ECONOMIC REVIEW
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Double Issue

EXCLUSIVE

LENINGRAD CPSU CHIEF ON RUSSIAN ELECTIONS

THE MEDIA

A.J.Gunawardana
S.P.F.Senaratne
Rajiva Wijesinghe
P.Muthulingam

FILM INDUSTRY
- A SPECIAL REPORT
Ravi Prasad Herath

A People's Bank Publication

OVERVIEW

While the Gulf War was raging,. three academic researchers in the United States conducted a poll on the role of T. V. in communicating the pertinent facts about the Gulf War. The results were quite revealing as reported by Alexander Cockburn in the British journal New Statesman and Society – "75 percent believe wrongly that in advance of Iraq's attack the US government has threatened to impose sanctions if it took place; 65 percent thought their government has vowed to support Kuwait with military force". When Saddam Hussein called for linkage, two out of every three respondents asked "linkage to what?" and less than a third were aware that Israel was illegally occupying territories in the West Bank and Lebanon. Of the heavy viewers only 10 percent knew what the Intifada is.

The survey is not a complete one and in any case T.V.is not the only component of media. Still these revelations about the role played by T. V. in imparting knowledge in a country where the media is free of direct government control are extremely important. This is not to say that the freedom of the media is unimportant. But that is not the only criterion we must pay attention to if we want to ensure that media play a productive and liberating role in our country.

The communications industry is regarded as the commanding height of the economy by some people today. And the media make up an important part of this industry. We need a media which will not only, provide entertainment but will also empower our people by presenting them with all the pertinent facts about various topical issues and problems both local and international. In other words we need a media which will make a positive contribution to our society. And freeing media from official control in itself will not be adequate to achieve this aim.

Prof. A. J. Gunawardana in his contribution emphasises the need to have a comprehensive media policy. He argues that a media policy need not be "an instrument of coercion or control by the State" but that such a policy is needed for the systematic development of our media – a policy which will take into account the needs and the problems of all components of media and address these issues while achieving a holistic view of the media scene.

Dr S. P. F. Senaratne examines the relationship between the economy of a country and the control and the content of the media of that country. He briefly traces the course of events which led to the state control of media in most developing countries. And he comes to the conclusion that the control of the media and the shifting of intellectual activities were responses in two different areas to the same set of circumstances and that in the Third World they are usually found together.

Rajiva Wijesinghe talks of the need to reduce authoritarian control on the media. He also highlights the importance of encouraging some kind of social input from the media and emphasises the need to establish provincial newspapers as a necessary component of a process of devolution currently ongoing in our country.

P. Muthulingam takes a critical look at the Tamil media. Tracing the historical development of the Tamil media he argues that they avoided putting forward controversial view points and ideas. Tamil mass media never became a forum for discussing the socio-political problems of crucial importance to the Tamil community and the Tamil intellectuals contributed greatly to this state of affairs by failing to comment on important, controversial issues in Tamil. As a result the Tamil mass media never contributed towards the creation of public opinion or in grappling with issues related to the people.

Ravi Prasad Herath in is special report on the economics of the Film Industry discusses the crisis faced by this industry – as indicated by the steep decline in cinema admissions and the number of cinemas operating and the absence of investment in the exhibition segment of the industry. His review is an attempt to analytically understand the root cause of the current crisis.

We are also carrying an exclusive short piece by the Head of the Communist Party in Leningrad, Boris Gidaspov on the free election to Russia's Presidency.

Our other articles include the first segment of a case study of Life Assurance as a forum of investment for an individual by Indra Abeysekera, 'Primary Health Care in Sri Lanka' by Dr. Marcus Fernando, and an article dealing with socio-economic and political perspectives of Sri Lanka during the 15 years from 1975 to 1990 by Dr. Samaraweera. We also carry a research paper on 'Primary Education in Slum and Shanty Settlements' by H. L. Hemachandra and an article on Colombo Stock Exchange by M. H. E. Shariff.

T. G.

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WANTED: A MEDIA POLICY FOR SRI LANKA

A. J. Gunawardana

Professor A. J. Gunawardana is the Director, Institute of Aesthetic Studies, University of Kelaniya. He contributes regularly to an English daily newspaper and also writes screenplays for films.

Some years ago, as Chairman of the Presidential Committee on the Film Industry of Sri Lanka, I urged the need for a National Media Policy for Sri Lanka. This proposal evoked either bemusement or outright rejection. The reason for this negative and hostile reaction can be attributed to a general misapprehension regarding the nature and purpose of a National Media Policy.

Critics of the media policy idea perceive it as giving yet another handle to the state to enlarge its hold and tighten its control over the media. Others argue that a media policy already exists in the form of the various pieces of legislation covering such basic areas as radio, television, newspapers and cinema. They say that the different Acts of Parliament together constitute a full and complete media policy statement.

Neither argument is valid. A media policy is not an instrument of coercion or control by the state. Rather, a media policy is a rationalisation and consolidation of the national framework for the development of the country's media in a systematic, ordered fashion which is also responsive to felt needs. The existing Acts of Parliament do not add up to a policy in the overall sense of the term. An Act either define the powers and functions of the several state agencies active in the media field or indicate the rules governing the media. By no stretch of the imagination can these Acts be recognised as amounting to a media policy.

The aims and objectives of a media policy are perhaps best understood through an actual event – an event that illustrates what may happen in a country in the absence of a media policy. The introduction of television to Sri Lanka is a most striking case in point. When "Rupavahini" made its appearance back in the early 80s, the media most directly affected by television – radio and cinema – were totally unprepared for the new situation. Consequently, radio had to go through a period of painful (and sometimes agonising) reappraisal before coming to terms with its changed role. The travails of the cinema were far more agonising. The film industry saw its economic base flounder and crumble before its very eyes within one year of the speedy diffusion of television. Unlike radio, however, the film industry is yet to recover from the drastic impact of the new medium.

The moral is clear. The unfortunate effects of television on radio and cinema could have been considerably reduced and in some instances altogether eliminated, if a coherent media policy had been operative in this country at that particular moment. Both radio and cinema would have be enable to withstand the new medium's onslaught without suffering excessive disorientation and loss. An active media policy would have prepared the existing mass media to cope with the vastly altered environment brought about by the advent of the new medium.

A properly formulated media policy would have alerted both radio and cinema to the fact that the arrival of an extremely powerful medium such as television signals new problems and challenges for the existing mass media. This is something that all mass media practitioners and policy-makers should have learnt from the historical experience of other countries.

One of the principal functions of a media policy is to achieve a holistic view of the media scene, taking into account the inter-relationships and cross-influences that link the different media into one extensive, all-enveloping network. This function alone amply justifies the call for a national media policy, since both the public and the officialdom are given to the erroneous view that the media exist in watertight compartments, isolated from each other.

To insist that media are plural is not to be gramatically fastidious but to underline a tangible reality. And this reality, stated in the simplest manner, is that the media world is occupied by a number of diverse channels of communication which disburse information and shape opinion. These channels are not necessarily in harmony with each other. To use the earlier example, television and cinema are both mass media; both are audio-visual, with emphasis on the visual. This means that cinema and television battle for the same audience. In this struggle, the electronic medium generally emerges triumphant because, among other things, it brings entertainment direct to the home.

In the context of television, therefore, the cinema requires special care and extra support. The cinema must be enabled to occupy fresh ground, and compete with television while retaining its identity. Or, to put it another way, cinema cannot be taken in isolation, or treated as an independent unit, without reference to television and, of course, to video. This principle applies to all the media, print or broadcast, mechanical or electronic.

A media policy, then sees the media spectrum as a whole, as a large and growing organism with separate limbs, yet interacting with each other all the time.

The wide, all-embracing viewpoint generated and sustained by a national media policy is importan on several counts. One of these – that is how the

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THE MEDIA : IMPACT, CONTENT AND CONTROL

S. P. F. Senaratne

Dr. S. P. F. Senaratne was formerly on the staff of the National Museum – as Head of the Anthropology Division, as the Assistent Director and for a period as the Acting Director. During the last 12 years or so he has worked as a consultant on development research to various International Organizations, mainly in South Asia.

I must begin with a disclaimer. I am not a media practitioner; this article cannot therefore ground itself in the problems experienced by the professional. Nor is it based on my research on media issues – in any event sporadic rather than sustained. As will be apparent presently it derives its form from a somewhat different perspective – a perspective which has to do with national systems.

In recent months there has been much discussion in the international media, about the changes which are taking place in the countries of Eastern Europe in the management of their media. State control is being relinquished. Radio Moscow reported a few weeks ago that consultants from the West have been invited to advice on this process. In many African countries too, similar changes are under way. It is taken in both regions that an unfettered media is a necessary accompaniment of multi-party democracy.

In popular discussion, this is of course the dominant media issue – the issue besides which all other issues appear trivial, even arcane. Other contributors will, no doubt, deal with this question at some length.

My concern is somewhat different. It is not with the normative question, nor with the degree of freedom that the media should enjoy. It is with a related question: what are the circumstances which influence this level of freedom? What follows is to be taken as no more than a few observations on a complex issue.

Let me avert a possible misunderstanding. By so choosing my subject, I do not diminish the importance of that other question. As innocent bystanders in the media game, indeed on occasions its victims, we have no option but to argue for a high level of freedom.

Do we then say merely to restore the freedom which we once had? Or are we pursuing a freedom in which the full spectrum of opinion finds adequate representation in the media? If so, it is a freedom which we never enjoyed and it is a freedom which can only exist if monopolies are at their irreducible minimum. This article will, I hope, be of some use in examining the goals and possibilities of this endeavour.

Impact

It is commonly agreed that the media perform many functions. The information that is conveyed covers a wide-range from where we might purchase a toothbrush to happenings of global importance. Instructions has an equally wide range, presented of course in digestible blobs. The media exhort us to follow one course in preference to another to hold this opinion as opposed to that. There is explanation – of everyday phenomena at one end, and of abstracts philosophical and religious issues at the other. And we are entertained – sometimes unintentionally.

It is no longer uncontested media ideology that these tasks are done impartially and objectively even when it is the intention to do so. But if there is dispute on this issue there is none on another. The media are viewed as powerful, able to influence attitudes, to mould opinion and ultimately to induce changes in behavior. This view is held by those who argue that the media must be permitted a considerable degree of latitude. It is also the assumption of those who hold against this approach and who point to its deleterious consequences in the form of mindless consumerism and dented values.

It must be recognized that opinions, attitudes and perceptions are formed, and changed in a variety of other ways. It happens through the acquisition of knowledge, whether in the classroom or in less formal circumstances. It is brought about by engaging in an occupation. It also happens through the interactions which result through participation in civic and social activities. Briefly the roles individuals play and the contexts in which they do so are protent forces of attitudinal change.

In most circumstances the media produce little impact if they run counter to the perceptions generated by these activities. To this extent, the media are not as penetrative as is commonly believed. Clearly there are ways of thought and forms of behavior which they find difficult to influence and change. Most often they have a reinforcing and a rationalizing function; attempts at transformation, unless these are in the relevant idiom are frequently met with rejection.

It will be apparent then that a media message can appeal to one segment of a country while evoking a very different response from another. Consider a rural community whose exposure to urban influence is moderate rather than heavy. Its economy is relatively enclosed. In many activities its members relate to each other rather than to the world outside. Its dynamic and its values reflect these circumstances. Such a community may well be indifferent or even hostile to message which are clothed in an idiom which is unmistakably urban and westernized.

The point need not be laboured. Class, religion, ethnic group and region are all dimensions in which this dissonance can manifest itself. Content, then, is crucial if the concern is with the impact on the receiving community.

Content and Control

What is it that determines this content? Let me pick out two factors – the nature of the economy and the type of control exercised by the state over the media.

In a strong economy individuals have more access to the media. They can purchase its instruments more readily – TV sets, radios, newspapers and so on. The investment in media is correspondingly high; plant and equipment have to produce a large output. Workforce are substantial, their skills are many and varied, and, career options are diverse and attractive. In these circumstances the media have a high density; that is, the output is high per unit of population.

While the systems of control are varied the two ends are distinct. At one extreme is the control exercised by the state in a one-party political system. At the other end is the system in which formal control is at a minimum, where a disputation idiom conceals a consensus on fundamental values and interests, and, where market forces control much of the medias' activities. In between are many forms in which state control operates in varying degrees. Examples of these are quite abundant both in our own region and in South-East Asia.

In simplified black-and-white terms, let us now examine the relation between economy, control and content. We have the following categories:

(1) Strong Economy/Market Control

The media output has a wide range and a high intensity.

Sensitive political areas are covered.

The stress on the national interest is usually subtle.

(2) Strong Economy/State Control.

The range and intensity are almost as high as in the type above.

Sensitive political areas are avoided.

A particular political position is given strong stress.

(3) Weak Economy/State Control

Range and intensity are both limited. Sensitive political areas are avoided as above.

Similarly a particular political position is given strong stress.

(4) Weak Economy/Market Control

Does not survive for long.

This matrix must be expanded much more to take in all real situations. Even so, some countries fall squarely into one or another of these categories. Those of Western Europe and North America, for instance, possess strong economies and depend on market forces to control their media. Singapore though a strong economy (in the somewhat loose sense in which I am using the term) has no place for market forces in the European or American sense. But in most Third World countries, what has been evident in the last two or three decades is a movement away from market control towards state control. Many of them do not therefore fit nearly into either (3) or (4) above.

Sketching through this categorization it provides the basis for some conclusions:

* If the economy is weak, there is a strong tendency towards state control.

* The opposite is not true. State control may also exist in a strong economy.

* While density is a function of the economy, content relate for the type of control.

Types of Control

If these conclusions are valid, the factor which really determines the nature and extent of media impact in any given situation the nature and extent of media impact in any given situation is the type of control (taking the economy and therefore media density as fixed). Nationally at least there are two forms of control. What determines the choice between them?

As examples of the market forces approach the Western countries exhibit many similarities in the way in which they handle their media. There are also significant differences. In a recent BBC programme the topic of discussion was Nancy Reagan's 'unauthorized biography'. It was generally agreed that while a publication of this type could have given rise to a legal action in the UK, there was little hope of an American Court responding to such a move.

Apart from these differences in the notion of freedom, attempts to limit that freedom do occur from time to time in many of these countries. There was the recent decision to narrow the freedom of expression on American Campuses, followed inevitably by strong protest and reaction. It is I believe, James Scott who said that of all the British Prime Ministers he had known in the course of a long career as a political journalist, only one – Clement Attlee – had made no attempt to muzzle or otherwise interfere with the Press.

In the Gulf War it was clear that the Alliance authorities had decided to allow the media only the most limited access to information concerning the conduct of the war. It was also clear that the reasons for this were not entirely those of security. And between its 'rights' and the national interest, the media had little option but to accept the limits that were imposed.

All this does not reveal an abstract ideal, widely accepted and religiously followed by all. It is much more a situation in which a delicate balance of forces is being maintained with great watchfulness on all sides. What circumstances, what structure does this reflect?

Essentially this is a reflection of distributed power. All constituent units – Capital, Labour, Agriculture, Industry, the Military, Academic, the Arts, Entertainment have some power independent of the state, in this set of countries.

These sectors also exist in the other type of system. Why do they not have a similar power in those systems what are the marks of systems which are characterized by distributed power?

Power in any substantial sense, is not derived from the patronage dispensed by the state or from the funds that it provides. Many of these sectors have their own independant resources. Their prosperity, their significance in a national scheme of things has at times been achieved in spite of the state. At other times the state has had to accommodate itself for the importance of these sectors so that the continuing conflict with other states may be most effectively pursued. In the other type of system state control is prior. It is the state which takes the initiative to develop these sectors; it provides the foundation and the framework. It also sets the limits.

The historical circumstances of the two types of systems are very different. But even within market control systems there are at least two categories in relation to distributed power. In one category best exemplified by the United States, distributed power follows from the compromises that are essential in the aggregation of smaller units into a larger one. In the other category perhaps best represented by France and England, distributed power into modern form arose from the need to accommodate a new class who represented the strong force of a new commerce.

The Third World

In many Third World countries which were once colonial territories a form of distributed power did exist. This was, in part, an export from the Imperial country. It was also stimulated by the desire of the colonial rulers to distribute favours so that the balance between the constituent groups of the territory was maintained. We might have expected that with the coming of Independance this pattern would have been strengthened. On the contrary, in most places it was not: a sequence of events undermined it and eventually it was transformed beyond recognition.

Independence whether fought for or not, was accompanied by the promises of the new rulers that the millennium was about to dawn. The reality proved to be otherwise. The realization of the economic potential, whose existence was frequently proclaimed, turned out to be far more difficult than earlier imagined. Even if it had not intended to do so at first, the state was forced to play a pivotal role in generating economic activity.

Despite these measures, dissatisfaction and resentment began to grow. The new governments were challenged by others who promised to deliver the goods. Unrest, even rebellion followed quickly.

Whether governments changed or not, from that point onwards, survival became the over-riding consideration. For this purpose governments allocated to themselves more and more power.

There was little in third world countries to stop their governments from doing so. Other sectors – trade, industry, agriculture, academia etc – were weak and small. The idiom in which they were reared was of the output variety. They could contribute little in the short-term towards the development of the country.

All faith was reposed therefore in government and with it went out any possibility that power might operate in a distributed fashion. Ultimately the reliance of governments was on the police, the armed services and on a bureaucracy which soon turned to be pliant. In these conditions a free media was at best a luxury and its new role of subservience was soon defined.

Related Areas

This is a generalized account. The sequence was not followed through the identical fashion in all the newly independent countries of Asia and Africa. But it does, I believe, capture the pressure experienced by all of them as well as the responses of the majority.

The processes generated by these pressures were pervasive. They reached and influenced all areas of life. The media was one of these. I would like to pick out another.

In many countries, the new pressure led to a particular style in decision making. The perspective was the short-term; the immediate interest of the governing party was paramount. Decisions were taken in an atmosphere of crisis; there was little time for the gathering of data and for appropriate investigation. And for all these reasons the decisions had to be taken by a group which was as small as possible.

The result was that the demand for knowledge, expect in its narrow quantitative sense, was very limited. The specialist was consulted minimally on matters other than the purely technical or unless he was willing to play the role of the apologist. He was likely to be treated with great suspicion if his skills lay in the analysis of societal phenomena; the possibility of a clash between his views and those of the government were regarded as high. Although the low demand for knowledge led to an indifference to intellectual activity which sometimes amounted to hostility.

The situation might have been even worse but for another pressure that government had to face. In all countries there was a demand for education, as time went on the demand was for a tertiary education. To provide this, staff had to recruited and the universities had to be expanded. It was in the humanities and in the social sciences that this could be done with the lowest outlay. Few governments were happy that they were forced to give support to branches of intellectual-activity whose usefulness, from their point of view, was questionable. However, they had little option but to do so.

The point here is a simple one: The control of the media and the stifling of intellectual activity, where the responses in two different areas, to the same set of circumstances. In third world countries, they are usually found together.

The International Context

The freedom of the media is a complex issue, not because ideals cannot be easily stated but because this freedom is linked to the distribution of power in a political system.

This has been further complicated in recent years by another trend. A free media, more particularly a free press, has been used as the measure of the health of a democracy. At times this has even been used as a stick with which to beat countries when they are assessed for the purposes of aid.

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TOWARDS A PRODUCTIVE MEDIA

Rajiva Wijesinghe

There is no doubt now that the Sri Lankan media is in general an object of scorn to all discriminating viewers and readers. Even the so-called independent press has been brought to heel so often, in various ways, that though one welcomes intelligent editorials and some times illuminating features and news items, news coverage and analysis are never really seen as comprehensively credible. As for Lake House, though individual journalists sometimes try to transcend restrictions, the assumption is no longer questioned, let alone challenged,that news as it were is a matter of subjects regardless of what the predicate is. The activities of,a or b or c have to be covered, regardless of whether those activities are of interest to the general public.

An extension of this, which makes even more clear the lack of professional discrimination in the media, is that whatever x or y or z says should be covered is treated as news, regardless of its objective value. Thus, the proliferation of news items about the son of so and so going on scholarship somewhere, or the daughter of so and so getting married. Such items, far from being of interest to the general public, are primarily of interest only to the friends and relations of the protagonist, who were probably aware of the news in question anyway. One is reminded therefore of Wittgenstein's ironic description of the man who bought a second copy of the morning paper to ensure that what the first said was true: in Sri Lanka an important function of the media it seems is to shore up the egoes of those whose achievements are brought home to themselves only when they see them in print.

It could be argued however that, symptomatic though these might be of a strange concept of news, such items are not particularly significant in a newspaper since there are other items to inform us about happenings of general interest. Similarly, though several pages in the papers are full of a static rather than dynamic concept of news (that is, the noun regardless of the predicate, or the pronouncements of people as opposed to their actions), there could be an argument that there are other pages to convey more useful information. Unfortunately this is not the whole story, since in the last few years we have got used to sins of omission too, the suppression for instance of news that might be thought to reflect badly on someone or other in authority, the neglect or selective reporting with regard to important persons who do not conform.

At the same time, in comparison with the electronic media at any rate, the newspapers can certainly claim to provide some food at least for thought to the reader anxious to place events of importance in a wider context.

News, on television or on the radio, is more obviously simply a catalogue of formal releases concerning the self-projection not only of persons of importance, but even of those who have roused the often purely personal interest of the relevant bureaucrats. Thus an endless procession of passive statistics, never subjected to interpretation, and ceremonial occasions that are never presented as anything but wholly ideal. And going beyond this, even in the selection of material to entertain, and to edify, which is presumably a prime justification of state input into the media, one sees purely subjective decisions in operation. No publicly accountable attempts are apparent in any quarter to look first and foremost at the interests of the customer, the public that purchases licences and in a broader sense provides the state itself with its license. Given how the concept of public accountability has been traduced in recent years by an increasingly self-regarding statist dispensation, one can understand the neglect of the wider public interest by a politicized bureaucracy that sees the state as an abstraction, without any fundamental link to the population it was meant to serve; in that sense, what has occurred with regard to the media is no different to what has happened in so many areas where centralized state control has ignored or abused the individual citizen; but it must be recognized that the abuse of the media is that much more serious, and destructive, for the simple reason that it is one of the primary functions of the media to hold the state to account, to subject the actions of those who wield authority to scrutiny, to discreminate information without which analysis, assessment and adjustments as necessary cannot take place. Without a free media, those in authority are no better than the emperor without any clothes; and, in sitting like Addison's Achitopel attentive only to their own applause, they are likely to damage their own potential too, by lapsing into self-congratulatory lethargy.

One should be discriminating however in one's criticism. The fact that inadequacies are most obvious in the state-controlled media, and that the whims, fancies and personality cults of particular political interests have for so long been assumed to be the **raison d'etre** of the media, does not mean that all would necessarily be well if private ownership were allowed to obtain. At its simplest, as we have seen in other areas where private enterprise has been encouraged, one has to be careful of what might be termed the freedom of the wild ass. And even if the media would probably not be the plaything of the robber barons who have made their presence felt elsewhere, the fact is that even in the days of pure private enterprise the media – or rather, the newspapers since the SLBC was always government run and the Independent Television Network had only a brief spell of life because it became a Government Owned Business Undertaking – also had its weaknesses.

The fact that inadequacies are most obvious in the state-controlled media, and that the whims, fancies and personality cults of particular political interests have for so long been assumed to be the raison d'etre of the media, does not mean that all would necessarily be well if private ownership were allowed to obtain. At its simplest, as we have seen in other areas where private enterprise has been encouraged, one has to be careful of what might be termed the freedom of the wild ass.

The most obvious weakness, that which led indeed to the various infamous Press Bills of successiveSLFP led governments, was its partisan approach, which made it so clearly out of step with the country at large on a number of occasions. This, it should be added, applied most obviously to Lake House, and sprang from the symbiotic relationship between the Wijewardene family and the United National Party. That in-itself however need not have mattered. What was unfortunate was that extremism on either side should have led to such bitterness. On the one hand there was the internal censoring, as described by Tarzie Vittachi for instance in the account of how he was exiled to London when he published a story refuting allegations the UNP had made about Mr. Bandaranaike (See New Lankan Review, Vol. 4, 1986, p. 26); on the other hand there was the SLFP, and the left, reacting crudely and, as it has proved, self-destructively, by taking over one newspaper group and sealing another and thus showing the way (and implicitly providing justification) for a much cleverer and more ruthless taskmaster.

There seems in our society to be an absence of a tradition of, not merely independent journalism, but independence in general.

Absence of Independance

But apart from the polarization, which might be attributed to the particular personalities involved, there were also other weaknesses that might have deeper roots, and therefore require more careful consideration if we are to do better in the future. Most notably, there seems in our society to be an absence of a tradition of, not merely independent journalism, but independence in general. There were very few journalists, at the height even of what now seem relatively palmy days of freedom, who were willing to insist on their professional integrity. There were few people like Tarzie who were prepared to cock a snook at those in authority over them; and even those who were so prepared found in time that, without support from their bosses and often abandoned by their colleagues, they had to give in. The saddest consequence of this was an internal censorship, born of extreme caution, that is perhaps more dire than anything an outside political influence can impose. One can hardly blame the poor journalists involved, given the penalties in a society as small as ours of falling foul of those in charge, the loss of a job, the paucity of other opportunities; but the result is that the testing of freedom to its limits, an obligation on all but a particular responsibility of the fourth estate, is rarely if ever exercised.

Now there may be sociligists who would claim, following Michael Roberts' assertion of a Asokan pardigm, that such fearful obsequiousness is endemic in our society. On the contrary, it seems to me a hangover from colonial days, when authority (as opposed for instance to the relatively democratic dispensation, most recently described by Ranjini Obeysekere in her translation of the 13th century Saddharma Ratnavaliya) was absolute, because of the lack of contact between rulers and those who were ruled. The rigid mutually alienating language based class structure that arose then, involving mediators lacking in self confidence because without roots in either sector, emphasized a respect for authority as something beyond challenge or comprehension. Equally importantly, colonialism instituted a system where respectable occupations were the prerogative of the state, a system that has been reinforced by the post-colonial political dispensation with its increasing arrogation of all meaningful major activity to the centre. The result has been a devaluation of individuality; with dire consequences for all initiative, but most particularly in the media, where professional responsibility is set at naught in comparison with conformity.

Though the reduction of authoritarian controls on the media must be relaxed, and this will most readily be accomplished by a management structure that encourages pluralism, still there remains a case for not only expecting but also encouraging some sort of special input from the media.

Connected with this of course is the absence, because it is not a priority, of professional training or development on a coherent basis. Though there are various courses in journalism, these take the form of theory; correspondingly, on the job training does not involve the seminars and discussions and open sessions of no holds bared assessment and criticism that would prove most fruitful. When with this is combined the fact that writing skills are not taught in any specialized way either at school or at university, it is clear that the budding journalist has a number of barriers to cross; while the working journalist cannot claim to have developed any professional skills that would enhance his or her job prospects in the wider market. The result is that, in a society in which job opportunites are in any case limited, the temptation not to run risks but to conform to the demands of those at the top is almost irresistible.

Social Input

At the same time however it should be recognized that, though the reduction of authoritarian controls on the media must be relaxed, and this will most readily be accomplished by a management structure that encourages pluralism, still there remains a case for not only expecting but also encouraging some sort of special input from the media. For this whether or not private sector style management is accepted as the desired norm, there will be a need for clearly articulated state guidelines, and at least some form of input, as occurs with the Public Broadcasting System in the United States. What should be avoided however is the absurdity that has clogged up so many areas in the country, that achieving social goals necessarily requires statist socialism. On the contrary, the latter more often than not, especially when a readily manipulatable media lies to hand, leads only to statist rather than to social goals, with a state that has been hijacked by particular interests or even individuals. For the achievement of publicly beneficial goals on the other hand, discrimination is essential, and hence choice; prescriptions by the state perhaps, and subsidies to help in their achievement, but all this in the context of freedom and accountability.

In respect of the media, how can this be achieved? Clearly it makes sense to look for guidelines from other countries, where the media has contributed to public awareness and discrimination. In this respect, as far as a state owned media is concerned, the BBC certainly has a reputation for even handed excelence, whatever the government in power in Britain. Of course it will be, and has been argued that a developing country needs more restrictions, because the risks of instability are greater. This however is a nonsense, for practical experience itself has made clear that instability develops precisely in proportion to the absence of freedom. Indeed that restriction on a free media are almost always counter-productive is apparent from the fact that regimes that take over the media in order to disseminate propaganda favourable to themselves inevitably end up trying to restrict the free exercise of the franchise; quite simply, people are not that easy to fool – it is generally only the subjects of adulation in a media they control who believe what they read or see, and those who manipulate the media on their behalf do them a distinct disservice in keeping them away from the reality and restricting them instead only to their own applause.

Restrictions then, on the free dissemination of information and on free comment, should be minimal. However that there might t be emergencies when such restrictions are desirable must be granted; and the BBC itself expressly recongnized this in its charter. The distinction between that, and the censorship that is so readily applied in many other instances however, is that in regard to the BBC it must be done openly, with reasons adduced that are subject to public scrutiny. The nonsensical situation that permitted J. R. Jayawardene to prevent one of the most distinguished of living Sri Lankans, Prof. Sarchchandra, from even being allowed into the SLBC, simply througn a telephone call to its then Chairman, would be unthinkable in Britain.

The BBC Charter then would provide a model for preventing abuse; but what is essential too is the personnel to ensure proper implementation and a socially constructive approach. Here again we suffer in particular in this country from what might be termed the passive concept of the The Board; a seat on a Board, but also the various Advisory Councils the BBC employs to fulfil its social role, meet regularly and actively, in terms of a keenly felt obligation to make active inputs into the system.

Such a sense of social obligation should not only be expected, but indeed demanded in the case of a publicly financed institution. In the private sector on the other hand, while social ideals should be encouraged, it would be a mistake to impose them according to any particular preconceptions, since that would be a restriction on the freedom that would best allow a creative media to flourish. Of course the abuse of freedom needs to be prevented, by the establishment of a Press Council, and a Code, that would inhibit false and malicious reporting, and ensure the publication of corrections and responses, and the maintenance of balance. Apart from that however the most positive contribution the state could make is the development of training facilities for journalists, so as to encourage an awareness of social concerns, and the ability to raise issues and suggest modes of progress through skilled reporting and coherent discussion. Certainly there seems a crying need at present to clarify the dictum that facts are sacred and comment is free, which is used at present to justify the most abject nonsense. Aspiring journalists, who have now only the pitiful apologies for facts and comments that much of the media now presents, will have to learn that what is stated in a press release is not necessarily a fact, and that the facts presented to the public as news need to be investigated and checked and placed in a context that has also been studied; equally, they should learn that comment presented in print should be intelligent and coherent, not merely a subjective response, but based on thoughtful analysis.

The establishment of provincialnewspapers issurely something that ought to go hand in hand with devolution. State subsidies could usefuly be used to nurture regional initiatives, that would encourage the development of excellence through competition.

Discrimination therefore should be taught, as well as writing skills, involving not only the use of language but also the organization of thoughts and arguments. This of course need not be the preserve of training courses for journalists alone – clearly, if the managemnt skills essential for a developing country are ever to be readily found, we need to rehaul our educational system too, so that from early on it encourages discussion and doubt and the awareness that there are two sides to a question, instead of being confined to the note-taking and route-learning that is so restrictive at present.

That however is a wider issue than cannot be considered in detail here. With regard to the media itself, another measure that the state can usefully take to develop the range of discriminating journalists is to increase the level of choice in the system. The establishment of provincial newspapers is surely something that ought to go hand in handwith devolution. State subsidies could usefuly be used to nurture regional initiatives, that would encourage the development of excellence through competition. Apart from increasing public awareness of various areas of activity that might otherwise be comparatively neglected, and hence encouraging accountability as to what might otherwise pass without much scrutiny, a regional media network would allow journalists much more mobility and, by increasing job opportunities, allow for enhanced independence and professional development.

In sum, what is needed is a cohesive media policy on the part of the state that provides guidance and assistance in pursuit of clear social goals. This can be achieved only with the recognition that the media can only be a means, not a goal. The contrary view leads to state control of the media, which is then transformed into a self-regarding monstrosity, totally unproductive because it becomes in effect redundant. A state that relies for information only on what it has itself fed in is as fatuous as Wittgenstein's caricature; while the assumption that the population at large credits such information flies in the face of all historical evidence. The result is that what should be a touchstone, and a tool for development, is transformed into a blindfold.

TAMIL MEDIA LACKS A CRITICAL OUTLOOK

P. Muthulingam

The demand that the mass media should be allowed to function independently is gaining strength in Third World countries. Modern means of communication have converted the world into a village. Like other countries Sri Lanka, too, has many modern means of communication such as the newspapers, the radio, the television and so on. However, among the various means of communication in Sri Lanka, it is the newspapers that are pre-eminent.

In multi-ethnic Sri Lanka, Sinhala and Tamil are the two languages spoken by the majority while the elite belonging to both ethnic groups also speak English. During the colonial period, these elites began to publish journals and newspapers in Sinhala and Tamil in order that the masses understand the struggle being carried out against the colonialists and to prepare them for this struggle. In this the wealthy Sinhala nationalists played a pioneering role. They showed interest in publishing newspapers in all three languages. It should be stressed that the Tamil nationalist capitalists lagged behind in this matter.

Although the English-educated elite of the two ethnic groups pioneered the agitation for independence, communalism that raised its head in the thirties disturbed the unity among them. It appears that this event may have sometimes discouraged the Tamil capitalists from investing in the field of mass media.

The Marxian-oriented elites who appeared in the mid-thirties rose up against both colonialism and communalism. These elites brought out newspapers in both Sinhala and Tamil to awaken the Sri Lankan masses. They published a newspaper called 'Sama Dharmeni' in Tamil and 'Samasamajaya' in Sinhala. These two papers were identical in content.

With the renaissance in the post 1950 period, the publication of Tamil newspapers also increased. In the mid-sixties, this grew further and the number of writers in the national newspapers such as Thinakaran, Virakesari and Thinapathy too increased. Mr. S. W. R. D. Bandaranaike who promised in 1952 (at the General Elections) to make Sinhala and Tamil the official languages of this country if he comes to power, yielded to communalist sentiments and declared 'Sinhala Only' as the official language after he gained power in 1956. It was during this period that the Tamil mass media gained strength and it was when communalism was at its height, communal unity and class struggle became the major content of Tamil journals and newspapers. This continued until 1983.

Although many journals and weekly newspapers, were published on behalf of various political parties and groups during the last three decades, they were very short-lived. However the newspapers such as Thinakaran and Thinapathy that were published in Tamil on a commercial basis by newspaper firms owned by Sinhalese capitalists, and Virakesari published by a commercial firm, have continued to come out regularly (Thinapathy is no more published).

These newspapers mainly concentrate on literary articles and news. They avoid publishing controversial essays and essays that are critical of the state. Furthermore, Tamil writers too avoided writing such articles in Tamil. If at all they wrote any such articles they were mostly written in English. On the contrary, journals of political parties and groups never hesitated to publish very critical articles. Since they were not very widely read, their impact was also limited.

The Sinhala mass media was different. Although the Sinhala and the Tamil mass media commenced at the same time, the former has gradually grown and their reading public also expanded. The Sinhala mass media not only give importance to current events and issues, they also create a forum for discussing social problems. These fora are open to discuss art, literature, social, economic and political issues. For instance, these newspapers have had controversial issues such as the Tamil National Question, 'Do Sinhala have a great culture?' The Open Economy and Jathika Chintanaya are also debated in these fora. Thus, the Sinhala mass media plays a key role in creating public opinion while the Tamil mass media is devoid of any thinking.

There is reason to believe that the Tamil intellectuals too are a cause for the present state of the Tamil media. The Sinhala intellectuals unlike their Tamil counterparts, do not hesitate to publish their English writings in Sinhala. They consider it their bounded duty to publish these essays in Sinhala. But the Tamil intellectuals while preferring to write in English try to avoid getting involved in controversial issues as far as possible. It may be construed that the anti-Tamil feelings in the country prevents them from expressing independent opinion. **However they failed to discuss such matters even prior to 1977 when the anti-Tamil feelings were somewhat less or were only latent.** In actual fact, the past content of Sri Lankan Tamil newspapers reveal that the Tamil intellectuals were never concerned with such issues. Thus, it may be concluded that the Tamil mass media never contributed towards the creation of public opinion or in clarifying issues related to the people.

The second important media is the radio. It is popular in all rural areas. The radio which broadcasts in all three languages is state-controlled. Today there are even regional radio broadcasts. Unlike the newspapers, radio can reach even the most uneducated. The radio functions in a manner that even those at the bottom of the social hierarchy could gather knowledge about economic, cultural and development problems and programmes. Although there is a separate channel for Tamil programmes, it is doubtful whether it has any programmes concerned with social development among Tamils. Like the newspapers,

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THE ECONOMICS OF THE FILM INDUSTRY

Ravi Prasad Herath

The film industry had reached the most decisive and critical stage of its entire history. The steep decline in cinema admissions throughout the country despite the increase in population, the sharp drop in the number of cinemas operating and the absence of Investment in the exhibition segment of the industry are symptomatic of the crisis now faced by the industry. **The return on investment in the exhibition segment is poor to the point of being almost non-existent when compared to the level of returns in most other fields of business.** Understandably, Exhibitors are very wary of making new investment, which is essential for the industry to servive and cater adequately to the needs of the cinema going public. Many Exhibitors have already gone out of business and many more will have little choice but to opt out of the cinema industry if relief is not urgently provided.

The National film Corporation's (NFC's) viability as an institution is at all times directly dependent on the continued profitability of the film industry as a whole and the continued profitability of cinemas in particular. Being a State monopoly, a major responsibility does rest on the NFC to ensure that cinemas continue to be financially viable and capable of generating returns commensurate with the high capital investment and expenditure incurred in operating cinemas. The NFC can best do that by making available adequate supplies of films with good box office appeal on terms that allow profitable operation.

2

In 1978 the NFC, in keeping with the Government's open economy policy, did away with much of its monopoly status operations but, in terms of the original NFC Act, permitted exhibitors, with the written authority of the Chairman, to source their requirements of English language films from members of the Motion Picture Export Association of America (MPEAA) (who make up the world's largest producer/distributor of English language films) as well as from other independent distributors. (The proviso for exhibitors to import films with the written permission of the Chairman was an intergral part of the NFC Act No. 47 of 1971. Section 2 of the review deals more fully with this point). Under the present arrangements the contracts for import of films, including details of titles selected are approved by the NFC, imported and cleared by the NFC and viewed by the Public Performance Board and a Certificate issued prior to exhibition.

With minimal investment on its part, the NFC receives from release cinemas in Colombo exhibiting English Language films a level of income by way of over riding commission, film levy and special levy which, in relative terms, is far more than what the NFC gets from any other individual cinema it services.

3

The NFC appears to have now come to the conclusion that the panacea for its huge and annually increasing losses is to arbitrarily revise terms and conditions applicable to the importation and exhibition of English language films. The NFC should rather examine critically and anew those of its operational areas causing its annual losses and introduce prudent financial management. An examination of the NFC's financial statements will reveal the areas that demand immediate and priority attention.

The present policy of the Government encourages private sector competition with state institutions in numerous areas of activity, however in no other area is the private sector participant called upon to subsidise the losses, if any, incurred by the state sector institution competing with it. The Sri Lanka Transport Board (operating at a loss), Ceylon Shipping Corporation, Insurance Corporation of Ceylon, State Pharmaceutical Corporation and the many other state trading corporations competing with the private sector within the normal fiscal structure of the state do not impose terms and conditions including the payment of tariffs and levies as a prerequisite to permit private sector participation. The State sector in other spheres does not attempt to coerce the private sector into accepting a state monopoly status by resorting to archaic legislation - an anomolous situation which runs counter to the accepted 'open economy' policies of the Government.

This review seeks to show why the existing terms and conditions relating to the importation and exhibition of English language films should not be arbitrarily vaired so that the Colombo release cinemas can operate viably. It will be evident from the submissions contained in this review that the NFC's decision to demand more and more from selected exhibitors simply to recoup its avoidable losses, regardless of whether such demands can be met, is an unbusinesslike and shortsighted tactic that really adds up, in effect, to these exhibitors subsidising inefficiency and even bad management at various levels of the NFC.

4

The film industry consists of three segments - the Producer, Distributor and the Exhibitor. The exhibitor (or cinema operator) makes the largest investment in the film industry and also helps generate the highest employment in the industry. Exhibitors are unquestionably the backbone of the industry. The 1985 Presidential Committee of Inquiry into the film industry in Sri Lanka had this to say on the role of the exhibitor. "However, important, production alone does not constitute the whole of cinema. **Without cinema houses to screen them, films would be,**

meaningless as a mass art; hence the well being and stability of the exhibition trade are also essential to the continued existence of a cinematic culture". (Emphasis added).

The operation of cinemas is rapidly ceasing to be viable for many reasons. Among them are:-

* The exhibitors being deprived of any alternate source of supply of films because the NFC State monopoly - is the sole distributor of films in Sri Lanka.

* The wide ranging bureaucratic interference by the NFC, in the day to day running of the cinema industry, including unilateral, arbitrary and unjustified directives to continue to exhibit films for uneconomic periods.

* The paucity of films with good mass appeal.

* The imposition of 'ad hoc' levies on admissions by a State monopoly: the NFC, with the exhibitor being deprived of their accepted share.

* The failure of the NFC to offer incentives to cinemas which incur extra expenses in offering their patrons better amenities.

* The heavy capital outlay and funding requirements for the replacement of plant, equipment and improvements to patron amenities.

* The escalating operational costs that cannot be recovered due to the decline in income.

* The serious encroachment in recent years by pirate video film libraries and illegal video film cinemas (not subject to any statutory controls) into the traditional, legal and long established cinema market.

* Competition for the leisure market from television.

Another reason is the prevalent fiscal policies which subject the film industry to statutory levies such as entertainment tax, turnover tax, income tax etc. While **competitors such as video libraries and video cinemas, with comparatively negligible capital outlay, successfully evade the payment of such statutory levies,** thereby enjoying a much higher return on investment than the film exhibition industry. A major portion of cinema admissions in the country is subject to entertainment tax at 25% of the admission rate. The revenues in respect of which turn over tax is payable by the various segments of the industry is computed on the box office collection. The exhibitor pays turn over tax at the rate of 5% on the entire box office revenue; the distributor and producer also pay 5% on their share of the box office takings.

In 1986 the NFC introduced a new film levy on admissions; this additional income was supposedly to help the NFC improve the supply of other language films for exhibition and also financially assist local film producers. Despite this levy generating additional income of approximately Rs. 8.541 M in 1987 and Rs. 7.918M in 1988, the NFC's supply of films had been woefully inadequate and has seriously affected box office admissions. On 22nd December 1989 the NFC introduced a further hire charge of Rs. 2.00 term 'special levy' which is referred to in detail in Section 9 of this review.

* Cinema admissions in 1979, according to the NFC's own statistics, totalled 74 Million, by 1988 admissions had dropped to less than 30 Million.

* The number of cinemas operating in Sri Lanka in 1979 was 365, the number operating today is approximately 250.

* The reveues from box office admission tickets in 1988 covering 250 cinemas island-wide, and approximately 500 prints released that year, was only about Rs. 150 M, or a monthly average of Rs. 50,000 per cinema, or Rs. 300,000 per print; revenues from other activites related to cinema operations was around Rs. 50M, making a total revenue of Rs. 200M.

* A conservative estimate of the total seating capacity of the 250 cinemas in the country (on the assumption that a cinema has 500 seats and operates two shows a day on weekdays and 3 shows on Saturdays and Sundays, and no shows on Poya Days) is approximately 100 million. The actual cinema admissions for the whole of 1988 was less than 30 million, which is a capacity utilisation of less than 30%, or an average daily admission rate of 96,000 islandwide compared with Rupavahini's prime time viewing public of over 3 million.

* The capital outlay in the industry at present market values is estimated as being in excess of Rs. 1,000M including the investment in laboratories and working capital tied up in locally produced films.

* The revenues when related to the estimated capital outlay, reflect the present state of the industry, a Rs. 1,000 M outlay should generate a profit of at least Rs. 200OM and net revenues of Rs. 200M.

Despite repeated representations the NFC is as yet not alive to or concerned with the grave predicament of the film industry particularly its exhibition segment. In stark contrast to the Government's policy of privatisation and increasing private sector participation, **the legally and long established film industry in Sri Lanka is perhaps the only private sector industry that is subject to controls in every aspect of its activities.** But the newly arrived, thriving but totally illegal pirate video film industry is left untouched, with the NFC making no effort whatsoever to exercise any control over it.

The NFC's thoughtless insistence on sourcing both English Language and oriental films mainly on a royalty basis without considering the greater benefits of sourcing English language films on rental, gives cause for much concern. The past performance of the NFC's English language films sourced on royalty basis (as analysed in Appendix 1 of this review) spotlights the losses incurred, and not profits made, as claimed by the NFC. The NFC's earnings on its films sourced on Royalty basis is now even more dismal than before because of the escalating exchange parity rates, costs incurred on attending film markets, enhanced publicity expenditure and poor box office results.

5

The advantages and benefits of dealing with MPEAA member companies and

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Motion Picture Export Association of America

The companies affiliated to the MPEAA comprise the world's largest film producers/distributors and account for over 80% of the most successful English language films distributed worldwide. The MPEAA member companies include Buena Vista International (Disney), Carolco Pictures Incorporation, Columbia Pictures International (Tri Star), MGM/UA Communications Company, Orion Pictures International Corporation, Paramount Pictures Corporation, Twentieth Century Fox International Corporation, Universal International Films and Warner Brothers International. Appendix IV of this review lists box office hits for 1988 and 1989, from which it will be observed that MPEAA products virtually sweep the board.

The policy of the MPEAA precludes it from operating in territories where member companies are prevented from negotiating direct with Exhibitors of its choice.

As a result of this when in 1974 the NFC exercised a monopoly status on the import of films in keeping with the then Government's policy of restricting imports, films distributed by the Companies affiliated to the MPEAA were not exhibited in Sri Lanka. In 1978 the position was reviewed by the Govenment and a mutually satisfactory arrangement reached (within the provisions of the NFC Act) enabling the exhibition of MPEAA sourced films in Sri Lanka in terms of the Government's open economy policy.

In 1979 the member companies of the MPEAA resumed the supply of films, with 75 quality English language films representing a cross section of the best films including Academy Award Winners. Each MPEAA member was allowed to deal with an exhibitor of their choice.

The 75 films shipped to Sri Lanka were on the basis of freight paid by the foreign supplier, who also absorbed the cost of publicity. The major advantage, financially, was that there was no foreign exchange payment at the time of importation of the films, as would be the case when films are purchased outright with valuable funds being tied up.

MPEAA deals with exhibitors on the basis of rental, with the supplier accepting a percentage of the actual box office takings. This way, the supplier's share is governed only by how well a film fares at the box office here and not by the selling price of the film itself. In Sri Lanka, the market size for English language films automatically commends rental as the obviously viable choice.

The Kinematograph Renters Society (KRS) is one of many regional offices of MPEAA members, and both the MPEAA and KRS member companies have their registered offices in the United States of America. Regional offices have been established in many parts of the world depending on the market size. The films contracted for are despatched direct from America, Europe or the Far East, a few of them being merely transhipped (unopened and unused) via Bombay to take advantage of the reduced freight costs on bulk shipment, particularly when several other copies of the same films are also consigned to India. It is accepted business practice world wide for business to be negotiated via foreign firm's local office or, in the absence of one, via the closest regional office. It need hardly be stressed that the volume and value of business generated in Sri Lanka can neither prompt nor justify setting up of an MPEAA office here to service Sri Lanka alone.

The total annual earnings of the MPEAA member companies for 1988 in respect of Colombo and outstation screenings was only just over Rs. 6M and the total due to them from the NFC (and yet outstanding) is in the region of Rs. 12M. The MPEAA member companies have not only expressed concern with regard to the outstandings from the NFC but also with regard to the non remittance of their earnings since April 1988 (despite adequate funds being available in the MPEAA member companies' bank accounts in Colombo) because the NFC had not as yet recommended such remittance to the Exchange Controller.

Non payment of dues by the NFC resulted in MPEAA members, in the first instance, stopping further shipments and release of their product on contracts already approved. As no payments were made even thereafter, MPEAA members finally withdrew the exhibition rights given to NFC and informed the Corporation accordingly. But the NFC, though it has loudly proclaimed its ability to source all its requirements of English language films through independent suppliers or 'third parties' in the absence of MPEAA films, still continues to this day to distribute MPEAA films in blatant violation of contractual obligations.

The NFC, if it is to continue its good working relationship with members of the MPEAA, should respond positively towards removing the factors which led to the directive by MPEAA for withdrawal of their product from circulation, by:

* recommending the remittance of earnings from April 1988 to date.

* arranging for the settlement of dues to MPEAA member companies on outstation screenings within a specific time frame which will result in the quantum due declining and not increasing.

* arranging for the settlement of outstanding instalments on long term loans and ensuring that balance instalments are settled in accordance with loan agreements.

* discussing and agreeing on a basis of sharing the special levy referred to in section 9 of this review.

The NFC clearly refuses to learn from experience; its dealings so far with "third party" suppliers have resulted more often than not in the NFC being saddled with not only third rate but also badly damaged prints of films for some of which, it now appears the "third parties" involved were merely pretending to hold copyright. The NFC, being a State-owned institution, has the responsibility to en-

National Film Corporation Act 47 of 1971

The general objects of the NFC (Section 4 and its sub-sections in the Act) make it abundantly clear that the NFC was never intended to enjoy a monopoly status or exclusivity in any or all of the ten areas of operation referred to, including import export, distribution and supply of films. Section 5 (d) which confers on the NFC the discretion to exercise exclusive rights must be read in conjunction with Section 57 (1) which fully supports and endorses continued private sector participation in the film industry even after NFC Act 47 of 1971 became law.

The claim to having mandatory monopoly status under the Act for the import and distribution of foreign films is erroneous, as can be seen from the provisions of Section 5. It refers to the Powers of the NFC and has 15 sub sections from (a) to (o). The relevant sub section is (d). It is necessary to draw attention to the legal distinction between the words 'may' and 'shall' in this context. Section 5 (d) must be read along with Section 6, which has a direct bearing on them.

Section 5 and 5 (d) read thus. "The Corporation shall have such powers, rights and functions as may reasonably be necessary to carry out its objects and in particular may

(d) exercise the exclusive right to import, sell, hire, supply and distribute films.

The wording of the relevant sections of the Act establishes beyond doubt that there was never an intention to confer a mandatory monopoly status on the NFC either in respect of the import of foreign films or in respect of any of the other 15 powers specified in Section 5(a) to (c).

The very next section – Section 6 – uses the mandatory "shall" instead of the discretionary "may" to require the NFC's compliance "with the general policy of the Government with respect to the film industry" in the exercise of its powers and carrying out of its objects. This cannot be viewed in isolation from the Government's overall policy of promoting free enterprise and its support for an "open economy".

Section 57 (1) of the NFC Act stipulates that as from a specified date "no person shall import into Ceylon, or sell, supply or distribute within Ceylon any film, photographic equipment or any material, equipment or accessory necessary for the production or exhibition of films..." and ends significantly, with the operative words "without the written authority of the Chairman". Section 57(1) is superfluous if the legislature intended that the effect of Section 5 (d) was to confer a mandatory monopoly status. The Special Import Licence No. 1 of 1977 permitted the importation and distribution of films other than exposed films without the authority of the Chairman, NFC. The NFC's contention that it gave up its monopolistic status in this field is therefore a fallacy. In any case, this field of activity is totally unrelated to the exhibition of films. However, it needs to be mentioned that the NFC's involvement in these activities alongside the private sector would no doubt have passed on the benefits of competition to the ultimate consumer – local producers and exhibitors. The NFC's reluctance to compete only confirms its unwillingness to engage in free market enterprise and its marked preference for monopolistic scenarios.

The very working of Section 57 (1), which was an integral part of the original 1971 Act, leaves no doubt whatsoever that the Act was not introduced to make the NFC the sole importer of foreign films but was designed instead to prohibit the inflow of foreign films carte blanche and without the knowledge and authority of the NFC – which is precisely what is now happening in the illegal and uncensored pirate video-film business in Sri Lanka.

sure that the third party suppliers have full exhibition rights covering Sri Lanka for films supplied by them. Failure to ensure this results in bringing the government itself into disrepute. When the NFC resorts to dealing in pirated copy right material, it is the Government that is seen to be contravening International Intellectual Property Laws to which Sri Lanka is a signatory.

Furthermore, films procured from companies affiliated to the MPEAA provide the NFC with the added bonus of extended credit facilities and long term interest free loans; this has to no small measure assisted the national film industry and supplemented the NFC's limited working capital for many years now.

The MPEAA while welcoming Sri Lanka's open economy policy has expressed concern that this concept was not being extended to cover the film industry; on the contrary revised terms and conditions for the importation of English language films have been introduced by the NFC which violate the concept of open economy and are suggestive of a desperate policy of prohibitive tariffs and trade barriers intended to drive the private sector exhibitor and supplier out of business, paving the way for the 'monopoly status' that the NFC wants.

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This places Third World governments in an embarrassing position. They state, perhaps not quite correctly, that it would be extremely dangerous to liberalize the media. On the other hand International opinion (and intentions) have to be assuaged by some cosmetic change or at least by the promise of reform.

The freedom of the media has also been given another interpretation with the invasion of one country by the media of another which is more powerful. The right claimed by an American media empire to investigate matters which Singapore claimed were "internal affairs" was a case in point. The argument advanced by US officials, that market forces should be allowed to decide the issue was effectively demolished by the then Prime Minister Lee Swan Yew (his memo in the form of an article was published in a local newspaper some months ago).

A free media relates to rights and liberties which we all cherish and which some of us have the means to enjoy. But while we assert this it is as well to recognize that it is a tool which is also used for purposes which do not have that much to do with our rights and liberties.

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others who supply on rental terms can be best seen from a comparison of the two methods widely used by the exhibitors worldwide to source films.

Royalty basis – This has certainly proved most advantageous in the case of oriental films, considering the much larger market for these films in Sri Lanka, which permits the investment made as a Royalty payment to be more than amply recouped.

In the case of English language films, the supplier of the film charges a royalty which may vary from US$ 4,000 to as much as US$ 15,000 depending on the area of distribution, the number of prints (of the same film) to be released and, of course, a film's box office potential. This sum has to be paid in advance before the print is supplied. In addition, the local Importer has to meet print and publicity costs, which would approximately be an additional US$ 1,250. Having made all these payments in advance the Importer of English language films has to take a gamble on the limited earnings from this restricted market justifying the heavy financial outlay already made. Furthermore, guaranteed English language box office winners cannot be obtained on a royalty basis (for outright purchase) because the cost of (or royalty on) such films would invariably be beyond a Sri Lanka exhibitor's capacity to pay and recover.

Rental basis - In this arrangement films are supplied with all requirements of publicity material, without the exhibitor having to make payment 'up front'. After the film has been exhibited, the supplier gets a share of the actual box office collection (but after deduction of all local publicity costs, which are borne by the supplier).

A comparison of these two alternatives, Royalty vs Rental, spotlights the major advantages of Rental over Royalty as a basis for obtaining English language films for the Sri Lankan market.

* both the NFC and the local exhibitor are automatically protected against serious financial loss should a film prove to be a box office failure.

* with royalty (or purchase price of a film) having no bearing on films supplied on Rental, even the best (and otherwise prohibitively expensive) English language films become available to the film going public in Sri Lanka.

* the funds that would be tied up as royalty on films could be utilised more profitably by the NFC, thus minimising the cost of capital.

* the outflow of foreign exchange on Rental films is much less than that on Royalty films because of market size.

In evaluating the alternate options the following should also be considered:-

* The investment involved including foreign exchange component and other costs (also in foreign exchange) in attending international markets.

* The average earning potential of English films in Sri Lanka based on past performance.

* Expenditure such as turnover tax, cost of capital, publicity and other establishment and administrative costs.

* The extended credit facilities and interest free loans that are made available now by English language film suppliers actually supplement the working capital of the NFC.

In Table 1 of this review is a computation of the profitability based on the royalty cost of films being US$ 4,000 each and the box office takings being Rs. 400,000 a figure that is higher than the industry norm. The revenues which should correctly be termed distribution commission and the income on film levy - items which the NFC would earn in any case even when distributing films on rental - have therefore been excluded from this computation. The revenues on the special levy have also not been taken into consideration in view of what is stated in Section 9 of this review. The performance in 1989 at Colombo release cinemas of English language films on Rental terms, the NFC achieved a positive contribution unlike the negative contribution it now incurs on the films it sources and distributes.

The information contained in this Section together with appendices I, II and III clearly establish that it is uneconomical to procure English language films on royalty terms. The NFC should also consider the fact that MPEAA products account for the most successful films; appendix IV of this review sets out the box office hits, released in 1988 and 1989, indicating the distributors of each film. It is obvious that the NFC should reconsider its revised condition relating to the exhibition of NFC films (referred to in Section 8 of this review) so that the movie going public will not be deprived of the best entertainment fare that they have a right to expect, and which they will certainly have from MPEAA films. In the event the NFC persists in procuring films on royalty basis from sources other than MPEAA, such films could be released and exhibited in cinemas that do not deal with companies affiliated with MPEAA.

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The NFC's present demand for a radical upward revision of the terms and conditions applicable to cinemas exhibiting English language films is obviously the result of a misconception that cinemas releasing these films (and numbering just 9 out of approximately 250) generate huge profits for their operators and that therefore the NFC is entitled to a larger share of this profit. In determining the income earning potential of these cinemas the following should be considered.

* The average box office takings of an air conditioned cinema in Colombo exhibiting English language films is higher than that from a cinema in the other category because of the enhanced admission rates applicable. The difference in the monthly boxoffice takings between an air conditioned cinema in Colombo exhibiting English films and a non air conditioned cinema exhibiting oriental films is approximately Rs. 70,000; but the exhibitor is no better off as more than half of this goes towards the film hire and turnover tax payable, while the balance cannot fully meet the increased cost of electricity in providing air conditioning.

* "Utility recovery charge" of an additional 50 cents is imposed at air conditioned cinemas on balcony and rear stall tickets, the electricity costs of an air conditioned cinema is about Rs. 40,000 a

month as against Rs. 5000 a month for a non air conditioned cinema. Expressed as a percentage, electricity for air conditioning costs 700%more while the"utility recovery charge" is only 50% more - Rs. 1.00 from non air conditioned cinema to Rs. 1.50 from an air conditioned cinema.

* The share of film levy on every ticket accruing to an air conditioned cinema releasing English language films is 20 cents - or in fact, 10 cents less than on each ticket sold in a non air conditioned cinema exhibiting other films.

* The capital outlay on an air conditioned cinema in Colombo exhibiting English language films far exceeds that of a non air conditioned cinema in the city; the percentage difference in cost outlay between the airconditioned and non air conditioned cinema is in the region of 200%.

* Maintenance costs for an air conditioned cinema are inevitably much higher than those for a non air conditioned cinema. (For economic reasons one of the original airconditioned cinemas in Colombo out of the seven air conditioned cinemas in the country-all of which are located in Colombo opted to change its status to non air conditioned and charge the lower rates of admission).

* Because of location, local rates and taxes on air conditioned cinemas are considerably higher than those payable on other cinemas.

* Higher insurance premia are also payable, as the cover required is on an enhanced figure to take account of higher building values and equipment.

Today instead of more air conditioned cinemas to take account of increased population there are only six air conditioned cinemas. If the cinema industry fails to attract new investment for much longer, there will soon be no air conditioned cinemas left; almost all cinemas airconditioning equipment is at least 30 years old today and most of them are well past their economic life span. The cost of replacing air conditioning equipment for each cinema is conservatively estimated at Rs. 3M.

It is pertinent and relevant to take account of income lost due to under utilisation of capacity by cinemas being forced to exhibit a stock of vintage, and badly scratched, films for the 9th time, including films with no box office potential, all because of the NFC's failure to ensure adequate supplies of films. At such times, cancellation of shows due to lack of patrons is not uncommon. Such losses in the cinema industry, due to under utilisation of capacity, can never be recouped due to physical constraints, unlike losses in other businesses. This predicament is unique to the film industry; in other businesses it is possible to recoup losses in income subsequently by working additional shifts, price hikes, promotions etc.

An examination of the income and expenditure on operating cinemas releasing English language films would reveal the level of returns on the investment at present market values, and the contribution made by these cinemas to the income of the NFC without any services being provided by it. The decline in admissions has obviously affected not only box office revenues but also revenues from other related sources such as refreshment bars and advertising which contribute to the overall viability of cinema operation.

In Table 4 of this review is an estimate for operating an air conditioned cinema in Colombo, a non air conditioned cinema in Colombo and a non air conditioned cinema in one of the principal towns in the outstations. These estimates are based on cinemas being operated under normal conditions where admissions are not affected by circumstances beyond the control of the exhibitors, and with an uninterrupted supply of films from the NFC. The present return, from a business point of view, is meagre and positively inhibits further investment.

A conservative estimate of the capital requirement for a new cinema requiring 100 perches in Colombo would be in excess of Rs. 15M and a cinema in a principal town in Sri Lanka in excess of Rs. 8M. In the event of cinema is to have air conditioned facilities and car parks, the incremental capital requirement would be approximately Rs. 3M. If the area occupied by cinema halls were to be rented out for use as godowns the return would definitely be much higher. The disparities in income earning potential is evidence if a comparison is made between the gross revenue of a cinema and that of a grocery store operating in the same locality.

In the light of what has been said, the reasons for the reluctance of these already in the exhibition segment, as well as entrepreneurs outside it, to invest in the industry become evident. It is a telling commentary on the extent to which the NFC has got its priorities wrong that, 17 years after the NFC Act brought it into existence, the Corporation has failed to live up to one of the Act's General Objectives (Clause 4 (d), and has yet to establish a single cinema of its own islandwide.

For new investment in the exhibition segment to be encouraged the following deserve consideration.

* The removal of the totally anamolous position of having a State monopoly to cater to the needs of the movie going public as well as exhibitors.

* The return on capital must be commensurate with the investment involved.

* The income earning potential and capacity of a cinema should be fully exploited by the exhibition of films having box office potential for optimum occupancy to be achieved.

* Profits should be of a level to permit provision for replacement and upgrading equipment for improvement of amenities of patrons, taking into consideration the unfavourable slide in purchasing of the Rupee.

* The return on capital should be sufficiently attractive for funds to be channelled for further lateral investment in the exhibition segment of the industry.

* Restrictive trade practices, bureaucratic controls and prohibitive tariffs should be eliminated.

* Cognizance should be given to alternate opportunities available for untilising existing resources invested in the exhibition segment.

In addition, and considering the perilous state of the Film Industry the Government should provide relief in the form of changes in its present Fiscal Policies applicable to the Cinema industry.

The NFC's trading activities can be broadly categorised as follows:

* import and distribution of films.

* operation of a sound recording and film processing studio.

* supply of materials and accessories for the film industry.

The Import and distribution of films (described by the NFC as its 'exposed film activity') can be classified as the:

* distribution of nationally produced films on rental terms.

* Import and distribution of oriental films procured on royalty basis.

Import and distribution of western films procured on royalty basis.

* distribution of oriental films procured on rental terms.

* distribution of western films procured on rental terms.

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In 1987 and 1988 the "exposed film activity" of the NFC generated a profit of Rs. 8,055,593 and Rs. 1,133,930 respectively. The decline in profits in 1988 could be attributed to increased expenditure (referred to later in this section) and to the drastic drop in income of Rs. 2,145,080 (1987 - Rs. 6,494,120 and 1988 Rs. 4,349,040) from the importation and distribution of oriental films procured on royalty basis (procuring oriental films on royalty terms is more advantageous as the market is very much larger, enabling recovery of the investment involved). This opportunity loss was primarily due to the NFC's inability to finance the import of an adequate number of oriental films and also because of its refusal in 1988 to permit the private sector to supply films on rental terms. Consequently, neither the industry nor the NFC could maximise the opportunities available.

It needs to be stressed that exposed film activity achieved:-

A. a **positive** contribution from the importation and distribution of Western films procured on **rental** terms.

B. a **negative** contribution from the importation of Western films procured on **royalty** basis as stated in section 4 of this review.

In respect of the other categories of its principal activities, the NFC has incurred huge and mounting losses. The operation of its sound recording and film processing studio incurred a loss of Rs. 6,027,367 in 1987 and a loss of Rs. 7,078,588 in 1988. The fact that the majority of local producers still choose to have their films processed abroad is, perhaps comment enough on the quality of the service offered by the NFC. Losses of Rs. 849,630 in 1987 and Rs. 1,787,098 in 1988 were also incurred by the NFC in supplying materials and accessories for the film industry.

The expenditure levels of the NEC for the servicing of 250 cinemas, local film producers, local and foreign film suppliers, the operation of sound recording and film processing laboratory and the movie going public, also deserve scrutiny. There are many areas in which wasteful and unproductive expenditure is incurred. In the year 1988 the overheads amounted to Rs. 30,886,273 as against Rs. 23,436,262 in 1987, an increase of Rs. 7,450,011. An organisation recording a decline in income should endeavour to contain expenditure levels proportionately.

The NFC believes that the easy way to set off its annually increasing losses in the other areas of its activities lies in demanding more and more from selected exhibitors, regardless of whether such demands can be met instead of:

A. identifying without delay those areas responsible for its losses.

B. exploiting commercial opportunities and other obvious avenues available for increasing revenue, including a regulatory control over the video market.

The NFC fails to realise that, considering the nature and magnitude of its losses, it would be impossible to recoup such losses from a **sub activity** such as the distribution of Westerm films procured on rental terms, which only accounts for approximately 20% of the box office takings in the country and, in terms of number of prints released, for approximately 25%.

The objectives of the National Film Corporation should therefore be:-

* increase box office takings to a level

Table 1

Estimated Profitability on Importation And Exhibition of English Language Royalty Films

Particulars	Rs.
Box Office Takings	400,000
Film Hire Receivable - 50%	(200,000)
Distribution Commission - 10%	(40,000)
Turnover Tax - 6% of Rs. 160,000	(9,000)
Income	150,400
Print Cost - US$ 4,000 @ Rs. 42/-	172,000
Stamp Duty - 3% of Rs. 172,000	5,160
LC Commission	500
L. C. Advising Charges	1,000
Bill Charges and Commission	2,500
Duty - @ 0.50cts per Metre (3,500M)	1,750
Turnover Tax	28,670
Clearing Charges	2,500
Publicity	30,000
Cost of Capital	21,408
Expenditure	265,488
Loss	115,088

Notes

1. The Distribution Commission, Film Levy and Special Levy are excluded in determining profits for reasons stated in Section 4 of this review.

2. Turn over Tax is computed at the rate of 6% on the Film Hire Receivable excluding Distribution Commission.

that would ensure that an average of Rs. 10,000 per year is earned from each theatre by way of distribution commission, film levy and the NFC's share of the special levy. (Income Rs. 30M)

* Maximum opportunities in the importation and distribution of films to achieve a contribution of Rs. 8M a year in exploiting its oriental film obtained on Royalty. (This contribution, excludes distribution commission, film levy and the share of the special levy the NFC gets in its capacity as "distributor" but includes the supplier's share of the special levy on these Royalty films).

* Engage in other trading activities in competition with the private sector such as the import and distribution of raw films, cinema arc carbons, projection and sound equipment, spares, stationery etc to achieve a profitability of Rs. 1M a year.

* Explore possibilities of a joint venture for the operation of the sound recording and film processing laboratory to ensure a positive rather than a negative contribution.

* Contain overhead expenditure to a level not exceeding Rs. 24M per annum (excluding expenditure incurred on the studio).

* Minimise losses on Bad Debts and Stock Write Offs by introducing effective and wide ranging internal controls and by giving cash management priority attention.

* Achieve a profitability of Rs. 10M per annum after providing assistance of Rs. 3M per annum to the national film industry.

As stated above the NFC's largest potential source of income (Rs. 30M) is from its distribution activity and this can be achieved provided the NFC.

* distributes films having box office potential.

* establishes realistic "holdovers" to ensure that capacity of cinemas are maximised.

* desists from issuing unilateral, arbitrary and unjustified directives to continue exhibition of films for uneconomic periods.

* revises annually its distribution flow down so that cinemas having earning potential (based on population, location and merits of cinema) are given priority in the exhibition of films.

* liaises closely with exhibitors exercising greater supervision and providing the best mix of films for exhibition.

* standards of admission rates depending on type of cinema and location so that realistic 'ticket prices' are effective.

* eliminates competition from illegal and unlicensed video cinemas and video libraries.

* considers also distributing films on fixed rental (to be decided on the box office potential of each film) which will help recover overheads on the NFC's Operations, Investigations and Financial Divisions.

In Table 5 are the grossing of all cinemas for the year 1988. It is evident that the NFC is not even recouping the cost of the services it provides the majority of cinemas; the objective should be to ensure a contribution in the form of 'distribution income' (excluding exploitation income) of an average of Rs. 10,000 from each of the cinemas the NFC services. The present contribution to the NFC by each of the few cinemas releasing and exhibiting English language films is in excess of Rs. 25,000 per annum.

It is imperative that a commission be appointed early to study the working of the NFC at all levels and make recommendations on how the NFC could be operated profitably, without burdening

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Table 2

NFC English Language Film Grossings At Colombo Release Cinemas

Release Date	Name of Film	Theatre	Period Screened	Gross Collection Rs. Cts.	NFC Share 50% Rs. Cts.
31.10.89	Whistle Blower	Empire	2 weeks	41,143.85	20,571.93
06.10.89	Mona Lisa	Ruby	2 weeks	46,458.00	23,229.00
13.10.89	Frankenstein Punk	Rio	2 weeks	44,967.00	22,483.52
27.10.89	Goodbye Pork Pie	Rio	1 week	19,257.20	9,628.60
13.09.89	Bruce Lee the Legend	Rio	4 weeks	143,682.55	71,841.27
03.11.89	Fatso Venture	Crown	5 weeks	104,206.60	52,103.30
18.11.89	Man of Fire	Savoy	3 weeks	118,511.10	59,255.55
17.11.89	Greendance	Rio	2 weeks	31,835.20	15,917.60
22.12.89	Autumn Bells	Savoy	5 days	16,798.55	8,399.77
23.12.89	Youth of a Genius	Savoy	17 days	98,156.00	49,078.00
19.01.90	Docker & The Devil	Empire	2 weeks	46,911.30	23,455.65
16.02.90	Cicada	Central	1 week	16,067.15	8,018.57
16.02.90	Shanghai Surprise	Rio	1 week	27,781.60	13,890.80
07.03.90	Lost Mann Street	Liberty	3 weeks	105,073.00	53,457.85
07.03.90	A Woman for All Men	Rio	6 weeks	271,895.00	135,947.50
21.03.90	Lost rampart	Crown	5 days	4,802.75	2,401.37
21.03.90	Miracle of Terror	Savoy	3 weeks	102,075.00	51,037.50
30.03.90	Frankenstein's Camera Unearthed	Liberty	2 weeks	75,018.30	37,509.15
30.03.90	Easy Wheels	Central	3 weeks	94,840.00	47,421.00
30.03.90	White Nataasha 4th July Picnic	Ruby	2 days	3,782.35	1,891.17
05.04.90	A Chance Lies	Majestic	3 weeks	146,897.85	73,448.87

Notes

1. The following films obtained by the NFC on Royalty terms have been banned by the Public Performance Board (it is unclear as to whether the costs incurred including duty, landing and clearing charges, Turn over Tax etc are recoverable from the suppliers)

Crime Wave	Car Trouble
Devils Paradise	Mixed Blood
Executioner's Song	Shanghai Assassin

2. An English language film that does not perform satisfactorily in Colombo (4 to 6 weeks) will not prove attractive to outstation exhibitors, and its out of Colombo earning potential is consequently very limited.

3. It is a 'rule of thumb' that total earnings on outstation screenings of films with good box office appeal are approximately equivalent to the earnings on these films in Colombo.

4. The NFC's earnings on film levy and special levy have not been taken into consideration in view of what is stated in Section 4 of this review. The NFC's share of the gross takings, include its distribution commission which, in fact, should be discounted.

5. It is clear that the NFC will incur huge losses on their films released in 1989 as not even royalty costs would have been recouped from their share of the Colombo box office takings, as each film would have cost at least Rs. 126,000 (US$ 2,500 dollars).

Socio- Economic and Political Perspectives of Sri Lanka During 1975- 90

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Introduction

This essay surveys the changes that have taken place in Sri Lanka since 1975, and how these changes have affected socio-economic and political perspectives. Firstly, it examines the implications of increasing population, coupled with an expansion of school enrolments and accompanying unemployment among youth, which contributed to unsettled economic and political conditions in the 1980's. Secondly, it looks into the defects of the Trade Liberalisation Policy introduced in 1977 and the performance of the economy during the period which followed.

In post-1975 Sri Lanka, though significant reforms had been introduced in the political and economic structure, these appeared not to have addressed the soaring unemployment among youth, despite the fact that it had been a serious problem for more than a decade. This issue came to the forefront in the eighties when the problem of unemployment was linked to youth unrest, disrupting economic activity and causing political uncertainties. The youth revolt of the late 1980's was more serious than that of the 1971 insurrection, both of which were organised by the JVP. The ethnic conflict in the North, where Tamil militants calling for a separate state took to arms and the youth revolt in the rest of the country had a direct bearing on the economy, as resources had to be diverted for defence expenditure. Even though it has been claimed that the former is primarily for political reasons, it appears that in both cases, economic factors have contributed to youth unrest. For nearly seven years both groups resorted to violence against the state causing political and economic instability. The youth revolt led to total breakdown in law and order and a state of political crisis.

In the economic sphere, with the Trade Liberalisation Policy, there was rapid economic growth, a rise in the rate of investment, an increase in industrial exports and a reduction in unemployment. But this was short-lived, and by the mid-eighties, this growth and development could not be sustained. In the late eighties, there were three successive years of virtual economic stagnation, leading to an economic crisis.

Thus both politically and economically, the eighties have been the most traumatic period in the recent history of Sri Lanka.

Population and Labour Force

Sri Lanka's population has more than doubled since 1950 from around 8 million to 13.5 million in 1975 reaching 16.8 million by 1989. The low projection for all ages for the year 2001 is 20 million while the high projection is 21.3 million (1).

The annual rate of growth of the population, which was 1.9 per cent in 1975, increased to 2.2 per cent in 1980 and by 1989, the population was increasing at the rate of 1.3 per cent per annum. The average annual rate of growth of the population for the period 1975-1989 was 1.9 per cent, which was relatively a high rate of growth. Therefore, despite the declining trend in the rate of population growth the size of the annual additions has remained in the region of 200,000.

In 1971, about 22.5 per cent lived in urban areas and 77.5 per cent were in rural areas, while in 1985, 21.4 per cent were in urban areas and the rest in rural areas. Thus during 1971-85, there had been no considerable variation in the sectoral distribution of the population.

During 1971-85, the labour force which was at 4.4 million, increased to 5.9 million and out of the total labour force, 67.2 per cent were males and 32.8 per cent were females (2). Compared with the past, the present labour force is swollen with those who have higher educational qualifications and attainments. The labour force projection for 1991 and 2001 is 7.5 million and 9.1 million respectively (3).

The increase in population had been mirrored in both the school enrolments and the demand for higher education.

School Enrolments

In 1981, Sri Lanka's literacy levels had reached 87.2 per cent compared with 78.5 per cent in 1971 (4). Thus the overall level approached 90 per cent by the early 1980's. Female literacy is not as far below male literacy as it was several decades ago.

In 1981, out of 3,371,860 persons who were in the age group 5-14 years, 2,831,960 attended school. In the country as a whole, this was about 84 per cent, compared with 65 per cent in 1971. By 1988, the total number of pupils attending school was 3,938,062 (5). Thus Sri Lanka has made substantial progress in the schooling of young children, although universal attendance is yet to be achieved.

The number of students who applied to sit for the GCE (Ordinary level) examination in1975 was 323,323. By 1989 this number had increased to 555,624 (6). Thus during the period 1975-89 the number of students increased by 72 per cent.

The number of students who applied to sit for the GCE (Advanced level) examination during 1975-89 increased by about 200 per cent.

Year	Number of candidates
1975	48,432
1980	153,803
1985	104,158
1989	144,808

In 1989, out of 555,624 who sat for GCE (Ord.level) examination, only 144,000 qualified to continue with their studies. The rest were dropouts who looked for other avenues of self advancement, or joined the ranks of the unemployed. According to past statistics, nearly 80 per cent dropped out of the formal education system before, or after completing the GCE (Ord. Level) examination. Only about 1.5 per cent enter universities.

University Enrolments

At present, there are nine full-fledged universities including the Open University. The following table shows the increase in university enrolments since 1975 (7).

Year	Number admitted	Number eligible
1975	[illegible]	[illegible]
1980	[illegible]	[illegible]
1986	[illegible]	[illegible]
1987	[illegible]	[illegible]
1988	[illegible]	34,491

During 1975-88, the number eligible for university admission increased by about 130 per cent, while admissions increased by 55 per cent.

In 1988, about 140,150 sat for the GCE (Adv. Level) examination, out of which 34,491 were eligible for university admission. But the actual number admitted to universities was 6100. The rest turned away in disappointment at not being able to continue their studies and many also left in frustration as their chances of finding employment were not great. Among university graduates, those who graduated in Arts and Humanities had little hope of gaining employment. Partly as a result of this, universities became centres of youth unrest in the country. Universities remained closed for most of the period between 1987 and 1989 (inclusive). During 1987-89, universities were opened twice, but had to be closed due to interruptions by some of the students.

During the past decade, among the unemployed, there was an increase in the number of persons with secondary and higher qualifications. For instance, in 1985, 37.5 per cent of those with GCE (Ord. Level) were unemployed, while the figures for Advanced Level and degree were 44.1 per cent and 23.2 per cent respectively. In 1989, there were graduates who had been unemployed for more than seven years. Among them were 520 medical graduates who had been unemployed for two years. By mid-1990, there were 8000 graduates registered as unemployed.

During the 80's large numbers of young people were leaving schools and universities with employment expectations, but were disillusioned when they could not find employment. Thus there was an imbalance between the demand and the availability of jobs. This raised the level of educational qualifications needed for employment.

Unemployment

During the period 1978-80, the rate of unemployment showed a declining trend. From 24 per cent in 1977, the unemployment rate dropped to 15 per cent by 1978/79. By 1982, unemployment had fallen to around 600,000 which was about 12 per cent of the labour force (8). The reduction of the incidence of unemployment during 1978-82 can be attributed to increased economic activity, employment created in the Free Trade Zone and significant emigration, particularly to the Middle East.

The number of unemployed increased during the years which followed and by 1986/87 the unemployment rate was around 17 per cent (9). The vast majority of the unemployed belonged to the age group 14-25 years.

Nearly 70 per cent of the unemployed were in the rural sector. This was due to the fact that most of the employment creating economic activities were largely concentrated in the urban sector. In some of the rural districts unemployment had in fact, increased because of declining rural activity and movement of resources to urban sectors.

Unemployment figures (in '000s) for selected years

1975	985.0
1978	1,005.7
1980	857.1
1985	840.2

Unemployment continued to rise and by 1988, the unemployment figure had risen to 1.2 million which is about 18-20 per cent of the labour force (10).

If jobs are to be created for the one million already unemployed and also for young people coming into the labour force, it has been estimated that the economy will have to grow at an average rate of 10 per cent per annum. With a growth rate of 2.3 per cent in 1989, it seems very unlikely that this target can be achieved.

With increasing population the unemployment situation became acute. The mismatch between education and employment and the gradual decline in avenues of employment caused chronic unemployment among the young.

In the 80's, increasing unemployment among the youth caused frustration and unrest and culminated in widespread violence, destruction of property and loss of human life. In the late 1980's, the youth who revolted, sought to wrest political power by force and terrorism, bringing about a state of anarchy.

By the end of September 1989, the military offensive against the hard-core insurgents was at an end and the country returned to normalcy. A presidential Commission on Youth was appointed in October 1989 to inquire into the causes of youth discontent and unrest. The Commission found deficiencies in the educational structure and to avoid future insurrections proposed reforms as a matter of urgency (11).

One of the major problems which the report highlighted was the lack of coordination between education and employment in Sri Lanka. This was given as the primary reason for youth unrest and it was suggested that this problem be dealt with effectively by the educational system to avoid future repetitions.

Economic Performance

In 1977, with the introduction of the Trade Liberalisation Policy, Sri Lanka experienced unprecedented growth. But this growth momentum was short-lived.

Reforms promulgated in 1977 advocated an increasingly greater role for market forces, for the private sector and for removal of controls on economic activity, thus creating an open market economy. The implementation of new economic policies coincided with a higher economic growth rate which averaged more than 6 per cent per annum during 1978-80 period.

In 1980, even though the growth rate was 5.5 per cent, which was less than that projected, it was higher than the average increase in the past decade. The slow growth had been attributed to the low level of production in the plantation sector, poor performance in the manufacturing sector and the virtually stagnant construction sector.

The growth rate in 1985 increased by 5.3 per cent compared with 5.1 per cent increase in the previous year. During the period 1978-86, the average rate of growth of the real GDP was 5.5 per cent. By 1987, the growth rate had declined to 1.5 per cent, and the average for 87-88 was a mere 2 per cent, the lowest since 1971 (12). The following year showed an increase of 2.7 per cent. In 1989, which was worst affected by civil disturbances and work stoppages, a growth rate of 2.3 per cent was recorded (13). Economic growth under post-1977 economic reforms has been mainly attributed to the expansion of the service sector, as the growth of the construction sector was short-lived, while the agricultural and manufacturing sectors were highly volatile (14). During the period 1978-84, nearly two-thirds of the increase in GDP had originated in this sector. After 1985, with a slackening off in the service sector, there was an overall slowing down in the economy.

During the years preceding 1989, economic growth had been restrained due to:

(a) **Declining international price levels for primary commodities.** The prices of Sri Lanka's traditional exports tea, rubber and coconuts were at their lowest levels since the World War II. In addition, rubber and coconut production recorded a decline during 1987-88. Prior to 1978, these three crops which had earned about 85 per cent of the total export earnings of the country declined to about 37 per cent in 1987 (15). Sri Lanka is still dependent on primary products for economic viability.

(b) **Ethnic conflict and civil disturbances.** This had a twofold effect. Firstly, it affected tourism which is an important foreign exchange earner. Secondly, the increasing cost to the economy which had been estimated at Rs. 50-55 billion.

(c) **Increasing allocations from the budget for defence expenditure.** The defence expenditure for 1990 was 10.2 billion while the estimated figure for the 1991 budget is 11 billion. In 1989, the second highest vote (Rs. 8.9 billion) was for defence which was 8.3 per cent of total expenditure In 1987 and 1988, it was 16.8 per cent and 11.5 per cent, respectively.

(d) **Adverse weather conditions.** The prolonged drought in the North Central, North Western and Southern provinces reduced agricultural production to low levels, resulting in a higher import level of rice in 1989. The severe floods in the Western and Sabaragamuwa provinces also caused damage to crops.

(e) **Weakened balance of payments situation.** Sri Lanka's terms of trade deteriorated steadily from 1978. The garment industry, which is the main export-oriented industry, was adversely affected by import quotas set by developed countries. Garments and tea are Sri Lanka's largest exports, and account for 55 per cent of the country's export earnings.

In addition to the above, other constraints on economic growth were: a growing current account deficit, large interest payments on government debt, a decline in external assistance and lower than expected levels of productivity resulting from massive investment programmes undertaken in the past.

All these factors had serious effects on Sri Lanka's economic performance during the past few years.

Conclusion

In Sri Lanka, during the late eighties, there were signs of a political crisis as well as an economic crisis. The ethnic conflict, terrorist activities by the JVP, slowing down of economic activity and so on caused political and economic instability.

Increasing unemployment among the young led to youth revolt in the late 1980's. Towards the end of 1989, the youth revolt was subdued. This was followed by the appointment of a Presidential Commission to look into the causes of youth unrest. Its report was published early this year. Since then, certain steps have been taken by the Minister of Education and Higher Education and the University Grants Commission to reorganise the educational structure.

With the Trade Liberalisation Policy in 1977, there was growth and development. But during the late 1980's the general economic environment weakened and since then economic performance declined. The average growth rate for the three years 1987-89 was a mere 2 per cent compared with an average growth rate of about 6.6 per cent over the three years from 1978-80. The growth momentum of the Open Economy could not be maintained and economic growth reached unprecedented low levels.

As with slow economic growth, unemployment also slackened in the late 1980's equalising pre-1975 levels. Post-1977 reforms were particularly urban biased and were not focussed on rural districts which became 'breeding grounds' for youth unrest.

In addition to internal constraints on the economy, exogenous factors such as weakened balance of payments, deteriorating terms of trade, declining prices for traditional exports etc., as well, contributed to the slowing down of the economy.

Towards the end of 1990, the Gulf crisis made matters worse for the shrinking economy. Oil prices soared, remittances from Middle-East workers declined and tea exports were disrupted (45.1 per cent of tea production were exported to the Middle-East), causing balance of payments problems. The rising oil prices and the UN-imposed trade embargo had a severe effect on the demand for exports of Sri Lanka.

Thus, the uncertainties and instability of the 1980's manifested themselves in political and economic crises, causing a deterioration in the social and economic infrastructure of the country.

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THE KOGGALA EPZ: THE POTENTIAL

Ariya Abeysinghe

1. Background

President Ranasinghe Premadasa's appointment of a high powered task force to plan, implement and monitor the progress of the Koggala Exports Processing Zone, within the framework of the Master Plan for the Southern Province Accelerated Development Programme is timely and is a step in the right direction. Some of the plus factors are – the area is endowed with 220 acres of crown land, 30 megawatts of electricity are available, water is available from the Polwatte oya, ground water of 400,000 gallons per day is readily available, no sewerage and surface drainage problems, proximity to the Galle harbour which can take 40 containers per day availability, road and other infrastructure etc. The President has stressed that the KEPZ should concentrate on production for export, on employment generation and on industries linked to the local economy – thus contributing to the general economic growth in the region. The uniqueness in this "regional" approach as against the "project" approach is that it will fit in well with the broader regional matrix.

The prerequisites to a long term KEPZ development are the development of the "Ruhuna Expressway", the widening of the Galle road, the development of the Galle port, the organizing of a package of investment incentives to attract investments to KEPZ. Broadly, priority industries identified have been light engineering, food processing, gems and jewellery, and wood work. It is believed that these carry high potential for both male and female employment, for skill-based industrial development and for links to the domestic economy.

2. The Port of Galle

The port of Galle is a natural harbour of 320 hectares with facilities to berth vessels in the stream as well as alongside the jetty. The port facilities are located between the quay and the breakwater off Gibbet Islands and is therefore, narrow. The port is sheltered from the Ocean by stone masonary breakwaters and the Buona Vista peninsula. The soil of the seabed comprises, a sand silt or silty sand. In the seabed of the bay are boulders and rocks. Between 1982-84 the channels outside and inside the breakwater were dredged to a depth of 9.9 meters and 8.9 meters removing about 850,000 cu. m. inclusive of 25,000 cu. m of rock dredging.

During the South West monsoon the winds make it difficult to ensure calm water conditions as the bay opens to the Southwest. A fishery port, a yatch harbour, a slipway and a factory are located around the bay.

Port facilities provided are limited to the following:

– facilities to berth vessels in the stream and along the jetty.
– a quay of approx. 425 meters enables along berthing of two small vessels – water depth being 8.8 meters.
– two warehouses which provides approx. 5400 sq. m. floor space for storage.
– transit cargo sheds of 3000 sq. m. storage.
– approx. 12,000 m. tons of baggage cargo could be stored.
– offices.
– Customs accommodation.
– rest rooms, canteen, toilets.
– a rail link partly carried out (rail road encroachments needs to be cleared).
– Colombo – Hambantota trunk road, A 2 runs besides the North East perimeter for the port.
– 500–ton, 65 ton shipway (of Galle Shipway and Engineering (Pte) Ltd) and a machine shop for repair work.
– a fishery port equipped with modern refrigerators, warehouses, and an ice making factory and a yatch harbour.

Suggested improvements according to a study done by the Overseas coastal Area Institute of Japan (JICA) are:–

(a) a breakwater and/or a new wharf system to minimise monsoonal effect.

(b) seabed rocks and boulder clearance in the operational area.

(c) dredging of channels in the operational area.

The benefits from the long term investments are likely to bring the following:–

(1) the Port of Colombo is on the verge of saturation.

(2) a high proportion of container transhipment is destined from India.

(3) unlike Colombo, Galle is situated adjacent the shipping line, thus, reducing the nautical miles.

(4) Galle has potential for bunkering – leading to employment, income generation, low investment activities.

(5) cargo handling facilities can be shared with the Colombo port.

(6) easily dovetails with the Southern Province accelerated development programme.

JICA concludes "the development of the Port of Galle must take place in conjunction with the development of the regional economy".

From 1960-1965 the total tonnage handled annually varied between 136,000 tons and from 1977 it rose to 110,000 tons. In 1985, it handled only 69554 tons (Source: Galle district situation report – 1987). Its potential is evident from the cargo handled in the pre-nationalized period. Before 1953, tea exports from the Galle port exceeded 40,000 tons annually but since 1971 it has not been an outlet for even low country teas. The cargo discharged at Galle has declined very significantly. Galle handled only rice, flour, sugar, imports occasionally general cargo, cement, fertilizers. This harbour handles exports of some rubber and miscellaneous items sometimes. Since large vessels could not reach the jetty without releasing a part of the load temporarily at the anchorages located outside the harbour, port development was undertaken to deepen the access passage and completed in 1984 at a cost of Rs. 100 million. However despite this the cargo handled by the port is considerably below the levels of the 1960's – 1965 period. Part of the problem is the failure of the Port of Galle to cater to new trends in international cargo handling-containerisation. Other is the lack of economic development in the Southern Province to feed the Galle harbour.

There is much scope at present for multiplying port operations of cargo destined to the South and originating from the South. About 90,000 - 100,000 tons of rice imported to Sri Lanka could be handled through Galle. Galle could have another flour mill using imported wheat to feed Southern Province flour demand. Raw sugar molasses could be imported and refined into sugar and molasses. About 11,000 tons of general cargo could be handled. It could load low grown and mid grown tea (50,000 tons annually), rubber (20,000 tons), coconut products (fibre, rope, charcoal), cinnamon, essential oils (cinnamon oils, citronella oil), salt, frozen fish, fruits and vegetables. Once the KEPZ starts, both discharging and loading cargo could be expected to increase significantly. In the long run development of containerisation through transit sheds, vehicle parks, container stacks, trailer parks, workshops and office building ways become essential.

3. Airports Development

Internal airstrips with high potential for development are the Koggala – (20 Km from Galle town) and Wirawila, (25 Km from Hambantota). Eraminiyaya too has been identified for development. Since Koggala is to be developed as a EPZ it is questionable whether its present status with a paved runway of 1030 m.x 45 m. would be adequate. The development of the Wirawila airstrip could serve the needs of visitors to Yala Reserve, Kataragama pilgrimages, domestic and business community (flying distance from Wirawila to Kolggala aerodrome is 100 Km). A domestic private air service or helicopter service could be encouraged.

4. The Railway Extension

The Galle-Matara railway was commissioned in 1895 at a time when the combined population of the Matara and Hambantota district was 125,000 spread over 3840 sq. Km, a density of 35 per sq . Km. The present population is 1.2 million with an average density of 312 per sq. Km. In the context of the population and economic growth in Matara and Hambantota, particularly in the Uda Walewa and Lunugamwehera areas the extension of the railway line would bring passengers and goods traffic.

5. The Ruhunu Highway

A new highway linking Colombo-Galle, 15 Km away from the coastline is proposed. The highway will run through Horana, Elpitiya, and Baddegama and proceed from Galle to the proposed airport at Eraminiyaya in Uda Walawe and continue up to Wellawaya via Embilipitiya.

In the Southern Province nearly 90% of all passenger miles and 95% of all tonne miles are by road. The trunk and main roads (A + B class) of the province comprise 44.7% of the network and they carry more than 60% of all traffic in terms of vehicle miles. The trunk route improvement programme should cover:

– Colombo – Galle – Matara – Hambantota road (A class).

– Matara – Thiagoda – Kamburupitiya – Mawanella – Kotapola (B class) 48 miles (77.2 Km).

– Galle – Deniyaya – Madampe (Class A – 91.70 miles of which 56.5 in the Southern Province).

– Pelmadulla – Nonagama – (Class A – miles 0.43 in 44-54, in Southern Province).

In order to improve and provide a better passenger transport service the roads mentioned below will need improvement.

(1) Galle – Udugama road (improvements from Nakiyadeniya – Udugama)

(2) Akuressa to Udugama road

(3) Mulatiyana to Kotapola road

(4) Makumbura – Ketanwila – Akuressa road

(5) Baddegama – Nagoda – Udugama road

(6) Suriya wewa – Mirijjawila

(7) Tissa – Wirawila – Kirindioya road

(8) Karapitiya – Dodella road, Galle road.

There is also a need to develop fisheries roads. In a nutshell, the strategy for development of the highway network for investments to follow roads should be:

A. Identify the sections of A + B class roads needing immediate rehabilitation or reconstruction.

B. Identify the links in the minor network requiring upgrading.

C. Construction of the Ruhunu Expressway.

6. Energy Supply

The demand for electricity increased at the rate of over 10% annually between 1980-87 and the consumption increased from 1668 Gwh in 1980 to 2707 Gwh in 1987. The power generation in the country increased from 421 MW (1980) to 1146 MW (1987) to meet the higher level of demand. The commencing of Victoria (2169 Gwh), Kotmale (482 Gwh), Randenigala (516 Gwh), Ukuwela – Bowatenna (280 Gwh) Ratambe (253 Gwh) increased the capacity to 4217 Gwh and Malaweli added 60% supplies to the national grid. The commissioning of the Samanalawewa will produce 140 MW of power increasing the national installed capacity of 12%. The existing 30 MW at Koggala could, thus, be augmented, to meet any new need for industries.

7. Urbanization and Unemployment

The Southern region comprises of a total population of 1.8 million persons. This is 12.7% of the total population of the country. The urban component of the population in the Southern Province is 281,000 persons which amounts to 14.9% of the total population of the Province. This is comperatively low when compared to the national average of urban population which is 21%.

In terms of the 1981 Census of Population the Southern Province has one of the highest rate of unemployment. National unemployment rate is 17.9% compared to Galle (26%), Matara (27%) and Hambantota (18.6%), which are higher than the national rate. The highest unemployment rate is in the age group between 20-24. This age group comprises 36.8% or over 1/3 of the total unemployment. The literacy rate in Galle is 82.6%, Matara district 78.4% and Hambantota 73.6% compared to the national average of 78.5%. There has been a high rate of out migration to other areas, from Galle and Matara districts and a marginal increase in population was seen in Hambantota especially with the Lunugamvehera project. This reflects the lack of employment opportunities in the region. There are 12 urban centres in the Southern Province with Walasmulla TC (2318 persons) to Galle MC (77183 persons).

5. Investment Potential at KEPZ

Although, the approved investment in the Southern Province is Rs. 785.9 million for 22 projects under the FIAC, the actual investment upto Jan. 1988 was only Rs. 456.4 million. Under the LIAC, investment of Rs. 29616 million was approved for 181 industrial units. The Small and Medium industry loans to the value of Rs. 23.7 million for 204 projects and to the value of Rs. 166.7 million for 447 projects have been given. But these are dispersed all over the Southern Province. However, the local resources based industries with linkages to regional resources are worth examination.

(A) Mineral Based Industries

Coral mining should be strictly restricted to inland coral deposits and the industry, should be organised in a orderly manner and raised above the level of cottage industry. Kaolin and clay based industries may be developed through manufacture of exportable pottery and ornamental earthenware. The Kaoline refinery, lime plant and the pottery centres should be upgraded through a scheme of link industries, with the KEPZ plant putting the finishing touches and packaging. Saltbased chemical industries could be developed (like in Paranthan) in the Salt areas. Graphite occuring in the Southern Province could be a base to manufacture crucibles for metal smelting as well as carbon brushes in electric motors and as a moderator in atomic reactors. Gem and jewellery industry could also be encouraged.

(B) Agro-Based Industries

There are nearly 25 white fibre producing units in the Southern Province. An industrial unit be established in the KEPZ to manufacture white fibre based products like coir carpets, rubberized coir carpets, rubberized auto car seats and other products. The village level mechanical process uses coconut husks in the green form and shortens the production time from 6-8 months to approximately 40 minutes. Direct employment in each unit would be 20 persons, but indirect employment per unit would be 250 persons (for the collection of husks, transport and spinning of the yarn). The machinery is locally manufactured and loan facilities are available. If such units are encouraged in all coastal areas-in the South and linked to the KEPZ factories the necessary backward and forward linkages could be built. There is also a need to upgrade the coconut fibre handloom sector for the manufacture of export quality mats and matting by the introduction of powerlooms.

There is also the handicraft sector. Handicraft working in gold, silver, brass, lack making, jewellery, gem polishing, embroidery, wood carvings, coconut shellware, horn, reedware, rushware are all based on local raw materials. All such raw materials could be developed along rivers and swamps. Coconut shell powder, coconut shell charcoal, activated carbon are other industries that could be introduced.

Rubber based industries has much potential. Rubber wood based industrial products including furniture, a centrifuged latex factory, banbury mixer for making rubber components available to small industries. A wide range of sports goods, rubber based industries, rubber seed oil and resins, are few of the vast potentialities.

Tea bulk packetting for export through the Galle Harbour, is another potential work of expansion. Manufacture of tea chests, battens, tea machinery, rubber machinery are other possibilities. It also possible to have a large oil mill and manufacture coconut oil based products like the soaps, detergents, toothpastes, glycerine etc. The shifting of the large state owned oil mill and soap manufacture from the heart of Colombo to the KEPZ with joint venture private sector management could be seriously considered. A feed mill to provide provender to the livestock sector development in the South would also be useful.

Essential oil distillation for export would be suitable for KEPZ. Cinnamon based essential oils, extraction of downstream products like eugenol, use of bark oil in perfumery, pharmaceuticals, flavouring food industry for export, distillation of citronella oil, lemon grass oil, vetiver root oil, clove oil, eucalyptus oil, ginger oil, palmarosa oil, and possibly introduction and the development of jasmine, rose, mint in uneconomic lands to supply the needs of essential oil distilleries to be established in KEPZ would be ideal. Machinery for distillery could be fabricated locally. Technology is available from the CISIR and the UNIDO.

Other agro-industries that would be established at KEPZ would be herbal based industries. Instead of importing essences of synthetic flavours primier carbonated cola producers can be encouraged to established plants to brew carbonated herbal teas from Gotukola, Ranawara, Iramusu, Polpala, Neeramulla, and Belimal for local and export markets. Canning of balaya in the form of ambulthiyal, canning of bilin baduma with sprats, canning of del (breadfruits), waraka, polos are good possiblities. Uneconomic paddy fields in Southern Province could be used to grow okra, japanese egg plant, zucchini, yams for canning for export.Canning of fruits like

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Primary Education among Children in Slum and Shanty Settlements

By H. L. Hemachandra

Mr. H. L. Hemachandra who is a member of the Research Department of the People's Bank, recently completed a study on Primary Education in Slum and Shanty Settlements in Colombo.

Findings of this study are published in this issue of the Economic Review.

Since early 1940's education has been viewed by successive governments in Sri Lanka as a strategy for reducing social injustices and inequalities, narrowing the gap between the have and the have nots and enhancing developing. This commitment to education is safeguarded and guaranteed in the 1978 constitution of Sri Lanka which states in the article 27 that "the complete eradication of illiteracy and assurance to all persons of the right to universal and equal access to education at all levels. " (1)

As a consequence of this political commitments educational reforms and measures were introduced over the last five decades making education compulsary upto the age of 14, expanding education through a network of primary and secondary school spread throughout the island and democratising education by the introduction of free education from the kindergarten through university, making the mothertongue the medium of instruction at all levels, providing a common curriculum including Science and English for all schools upto the GCE (O/L), establishing wide range of scholarships inclusive of the university and giving free mid-day meals and books.

Studies however, revealed that in achieving national goal it is the investment in primary education that is most rewarding. The World Bank Report 1987 states that investment in primary education in developing countries gives 100 percent more economic return than the same investment in physical assets. It further goes on to state that the rate of economic return of investment in primary education are considerably higher than that in secondary and tertiary education. (2) This provides the rational for stabilising a sound primary education and functional literacy as a necessary foundation for national development.

Because of the various educational programmes implemented over the past five decades Sri Lanka's primary school enrolment rate rose from 57.6 percent in 1946 to 83.7 percent in 1981 while literacy rate of those 10 years and over has increased from 62.8 percent in 1946 to 84.2 percent in 1985/86.(3)

Despite all these developments in primary education in 1985/86, 478,000 children or 13.0 percent of primary school going age (5-14 years old) children (21.5 percent of 5-9 age children and 4.2 percent of 10-14 age children) have had no schooling.(4) During school census year 1986/87, of the total students population from Grade 1 to 8, 4.25 percent had dropped out. The rate varied from 0.88% in grade 1 to 3.06% in grade 3, and from 5.21% in grade 4 to 7.11% in grade 8.(5) This data reveals that Sri Lanka is still far from achieving universal primary education.

Sector wise analysis shows that the difference in the rate of non school admittance among primary school going age children between the urban sector and rural sector is minimal (10.6 percent in the urban sector and 11.7 percent in the rural sector), but this rate is relatively very higher in the estate sector (37.7 percent). (6) However, in the intersectoral analysis it seems that there are several sub locations with lower rate of school participation in terms of non admittance, late admittance, repetitions and drop outs in the rural sector as well as in the urban sector. While in the rural sector these sub locations are remote areas in the interior of the island and the eastern coast where the rural muslims live in the urban sector they are slum and shanty settlements.

Slum and shanty settlements can be seen in the city of Colombo and in provincial towns such as Jaffna, Batticaloa, Kandy, Dehiwela, Mount Lavinia, Kalutara and Moratuwa. But the largest number of slums and shanties are in the city of Colombo. Contrary to the people living in the estate sector and in remote areas, slum and shanty dwellers living in the urban sector particularly in the city of Colombo are in the close proximity to good schools and other basic facilities such as health centres and roads. In this context it is important to study why there is low school participation in slums and shanties in the city of Colombo. Proper understanding of this problem would lead the planners to raise primary school enrolment among the children in slum and shanty settlements in Colombo city, other urban areas; and thereby to improve the national level of primary school enrolment even by a small percentage.

It was decided therefore, to make a preliminary study of the problem – non enrolment, late admission, irregular attendance and early drop outs, among the children in primary school going age in slum and shanties in Colombo city and to identify the reasons for under utilization of educational facilities available to them.

Objectives

In order to obtain background knowledge which would be necessarily useful for a detail study the preliminary study is mainly aimed to:

(i) Gather information on the socio-economic background of the slum and shanty dwellers in the Colombo city.

(ii) Conduct an exploratory study regarding;

(a) level of school participation,

(b) reasons for low school participation among primary school going age children, (i) in a limited sample of 4 slum and shanty settlements in Colombo city specifically and (ii) in all slum and shanty settlements in Colombo city in general.

Methodology

Collection of data necessary for this study was done on a multi-method basis.

(i) Going through the literature relevant to the problem

(ii) Examine the readily available educational statistics.

(iii) Discussing with the officials in relevant governmental and non-governmental institutions such as Ministry of Education, National Institute of Education (NIE), Faculty of Education of University of Colombo, United Nations Children's Fund (UNICEF), National Housing Development Authority (NHDA), Urban Development Authority (UDA), Institute of Marga and Redd Barna; and individuals who are interested in the problem.

(iv) Interviewing parent and when necessary children in a purposive sample of 40 families in 1 slum settlement and 3 shanty settlements in 2 wards of Colombo Municipality area namely Dematagoda and Wanathamulla. Sample ratio is 7.3 percent.(See Table1)

While information was collected in general about the total number of 81 children who are in primary school going age in 40 families, information was collected in detail of only 34 children who are not in school, particularly regarding the reasons for their non school participation. Though a pre-determined simple questionnaire was used in these interviews, informal discussions were also conducted to gather more details.

Table 1 - Purposive sample of slum and shanty families

Slum-shanty settlements	Condition	Total No. of families	Total families interviewed	% of families interviewed
131/A, Aramaya Place, Dematagoda	Improved	89	10	11.2
166, Aramaya Place, Dematagoda	Not Improved	63	10	15.7
65, Aramaya Place, Dematagoda	-do-	150	10	6.7
64, Watta, Baseline Rd, Wanathamulla	-do-	249	10	4.0
Total		547	40	7.3

Background Information of Slum and Shanty Settlement of Colombo City

Colombo became the capital of the island after 1815 when British Rulers who already ruled the maritime provinces captured the Kandyan kingdom. The city grew rapidly in the 19th century. Because of its strategic position it became the centre for commerce and shipping. The small sea port was transformed to a protected harbour and it was developed as the principal port of the island.

By mid 19th century residential areas of the city were confined to the present Fort, Pettah and Hultsdorf areas and in the late 19th century this expanded towards Mutuwal, Maradana, Slave Island and Kollupitiya. In the 20th century expansion of the city was restricted by the Kelani River on the north, by water logged areas on the east and by the sea on the west. Therefore, expansion of Colombo largely confined to the South and South-East. Colombo city which consists of 47 wards at present is the financial and commercial centre of the country. Although administration centre has now been shifted to the suburb of Sri Jayawardenapura, a major share of administrative functions are still remaining in Colombo city.

Residential areas of the most deprived and underprivileged people in Colombo city are identified as slums and shanty dwellers. The slums are mainly of two types. They are (i) tenement houses and (ii) old houses in areas of urban decay and are now sub divided into small units.

With the growth of the plantation sector in the country industrial and commercial ventures were expanding in the Colombo city. The industries of processing, packing-storage, shipping etc. of plantation products in Colombo city required a big labour force. During this period people migrated to Colombo from various parts of the island to engage in the newly created labour activities.

The first category of slums – slum tenements – were built to be rented out to new labour force in the city. These houses were mostly privately owned and built before the introduction of Rent Control and Municipal Building by-laws. They were built in close vicinity to the working places like the harbour, factories and stores.

The tenements are single roomed units occupied by one family. These were built in rows, occasionally with an open verandah. Each row consists of about 10 rooms and has common water and toilet facilities. They are usually situated in a block of land generally called a "garden" (Waththa) and hence they have common garden. Tenement gardens vary widely in size, containing anything from five and hundred tenements. With the introduction of rent control the housing landlords found it no longer profitable to maintain these tenements. The neglect of the buildings, lack of maintenance, over-crowding, over-use of the limited facilities and lack of adequate sanitary facilities led to rapid deterioration of these tenements over the years.

The slum houses are the once residential houses occupied by the middle class people and the urban elite. With the expansion of the commercial and trading activities into these residential areas, in the late 19th century, the owners shifted to the less congested areas of the city, and part of the vacated houses which was not used as stores and offices, were sub divided into small slum units and occupied by the low income workers of the city. The absence of repairs and maintenance and over crowding accelerated the deterioration and soon reduced these houses to the slum condition.

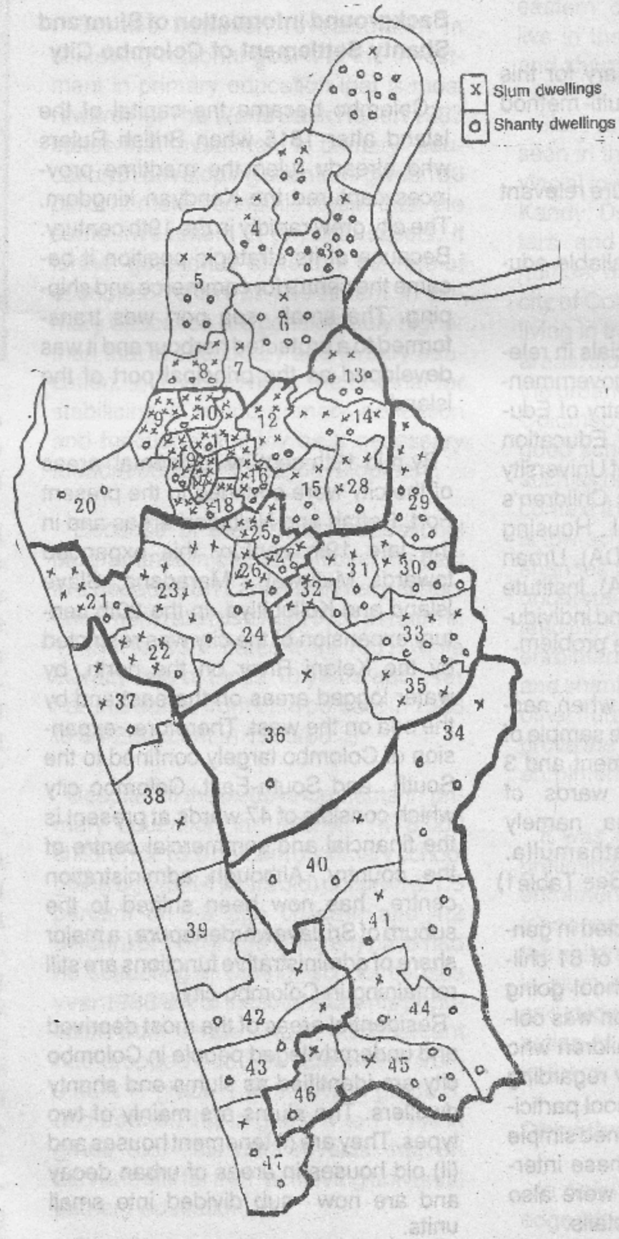
Shanties were originally put up by people who lost their houses by floods etc. Later these houses have been built by people coming mainly from suburbs and rural areas in search of city facilities.

The large majority of shanties are temporary structures built hastily of non durable materials such as cadjan, cheap wood; and plank, tin and old zink sheets while some of them are semi-permanent structures built of a mix of temporary and permanent materials. These houses have been built on private, government or municipal lands by squatters coming mainly from suburbs and rural areas who have no legal right to these lands. Generally, these are low lying marshy lands which are in most cases, not economically viable to utilise or not marketable and are occasionally road reservations. For obtaining water and easy disposal of sewerage, generally shanties were built near river or canal banks, public baths and latrines and water logged areas where temporary wells could be dug. In many instances shanties can be seen as shanty gardens (clusters) and sometimes they can be seen in rows but with separate entrances. Some gardens or clusters are really a mix of both slum type and shanty type houses. This is partly due to some of the married children of families having moved into newly built shanties in the same tenement gardens.

Studies have shown that conditions in these housing settlements are not conducive to healthy and decent living. Generally both these slums and shanty dwellings are overcrowded and congested due to the inadequacy of floor areas and number of rooms; and the lack ventilation owing to the inadequacy of doors and windows. Part of these slums and the large majority of shanties are single roomed while the average floor areas of slums and shanties are about 300 sq. ft. and 150 sq. ft. respectively. The large majority of shanties have only one door without any windows. Sanitary facilities and basic amenities in both types of settlements in terms of water service and toilet facilities etc. are very poor. In case of shanties generally one road tap and one common toilet serves about 50 shanty units. In some instances there is not even a single toilet for an entire shanty settlement. Environments of both types of these settlements are very unclean, noisy and troublesome. Diseases, particularly water borne diseases, malnutrition child mortality and infant mortality are comparatively higher among them owing to lack of sanitary facilities and unhealthy environment.

However, as a result of the introduction of laws restricting the ownership of houses, after mid 1970's a considerable number of slum dwellers became the owners of the slums. The transfer of

Density of Slum And Shanty Dwellings in The City of Colombo



Wards
1 Mattakkuliya
2 Modera
3 Mahawatte
4 Aluthmawatha
5 Lunupokuna
6 Bloemendhal
7 Kotahena East
8 Kotahena West
9 Kochchikade North
10 Gintupitiya
11 Masangas Weediya
12 New Bazaar
13 Grandpass North
14 Grandpass South
15 Maligawatte West
16 Aluthkade East
17 Aluthkade West
18 Kehelwatte
19 Kochchikade South
20 Fort
21 Kompannaweediya
22 Wekande
23 Hunupitiya
24 Suduwella
25 Panchikawatte
26 Maradana
27 Maligakande
28 Maligawatte East
29 Dematagoda
30 Wanathamulla
31 Kuppiawatte East
32 Kuppiawatte West
33 Borella North
34 Narahenpita
35 Borella South
36 Cinnamon Gardens
37 Kollupitiya
38 Bambalapitiya
39 Milagiriya
40 Thimbirigasyaya
41 Kirula
42 Havelock Town
43 Wellewatte North
44 Kirillapone
45 Pamankade East
46 Pamankade West
47 Wellewatte South

slum ownership encouraged a good part of these slum dwellers to improve the conditions of their slum dwellings.

Since late 1970's through the implementation of various types of urban sector housing development programmes such as Urban Basic Services Programme (UBS), Slum and Shanty Upgrading Programme (SSU), Community Development Programme, and Urban Housing Sub Programme (UHSA) of the Million Houses Programme (MHP), a large number of slum dwellings were provided with some basic amenities while about half the shanty dwellings were up graded to a certain level. However, these developments are not enough to meet dwellers basic requirements adequately. Nearly half the shanty dwellers have not received any basic facility yet and they remain the most deprived and underprivileged section of the city.

One study reveals that in 1979 about half of the total population in Colombo city lived in unfavourable housing settlements of slums and shanties. (4) According to another recent servey at the end of 1987 almost half of the total housing stock in the city was slum type upgraded old settlements and shanties (27 percent was slum types upgraded old settlements and 23 percent was shanties.) (5) The same survey reveals that by that time 17 percent of the city population or about 109,000 people were in the shanties while it is estimated that 29 percent of the city population or about 180,000 people were in the slum settlements. (See table 2.)

At present slums and shanty settlements are scattered in every ward of the city but at different levels of concentration (see map). Relatively higher concentration of slum settlements can be seen in the wards around Fort and Pettah – the centre of the trading and commercial activities of the city, particularly in the wards such as Kochchikade North, Kochchikade South, Ginthupitiya, Masangas Weediya, Aluthkade East, Aluthkade West, Kehelwatta and Panchikawatta. Shanty settlement are highly concentrated in the wards in the Northern and Eastern fringe of the city such as Mattakkuliya, Modera, Bloemendhal, Grandpass North, Dematagoda, Wanathamulla and Borella North. It can be seen relatively very low concentrated of slum and shanty settlements in a cluster of wards such as Cinnamon Gardens, Bambalapitiya, Miligiriya and Havelock Town where there are residences of the middle class and elites.

When the age composition of the slum and shanty population of the city is analysed it can be seen that children in the 6-14 year age group, who belong to the target group for primary school going age children, constitute about 28 percent and 36 percent of the slum population and shanty population respectively. Children 5 years and below who will enter the target group in the coming years are about 8 percent and 11 percent of the slum population and the shanty population respectively. As the data suggests the problem of primary school going is more serious among shanty settlements since they have higher percentage of children belonging to this age group. However, average household size is higher in slum (5.8) than in shanties (5.2) since there is a lower percentage of older people in shanties.

The large sector of the labour force of these slum and shanty settlements engaged in blue collar work, while a small percentage of them engage in clerical and professional work. Most of the white collar and blue collar workers are in the fields of commerce, trade and services. They engage in work of working places and institutions like the harbour, Pettah Market and Colombo Municipal Council. Their working places are in the vicinity of their housing settlements or in the close distance which can be reached quickly by easy transport. A considerable number of women too work in Middle-East countries as domestic servants. Further, in areas which are predominantly slum and shanty areas informed economic activities are very high and women and children too in these areas engage in these activities to earn their living.

COMPARATIVE ANALYSIS OF NON SCHOOL PARTICIPATION RATES

It is difficult to compare the non school participation rate of children in slums and shanties in Colombo City with the national or sectoral rates because though few studies have been done on school participation rates of children at national level and sectoral level and in slums and shanties in Colombo city these studies are not based on the same age group.

Non School admittance

School participation rate of 40 slum and shanty families which was surveyed in this study could not be properly used for this type of comparison mainly because of smallness of the sample. However, attempts were made to compare non school participation rate in slums and shanties in Colombo city with the national and sectoral rates using available survey results though they are based on different age groups.

A survey conducted on a sample of 2,337 slum and shanty families in the city of Colombo in 1984 by the Non-formal Education Branch of the Ministry of Education reveals that 19.3 percent

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Table 2

Distribution of Housing Stock and Population in Colombo City at the end of 1987 by Type of Housing

Type of Housing	Housing Units No	Housing Units %	Population No.	Population %
Good houses	40,561	49.64	337,000	53.88
Upgraded old settlement	22,385	27.14	180,000	28.76
Shanties	19,113	23.22	109,000	17.41
Total	82,317	100.00	626,000	100.00

Source: Report on the survey of squatter settlements in the city of Colombo
Note: Population in upgraded old settlements (slums) was estimated by using the average number of members in a slum housing unit in 1979 as revealed by the Policy Paper of Slum and Shanty Upgrading in Colombo Municipal Council.

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the exhibitors and the movie going public more and more. The NFC after all, is one of the several state owned undertakings known to be running at a loss and cannot be unaware of His Excellency President Premadasa's ultimatum early last year to all Government Corporations that they make themselves financially viable. It is unimaginable that the Presidential directive calling for financial viability via efficient management could, in fact, be used by the NFC as the ostensible imprimatur for its blatant attempt at extortion, to cover up plain bad management of its own affairs.

8

The NFC's stated reason for changing its terms and conditions is because of "changing circumstances and the financial plight of the Corporation" Although exhibitors have sought for long to focus on the financial plight of the Corporation, the NFC has used this point ostensibly to justify demands that are clearly unjustifiable while at the same time dismissing references to its bad financial management as "hair splitting arguments". The revised terms demanded by the NFC for granting approval to exhibitors for sourcing their requirements of English language films are;

1. A minimum commission of 10% from the opening day of each film,

2. No payment of commission by NFC to the Agents in respect of outstation screenings of Agents' Films.

3. The Main Release Stations should screen alternately KRS films and NFC films.

4. Duty surcharges, clearing charges on each of the films, and accessories supplied under these contracts to be borne entirely by the Exhibitor.

5. The respective clauses in the Agreement with regard to the custody and distribution of films to be amended by substituting "NFC" for "Exhibitor".

The observations on the NFC's revised terms and conditons are:-

1. The over-riding commission accruing to the NFC (from 5% now when the film hire payable to the supplier is 40% to 10% from the opening day) on the Colombo release screenings will, in absolute terms, be approximately 200% more (not 100%) than what accrues to it under the present arrangements.

Table 3

Box Office Hits 1988 - 1989

Top Ten Films – 1988

United Kingdom			United States Of America		
Rank Film	Distributor	Origin	Film	Distributor	Origin
1. Fatal Attraction	(UIP)	US	Rain Main	(MGM/UA)	US
2. Crocodile Dundee	(UIP)	Aus	Who Framed Roger Rabbit	(Buena Vista)	US
3. Three Men and a Baby	(Touchstone/ Warner)	US	Coming to America	(Paramount)	US
4. A Fish Called Wanda *	(UI)	UK	Big	(20th Fox)	US
5. Coming to America *	(UI)	US	Twins	(Universal)	US
6. Good Morning Vietnam	(Touchstone/ Warner)	US	Crocodile Dundee	(Paramount)	Aus
7. The Last Emperor	(Col/Tri Star)	UK	Die Hard	(20th Fox)	US
8. The Jungle Book	(Disney/Warner)	US	Cocktail	(Buena Vista	US
9. Buster *	(Vestron)	UK	The Naked Gun	(Paramount)	US
10. Beetlejuice	(Warner)	US	Beatlejuice	(Warner)	US

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Top Ten Films – 1989

1. Batman	(Warner)	US	Indiana Jones And the Last Crusade	(UIP)	US
2. Indiana Jones And Last Crusade	(Paramount)	US	Who Framed Roger	(Touchston/Warner)	US
3. Lethal Weapon II	(Warner)	US	Batman	Warner)	US
4. Honey I Shrunk The Kids	Buena Vista	US	Rain Man	UIP	US
5. Ghostbusters II	(Columbia)	US	The Naked Gun	UIP	US
6. Look Whose Talking	(Tri Star)	US	Licence to Kill	(UIP)	US/UK
7. Parenthood	Universal	US	Lethal Weapon II	Warner	US
8. Dead Poets Society	(Buena Vista)	US	Twins	UIP	US
9. When Harry Met Sally	(Columbia)	US	Dead Poets Society	(Touchstone/ Warner)	US
10. Turner and Hoocj	(Buena Vista)	US	Cocktail	Touchstone/ Warner	US

Note Box to date up to Dec 3, 1989

Notes

1. *Denotes independent distributors who are not members of the MPEAA
2. The above information has been extracted from Screen Intrnational Magazine Issue of January 6th 1990

2. In their capacity as local agents, exhibitors are entitled to a commission, the quantum having been agreed on after a three way discussion involving the exhibitor, supplier and the NFC. In the event the NFC is unwilling to collect and pay the commission due to the agents, it could consider:-

A. paying the principals who in turn will settle with the agents, or

B. stop distributing such films to the outstation cinemas.

The combined agency commission that accrues to the local agents of MPEAA i.e. Ceylon Theatres and Liberty Cinemas Limited on the exhibition of MPEAA films in cinemas other than from Colombo release cinemas is only in the region of Rs. 600,000 annually. Payment of agency commission is an accepted business practice and is also declared for tax purposes.

3. The discretion to exhibit films should lie with the exhibitors who from experience are the best judges of the product they can market. The comments made in the last paragraph of Section 4 of this review should also be considered.

4. Having originally got Exhibitors to agree to a 5% commission to cover its expenses on Customs Duty and clearance charges on English language films, the NFC now demands an increased commission of 10% while at the same time refusing to handle the very tasks for which the commission was agreed on initially.The overall commission of 5% the NFC receives at present on films released is in excess of the overall customs

duty and clearing charges that the NFC incurs on these films." Table 7 of this review lists the MPEAA films released in 1990 indicating against each film the over-riding commission of 5% received by the NFC. A scrutiny of customs duty and clearing charges incurred by the NFC will reveal the unnecessary costs incurred by way of demurrage and transport.

5. The existing contracts clearly stipulate that any amendment must be by mutual agreement, hence the NFC's attempts to arbitrarily and unilaterally vary the terms and conditions is a clear violation. The MPEAA have indicated that such variation would be unacceptable to them.

It is unfortunate that the NFC only stresses on its income on overriding commission while choosing not to mention its substantial income (for no services) from the other components of the 'ticket price'.

Under the present arrangements the NFC gets:

A. 53% of the film levy from the very first day of exhibition with the exhibitor receiving 27% and the supplier of the film 20%.

B. 5% over-riding commission on the box office takings dependant on whether a film is classified as a 'special' or a 'non-special' with 80% of the films falling into the "non special" category.

(The NFC receives the 5% overriding commission on non specials from the 2nd week onwards. On specials the exhibitor pays film hire to the supplier for the first two or three weeks at percentages varying from 70% to 50%, based on a film's cost of production and box office potential, thereafter the share payable is 40% with the NFC receiving an overriding commission of 5% for the rest of the film's run).

C. Of the special levy of Rs. 2.00 the NFC gets Rs. 1.55 with the exhibitor receiving 45 cents. The comments made in Section 9 of this review elaborate further.

Comparative charts in appendices VII and VIII (based on the capacity of the Regal Cinema Colombo) illustrate the division of box office takings including the Utility Recovery Charge, Film Levy and Special Levy when the film hire payable to the supplier is 60%, 50% and 40% in the following scenarios.

A. Present terms (but before Special Levy imposed)

B. Following the Introduction of the Special Levy;

(i) under the present terms;

(ii) increasing the over riding commission to 10% from the opening day;

(iii) with the NFC appropriating the suppliers' share of the special levy.

It must be emphasised that as film hire payable to the supplier on "specials" is at times also 70% and 65% on the first one, two or three weeks, and Turnover Tax at 6% is on the gross receipts, the share accruing to the exhibitor **will be very much less than the percentages indicated** in these charts. It is clear that the share **already** accruing to the NFC with minimal investment and services on its part, is more than adequate and the NFC has no grounds to make further demands.

The revenue from a film ("ticket price") is shared among the exhibitor, distributor and supplier/producer on a predetermined percentage basis (excluding entertainment tax). This is the most equitable basis and is accepted international practice in Sri Lanka, however, **the "ticket price" consists of four components - Admission Rate, Utility Recovery Charge, Film Levy and Special Levy** - where the percentage share accruing to the three segments vary depending on each component of the overall ticket price. This deviation from the usual practice makes the sharing inequitable. The two

Table 4 **Estimated Annual Income & Expenditure By Type Of Cinema**

Particulars	Aircondition Colombo Rs.	Non Air Conditioned Colombo Rs.	Non Air Conditioned Outstation Rs.
Box Office Receipts	2,400,000	1,880,000	1,200,000
Utility Charges	420,000	240,000	280,000
Film Levy	300,000	280,000	240,000
Income	3,120,000	2,400,000	1,720,000
Film Hire	1,200,000	880,000	604,000
Film Levy	210,000	143,000	132,000
Overheads	240,000	148,000	120,000
Salaries and Wages	450,000	300,000	209,000
Bonus	37,000	25,000	17,000
Overtime	60,000	40,000	33,000
EPF	54,000	36,000	24,000
Trust Fund	13,500	9,000	6,000
Gratuity	18,750	12,500	8,500
Electricity	480,000	75,000	55,000
Repairs and Maintenance	150,000	100,000	60,000
Repairs and Maintenance Air Con	50,000	0	0
Printing and Stationery	24,000	15,000	12,000
Operating Room Expenses	50,000	60,000	40,000
Postage and Telegram	2,400	2,400	2,400
Travelling and Transport	12,000	18,000	14,000
Telephone	15,000	18,000	12,000
Turnover Tax	187,200	144,000	102,000
Rates and Taxes	125,000	55,000	15,000
*Depreciation	200,000	150,000	100,000
Insurance	24,000	16,000	14,000
License	2,500	2,000	1,000
General Expenses	12,000	12,000	1,000
Security Fees	60,000	30,000	30,000
Expenditure	3,736,350	2,492,000	1,645,900
Contribution of Film Exhibition	616,350	92,400	74,100
Refreshment and Bar Profits	250,000	250,000	120,000
Slide and Film Ad. Income	50,000	50,000	24,000
Other Income	20,000	15,000	15,000
Profit / (Loss)	(196,350)	222,600	233,100

Notes:

* 1. The annual depreciation charge would be much higher for new cinemas.

2. The special levy has not been taken into consideration in view of the dispute with suppliers.

Table 5

Rank	Theatre	Town	Collection Rs.	Rank	Theatre	Town	Collection Rs.
61	Jayanthi	Panadura	747,689	62	New Minerwa	Kalutara	741,778
63	Rex	Badulla	715,840	64	Gemunu	Wattala	714,168
65	Regal	Ambalangoda	709,509	66	Central	Matale	703,292
67	New Trivoli	N'Eliya	702,909	68	Sarasavi	Galle	700,027
69	New Cinema	Matara	688,308	70	Vijandra	A'pura	681,165
71	Tarzan	Kegalle	675,328	72	N. I. T.	Avissawella	686,932
73	Quinlon	Nugegoda	658,198	74	Broadway	Matara	657,795
75	Chandra	A'sawella	630,157	76	Zainstan	Colombo	630,019
77	S. K.	Matara	629,374	78	Jupiter	K'negala	627,720
79	Sigiry	B'arawela	617,214	80	New Cinema	K'negala	606,884
81	Jezima	Colombo	603,586	82	Eros	Colombo	592,904
83	Samudra	Wattala	584,316	84	Shamrock	W'puwa	580,901
85	Seedevi	Piliyandala	580,757	86	New Reka	Kaduwela	563,140
87	Ashok	Beruwela	556,817	88	Don Plaza	Kalutara	542,259
89	Windsor	Jaffna	540,482	90	Mipura	Negombo	537,529
91	Anura	A'tangoda	537,248	92	New Champika	Ingiriya	531,720
93	Wijeya	Badalkumbura	513,631	94	Nanda	Koswatte	509,420
95	Raja	Jaffna	506,607	96	Jayanthi	P'naruwa	503,750
97	Wijayanthi	Keduwela	500,247	98	A. S. G.	Elpitiya	487,243
99	Apsara	Homagama	632,992	100	Sigiry	Veyangoda	477,726
101	Pearl	Chilaw	472,736	102	Rani	Jaffna	471,376
103	Sri Lanka	W'puwa	455,240	104	Regal	Ampara	455,035
105	Wijeya	Ampara	457,394	106	Malekam	Kuliyapitiya	477,395
107	Modern	K'negala	445,840	108	Prisa	Kalutara	438,497
109	Dharshana	Koswadiya	436,462	110	Asoka	Horana	433,263
111	Regal	Diyatalawa	422,569	112	Sagara	Chilaw	417,434
113	Gamini	Minigama	405,616	114	Nanda	Jaela	399,688
115	Samodaya	Mawalagama	396,640	116	Wijitha	Hatton	383,852
117	Ethwil	B'wela	383,060	118	Lavinia	Nugegoda	381,691
119	Manohara	Jaffna	379,301	120	Swarnamalee	Mahawewa	378,530
121	Neela	Dankotuwa	371,300	122	Chitra	Kalutara	370,790
123	New Town	Embilipitiya	368,748	124	Chandani	Weligama	368,242
125	Sandya	Gampola	368,081	126	Dinusha	N'pitiya	365,046
127	Gankanda	Pelmadulla	359,950	128	Anada	Gampola	351,960
129	Liberty	Hatton	351,173	130	Lekha	Homagama	346,288
131	Midland	N'pitiya	347,541	132	Asoka	Puttalam	346,286
133	Jeewani	Alawwa	344,562	134	Wellington	Jaffna	342,542
135	Chaya	Hawanella	338,359	136	Sri Mahal	K'pitiya	332,300
137	Minneri	Hingurakgoda	326,970	138	Swarna	Galewela	326,047
139	Sarasavi	Alawwa	325,562	140	Piyakaru	Warakapola	315,047
141	Samupakara	Hingurankgoda	311,694	142	Mihira	Minigama	311,405
143	Nimali	Hanwella	308,012	144	New Vasaka	Embilipitiya	307,992
145	Minka	Passara	303,163	146	Wijitha	Maskeliya	302,984
147	Manel	Moratuwa	302,098	148	Princess	Hatton	297,792
149	Elight	Kochchikade	289,596	150	Gey Movieton	Dalugama	288,007
151	Vilasini	Wellampitiya	283,140	152	New Janaki	Matugama	283,040
153	L. S.	Uragasmanhandiya	281,574	154	Sandalanka	Sandalankawa	280,775
155	New Rohana	Tissamaharamaya	272,903	156	Samanala	Bagawanthalawa	271,110
157	N. I. T.	Yatiyantota	270,116	158	Ranjani	Padukka	265,324
159	Samga	Dummalasuriya	257,987	160	Dhanasiri	Warakapola	257,289
161	Hasalaka	Hasalaka	253,651	162	Sooriya	Welimada	253,351
163	Gamini	Matugama	238,055	164	Haran	Jaffna	237,995
165	Veenus	Mawanella	237,984	166	Hameediya	Madurankuli	235,403
167	H. R. Cinema	Dickwala	233,530	168	Tharanga	M' wangoda	232,989
169	Sriya	Wariyapola	231,745	170	Nimini	Ehaliyagoda	231,368
171	Liberty	Aluthgama	229,189	172	Central	N' pitiya	224,874
173	Pathma	Ratmalana	215,045	174	Shanthi	Medawachchi	210,967
175	Realto	Kalutara	205,723	176	Elphinstone	Colombo	205,759
177	New Indrani	Welimada	203,780	178	Thusitha	Deniyaya	200,759
179	Ruwan	Meththumagala	199,138	180	Rani	Kekirawa	193,079
181	Wins	Wadduwa	192,895	182	Rupika	Divulapitiya	191,950
183	Indrani	Narammala	190,822	184	Royal	Kahawatta	156,253
185	Harischandra	Kirindiwela	183,255	186	Jithy	Galaha	181,616
187	Belco	Beliatta	176,139	188	Wasan	Bellapane	173,732
189	Gemunu	Nittambuwa	183,585	190	Saliya	Ambalangoda	168,886
191	Samanala	Malsipura	168,532	192	Sudharshi	Anamaduwa	159,908
193	Mahaweli	Bibile	159,693	194	Champika	Pitigala	158,601
195	Samanala	Kuruwita	158,399	196	Regina	Walsmulla	157,829
197	Sujatha	Maho	151,772	198	Everest	Ruwanwella	140,749
199	Ruhunu	Tangalla	136,679	200	Thisara	Madampe	135,540
201	Newajothy	Galgamuwa	134,540	202	Vasanthi	Pussellawa	131,192
203	Diamond	Galadedara	130,590	204	Samara	Naththandiya	129,273
205	Gamini	Ehaliyagda	128,547	206	Crisantha	Bingiriya	127,329
207	Parakrama	Kegalle	124,637	208	Vasanthi	Vivuniya	124,565
209	Saratha	Galgamuwa	121,614	210	Vilasini	Kahawatte	118,008
211	Suranganie	Kochchikade	116,129	212	Royal	Vavuniya	115,913
213	Visaka	Dambulla	109,611	214	Kalyani	Rambukkana	104,129
215	Hsathi	Agunukolapelessa	103,927	216	Wallatine	Wethara	103,500
217	Sri Murugan	Vavuniya	102,459	218	Ranjani	Hettipola	102,176
219	Ranjani	Kadana	101,806	220	Deepa	Nivitigala	96,640
221	Dharshana	Akuressa	93,667	222	Weelington	Valchchanai	88,048
223	Nanda	Nikaweratiya	87,886	224	Lakshmi	Trincomalee	85,146
225	Jayamini	Nochchiyagama	83,998	226	Gemini	Regala	79,771
227	Indra	Pundaluoya	79,754	228	Sooriyamahal	Hambantota	77,696
229	Anura	Medirigiriya	77,484	230	Ganga	Yakkalamulla	76,611
231	*Anoma*	*Kantale*	*76,698*	*232*	*New Rex*	*Alawathugoda*	*75,615*
233	New Gem	Ragama	73,794	234	Saraswathi	Trinco	71,311
235	Eastern	Sammanthurai	69,296	236	Lichchavi	Aluthagama	68,761
237	Lakshmi	Nelliady	68,287	238	Lakmali	Ragala	67,634
239	Leo	Agrapathana	68,842	240	Rani	Kotmale	65,748
241	Indrani	Nikaweratiya	64,144	242	Rajeswari	Batticaloa	63,590
243	Wellington	Kantalai	60,546	244	Devendra	Chavakachcheri	59,468
245	Chandrika	Bandaragama	57,222	246	Subharajee	Batticaloa	56,468
247	Western	Udupussellawa	56,039	248	Sripali	Warakaopla	55,675
249	Kalyani	Athurugiriya	55,451	250	Abhaya	Huluganga	54,262
251	Shanthi	Jaffna	46,778	252	Pragash	Pundaluoya	46,080
253	Andrew	Trincomalee	45,869	254	Nahams	Chunnakam	44,134
255	Ridgeway	Mahabage	37,953	256	Lido	Jaffna	39,430
257	Easwaran	Killinochchi	38,405	258	Lanka	Wadduwa	35,604
259	Pauline	Pessalai	34,410	260	Astra	Katunayake	34,200
261	Nilantha	Kahatagasgiriya	30,404	262	Janthi	Rattota	28,758
263	Cresent	Putrialam	26,627	264	Shihara	Trinco	21,132
265	Parashakthi	Kilinochchi	20,300	266	Saradha	Kalawanchikudi	19,740
267	Vijeya	Batticaloa	19,437	268	Kamal	Deraniyagala	18,320
269	Regent	Rambukkana	17,986	270	Astra	Katunayake	17,000
271	Shanthi	chenkalady	16,634	272	Wasana	Hiripitiya	16,477
273	Aynn	Mannar	12,805	274	Kumaran	Mannar	12,679
275	Rajanayaki	K. K. S.	12,167	276	Lakshmi	Nelliady	10,760
277	Selvi	Pandithirippu	9,609	278	Wesley	Manipay	7,865
279	Yoganayaki	V. V. Thurai	8,385	280	Nahame	Mannar	5,699
281	P. T. S.	Kalutara	8,400	282	Yarl	K. K. S.	4,422
283	Lakmini	Warakagoda	3,406	284	Liberty	Atchuvely	3,345
285	Orchid	Hiripitiya	1,995	286	Saradha	Chenkalady	1,065
287	Sivajothy	Mullaitivu	745				
Total Grossings			Rs. 133,609,942				

components of the 'ticket price' which have been introduced ad hoc by the NFC, and which are also shared contrary to accepted international practice, are the Film levy and the Special levy.

The utility recovery charge of Rs. 1.50 on admissions to air conditioned cinemas and Rs. 1.00 on admissions to non air conditioned cinemas was imposed in mid 1982 and early 1983 with the benefit accruing to the exhibitor to offset escalating utility costs, particularly the increased cost of electricity. The local authorities, recognising the predicament of the exhibitor, exempted this charge from the payment of entertainment tax (international practice accepts that, by mutual agreement, the entirety of a particular charge of component of the ticket price may accrue to only one segment to meet a specific cost borne additionally by that segment alone). The equitability of this arrangement (in respect of the Utility Charge to meet the exhibitors' increased cost of electricity) has now been nullified by the introduction of the Speical Levy, as will be evident from the following:-

The film levy of Rs. 1.00 imposed on all admissions with effect from October 1986 does not attract entertainment tax on admissions to nationally produced films, whilst on admissions to imported films 25% entertainment tax is payable, thus reducing the film levy on this category of films to 75 cents. The film levy is shared as follows:-(See Table 6)

The Special Levy of Rs. 2.00 introduced in December 1989 by the NFC gave the exhibitor 45 cents, the balance Rs. 1.55 being payable to the NFC, Rs. 1.15 of this *Rs. 1.55 is passed on to the local producer*, and 40 cents is retained by the NFC. The NFC have advised exhibitors that this levy does not attract entertainment tax, but exhibitors have yet to receive confirmation from the respective local authorities.

This hire charge of Rs. 2.00 is applied to all admissions irrespective of the existing "ticket price" to the various classes or half rate and service tickets. The cinemagoer therefore is, in fact making an additional contribution to the NFC's coffers without receiving any additional benefits. Had the normal admission rate been

Table 6

	Exhibitor	Distributor	Supplier	Entertainment
			Producer	Tax
	Cts	Cts	Cts	Cts
Nationally Produced Films	30	10	60	nil
Imported English Language Rental Films				
- Release Cinemas	20	40	15	25
- Other Cinemas	30	45	**	25
Imported Oriental Films	30	45	**	25

** Although this levy was introduced in October 1988, the basis of sharing has yet to be agreed upon, the NFC has offered only 10 cents of the levy whereas the supplier has insisted on 15 cents in terms of their discussions with the NFC.

* The NFC being the sole importer of Tamil language films purchased on royalty basis, the suppliers' share also accrues to the NFC.

Table 7

Overriding Commission To NFC On English Language Films - 1988 & 1989

Title	Cinema	Supplier	Release Date	Box Office Gross	NFC Commisson 5%
Staying Alive	Liberty	PAR	01.01.88	172,162	3,579
Woman In Red	Regal	FOX	01.01.88	128,470	3,854
Butterfly Revolution	Central	CFL	01.18.88	20,715	2,459
Raw Deal	Liberty	CFL	01.18.88	332,741	8,035
Young Lady Chatterly II	Central	CFL	01.16.88	859,022	25,152
Fire Walker	Majestic	CFL	01.16.88	251,825	6,257
Hercules	Empire	CFI	01.16.88	102,565	1,241
Remo	Regal	FOX	01.22.88	70,527	1,716
Fx Murder By Illusion	Majestic	FOX	01.27.88	177,832	8,331
Club Paradise	Liberty	WB	01.29.88	13,087	6,331
Two of A Kind	Regal	FOX	02.05.88	37,960	1,955
Violent Street	Empire	UA	02.05.88	9,861	0
Hard Knocks	Empire	STR	02.10.88	40,021	904
Murphy's Romance	Empire	COL	02.12.88	17,517	0
White Roses For My Coloured Sister	Regal	STR	02.12.88	20,625	0
Girls For Rent	Central	SI	02.17.88	326,587	8,813
Out of Africa	Liberty	UNIVERSAL	02.19.88	117,505	2,177
The Ice Pirates	Empire	MGM	02.19.88	16,890	0
Moving Violations	Regal	FOX	02.19.88	47,780	1,254
Give My Regards To Broad Street	Majestic	FOX	2		
Jagged Edge	Regal	COL	02.24.88	63,615	1,605
Burglar	Liberty	WB	02.24.88	39,071	0
Platoon	Majestic	FOX	02.24.88	848,079	3,1005
Stuck on You	Empire	DGT	02.27.88	112,025	3,151
Black Cauldron	Empire	WB	02.26.88	39,231	591
Brewster Millions	Liberty	UNIVERSAL	03.03.88	67,773	1,822
Live And Die In La	Majestic	UA	03.04.88	393,381	11,546
Living Daylights	Regal	UA	03.04.88	597,907	16,200
Pickup Artist	Regal	FOX	03.10.88	50,413	0
Police Academy	Liberty	WB	03.11.88	141,709	1,835
Jim Kale	Empire	MGM	03.11.88	39,150	2489
Beverly Hills Cop II	Liberty	PAR	03.17.88	808,663	6,128
Raising Arizona	Empire	FOX	03.17.88	14,963	0
Girl From India	Empire	DGT	03.24.88	51,611	1,227
Heartbreak Ridge	Central	WAO	03.31.88	27,894	2,428
Evenstar	Central	WB	04.01.88	184,787	8,719
Witness	Liberty	PAR	04.02.88	676,571	2,074
Quick Silver	Empire	COL	04.02.88	20,570	0
The Crazy Jungle Adventure	Empire	CLF	04.07.88	63,496	1,074
Extreme Close Up	Empire	STA	04.05.88	180,408	4,905
Fantasia	Majestic	WR	04.15.88	41,395	0
Delta Force	Liberty	CPI	04.15.88	804,100	38,240
Friday The 13th Part II	Central	PAR	04.21.88	23,267	0
Karate Kid Two	Majestic	COL	04.22.88	177,051	8,725
Bad Medicine	Empire	FOX	04.26.88	84,544	453
Best Defence	Central	PAR	04.26.88	15,617	0

increased by Rs. 2.00 on which Entertainment Tax of 25% (or 50 cents) would have been payable the exhibitor's share would have been 75 cents, the balance 75 cents being shared by the supplier and the NFC. The basis of sharing the Rs. 1.55 payable to the NFC by exhibitors on admissions to other language films procured by the NFC on rental terms was not agreed upon at the time fo the imposition of this new hire charge. Agents representing suppliers of films on rental terms and suppliers have protested and made submissions with regard to the apportionment of this special levy.

The overall basis of dividing the various components of the "ticket price" when film hire to the supplier is 60%, 50% and 40% of the admission rate is illustrated in Table 8 and Table 9 the basis of sharing the Utility Recovery charge, Film Levy and Special Levy is as stated earlier in this section. The observations on these appendices are as follows:-

1. Prior to the imposition of the special levy the exhibitors' share of the "ticket price" when the film hire payable to supplier was 60%, 50% and 40% was 47.10%, 54.96% and 58.94% respectively.

2. The NFC's share of the "ticket price" prior to the impositon of the special levy was 4.04% when the film hire to the supplier was 60% and 50% and 7.98% when the film hire payable to the supplier was 40%.

3. Consequent to the introduction of the special levy the share accruing to the exhibitor when the film hire payable to the supplier is 60%, 50%, and 40% declined to 42.96%, 49.53% and 52.82% respectively.

4. The share accruing to the NFC following the introduction of the special levy increased from, 4.04% when the film hire payable to the suppliers is 60% and 50% to 6.71% (over 66.09%) and when the film hire payable to the supplier is 40% it increased from 7.98% to 10.00% (over 25.31%)

5. In terms of the proposed increase in the over-riding commission the exhibitors' share of the "ticket price" when the film hire payable to supplier is 60%, 50%

and 40% drops drastically to 36.40%, 42.97% and 49.54%; when turnover tax is also taken into consideration the share accruing to the exhibitor is only 30.40%, 36.87% and 43.54%. The NFC's share under the proposed arrangements further increases to a constant 13.28%.

6. The NFC's attempts to increase its share from 4.04% and 7.98% to a constant 13.28% an increase of approximately 228% and 66% without any input on its part (the exhibitor now being called upon to bear customs duty and clearance charges) will be a crippling blow to exhibitors and will prove counter - productive, in that the cinemas which have been the NFC's major sources of revenue will opt out of the industry in favour of other business avenues offering a more realistic return on capital investment.

7. The inequitability and unfairness of the NFC's attempt to appropriate for iteself, the percentage of the "special levy" which is rightfully due to the suppliers is evident from the fact that 22.94% of the "ticket price" accrues to the NFC (without any investment on its part) leaving only 40.66%, 34.09% and 27.52% for the supplier of the film when film hire payable is 60%, 50% and 40% respectively.

8. The disparity of the division is further amplified if half rate and service tickets are taken into consideration. In Table 9 where, for purposes of illustration of this disparity, the capacity is computed at half rates and the division applied, the unfairness is crystal clear. A norm can be struck by considering 10% of the admissions at "half rate" ticket prices and the balance at "full rate".

At the risk of being repetitive it must be reiterated that the contribution (in excess of Rs. 25,000 per month) to the NFC by cinemas releasing English language films in Colombo is, in relative terms, much higher than the contribution of any other individual cinema in the rest of the country. This contribution is without the provision of any service by the NFC unlike in the case of other cinemas. The NFC's own statistics on its income from Distribution, Commission, Film Levy and Special Levy will establish the veracity of this assertion.

Table 8

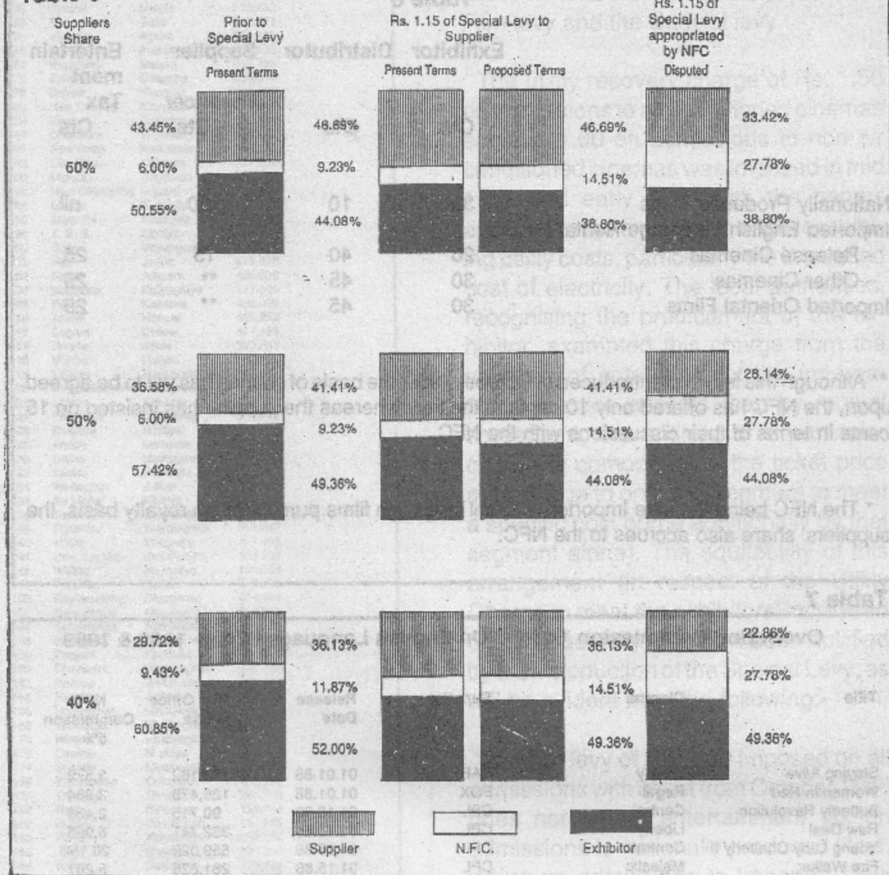
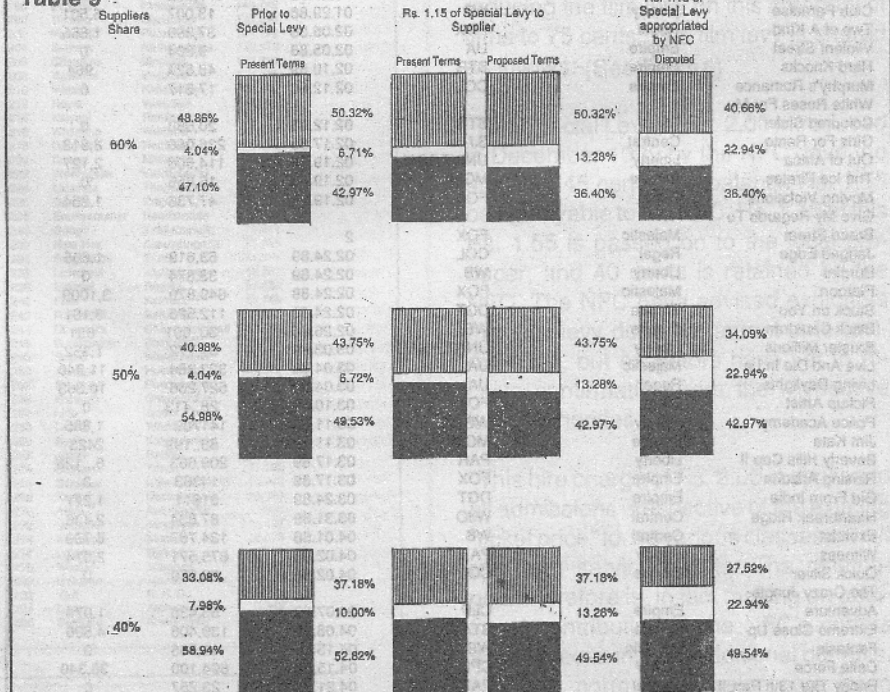


Table 9



The NFC's allusion to "the plight of the Corporation" is admission enough that the NFC is a continuing and annually increasing burden on the public purse. While cinema exhibitors and the NFC are agreed on that, where they clearly differ is on how to resolve the problem of the NFC's rising and recurring losses.

It is the exhibitor's considered view that no useful purpose will be served, even in the short term, by the NFC attempting, as it were, to sweep its losses under the carpet and maintain a facade of exemplary management simply by tightening its stranglehold on a cinema industry that is already financially battered.

The NFC must examine critically and anew those of its operational areas causing its massive annual losses and endeavour to put its house in order without delay. There can be no substitute for prudent financial management in all spheres of human activity, even organised charities, when run properly and well, are invariably managed like a business venture.

The NFC's decision to vary terms and conditions only for 9 of the approximately 250 cinemas in the Island, with all other cinemas continuing with unaltered terms other than of course the film levy and the special levy (both of which were applicable to all cinemas), confirms that they are under a mistaken impression. Had the NFC responded to the exhibitors' offers to provide it with complete details on the operation of cinemas, the NFC would not have sought any variation in the existing arrangements.

The principal causes of the present shortage of films which has deprived the movie going public of the entertainment it has a right to expect are:-

A. The NFC's non payment of long outstanding dues to the MPEAA member companies, resulting understandably in the MPEAA stopping further shipment of films on contracts already approved by the NFC.

B. The arbitrary introduction of the special levy by the NFC and its unilateral variation of terms and conditions, which prompted MPEAA member Companies to direct that their films not be released for screening.

C. The NFC's failure to approve four contracts for 1989 covering 33 films concluded with Columbia Pictures Industries Incorporated, MGM/UA Communications Company, Universal International Films Incorporated and Paramount Pictures Corporation although contracts covering 42 films from 20th Century Fox International Corporation, Buena Vista International, Orion Pictures Corporation and Warner Brothers International for the same period were earlier approved by the NFC.

Although the NFC has announced that the import of English language films has been liberalised no private sector exhibitor has yet imported any films on the NVC's revised terms and conditions; put simply, the importation of films on the new terms is no longer a business proposition. When other state sector monopolies were liberalised the private sector was quick to move in and seize all available opportunities because the liberalisation was not accompanied by restrictive and/or prohibitive terms and conditions, as the cinema Industry is faced with today.

The NFC's proposal to revise terms and conditions for 9 Colombo cinemas, coming on top of the Special Levy of Rs. 2.00 imposed by the NFC as recently as December 1989, which adversely affected the exhibitors' share of income, will make operation of these cinemas unviable. Equally important is the exhibitors' view that the proposed revisions cannot prove to be a permanent panacea for the NFC's numerous shortcomings, and is nothing more than another example of ad hoc policy changes which can only result in a deepening of the crisis that the NFC and the cinema industry both find themselves in today.

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This review reiterates that the continued monopoly by the NFC on the import and distribution of films runs counter to the Government's accepted and oft-reiterated principle of not having the State sector encroaching on what is essentially and exclusively the preserve of the private sector.

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mangoes (from Moneragala, Middeniya, Hambantota, Walawe) passion (from Yatapatha and the periphery), papaya (from Uda Walawe) production of dried fruits from papaya, lime, lemon, banana, manufacture of manioc starch are other agro-based industrial possibilities.

(C) Manufacturing Industries

Manufacture of Yatches, shipbuilding, assembly of micro electronic items like TV's, radios, videos, telephones, computers (the micro chip based information industry), garments, textile finishing and printing, scooter, cha lly, motorcar, lorry, buses, two wheel tractor assembly and foundry industry are possibilities. Pharmaceutical manufacture is yet another possibility.

(D) Service Industries

Offshore banking, ship service, information including software exports, printing of books and publications for exports are some of the many service industrial facilities that can be attracted.

9. Conclusion

Before looking outwards to the West or Near East, KEPZ authorities must encourage the small, medium and large local entrepreneurs who are from the South to invest in the KEPZ. An identification of investment opportunities at KEPZ and identification of successful local entrepreneurs and linking them with joint venture partners abroad who have technology, markets and managerial expertise through an Investors Forum as the UNIDO did in Fiji in 1984 for South Pacific countries would be a very successful first step. Instead of Sri-Lankan representation going abroad to seek investors, it is best that we prepare project profiles, train local entrepreneurs and bring foreign investors to an Investors Forum after wide publicity through our missions abroad and through the UNIDO. This would be a more pragmatic investor promotion approach than spending much exchange to get small results as was the case in the past.

Life Assurance as a Form of Investment for an Individual – A Case Study

By Indra Abeysekera

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I. DEVELOPMENT OF LIFE ASSURANCE

In the middle ages, according to extant records, loans of the type known as "bottomry" and "respondentia" were made use of to hedge the burden of the risk in general commerce. Evidence from Babylon also shows that contracts similar to bottomry was known to merchants in that country and originated with the expansion of commerce as far back as 4000-3000 B. C. Evidence from India also shows that "bottomry" was practiced by Hindus in 600 B. C.

In this type of contract the money lender will lend money to the merchant at a higher interest rate than the market interest rate and the merchant will pledge the cargo and the vehicle (ship) as security. If the goods and the vehicle (ship) pledged are destroyed then the money lender will stand to lose. Since the lender assumed the risk of loss the borrower enjoyed the benefit of contract. In fact the lender has provided the borrower with Insurance protection.

In ancient Greece, this concept was used for maritime loans as early as the fourth century B. C. This same form of loan agreement was used by Romans on maritime loans in the middle ages and later this spread to Europe. This practice represented the seed of modern insurance contract.

The concept of Life Insurance originated in ancient Rome. The first evidence of this is The Collegia tenuiorum, a guild organization for free wage earners & slaves, which provided a fund to bury its members. The principle source of income for the society was a system of monthly dues to the fund. This Guild was the forerunner of modern Life Insurance.

The Guilds which later came into existence in Middle Ages made disbursements on specified disasters such as fire, flood and robbery, in addition to the payments made at burial.

The first Life Insurance organization was established in the USA when the Presbyterian Ministers' Fund was granted a charter from the Province of Pennsylvania in 1759. For some time this company engaged in writing annuities for clergymen. Ten years later similar companies were set up in New York, New Jersey and Pennsylvania for the benefit of Episcopal Clergymen. Later more and more companies were set up to underwrite Life Insurance. The stability and security of the life underwriters were by and large judged by the underwriters paid up capital. The epidemics of smallpox, diptheria and other diseases provided an impetus for the growth and expansion of Life Insurance as a business venture in the USA. In 1809, the Life Insurance companies further with the introduction of a number of innovations such as the requirement of an application and medical examination to determine the premium payable based on the age of the applicant. Still by 1800 the number of 100 policyholders largely due to lack of understanding of the benefits that can be derived from obtainment of a Life Insurance. At a later point of time, Bubble companies were organized and frauds were practised by criminals. People began to look at Life Insurance with suspicion. The control and supervision of the business were lacking. In 1837 the General Court of Massachusetts passed a law requiring Insurance Companies to maintain a fund adequate to reinsure all outstanding contracts (this is the forerunner of today's unearned premium fund). In 1851 in the state of New Hampshire legislation was enacted to establish the first board of Insurance Commissioners. Later such enactments spread to other states in the USA. With more control by the government through legislation and supervision, Life Insurance began to gain acceptance and popularity among the general public. The life assurance policy contracts were liberalized and supplementary benefits such as disability and hospital expenses cover were attached to make schemes more attractive.

Following the revolution in 1917, insurance was nationalized in the USSR and is now being administered by the organization called Gosstrakh. Personal life insurance coverage is available but on a voluntary basis. By 1959, over 10 million people were reported to have obtained life insurance.

Insurance in Japan is mainly in private hands although government agencies write insurances such as crop, livestock, forest fire, fishery, export credit, accident and health, sales credit as well as social security. The rates of premia are controlled by voluntary rating bureaus so that they are' reasonable and non-discriminatory'. In 1968 Japan ranked as the second in the total life insurance in force.

In Sri Lanka, prior to the year of 1962, life insurance was underwritten entirely by the private sector. Companies incorporated outside Sri Lanka were also allowed to underwrite life insurance. However in 1962 insurance business was nationalized and Insurance Corporation of Sri Lanka (ICSL) was formed. In 1980 National Insurance Corporation (NIC) came into existence with a view to introduce competition and a better service. The NIC carried out business through eight principal organizations which were private sector institutions. These eight organizations are (i) Aitken Spence Ltd. (ii) Carson Cumberbatch Ltd. (iii) Whittal Boustead Ltd. (iv) Mercantile Credit Ltd. (v) James Finlay Ltd. (vi) Protection and Indemnity Ltd (vii) Ackland Finance Ltd. and (viii) Ceylinco Ltd.

It was the view of the Government that if the private sector is allowed to underwrite insurance business, the quality and efficiency of service provided can be enhanced further. As a result the Control of Insurance Act (Amendment) of 1987 was enacted by statute outlining strict conditions to protect the investing policyholder.

As a result of the private sector being allowed to underwrite insurance business three private companies were incorporated in Sri Lanka under the Companies Act of 1982. They are (i) Union Assurance Ltd. (UAL) (ii) CTC Eagle Insurance Company Ltd. (CTC) (iii) Ceylinco Insurance Company Ltd. (CEY).

UAL is a consortium set up by Aitken Spence Ltd., Carson Cumberbatch Ltd., Mercantile Credit Ltd., & Whittal Boustead Ltd. The major shareholders are the members of the consortium, Merchant Bank of Sri Lanka, IFC, ADB & the general public. As at present no technical collaboration is established for life insurance. The reinsurance is done with Munich Reinsurance of Germany.

The major shareholders of CTC are Ceylon Tobacco Company Ltd., James Finlay Company Ltd., and the general public. The technical collaborator is Eagle Star Company of UK. The reinsurance is placed with Victory International Special Reinsurance of UK.

CEY is a member of the Ceylinco Group of companies. CEY is the first Sri Lankan Insurance Company and came into being in 1939 with the name of Ceylinco Insurance Company Ltd. No technical collaboration is established for life insurance. The reinsurance is placed with Mercantile and General of UK and Francona of Switzerland.

All the three companies are quoted in the stock exchange. Along with the three companies, the two state owned corporations in the business of insurance create a competitive market.

ICSL and NIC function independently. Both have not retained any technical collaborator on life insurance. However NIC places their reinsurance with ICSL. ICSL reinsures with Swiss Reinsurance Company of Switzerland.

II. ROLE OF LIFE ASSURANCE

2.1 Life Assurance vs. Other Classes Of Insurance

Both Life Assurance and Insurance can be considered as a form of seeking monetary compensation in the event of a loss or damage to life, if the loss or damage to the life insured takes place within the granted period of protection. Life Insurance is defined as "a contract by which the insurer, for a certain sum of money or premium proportioned to the age, health, profession, and other circumstances of the person whose life insured engages that if such person shall die within the period limited in the policy, the insurer will pay the sum specified in the policy, according to the terms thereof, to the person in whose favor such policy is granted."

However to make Life assurance schemes more competitive and more attractive to prospective policyholders, various other benefits are added on to the basic coverage of protection. Today, in addition to the basic coverage against death one can also elect compensation against total and permanent disablement, waiver of further investment of premium in such a situation, against partial disablement.

Life assurance differs from other classes of insurance (general insurance) in several ways. These differences are outlined in a broader sense though they are not clear cut.

(a) In Life Assurance the insured agrees to invest a certain sum of money periodically (generally monthly, quarterly, half-yearly or yearly) for an agreed period of time; and during this period if the insured dies then the nominee of the insured will be awarded with a guaranteed sum of money. If death does not take place during the specified period, the money invested is normally returned with an added interest.

General Insurance, normally does not compensate for the loss of life. If it does then in such cases the premium is not refunded at the expiry of the policy if the policyholder is alive.

(b) Life assurance policies are normally contracted for a period of more than one calendar year (However there are Life assurance schemes which are effective only for a period as short as one calendar year though such schemes are not so popular).

General Insurance schemes on the other hand are effective only over one calendar year but they should be renewed every year.

(c) It is an accepted norm that no specific value can be placed on a given life. The sum that is assured on a life is hence decided by the prospective policyholder (unless the Life scheme has placed an upper limit).

In general Insurance, compensation obtainable is automatically limited to its market value or to its reinstatement value.

(d) Life assurance compensates against death and is a contingent liability and not a contractual liability. Therefore Life assurance is not a contract of indemnity. General Insurance on the other hand is a contract of indemnity. Perhaps it is for this reason that insurance of lives is known as Life Assurance and not as Life Insurance.

2.2 How Life Assurance Schemes Work

An individual can chose to enter a life assurance scheme virtually at any given age. Each scheme has its unique characteristics which distinguishes it from the other schemes. However Insurance Organizations normally do not entitle a minor to enter into a Life assurance scheme. The upper age limit varies depending on the life scheme but normally does not exceed 65 years of age.

The sum payable in the event of a loss of a life due to natural causes (natural death) is known as the 'Sum assured' (or basic coverage). A natural death is defined as any form of death except by accidental death. Accidental death is described as loss of life occurring at an unexpected time at an unexpected place under unexpected circumstances.

The prospective when he has decided to enter into a Life Assurance scheme, should invest a sum of money regularly in advance. The sum of money the policyholder has to invest is known as the "Premium". This investment can be made monthly for each given month, quarterly for each given quarter, six monthly for each given half-year or annually to cover a period of twelve months. The frequency of investment that is to be made is known as the "mode". Normally the premium payment made yearly, is lower than the annualised half yearly investment and the annualised half yearly investment is lower than the annualised quarterly investment and the annualised quarterly investment is lower than the annualised monthly investment. The premium sum varies depending on the sum assured, required, term elected, age, status of health and the type of the scheme.

Entering into a scheme commences with the signing of a presented form given by the insurance organization which acts as a contract between the client and the Insurance Organization. Insurance Organization in return issue a certificate detailing the conditions of agreement. This is called a Life Assurance 'Policy'. The holder of such a policy is known as the Policyholder (insured). Once the policy is issued by the Insurance Organization to the Policyholder, the contract becomes valid and the Insurance Organization undertakes to bear the risk of the policyholder, as defined by the policy. The policy terminates with either the death of the policyholder during the term of the policy or at the expiry of the term, or in the event that the policyholder does not keep the commitments.

For a Life Assurance scheme to work in practice, several individuals should contribute to the Life Fund. Since death is a contingency and is based on probability (chance). The premium chargeable on a given individual is computed in such a way so that the Life Fund generally does not get depleted at any point of time, once a minimum number of individuals have entered a given scheme.

In the long run an operation of a Life Fund can be shown as follows:

premium paid to date + interest yielded on premium
= death claims+bonus declared+surplus profits to the Co.

Under most of the schemes, money invested is refunded with an interest to the policyholder if he is alive at the end of the term of the policy. This is called the 'Maturity Value'. In certain other schemes the maturity value is paid to the policyholder in installments at defined intervals during the policy term.

In most of the schemes offered by the Insurance Corporation of Sri Lanka (ICSL), National Insurance Corporation (NIC), Ceylinco Insurance Company Ltd., the basic sum assured (in the event of a natural death) is equal to the maturity value of the policy. However in the schemes offered by CTC Insurance Company Ltd. (CTC), the sum assured is greater than the maturity value.

CTC has two maturity values. One is called the Guaranteed maturity value and the other is called the Illustrative maturity value. Guaranteed maturity sum is the sum that is guaranteed to the policyholder under any circumstances. Illustrative sum is the sum of money CTC Insurance Co. Ltd., attempts to award the policyholder.

However there are exceptions to the rule. In the Treble Benefit Scheme offered by ICSL, in Multi Benefit Assurance Scheme offered by NIC and in the Five Benefit Scheme offered by CEY, guaranteed twice the maturity value as that of the sum assured on a natural death and the sum assured on an accidental death is thrice the maturity value. The following illustration describe sums payable under various hypothetical events, for the said schemes.

Pure Endowment Schemes on the other hand refund only the premium in the event of a loss of life but at the end of the term of the policy shall pay the assured sum (which is the maturity value in this case).

When an Insurance Organization makes profits, a part of the profits is sometimes passed on to the policyholders. This share of the profits that is to be passed on to the policyholders is called 'Bonus' and is decided by the Board of Directors. The policyholders do not have any right to decide on the bonus. When such bonus is

Table II-1 Relationship Between Sum Assured & Maturity Value (Exception1)

Event	Sum Awarded (Rs)
1. Loss of life by natural causes during the term of the policy	= 2* Maturity Value
2. Loss of life by accidental causes during the term of the policy	= 3* Maturity Value
3. Survives till the end of the end of the term of policy	= Maturity Vaue

Table II-2 Relationship Between Sum Assured & Maturity Value (Exception 2)

Event	Sum Awarded (Rs)
(1) Loss of life by natural causes during the term of the policy	X* (1.05)n / (1.05)n
(2) Loss of life by accidental causes during the term of the policy	X* (1.04)n / (1.05)m
(3) Survives till the end of the	= Maturity Value
M=term in yrs. n=term year in which the event take place	

Table II-3 Relationship Between Sum Assured & Maturity Value (Exception 3)

Event	Sum Awarded (Rs)
(1) Loss of life by natural causes during the term of the policy	Premium refunded
(2) Loss of life by accidental causes during the term of the policy	Premium refunded
(3) Survives till the end of the end of the term of policy	= Maturity Value (Sum Assured)

paid it is credited to the maturity value of the policy. However a given Life Assurance scheme should qualify to receive bonus payments, since all schemes do not qualify to receive bonus payments.

2.3 Extent of Protection Offered

To make Life assurance schemes more attractive, in addition to the basic death coverage many schemes offer additional benefits that can be selected by a policyholder. For example a policyholder can select a multiple of the basic sum assured in the event of an accidental death; compensation against total and permanent physical disablement; to waive any further investment of premium while maintaining the benefits of the scheme till the end of the term of the policy during a total and a permanent disablement; compensation against partial physical disablement. Certain other schemes offer to pay a regular sum (like a monthly salary) to the nominee of the policyholder (ex. family) after the policyholder's death. There are still other schemes where one could elect compensation against partial disablement.

A number of benefits available in the market are outlined below:

A. Natural Death Benefit

A natural death is defined as a loss of life due to natural causes (other than accidental death). In these circumstances, only the basic sum assured is paid.

B. Special Term Rider

Here the nominee of the policyholder can ask for compensation equal to twice or many fold the basic sum assured if he dies naturally during the term of the policy.

C. Accidental Death Benefit

An accidental death is described as a death occurring at an unexpected time, place, in a manner and the policyholder succumb to death within three months after the incidence. The sum assured under an accidental death is at least the basic sum assured. The policyholder may elect for a higher death benefit.

D. Total and Permanent Disablement Benefit

Total and permanent disablement is described as loss (or dysfunction) of both legs above the ankle, or loss of both arms above the elbow, or loss of eye sight in both eyes, or a combination of loss of one eye or leg or an arm. The loss (or dysfunction) should be due to an accident and not due to a disease.

If the policyholder elects total and permanent disablement cover as an additional cover such a policyholder shall be guaranteed with an amount equal to the sum assured which is an extra payment made in addition to the sum assured. This extra sum is normally paid in equal installments over a ten year period. If the term of the policy expires before the lapse of ten years, the balance sum of money due will be paid with the maturity sum payable to the policyholder at the end of the term of the policy.

E. Waiver of Premium Benefit

When a policyholder becomes totally and permanently disabled, it is understood that that persons earning capacity may reduce drastically and perhaps that policyholder will not be able to pay the premium due in the future and enjoy the benefits provided by the policy.

If a policyholder elects the waiver of premium benefit and in the event of a total and a permanent disablement that policyholder will not have to pay the premium due to continue with the policy after such disablement. However the policyholder will enjoy the benefits provided by the policy as before the occurrence of disablement. It should be noted that the Waiver of premium benefit can only be elected against the total and permanent disablement (not against partial disablement).

F. Partial Disablement Benefit

Here, compensation is paid when the policyholder becomes partially disabled as a result of an accident. Compensation provided for the following categories of disablement and the sums awarded will be as follows;

Table II-4 Sum Assured on partial Disablement

Event	Sum Awarded (in Rs)
of either arm	70% of basic sum assured
of either hand (at or above the wrist)	50% of basic sum assured
of either foot (at or above the ankle)	50% of basic sum assured
of sight in either eye	50% of basic sum assured

The partial disablement cover is offered by only one Insurance Organization in Sri Lanka (i.e. Ceylinco Insurance Company Ltd.). This additional benefit can be selected in any of the policies offered by Ceylinco Insurance Co. Ltd.

If a policyholder wishes to enjoy the benefits provided by the policy after the partial disablement the policyholder will have to continue paying the premium till the end of the term of the policy. No waiver of premium can be elected.

G. Family Income Benefit

Certain Life Assurance schemes agrees to pay a sum of money monthly or quarterly to the nominee of the policyholder in the event the policyholder dies within the term of the policy.

In addition to the basic benefit (i.e. basic sum assured in the event of a death), other supplementary benefits can be elected in single or in combination, if a given scheme is tailored to offer such benefits.

It is observed that a fair number of life assurance schemes offer Accident Benefit, Total and permanent desablement benefit, Waiver of premium benefit, as supplementary benefits.

The supplementary benefits offered are specific to a given scheme. In many of the schemes each supplementary benefit will be granted only up to a certain maximum age stipulated by the scheme (ex. 65 years of age). Thereafter that supplementary benefit lapses automatically and the policyholder will not be entitled to enjoy that given benefit any further. Some schemes may not offer supplementary benefits at all.

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PRIMARY HEALTH CARE IN SRI LANKA

Dr. Marcus Fernando

In 1977 the Thirtieth World Health Assembly decided that the main social target of governments and the WHO in the coming decades should be "the attainment by all citizens of the world by the year 2000 of a level of health that will permit them to lead a socially and economically productive life".

In 1977 the government pledged itself to "restore the high standard of health care and disease prevention that existed earlier, and make further improvements in our health services, particularly in the rural areas through both Ayurvedic and Western systems". This commitment was further strengthened when in 1980 the government signed the Charter for Health Development with the World Health Organisation, thereby formally endorsing the concept of "Health for all by the year 2000" with Primary Health Care as the key approach.

Primary Health Care is essential health care based on practical, scientifcally sound and socially acceptable methods and technology, made universally accessible to individuals and families in the community, through their full participation, and at a cost that the community and country can afford to maintain at every stage of their development in the spirit of self reliance and self determination. It forms an intergral part of both the country's health system of which it is the central function and main focus, and of the overall social and economic development of the community. It is the first level of contact of individuals, the family and the community with the national health system bringing health care as close as possible to where people live and work, and constitutes the first element of a continuing health care process.

The government provides health care free of charge to the entire population of Sri Lanka through a network of over 900 institutions scattered throughout the country and a cadre of about 40,000 health personnel. The services provided are curative and preventive. Preventive services are provided by the Medical Officers of Health through their field staff by home visits and through ante-natal, well-baby and Family Planning Clinics. Curative services are provided through a variety of institutions ranging from visiting stations to base and provincial hospitals. Prevention and control measures in relation to malaria, filaria, leprosy, sexually transmitted diseases and respiratory diseases (T. B.) are carried by vertically organised special campaigns.

Significant progress has been made in improving the health status of the people in Sri Lanka during the last four decades as indicated by the indices for infant mortality, maternal mortality and crude birth and death rates.

Infant Mortality	19/1000 live births
Maternal Mortality	0.6/1000 live births
Crude Birth Rate	21/1000 population
Crude Birth Rate	6/1000 population

While these indices are encouraging, these national averages tend to mask the numerous deficiencies that exist in the present health system. Some of these deficiencies are:-

* Lack of pure water for drinking, to a majority of the people.

* Lack of proper sanitation.

* Prevalence of malnutrition, both chronic and acute.

* Inadequate attention to risk groups.

* A weak referral system.

* A wide gap between service providers and the people.

* Prevalence of communicable diseases such as malaria, dengue, diarrhoea, infective hepatitis, dysentry etc.

* Increase in non communicable diseases.

* Rapid increase in population.

* Absence of coordination between preventive and curative services.

* Underutilization of services and institutions.

* Lack of manpower.

* Uneven distribution of health resources.

* Overemphasis on curative services.

* Lack of community participation.

* Increasingly complex nature and cost of health care.

Inability of the health care delivery system to provide the basic health care needed by the individual or family warranted a radical change in the existing health system and a draft proposal for PHC emphasized a change in strategies.

The corner stones of these strategies were as follows:-

(a) The establishment of a National Health Development Network to ensure intra-sectoral and inter-sectoral coordination for health development activities.

(b) Decentralization of health administration.

(c) Identification and prioritization of PHC components for implementation.

(d) The development of an implementation model for subsequent application on a national scale.

The main objectives of thes strategies are:-

(a) To strengthen peripheral health services with increased reliance on community participation and promotion of self reliance.

(b) Guarantee a basic package of health care to all people which consist of 17 areas of activity:-

1. Proper and adequate nutrition.
2. Safe water.
3. Basic sanitation and hygiene.
4. Maternal care.
5. Child care with emphasis on the infant and pre-school child.
6. Family Planning.
7. Immunization.
8. Prevention and control of common communicable diseases.
9. Prevention and control of common non communicable diseases.
10. Appropriate and early management of common minor ailments and injuries.
11. Simple rehabilitation.
12. Mental Health.
13. School Health.
14. Oral Health.
15. Occupational Health.
16. Prevention of Blindness and Visual Impairment.
17. Health Education and community organisation for PHC.

(c) Promote integrating preventive and curative services.

(d) Promote better utilization of peripheral institutions.

(e) Promote cooperation between health and other services.

The Model for Delivery of Health Services by the Ministry of Health. See Figure 1

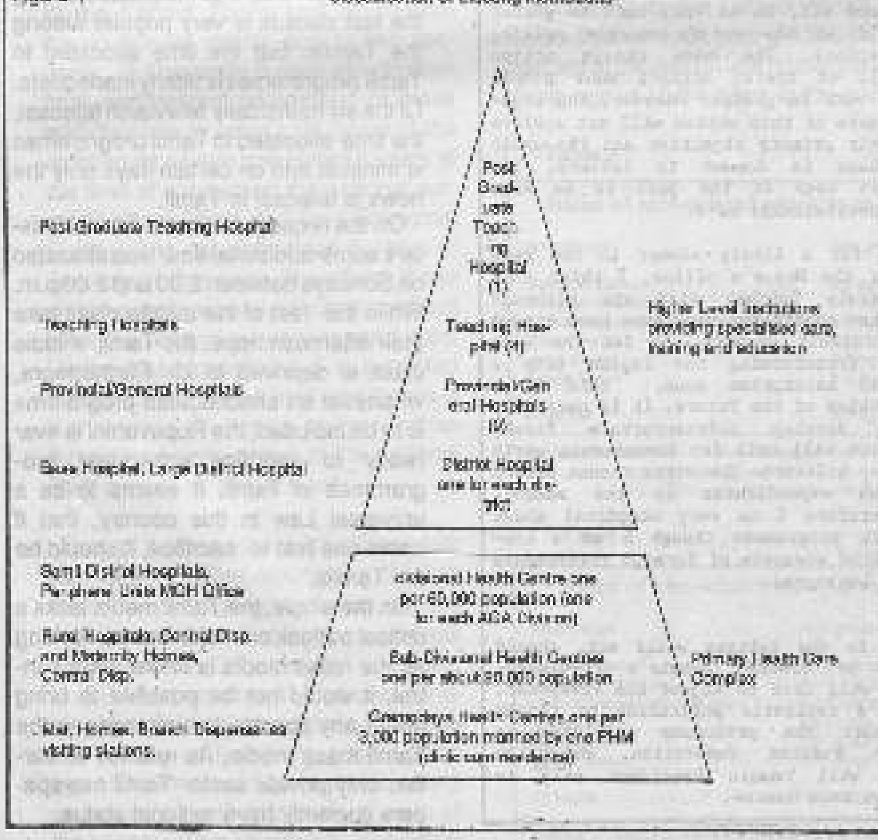
(a) At the base of the pyramid will be the Gramodaya Health Centre, headed by a midwife, one for each Grama Sevaka area. The Public Health midwife (Family Health Worker) will be one of the first points of contact for the people with the health care delivery system and will provide a comprehensive package of primary health care services as described above and determined by her level of training and competance. The gramodaya Health Centre will receive adequate referral, managerial and logistic support from the higher levels. This basic functional unit of the Gramodaya is responsible for delivery of health services to an average population of 3000. The Public Health Midwife will reside in her area. It is planned to provide all public health midwives with residential quarters and a clinic room.

(b) Above the Gramodaya Health Centre, will be the Sub-Divisional Health Centre. This institution will be under a Reg. Medical Practioner/Asst Medical Practioner and have only out-patient facilities. Two PHII, a Supervising Public Health Midwife and a Public Health Midwife will be attached to this place. They will work both in the Institution and in the field and provide comprehensive services, up to their capability and the facilities available. Patients will be referred to the Divisional Health Centre or the District Hospital, depending on their condition. As no downgrading of existing institution is envisaged, all Rural Hospitals, Central Dispensaries and Maternity Homes, numbering about 538 will be classified as Sub-Divisional Health centres. Eventually each AGA Division will have about 2-3 Sub-Divisional Health Centres, each serving a population of 20,000 population.

(c) At the next level will be the Divisional Health Centre, one for each Divisional Asst. Govt. Agent area. These institutions will provide all health care services including in-patient care and will be headed by a Medical Officer. The majority of the District Hospitals and all Peripheral Units will be converted into this category in the first instance. The service function of the (MOH) Health Units will be incorporated into these Divisional Health Centres. All the present staff will be absorbed into these Health Centres. Divisional Health Centre will be a 50 bed hospital. The Medical Officer in charge known as the District Health Officer will be responsible for the health of the 60,000 population of his area. This institution will provide essential health care to a population of 3000 around the centre and also function as a referral centre (to examine and treat patients that are referred from sub-divisional and gramodaya health centres) for its population of 60,000.

(d) The proposed structure will have at its apex the higher level health institu-

Figure 1 Classification of Existing Institutions



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Russian Elections

Boris Gidaspov

Boris Gidaspov is the Secretary of the CPSU Central Committee, People's Deputy of the USSR.He is a major political figure noted for his unorthodox, independent and bold judgements. A well placed academic (Phd in Cehmistry, Corresponding member of the USSR Academy of Sciences). He embarked on the thankless political career of a party functionary a year and a half ago and headed the Communist Party organisation of Leningrad and the region where the Communist had been defeated in the last local elections.

The election day June 12th will be a very important date in Leningrad's life. Unlike other regions in Russia, three important events will coalesce in Leningrad - elections of the Republic's President and the City's Mayor and an opinion poll on the restoration of the City's original name St. Petersburg. It is my conviction that the last issue - that of restoring the City's name is neither here nor there. It is a political action recommended by a small group of city Managers in order to attract to the Police Stations thousand two hundred and fifty thousand of the city's veterans who hold dear the current name of the city. Despite a certain political stand off, it is very hard to gather half of the voters at the polling stations. The name change action will of course attract many people to vote in groups. However, the organisers of this action will not achieve their primary objective and the whole scheme is doomed to failure. The very idea of the poll is an anti constitutional move.

As for a likely winner in the race for the Mayor's office, I think that Anatoly Sobchak will win although other candidates also have been tipped as likely winners. As for the idea of transforming the region into a free enterprise zone, this is a problem of the future. It is necessary to develop infrastructure first, which will call for investments worth many billions. The state cannot afford such expenditures at the moment. Therefore I am very sceptical about such programmes though I am a convinced advocate of foreign investments in Leningrad.

As to how Yeltsin would act, should he be elected Russia's President, he will have to adjust his viewpoint. As a realistic politician he cannot ignore the processes unfolding in the Russian federation. Otherwise he will remain President only in down town Moscow.

I am not very enthusiastic about the Russian Presidential election. I personally don't like the approach of any of the candidates to those problems affecting us, their views and most important their entourage. I guess it is on the challengers entourage that the implementation of their election programmes will depend. Russia's first President must be essentially a unifier and a creator able to rally the people of the multinational and tormented republic.

I particularly favour Nikolai Ryzhkov over the other five candidates though I am aware of his weaknesses. But he has two qualities which give him an edge over the other challengers. First he has a broad economic vision and can organise economic activities. Second I like his personal qualities- tolerance, ability to listen and adjust his own opinion.These qualities are to be respected. My appraisal is based on my special relationship with Ryzhkov. We were together in Chernobyl. I saw him working on the second day after the earthquake in America where we also went together. I realised he was a man of effective and quick decisions. He /can act energetically and work day and night. Openness and progressive ideas are among his major assets as well.

I am very much concerned over the disintegration processes affecting the Russian federation. As for whether the Presidential election can result in the consolidation of the peoples of Russia, the debates and discussions on this matter have not inspired me with optimism so far. The vote counting procedure will deliberately ignore the opinion of residents in autonomous entities where only the total number of votes considered. We know full well why this happened. This political action is designed to clear the way for Boris Yeltsin. I am not against him as a person, but I am against such approaches.

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radio also avoids discussing controversial issues. Literary discussions and news are given primary importance.

Ever since the radio was brought under total state control, successive governments that came into power followed a communalistic policy. This prevented the radio being used by the Tamils for their welfare. The weaknesses of newspapers were repeated here. Controversial issues were never taken up for discussion. News which held an important position in radio broadcast became highly relating to the North and the East, the suffering of the masses was concealed. This turned the people, who once had much faith in the Sri Lankan radio, towards the B. B. C, the All India Radio and the Radio Veritas for more reliable information.

While the up-country Tamil group which has been recognised as the most backward among the Tamil community in this country is given only half an hour weekly, the Muslim commuity is allotted an hour daily in order to promote its own social and religious development. This is indicative of the relative importance attached to the two communities by the State.

Television that was introduced during the last decade is very popular among the Tamils. But the time allocated to Tamil programmes is utterly inadequate. Of the six hours daily television telecast, the time allocated to Tamil programmes is minimal and on certain days only the news is telecast in Tamil.

On the request of certain Tamil Ministers some additional time was allocated on Sundays between 2.00 and 3.00 p.m. While the rest of the middle class take their afternoon naps, the Tamil middle class is deprived of it! Furthermore, whenever an unscheduled programme is to be included, the Rupavahini is ever ready to sacrifice scheduled programmes in Tamil. It seems to be a universal Law in this country, that if some one has to sacrifice, it should be the Tamils.

On the whole, the Tamil media lacks a critical outlook on major issues. As long as the mass media is under state control, it would not be possible to bring about any constructive changes in the Tamil mass media. As referred to earlier, only private sector Tamil newspapers currently have national status.

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of children within 6-8 year age group and 9.8 percent of children within 9-14 years age group in these slum and shanty families had not been admitted to school. (6) (See Table 3).

The Labour Force and Socio-economic Survey of 1985/86 reveals that 21.5 percent of children within 5-9 year age group in the island had not been admitted to school. According to the same survey percentage for the children in same age group in urban sector, rural sector and estates sector were 18.0 percent, 20.3 percent and 46.0 percent respectively. From the above two surveys it is observed that non school admittance rate is slightly lower among the children within 6-8 year age group in slums and shanties in Colombo City compared to the national average.

However, the rate of non school admission among children within the 5-9 age group is higher in the Labour Force and Socio-Economic Survey particularly due to inclusion of 5 year old children. Rate of non school admission is comparatively higher among 5 year old children in the Labour Force and Socio-Economic Survey mainly due to two reasons. (i) Generally 5 year old children form and highest percentage of those admitted late to school, (ii) Some of the children who have completed 5 years at the time of conducting the national survey (Labour Force and Soci-Economic Survey) has not completed 5 years in January of that year. Therefore, these children had not been admitted to school when the national survey was conducted. Under these conditions it is expected that the rate of non-school admittance is higher among 5-9 years age group than the 6-8 year age group at the national level as well as at sub levels.

Though the non school admittance rate was slightly higher among the children within the 5-9 age group in the country than among the 6-8 age groups in slums and shanties in Colombo city, according to above explanation it can be reasonably expected that non school admittance rate among early primary school going age children should be higher in slums and shanties in Colombo city than in all the country. This situation is more clear in shanty settlements than slum settlements in the city. According to the same analysis the rate of non school admittance among early primary school going age children should be much higher in slum and shanty settlements in Colombo city than in the rural sector. It is clear that compared to the urban sector, rate of non school admittance is very much higher among the children in slums and shanties in Colombo city. However, compared to the estate sector an educationally most disadvantaged sector – it is very obvious that the rate of non school admittance is very low. A survey conducted in 1985 by the Non-Formal Education Branch of the Ministry of Education reveals that 11.9 percent of children within the 6-8 year age group in a set of interior villages (old villages and colonies) in the Anuradhapura District – educationally disadventage area – had not been admitted to school. (10) Compared even with the situation in a remote area in the interior a higher percentage of children within the same age group (6-8 years) in slums and shanties in Colombo city had not been admitted to school.

According to the Labour Force and Socio-Economic Survey of 1985/86, 4.3 percent of children in late primary school going age of 10-14 years in the country had not been admitted to school while that percentages according to the same survey for the children in same age group in urban sector, rural sector and estates sector were 4.1%, 2.9% and 24.9% respectively. (11) Accordingly as shown in Table 4, when late primary school going age children are considered it is very clear that the rate of non school admittance is very higher in slums and shanties in Colombo city than in the all island. In the sectoral analysis it can be seen that the rates of non school admittance are very higher in slums and shanties in Colombo City compared to Urban sector and rural sector. However, again non school admittance rate is lower in the slums and shanties in Colombo city than the estate sector. According to the survey conducted in 1985 in a set of interior villages in Anuradhapura district, 5.7 percent of children within 9-14 year age group in these villages had not been admitted to school. (12) Accordingly rate of non school admittance among the children within 9-14 age group is higher in slums and shanties in Colombo city than the interior villages.

Late School admittance

According to a recent Case Study on primary schooling in 4 slum and shanty

Table 3

Rates of non-school admittance among early primary school going age children

Area/Sector	Age group	Year	% of non School admittance
Colombo Slums	6-8 age group	(1984)	16.7
Colombo Shanties	6-8 age group	(1984)	22.1
Colombo Slum and Shanties	6-8 age group	(1984)	19.3
Urban Sector	5-9 age group	(1985/86)	18.0
Rural Sector	5-9 age group	(1985/86)	20.3
Estate Sector	5-9 age group	(1985/86)	46.0
All Island	5-9 age group	(1985/86)	21.5

Sources: 1. Report on Baseline Survey on the Educational Needs of Non school Going Children Among Low Income Groups in the City of Colombo
2. Labour Force and Socio-economic Survey 1985/86, Sri Lanka.

Table 4

Rates of non-school admittance among late primary school going age children

Area/Sector	Age group	Year	% of non school admittance
Colombo slums	9-14 age group	(1984)	7.8
Colombo shanties	9-14 age group	(1984)	11.7
Colombo slum and shanties	9-14 age group	(1984)	9.8
Urban Sector	10-14 age group	(1985-86)	4.1
Rural Sector	10-14 age group	(1985/86)	2.9
Estate Sector	10-14 age group	(1985/86)	24.9
All Island	10-14 age group	(1985/86)	4.3

Source: 1. Report on Baseline Survey on the Educational Needs of Non school going Children Among Low Income Groups in the City of Colombo.
2. Labour Force and Socio Economic Survey 1985-86, Sri Lanka.

communities in Colombo city out of the total number of primary school going age children in these 4 communities 21 percent had been admitted to school later than the normal school admission age. Children who had got late to be admitted to school had been late for 1-5 years. While 13 percent and 4 percent had been admitted one year later (13) and 2 years later respectively the balance percent had been admited more than 2 years later. Due to the non availability of late admittance rates among primary school going age children at national level of sectoral levels, it is not possible to compare the rate of late school admittance among children in slums and shanties in Colombo city, with that of all the island and sectors.

According to the same case study when only the children who had been admitted late to school was considered 67 percent, 23 percent and 10 percent had been admitted late to school by 1 year, by 2 years and by more than 2 years respectively. According to the school census in 1986 in the island, of the children those who had been admitted late to school 74 percent, 16 percent and 10 percent had been late to school by 1 year, 2 years and more than 2 years respectively. (14) If these two sets of data are examined it is clear that out of the children who had been admitted late to school, higher percentage had been by more than one year later in the slums and shanty settlements than to the all island.

Early School drop outs

The survey conducted in 1984 by the Non Formal Education Branch of the Ministry of Education revealed that of the children who entered school and belonged to the 6-8 age group and were living in slums and shanties in Colomb city, 22.3 percent were early school drop outs. This was 21.0 percent for slums and 23.7 percent for shanties. (15) According to the school census in 1985 the national drop out rates for grades 1, 2 and 3 were 1.3 percent, 1.7 percent and 3.7 percent respectively. National average drop out rates for grades 1, 2 and 3 was 2.2 percent. (16). Children studying in grade 1 to 3 in schools are generally belong to 6-8 age group. But

Table 5

Rate of School dropout among early primary school going age children

Areas	Year	% dropouts
Colombo slums, 6-8 age group.	(1984)	21.0
Colombo shanties, 6-8 age group,	(1984)	23.7
Colombo slums & shanties, 6-8 group	(1984)	22.3
All Island, grade 1-3	(1985)	2.2

Sources: 1. Report on the Baseline Survey on the Education Needs of the Non-school Going Children Among Low Income Groups in the City of Colombo.
2. School Census 1985, Ministry of Education

Table 6

Rate of School drop-outs among late primary school going age children

Area	Age group	Year	% of school dropouts
Colombo slums,	9-14 age group	(1984)	22.7
Colombo shanties	9-14 age group	(1984)	21.7
Colombo slums & shanties	9-14 age group	(1984)	22.1
All Island Grade 3-8		(1985)	6.1

Source: 1. Report on the Baseline Survey on the Education Needs of the Non-school Going Children Among Low Income Groups in the City of Colombo.
2. School Census 1985, Ministry of Education

Table 7

Primary School Going Age Children In The Sample by Type Of Schooling

Children attending school			Children not attending school					Grand Total
			Not admitted to school					
Admitted at correct admission age to school	Admitted late to school	Sub Total	Still in school admission age	Passed school admission age	Sub Total	Dropped out	Sub Total	
36 (44.4)	11 (13.6)	47 (58.0)	8 (9.9)	7 (8.6)	15 (18.5)	19 (23.5)	34 (42.0)	81 (100.0)

drop out rates of these 2 sets of children (children within 6-8 age group living in Colombo slums and shanties, and children studying in grades 1, 2 and 3 in government school) cannot be compared accurately. This is because in case of Slum and Shanty children those who dropped out from school upto that particular year has been considered as drop outs while in case of school census (of children studying in grade 1, 2 and 3 in all government schools in the island) those who dropped out from school within that particular year has been considered as drop outs. That was the main reason for large difference in drop out rates between children in slums and shanties (22.3%) and children in all island (2.2). However this large difference apparently indicates that school drop out rates among early primary school going age children are higher in both slums and shanties in the city when compared to the national average (see table 5).

The same survey revealed that the children who had entered school and belonged to the 9-14 years age group and were living in slums and shanties in the city, 22.1 percent had dropped out of school. (17) For the 1985 school census year national school drop out rates varied from 3.7 percent in grade 3 to 7.7 percent in Grade 8. The average national drop out rate for grades 3 to 8 was 6.1 percent. Thus apparently, rates of school drop out among late primary school going age children are higher in both slums and shanties in Colombo city than the national average. (See table 6).

It is also observed that though the drop-out rate is higher among the higher age group children at the national level there is no significant change in this rate between low age group children and higher age group children in slums and shanties in Colombo city. In other words compared to the national situation, in Colombo slum and shanties more children are drop out at their younger ages (See table 5 and 6).

When examining the 40 families surveyed in this study of 81 children in primary school going age, 47 children (58%) are attending school while the balance 34 children (42%) are not attending. (See table 7). Of 47 children attending school only 36 children (44.4%) have been admitted to school at the correct school admission age while the other 11 children (13.6%) have been admitted late. When examining 34 children who are not attending school 15 children (18.5%) had not been ever admitted to school. However, about half of them (8 children) are within the 6-9 year age group and therfore it can be expected that part of them may be admitted to school during the next 2 or 3 years as late school entrants. The other half of the children (7 children) would not enter the formal school system since they have passed even the late school admission age. 19 children (56% of children who are not attending school or 24 percent of total number of children in primary school going age) have dropped out before completing their primary schooling. (See table 7).

Accordingly if comparisons are made it is clear that school non participation rates i.e. school non admittance and school drop outs are much higher among primary school going age children in 40 families in the 4 slum and shanty settlements surveyed compared with slum and shanty settlements in Colombo city. (See table 8 and 9).

Reasons for Low School Participation

In this study information gathered from relevant literature, officials, individuals interested in the problem, and parents and children of the sample was used to identify and analyse the reasons contributing to low school participation among primary school going age children. In 40 families in 4 slum and shanty settlements in particular and in all slum and shanty settlements in Colombo city in general. These reasons vary from poverty to poor health of child, lack of school facilities, family dispute absence of parents, parental negligence, change of residence, non availability of birth certificates, poor housing, distributing environment etc. while poverty and poor health are given more prominence. Though there are relationships at various levels among these reasons, in the analysis reasons are discussed separatley for easy presentation. at the analysis of each reason first analyse how it effects non school participation among children in 40 families in the sample specifically and then in all slum and shanty settlements in Colombo city in general. (See table 10).

Poverty

As explained in table 10 of 34 children not attending school 7 children do so mainly because of poverty. Of them 4 children have not been admited to school since their parents could not incur expenditure on children's school admission. One child has stopped his schooling since his parents could not spend to maintian him at school. Another female child has been compelled to stop her schooling to engage in a casual job at a garment factory. Another female child had stoped her schooling mainly to engage in household work and to look after younger brothers and sisters.

Though teaching, text books and mid-day meals for school children are provided free, some money has to be spent by the parents on children's admission fees, facility fees, clothes, writing and drawing material and other requirements. Families those living below poverty line in slum and shanty settlements in Colombo city find even a little expenditure on their children's education as a big burden. Most of them are not in a position to spend to admit their children to school and maintained them there. High inflation of school stationery over the past and high school admission fees (ranging from Rs 200/- to Rs 350/-) has further aggravated this problem.

In addition to the cost of education the opportunity cost of education has also contributed to keep these children out of school. With or without their willingness children are compelled to leave school before completing their primary education in order to supplement their family budgets by working in the informal sector such as petty trade, street vending, manual work and domestic service in middle class houses. Female children are forced to stay at home without schooling to help in household work and look after younger siblings. Since their parents generally engage in casual or temporary jobs their meager earnings

Table 8

Rates of non-school admittance among primary school going age children in the sample, in slums and shanties in Colombo city and in all island

Area/Sector	Age group	Year	% of non admittance
40 slum and shanty families surveyed (sample)	5-14 age group	(1990)	18
Colombo slum and shanties	5-14 age group	(1984)	13
All island	5-14 age group	(1985/86)	13

Table 9

Rate of School drop outs among primary school going age children in the sample in slums and shanties in Colombo City and in all island

Area/Sector	Age group	Year	% school drop outs
40 slums & shanties	5-14 age group	(1990)	20.8
Colombo slums and shanties	5-14 age group	(1984)	23.0
All island Gr. 1-6	5-14 age group	(1985)	4.6

are subject to higher fluctuations due to a variety of reasons. When earnings come down it badly affects the children's schooling.

The survival needs of the poor families in these settlements surpasses the educational needs of their children. Their poverty has prevented them from making use of even available educational facilities.

Inadequacies of the formal school system

Four children are not in school due to the inadequacies of the formal school system. Of them 3 children had not been admitted to school. Though parents of 2 children had sent applications to admit them to schools very close to their settlements, the schools did not admit the children. According to these parents, when they inquired later, they have been informed that these children were not admitted due to the lack of facilities in these schools. While 2 of these 3 children are only 6 year olds, the other one is a 9 year old. Parents of the 9 year old child had not tried more than once to admit their child to a school partly because of parents indifference. The other 13 year old child had stopped his schooling at the age of 11 years. The reason given by the child for this is that number of teachers to teach in his class were insufficient. The parents also have not taken enough interest to send him to another school.

Unlike the primary school going age children in remote areas, children in slum and shanty settlements in Colombo city have easy physical access to more than one school. But these schools are not able to absorb all the children seeking admission due to lack of facilities or some other reasons, this situation leads to a high rate of non admittance and late school admittance among children in slums and shanties in the city.

Compared with city schools catering to the children of middle class and city elite, schools which serve predominantly the children of slums and shanties are highly disadvantaged and ill equipped in terms of inadequate classrooms, insufficient furniture, non availability of adequate and/or qualified teaching staff and lack of pure water and sanitary facilities etc. In addition to these disadvantages the class room environment and teaching methods in these schools are not attractive to retain pupils. All these negative features contribute to a high incidents of irregular school attendance, class repetitions and early school leavings. As a result of children's stubborn behaviour or lack of discipline, irregular school attendance, lack of attention on studies and non availability of necessary school stationery and inadequacy of teaching and other physical facilities in schools teachers have little interest in teaching in these underpriviledged schools. This has a further negative effect on children's school performances.

Table 10 Children not attending school in the sample by reason for not attending

Reason	Children not admitted to School: Still at school admission age	Children not admitted to School: Passed School admission age	Total	Children dropped out of school	Grand Total
1. Poverty	2 (25.0)	2 (28.6)	4 (26.7)	3 (15.8)	7 (20.6)
2. Inadequacies of the formal school system	2 (25.0)	1 (14.3)	3 (20.0)	1 (5.3)	4 (11.8)
3. Ill-health of children	1 (12.5)		1 (6.7)	3 (15.8)	4 (11.8)
4. Low aspiration, negative feelings and indifference towards school education				2 (10.5)	2 (5.9)
5. Absence of parent	1 (12.5)	1 (14.3)	2 (13.3)	4 (21.0)	6 (17.6)
6. Disputes in families		1 (14.3)	1 (6.7)	4 (21.0)	5 (14.7)
7. Change of residence				2 (10.5)	2 (5.9)
8. Non-availability of birth certificates	2 (25.0)	2 (28.6)	4 (26.7)		4 (11.8)
Total	8 (100.00)	7 (100.0)	15 (100.0)	19 (100.0)	34 (100.0)

age. The parents have not made any other attempts to admit him to another school. However, they send the child to the evening classes conducted in the same school. One child had been admitted to school at the correct admission age. However, since the child could not speak properly both teachers and parents have allowed the child to stop schooling at the age of 7. Another child who had been admitted to school suffered from illnesses frequently, as a result of that he had repeated grades 4 times when he reached grade 3. Since the class teacher of this child had asked the parents to stop his schooling, the parents have done so. Another child had refused to go to school at grade 4 after staying at home for about one year under medical treatment. Though the child was in a position to re-start his schooling after his recovery parents had not given enough interests to that matter.

Illhealth of children

As a result of illhealth 4 children are not attending school. One child had suffered from measles at the age of 6 and chickenpox at the age of 7. When the parents attempted to admit him to the nearest school at the age of 8 the school had refused to admit him. According to his parents the reasons given for refusal was that the child was over-

Studies reveal that malnutrition is very high among the children in poor slum and shanty families in Colombo city. This weakens learning capacity of children and contributes to keep a large number of these children out of school.

Provision of mid-day meal in forms of biscuits, kola-kenda (and later granting money for mid-day meals) to school going children has not had desired impact on strengthening their nutritional status (18). Children in slums and shanties constantly subject to illnesses and diseases mainly because of lack of pure water and sanitary facilities. Due to prolonged ill-health or disease these children are admitted late or not admitted to school, their attendance is highly irregular and thus they repeat grades many times and drop out of school at early stages. Comparatively the handicapped and disabled children are more in these slum and shanty settlements partly due to the poor nutrition of pregnant mothers and mothers negligence in child bearing. Almost all these handicapped and disabled children are not in school since their parents have not made attempts to send them to other schools specialised for these type of children.

Low aspiration, Negative feelings and indifference towards school education

Two school drop-outs or their parents could not give any direct reason for the dropping out. However, during indepth informal discussions conducted with the parents the author realised that there was negligence, negative feeling and low aspiration towards the children's school education. Parent of a male child who dropped out of school at grade 5 expressed the idea that they could not obtain economical gains by giving further school education to their children. Tamil parents of another female child had decided to stop her schooling after she attained puberty at the age of 12 as they think female children should not go to school after attaining puberty.

Low aspiration, negative feelings and indifference of parents of slums and shanties towards their children's education have negative effects on their children's primary education. The low aspirations regards their children's education among the urban poor is associated with their low socio-economic conditions and their low aspirations towards upward social mobility. Their negative feeling towards school education is partly due to their bitter experiences such as difficulities of admitting their children to schools near-by and due to discrimination taking place even in certain underpriviledged schools against their poor children, and due to their lack of confidence towards school and education. Indifference towards education is linked with their low education and lack of awareness of importance of child education. And also this indifference is partly because they are busy with problems related to their essential needs.

Parents lack of knowledge on how to encourage and help children in their studies and schooling also contribute to children's non school attendance in these settlements. Negative attitudes particularly of Muslim and Tamil parents in these settlements that female children should not study beyond mid primary school level, and they should not go to school after attaining puberty keep these female children away from school before they complete even primary schooling.

Low aspiration and negative feelings towards education ultimately result in negligence on a child's education. As a result of negligence some parents in these settlements do not send applications at all or send applications late to the schools to admit their children. In many cases, when parents fail to admit their children to a school near-by they don not try another school in the vicinity. In certain instances when children reached the school admission age parents do not know about that. When handicapped children can not be admitted to the normal school parents do not try to admit them to a specialised school catering to them. All these things contribute to high incidence of non school admittance and late school admittance among these children.

Absence of parents or dispute in the family

Eleven children are not in a school mainly due to absence of their parent and disputes in their families. Of them a 7 year old child had not been admitted to school since his father was a labourer, doing his job at a distant place and was staying there. Child's mother is not knowledgeable enough to follow the procedure of school admisison, and filling up of forms which are necessary when admitting a child. A father had left his four year old child alone at the child's grandmother's house when the child's mother died. Now the child is 9 years but she has not been admitted to school mainly as a result of loss of his parents. A ten year old child has not been admitted to school since his mother lost her way of main income after her husband had left his family when the child was a baby.

A ten year old child had stopped her schooling after the mother's death since the father had no interest to incur expenditure on the child's schooling. Another 10 year old child has stopped his schooling since his father had left him at his grand mother when the child's mother died. A mother of two school gong children (8 years and 10 years) had gone to Middle East as a domestic servant and as a result of that after about one year both children had stoped their schooling. However, father also had not paid enough interest on the schooling of these children. Another 3 children in two families had stopped their schooling (at the age of 8, 10 and 13 years respective) after their father had desserted their families. Their mothers lost their main source of income and therfore they could not afford children's school expences further. Another child had stopped schooling as a result of his father becoming drug addict.

A quite number of mothers in these slums and shanty settlements have migrated to the Middle East countries as domestic servants owing to their poverty and also due to easy access contracting foreing employment agencies in the city. Most of the primary school going children in these families not only discontinue their schooling but also begin to engage in various activities unfavourable to themselves and society since they have been released from the attention of their mothers who had looked after them and their education. Specially the girls are compelled to stay at home to engage in domestic work and to look after their younger sisters and brothers in the absence of mothers.

It is common in these settlements that fathers, in most cases who had been the breadwinner of the family have left deserting their families. In the cases of these broken families and at the death of either prent or both school going children in these families are compelled to discontinue their schooling due to lack of money to be spent on their schooling or because they have to engage in some work to supplement family budget or they have to engage in household activities.

Over the recent past number of chief households those who becoming drug addicts in these slum and shanty settlements have been increasing rapidly. They weaken themselves and economic conditions of their families very fast and lead family disputes constantly. This affects very badly not only their children's schooling and concentration on studies but also on these children's mental health, personal development and day to day life.

Change of residence

After the communal riots took place in a shanty settlements at the Kelani bridge one family with two female school going children had shifted their residence to a same type of settlement at Baseline Raod (54 Watta),which was surveyed. After changing residence parents were not able to re-admit the 2 children to a school in the vicinity of the new settlements as a result of parental negligence and difficulty of re-admitting them to a school in the vicinity.

Considerable number of slum and shanty families particularly, shanty families change their residence from time to time within the city limits mainly due to the distructions of their house by floods, riots etc. When families with children in school admission age come to new residental areas It is difficult for them to admit their children to a school in the vicinity of new residence. Thus apart of these children admitted late and some of them are never admitted to school. When they shift to a new residental area with school going children, due to the difficulties of re-admitting them to a school near by part of these children became early drop outs of school. However, this situation is partly because they are busy in early days in new settlements with other necessary work such as putting up of new shelters and partly due to their negligence in finding schools in the vicinity of new settlements for their children.

Table 11
Of the children who are attending school in the same those who have been admitted late to school by reasons for late admission

Reasons for late admission	No. of late admittance
Poor economic conditions	3 (27.2)
Incapacity of the formal school system	1 (9.1)
Physical disability of children	2 (18.2)
Change of residence	1 (9.1)
Non availability of birth certificates	4 (36.4)
Total	11 (100.00)

Non availability of birth certificates

Parents could not admit 4 children to school due to non availability of children's birth certificates which are considered necessary documents for their school admission. One family had lost the birth certificate of their two children when their house was set on fire when they were living in another settlement at Sadawatta few years ago. Now both children have passed the school admission age. Parents of another unmarried family explained that though they had made a number of attempts, they could not obtain the birth certificates of their two children yet. However, these children are still in school admission age of 6 years and 8 years respectively.

Considerble number of children in these settlements could not be admitted to schools due to non-availability of their birth certificates. These children do not have their birth certificates due to a number of reasons such as parents have not paid enough interest on registering their children's births. children's birth certificates have been misplaced when slum and shanty dwellers shifted their residents, birth certificates have been victimised to the floods and fires, they were destroyed at the disputes in the families and at the various type of riots in these settlements.

Physical environment of slum and shanty settlements

Studies had proved that there is strong co-relation between home environment and child's educational performances. It is rather difficult for a child to concentrate on studies in noisy and troublesome environment of these settlements. Non-availability of minimum number of furniture necessary for child's studies, lack of space and number of rooms and conjestion in these houses disturb child's education very badly. Though slum and shanty children are compelled to attend only to the disadvantaged schools in the city, environmental difference between even these schools and children's homes disturbs the children's education at school.

Conclusion

Non school participiton rates are higher among children in slum and shanty settlements in Colombo city compared with the National rate and the Sectoral rates except that for the rural sector owing to a number of factors which are operating more seriously in these settlements against children's schooling. These factors at broader level are pour economic and social conditions, poor health of children, lack of school facilites, parental negligence, disunity in families, change of residence, non availability of children's birth certificates, unfavourable environment and bad housing conditions.

Non school participation rates are higher among children in shanties than among those in slums in Colombo city due to the fact that factors contributing to their low school participation are operating more unfavourably in shanties than in slums.

In contrast to the national situation non school participation is higher among girls than boys in shanty settlements because compared to the national situation more girls in these settlements are not sent to school after a certain age limit due to their parental attitude and social cousfoms.

According to 1981 census non school attendance rate among primary school going age chidren was higher in the Urban sector of Colombo district than in the entire Colombo district(19). This is mainly do to the fact that slums and shanty dwellers among whose non school participation rates are comparatively higher are highly concentrated in the Colombo city (urban sector). Findings of this survey are supportive of this conclusion.

However, according to some case studies there are certain slums and shanty settlements where non school attendance rates among primary school going age children are lower than the national average. (20) While a very large majority of parents in slum and shanty settlements send their children to underpriviledge schools in the city a very small percentage of parents in these settlements who are having relatively beter educational, economical and socio-political capacity together with aspirations for upward social mobility is capable of sending their children to priviledged schools in the city.

Within Colombo city limit, between schools catering to the children from slums and shanties and schools catering to the children of the middle class and city elite there is a high dispropor - tion in resource allocation, partly as a result of that, there is a high educational wastage too in the first category of schools.

Though children from slums and shanties could not make full use of even the illequipped formal school facilities available for them children of upper middle class in the city make use of better school facilities supplementing these facilities by very efficient private tution system toc (21).

Problems of charging various forms of school fees and consideration of birth certificate as a necessary document at the time when a child is admitted to schools can be solved by giving necessary instructions to these schools, and thereby non admission and late admission could be reduced to a certain level in these settlements in a very short term. By providing minimum amount of necessary physical requirements to these schools to admit all the children seeking admisison, and by educating these parents about the importance of their children's education, school attendance could be raised by a good percentage in these settlements in the medium term.

Teachers should be appointed to these schools on a selective basis, taking their wilingness to work among these children as a main criterion. These teachers should be given a special training to work with these children, and also they should be granted incentives in terms of facilities or remunerations or both. This helps to improve the teacher-student relationship and to retain children in these schools.

Understandably the large majority of the children who have not gone to school are neither literate nor numerate at all, while the majority of the children who dropped out before completing grade 3 (year 4) are not properly literate or numerate. Since the rate of non school admittance and early school leavers are comparatively higher among the children in these settlements it is more important to expand non-formal education classes among them. Otherwise it will be a clear obstacles for these children's future individual development and for proper implementation of development programmes in these settlements.

In the attempts of expanding non-formal education classes among these children making knowledgeable parents and children about the classes and educating them about the importance of the classes, increasing a number of classes, conducting these classes in places and times convenient for children are equaly important.

This priliminary study suggest to study, in detail, a more representative sample of children in primary school going age and their parents living in slum and shanty houses in Colombo city and schools and teachers catering to these children to:

(i) Analysis socio-ecnomic and cultural background of these slum and shanty dwellings.

(ii) Analyse educational facilities available for children in upper class and middle class families and in slum and shanty families in Colombo city.

(iii) Find out (a) the rates of various types of non-school participation ie, non admittance, late admittance, irregular attendance, class repetition and early drop out; and (b) the total non school attendance rates.

(iv) Find out and analyse factors contributing to various types of non-school participation and educational wastage.

These rates and contributory factors should be analysed according to slum and shanty children, male and female children, early primary and late primary school going age children and attempts should be made in possible instance to compare these rates and factors of slums and shanties in Colombo city with that rates and factors of all island, sectors total Colombo city and educationally disadvantaged sub geographical location and sub population groups. Finally this detailed study must try to present possible remedies which could be implemented in order to reduce non school attendance rate in these settlements.

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COLOMBO STOCK EXCHANGE – BEYOND 1992

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The Colombo Stock Exchange can look back on a year in which positive elements held the upper hand. Price trends on the Stock Exchange were highly satisfactory. The Colombo Stock Exchanges' All Share Price Index registered a gain of 204.90 points. This was the largest annual gain ever made. Despite the Stock Market boom and government measures inducing companies to go public, the number of listed companies and issuing activity has still not gathered momentum. Thus pointing to the fact that the private sector is still noticeably hesitant to engage in equity financing. See Tabel I.

Both Capital increases by way of rights issues and new listings have still not shown a significant growth, see table II.

In relation to the upward momentum in price trends and higher market capitalisation the growth of both Rights Issues and as well as New Issues remains low. If the market is to show sustained growth with price spreads more evenly distributed relative to value of individual stocks then there must be a growth in New Issues to justify higher market capitalisations. Nevertheless, a perceptible improvement in the situation has been visible in the last few months. New issues have started to pick up. In the past one month or so two new issues, namely Ceylon Oxygen Ltd. and International Tourists & Hoteliers Ltd. (Beach Hotel Bayroo) were oversubscribed in less than a week from the date of offer. It is worthwhile to note that the share market which remained dormant in the 1970's following the then government's 'nationalisation policy' which took effect with the Land Reform Law of 1975 and the subsequent state acquisition of quoted companies owning a large number of tea, rubber and coconut estates, began to show signs of optimism as early as 1983. In this year alone there were twenty five new issues and a total quantity of 170 million shares valued at Rs. 1.7 billion were issued for public subscription. The largest offer so far attempted on the Colombo Stock Exchange was Rs. 383 million, by the Pelwatte Sugar Co Ltd. One likely reason for the rise in shareownership since 1980 is the high level of confidence, due to the strength of the economy and personal finances of individuals. But one should not forget that investments in shares must compete with savings. However there is a growing acceptance of shares as a key part of many savings portfolios. It is for this reason that the Stock Exchange considers that the conduct of a fair and orderly market requires every listed company to make available to the public, information necessary for informed investing; and to take reasonable steps to ensure that all who invest in its shares enjoy equal access to such information. In this regard the exchange has specific policies concerning disclosure embodied in the Colombo Stock Exchanges' Rules & Regulations under the heading corporate disclosure policies in section 8. While Sections I & III of the same document enumerates aspects concerning Criteria for Admission and Continuing Listing Requirements.

It may be pertinent to state here that companies want to be quoted on the stock exchange for several reasons. In the Report on the Survey of Public Quoted Companies of Sri Lanka 1984 by D. L. L. P. Jayawardane of the Department of Registrar of Companies the

The opinions expressed are the writers own and does not reflect the views of the organisation he works for.

Table I

Period of Quotation	Number Quoted	Percentage
Upto 1948	27	14.83
1949 to 1977	57	31.31
1978 to 1988	95	52.19
1989 to 1990	3	1.64
Total	182	100.00

Source: Dept. of Registrar of Companies, CSE Annual Report, CSE Fact Book several issues.

Table II

Rights Issues, New Issues during the period 1988 to 1990

Year	Rights Issues	No. of Companies	New Listings	No. of Companies
1988	320,370,810	12	79,402,500	6
1989	90,898,850	7	140,000,000	2
1990	494,220,518	12	7,000,000	1

Source: CSE Annual Reports 1988 and 1990, CSE Fact Books several issues.

following are cited as some of the reasons for obtaining a Quotation. According to the findings of the survey, "The need to raise part of the capital" has been given by over a third (38.9%) as the principal reason that influenced them to seek a quotation. The second highest proportion of companies which obtained a quotation was influenced by the ideas of 'obtaining a ready market value for their shares'. The proportion of companies adducing this reason was in the region of 20.4%. While 16.8% of the companies sought a quotation with a view to broadbase the share structure in order to bring share ownership within the reach of the common man. Financial and tax incentives available to quoted-companies has attracted 16.1% of those listed, see table III.

I would like to further enlighten the reader with particular emphasis on reasons for obtaining a quotation.

1. The need to raise capital

Sri Lanka has a long history in company formation, share and share trading. The first Companies Ordinance in the then Ceylon was passed shortly after similar legislation in England in 1875. This period saw the establishment of the large number of coffee plantations by the British Community with Capital brought from the mother country, and private ownership being the predominant form of ownership. After a few decades tea replaced coffee as the principal crop when misfortune reached its culmination, with the destruction of coffee plantations due to a leaf fungus. The large increase in the plantations necessitated the formation of limited liability companies and companies were formed both in Colombo and London for the purpose of harnessing capital to develop the tea industry. The lack of capital to expand their commercial activities led to the birth of the Colombo Share Brokers Association in 1886, and the companies that were floated were able to obtain the necessary finance by way of share issues through this market. The British who pioneered coffee, tea and associated business as stores suppliers were not always persons with much capital of their own. Therefore they had to obtain money from others. If they went to a bank they needed sureties and guarantees. They would mortgage their assets but a bank could not finance a yet non-existant plantation. Therefore they formed companies to hold the property of the venture and offered shares to the public. The Colombo Share Brokers Association allowed such companies to advertise the prospectus of their venture and sell their shares to a wide range of investors. This mechanism enabled funds to flow from those who did not require it to those who needed it for business. In this way capital to launch business was raised. The other commercial crop that was introduced to the economy by the British was rubber in the 1880's. Coconut was also organised as a part of commerical domestic crops. Through exports, the country was able to earn sufficient foreign exchange to finance all essential imports, including rice in which the country had been self sufficient before 1880. During the pre-independant era the economy was a dualistic export economy divided into two sectors; one was modern in organisational structure and technology, producing for the world market, and the other was traditional in both regards, producing for the domestic market. The dynamics were extremely simple in this economy, and rapid growth was limited to the plantation sector, resulting in lop sided development of the economy. The predominance of the export sector, rendered the economy as a whole vulnerable to fluctuations in the prices of the country's three main exports; tea, rubber and coconut in the world market. Although commercial banks were established mainly to supply the requirements of the plantation sector before 1948, the independant government spread banking facilities into the sectors of the economy. The two major domestic commercial banks, the Bank of Ceylon and the People's Bank which are controlled by the government, owned 90% of the bank branches in the country in 1980. In the year 1904 the name of the Colombo Share Brokers Association was changed to Colombo Brokers Association. (CBA), and trading on a call over system with representatives of Brokers Association. (CBA), and trading on a call over system with representatives of Brokers firms continued upto 1984 June under the bi-laws of the CBA. The hey-day of the Sri Lanka tea, rubber and coconut plantations lasted for a century between 1850 and 1950 and left behind a legacy of 266 quoted companies in the Colombo Share Market.

With the eclipse from a plantation economy to an industrial economy, and the new economic policies of 1977 and the re-emergence of the Private Sector as a dominant force in the economy resulted in the re-structuring of the Stock Market with a Trading Floor open to the investing public from 2nd July 1984.

Other than export processing units, there were few factories before the inde-

TABLE III REASONS FOR OBTAINING A QUOTATION FROM THE STOCK EXCHANGE BY NO.OF COMPANIES

Reasons	Agriculture		Manufacturing and other Industries		Export Import & Trading		Banking		Finance		Investment		Property Deve. and Construction		Hotel Services and Tourist Indeutry		Other		Total	%
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%		
1. To Raise part of Capital	–	–	25	41.0	4	19.0	1	50.0	2	25.0	1	33.3	5	35.7	22	61.1	5	35.8	65	38.9
2. To Benefit from Tax Incentives	2	25.0	10	16.4	4	19.0	–	–	1	12.5	–	–	1	7.1	8	22.2	1	7.1	27	16.1
3. To Obtain a Ready Market value for Shares	5	62.5	9	14.8	7	33.4	1	50.0	1	12.5	–	–	2	14.3	4	11.1	5	35.7	34	20.4
4. To Gain Access to Capital Markets–	–	–	1	1.6	–	–	–	–	–	–	–	–	1	7.1	–	–	2	14.3	4	241
5. To Broad Base Ownership	1	12.5	15	24.6	3	14.3	–	–	3	37.5	–	–	3	21.5	2	5.6	1	7.1	28	16.8
6. To Facilitate the Purchase and Sale of Shares	–	–	–	–	3	14.3	–	–	1	12.5	2	66.7	–	–	–	–	–	–	6	3.6
7. Other	–	–	1	1.6	–	–	–	–	–	–	–	–	2	14.3	–	–	–	–	3	1.8
Total	8	100.0	61	100.0	21	100.0	2	100.0	8	100.0	14	100.0	36	100.0	36	100.0	14	100.0	167	100.0

Source : Dept of Registrar of Companies.

pendence of the country; a cotton mill, a tile factory, two distilers, two match factories, and few engineering workshops dealing with estates. During World War II the colonial government and the private sector started several factories to produce basic consumer goods, which could not be imported due to the war. However the free flow of imports after the war discouraged most of these manufacturing units.

A large number of the prevailing industries were established during the last three decades or so. These industries include cement, tyre, ceramic, steel, paper, chemicals, petroleum, fertilizer, hardware, garments, large scale textiles and some food factories, sugar, flour milling and dairy products. All economic plans prepared for the country have recongnised the necessity of industrial development. Continuous expansion in this sector will be required in future to absorb the increasing labour force and to diversify and increase export earnings, because the development of agriculture has its own limitations. Expansion into foreign markets is necessary for greater industrialisation, because it will help to overcome both the foreign exchange problems and the limitations due to the small domestic market. Most of the manufacturing industries in the country were started after independence in 1948 and are the result of the government import substitution programmes.

The new industrial strategy was introduced by the Ministry of Industries with a view to restructuring the overall domestic industrial policy. This was approved by the Cabinet on December 27, 1989. The new industrial strategy intends to (a) transform the import substituting industry to an export oriented industry, (b) provide greater employment and income opportunities, (c) diversify the economy and stengthen the balance of payments and (d) ensure a more equitable distribution of income and wealth. The strategy also includes policy measures aimed at mobilising resources for investment and exports; encouraging foreign and local investments; reforming public enterprises; promoting a competitive environment; establishing linkages between large and small industries; promoting research, training and marketing and removing administrative obstacles to investment, production and exports.

In recent months there has been an encouraging revival of capital raising on the Colombo Stock Exchange, to the benefit of both saver and entrepreneur. In the past five years or so the Stock Exchange has raised money with great success. In addition to new issues, these years have also seen many companies enjoying a spectacular expansion of their capital base by way of rights issues. A rights issue is a new issue of shares made to existing shareholders in proportion to their shareholdings for the purpose of raising further capital for the company. Rights issues are therefore offered at a price which is less than the market price of existing shares, otherwise there would be no incentive for shareholders to accept the offer. Since there is no obligation on the shareholder to accept the offer so he may allow it to lapse. Furthermore a rights issue is renounceable which means the shareholder can sell or transfer his rights if he does wish to take them up. The rights can be traded on the exchange for a specific period. Although the cost of funds raised by a rights issue is controversial, there are a significant number of companies which utilise this mechanism. In this manner such companies are able to keep leverage at its minimal whilst benefiting from the advantage of not having to borrow at high levels of interest.

Whilst rights issues are made by quoted companies wanting to expand its capital, new capital issues are made either by new companies promoted by well-known local or foreign interests (or both, in the case of joint ventures), or by private companies which have been long established and wish to "go public" by floating (selling) a portion of their share on the market. There are four main ways in which the share of a company can be quoted for the first time on the Stock Exchange:

(a) an issue by prospectus

(b) an offer for sale

(c) a placing

(d) an introduction.

Advice on new capital issues – the form of capital, the amount that can be raised, the different methods of issue, timing, preperation of the prospectus, application for quotation, issue expenses, underwriting etc. can be obtained from members of the Colombo Stock Exchange, development banks and merchant banks. Most public issues are of ordinary shares. Companies applying for quotation of ordinary shares are, as a general rule, expected to meet the following requirements:

(i) Have a paid up capital of at least Rs. 5,000,000/-

(ii) The following percentage of the issued capital should be in the hands of the public depending on the category to which the company belongs:

Below Rs. 10,000,000	-40%
Rs. 10,000,000/- to Rs. 25,000,000/	-30%
Above Rs. 25,000,000	-25%

When complying with this requirement the following are to be excluded:

(a) Holding by parent, subsidiary or associate companies,

(b) Holdings by Directors, members of their families and/or their nominees.

2. Obtaining a ready market value for shares

The price of shares of a company on the secondary market is determined by the simple forces of demand and supply – what buyers will pay and sellers accept. The rewards of investment are not always in the form of dividends. If the price of a share rises between the time of purchase and the time of sale, the investor makes a capital gain or profit. This would enable major shareholders to sell a portion of their holdings in order to invest elsewhere.

3. Financial and Tax incentives available to quoted companies.

At present all Public Quoted Companies are subject to income tax on profits at a concessionary rate of 40% (as opposed to 50% applicable to other companies), provided it complies with the following requirements:

(I) The number of persons registered as shareholders of the company should exceed 200.
(II) No five persons together should hold directly or through nominees more than 60% of the total issued share capital of the company.

Additionally shareholders in listed companies have the following tax benefits:

(I) Capital Gains arising from the sale of shares in a Public Quoted Company will not be liable for taxation if the sale occurs after a holding period of one year.

(II) Dividends distributed on or after 1st Arpril 1991 by a public quoted company to its shareholders would not be subject to any withholding tax thereon.

(III) The 15% withholding tax would however continue on dividends payable to non-resident shareholders.

4. To broadbase share ownership

Almost every entrepreneur has a dream that he will be able to build up his own business as a private company, and then, because of its success and opportunity for further growth, be able to sell it to the market. For many the happiest solution is to find large numbers of individuals prepared to buy a total stake, of say 40%, so that the original founder and his family may retain control, while utilising the cash generated by the sale for a different venture. This is possible because the Stock Exchange acts as a financial intermediary in raising money for business and enterprise. It has developed from two complementary economic needs – an organisation's need for funds and an individual's need to invest his surplus money efficiently. The result is that surplus money is invested in organisations which need it. Therefore a strong advantage to an expanding business in being listed on the Colombo Stock Exchange is that the company attracts unsolicited funds. If investors think that the company is doing well, any number of investors will buy its shares.

The need for a second board?

Dr. Darin C. Gunasekera in his article titled **"The Provision of Capital to Stock Exchange Listed Companies"** wrote that "167 listed companies accounted for only 47,341 jobs. This incidentally amounts to an issued capital of various vintage rupee of Rs. 128,000/- per job. This is a high per job cost both in terms of the national economy and by general domestic company standards. It suggests that the quoted companies are high capital intensity end of the Sri Lankan commercial sector. This actually confirms economic logic. The Stock Market was being promoted by tax measures that made cost of capital low and provided Government enhancements to increase returns to capital. So we diverted national resources into this market where capital intensity – generally speaking imported machines and modern buildings was much higher."

I am of the view that the market has evolved to be what it is purely due to acceptability or demand for shares thus ensuring marketability. Yet it is important that risk capital is made available to medium and small scale industries via the Stock Exchange. Particularly because this sector contributes significantly towards the country's output, and therfore has the greatest potential for growth in the long term. Since such companies will not meet the listing criteria set out for larger ones, but still requires funds to finance a project or product where income can soon be expected to flow. It may be a timely measure to establish a second board with no restriction on size for candidate companies and for ongoing operation but must have at least one years financial records in support of its entry to the second board.

GLOSSARY

All Share Price Index – Statistical tool that measures the state of the Stock Market, based on the performance of shares.

Broker – An agent who makes purchases and sales between other parties for a commission (brokerage).

Broadbase – To spread share ownership among more individuals.

Public Company – Any seven or more persons associated for any lawful purpose by subscribing their names to the memorandum of association and complying with the requirements of the Companies Act after registration.

Private Company – In the case of a private company two or more persons are sufficient to incorporate the company.

Listed/Quoted Company – These are public companies whose shares are available for trading at the Colombo Stock Exchange.

Issued Shares/Capital – Issued is that part of the authorised capital that the company has already issued to the public for subscription.

Dividend – The distribution of usually part of the profits at the discretion of a company's board of directors.

Diversification – Spreading investment among different shares of different companies in different fields. Diversification is also offered by the shares of several individual companies because of the wide range of their activities.

Leverage – The effect of fixed charges (ie. debt interest or prefered dividends, or both) on per share earnings of ordinary shares. Increases or decreases in income before fixed charges result in magnified percentage increases or decreases in earnings per ordinary share.

Market Price – The list price at which a share sold at the trading floor of the Colombo Stock Exchage.

Par Value – The stated face value of a share, expressed in rupees per share. Par value of an ordinary share usually has little relationship to the current market price.

New Issue – An offering of shares sold by a company for the first time.

Offer – The lowest price which a person is ready to sell; as opposed to bid, the highest price at which one is ready to buy.

Rights Issue – A temporary privilege granted to existing ordinary share holders to buy additional shares of a company.

Prospectus – A legal document which describes shares being offered for sale to the public and various particulars concerning the project or enterprise.

Stock Exchange/Sharemarket – Is the market place for issued shares which are tradeable. New issues are offered to the public via the Stock Exchanges' primary market.

Shareholder – A person whose name is registered in the records of a company whose shares he holds.

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China is Booming Again

BEIJING – China's boom-bust economy is booming again. Production, consumption, wages and bonuses are all sharply higher, but inflation, brought under control last year, is rising again, according to official reports published over the weekend.

The official media call the data good news, but some economists have said that China's unwieldy economy could become overstimulated and lurch out of control again.

"The worry is the government is pouring too much money into the wrong places," an economist said, "and inflation could get out of hand".

Retail sales, squeezed into stagnation last year by a tough austerity program, jumped 14 percent in the first two months of 1991 against the same period in 1990, the Xinhua news agency said. Retail prices in January and February rose 4.5 percent from 1990 levels, more than twice the average rate for all of last year. In 35 large and medium-size cities, prices jumped 6.4 percent in the two-month period.

Unprofitable state-owned enterprises, many of which already have huge stockpiles of unwanted goods, produced 12.2 percent more in January and February than they did last year at that time, the agency, quoting the State Statistical Bureau, said.

During all of last year, output of state-owned industries grew only 2.9 percent. Production by large and medium-size enterprises grew 14.3 percent in the first two months of the year.

Total wage volume grew 14.6 percent, bonuses jumped 15 percent and government income soared 23.9 percent, good news for officials worried about the burden of bailing out industries and subsidizing consumers against price rises.

The Economic Information Daily said China's export engine continued to boom, selling $8.04 billion worth of goods overseas in January and February, 31.9 percent more than in the same period last year. Imports rose 1.7 percent to $6.2 billion in the period.

The bad news in the reports, economists and analysts said, is that much of the good news was due to the government's pouring credit into the economy, particularly in the last quarter of 1990.

Economists quoted by Xinhua said that problems in economic performance included the money supply rising too quickly and the issuing of large numbers of bank notes. The agency did not give details, but officials have said that bank loans in 1990 jumped in value by 22 percent, far above the 5 percent the economy as a whole grew.

Inflation, while more than double the 2.1 percent in 1990, is still far below 17.8 percent in 1989.

Western diplomats and Chinese economists said the government was very concerned that prices not get out of hand again. Prodemocracy demonstrations and unrest in 1989 followed inflation that reached 30 percent in cities.

"They'll be O. K. if they can keep inflation below double-digits," a diplomat said.

In another economic report, the official Beijing Review magazine said that by the end of last year the program of economic retrenchment had eliminated 35.2 percent of companies in existence in 1988.

New Zones To Promote Technology

BEIJING – China is ready to start 20 special zones to encourage high technology, the official China Daily said recently.

The zones will be based on the special economic zones in southern China, which have attracted foreign investment with preferential regulations. The newspaper said China's cabinet would approve the new zones, but it did not say where they would be.

The "special science and technology zones" will be a major part of China's economic restructuring, it quoted Song Jian, the minister in charge of the State Science and Technology Commission, as saying.

Existing special economic zones include Shenzhen and Xiamen, and the government has also been promoting development of Pudong, near Shanghai.

Meanwhile, cities in northeastern China are aggressively wooing South Korean investors.

Courtesy - International Herald Tribune.

THE DIAMOND CUTTING INDUSTRY AT CROSSROADS: THE IMPACT ON SRI LANKA

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1.0 Introduction

At present the diamond cutting industry is in a depressed state. Worldwide over-capacity in cutting and polishing, combined with increases in the price of rough diamonds and weak demand in the traditional retail markets of USA and Japan, and more recently, the Gulf crisis, have contributed to the present situation. The industry is now in the process of rationalising itself to meet the new challenges ahead.

This article broadly analyses the events leading to the current situation and attempts to assess its impact on the diamond cutting industry in Sri Lanka and presents strategies for promoting investments with this sector.

2.0 Brief Overview of the Diamond Cutting Industry in Sri Lanka

The evolution of diamond cutting into an important domestic export industry in Sri Lanka can be considered a result of the following factors, listed according to the probable order of importance:

(a) an innate ability to obtain the best "make" from rough diamond.

(b) good eyesight combined with a high degree of manual dexterity.

(c) high literacy rate and the ability to follow simple instructions – i.e. high degree of trainability.

(d) low wage structure.

In general, it can be stated that a centuries old history in gemming and an artisan culture, combined with a national average literacy rate of over 85% have helped foster within Sri Lanka a labour force ideally suited for diamond cutting.

The estimated export performance of Sri Lanka's diamond industry is shown below:

Year	Exports (Rs. Million)
1982	219
1983	449
1984	273
1985	434
1986	1215
1987	1248
1988	1629
1989	3225

Source: Export Development Board.

Diamond exports have grown from about Rs. 220 million in 1982 to Rs. 3225 million in 1989, according to Export Development Board statistics. This represents an exchange rate – adjusted compound annual average growth rate of about 34% for the period. In 1989, Sri Lanka had about 3000 cutters, and the average output from 12 factories in operation totalled around 25,000 carats per month. Although significant growth has been accomplished in the past, Sri Lanka's output still remains an insignificant 0.25% of the world's demand for cut and polished diamonds, estimated at over US $ 20 billion per year.

For the sake of comparison, if the performance of the garment industry is compared with that of diamond cutting, although no correlation exists between the two except they have both been high growth export industries in Sri Lanka, it can be shown that garment exports far exceed diamond exports in terms of value as well as employment generated. In 1989, over 350 factories were operating in Sri Lanka exporting about Rs. 17 billion in garments, more than 5 times the value of diamonds exported.

The parallel which can be drawn here is that in considering the relatively superior skills in diamond cutting available in Sri Lanka, and probably a greater comparative advantage in comparison to garment manufacture, the export growth performance of the diamond industry during the last 3 years has been somewhat limited. Most of the real growth in exports recorded appears to result from existing factories expanding production rather than new entrants into the business. In an industry which held much promise for growth in the 1980's only about 11 factories commenced operations during this decade. Hence there appear to be significant barriers to entry into diamond cutting from the point of view of local investors.

Briefly, the main barriers to entry into this business are given below:

(a) extended learning curve in achieving full productivity, and the need to rely on expatriate trainers at very high cost.

(b) limited success by Sri Lankan investors in identifying joint venture partners and/or suppliers of rough and distributors of polished goods in major trading centres such as Antwerp and Tel-Aviv. In comparison, Indians are in a favourable position to obtain reliable supplies of rough and market finished goods due to a large Indian community taking up residence in Antwerp durig the early 1970's.

Today more than 100 Indian families have at least one member residing in

Antwerp, thus forming an invaluable link between the 4 trading floors in Antwerp and the cutting factories of India. Similar family ties have been established between the Jewish community in Antwerp and cutting factories in Israel. Therefore the traditional family ties prevalent in the business automatically places a potential Sri Lankan investor at a comparative disadvantage in establishing links for supply and marketing.

(c) **the difficulty in raising working capital financing.** Foreign suppliers, particularly in the case of new factories, often impose the burden of purchasing rough outright on local investors and require up to 60 days credit for marketing. Thus large sums of working capital financing are required, with banks generally requiring 100% security cover on their exposure. (Diamond stock is usually not accepted as collateral).

(d) **multiple foreign exchange conversion and bank charges.** Exchange Control regulations have also affected the Industry since diamond exporters, other than the few 100% foreign owned companies, are required to carry out multiple foreign exchange conversions when effecting imports and exports. These multiple dollar-rupee-dollar conversions result in additional bank charges which erode profit margins available to cutting factories.

The above factors, combined with the inherent fluctuations in the diamond market have contributed towards inhibiting the growth of this industry in Sri Lanka. In the following paragraphs, strategies to enhance the country's competitive position are discussed.

3.0 The Diamond Industry – The Global Situation

3.1 Overview

After nearly 9 years of steady growth in turnover and profits, the diamond cutting industry is presently undergoing difficult times.

Israel, which processes almost half the value of the world's rough diamonds has seen a 20% decline in carats processed this year as compared to 1989. Some of the country's 700 or so factories have either closed down, retrenched workers or moved into the trading business. India by far has been worst affected by the present recession facing the industry. In a country in which about 800,000 workers are directly or indirectly involved in diamond cutting, at least 200,000 are reportedly out of work.

The folowing paragraphs attempt to analyse the underlying reasons for this slump and presents the prognosis for the future of this industry.

3.2 Factors Affecting Cutting Industry

The present slump faced by the diamond cutting industry for small stones is a result of a series of events, involving the De Beers diamond cartel, cutting factories and retail markets in general. Given below is a summary of some of the event leading to the present situation. These events, although inter-related, are not necessarily in the sequence in which they occurred.

Expansion in India

The mid to late 1980's were very profitable years for the cutting industry with the expansion fuelled by strong economic growth worldwide. In particular, industrialists cutting and polishing in India were making sufficiently large profits which enabled them to:

(a) expand capacity, and

(b) purchase rough diamonds from sources other than their traditional suppliers at higher prices for purposes of stockpiling and cutting and polishing. Due to strong market demand, the Indians were able to make adequate profits by paying premium prices for rough diamonds.

The above situation led to an oversupply of low quality, cheap Indian goods being dumped into the market. This eventually contributed towards an overall depression in prices for most small to medium sized diamonds.

Increase in the Cost of Rough Diamonds

Partly to stem the Indian expansion in cutting capacity and stockpiling, the Central Selling Organisation of De Beers increased prices of rough diamonds by about 25% and 5.5% in 1988 and 1989 respectively.

Slackening of Demand in Major Retail Markets

Japan and USA account for more than 65% of global sales in cut and polished goods. The fall of the yen against the dollar and the financial turmoil in Tokyo combined with a weakening US economy has contributed to the general slowdown in demand.

General Shift in Consumer Preference

With the glut of badly made Indian goods resulting in an overall depression of prices, consumers found small good of a better "make" affordable and perceived them as a better investment stone (the "make" of a diamond refers to the quality of the cut and clarity). Therefore, in broad terms the market demand for small diamonds shifted towards better quality, with customers being more selective of goods purchased.

The combined effect of the above factors has been the erosion of profits margins to cutting factories and an ensuing rationalisation of cutting capacity through closures and lay-offs.

The net result has been that cutting factories have been on their own accord forced to obtain better market prices for finished goods to remain profitable. The only way of achieving this desirable end, in an environment of increasing prices of rough and slow down in demand in traditional markets, has been to produce a better quality stone and move up-market.

Invariably this would mean better production management and the use of improved technology which automatically places the Indian industry at a disadvantage since it functions primarily on a sweat-shop/cottage industry type model, making quality control difficult.

4.0 Outlook for the Diamond Cutting Industry in Sri Lanka

4.1 Overview

As pointed out previously, the diamond cutting industry is at crossroads.

With significant shifts in consumer demand patterns, increasing prices of rough and over capacity in cutting the industry is now undergoing a process of rationalisation. Analysed below is Sri Lanka's position vis-a-vis this changing environment.

4.2 Impact on Local Factories

In comparison to India, the impact on local factories arising from adverse trading conditions has been minimal. This has been primarily due to the Sri Lankan diamond industry functioning according to an "organised factory" model as opposed to the "cottage industry" model prevailing in India.

The organised factory concept allows Sri Lankan facilities to consistently produce better quality goods which are marketable in relation to Indian goods of poor "make". Thus profit margins to local factories, although comparatively less than margins obtained during the boom years between 1984 and 1988, have been adequate to remain in business.

In contrast, the cottage industry model makes quality control virtually impossible since a single supplier usually supplies rough diamonds to literally dozens of sweat shops; the supplier then receives finished goods which are of inconsistent quality, thereby not being able to command premium prices in the market place. Furthermore, these sweat shops are often poorly lit, lacking in air conditioning, with equipment rarely maintained and balanced, and workers are often plagued with poor eyesight and poorly remunerated. The combined effect of these factors is a poor quality product.

However, virtually all Sri Lankan factories operate as well organised production systems, with air conditioning, sufficient lighting and a relatively comfortable working environment. Very often quality control standards are stringent. Therefore loss of jobs have been marginal resulting from the current events in the market place. Nevertheless, it is reliably understood that about 200 to 300 cutters have either been retrenched or have voluntarily left their jobs due to the current industry slump. Contributing to this has been the introduction of more stringent quality standards resulting in the daily output of these workers dropping below acceptable standards. This means lower earnings since wages are linked to productivity and quality.

The above suggests that the Sri Lankan factories are better equipped to compete in the market place than their Indian counterparts. Hence it is realistic to assume that if the Indian industry is to remain competitive, cutting and polishing operations need to be structured as an organised production system.

However this is not be a realistic option in the near term due to exchange control laws, taxes and a frustrating bureaucracy prevailing in India. The present cottage industry model offers the Indian diamond trader an ideal means of operating through the black market. Furthermore, channels for smuggling diamonds in and out of India have been established over several decades and it is unlikely that there will be a significant shift in the overall structure of the Indian industry into the organised factory model. A more likely event would be the overall paring down of the cottage industry operation to manageable levels with literally thousands out of employment permanently.

In the final analysis, the erosion of margins to the cutting industry has meant that the Israeli industry is affected due to high labour costs and the Indian industry due to poor quality. This situation presents an attractive opportunity for Sri Lanka to penetrate the market further to pick up the slack in the industry, since under prevailing market conditions for small stones, Sri Lanka's competitive position is enhanced due to its low wage structure and reputation for quality. Hence an argument can be presented that Sri Lanka's industry should be poised for expansion.

5.0 The Potential for Growth

Based on the above analysis, it is reasonable to assume that the cutting and polishing of diamonds in Sri Lanka has the potential to grow into a major export industry, generating significant gains in employment and net foreign exchange earnings. If Sri Lanka achieves a mere 5% share of the world's market for cut and polished stones, it can be roughly estimated that more than 60,000 would gain direct employment, about 20 times more than the present levels. Achieving significant growth within this export industry is made possible in considering that:

(a) it is generally acknowledged that the average productivity of Sri Lankan labour is superior to that of India, Thailand and China.

(b) due to the inherent multiformity of diamonds, automation in cutting and polishing is not expected to significantly diminish the importance of manual labour in the long term.

(c) the rationalisation presently underway within the industry is expected to irreversibly enhance the competitive position of low cost, high quality producers such as Sri Lanka.

However, the above optimism does not necessarily lend itself to Sri Lanka embarking on a hastily executed large scale capacity expansion programme; it merely suggests that if properly planned, the potential exists for Sri Lanka, with its liberal exchange control laws, zero taxation on exports, highly trainable labour and experience in operating large scale organised factories, to become the major growth centre for diamond cutting in the 1990's.

The argument against setting up new factories, based on the present industry situation is that:

(a) a new factory's output during the initial 1–2 years of production is usually of a poorer "make" and lower yield due to the relatively lengthy learning curve inherent to diamond cutting; and as stated previously, the market for lower quality goods is weak.

(b) due to Antwerp's general reluctance to supply new factories on a "cutting fee" basis, enhanced by the fact that Sri Lankans do not have ethnic links to the trading floors of Europe, new factories are additionally burdened with raising vast amounts of working capital finance (usually running into more than three times the cost of plant and equipment) and bearing the interest cost thereon.

Therefore factories commencing operations in the present business environment are subject to severe financial constraints through the combined effects of profit margin erosion, high finance charges and costs of expatriate trainers. In the final analysis, starting a new factory currently would mean extraordinary losses during the initial years of operation; and unless the market picks up dramatically, getting started in diamond cutting must necessarily be limited to parties with sufficient financial clout to withstand initial losses and those who are committed to long term profits and returns.

It is therefore natural to question as to what point in time a new Sri Lankan diamond factory can operate as a viable concern. The answer is as son as the factory has adequately demonstrated to Antwerp that:

(a) it is owned and operated by individuals (preferably family members) of impeccable repute and financial stability.
(b) the factory has sufficient installed capacity, is well managed and its output is of a consistently good "make".

Once these attributes are demonstrated, the very supliers who initially would have required the Sri Lankan factory to purchase rough diamonds through them on COD terms and be paid for polished when sold would be willing to take the "risk" of supplying rough diamonds, in very large quantities on a cutting fee basis.

At present there are many reputed traders who are also site holders in Antwerp willing to supply to Sri Lanka, sawn goods and makeables of about 10 pointers rough on a cutting fee ranging from US $ 0.75 to US $ 2.00 per stone. However supply is contingent on the factory having been operational for about 18 months. Also exhaustive checks would be carried out on the quality of the output and production methods as well as the financial strength and standing of the owners. The latter is necessitated in considering that the diamond business is carried out largely on trust; and documentary letters of credit which prevail in tradition import/export businesses are the exception rather than the norm.

Because some dealers in Antwerp are willing to supply rough diamonds in quantities exceeding 100,000 stones per month on a cutting fee basis, only to existing factories in Sri Lanka passing an equivalent of a "litmus test" in diamond cutting, literally millions of rupees of potential foreign exchange earnings are lost to the country. For example it can be roughly estimated that a factory cutting and polishing 100,000 swan pieces a month would create employment for about 450 persons and net foreign exchange earnings would total about Rs. 50 million per year.

Hence Sri Lanka's industry faces a conflicting situation: high labour costs and poor quality having contributed to many factory closures in Israel and India respectively, diamond dealers are looking towards alternate sources for cutting and polishing diamonds. However, Sri Lanka, as a relatively efficient producer has insufficient capacity and skilled operators to meet this demand. Moreover, foreign investors are generally reluctant to take equity in factories located in Sri Lanka due to cutting factories being inherently difficult to manage from abroad, lack of family ties and general preference to make profits from trading rather than manufacturing.

Nevertheless, reputed sight holders in Antwerp are willing to enter into agreements with Sri Lankan investors on the following basis:

(a) new factories with unproven capability would have to purchase rough diamonds on COD terms from suppliers who will retain a brokerage commission of upto 2%. When cut and polished, the diamonds would be marketed by the same supplier who would again retain a commission of upto 2%. Exports from Sri Lanka would be on documents against acceptance with the period of the draft averaging aroound 60 days. This means that the local factory would need to carry the burden of a large working capital financing facility to cover around 30 days of rough stock and 60 days of receivables. This model involves no risk to the supplier who would agree to supply rough and market polished at best prices prevailing in the market; his reputation in the trade would be the main yardstick available to the Sri Lankan investor to ascertain that the supplier is acting in good faith.

(b) once a new factory has established itself as a reliable manufacturer, usually possible after 12 to 24 months of operations depending on the quality of management, the Antwerp traders would willingly supply diamonds on a cutting fee basis. Thus the need to tie-up local working capital finance for diamonds is minimised. In certain cases the supplier may even take equity in the Sri Lanka facility to partially finance capacity expansion.

Note that the transition from the first to the second model is a reflection of the supplier's willingness to reciprocate the "trust" placed in him and analogous to a successful courtship leading to marriage!

Ideally, a "mature" diamond cutting factory in Sri Lanka should be operating on both models. The first model enables the Sri Lanka factory to obtain a higher value added, particularly when market conditions are propitious. The latter allows the factory to expand production at a faster rate without the burden of obtaining enhanced facilities for working capital financing and offers protection against market downturns.

Nevertheless, the critical issue this report wishes to address is that the road to achieving "matured factory" status is a difficult one, and which many Sri Lankan investors are reluctant to take in view of short term losses and other constraints discussed previously. it can therefore be argued that a situation has arisen where Sri Lanka's private sector is unable to take advantage of a potentially lucrative long term business opportunity without the benefit of Government policy concessions directed exclusively towards promoting this industry.

6.0 Government Policy Issues

The incentives for developing the diamond cutting industry should primarily be directed towards minimising the barriers and constraints faced by entrepreneurs during what can be termed as the "incubation period" of a new diamond cutting factory. That is the period from start-up, to having a fully trained contingent of workers required to qualify for receiving goods on a cutting fee basis, which under normal circumstances should not be greater than 2 years.

This report does not attempt to go into a lengthy discourse on the range of incentives which should be made available to the diamond industry, but highlights critical issues which need to be addressed when deciding on Government policy options for promoting this sector. Consideration should be given to the following:

(a) loans at concessionary interest rates to finance the cost of expatriate trainers and exemption from the 25% tax on total emoluments for such trainers. (At present the Export Development Board has a loan scheme for new factories to finance 50% of training costs, carrying an interst rate of 5% per annum, repayable over 5 years. Ideally this scheme shold cover factories choosing to expand capacity as well).

(b) facilities to operate US dollar accounts though Foreign Currency Banking Units (FCBU) of local commerical banks, for the purpose of using export proceeds to pay for imports, thus avoiding multiple foreign exchange conversions which result in excessive bank charges and erosion of profit margin. Permission to operate FCBU accounts, though presently granted to companies with foreign equity, shold be granted to 100% locally owned diamond cutting factories. This concession has the added benefit of lower interest rates which is a critical factor affecting competitiveness in the diamond industry where working capital exposure is high. This facility should replace the Central Bank refinanced packing credit scheme which is inefficient in the context of the norms of trade prevailing in the diamond industry. (Note that during the 1960's and 70's cheap interest was vital in giving Israel's diamond industry a competitive edge over many of their rivals in Antwerp and New York, who were more dependent on the changing seasons of commercial rates.)

(c) establishing separte "Diamond Divisions" within local commercial banks specialising in meeting the financing needs of this sector. The role played by commercial banks in the evolution of Antwerp, Tel Aviv and Bombay into major diamond cutting centres canot be emphasised enough. Schemes such as "Imprest Systems", margin accounts and trust receipts have been used by commercial banks in these cities to facilitate obtaining working capital finance. However the critical attribute required of bankers to the diamond industry, which is lacking in Sri Lanka, is a specialised knowledge of the business (valuation techniques, market trends) and that of the individual diamond manufacturer. (factory capacity, production techniques, security systems etc.).

(d) extension of pre-shipment credit guarantees by the Sri Lanka Export Credit Insurance Corporation (SLECIC) at a higher level than has hitherto been offered to other export industries. A case can be made that in view of the very high value of the imported input in diamond cutting, the insurance cover offered to commercial banks under the Pre-shipment Credit Guarantee Scheme of SLECIC should be increased from 66-2/3 percent to 90 percent with a view to promoting this industry.

(e) creation of a special task force consisting of representatives from the Diamond Manufacturers Association, relevant Government ministries and Investment approving agencies and commercial banks in formulating specific policies and guidelines in promoting this industry. The terms of reference of such a committee must include the carrying out of an indepth study of the functioning of the cutting industry in established and emerging centres such as Antwerp, Tel Aviv, Bombay, Bangkok and Beijing and recommending policy measures to promote similar growth in Sri Lanka.

In considering the above, it should be noted that Sri Lanka has not historically targeted policy concessions to develop one specific industry. Therefore, the implementation of these recommendations would result in representations by exporters that such measures should necessarily benefit other export industries as well. The following arguments can be presented to justify preferential treatment for the diamond sector:

(a) Historically, the growth in diamond cutting and polishing and subsequently trading within the world's major cutting centres evolved as a result of Government policies specifically directed to promoting this industry.

(b) Diamonds being the most concentrated from of value among all traded commodities, the working capital exposure in relation to fixed assets employed is much higher than any export industry in Sri Lanka.

(c) In view of a lengthy learning curve where operators may take more than one year to achieve full productivity, expatriate trainers are required for a relatively long period of time at high cost.

(d) Very often net foreign exchange earnings as a percentage of net sales is presented as an important measure in qualifying for special investment incentives. This is a misleading indicator in the context of diamonds where value addition in percentage terms generally ranges from 8 – 20 percent depending on the type of rough diamonds processed. However in absolute terms, net earnings in foreign exchange from diamond exports can far exceed other exports due to the high value of the commodity.

(e) The expansion of this industry, quite apart from generating significant employment can lead to the establishment of a major diamond exchange in Sri Lanka, bringing together international buyers and sellers, and contribute towards expanding the jewellery export industry as well.

It should be noted that the manufacturing sector in Belgium and Israel have responded to the loss of comptitiveness to low wage countries by successfully computerising almost all the processes involved in transforming diamond rough into cut and polished stones. This technology is known to increase labour porductivity by 4 to 8 time that of manual methods. However presently the cost of automation is high and this technology cannot be used on all types of rough diamonds and limited to producing the brilliant cut only. Therefore the importance of the labour input prevails.

Nevertheless, in the medium to long term, there is no warrant for assumption that relatively cheap labour rates will continue to be available in Sri Lanka and automated technology would remain costly and limited in its applications. Therefore, one should expect that if Sri Lanka is to remian competitive in the long term, this industry should be given the necessary incentives to expand its manufacturing base in the short term so that profits can be invested in new technologies being evolved.

7.0 Conclusion

Thailand and China are emerging as new growth centres for cutting and polishing in competition with Sri Lanka and, if Sri Lanka is to fully exploit her comparative advantage over these two countries, the Government must extend concessions to nurture the local industry through its incubation period as referred to above. These concessions are essential in considering the inherent closed nature of the diamond business and would eventually result in greater foreign investment in this sector.

If the history of cartelisation is analysed for this century, without any doubt, the De Beers diamond cartel can be considered the most successful. To enter into this exclusive "fraternity" of diamond cutters and traders, one must necessarily prove oneself worthy of "membership". Upon entry into this diamond fraternity, the cartel treats those falling in line with its policies and guideline benevolently, ensuring that traders and cutters shall make adequate profits in the long term, though short term windfall profits and losses are inevitable. Even the slightest violation of the "trust factor", all important to the functioning of this industry, would mean expulsion from this inner circle and re-entry into the business could literally take a generation, if at all. Similarly traders prior to benefiting from the supply of rough on favourable terms, and equity participation.

Therefore even if government policies are in place to assist local entrepreneurs during the so called incubation period, it can be qustioned whether Sri Lanka's private sector has the resolve and the requisite management skills (having been pampered on industries and business opportunities yielding short terms profits,) to weather the initial losses in anticipation of long term profits, characteristic to diamond cutting. In the absence of ethnic and family ties to the major diamond trading floors of the world, there are no short cuts to success in this industry.

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tions such as Teaching Hospitals, Specialised Hospitals and Provincial Hospitals as at present. The present Base Hospitals will remain as they are with the number increased to have one such hospital for each Administrative District. To be in line with this geographical basis, these hospitals will be redesignated as District Hospitals. However, in districts that have an existing Provincial Hospital (General Hospital) it would serve the function of the district referral centre. It is possible due to local variations and the policy of not downgrading any existing institutions certain districts would have more than one such institution.

They will at least provide general medical care as well as medical care in the main four specialities and will be the basic referral units.

The model worked out is being implemented in 33 AGA divisions with the assistance of the Asian Development Bank at a cost of US 9 million. The whole programme is estimated to cost US $ 170 million. It is to be implemented over a period of 10 years.

Progress in Implementation

One of the most significant and practical steps taken towards the achievement of the HFA goal is the successful establishment of the National Health Development Network (NHDN). The National Health Council and the National Health Development Committee are two important constituents of the NHDN.

The National Health Council was established in March 1980 under the chairmanship of the Hon.Prime Minister and Hon. Ministers from Health related Ministries. This council provides political leadership necessary for implementation of HFA activities.

The National Health Development Committee is chaired by the Secretary, Ministry of Health and has as its members the secretaries of all the ministries represented in the National Health Council and a few senior officials from related departments.

The 3 tier model that was developed for the delivery of PHC was expected to assure comprehensive coverage, logistics, referral and supervising support.

The proposed structure can be looked at as a pyramid. See Figure 1.

The model worked out has been implemented on a pilot basis in certain AGA divisions.

To further strengthen the preventive health services, it is proposed to appoint one medical officer of health per AGA division, and it is hoped that by 1992 one such officer would function in each AGA division, with a total of over 280 Medical Officers of Health in the island.

The PHC proposals calls for community participation and involvement as a key strategy. Active involvement of people individually as well as collectively for solution of health problems is considered indispensable, and more and more emphasis is being placed on community participation through involvement of volunteers and community leaders at grass roots level in the implementation of health programmes.

It is anticipated that by these measures deficiencies stated would be overcome to a considerable extent by the year 2000 or before and that essential health care would be provided to the entire population on a continuing basis.

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Capital Gain or Loss – Profit or loss resulting from the sale of a capital assert.

Subsidiary – Company which is controlled by another company usually through its ownership of the majority of shares.

Underwriting – The purchase for resale of a share by an investment company bank

Flotation – Issue of shares.

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2.4. Benefits of a Life Assurance Scheme

2.4.1 Benefits to the Policyholder

(1) Benefit Against Death

This is the basic benefit the policyholder can receive by obtaining a Life policy. This sum of money that will devolve on to the dependents (or to the nominee).

(2) Benefit Against Total and Permanent Disablement

A total and a permanent disablement may cause a loss of income to the policyholder. Further the disablement can cause further expenditure on medicine and health care. The sum of money paid to the policyholder as an extra payment (in addition to the life cover) can well be used to meet such needs.

(3) Benefit Against Partial Disablement

Here too the policyholder will receive an extra sum of money as a lump sum payment which perhaps can be used to meet the expenditure incurred in hospitalization and health care.

(4) Negotiable Instrument

The life policy is accepted as a bankable instrument to use as direct security or as a collateral, when raising a loan from a financial institution.

(5) An Investment

In most schemes, the premium paid into the policy will obtain an interest. At the end of the term the policyholder will receive the money invested with an added interest as maturity value. In some other schemes the premium payments are refunded in parts giving opportunity to the policyholder to invest outside the Insurance market (ex. as a fixed deposit).

(6) Surrender Value

If the policyholder so wishes, he can surrender (give back) the policy (normally after three years) to the Insurance Organization and demand a refund of the premium invested along with any accrued interest after deducting a sum for the risk borne by the Insurance Organization.

Table III-1: Product Range

Scheme	Age Range (Yrs.)	Max. Age Policy can be held	Category	Terms Available (Yrs.)	Supplementary Benefit: Accid. Ben.	Tot. Report	Disable. partial Disb.	with
SCHEMES OFFERED BY INSURANCE CORPORATION OF SRI LANKA								
1. Whole Life Assurance	18-60	n/a	II	n/a	yes	yes	yes	no
2. Limited Payment Life Assurance	18-66	65	III	10-47	yes	yes	yes	no
3. Endowment Assurance	18-60	65	V	10-47	yes	yes	yes	no
4. Marriage Endowment	18-60	65	V	5-20	yes	yes	yes	no
5. Educational Annuity	18-60	65	V	5-20	yes	yes	yes	no
6. Pure Endowment	18-45	n/a	IV	40	no	no	no	no
7. Convertible Life Assurance	18-50	65	I	10-42	yes	yes	yes	no
8. Joint Endowment Assurance	20-50		V	10, 15, 20 25, 30, 35				
9. Double Endowment Assurance	18-55	65	V	10-35	yes	yes	yes	no
10. Triple Benefit Plus Assurance	18-60	65	V	10, 15, 20, 25	no	no	no	no
11. Multi Purpose Assurance	18-55	65	V	10-30	yes	yes	yes	no
12. Mortgage Protection	n/a	65	V	10, 15, 20, 30	no	no	no	no
13. Podhu Jana Rakshana Assurance	18-45	65	V	10, 15, 20 25 30, 35, 40	yes	yes	yes	no
14. Jana Setha Life Assurance	18-60	65	VI	15, 20, 25 30, 35	yes	yes	yes	no
15. Three Stage Policy	18-60	65	VII	10, 15, 20	yes	yes	yes	no
SCHEMES OFFERED BY NATIONAL INSURANCE CORPORATION								
1. Whole Life Assurance	18-65	n/a	II	n/a	yes	yes	yes	no
2. Limited Payment Whole Life Assurance	18-55	65	III	10-45	yes	yes	yes	no
3. Endowment Assurance	18-60	70	V	10-50	yes	yes	yes	no
4. Pure Endowment	n/a	n/a	IV	5-25	no	no	no	no
5. Joint Life Endowment	18-60	70	V	10-50	yes	yes	yes	no
6. Anticipated Endowment Assurance	18-60	70	VII	10, 15, 20	yes	yes	yes	no
7. Multi Benefit Endowment Assurance	18-60	70	VII	10, 15, 20, 25	yes	yes	yes	no
SCHEME OFFERED BY CEYLINCO INSURANCE CO. LTD.								
1. Whole Life Unlimited Payment Policy	18-60	n/a	II	n/a	yes	yes	yes	yes
2. Whole Life Limited Payment Policy	18-60	70	n/a	9	yes	yes	yes	yes
3. Endowment Policy	18-60	70	V	5, 10, 15 20, 25, 30	yes	yes	yes	yes
4. Assured payment Policy	18-60	70	VII	10, 15, 20 25	yes	yes	yes	yes
5. Flex Benefit Policy	18-60	70	VII	10, 15, 20, 25	yes	yes	yes	yes
SCHEMES OFFERED BY UNION ASSURANCE LTD.								
1. Union Endowment Policy	18-64	70	V	5-30	yes	yes	yes	no
2. Union Super Benefit Policy	18-65	70	VII	6, 9, 12, 15, 18 21, 24, 27, 30	yes	yes	yes	no
3. Union Family Benefit Policy	18-55	70	I	10-50	no	yes	yes	no
4. Union Home Protection Policy	18-60	70	V	10-35	no	no	no	no
5. Child Welfare Benefit Policy	18-45	60	V	5-15	no	no	no	no
SCHEMES OFFERED BY CTC INSURANCE CO. LTD								
1. Convertible Term Policy	18-60	70	I	10, 15, 20 25, 30, 35	no	no	no	no
2. Piripun Policy	18-60	70	V	25	yes	yes	yes	no
3. Dasthdon Policy	18-60	70	V	10, 15, 20	yes	yes	yes	no
4. Apekshe Policy	18-56	70	VII	12, 16, 20, 24	yes	yes	yes	no
5. Kanyadha Policy	n/a	n.a.	V	5	no	no	no	no

(7) Flexibility to Operate The Policy

If the policyholder is unable to meet the payment of premium, either of the following options is available to continue with the policy:

(i) Can request a grace period and continue with the payment of premium after the grace period. The termination of the policy will be extended by the grace period obtained.

(ii) Can request a grace period and recoup the non payment of premium during the grace period. Hence the termination of the policy will effect as it was before the grace period.

(8) Tax Benefits

A taxpayer receives additional benefits due to incidence of taxation. They are as follows:

(i) The policyholder can deduct the premium paid into the policy (except in the case of Pure Endowment Policy) from the statutory income in calculating the tax payable for a given fiscal year. The premium deducted should not exceed one third of the total statutory income or Rs 50000 whichever is lower for a given fiscal year.

(ii) The payments received as compensation or by way of maturity of the policy will be exempted from income tax or capital gains tax.

2.4.2. Benefits to The Economy

(i) Social Security

There are only a few schemes available to compensate for a loss of life or in the event of a disablement. The Life Assurance schemes meet this need which in fact is a social security scheme.

(ii) Economic Growth

The premium invested by the policyholders and the shareholders constitute the reserve base of an Insurance Organization. Under the Control of Insurance (Amendment) Act No. 42 of 1986, every insurer should invest 50% of its reserve funds in Government securities and the balance 50% in investments (i.e. approved securities, deposits with commercial banks, deposits and investments with State Mortgage and Investment Bank, and in Quoted companies) approved by the government.

The money invested in the Government and in approved investments will help growth the economy by increasing the level of employment, thereby consumption and furthering demand for goods and services.

Table IV-1: Schemes Under Category 1

Organization	Scheme
ICSL	n/a
NIC	n/a
CEY	n/a
UAL	Union Family Benefit Scheme
CTC	Convertible Term Policy

An illustration citing hypothetical events and the extent of compensation under each such event is given below.

Assumptions:

Policyholders Age at beginning of policy	= 25 years
Term (period for which policy is taken)	= 25 years
Basic Sum Assured	= Rs 100000
Accident Death Benefit elected	= n/a
Total and Permanent disablement benefit	= n/a

Event	Sum Awarded (Rs)
LOSS OF LIFE	
(1) occurs during term of the policy by natural causes	100,000/-
(2) occurs during term of the policy by accidental causes	100,000/-
(3) occurs after the term of the policy by natural causes	100,000/-
(4) occurs after the term of the policy by accidental causes	100,000/-
TOTAL & PERMANENT DISABLEMENT	
(1) occurs during the term of the policy	n/a
(2) occurs after the term of the policy	n/a
SURVIVAL	
(1) till the end of the term of policy	n/a

Table IV-2: Schemes Under Category II

Organization	Scheme
ICSL	(i) Convertible Life Assurance (ii) Whole Life Assurance
NIC	Whole Life Assurance
CEY	Whole Life Unlimited Payment Policy
UAL	n/a
CTC	n/a

An illustration citing hypothetical events and the extent of compensation under each such event is given below;

Assumption:

Policyholder 'Age at beginning of policy	=2 years
Term (period for which policy is taken)	= till death
Basic Sum Assured	= Rs 100000
Accidental Benefit elected	2* basic sum assured
Total & Permanent disablement benefit	= elected

Hypothetical Events:

Event	Sum Awarded (Rs)
LOSS OF LIFE	
(1) occurs during term of the policy by natural causes by natural causes	100,000/-
(2) occurs during term of the policy by accidental causes	200,00/-
(3) occurs after the term of the policy by natural causes	n/a
(4) occurs after the term of the policy by accidental causes	n/a
TOTAL 7 PERMANENT DISABLEMENT (EXTRA)	
(1) occurs during the term of the policy	100,00/-
(2) occurs after the term of the policy	n/a-
SURVIVAL	
(1) till the end of the term of policy	n/a

TableIV-3: Schemes Under Category III

Organization	Scheme
ICSL	Limited Payment Life Assurance
NIC	Limited Payment Whole Life Assurance
CEY	Whole Lfie Limited Payment Policy
UAL	n/a
CTC	n/a

A Policy holder can elect the accidental death benefit disability benefit and walver of premium benefit as suplementary benefits.

An illustration citing hypothetical events and the extent of compensation under each such event is given below:

Assumption:

Policyholders Age at beginning of policy	=25 years
Term (period for which policy is taken)	= 25 years
Basic Sum Assured	= Rs 100000
Accidental Death Benefit elected	= 2* basic sum assured
Total and Permanent disablement benefit	= elected

Event	Sum Awarded (Rs)
LOSS OF LIFE	
(1) occurs during term of the policy by natural causes	100,000/=
(2) occurs during term of the policy by accidnetal causes	200,000/=
(3) occurs after the term of the policy by natural causes	100,000/=
(4) occurs after the term of the policy by accidental causes	100,000/=
TOTAL & PERMANENT DISABLEMENT	
(1) occurs during the term of the policy	100,000/=
(2) occurs after the term of the policy	" 0/=
SURVIVAL	
(1) till the end of ther term of policy	n/a

III. PRODUCT RANGE

Individuals have varied needs but their affordability vary considerably. a number of schemes are offered to the public by Insurance Organizations with different packages of reward to suit their affordability and their needs. All Insurance Organizations have their own product range. Each product (scheme) offered by a given Insurance Organizations is matched by other Insurance Organizations by adding minor changes to their product. Some of the minor changes are the premium payable.The supplementary benefit offered and the maximum term for which a policy can be taken. Every Insurance Organization keeps monitoring and innovating different schemes to meet the changing needs of customers or to create a need or to satisfy a yet unsatisfied need offered by Life Assurance schemes.

Each scheme stipulates the minimum and the maximum age a prospective could enter a scheme. A given scheme may also stipulate the maximum term for what policy could be obtained. A scheme may be offered in two forms viz, one sub-scheme qualifying for bonus and the other without it. The premium payable on the sub-scheme that qualifies for bonus payments is relatively higher than the scheme that does not qualify for bonus.

Table IV–4 Schemes Under Category IV

Oraganization	Scheme
ICSL	Pure Endowment Policy
NIC	Oyre endownment Policy
CEY	n/a
UAL	n/a
CTC	n/a

An illustration citing hypothetical events and the extent of compensation under each event is given below.

Assumption:

Policyholder Age at beginning of policy	=25 years
Term (period for which policy is taken)	= 25 years
Basic Sum assured	= Rs 100000
Accidental Death Benefit elected	= 2* basic sum assured
Total & Permanent disablement benefit	= elected

Event	Sum Awarded (Rs)
LOSS OF LIFE	
(1) occurs during term of the policy by natural causes	Premium refund
(2) occurs during term of the policy by accidental causes	Premium refund
(3) occurs after the term of the policy by natural causes	0/=
(4) occurs after the term of the policy by accidental causes	0/=
TOTAL & PERMANENT DISABLEMENT	
(1) occurs during the term of the policy	n/a
(2) occurs after the term of the policy	n/a
SURVIVAL	
(1) till the end the of the term of policy	100000/=

The following are the products available in the present market. (See Table IV-1.)

IV. CLASSIFICATION OF SCHEMES

For the purpose of analysis Life Assurance schemes were classified into seven broad categories. The technical classification of life assurance scheme was ignored here.

Category I

Here the premium is paid for an elected term and the coverage is provided for that elected term. A sum asured is not paid (only the premium paid is not refunded) for the policyholder. Hence ther is no maturity value in the schemes described under this category since money is paid only at the death of the policyholder. The schemes falling into this category do not offer the accidental benefit, disablement benefit and waiver of premium benefit.

The schemes coming under this category are not very popularity and generaly are suitable to individuals who look for a bigger coverage at a lower premium. The following schemes are available in the market (See Table IV -1)

Table IV-5: Schemes Under Category V

Organization	Scheme
ICSL	Endowment Assurance Marriage Endowment Educational Annuity Double Endowment Assurance Multi Purpose Assurance Podhu Jana Rakshana Plan Treble Benefit Plan of Assurance
NIC	Endowment Assurance
CEY	Endowment Policy
UAL	Union Endowment Policy
CTC	Piripun Policy Deshabe Policy Ranpalihe Policy

A policyholder can elect the accidental benefit, disability benefit and waiver of premium benefit as supplementary benefits.

An illustration citing hypothetical events and the extent of compensation under each such event is given below:

Assumptions:

Policyholders Age at beginning of policy	= 25 years
Term (period for which policy is taken)	= 25 years
Basic Sum Assured	= Rs 100000
Accidental Benefit elected	= 2 basic sum assured
Total & Permanent disablement benefit	= elected

Event	Sum Awarded (Rs)
LOSS OF LIFE	
(1) occurs during term of the policy by natural causes	100,000/=
(2) occurs during term of the policy by accidental causes	200,000/=
(3) occurs after the term of the policy by natural causes	0/=
(4) occurs after the term of the policy by accidental causes	0/=
SURVIVAL	
(1) till the end of the term of policy	100,000/=

The schemes available in today's market are; (See Table IV -2)

Category III

The premium is payable by the policyholder for a defined term and the coverage is provided only for the term of the policy. No maturity value is available in the schemes described under this category since money is paid only at the death of the policyholder. The sum assured is paid to the nominee of the policyholder at his death.

The schemes coming under this category are normally, taken by individuals who want to ensure that their dependents' (or nominees) financial base is not eroded with their death.

The Schemes available in the market are: (See Table IV -3)

Category IV

A defined term can be elected on the schemes falling into this category. Only the premium invested is refunded the policy if the loss of life actualize during the term of the policy. However a matur-

Category II

Here the premium is payable till the time of death of the policyholder and hence the term of the policy cannot be defined (of schemes under Category I, III & IV where premium is paid only for a defined term). The sum assured is payable to the nominee of the policyholder at his death.

The policyholder can elect the accidental death benefit, disability benefit and waiver of premium benefit as supplementary benefits.

No maturity value but only a sum assured is available in the schemes described under this category since money is paid only at the death of the policyholder.

The schemes under this category can be beneficial as a measure of mitigating tax liability. The schemes offered under this category are also not so popular.

Table IV – 6: Schemes Under Category VI

Organization	Scheme
ICSL	Jana Saha Assurance

A policyholder can elect the accidental benefit, disability benefit and waiver of premium benefit as supplementary benefits. The benefit given at total and permanent disablement will be equal to the sum assured at the time of disablement.

An illustration citing hypothetical events and the extent of compensation under each such event is given below:

Assumption:

Policyholders Age at beginning of policy	=25 years
Term (period for which policy is taken)	=25 years
Basic Sum Assured (at end of term)	= Rs 100000
Accidental Benefit elected	= 2' basic sum assured
Total and Permanent disablement benefit	= elected

Event	Sum Awarded (Rs)
LOSS OF LIFE	
(1) occurs during term of the policy by natural causes	depend on term & maturity value
(2) occurs during term of the policy by accidental causes	– do–
(3) occurs after the term of the policy by natural causes	– 0/=
(4) occurs after the term of the policy by accidental causes	– 0/=
TOTAL & PERMANENT DISABLEMENT	
(1) occurs during the term of the policy	depend on term & maturity value
(2) occurs after the term of the policy	– 0/=
SURVIVAL	
(1) till the end of the term of policy*	100,000/=

ity sum is paid if the policyholder is still alive at the end of the term of the policy.

These schemes are not so popular especially among the tax payers since the premium paid into the schemes falling into this category redemption do not qualify the tax liability for tax.

The schemes availability under this category are listed below. (See Table IV -4)

Category V

The coverage is provided only during the elected term and the premium is payable during the term of the policy. The maturity value is payable to the policyholder at the end of the term.

Majority of the schemes offered in the market today fall into this category. These schemes are popular. The premium payable is relatively lower than in those schemes offered under Category V.

The Schemes available in the market: (See Table IV - 5)

A policyholder can elect the accidental benefit, disability benefit and waiver of premium benefit as supplementary benefits.

Category VI

Only one scheme of this category is available in the market. Here the coverage provided will increase by 5% of preceding year at each given year till the end of the term of the policy. However the maturity value will be equal to the maximum basic life coverage that is provided at the endo of the term. If the maturity value is -X, the sum assured at a given year (n) can be shown by the folllowing formula:

$$\text{Basic Sum Assured} = \frac{X * (1+5\%)\ n}{(1+5\%)m}$$

(m+term in years, n+term year in which the event take place)

(See Table IV -6)

A policyholder can elect the accidental benefit, disability benefit and waiver of premium benefit as supplementary benefits. The benefit give at total and permanent disablement will be equal to the sum assured at the time of disablement.

Category VII

Here the coverage is provided during the elected term and the premium is paid during the term of the policy. The maturity value is paid in installments at defined intervals during the term of the policy. The intervals by which the installments are paid to the policyholder are defined in the scheme chosen.

A policyholder can elect the accidental benefit, disabillby benefit and waiver of premium benefit as supplementary benefits.

A unique feature in the schemes under this category are that irrespective of the amount of installments, received by the policyholder, the basic and the supplementary coverages elected by the policyholder will continue without any abatements, till the end of the term of policy. (See Table IV - 7)

Table IV – 7: Schemes Under Category VII

Organisation	Scheme
ICSL	Three Stage Policy
NIC	Anticipated Endowment Assurance
	Multi Benefit Assurance
CEY	Advanced Payment Policy
	Five Benefit Policy
UAL	Super Benefit Policy
CTC	Apeksha Policy

An illustration citing hypothetical events and the extent of compensation under each such event is given below.

Assumptions:

Policyholders Age at beginning of policy	= 25 years
Term (period for which policy is taken)	= 25 years
Basic Sum Assured	= Rs 100000
Accidental Benefit elected	= 2* basic sum assured
Total & Permanent disablement benefit	= elected

Event	Sum Awarded (Rs)
LOSS OF LIFE	
(1) occurs during term of the policy by natural causes	100,000/-
(2) occurs during term of the policy by accidental causes	300,000/-
(3) occurs after the term of the policy by natural causes	0/-
(4) occurs after the term of the policy by accidental causes	0/-
SURVIVAL	
(1) till the end of the term of policy	100,000/-

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different media can economically affect each other – has already been noted, with reference to cinema and television. Given that the media spectrum is constantly expanding, this economic relationship is fluid. Thus, for instance, the arrival of a third channel for broadcast television will inevitably impinge upon the economic fortunes of both ITN and Rupavahini, impelling these two institutions to re-vamp their programming to meet the new competition. Will the programming improve as a result or will it decline? Will the current financial, technical, artistic resources of ITN and Rupavahini suffice for this purpose? If not, how is the extra support to be found? Such questions need to be asked, and they can best be asked within the parametres of a national media policy.

It is perhaps clichetic to say that a media policy should be future-oriented. Nevertheless, one must insist upon this matter. The media world is never static. Hourly, daily it is acquiring new technologies; information and entertainment are becoming profit-oriented enterprises with a global sweep. CNN is an intimation of things to come in the 21st century.

Is it possible for a tiny national entity like Sri Lanka to preserve its self-hood under such conditions? Only a well thought out media policy can provide an answer, and an executable plan of action.

But the best argument for a media policy in the Sri Lankan context lies in the fact that a media policy will open eyes, and guide practitioners, policy makers and analysts to see the totality. At least, it will rid us of those media pundits who talk about the responsibilities of the press (i.e. the newspapers) in finding solutions to national problems while completely ignoring the role played by radio, television, video and cinema in

Diary of Events

April

1 The Colombo Consumer's Cost of Living Index for March 1991 was 1,102.3 according to the Department of Census and Statistics. In February 1991 it was 1,083.1 while in March 1990 it was 964.2. The average rate for the last 12 months was 1,031.5 as against 856.92 for the previous 12 month period–indicating a 14.5 point increase in the index over the last 12 months.

Sri Lanka has expressed reservations about the original Indian project proposal for the joint exploration of oil in the Gulf of Mannar. There is a major snag in the January agreement reached between the two countries highly placed, officials revealed.

2 Minipe – Nagadeepa Rural Development Project constructed with Japanese aid to the value of Yen 1,158 million (approximately Rs 289 mn) will be formally handed over to the Sri Lankan Government. The main aim of the Minipe – Nagadeepa rural development project is to provide suitable drinking water to farmers and improve the road network.

The Ministry of Finance and the US Ambassador signed two important agreements. Under the first stage the United States Agency for International Development (USAID) will provide US$ 12 million (Rs 480 million) to help Sri Lankan private industries to choose, acquire and master new technologies. This six year technology initiative project for the private sector aims to increase the international competitiveness of Sri Lankan industry and raise employment.

5 Despite severe losses resulting from the recent Gulf crisis, Air Lanka has achieved a record profit of US$ 3 million (Rs. 120 million) after meeting all costs for the financial year 1990 – 1991 airline sources said.

9 India and Sri Lanka began official talks to establish a joint commission to speed up the growth of bilateral relations. The joint Commission will meet once a year. Two sub Commissions are also proposed to be set up. One of them will deal with social, cultural and educational relations, while the other will deal with trade, finance and investment.

11 China has agreed to meet the full cost of the proposed Chilaw Water Supply Scheme that is to be commissioned in 1993 which will provide pipe borne water to 28,000 people in the first phase and 36,000 people by the end of the decade.

Finland will provide Rs 180 million to meet 85% of the cost of phase two of the Kalutara Integrated Rural Development Project. The Sri Lankan Government will meet the balance 15% of the cost as well as customs duty.

Ministry of Lands Irrigation and Mahaweli Development is preparing a feasibility studies on constructing a dam across Kaluganga to inject additional 200 million cubic meters of largely untapped water of Kaluganga (part of Ambanganga).

The Canadian Government has agreed to grant Rs 25 million to Sri Lanka for the provision of facilities for Court Houses island-wide. This Canadian aid would be used to improve the conditions in the court houses in the country, Secretary of the Bar Association said.

18 President has moved swiftly to counterm and the withdrawal by the Central Bank of the re-finance facility extended to garment exporters. The facility will continue until the government comprehensively examines the issues and evolves new measures, Ministry officials said.

22 President disclosed at Nawalapitiya that the Asian Development Bank (ADB) would be releasing funds to provide electricity to every village in Sri Lanka. The process of rural electrification is being correct in stages and would be completed by the year 2,000 with every rural house having electricity.

23 Food and Co-operative Ministry will appoint three foreign bondsmen to import 200,000 mt. tons of rice as a security buffer stock following the decision to liberalise rice imports. the bondsmen are Andried of Switzerland, Samsung of South Korea, and Recofia of France.

24 Garments retained its number one position in the Export Sector, with exports grossing Rs 25.2 billion for 1990 as against Rs 17.6 billion for the previous year, Central Bank sources said.

The Canadian Minister for External Relations and International Development has approved a contribution of C. $ 13,333,000.00 or approximately Rs 453.3 million over a five year period to continue the activities of the Sri Lanka – Canada Development Fund (SLCDF) in support of local non-governmental Organisations in Sri Lanka.

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“A state that relies for information only on what it has itself fed in, is as fatuous as Wittgenstein's caricature ...What should be a touchstone, and a tool for development, is transformed into a blindfold.”

Rajiva Wijesinghe

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