entered as agents, functioning as 'buffers' between producers and traders/small distributors, and between big traders and small distributors. Generally they began to perform the role of financiers, especially to producers to whom they would advance money for making craft or gear or for consumption. To avail of this, producers had to pledge to sell their fish only through the mediation of the financier. In this manner some of them extended their influence into the realm of production while others established a firm footing in the marketing activities. Progressively this new class of middlemen—agents began to exercise a degree of monopsonistic power proportionate to the extent of integration, control and manipulation they were able to wield. This concentration of power also meant gyration of surpluses to their fold with the result that practically all further expansion in productive activities depended considerably on them and the 'sharks' share of benefits would also accrue to them.

Prior to the expansion of trade the consumers of the traditional sector were those in the immediate hinterland of the fishing villages and much of the transaction was barter exchange. The improvement of preservation techniques resulted in an extention of the market and also a greater degree of monetisation. Purely in terms of numbers the clientele was basically rural or of the lower income groups in the numerous coastal trading centres. (The vegetarianism of the upper castes was also probably an added reason for the restriction of fish consumption to the rural and lower income groups) For this segment of the population fish gradually became an important animal food and a crucial protein intake. The large collective demand emanating from the rural areas encouraged the continued growth of the traditional form of production which in turn spurred the activity of the small distributors and assured the supply of fish at low and accessible prices to the small consumer.

This mass, rural-based sector of a large number of producers, distributors and consumers is what we refer to as the traditional sector of the fish economy.

The producers were confined to pre-capitalistic production relations, used labour intensive technologies that were of low productivity yet yielded proportionately large surpluses. The large number of small distributors undertook trade for subsistance and catered effectively to the widely dispersed and growing segment of low income consumers. These were the main participants of the sector but the control was with the finance capitalists who were gradually gaining a crucial and vicious foothold into the production and marketing activities.

Modern Sector

The early post-Independence period saw the faster development of industry, trade and commerce in the urban areas accompanied by a greater movement of the population to these centres. Improvement of roads and railway facilities made these centres more easily accessible and this opened up new avenues for disposal of fish at much higher prices considering the greater demand. The up and coming class of well entrenched finance capitalists seized the opportunities to divert the surplus production of fish in their control to these new portals of demand making full use of the new facilities. Simultaneously, planned fisheries development was taken up for implementation in a big way by several state governments. In the eyes of the planners the problems of the traditional fishermen was one of low productivity leading to poverty. The penacea for poverty was to increase production and productivity. Concretely it meant a graduation from the old, traditional fishing crafts to the modern mechanised crafts used successfully in the industrialised countries like Britain, Norway and so on.

The finance capitalists backed the moves for mechanisation of fishing boats. They infiltrated the new state-encouraged primary fishermen's co-operatives in an attempt to corner the sizeable number of mechanised boats issued through them to the fishermen. With the extent of control they already had over the fishermen, this was a mattter of ease and where attempted spelled great success.

Fishing with mechanised boats and nylon nets yielded very substantial increases in production and productivity and spurred out the beginning of bulk movements of the larger species of fishes to the urban centres. The mechanised boats not only resulted in increased productivity but also in a whole new realm of costs —of diesel, engine oil repairs —unknown to the operators of non-mechanised craft. All this meant more financial requirements and made the fishermen who operated the boats more vulnerable to the overtures of the increasing number of financiers who are willing to advance money to tide over expenses of oil, fuel and repairs in return for the right to sell the fish caught on the boat.

The increased volume of catches also resulted in small fish distributors being easily edged out due to their lack of funds and control on the producers. They had either to move out of the trade or purchase fish, on very unfavourable terms, from the many financiers, who were also becoming large merchants.

In this manner the traditional sector of producers as well as the new class of fishermen on the mechanised boats who continued to be predominantly from the fishing communities—got integrated into the large network of marketing chanels. This network now extended across states linking the hitherto peripheral villages to more distant inland urban centres. The rural consumers in the immediate hinterland and within cycling distance (a new mode of transportation taken up by the distribution) still formed the consumer base and accounted for the bulk of the consumption both in terms of volume and value. But the urban consumers provided the impetus for expansion of trade. The network of movement of fish from surplus landing points to big demand centres obscured the rapidly emerging exploitative links between the vested interests at the two ends of the trade circuit. The producers, still faced with —buyer's market, received no significant returns for increased productivity. The consumers, in a sellers' market had to bargain hard over the soaring final prices in spite of persistent

poor quality of fish, decaying for want of sufficient ice and proper care in handling and transportation.

With the emphasis on 'modernisation' of the fish economy a whole new infrastructure of research, development and training institutions in the field of fisheries was set up in important fishery centres all over the country to cater to and spearhead the programmes for large-scale development of the fishing industry along the lines of the industrialised countries. International collaboration and advice from such international organisations as FAO was sought for much of this activity and some concrete country-to-country development projects were arranged.

Take the case of Kerala where the Norwegians were at work on a project for 'integrated fisheries development'. They ruled out the possibility of an intermediate form of technology to mechanise the traditional canoes or catamarans, and instead introduced the new Pablo mechanised boats. They also set up a Sales Organisation with the intention of developing a network to handle the processing and marketing of fish. Thus, technology then prevalent in Norway and forms of organisation suited there were transplanted to the calm and quiet fishing village accustomed to its traditional and deeply rooted system of operations. The Sales Organisation failed before too long. Its own internal structure and economics made the fish that moved through it too costly for the consumers around the area. Later, even concentrating on the upper-income strata of one urban centre did not provide a sufficiently large turnover. The local interests of the middlemen and the big merchants also scuttled its functioning by out-buying the Sales Organisation when the catches were low and withdrawing from the shore when there was a bumper catch. A quick succession of such situations and total chaos prevailed.

Along with the catches, of the mechanised boats came small quantities of prawn — a crustacea that does not have much of an internal market but which has a demand in the dried form in Sri Lanka and Burma. Resource surveys showed that the region off the Kerala coast has a plentiful resource of these crustacea. The Norwegians saw that the introduction of freezing technology and the diversion of the prawns in the frozen form to the U.S. where the demand for it was picking up would be the solution to their knotty problems. With one stroke they had discovered the way to avoid the self-defeating internal logic of a costly technology superimposed on poor consumer and also the path to avoid conflict with the vested interests.

Bottom trawl nets were introduced, frezing plants were set up, trade contracts were established in the US and the prawn rush was on (Bottom trawl nets are used to catch the fish (called the demersal species) which inhabit the bottom of the ocean, of which the crustacea, prawns is one. These nets are large and heavy and the pressure of the water acting downwards on it necessitates the use of mechanical power to operate them. This method of fishing is therefore not feasible from non - mechanised craft).

New Vistas Opened

A whole new vista was opened. In the early sixties fisheries suddenly became a sector with enormous export potential in a situation when foreign exchange was a crucial need. All and sundry who ventured to take the risks of enterpreneurship were encouraged. Persons who would otherwise have shunned any association with fish or fishermen found a new responsibility in prawns.

On the one hand the fish economy was breaking open to a new set of forces and interests. An otherwise seemingly stagnant economy was soon well within the tentacles of the world capitalist market forces. On the other hand, the semi-feudal relations deepened in the traditional and modern sectors of production. For the traditional fishermen using the non-mechanised craft, prawns was not a new species in their catch. They caught it in its season, may be never ate it themselves, and in times of bulk landings even disposed it of as manure for coastal coconut plantations. For them this overnight transition of an inedible species into their 'gold' was beyond comprehension (Between 1960 and 1974 the share of prawns to the total marine exports, of India, in terms of volume, increased from 30 percent to 77 percent and in terms of value, from 41 per cent to 90 per cent. The unit value realised increased from Rs. 3.32 per kg. to Rs. 19.10 per kg. during the period). They had the capacity to catch more of it and were even happy to accept the liberal cash advances given to them during the off-season for the mere pledge to sell their prawn catch to the same merchant/middleman. In fact until the late sixties this class of producer contributed over three-quarters of the catch of prawns which finally found their way to the luxury hotels of the US and the wedding ceremonies of wealthy Japanese. In this manner the traditional fishermen were linked to the world market through a hierarchy of middlemen culminating in India with the *noveau riche* merchant capitalist owners of freezing plants and insulated vans. They in turn exported the frozen prawns to a trade agency in the importing country which distributed it through the chain of department stores and frozen food retail outlets to an ultra modern consumer in the developed industrial countries of the world.

Emerging Ultra Modern Sector

The involvement of the industrial capitalist— big business houses and the multinational corporations— in the fisheries sector came at this stage in the history of the evolution of the fish economy.

The big houses initially entered the fisheries sector and more particularly the marine export trade to fulfil their export obligations as export houses and later as a result of their acquiring import licences in terms of the Import Trade Control Policy. Under this policy an export house was required to export non-traditional goods (of which canned and frozen fish was one) the f.o.b. value of which was to be equal to four times the value of the licence.

To achieve this some of them initially acted as merchant capitalists buying products from processors and exporting it under their own brand name. (Taking advantage of their position as experienced Export Houses became a lucrative proposition for both the business houses and the processor. The former was assured of steady supplies of the processed product without having to produce or procure it, the latter had an edge over the other processors because higher returns were offered by the business house in the form of a 7 to 10 per cent commission on sales value. Additionally the bother of export formalities and the complexities of marketing were done away with). Some others went a step further to give a few financial doles to 'enterprising young men and institutions' to buy their own fishing boats and start fish processing firms. The understanding was that the exportable species would be sold to the business house.

To be concluded

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