PUBLIC MANAGEMENT

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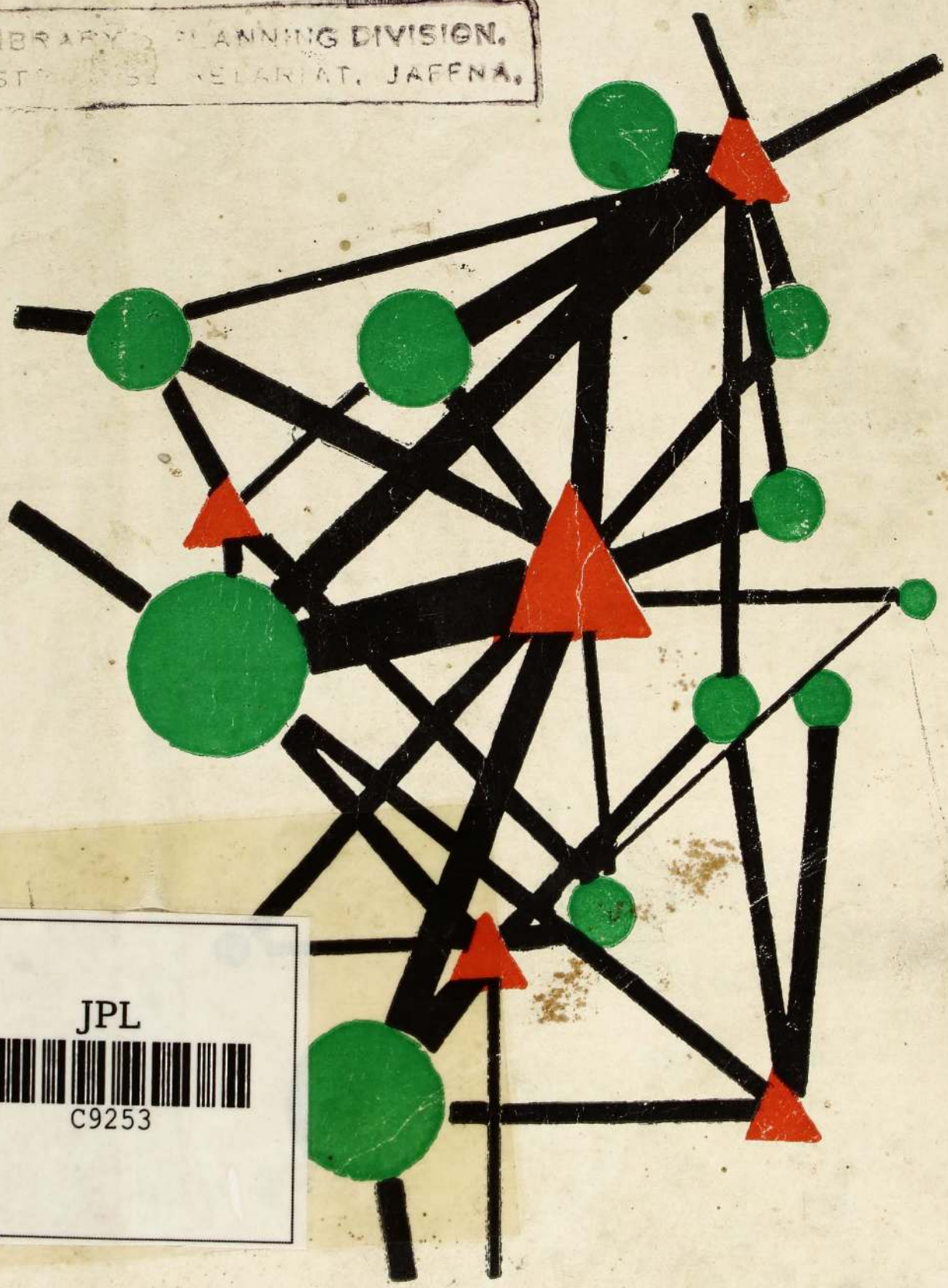

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Public Management

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INTRODUCTION

KOHA NPL

This volume comprises a collection of articles contributed to the "Training Digest" and the "Journal of Development Administration". The Academy of Administrative Studies in July 1968 inaugurated the publication of a periodical named the "Training Digest" for the benefit of public sector clientele. In its inaugural issue, the Director of the Academy noted that there has been a growing demand by those who have participated in training courses of the Academy to maintain an information contact and communication link with this institution. This publication met this need. It was also intended that the "Training Digest" served as a means for developing the Public Service to meet the changing demands made on it by the people. This publication was issued by the Academy until July 1970.

In November 1970 the "Training Digest" was broadened in scope and replaced by a new periodical named the "Journal of Development Administration". This publication unlike its predecessor had more ambitious intentions. In its inaugural issue the Director of the Academy observed that change is an inescapable acccompaniment of Development Administration. As such, changes in organisational structures, administrative systems and procedures, personnel deployment and personnel systems is a continuing feature in this process. Many of these changes require careful planning and even more systematic implementation processes. The "Journal of Development Administration" was therefore intended to assist in this entire change process by equipping public sector personnel with better concepts and practices. This Journal was issued by the Academy to its readers for seven years (November 1970 to November 1977), and was published on a biannual basis. This volume comprises a selection of readings from these two publications which spans nearly a decade of the periodical publication programme of the Academy of Administrative Studies.

On the suggestions made by many of our public sector clientele, it was felt that a volume of selected readings from the contributions which appeared from time to time in these two Journals would be of value in their day to day work. It was also felt that such a consolidation of past contributions would be of use as the "Journal of Development Administration" itself was discontinued with the establishment of the Sri Lanka Institute of Development Administration. The Journal now published by this Institute is called "*Kalamana*". As such, this volume which has been drawn from past publication efforts would also help to crystalise the efforts of the Academy for our present readers. In doing so however, the current relevance of such contributions is of course an important criterion. Another factor is also the comparative importance of such published articles within the systems framework adopted for this publication. The selection of individual articles has been a personal choice for which the editor alone is responsible.

This selection of readings has been arranged in two parts—each part consisting of two sections. In the first part, the readings provide important perspectives on the process of Public Management. Within this section two aspects of the Public Management system are highlighted, namely issues and trends and also structures and programmes.

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The second part of this publication is focussed on Management and Organisation. Within this framework the contributions selected illuminate the processes and functions of Management and Organisation on the one hand as well as highlight some of the more important management techniques on the other.

This volume has been entitled Public Management—which would perhaps indicate its two main streams of contributions, namely Development Administration and Management. There has been many conceptual and other distinctions which have been drawn between Development Administration and Management. For instance it has been pointed out that whereas Development Administration is strongly linked with Governmental policies as well as its resource allocation decisions, that Management is more a process for optimum use of resources for which individuals in an organisation are held responsible. However, with administration in the Public Sector paying greater attention to the need to optimise resource use and achieve higher levels of organisation effectiveness on the one hand, as well as individual organisations transforming its internal managerial objectives to broader social dimensions on the other, there has already emerged a confluence of these two streams of activities. The title of the present volume therefore reflects this synthesis.

The articles in this volume also reflects different approaches or schools of thought in this field of public management. Five approaches could clearly be identified in these different contributions. Firstly, some of the authors advocate an ecological or environmental approach to public administration and management. These writers highlight the importance of political, economic, social and other factors which influence the operation and state of the art in public management. These contributors visualise the machinery of public administration and management as an open system interacting with the different elements in the environment.

A second approach adopted by several authors is a strategic policy approach. This school of thought seems to hold the view, that the most important factors influencing the functioning of public management are in the strategies of development as well as the policy mix adopted. It is argued that the objectives of administrative or managerial activity as well as the basic policies and strategies presently adopted therefore need considerable reexamination and change. Some of these contributors emphasise the need for better planning and decision making on the one hand and also for specific improvements in different sectors of the economy and the machinery of public administration.

The third school of thought which is reflected in the contributions of this volume indicates a technological approach. Perhaps a greater proportion of these articles seem to embody this point of view. The main thrust of thinking of this approach is the importance it places on the technology and techniques of management. It is argued that perhaps the primary area of development is the manner in which the work process is being performed. Within this broad approach, three different emphasis would be identified. There are those (a la Peter Drucker) who stress general management and the key functions which

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a manager needs to discharge in order to be effective. Another emphasis is in the different functional specialities of management such as in marketing, production, finance etc. A third emphasis is in the importance of management techniques such as quantitative techniques, decision models, accounting methods etc.

The fourth school of thought seems to highlight the importance of different structural features in public administration and management. These writers identify different structural variables in an organisation or in the system of public administration to be of primary importance. Arrangements of functions and tasks as well as the distribution of responsibility and authority is examined. Some of these writers emphasise the importance of information and communication systems. Others have highlighted aspects of coordination or to elements of control and review within the public administration system and its organisational structures.

The fifth school of thought that is reflected in this volume is a behavioural approach. Contributors adopting this point of view highlight the importance of personnel management as well as personal relationships. Interpersonal and group dynamics as well as different factors affecting coordination and cooperation within the organisation are explored. Problems of motivation are also highlighted.

These five approaches to public administration and management reflected in this volume also represents different points of view in the existing literature itself. It cannot be said that any one of these approaches is better than another—as all these different points of view illuminate different action streams in the processes of administration and management. In terms of an individual situation however, one approach or a combination of different approaches may be more fruitful. The selection of the most appropriate approach in terms of empirical needs of the real world therefore constitutes one of the most important diagnostic functions which a manager should perform.

In the light of these contributions in this volume, it may also be profitable to explore a few themes in the current scene of public administration and management in our country as well as identify some of the main issues which public managers need to manage in the future.

II

In some ways Sri Lanka represents an "Administrative State" due to the salience of the public administration sector in the society as a whole. Of the total employed labour force of 4 million people, about one million or nearly 30% are employed in Government Departments, State Corporations and other semi-governmental institutions. In terms of the formal sector, nearly 60% of those employed, are in the Government. This heavy weightage is also evident in other respects too. About 75% of capital investment in industry and 60% of the total industrial output of the country is from the State sector. Economic activity in diverse fields such as agricultural development, banking, insurance, import and export trade, distribution, transport, construction, mass media etc. are dominated by the State. The influence of Government

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policy and regulations also pervade all other fields of life in our society. In terms of Eisenstadt's conceptual framework, these features tend towards the 'bureaucratization" of the total societal system.

The public administration however in turn works within the matrix of the political system of which it is a part. Despite the formal change into a Presidential executive form of Government, the political system continues to operate as a Cabinet form of Parliamentary Government. The role of Ministers and Members of Parliament in the society is a dominant one. The politicised social environment and the pressures it exerts on the political and administrative systems has in turn tended to "debureaucratize" the public administration. Thus in many ways the politico-administrative system constitutes the dominating element which is shaping our society and on the other hand the relationships between politicians and public administrators will be a continuing issue of importance to all of us.

Despite fragmentary studies on different aspects of the public administrative system in our country, no comprehensive and empirical work on our system is available. Our basic structures of administration, viz., Ministry Secretariats, District Kachcheries, transferable central cadres and the formal rule systems specifying conduct for public officers etc. have been inherited from the British traditions. However, these features have been "overlaid" by indigenous value systems, styles of action and the permeation of political forces which has given our administration a distinctly local character. The proliferation of public sector corporations in recent times and the staffing of these agencies to outnumber the "Government departmental sector", has also led to a far reaching change in our traditional system of public administration.

In the absence of a well documented idiographic study of our public administration, some nomothetic implications drawn from comparative models of public administration may not be without relevance. Such an examination would also help to highlight the distinctive characteristics of our local system within such comparative frameworks. Ferrel Heady developing on the work of Almond and Verba has identified two types of administrative systems—the "classic" and the "civic". On the other hand, Fred Riggs has postulated a model of a 'sala' system of administration in prismatic social types within developing countries. How does our own public administration system relate to such comparative models of administration?

The distinction in typology between civic and classic systems of administration is based on variations along three factors in the political culture and ten factors characterising the public administration of a country. Applying these factors to the local scene, the following patterns would tend to emerge. In regard to our political culture, some degree of political instability could be seen. There has been a succession of regimes with widely different political orientations. Political change has been abrupt and frequent. Political institutions have therefore been inadequately institutionalised due to political discontinuities and abrupt changes of direction. This has resulted in the lack of congruence between political culture and political structures.

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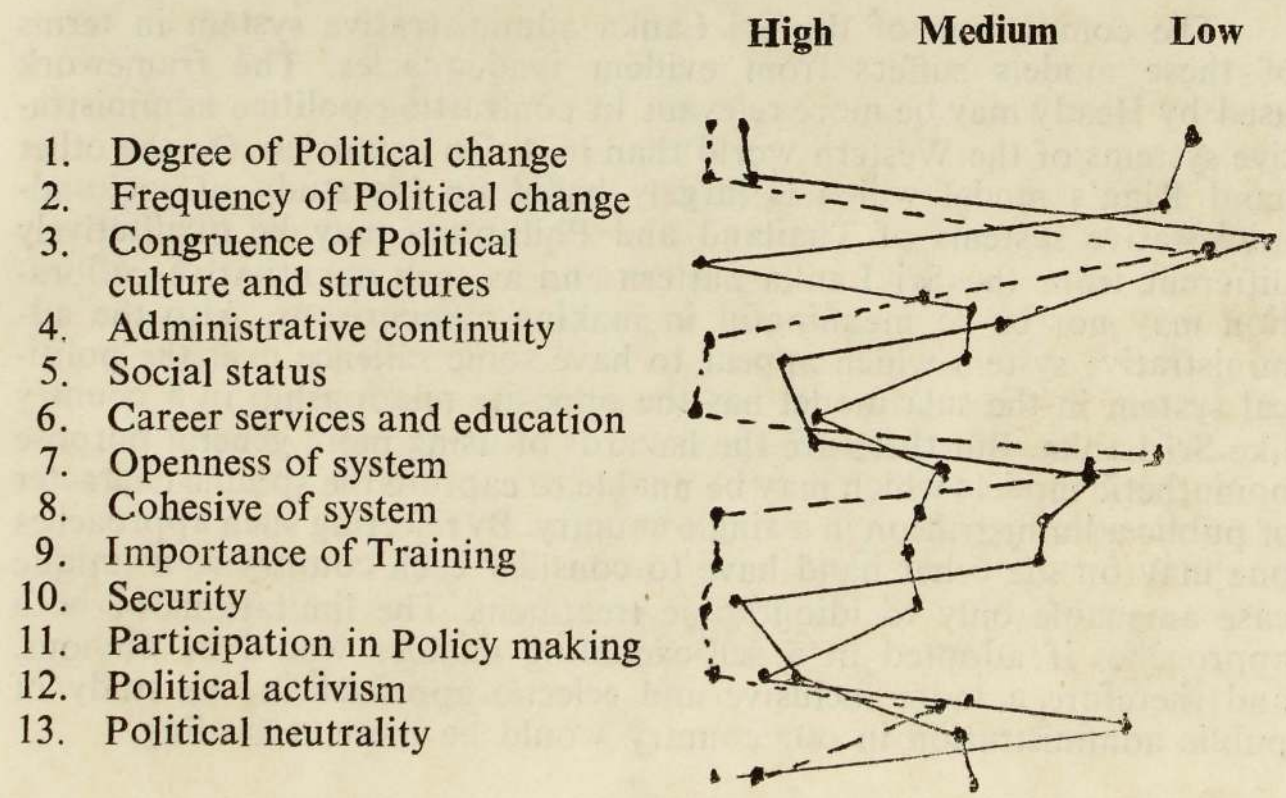
In regard to the administrative culture of the country, there has been a moderate degree of administrative continuity. Public officers enjoy a high degree of social status and government jobs are a preferred form of employment. On the other hand public officials generally consider themselves as "bureaucrats" rather than as public servants. Service in government is also considered a career service, chosen for life and pursued to retirement with few opportunities of mid-career entry. The recruitment system is also closely geared to the educational system and access to the higher civil service is restricted to those with higher education. Each career service therefore lacks openness of entry at all levels and has the character of a "semi-caste". There is also little cohesion in the public administration due to a multiplicity of ministries, departments, cadres and personnel grades operating along conflicting patterns.

Though ritualistic homage is paid to administrative and management training, adequate use is not made of the available training programmes and more so of the results of training. Though public officers hold office at the pleasure of the Government and not on the basis of constitutional safeguards, government service provides a high degree of security. Public officers are moderately involved in policy making. Those at lower levels are permitted to engage in political activities whereas the upper echelons are expected to be politically neutral which in reality is not as evident. When contrasting the profile of the Sri Lanka Administrative system with that of France (representing the classic model) and Britain (typifying the civic model) along these 13 indicators, our country has greater similarity to the classic systems than the civic type, unlike what is commonly believed.



On the other hand Fred Riggs has emphasised that the environment of public administration in developing countries is very different from the Western world and has therefore advocated the use of ecological models. He has identified three characteristics of the social en-

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vironment and five factors of the administrative system to typify the "sala" model of administration within a prismatic social framework. When applying these factors to Sri Lanka the following patterns tend to emerge.

The social system (and in turn the administrative system) in our country reveals a high degree of mixture of traditional traits with modern characteristics. There is a high degree of formalism or lack of congruence of formally prescribed norms with those actually practiced in real life. There is also a medium degree of overlapping of formally differentiated structures with undifferented caste and communal groupings in society which still retain a strong hold. Consideration of family relationship influence the conduct of public office. Similarly, polycommunalism has an important bearing on administrative action due to the plural nature of our society. However, Sri Lanka administration is less of a "bazaar-canteen" when compared to other Asian administrations.

The administration is also characterised by a high degree of polynormativism or lack of consensus. Public personnel are ambivalently attracted both to traditional norms as well as modern substitutes. Thus officials may publicly adhere to a modern set of norms but personally reject them in their actual behaviour. Similarly there is a wide divergence between authority and actual power or control· Effective power is widely dispersed as the centre cannot effect its apparent authority to ensure conformity at the periphery. The centralisation of authority is therefore largely formalistic as it is not backed by effective control due to highly localised and dispersed power systems.

The comparison of the Sri Lanka administrative system in terms of these models suffers from evident inadequacies. The framework used by Heady may be more relevant in contrasting politico administrative systems of the Western world than in Asian countries. On the other hand Rigg's model which is largely based on his study of socio-administrative systems of Thailand and Phillipines may be qualitatively different from the Sri Lanka pattern and as such quantitative calibration may not be so meaningful in making comparisons. Also the administrative system which appear to have some salience over the political system in the sala model has the opposite relationship in a country like Sri Lanka. But these are the hazards of using more general purpose nomothetic models which may be unable to capture the specific character of public administration in a single country. By rejecting such approaches one may on the other hand have to consider each country as a unique case amenable only to idiographic treatment. The limitations of both approaches if adopted in a self-excluding manner would be obvious, and therefore a more inclusive and eclectic approach in the study of public administration in our country would be more rewarding.

III

Many social analysts believe that management has been mainly responsible for the affluence of the developed countries. The question therefore emerges whether management should be a prerequisite to

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economic and social development or whether it is a consequent result of development itself. This is an important consideration, as it is felt that developing countries are not underdeveloped but are under-managed.

During earlier decades it was believed that economic develpoment depended on the availability of capital, labour and natural resources. However in more recent years it was realised that these factors of production become productive only through the organising and dynamic role of competent management operating through effective organisations. Management has therefore taken its place with the other classical factors of production as a key element necessary for development. Effective management not only get things done in the right way but also the right things done. A manager in an organisation is therefore able to integrate the human, material and other resources available in an organisation to generate optimum benefits to the society, the organisation concerned, as well as the personnel working in it.

But management as practiced in the developed world is not a value-free concept. Western management in many ways reflects the cultural and social values of their broader societal system such as the value of individual responsibility, high achievement motivation, autonomy and respect for the individual etc. Thus though some of the technologies and techniques of management could be transferred to third world countries, their organisational applications and effectiveness rest substantially on the social systems, cultural values and motivations of personnel in these countries. Problems of technology transfer are therefore now increasingly being realised.

During the 1960's one could identify the commencement of a management boom in this country which extended to the middle of 1970s. The importance of better management in public sector corporations as well as in Government Ministries and Departments was being appreciated by politicians, policy makers and personnel working in these organisations. On the crest of this boom new institutions for propagating the "management faith" were established—the Academy of Administrative Studies, the Management Development and Productivity Centre, the Cooperative Management Services Centre, Faculty of Management and Business Studies at Vidyodaya University etc. Private sector management consultancy organisations also appeared in the country for the first time. A large number of public sector personnel obtained scholarships for attending training courses in management in foreign countries. In addition a considerable number of foreign experts also arrived in the country to improve our management systems. In retrospect, one could observe that there was a popularisation of management during this period which however has not been matched equally by performance. Managers and administrators became aware of the jargon of management but there has been no visible behavioural change in them resulting from such awareness or appreciation of management.

From the mid-1970's Sri Lanka has passed into its second phase of management evolution. The oversell of management propaganda is now over. To some extent the management boom has also flattened

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into a plateau. The magic of management jargon has failed to produce results. The mystique of management lost its gloss as the management miracles which were expected to happen did not materialise. One of the main reasons for this new era of disenchantment was that it was not adequately appreciated that management involved hard work often unrewarded. As Peter Drucker has forcefully observed elsewhere, management is a practice rather than a science. Management is also a discipline which requires sustained efforts. The person who knows only the skills and techniques of management without "practicing" management is not a manager but a technician. The key to management is therefore not knowledge but performance.

This late realisation has placed the focus on the relationships of managers to their social and value systems. This factor was further illuminated by studies on management in other developing countries. For instance in Japan an organisation functioned like an extended family. Personnel had a high degree of loyalty to the organisation and salary systems were related to both seniority and efficiency criteria. Responsibility within a organisation was dispersed in the work groups and employees themselves were reluctant to leave the organisation in which they work, even for improving their career prospects.

In a country like India, managers seem to have a humanistic and bureaucratic orientation. They value personalistic goals and status, and approach problems utilizing philosophical and moral reasoning. Worker-management relations were also based on personal ties of a somewhat paternalistic orientation. Patterns of time utilisation and motivation were also significantly different when compared to other Western countries. Many of these features of the Indian managerial scene are also present in our own country.

Some of the difficulties of developing better managerial practices in public sector management in Sri Lanka would be evident when analysing the public corporate sector. A high degree of political control, inadequate management proficiency among managerial levels, as well as high degree of external intervention in managerial decision making by trade unions, pressure groups etc. could be seen. In many ways decisions on factory locations, whom to employ, promote or transfer, disciplinary action against employees, award of contracts, etc. are subject to extra-organisational influences.

In recent studies on public corporations in Sri Lanka, an increasing lack of job satisfaction among personnel is being revealed Favouritism, trade union intervention, weak leadership, political patronage, nepotism, cumbersome procedures etc have been identified as some of the factors adversely affecting performance in public corporations on the basis of these studies. Different levels of remuneration and career opportunities between the public sector, private sector and employment opportunities abroad compound some of these problems.

Programs for future management development may therefore need to pay greater attention to the following factors:

(*a*) Many political commentators have remarked that a highly organised and efficient public bureaucracy tends to take

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power away from the political system. It is argued that a strong bureaucracy tends to inhibit the growth of political parties, legislatures and voluntary associations. Such a view assumes a competitive power relationship between the political and administrative system with their power relations viewed as a "zero-sum game". Therefore, when reforms are instituted, its implications in terms of political stability and growth may be an important determining criterion

(*b*) Instituting a reform programme of specialised training and professionalising public administrators will also have certain dysfunctions and implications. The price of a fully professionalised service would be the multiplication of specialists and functional experts who may tend to work in isolation and be less amenable to coordination on common programs. Such personnel may also resent pressures from political and social groups and may tend to be dissatisfied and demotivated when such processes take place. The outcome would ultimately be a brain drain of professionalised personnel to other countries or to employment outside the public sector.

(*c*) Many administrative reformers have a model of the rational and legal type of public administration (advocated by Max Weber) as the goal for administrative reform. Such a public administration is characterised by responsibility, rationality, specialisation and professionalism, discipline, impartiality, merit and the application of universalistic principles. This system of public administration is considered as a "model". But it may be realised that both U.K. and U.S.A. did not have many of these features in their public administration until more recently and well after the economic and industrial revolutions in these countries were completed. Therefore aspiring towards contemporary and modernistic models of public administration in the West may not be all that useful. The reform of our public administration must on the other hand be consonant with the particular stage of political and economic development in our own country. This may require a different brand of bureaucracy than what is advocated by many foreign experts and consultants. We may require a public administration specifically equipped to introduce economic modernity and facilitating economic change. We may require administrators with entrepreneurship who are free-wheeling and less adhering to administrative form, less attached to hierarchy and seniority and more oriented to reaching desired economic results. These characteristics are not stressed in the ideal model by Max Weber.

(*d*) In many countries it has been revealed that the traditional ways of bureaucracy have a tremendous survival potential Public administration of the traditional type is capable of temporarily accommodating itself to even the most radical

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reforms in organisation. Administrative reforms introduced as consequential measures to central economic planning may also be "traditionalised" in the long run. The survival capacity of traditional bureaucratic patterns has also enabled public bureaucracies to implement programmes of economic modernity without itself absorbing any of the changes it seeks to make. It is therefore clear that administrative reforms need to take into account persistent traits of culture and national character in order that reforms may not fail due to the high survival quality of such factors.

(*e*) Most developing countries in Asia, have installed institutional machinery at a policy as well as an implementational level to initiate and effect reforms in the entire public administration. They have realised that the problems of reform are too extensive and complex and that reform should cover the wider front of the entire governmental machinery. Many countries have set up Administrative Reforms Commissions comprising senior politicians and professionals which act through Study Teams and Working Groups and serviced by Departments of Administrative Reforms which also provides technical, managerial and administrative back-up support. The linking of senior legislators with professional administrators within a continuing institutional framework for administrative reforms, has yielded many important benefits to improve the administration.

(*f*) A Report by the Canadian International Development Agency on Strategies for Improving Management Practices in Sri Lanka has stated that.—

"The key factor contributing to inadequate managerial practices in Sri Lanka is not lack of training, ability, or capital. It is simply the lack of insistence on good performance That is, the managerial environment too often does not require that managers perform, does not leave them unconstrained to perform well, and usually does not reward outstanding performance. Unless this aspect of management is changed, it is unlikely that giving any manager in Sri Lanka a Master's in Business Administration would do much to improve his performance. It is equally unlikely that infusing capital into his means of production or the physical infrastructure would improve his performance. Indeed, there already exists a lot of unused production and human capital". In order that a system for compelling performance could be installed, the reform of individual organisations in an integrated manner for management development may be necessary. This would mean that we may have to adopt integrated programs of Organisation Development for this task.

In conclusion, we must not forget that the public administration is also a social system which is influenced by the wider society as well.

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It behaves as much due to internal factors as to external forces. It is in many ways a microscosm as well as a mirror of society. In this sense when we evaluate the public administration we have to also set it against the background of the social values and accomplishments as well as the limitation of the wider society of which it is a part. The essence of the attitude of Sri Lankans to its public administration is that they endow its members with the vices they themselves possess and demand from it the virtues that they lack. They know that perhaps public office in Sri Lanka may lack efficiency or a high sense of social duty and morality, but the public administrator is expected to supply these qualities. If he fails he is branded as dishonest and incompetent, and if he succeeds he is criticised as Sri Lankans being individualistic critics do not like qualities in others which they themselves lack.

Neil Fernando.

Colombo,15th June 1980.

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MANAGERIAL EFFECTIVENESS IN THE 1980'S

W. J. Reddin

Mark Twain is said to have remarked that he was concerned about the future, because that was where he was going to spend the rest of his life. It is now the popular wisdom to say that we live in changing times.

Whole industries can disappear quickly today. In 1960, the U.S.A. had the largest tape recorder industry in the world; in 1970, except for some hi-fi-tapes, not a single magnetic tape was manufactured in the U.S.A. The industry was lost. Within a recent four year period 66 of the 100 largest industrial organizations in the United States reported major organizational changes.

The old question, "What business are we in?" is still relevant, but we will have to answer it more quickly. In 1915 one was in the weaving business; in 1940 the textile business; in 1960 the chemical business. What happens when technological change increases at a rate of five, or even ten times, and a manager's time frame collapses around him?

It may seem old hat to talk about it, but the computer is only beginning to have its effect. The first commercial computer was installed in 1950; by 1960 there were five thousand; in 1970 there were seventy thousand. Each, on the average, is at least a thousand times faster than those in 1960, an increase in computer power in ten years of one hundred and forty thousand times.

Times are changing; how far away is the two day week, the ten hour week, the paid sabbatical, the three months vacation, fully flexible working hours, fully portable pensions, continuing education throughout life, as an end, not a means?

Predicting the future is now high fashion. Can we invent our future or are we like corks on an ocean of fate? Will economic systems exist as we now know them? Will the business enterprise exist? Will the Manager exist? Most better known futurists—Herman Kahn, Daniel Bell, and Alvin Toffler—agree that the future is determined. They argue that the future will be a continuation, an extrapolation of the past and of the present. To know the future then, we need to look at and comprehend the present and past.

Presently underused technology

A good way to get a fix on the future is to look at some presently underused technology—we are surrounded by it; unused communication technology; unused information processing technology; unused automated process control technology; and unused education technology generally.

Stuart Chase, in his book *The Most Probable World*, describes a Mexican village which had a corn grinder run by a Model T Ford engine. It could do in six minutes what would take a woman six hours. The husbands at first forbade its use; it would make the wives lazy, and the tortillas would taste bad. This case, so simple, clear and human,

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is the world's permanent condition. We are surrounded by usable technology but we don't take advantage of it.

Peter Goldmark, just retired as President and director of research, CBS Laboratories, writing in the April 1972 issue of *The Futurist*, sees every home equipped with a two-way video and written material transmitter capable of reaching everywhere on the globe. We have the technology now to mass produce a portable machine selling for less than $200, similar to a T. V. set. It would plug in anywhere, providing its user with all the information he could possibly want—local food prices, the entire contents of the Library of Congress, what the children are doing. It is clearly evident that we will disband the office; managers, administrative workers and clerks will work at home. They will go to a special room in their home. energise the facsimile machine, the computer terminal, the teletypewriter and the closed-circuit television, and begin working. The office today is as unfortunate an artifact as were fixed working hours.

What is the current "hot" management technology and did we wait too long to use it? Did we wait too long to use the assessment centre, transactional analysis or organization development?

Assessment centres were invented by the Germans in the 1930's. In 1939 the British used them to pick army officers; in 1941-45 the Americans used them to pick OSS agents. Absolutely—without question—the best book ever written on these assessment centres is Henry Murray's *The Assessment of Men* published in 1946. Their use today is not based on some dramatic new breakthrough; there has been no advance in theory since the 1940's Predictive validities are now in the .3-.4 range, which is what was being obtained over thirty years ago. So here we have a useful tool virtually unused in the U. S. A. for thirty years.

Transactional analysis is currently in vogue. So it was when Freud developed the theory, though not the practice, over seventy years ago. Its proponents say it is not based on the Freudian Model, but why would they deny the obvious? It is a helpful application of knowledge that has existed for over seventy years. I hope and expect to see other applications of the Freudian model—especially that of defence mechanisms—which we use to blind us to reality.

As the last example, consider that the first book on Organization Development was Elliot Jacques' *The Changing Culture of a Factory* published in 1951. It is an excellent account of a successful and dramatic change through third party consultation in a factory. It is a superb case study, yet some still think OD is a product of the mid 1960's.

I have tried to make only one point up to now: there is a long time lag before existing technology and knowledge is used. If this is true, a good way to predict the future is to take a good look at what exists now—and this is what I propose to do. Where are we now and where are we likely to be concerning management technology that impinges on managerial effectiveness? What is the present and future of organization design, organization theory, desired managerial qualities and management by objectives?

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Organization design today

What is the state of organization design today? Can organizations be lively places in which to work? Is bureaucracy going out? Is the matrix design going to be our salvation?

There is an organization I know which has more than 100 to 1 span of control. The top man is seen by some as an autocrat. The effectiveness areas for every job are very tightly defined, and the organization works very well; it produces an array of beautiful products. Job satisfaction is very high; some of the reasons are said to be that everyone has been well trained; everyone knows what effectiveness means and how to measure it; the firm as a system was designed by experts; there is an immediate feedback system, so everyone knows very quickly how he is doing; and a reward system operates. This organization is the Toronto Symphony Orchestra.

Why not design other organizations this way? People can clearly obtain satisfaction from work itself if the work is well designed and the appropriate outputs are clear. An emphasis on good design and clear outputs leads not to low job satisfaction but to a lively place in which to work.

What about that orchestra and management by objectives? Every orchestra is on a fully operational management by objectives scheme—if it were not it could not operate. Think of it: all the roles are clearly defined, and there is an insistance on tight teamwork, high performance visibility, a tight linking of objectives both vertically and horizontally, and a reward system. Naturally all this leads to high motivation and performance; to what else could it possibly lead?

That orchestra is a model of what has actually been achieved in organization design to date. Is the analogy fair, or do you think work and play are too far apart?

One point I am making is that there is no clear distinction between well designed work and play. The hockey or football team, or the orchestra, is highly bureaucratic, has elaborate rules, has a punishment system that works, rewards only the best, needs a tough results-oriented manager, and needs an arch bureaucrat as referee or conductor. Everyone enjoys playing, and people do it for fun. Why not design our organizations on these principles? There simply is no reason why we shouldn't!

Does this mean that all organizations will always be continuously innovative? I think not.

The point is this: the modern corporation for which most of us work is designed to organise its resources in response to a market system. If the market and technology is static, then a routine-bureaucratic type of organization will do. The faster the market system changes, the faster the organization must change. The faster its resources change—particularly its people and technology—again, the faster the organization must change. Clearly, one organization model is the fully flexible organization. But we should be careful not to throw away other types of design that fit particular circumstances.

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We have all heard of the matrix organization where individuals belong to many overlapping teams. Is this the organization of the future? No, it is only one of them, to be used when appropriate. One of my clients had a superb matrix organization of 200 people designing and making aerospace products. They decided to change from what was essentially a research and development shop and instead to fully exploit the technology they had created. They decided to move from a creative organization to a productive organization. This included a planned growth from 200 to 1,500 employees over a very short space of time. We met for three days to redesign the new organization. They changed to the status pyramid; they didn't like to change but recognised that the status pyramid is right for long production runs of routine products.

In the future we will train managers in organization design. Some seminar topics will be: 'How would you design an organization that would collapse once its goals were achieved?' 'How would you recruit for an organization designed to have a 25 per cent. executive turnover?' 'How would you predict a strike?' 'How would you maximise firm-environment interface?' 'How would you move from matrix to status pyramid, and how would you do the reverse?'

Organization redesign will become a continuing function. The management system—and eventually the plant—will be capable of being reorganised within a day in an elegant way, with low resistance to change, and with a high commitment to the design, because it is seen by all to be clearly appropriate to the true situation.

Managers will have the same problem they have today: how do we design an organization that is effective and also human, one which will survive and grow, yet one in which people enjoy work? I think we will move closer to a solution in the 1980's but will not solve it even by then.

What about organization design in the 1980's? We will approach the orchestra in elegance; we will still have and need bureaucracy. Matrix and other forms will be used as appropriate; and design flexibility will be the key. Effective total reorganizations will be at least annual, and perhaps more frequent. We will not solve, but will know more about integrating the individual and the organization.

Organization Theory

So much for organization design; what is the state of organization theory today? Let us begin with a particular issue. Is management behaviour—call it styles if you like—based in personality or based in situation? At this point, the question is unanswered in the literature. Some recent research now being written shows clearly that some styles are heavily based in personality while some are not at all. For instance you get a .65 correlation between the Cattells 16PF test—a standardised personality test—and the bureaucrat style. If you believe, as I do, that personality does not change much, it means that if a manager is a bureaucrat he will stay one. So if you have a bureaucratic job select for it—don't train for it. Now this is a recent finding, and obviously an important one. We need much more of this kind of data if we are to build a general organization theory. Unfortunately at this time there is much disagreement among explanations of managerial behaviour and motiva-

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tion. Some claim an ideal style; others do not. Tests which claim to measure the same thing do not intercorrelate. Many managers are anti-theory now and I cannot blame them.

We certainly are confused about motivation; psychologists are not at all agreed on personality theory. There are about twenty personality theories, all well developed, all current, and all different. While there is agreement on the value of Herzburg's work for example, there is little agreement on whether his theory is the correct explanation of what happens. Too many behavioural theories are grounded firmly in mid-air; they describe a Utopia, not reality. They do not help make managers effective, but they make managers feel guilty. The Eskimo has thirteen words to describe snow in its various states. He needs them to better talk about, explain, and deal with the dominant element in his situation. What are some of your dominant elements? Do you really believe as some managers do, that some people are X and the rest are Y? Surely we need more sophisticated models.

We are desperately in need in fact of a general theory of organization. The psychologists see only people, the sociologists see only roles, the economists see only cost curves, and the systems specialists do not understand output yet. The bread and butter of the psychologist —people are his stock in trade—is the random error of the sociologist, who does not resort to individual difference to explain organizational phenomena. Who will bring these opposite views together and when will it happen?

We have several sound concepts to build on, role, status, and positions; we know a lot about attitudes, and their formation and modification. We know something about effectiveness. What are we waiting for? Are we waiting for someone to get it all together in the same way that John Maynard Keynes did with economics in 1924?

Of some things I am certain; the core of the general theory will be concerned with effectiveness and outputs. From this core will flow solutions to such issues as concern us now: how to design organizations for effectiveness, how to motivate for effectiveness, how to train for effectiveness, and so on.

One behavioural theory will eventually pull ahead of the others, and instead of confusing managers with conflicting ideas we will teach them a single useful model. We will get to a point where every manager will have taken a one month course on organization theory. It will be taught as formally as industrial engineering, micro economics, or double entry book-keeping, and as with all these approaches all managers will learn the same model.

We will be able to measure a situation and use the same concepts to measure a manager to see if they match. We will sort out what behaviour is a function of personality, and therefore unchanging, and what is a function of situation and therefore changeable. We will deliver on what so far has been only a promise—matching people with jobs and behaviour modification for jobs.

I hope senior managers will be more flexible when that Ph.D. student asks to do some research in their company. The only cost is

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a managerial time cost; the minimum reward is that managers—for a short while—will reflect on what they are doing. The potential benefits, for all of us, are high. We might be opening the door to the person who will "get it all together".

Managerial Qualities for the 1980's

How will the manager of the 1980's be different?

By the 1980's the truly professional manager will emerge. Change will be his stock in trade. The qualities that will differentiate him, in my opinion, will be those of intellect and behavioural flexibility. We will select for intellectual capacity, not for knowledge; it is out of date in three years. We will have to select for behavioural flexibility as well; the manager will live in continuing change which will affect him just as much as others.

Warren Bennis, in his book *The Temporary Society* gave us a glimpse of one ideal model—a person able to move from relationship to relationship, from group to group, from organization to organization—the flexible manager. It seems clear that corporate loyalty will weaken; job hopping will be a badge of competence. Executive turnover will not be a problem; it will be a policy. The mobile executive which Jenning has identified will be visible everywhere.

The manager of the 1980's must be able to "put it all together", to be able to clarify a complex future. Setting objectives will be as easy as now; the artform will be deciding areas in which objectives should be set. This will require intellect; achieving them will require flexibility.

There will be three classifications in the future: first is the supervisor, who as now supervises work and workers. His main skill will be subordinate motivation. Second, the bureaucrat, who as now administers a system, will find that his main skill will be using judgement but still doing what the system commands. Third, the manager, who will deal exclusively with knowledge and the future and will need behavioural flexibility.

If you really want to develop managers for the future teach them to write poetry, real military history and study weather maps. Writing poetry will teach precision of thought and language. Reading military history will teach policy making; armies have been put into battle with half-page operations orders. Studying weather maps will teach decision making under uncertainty.

Whither MBO?

What have we learned about Management by Objectives since the fifties? First, we have learned all the things that can go wrong—but on the positive side we have also learned how to teach managers about it and how to make managers feel they want it. We have learned measurement in staff areas, and management in service industries, and we have an operational definition of managerial effectiveness. We have learned that MBO cannot cure incompetence—it might make it worse. As a German Field Marshall said, "I don't mind a stupid general; I don't mind an active general; but save me from the stupid active general". If you get MBO going strongly, but in the wrong direction, you might as well not have begun.

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We are also not quite over the negative appraisal image that MBO has. MBO can be a 'do-it-yourself hangman's kit'; for some of us this may motivate. As Samuel Johnson said 'The knowledge that one will hang in the morning greatly improves one's powers of concentration'. For some of us—perhaps most of us—it will demotivate; we will not rush to complete the scaffold of key results areas and performance reviews.

What will we know about MBO in the 1980's that we don't know now? We will know how to describe ANY job in output terms through a job effectiveness description; how to measure ANY job, how to link an organisation together by one manager's outputs tying into another manager's inputs; how to separate individual and team outputs and how to truly integrate social values, individual needs and organization objectives. We should have a really good link with Organization Development by then, and for that matter PPBS as well. We will know more about how to make a second generation start-up in an atmosphere which is anti-MBO. In addition, there will be a greater application in the service industries.

We desperately need to measure output in the service industries. New York City, in the last five years, added 100,000 to its city government employees while the population of New York City fell by about the same number. The cost of city services rose by 50%, yet improved quality of service would be hard to find. I cannot say MBO will solve all such problems; I can say MBO will help.

Recently I spent four days with a pastor and three priests who wanted to run their parish on MBO. They had some problems with the concepts. Is the administering of a sacrament an input or an output? What is the quality measure in a mass? Do we have to wait for judgment day to truly measure our effectiveness? Will a team ministry violate all our training and parishioner expection? All these are difficult areas: I don't pretend to have a solution today.

Clive Simmonds of CIL in Canada ascribes attitudes to life as pre-and post-war (he doesn't mention which war), but I want to use his frame to talk about MBO. MBO will change in the same way life itself will change. It will be less linear, sequential, fragmented and more interactive, involving, and participating. It will be less authoritarian, disciplinarian, paternalistic, and more stimulating and resource developing. It will be less used for accuracy and an answer and more used for understanding of method and consequences. MBO will not be used to produce stability with clear goals but used to produce flexibility with changing goals, not closed and finite but open-ended system-oriented. That is the MBO of the 1980's.

The Value Crisis

It is difficult to think about the future and not refer to values. If we cannot get to grips with that issue we don't know where we stand. What about values and MBO? What about values and managerial effectiveness? Most of us expect and even hope that some social values will be different in the 1980's. Work will not be so central; education will start to become an end in life, not a means to a job. As leisure time increases we may start to get a greening of America. I assume most

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of us want all these things. Can we wish for and believe in all this and still be interested in managerial effectiveness? It is becoming almost trite to say that America, more than any other country, at this time is undergoing a crisis of values.

Hermann Kahn has made some predictions about values in the year 1990 specifically. He sees a values crisis reflected in a search for meaning, ideological polarisation, social conflict, growth of discretionary behaviour, emphasis on feeling and emotion, and confrontation of humanist left and responsible centre groups.

Why is all this happening? It can be explained. Technological advance leads to material progress. This leads to social change, which in turn leads to social problems. America has had an incredible rate of technological advance so it has also, by consequence, a large number of social problems; they go hand in hand. Has America now a big problem or a big opportunity?

I do not wish to patronise the American reader, but I share one of Eric Hoffer's beliefs. When being interviewed on CBS by Eric Sevaried he said: "America is the greatest thing that ever happened in history". As a Canadian I was at first offended by his remark, but on hearing his argument and doing some thinking I could do nothing but agree. What the U. S. A. did from 1910 to 1960 was without parallel in the history of mankind. It moved from what amounted to a large farm to the very peaks of intellectual, technical and cultural achievement. The people could really say "We did this ourselves".

America, until very recently, was the only country in the world which had the resources and inclination to question its values. Values are important, but so is survival. You must first get your margin then get your philosophy and values. This is what is happening in the U.S.A. today.

It is not only the youth who have values—managers have values as well. Does managerial effectiveness represent a value we can embrace honestly? What about the fact that one third of mankind goes to bed hungry? What about the fact that the average man lives in a hut with a body sapped with disease? Can we recognise all this and still embrace managerial effectiveness as a value?

Milton Friedman, the respected economist, recently wrote an article titled "The Social Responsibility of Business is to increase its Profits". He claimed that if they do not they have turned socialist. Now that was an unfortunate title; the title should have been "The Social Responsibility of Business is to increase its Added Value". That is, using the resources entrusted to it so well that more socially valuable resources are produced. The concept of what things are socially valuable will change from time to time, but the businessman's responsibility to create added value will not change.

I am not thinking about profit, I am thinking about effectiveness, about using resources well. This leads to added value which might go to the shareholders or to taxes, but it is largely outside the manager's control and is a function of current legislation. But without effectiveness there are no extra goodies to spread around, no matter what the legislation is.

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The point is this: managers in industry are the managers of the material resources of a country. They are solely responsible for combining resources in useful ways. The government does not have this responsibility, nor does the civil service, the church, the military, or the educators. Managers alone are responsible for added value. They must, of course, work within boundaries the government sets. Resources are wasted and the country is poorer if managers are not effective. Society must benefit if managers are effective.

With managerial effectiveness you have added resources. Flexible working hours will arrive sooner, there will be paid sabbaticals for managers to renew themselves. There will be more minority employment portable pensions for all, and a shorter working life if you wish it. You don't have to have any of them, but you do have the option. Without managerial effectiveness you do not have the option.

Managerial effectiveness is not a one-sided concept; it is a value you can reasonably embrace and expect others to embrace. Whatever your personal values, objectives, moral philosophy, or political orientation, managerial effectiveness is a lifeline. It says: use resources productively, waste less, make work enjoyable and worthwhile.

The question is not on the one hand, "Should I be nice to people?" or on the other hand, "What rules should be followed?", but "What does it take to be *effective* here?" I am not concerned about the work ethic, and clearly not about the welfare ethic; I am concerned about the effectiveness ethic. I am saying nothing about more power to the workers or screw the workers down. I am not arguing for higher profit, or for nationalisation. I simply say measure a manager by the extent to which he achieves the output requirement of his position.

In preparing for the future let us not substitute hope for reality, or optimism for the truth. Or how we want it to be for how it can really be, or charisma for systems or idealism for rationality.

I hold managerial effectiveness as a central value and expect to see it contribute to improving the quality of life.

DEVELOPMENT ADMINISTRATION: SOME CONCEPTS AND PROBLEMS

P. Wignaraja

A. Introduction

1. Realism in development planning requires a careful assessment not only of a country's economic potential but also of its political will and its administrative capacity.

2. Development planning cannot be defined sensibly except in very broad terms as an attempt at rational calculation and decision making in the use of scarce resources. Planning is a function which

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has to be carried out by the development administration as a whole and the planning process has to be assimilated into the entire decision-making process of government and the private sector if results are to be obtained from planning.

3. The question of political will is by no means a secondary one, but will not be discussed here in detail. For a plan to be carried out successfully there must be political stability in the country, a commitment to the plan by the political leadership and an element of public support and participation in the planning effort. There are numerous examples of countries where the plans were well-prepared from a technical point of view, but the political support for the plan was lacking. As a result, there was failure to maintain the discipline implied in the plan, failure to adopt appropriate policies and measures and consequently a failure in implementation. Political leaders, while paying lip service to the plan, gave matters other than development higher priority. In these countries, plans have not been carried out and the results from planning have been poor. There could, of course, have been some growth in these economies, but this may have been due to fortuitous circumstances, unplanned initiatives or *ad hoc* decisions in response to some crisis situation, rather than to continuous planned action.

4. In several countries, however where the political will exists, it was found that administrative capacity is the limiting factor in realising plan targets and the country's full economic possibilities. Of course, in many cases even where new planning machinery has been set up it was found to be incomplete. Establishment of early planning machinery was based on the assumption that if the Central Planning Agency in a country formulated a plan, the rest of the administrative machinery will translate it into an action programme and carry it out. This seminar will be concerned with the question of administrative capacity and the achievement of higher levels of administrative leadership through the evolution of a modern development administration in a country which hopes to plan its development.

5. With the introduction of national planning for development in Asian countries, the scope of government action at all levels was enlarged. Frequently, the existing public administrative system was overextended, inadequate or not competent to meet the new challenges. Hence, in all countries attempts have been made to reform the administration. Administrative reform, however, is a complex and costly process. Hence, it is necessary that a great deal of careful planning go into administrative change. When we talk of administration we are talking mainly of guidance or management of organisations at all levels.

A first step towards being able to introduce administrative reforms of one kind or another is to clarify our thinking as to what it is that each Government is called upon to do, particularly in relation to development and who takes the decisions that affect this process. Since both government intervention and the operation of market forces are necessary in the direction of economic activity, the main issue appears to be to locate the role of government in the context of each country.

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6. In this seminar, we shall also discuss (*a*) the general characteristics of a development administration and the new administrative culture that needs to emerge, (*b*) examine some important aspects of your functions as decision-makers, planners, policy advisers and economic practitioners that are too often ignored. All of you are decision-makers, who with weak economic administrations, incomplete or questionable data and with ambiguous theoretical guidance, must nevertheless have had to make decisions, take actions and sometimes even take the blame for ensuing development difficulties. Let us see whether in this seminar we can throw some light on the organisational, procedural and other problems relating to the question of securing higher levels of administrative leadership for development.

B. The concept of Development Administration

Problems of development administration have come into sharp focus in the past decade or so with the growing emphasis on accelerated economic and social development and the initiation of development planning varying in scope and content.

Development administration as a concept is a part, in the developing countries a large part, of the broader discipline of public administration. The emphasis in the latter has over a period of time shifted from "fundamental" principles, similar to those of scientific management in industry, to a human relations approach, and then to behavioural and decision-making aspects of the functioning of an administrative organisation. The emergence of national programmes of economic and social development in new states, and of international and bilateral schemes of technical assistance during the post-war years, gave fillip to comparative public administration studies, incorporating a great diversity of methods and insights derived essentially from the various branches of social sciences. Out of this experience, there has arisen a gradual realization that the Western concepts of public administration and Weberian type of bureaucracy cannot be introduced into the administrative systems of developing countries, without regard to their appropriateness of political feasibility. The devloping countries themselves have found that their existing administrative systems and practices are inadequate in coping with the new developmental responsibilities. Administrative changes needed for developmental purposes have to be considered in a much broader perspective than the conventional organisational reforms or improvement. Though some critics consider development as a change-over from a transitional to an industrial society or a process of modernisation in a generic sense development may be conceived as planned mobilisation and direction of scarce resources to achieve constantly raising national goals and objectives formulated by the national political machinery. Development needs should be conceived as a dynamic process directed towards transforming the entire society, enmeshing together its economic, social, political and administrative aspects for an all round, balanced, upward

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change. As a distinguished scholar puts it, "development is never complete, it is relative, more or less of it being possible. Development is a state of mind, a tendency, a direction. Rather than a fixed goal, it is a rate of change in a particular direction".

Development administration from one particular point of view may be conceived as a carrier of innovating values. It embraces the array of new functions assumed by developing countries embarking on the path of modernisation and industrialization. Development administration ordinarily involves the establishment of machinery for planning economic growth and change and mobilisation and allocating resources for this purpose.

More realistically, considering the actual conditions in the developing countries, development administration is concerned with the will to develop, the mobilisation of existing and new resources and the cultivation of appropriate skills to achieve the developmental goals. In these countries, development is essentially a directed or guided change with a heavy emphasis on achievement of programmatic goals.

All these working definitions lead us to one common point: development administration is essentially an action oriented, goal oriented administrative system; it is increasingly directed to realizing definite programmatic values, not those of routine administration. In other words, it is the programmatic values that make the administration developmental. In practical terms, such a broader approach to problems of development administration would imply that the administrative system, structures and procedures, personnel policies and practices, staffing pattern, techniques of planning, and even relations with citizens, all should be attuned and harnessed to the goals and processes of development. Development administration not only envisage achievement of goals in a particular area of development but making a system more efficient, it must also reinforce the system, imparting it an element of stability as well as resilience to meet the requirements of future developmental challenges. This would involve administrative innovation, creativity and ingenuity as well as breaking down of the bureaucratic resistance to change.

Let us look at some important elements in this new administrative culture we are trying to develop:

(1) Pragmatic—scientific society—ideals not illusions.
(2) Development oriented—we must want development badly enough to pay a price.
(3) Innovating—new ideas, new ways of doing things.
(4) Meritocratic—ability, energetic.
(5) High standards of conduct, achievement.
(6) Ready to learn from experience—level of knowledge rising.
(7) Future oriented—looking both at the short and the long term.
(8) Change—but disciplined, orderly change.
(9) Speed of decision-making.
(10) Co-ordination of decisions.
(11) Management.

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C. The development process and the management function

Planners and administrators must have an idea of how to co-ordinate activities of all the elements that go into the development process and synthesize the implementation of planning in the various sectors. For this purpose, we would have to take a look at the economy as a whole. Let us set up a simple model for development in terms of the *inputs* (in the form of the factors of production).the *activity* (planning/ operation of the market mechanism) and the *outputs* (income, employment, etc.) that are expected. The important issues are: (*a*) to decide *what* is it that we want specifically, i.e. the outputs, (*b*) *how* this is to be achieved, i.e. the activity, and (*c*) *who* should do the job and how many budgetary cycles do you require to achieve what you want, with the resources you have. In other words, it requires you to identify the inputs, outputs, the time period and the critical elements and persons to get the results. This is an integrated approach to development administration. If those charged with administration can appreciate the inter-relationship between these factors, it will make the formulation and implementation of plans easier. The success of this integrated approach requires the education of politicians, planners and administrators.

Whatever the method used to synthesize the sectors and all the participants in the development process, it is clear that the government's role needs to be more positive and more functional than before. There is no question but that in planning the Government will extend its control over the economy and play a dominant role. Sometimes, the Government or elements within the governmental structure have to assume the character either partially or fully, of forces which we earlier considered to be outside the framework of government; at other times the Government may be called upon to play an entirely new role, a promotional role the counterpart for which did not exist previously. But it does not mean that Government has to take over all functions.

The management functions of government generally relate to building productive sectors and social overheads, maintaining public services, influencing attitudes, shaping institutions, conserving the use of resources, influencing distribution of income, controlling the quantity of money, controlling cyclical fluctuations, ensuring higher levels of employment and influencing the level of investment, carrying out stabilization policies and maintaining the general discipline implied in a plan. This list could be extended or modified according to the conditions in a particular country The government can function by offering inducements to other forces in the economy to perform those tasks. Government does not really perform a single role, but has differentiated roles in relation both to the problems that arise and to other forces in the economy. The roles themselves keep changing in relation to the particular stage in the country's development. This would imply then that not only does the government have a widely differentiated role to play, but it is something that keeps changing continuously. Some of the roles and changes are obvious and can be identified; others are not so easy to locate. What we do know is that governments in developing countries make enough different decisions, adopt enough different

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policies and engage in enough different activities, so that it is necessary to take a fresh look at the administrative system as a whole and assess its capacity to perform satisfactorily.

Any attempt to define the role and functions of government from a purely ideological or doctrinal standpoint is not very useful. In many of our countries we also have an anti laissez-faire tradition. The bureaucracy has a predilection for administrative intervention. This intervention is often uninformed and *ad hoc*, but often is equated with sound economic management and planning. We also often get sanction for this sort of intervention by using labels of one kind or another.

With the complexity of the development tasks that face them, there is a need for governments to take a pragmatic, rather than a rigid and/or doctrinaire approach to their role.

With the fundamental changes in the functions of government, there is also a need for far-reaching changes in the administrative systems to meet the new challenges. As has been stated, development administrations have to be much more purposeful in action and technologically oriented than before, if they are to participate in the planning process, initiate and manage economic enterprises and stimulate, guide and assist private initiative and activity. All of this calls for increasingly higher levels of administrative leadership and a new administrative culture.

D. Some issues for discussions relating to economic management and the evolution of a modern development administration

(1) Management of the economic system and plan flexibility.
- (*a*) Use of monetary and fiscal policy.
- (*b*) Suasion *vs.* sanction.
- (*c*) Guide lines for performance *vs.* targets.
- (*d*) Changing parameters.

(2) Plan implementation and technological change.

(3) Entrepreneurship and plan implementation.

(4) Measures for evaluating plan effectiveness.

(5) Administrative adaptability, experience and improvement.
- (*a*) Responses to managerial complexities in government.
- (*b*) Managerial obsolescence; the generalist *vs.* specialist.
- (*c*) Training of management talent for the future needs of an economic administration.

(6) Criteria for judging economic performance.

E. The machinery for public and private decision-making in economic and social planning

The development process is such that there must be wide variations in this machinery, depending on a number of factors such as the political system, focus of power, historical and traditional developments in the administrative system, existence or otherwise of a private sector and entrepreneurial abilities, availability of trained personnel, etc. Often when talking of the machinery for planning we tend to focus only on the central planning agency of a country or on a limited number of

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agencies. But it is clear that the entire machinery of government and the private sector has to be involved if planning is to be effective.

We are primarily concerned with the machinery in a mixed economy. In looking at the machinery, however, it is essential to keep in mind that national development planning is not a separate activity isolated from other functions of government or the private sector. The Central Planning agency in a country cannot do the job alone. There are many diverse organisational arrangements within the government and outside it, and many different decision-makers who play widely differing roles in the national development effort. It is through the decisions taken by all these people on what, when and how they will produce, consume, save, invest, etc., that the whole development process moves forward.

In earlier periods most of the decisions taken by these various participants in the development process tended for most part to be based on short-run calculations, and on assumptions of static economic conditions not of dynamic and self-sustaining long-term growth. The Government's role was at best to be confined to provision of the infrastructure for development and making the climate in which private enterprises could operate suitably. A purely budgetary or a budgetary project approach was taken to the administering of whatever policies were necessary. The national budget was the only unifying thread. This whole approach, however, had many shortcomings: (*a*) it deals only with the public sector, (*b*) it is inflexible, (*c*) the budgetary cycle is far too short a period, (*d*) the prime development thrust may not be in the budget itself, (*e*) a project has to be seen in the sectoral and overall context, and (*f*) there could be large gaps in the budgetary target and the project target. Thus, there was the need for broadening the approach. An investment programme—meaning by programme co-ordinated set of projects—was attempted. All this still represents an *ad hoc* and "bottom-up" approach to planning. In later periods, planning took the "top down" approach based on a consistent overall framework, but lacking a detailed list of profitable investment projects. It is now clear that an integration of both approaches is needed. We need to take a look at the overall framework and the projects; at the short-run and long-run problems; and at the entire economy, public and private.

In considering these relationships we need to consider: how do you divide responsibility between various organisations and actors in order to relate effectively these elements? What is the administrative machinery calculated to secure the right balance between them. Economists, planners and administrators must ask several "right" questions regarding a country's capacity for development administration.

A question that each developing country must answer for itself is: which economic lessons and activities can best be undertaken by government and which by private institutions and individuals. The choice is sometimes deliberate, but more often it grows out of the historical background or the socio-political structure of the country.

Virtually all countries in the region are committed explicitly or implicitly to a large measure of private decision-making. The less developed a country and the weaker in administration, the less it can ignore or neglect the potential resources, men and material it can mobilize

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and activate in the private sector. The more numerous and detailed the entrepreneurial and managerial decisions that have to be taken by the central government, the slower and more cumbrous and less flexible the operation of the economy becomes.

In order to clarify the interplay between public planning and private decision-making the actors or participants have to be identified.

Government covers a multitude of Ministries, departments and agencies, not only in central governments, but also in provincial and local administrations as well as quasi-government agencies, such as Central banks, development banks, port authorities, railroad authorities, government-owned manufacturing industries, etc.

While participants and actors in the public sector can readily be identified as units in one or the other levels of government, there is no simple way of defining the many different kinds of non-government enterprises and activities that play significant roles in national development efforts. There are many forms which private, commercial, industrial and financial enterprises can take:

(*a*) Corporate enterprises.
(*b*) Individual or family ownership.
(*c*) Large estates and small peasant farms in agriculture.
(*d*) Co-operatives, credit unions, etc.
(*e*) Local community projects and village organisations, panchayats.

There is a third area, in which both government and private enterprises participate in joint ventures and take decisions together.

F. Rationality in the decision-making process for development

There is another aspect of a development administration which we should discuss. This relates to the kind of decisions that a development administrator is called upon to take and the choice problems he is confronted with. We shall look briefly into the rational aspects of choice that are the principal concern of economists and the limitations of the human decision-making mechanism which has been the concern of psychologists and political scientists. This also leads to demonstrating the need for taking an interdisciplinary approach to decision-making for economic development.

In an earlier section of this paper we talked of the pragmatic role that Government would need to take on its functions in the development process. To the administrator and the economic practitioner, what this pragmatism in the role of government and action orientation means is that now not only have they got to carry out policies which are quite different at a more vigorous pace, but they also have to initiate them and in a context vastly more complex than before.

It also means that the process of economic development presents a variety of problems stretching out into the future, which call for decisions. Decision-making is at the heart of administration. The nature of the decisions are also very different in an economic administration from those of the more routine administrative functions. Implied in

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these statements is the fact that not only are the problems inter-connected and continuous, but that there also are no final solutions. A decision which may appear as an answer to a particular problem raises new problems which call for other decisions and so on. To the extent the resources for dealing with all these problems are limited, decision-making involves continually making choices.

G. A model for decision-making

In exercising these choices, it is natural for the decision-makers to aspire to rational decision. Rationality connotes a conscious adjustment of means to ends. In order to achieve optimum rationality, the decision-maker would need to have a clarity of desired ends, a full knowledge of the alternative means to achieve these ends, and finally a realization of the consequences of choosing between the alternative means available. As has been stated above, all decision-making involves some choice. The central concern of administrative theory is with the boundary between rational and non-rational choices.

The decision-maker in an under-developed country faces a number of limitations to taking decisions in the rational manner prescribed in the model spelt out above, when attempting to foster economic development. The first, inherent in all human action is the need for subjective judgments on the part of the decision-maker. The second is the complexity of the whole process, which when combined with a lack of full knowledge relating to all aspects of the process, makes it difficult both to clarify objectives, as well as predict the consequences of certain courses of action. Thus it will be seen why the lack of information and poor quality of statistics in most developing countries, make it so difficult to plan and take rational decisions. The third limitation is the shortcomings of the existing body of theory. Each of these limitations will affect decisions differently, depending on the level of government at which the particular decision is taken and the importance of the issue under consideration. These limitations, however, do not preclude us from searching for practical approaches to approximate the rationale behind the ideal model and also finding ways to improve these limitations.

In these circumstances, what one can hope for is to take informed decisions or carefully calculated guesses. The main issue is to keep in mind the limitations and be clear as to the quality of the decision that is being taken, and keep in mind the need for continually reviewing and revising the decision.

An infinite number of examples could be quoted to illustrate the difficulties involved in clarifying values, setting up definite objectives of policy and choosing between alternative courses of action to achieve these objectives in the process of accelerating development. The difficulties are very real at all levels of decision-making. It is not only in relation to the larger issues in the development process that choices have to be made but the same choice problem runs through the whole range of detailed decisions that have to be taken in the course of the development process, at all levels of government activity, Detailed policy choices, consequential decision-making are all made more complicated. Sometimes the most parochial considerations affect a development decision.

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The need to be continuously choosing between a wide range of values and policy alternatives and to have to do so without adequate information or a rigid yardstick for measurement is something that the decision-maker in an under-developed country attempting to foster economic development through a democratic political system cannot hope to avoid. One has to draw these difficulties into perspective. This is what planning is about. It would appear, otherwise, that the pressures and pulls in various directions could result in as haphazard and in different pattern of development as that which necessitated government intervention in the first place.

H. **Some issues for discussion.**

(1) The social sciences and the issue of rationality.
(2) Economic rationality and political feasibility.
(3) Economic development and culture change.
(4) Some aspects of the choice problem.
   (*a*) The mean-ends relationship.
   (*b*) Conflict of objectives and achievement of value clarity.
   (*c*) Theoretical guidance in developmental decision-making.

(From a working paper prepared for the Short Term Course in Plan Implementation and Project Analysis conducted by the Academy in January in association with the United Nations Asian Institute for Economic Development and Planning, Bangkok).

APPROACHES TO DEVELOPMENT ADMINISTRATION

Neil Fernando

In analysing approaches to development administration, three aspects should be considered. Firstly, we need to know what exactly is the objective or orientation of this field distinct from other fields of inquiry. Secondly, its scope of attention or subject matter may need to be reviewed. Finally, a brief consideration of the strategies of administrative change would be covered in this article.

When considering the objectives or orientation in this field, one observes that development administration as a focus of inquiry or as an area of action arose from the need to gear administrative machinery and its functions to the needs of development. Earlier forms of public administration were mainly concerned with maintaining law and order, collecting revenue, and operating a minimum of social services that were needed by the community. However, the tasks of economic and social development specially in Third World countries required a different type of administration. The conceptual orientation considered more appropriate to meet the challenges and perform tasks of development came to be known as development administration.

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Development Administration examines how public policy goals involving political, social, and economic change could be implemented. As one writer in this field observed "the study of development administration can help to identify the conditions under which an optimum rate of development is sought and the conditions under which it could be obtained." Thus, development administration as a separate focus of research tries "to relate different administrative roles, practices, organisational arrangements and procedures to the maximisation of development objectives."

As the focus of inquiry in this field would be rather clear, we may now attempt to summarise the scope of its activities. These activities may be distinguished as to whether we refer to development administration as a field of study and research or as an area of action. As a field of study, development administration due to its problem and action oriented interests has come to be a multi-disciplinary venture. Its main borrowings have been from organisation theory, public administration, and the new trends in political sociology, development economics and management science.

Organisation theory has infused an organisational dimension into this field. If public goals are to be achieved, the required organisational changes with respect to goals and policies, technologies, psycho-social and structural inter-relationships within organisations need to be improved for enhancing capability and performance. Through the use of systems approaches, organisations have been viewed as socio-technical systems operating within an environment. In this respect development analysis has focussed both on the internal organisational factors as well as an environmental relations in its concern for gearing organisations to the overall development process. Similarly, new trends in public administration as represented for instance by writers within the "Minnow Brook Perspective" have introduced an action dimension into development administration. This school of writers urges for a greater client involvement, environmental responsiveness and advocacy of values on the part of public administrators in order to achieve development goals. As such, earlier concepts suggesting the neutrality of public administrators with respect to environmental goals has been deemphasised. Inter-disciplinary approaches in politics and sociology have also enriched the study of development administration. It is being recognised that administrators in the public sector have to appreciate political and social forces within their tasks environment if their efforts towards development are to be socially valued and made more effective.

On the other hand, the contributions of development economics and management science has emphasised several ways for improving efficiency and productivity within the public sector. Development planning for instance as Gunnar Myrdal has pointed out, has become the intellectual matrix for development ideology in Third World countries. Perhaps many Third World countries have yet to evolve an implementation process geared to new concepts in development planning. Perhaps the contribution of management science to development administration in this respect is of some significance. Rationality in decision making in the planning, allocation and use of resources has been

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increasingly sought by the use of computer technology. For instance Planning Programming Budgeting Techniques, Systems Analysis, Linear Programming, Network Analysis, Input Output Analysis, and Simulation and Gaming Models are some of the techniques of management science which have now come within the ambit of the study of development administration.

As an area of action, the practice of development administration has received varying emphasis in different countries. However, three foci of interests may be identified. At the central levels of government, improvements have been sought through major administrative reforms, setting up of new agencies such as Corporations and by instituting rationalised processes for planning, programming and budget management. At the field levels of administration the emphasis has been on improving action programs of departments involved in extension activities. In this respect project formulation and management has received considerable attention with a view to more effective plan mplementation. Similarly, structural reforms connected with development activity in agriculture and industry has obtained priority. The third focus of interest in development administration practice has been in making available more effective staff services such as management training, consultancy and research, and technical aid to line managers in their development effort.

In this background of the aims, and the scope of attention within the field of development administration, the strategies adopted for administrative change would finally be considered. Edward Weidner for instance, observes that the strategies of change adopted in administrative development may be either planned or unplanned on the one hand, or include structural change or growth of the administrative system on the other. It is believed that the ideal is by combining growth with system change either by planning or due to the catalytic influences of environmental stimuli. However a short run payoff through planned growth or a long run payoff through planned system change is often adopted. On the other hand, the more common forms of administrative reforms are unplanned and arise from pragmatic considerations aimed at demands for growth or by accommodation of crisis conditions through structural changes of administrative systems.

When analysing the different strategies proposed for administrative reforms, Warren Ilchman has made an illuminating contribution. He says that the advocates of development administration fall into two schools of thought—the administrative systems school and the social systems school. A brief summary of these two approaches may perhaps be appropriate.

The administrative systems school views the different departments agencies and related administrative processes in the public sector administration of a country as a inter-related whole or a "system". Adopting such a perspective, writers of this school advocate a strategy either of balanced or unbalanced growth. The balanced growth strategy which is advocated by many United Nations consultants basically considers piecemeal change in the administration to be inadequate and self defeating. They urge for the simultaneous development of administration

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in several related activities such as in budgeting, fiscal policy, personnel development, field administration and other inter-related fields. It is intended by this to create complementary centres of development within the administration which would result in its balanced growth. The unbalanced growth strategy of the administrative systems school as advocated by A. H. Hanson and others, argues for a more selective identification and the development of fewer growth points in the administrative system. They emphasize the need for increasing administrative capabilities in making rational decisions for increasing efficiency and productivity within the system. For this purpose the development of planning units, public corporations and other development agencies together with improving general management practices is recommended.

The social systems school on the other hand views the problem of administrative development from a broader perspective of the whole society. Public Administration of a country is considered to be closely linked with other social, political and economic organisations and processes to form a social system. Development is therefore conceived within the framework of the entire social system and not only of the system of administration. In this school of thought too, both balanced and unbalanced growth strategies are advocated. Writers of the balanced growth strategy such as Fred Riggs state that independent centres of power need to be generated in a society with these functioning interdependently for providing resources and obtaining performance. Perhaps on the basis of his observations of Far Eastern countries, Riggs classifies most Third World countries into what he calls "Prismatic Societies". One feature of these societies is that their administrative systems partly due to the considerable power they wield in society act as drags on political development. Thus, the development of counter balancing power centres outside the administration is an important feature of this strategy.

On the other hand the unbalanced growth strategy of the social systems school is seen to be more practically oriented as in the writings of M. J. Esman and R. Braibanti. Esman for instance advocates developing the administrative system but linked with the selective development of political parties, interest group associations and the mass media. As the functioning of public administration relates to each of these other institutions and processes, such a strategy is considered appropriate both for the development of administration and the society.

In conclusion, it would be readily agreed that the tasks of development would necessarily include the need for developing administration in the public sector. But in such a task, the nature of objectives and the strategies of development which are adopted would assume importance. In this challenge, we could learn both from the practices and also the research which has been done within the expanding field of development administration.

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COLONIAL ADMINISTRATION TO "DEVELOPMENT ADMINISTRATION" A TRANSITION FROM A COLONIAL TO A NEO-COLONIAL THEME

Susantha Goonatilake

In the 1960's the traditional role of administration in ex-colonial countries began to be perceived as being something separate from its earlier role of law and order and revenue collection. As a response to this, many of these countries including the South Asian ones purported to change "administration" to one that was described as "development administration".* The purpose of this article is to trace the growth of the body of knowledge known as "development administration", the structure of administration that existed prior to "development administration" and the changes subsequent to its introduction.

Pre-Independence Administrative Structures

The advent of the colonial powers beginning with the Portugese in the 16th century, then the Dutch and finally the British changed the societies in the South Asian region and gave rise also to particular administrative and management systems deemed to serve the colonial presence. The colonial presence required that the local population be controlled for the main mission of the colonisation process, namely that of extraction of a surplus from the colonised countries and transporting it to the mother country. It also meant often the necessary adjunct of a military presence that would quell revolts arising from the subjugated people. But it was also necessary to maintain a more stable blanket of repression so that the extraction process would be relatively unchallenged by the establishment of an efficient law and order and revenue collecting bureaucracy.

The maintenance of law and order was sometimes done by the use of traditional leaders who acted as intermediaries for the colonisers. However with the gradual penetration of the economy of these countries by the European presence a formalised administration system arose that maintained "law and order".†

Originally large sections of the formalised bureaucracy specially the more important posts in say the Indian Civil Service or the Ceylon Civil Service, were manned physically by Europeans. Because of the unwelcome and hence repressive nature of the colonial presence the need often arose to maintain a tight control of the Non- European element in the bureaucracy by the Europeans. This meant the growth of highly codified regulations in the form of administrative and financial regulations which restricted tremendously local initiative and which led to a tight centralisation in this sense of the bureaucracy.

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* "Development administration" will always be referred to in this article within quotes as the discipline has many ideological and historical connections which transcend its purely scientific aspects which the discipline claims to represent. In this we would like to draw a parallel with the so called "scientific management" movement in the early decades of this country which laid claims to scientific rigour and which today is also referred to within quotes because of the subsequent realization of its non-scientific and ideological bases.

† Compare this with the need for "stability" under the *Pax Americana* and the new extractive order.

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The rigid bureaucratic structures that arose during the time were functional in that the main purpose of these were the maintenance of law and order and revenue extraction, activities which remained relatively un-changed. Such tight bureaucracies are what Burns and Stalker have called "mechanical structures"; and, as the latter have pointed out, they are efficient in environments and situations that do not change rapidly. The administrative organs under colonial rule dealt with relatively placid environments that did not also change very much with respect to the goals of the organisations. Wherever changes in the environment occurred that could be termed turbulent and were inimical to law and order and to revenue extraction, the army was used to quell any such disturbances and law and order was reintroduced.

As these bureaucracies functioned in a relatively stable environment from the point of view of the organisation, the tight codified, regulations in these bureaucracies were functional in another sense in that it was necessary to control the lower ranks of non Europeans who could not be trusted. The decisions the bureaucracy had to take were also the relatively technically unsophisticated and simple ones relating to law and order and extracting revenue, and hence no deep knowledge was required by incumbents of the bureaucracy. What was required in such situations were rule obeying functionaries with only a general awareness of the environment and no particular in-depth knowledge.

The principal organisations in the colony was the law and order bureaucracy but there were other organisations which were created to run the new industries and other economic activities that grew up with the colonial presence. Thus plantations were run by rigid bureaucracies that had similarities to the administrative bureaucracy.

Industrial activities in the sub-continent were pioneered largely by the "managing agency" system. The latter arose as a result of a division between the financing sources which were in the mother country and the managerial activities in factories and plantations which had to be carried out in the sub-continent. Later when money was being raised in India the system of management agency continued. The agencies were often either family units or small private companies dominated by members of one family who occupied key positions of the companies. The typical organisation of a management agency has been described as "highly centralised and personal, with a rigid social structure" (Chowdhury 1966, page 133).

It is thus seen that the historical roots of pre-colonial organisations in the sub-continent lay fundamentally in the colonial presence and in the growth of industries that grew up in association with the colonial presence. In the next section we shall look at how with the removal of the colonial presence changes were made in both the administration system as well as in some organisations or productive enterprises. An attempt will be made to put these changes in historical and societal perspective and to see how far these organisations meet their goals.

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"Development Administration"

"Development Administration" is a sub-discipline that grew up within the general body of knowledge related to "development" during the late 50's and 60's, as a result of the exposure after World War II of a large number of Western Scholars and administrative practitioners to experience in administration in the Third World.

The discipline of what was hitherto known as public administration consequently became enlarged to extend beyond the earlier Western systems and to include developing countries (Heady 1966, page 6). In America the establishment of the Comparative Administrative Group affiliated with the American Society of Public Administration gave professional recognition to the subject. The field saw the growth of a considerable literature and many theoretical frameworks to explain organisational behaviour in developing countries, were formulated. Principal names in this school were Heady, Diamant, Riggs, Presthus, Waldo, Siffin and La Palombara. America has largely influenced the development of the theoretical insights and directions of "development administration" whilst the British and other Europeans have taken a largely passive role being content in looking at micro problems and technocratic exercises in administration.

The experience of the Europeans, the British and the other former colonial Herren was earlier limited to the development of administrative systems to fit their colonial missions. The interests of the British and the other colonial powers in administration during the colonial rule did not extend very much into theoretical discussions (although for instance arguments on the nature of the Indian Civil Service crept into reforms of the British Civil Service itself in the 19th century), but was dictated largely by the pragmatic needs of administering a colony for the benefit of its mother country.

With the growth of the *Pax Americana* replacing the *Pax Britanica* after the end of World War II new definitions of what public administration in the developing countries was and what it stood for arose. The experiences of field administrators and aid personnel attached to the new American thrust in foreign policy resulted in a formidable growth of formalised knowledge on administration as well as an attempt to codify its application. We can identify three social sources for the growth of the body of knowledge that became "development administration" as :—

(*a*) the growth of America as a world power with its own interests and its own view of the world separate from the earlier British (and other colonial) ones.

(*b*) the growth of a body of knowledge associated with 'development' in the 50's and 60's in America.

(*c*) the response of largely American social scientists to develop a coherent body of knowledge identified as "development administration" by combining these two aspects. That is, this body of knowledge grew up out of the particular reaction of American social scientists exposed to the problems in the Third World, specially the experience of such personnel in American dominated economies.

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One sees this clearly in the work of principal figures of the "development administration" school. It is not necessary to look at all the major figures in this school but a look at Riggs' work (Riggs being the main *guru* of this school) amply illustrates this. Riggs' main work is based on his experience in Thailand, Korea, Taiwan and Pakistan (1964. Page 241), all countries that were either still under feudal hold or under authoritarian local rule but having the common feature of being under strong American domination. Classes of problems that were identified as relevant by Riggs and the theoretical models he drew and the remedial suggestions he made are all based on these particular circumstances of the countries he studied.

Riggs' most developed analysis of administration in developing countries is his theory of "prismatic society" (1964) which replaced his earlier model based on a typology of agrarian and industrial societies. This earlier theory of Riggs was based on his actual perception of the conditions he found in the societies he studied, and gave rise to an inductively drawn model. In contrast to this earlier model which he rejected, his theory of prismatic society is deductively drawn from the *assumed* characteristics of how developing countries differ from developed ones.

Riggs sees the developing countries as subject to a process of change as they move from a traditional society to a more modern one. The changing developing society is thus a transitional one which Riggs suggests has certain characteristics which influence the functioning of its organisations. To describe these organisations he constructed a model of transitional society as well as a model of the organisations in it. His model of transitional society is within the main trend of models of development that appeared in the late 50's and 60's and which were associated with such names as Parsons, Hoselitz, Rostow, Hagen, McClelland etc. His approach to development is basically what Kindleberger has called the gap approach meaning that there exists a sociologically definable gap between the developed and developing countries which could be stated formally.

More specifically, Riggs uses in his model the approach of Parsons to development, specially those variables which Parsons' called "Pattern Variables" and which help to differentiate the developed from the undeveloped. Now the development theories associated with this type of approach which Parsons and Riggs brought, have been under considerable criticism recently on both theoretical grounds and the grounds of the empirical fit of these theories to actual societies. Consequently there has been a new revisionist view of development which denies the easy categories of the 60's. Thus this general approach has been criticised by among others, Finnegen (1971) Levine (1968) Huizer (1970) Inkeles and Smith (1971) Benedix (1967) Bernstein (1971) Frank (1971) Rhodes (1968) Bodenheimer (1970) etc. and the easy categories of the 60's associated with Parsons are no longer considered seriously.

One can point out that the theoretical inadequacy and lack of empirical fit which models of administration such as Riggs' had were because of the fact that they were based on faulty views of development and were also in addition based on limited experience gathered in

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countries under American hegemony. Thus a continuous problem which surfaces in most of Riggs' writing are problems associated within a feudal or strongly authoritarian country and his remedies often border on the need to politicise the bureaucracy *a la Americain*. He consequently recommends the desirability of moving towards a spoils based political bureaucracy. As his work is based on these somewhat special societies he ignores problems such as for example which may arise from a collapse of legitimacy of bureaucrats that has been occurring in less American dominated countries like those of South Asia which have developed spoils based systems.

For instance he refers to the fact that officials in the countries he studied often adhere to conflicting norms (for example they often have two standards of recruitment, one an objective norm held for public consumption and a privately held one which depends on more subjective particularistic criteria). Though Riggs' bureaucracies are governed by this phenomenon which he calls polynormativism they are not apparently subject to different norms of what constitute legitimate authority figures. In fact most such organisations and also the countries Riggs studied are characterised by a high degree of authoritarianism where authority and definitions of what constitute legitimate authority are unchallenged . . . . On the other hand many countries in the developing world (specially most ones in the South Asian context) have seen a very serious challenge to the existing structures of authority in organisations and this has been identified by observers as one of the major factors to be considered in the organisations of this region. Clearly Riggs' model does not fit countries like this which have not been under authoritarian rule.

Although Riggs' approach has been the most influential in the "development administration" field, there have been others like Diamant and Heady who have also made significant contributions. Just like Riggs was a prisoner of his places (Thailand, Taiwan, Korea and Vietnam) and his times (the optimistic years of American development theory) and gave rise to inadequate models so was also the lesser figures victims of their particular situations. Thus Diamant (1964) and Heady (1966) both use as starting points of their study the particular view points that prevailed at the time of what constituted politics and political "development". Thus politics and political development was viewed (largely unconsciously) as the growth of a system of government closely resembling the American pattern. (See also Ocampo and Johnson 1972 who place these views on political development in perspective).

The American pattern as the height of political development, is seen also in Diamant's and Heady's approaches which are based on looking at the political environment of administration. Their models are based on ephemeral categorisation of countries according to the particular political regime at the time (with of course the American pattern being unconsciously viewed as the highest). The analysis of the bureaucracy by both these authors start with the givens of the political environment. The aridity of their approach is seen vividly when one observes that often some countries change their "political environment"

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(quite often by American sponsored coups) from say, a democratic to an authoritative system without significant changes in their administrative organs and their functioning.

Heady for example ignores the fundamental societal changes occurring in these societies and classifies the societies purely on their existing political systems. These political 'systems' are ephemeral and change fast in developing countries and do not provide a sufficiently stable system of classification and do not sufficiently describe societal characteristics. Thus Nkrumah's Ghana which is classified under the Dominant Party mobilisation system is different from the Ghana of today. In fact Ghana could be put today under his second category of bureaucratic elite system in that it is run by a military government. Yet it is difficult to imagine that behaviour of a bureaucracy would change in any fundamental manner purely as a result of changing the national political regime. A more fruitful approach to organisations in developing countries would have been to isolate the fundamental changes underway in these countries and see what effect these have on organisations. These fundamental changes incorporated in a suitable theory or model of development change would have presumably taken into account more significant factors than the sometimes purely accidental category of political regime, as defined by Heady.

By the early seventies a mood of despondency had crept in about the brave new theorizing that went on in the sixties, which we have briefly noted were based on false and/or partial perceptions of what constituted development and administration. Although the canvas of this theorizing was large, in that it attempted to situate administration to societal changes, its use was limited in that the theories did not base themselves on a sufficiently strong body of knowledge relating the developing society to administration. Further this grand theorizing did not deal often enough with the nitty gritty of technocratic administrative problems, only about which most "development administrators" were concerned with.

Thus La Palombara (1971) attacks strongly the conceptual models drawn up by workers like Riggs and Diamant in the 1960's. He attacked the concept that generalised frameworks and models are useful for the study of the organisations of developing countries. He felt that these generalisations and models obscure rather than clarify the basic issues. The solution La Palombara proposed was to treat each country as having a distinctive if not unique type of system into which one can fit particular solutions. In order to select from a vast array of possible variables available for such an individualized approach to a country, he suggested a checklist which will yield a profile of the country. La Palombara's essential point is an appeal for less time and resources to be devoted to theoretical frameworks and logical schemes and more to actual research in the countries concerned.

La Palombara's stress for the need for basic research is commendable but the abandoning of attempts at generalisation is not. There are over one hundred and thirty five countries in the world today and to develop individual theoretical schemes for each is an extremely difficult, if not impossible task. Theoretical schemes that transcend national boundaries and are still valid, are needed. The invalidity and irrelevance

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of much of the work which La Palombara criticises lies not in the fact they make generalising assumption, but that they make the wrong assumptions. Thus the invalidity of, for example, Riggs' work lies in his model of developing society and societal change that he is using.

The work of "development administration" has found its criticism on the more technocratic and British-based pragmatic level in a review article by Schaffer (1971). Schaffer traces the importance of the Comparative Administration Group (and its outgrowth "development administration") and its influence on developing countries. The C. A. G. was a "much more thorough going academic establishment than its parent body the American Society for Public Administration" and was pervasive in its influence with "its pamphlets, its newsletters, its rapidly expanding membership and publications". The contact of the Group with over 300 members in America and over 100 overseas the notes were impressive, but the impact of the C. A. G. on administration as such in the countries concerned was minimal. "To put it in another and harsher way they (the C. A. G.) had their conferences and wrote their papers, but the practitioners did not seem to take much notice and changes in developing countries did not seem to be directly affected". But it has had "its vast impact on one particular and very practical direction; (on) people in developing countries (who) move in between academic, administrative and training careers". Thus although "development administration" propagated by the C. A. G. did not have a direct impact on day-to day decision making it continued to have an influence in the orientation of an important strata of persons and so consequently the slogan "development administration" became in many ways an ideological facade for careers of such personnel.

Although "development administration" aimed to take a total view point of developing society and of its administration most of these countries in the Third World were during the years of ascendancy of "development administration" of the C. A. G. variety under continuous bombardment by also modern management theories and practices (a la Harvard etc.). Thus large numbers of personnel in the administrative as well as management sectors of South Asian countries has been trained in modern management practices of the American type. And the area has its large quota of operations researchers, industrial engineers, linear programmers, systems analysts and the like.

The approach of this strata of management-trained personnel were associate in that it was assumed that unlike in the case of C. A. G. "development administration", management problems in developing countries were basically similar to those of the Anglo-American region. A recent off-shoot of modern management called "Comparative Management" although it attempts to question the universal validity of modern management has not done so in any significant manner. Thus two of the leaders in this field Prasad and Negandhi both Indian born naturalised Americans have attempted to study the functioning of organisations in South Asian settings and to see how far American management techniques can be transplanted with success to India. They explicitly have rejected the view that organisation in any significant way could vary according to societal factors in the manner in which Riggs and his colleagues have posed the problem (1968 and 1971).

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To summarise one can discern in the thinking on "development administration" in Third World countries and specifically the South Asian region two broad strands. One is a societal view based on the 'ecology of administration"—the view point of Riggs and his colleagues and which has now lost its earlier favour. Secondly there is a continuing influx of largely American based management know-how as constituting a context-free science that can be accepted by the South Asian countries. As an additional overriding factor there is also the fact that these two tendencies occur within ex-colonial countries that had organisations which were historically shaped by the colonial encounter and were devised to fill the colonial missions.

But in both these trends there is the overriding factor that as Schaffer (1971) has already remarked on "development administration", comparative management and development administration have had no serious impact on the reality with which management practitioners were engaged in. Further, specially in the South African case, the problems encountered "in the field" were very different (Aiyar 1971, Franda 1971, Goonatilake 1973, 1975, Maheswari 1972) from those dealt in the literature. The time seems ripe now for a dialogue-theoretical and practical – within Third World countries themselves about the origins and problems of management and administrative systems. With the collapse of the validity of Western analyses of our problems, both in the development and administration fields, such a dialogue must be initiated and led by Third World persons alone.

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COLONIAL ADMINISTRATION TO "DEVELOPMENT ADMINISTRATION": A COMMENT

Bradman Weerakoon

In his now accepted iconoclastic manner Dr. Goonatilake proceeds to dissect the concept of Development Administration and lays bare the barrenness of some of the widely accepted theories of western scholars on organizational structures in the developing countries.

The purpose of his article, as he describes it is threefold :—

First to trace the growth of the body of knowledge known as Development Administration;

Secondly to describe the structure of administration that existed prior to the coming of Development Administration; and

Thirdly to examine the changes subsequent to the introduction of the new concept.

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While the first two purposes have been adequately served, it is unfortunate that what could have been, to the practitioners of administration in the field, the most interestng part of the article, namely his third purpose of the changes subsequent to the introduction of Development Administration, appears to have been altogether omitted from his article.

Dr. Goonatilake leaves us right from the beginning in no doubt as to his opinion of the term Development Administration both through his sub title 'transition from a colonial to a neo-colonial theme' and his practice of using the term only within quotes. As he explains it in a footnote he does so in view of the "many ideological and historical connections which transcend its purely scientific aspects which the discipline claims to represent."

Dr. Goonatilake's description of the administrative structures prior to Independence follow the accepted view that the colonial bureaucracy was chiefly concerned with maintenance of law and order and revenue collection. Perhaps scholars who have researched on the bureaucracy of our country prior to 1948, specially the functioning of the administration after 1931 when a certain measure of responsibility devolved on the Board of Ministers, may feel that the picture of a primarily law and order bureaucracy is somewhat overdrawn. It could presumably be argued that administration of development came to occupy an increasingly larger portion of the time of administrators during this period. But more fundamental than this is the omission to bring the story up at least to the 1960's, when "Development Administration" came into vogue. While Dr. Goonatilake deals with the period up to 1948, it would have been logical to have expected him to at least touch on the changes in administrative structures that took place in the 1950's, specially with the major shifts in direction in several areas after 1956, since one of the specific purposes of his article is to describe the administration that existed prior to the coming of "Development Administration".

In his analysis he dissects the work of Riggs whose theory of "prismatic society" was widely acknowledged in the mid 1960's as being helpful in identifying the characteristics which would either favour or constrain development in societies transitionally placed between the traditional and the modern. Model building was the done thing not only in the field of social organisation but in economics as well during the decade of the 1960's. Dr. Goonatilake traces the growth of revisionist theories of development which found fault with the earlier models both on theoretical grounds and the fact that the theories did not seem to fit actual conditions in real societies. In fact, Dr. Goonatilake's own research into the power structures of Rajya Karmantha described in his 1971 study of an industrial organisation in a transitional setting, found that the theories of western scholars in this field did not take account of the several external environmental influences which affected the exercise of power and decision making within the organisation.

He finds Riggs' a prisoner of the places he worked in, namely Thailand, Taiwan, Korea and Pakistan. (Vietnam too is mentioned as being

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one of Riggs' workplaces but I wonder whether that is a slip of the pen).

There is also a hard look at the models of Diament and Heady who placed countries in categories depending on the structure of the political regime prevailing therein. He finds this approach not fruitful since adequate consideration has not been given to other fundamental societel changes. Dr. Goonatilake finds commendable La Palombara's view that generalized models are not very relevant for the study of organizations in developing countries and that one should treat each country on its own and ascertain the significant variables through research. But he is not for completely dropping theoretical models since models that transcend national boundaries would be still needed. The problem as he sees is that of formulating generalisations based on the correct assumptions. The error into which Riggs fell is therefore not the fact that he generalized, but that in generalizing he built on wrong assumptions.

Dr. Goonatilake does not attempt to define Development Administration or to tell us even what it is supposed to mean. He implies, quoting Schaffer that the work of the Comparative Administration Group who wrote about "Development Administration" had an impact on people in developing countries who "move in between academic, administrative and training careers". In short, he may even be saying that Development Administration is peddled by those who work in Academies of Administrative Training and that the slogan of Development Administration has become "an ideological facade for the careers of such personnel". If this is what he means this is indeed a somewhat extreme position to take and it seems to call for an adequate reply from such personnel themselves.

With several years of Development Planning and 10 and 5-year Plans behind them—whether in fact implemented partially, fully or not at all those involved in administration might quite naturally recoil at the suggestion that what they have been imagining they have been doing is after all only a fiction. When Planning and National Planning Councils were instituted in the newly independent countries, the need to restructure the administration and to provide its personnel with the necessary skills and motivation to implement plans also received due recognition. Furthermore, with an increasing shift in emphasis towards socialism, with the State taking the major share of development ventures, the objectives of the bureaucracy shifted from an earlier position where State officials were concerned mainly with creating the necessary conditions for private enterprise to indulge in development activities, to one which found administrators pitchforked into managing commercial, industrial and agricultural enterprises. In this process, the roles and functions of administrative personnel could be said to have undergone a substantial change with the subject matter of everyday decision-making changing from the routinized matter of running an office, with strict adherence to rules, to the more flexible (vide the moratoria on financial regulations) approach which quick development demanded. The new skills which the new tasks called for saw the rise necessarily of training institutes, and perhaps a new vocabulary, in which concepts like Development Administration occurred. To imply, however, that

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Development Administration is a fiction which arose in the minds of those in Training Academies, or for that matter a term which administrators themselves used as a covering robe of professionalism would appear to be tantamount to throwing the baby out with the bath.

There is no gain saying the fact that the entirety of this area of organisational forms to which Dr. Goonatilake has drawn attention in this thought provoking essay, and the revisions, distortions and dysfunctions which emerge when alien western forms are superimposed on the Third World setting, constitutes a field which cries out for a continuing dialogue between personnel of the countries concerned primarily. It is to be hoped that in such a dialogue the voices of those who deal in Dr. Goonatilake's trenchant phrase with the 'nitty gritty of technocratic administrative problems' will also be heard.

MODERN MANAGEMENT. IS IT RELEVANT TO CEYLON?

S. Goonetileke

The purpose of this article is to question some aspects of western management techniques and their relevance to Ceylon conditions. Because of limitations of space in a short article as this, the article would only indicate the main areas of interest and the broad issues involved. Reference also will be made to some of the main literature in the field, so that anyone interested in pursuing the field further could then be able to get a deeper insight to the problems involved by referring to them.

Firstly, we would briefly refer to a somewhat recurring question in many introductory chapters in management books, namely whether management is a science or an art. The books naturally opt for the former and lay down laws which purportly describe the relations between the variables in the organisation that influence the achievement of its objectives. The underlying assumption of western management theory being that knowledge of these laws helps management to control the respective variables, these variables include the usual ones of men, machines and money. On this basis, if these laws are correct then modern management is not only scientific in theory but in practice it is also precise and predictive.

The key to the whole matter is then the correctness of these laws. How well do these laws describe the relations between say in very broad terms men, or men and money, or money and machines? At this juncture it will be useful to evoke a dichotomy that had often being used in development of modern management, namely that of description and prescription. Laws can be either prescriptive or descriptive, they can define how variables *should* behave in relation to each other or they can describe how these relations actually *are*. A prescriptive law would be that taught in Europe till a few centuries ago that the earth was the centre of the universe. A descriptive law would be the Copernican view of the world.

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Sometimes a law would be descriptive under certain conditions and if extrapolated beyond then would only be prescriptive. An example for the physical sciences is the Newtonian concepts of time, space and motion which do not hold beyond certain limits. To describe the case beyond these limits a new physics incorporating the ideas of Einstein is required.

The development of modern management has been a movement away from pure prescription to that of description. Careful observation had shown that earlier notions based on intuition and hunches and often the product of prejudice were incorrect. The mid-nineteenth century ideas of the workman (for example) considering him to be slothful and lazy gave way later to different views. Or, in somewhat more recent times the rather simple minded mechanical idiot who was the base assumption of the characteristics of the works of Taylor and other proponents of 'scientific management 'in the early decades of the century gave way to the concept of the employee as a social being due to the work of Mayo and others in the thirties. The Human Relations school that followed the work of Mayo was itself questioned in the fifties and modified in the light of new observations.

Similarly in the structure of organisations from the seminal ideas of Fayol, the inventor of the organisation chart through the work of Urwick and Simon to the rediscovery of Weber to the more recent works of persons like Burns and Stalker, Woodward and Rice which in recent years has made abandon the idea of a universal organisation structure valid in all contents, one sees the refinements of organisation theory as one begins to know more.

The fundamental question in management theory is whether it is prescriptive or descriptive. Applying this to the Ceylon context, where increasingly one sees the propagation of western management ideas, one should question whether the assumptions incorporated in western management know-how is descriptive of the situation in Ceylon or whether it is purely prescriptive. If it is the former, then the application of western management techniques in Ceylon is not only correct but rewarding. If not, then the application of such techniques would be purely an act of imitation. Worse still, application of such techniques which rest on false assumptions would result in disaster.

I would now briefly sketch the unique nature of modern management, the assumptions on which it rests and the limits within which it could be practised. Mention will also be made of the considerable work done within the last decade or so on non-western organisations as well as the very few descriptive studies on Ceylon organisations.

Cross-Cultural Studies of Organisations

At the end of the second world war with the granting of independence to many non-western countries and with the simultaneous growth of various UN and other developmental programmes, a vision of rapid development in these countries was envisaged. Yet, with the lack of dramatic development in spite of heavy inputs, causes for this state of affairs were also sought in the management and administrative apparatus prevailing in these countries. The many western academies and other development personnel who were in these countries returned

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with rememberances of organisations markedly different from western ones. In virtually all these countries western organisation patterns were adopted formally, yet in actual practice the behaviour of these organisations were markedly different. The serious cross-cultural organisation studies that have been undertaken within the last decade or so have covered many areas of the developing world and some studies of organisations in say Japan, Russia and Yugoslavia cover the developed but non-western nations. These studies have given rise to the sub-discipline of development administration. A few examples will indicate the broad problems covered by these studies.

Abegglen* noted in his studies of the Japanese factory that many underlying patterns of western organisations were not followed in Japan. Payment and reward in the organisations were not given to effort but to loyalty to the firm. The firm acted virtually as a surrogate family for the employee. The employee remained in the organisation for life. Responsibility for decisions in the firm was spread among many persons. In fact there was a distaste for individual responsibility. Most of these aspects contrast strongly with fundamental notions of western organisations like basis of motivation, concept of responsibilities and personnel mobility.

Rice studied a large textile plant in India which had its technology as well as its man-management philosophy from the west. In one problem, in spite of the introduction of automated high output machinery, the expected increase in output did not develop. Rice traced this to the structure of the organisation and the Indian concept of personal relationships. He found that the organisation which was modelled after western managerial prescription was at variation with the usual pattern of inter personnel relationships prevailing in India. He modified the organisation structure away from the western prescription and more in keeping with the Indian expectation and found that production and morale increased dramatically.

Willner studied an organisation in Indonesia after the decolonisation process had taken place. She discovered that the organisation after independence was very different from what it was before. The organisation which functioned smoothly earlier was now rent with chaotic conditions. She observed that this was due to the inflow into the organisation of traditional Indonesian patterns of behaviour which were at variance with the western organisations. A successful solution to this was adopted by a new manager who combined elements of the traditional with the modern.

Presthus studied the coal industry in Turkey and came to the conclusion that in organisations in Turkey conceptions of man, time and motivation very different from those assumed in western organisations, were in use.

Bendix study on Soviet organisations, observed the existence of a dual hierarchy of party personnel and productions personnel (the 'red' and 'expert'). This and the commitment that both manager and worker were subservient to a larger whole was a negation of many of the western patterns, specially that of the unitary command structure

* Please refer bibiliography on page 38 for references to works cited.

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and the theory of the independent firm attempting to optimise its choices within its own parameters. Theoretical schemes to take into account most of the observed phenomena of non-western organisations have been attempted. A noted theorist in this field is Riggs who has produced a succession of very rich and insightful models. All these theoretical models of organisations start with the known and assumed characteristic of non-western society, so that they attempt to be descriptive. Of his many models the most influential has been his concept of developing societies being prismatic societies, in between the traditional societies and modern industrial ones. He proposes three models of organisation called respectively 'Sala', 'Chamber' and 'Bureau' to fit those three societies. The fundamental basis for these models is the concept of power and authority and especially the variance between formal power and informal power.

Udy has developed a theoretical framework to fit all work organisations from hunting through agricultural to modern ones. The model is based on the interplay of five variables; the organisation objectives, its technology, its organisation, the physical exigencies within which it operates and the social setting surrounding the organisation. Organisations in various settings are placed within the relationships interwinding these variables.

Other interesting theoretical schemes have been suggested by Diamant, Heady and Thompson. Negadhi and Prasad have been suggesting a direct test to see whether western management know-how is applicable in India by considering three firms, one American owned in America, another American owned in India and a third Indian owned in India. The test aims at isolating the effect of various factors in the three cases and comparing them. Although there are objections to the validity of this test (for instance as Willner showed in Indonesia the same firm run by a foreign western management and a local management are changed by the very fact that local management runs it) this takes directly the question of transfer of managerial know-how.

There have been no in-depth studies of Ceylon organisations but there are a few of a general nature. Harris and Kearney compared the bureaucracies of Ceylon and Canada using the ecological approach recommended by Riggs. Their observations are of a general nature like the sharp social cleavages in the Ceylon system, its high disparity in salaries and influence of such factors as caste and kin in comparison with Canada. La Porte has studied a State Board and observed that non-formal factors such as particularistic political control hamper the organisation.

Evers has made an interesting comparison with two traditional organisations, that of the order of monks in Ceylon and Thailand and traces the differences in the structure of the organisaton to the difference in the two societies. This has been criticised recently by Bechert who explains the differences in terms of history only.

Other interesting cross-cultural studies not mentioned here are those of Shurman, Neihoff, Sharma, Form, Terrill, Landendorfer, Halpern, Soemardjan and Siffin.

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Modern Management

The above very brief glimpse at some of the work that comes under the purview of the new sub-discipline of development administration would show that the many assumptions of western management do not hold in many countries. In geographical terms the studies referred to, where these assumptions have been shown to be questionable are Russia, (and other orthodox East European countries) Yugoslavia Turkey, Egypt, Iran, Pakistan, India, Thailand, Burma, Philippines, Indonesia, Malaysia, Japan, and also other African and Latin American countries. The areas where these assumptions appear to hold well are generally the countries of western Europe and more specially those within the Anglo-Saxon traditions. This limitation should not appear surprising because modern management is a system of controls that grew in the Anglo-American sphere to combat certain historically peculiar developments in the countries. So in countries with different histories or different social traditions different systems of control would be necessary. (It should be noted that management as a control system always operates through humans, hence the importance of social traditions and social bonds. If the control system operates only on machines without recourse to men then such a control system is not management but a branch of engineering, specially, control engineering).

It is apparent that any adoption of western management techniques in Ceylon (for that matter in any other non-western country) should be a selective process. The broad assumptions on which various techniques or aspects of western management rest should be examined to see whether they tally with the actual Ceylon conditions. If they do then the management control system would work, if not, it will be another example of the all too familiar process of a pseudo-elite aping the west.

No serious studies have been done in Ceylon organisations as to the basic assumptions referred to. The few studies like that of Harris and Kearney have briefly skirted the problem area. It is imperative that such studies be made and practitioners of management be made aware of them. Such studies should look into the basic differences between Ceylon conditions and that of the west.

In conclusion, it is useful to mention two broad areas that should be examined in such studies. One is the relative lack of mobility in Ceylon organisations and the other, the importance of political control. Western organisation theory rests on the important assumption of the relative rootlessness and mobility of the employee. The employee could be shifted and moved around on purely physical and economic criteria irrespective of his bonds with fellowmen. Most allocation problems in management theory, work study and operations research generally rest on this assumption of mobility. These assumptions do not generally hold true in Ceylon as witness the opposition raised during routine transfer of personnel in Ceylon. Mobility in men in Ceylon is limited by such factors as family, caste, race and political ties.

Western management theory does not also take into account political control. This is probably due to the fact that western, specially Anglo-American economic and social organisations grew to maturity

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under a creed of laissez-faire without government help. Eastern European countries on the other hand, emphasize political direction and their organisations have a dual hierarchy of party and experts respectively. And recently, theorists of development administration notably Riggs have emphasized the importance of political control in development organisations. In Ceylon within the last fifteen years or so, as the economy became more and more directed by government, political control has increased. Whereas in Eastern Europe such control is systematized in Ceylon it appears usually in the form of random particularistic control at all levels. The lack of system in this control leaves many management systems subject to indecision and uncertainty.

If managerial theory in Ceylon were to mature and be descriptive like any true science it will have to face the problems posed by the actual conditions in Ceylon.

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INTRODUCTION TO THE DEVELOPMENT OF MANAGEMENT THOUGHT

Neil Fernando

As a well known economist has recently observed "the challenges of any period depend on the tasks that face those living in it". The task and challenges which management faces, have changed both in orientation and content in different countries at different times. These changes are in turn reflected in many ways in the different strands of development in management thought.

Management as a problem solving endeavour became crystallised as far back as the 18th century in the West with the setting up of factory production methods with the Industrial Revolution. Factory owners also performed the roles of entrepreneur and manager. Their main tasks were in co-ordinating resources, handling large groups of workers and combining several processes of production to meet the challenges of the market. A similar pattern may be visible in management tasks within the industrial and commercial sectors in our country even today.

In the West during the 19th century the factory became differentiated from the firm as a legal entity. This was reflected in differences of orientation and skills which were required. Whereas factory production was mainly concerned with labour, production and organization processes, the firm was interested in the market, finance and capital, and the development of new staff skills. Production units underwent change with respect to their size, requirement of management information, capital intensity of technology and the resulting need for economy by rationalizing work techniques. Specialization of administrative and technical skills was also needed to operate large scale factories and firms. The separation of management from ownership was another underlying factor influencing these changes. The role played by engineers and accountants in developing management thought during this period reflected the skills that were required to meet the tasks and challenges of these times.

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However, systematic and scientific forms of management analysis (rather than an exclusive concern with management problems), set the trends in management thinking during this century. New types of personnel policies were needed for the growing numbers of professional, scientific and skilled employees. The development of the behavioural sciences illuminated the field of human personality and problems in motivation of workers. A humanistic tradition which developed in management thinking partly reflected the problems of alienation and social atomization in the West. Alongside with these developments another trend is visible. With the higher costs of capital goods, the pressures of new organizational forms and the challenges of international market competition, new management systems and techniques have emerged. These are mainly oriented towards increasing efficiency and output and lowering costs. As such, the different orientations of management thought are separate strands woven into the socio-economic and political fabric of industrial societies in recent times.

Even at the risk of over simplifying, three main currents of management thought may be identified. The first, is the Mechanistic Instrumental School typified by Weber, Taylor, Fayol and the more recent work of Simon, Hitch and others. Their main concern is the improvement of organization efficiency. The second, is the Organismic Community School represented in the writings of Mayo, Barnard, Parsons, and Selznick and more recently by Likert and Maslow. Their main concern is a humanistic challenge of the first school and the need for adaptation and survival of organizations in the environment. The third school has attempted the synthesis of both these approaches such as in the work of J. D. Thompson, writers who adopt a systems approach to organization and management, and more recently in the "Minnowbrook Perspective" on developing management. A brief outline of each of these main currents of thought would be appropriate.

The Mechanistic Instrument School with its concern for efficiency and rational production processes, sought predictability and control to achieve certainty in the management process. Organizations were viewed as closed systems with environmental factors held as constants for predictability and certainty in achieving goals. Thus organization and the people working in them were seen as rational systems concerned with maximizing economic gains in response to economic incentives. Therefore organizations and personnel were regarded as technical or mechanistic instruments to achieve goals and were thus treated in a standardized fashion. Taylor, Fayol and Weber emphasised different aspects of management within this common orientation.

Taylor, Gilbreth and others within the scientific management tradition were concerned with the efficiencies at the shopfloor level. Tasks and work processes were made routine by time and motion studies. Piecerate wages were to be introduced to motivate the workforce. The work of these writers reflects the engineering bias in their mechanistic view of man by their excessive concern with production efficiency. On the other hand Fayol together with Urwick, Gulick and others comprising the Administrative Management Tradition were mainly concerned with structural relations and management functions within

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organizations. Their concern was in how tasks were to be related to authority responsibility patterns and grouped into departments. The inter-relationship of departments to achieve efficiency, and the managerial functions of planning, organizing, co-ordinating, control and command to serve the aims of efficiency was the main focus of their attention. These writings were from the perspective of experience in business and military type organizations and has the flavour of prescriptive proverbs in management literature.

The writings of Weber on Bureaucracy influenced some of the other writers of this Mechanistic School. He spelt out a legal rational model of bureaucracy which was based on rationalized organization specialization of duties, formalized rules, impersonality of decisions and motivation by salary and career prospects. This he considered to be the most appropriate organizational form for achieving efficiency. Like others in this school, his concern was for order and certainty in work processes to achieve goals. Some of the main criticisms of his work stem from his exclusion of human factors within the organization and the impact of the outside environment and client system, as well as the inability of his approach in explaining change.

The efficiency oriented traditions of this school are reflected to-day in the works on Management Science. For instance, Herbert Simon conceives organization behaviour mainly as networks of decisions. He advocates rational decision-making by using planning and computer techniques for increasing efficiency. Hitch and others stress the need for rational resource allocation by Planning, Programming-Budgeting Techniques. This focus on efficiency criteria has led to the increasing use of computers by the use of techniques ranging from systems analysis, linear programming, input output analysis to stimulation and gaming models.

On the other hand, the Organismic Community School of management thought not only voices a humansitic challenge to these efficiency advocates, but also emphasises the need for the dynamic inter-action and adaptation of organizations within their environment. This school views management as being subject to influences which cannot be controlled or predicted—partly due to the human factor within organizations as well as the nature of the environment. Employees within organizations are seen to be inter-acting and adjusting to their environment to meet individual and group needs arising from processes of socialization and motivation. Organizational survival combined with human effectiveness are considered more important goals than mere rational efficiency.

Elton Mayo together with Roethlisberger and Dickson who comprise the Human Relations Tradition state that work satisfaction depends on the informal social patterns of the work group. Workers were activated by a "logic of sentiments" whereas management was concerned with the "logic of cost and efficiency". Spontaneous forms of co-operation were advocated to understand and resolve conflicts. Chester Barnard who takes a similar position viewed management as co-operative action to achieve co-operative purposes as well as to satisfy individual motives. He suggested a balance between organization inducements with worker

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contributions. Communicaton and informal organizations were seen to help in such efforts.

Merton, Selznick and Gouldner on the other hand mounted an atack on the dysfunctions of Bureaucracy. Rules and procedures within bureaucracy were said to result in official formalism and as ends in themselves, which in turn hinders innovation and change. Similarly departmentalism and work differentiation in bureaucracy is seen as leading to conflicting goals and resulting conservatism. Fixing performance levels may also lead to achieving only such minimum levels of prescribed behaviour.

A Neo-Human Relations Tradition can be traced to recent times through Maslow, McGregor, Argyris, Bennis, Likert and Herzberg. Maslow for instance viewed man as having a hierarchy of needs ranging from physical needs which when satisfied progressively led to successive needs such as security, social inter-action and self actualization. Each successive need becomes the key motivator of behaviour. In a similar manner, McGregor urges the need for achieving organization goals through the motivation and goals of individuals within organizations. Likert too advocates employee centred helping relationships, participation in decision making and orgainzation integration through individuals acting as linking pins in overlapping groups. Bennis and Argyris view organizational development as related to non-hierarchical "matrix" type patterns of structure, inter-personal and intergroups development and job enrichment. Herzberg on the other hand advocates a motivation-hygeine approach to increase motivation, job satisfaction and enrichment of employees.

The Organismic Community School is perhaps a partial approach to management development. Human Relations techniques may be used for manipulating workers. Also, if organizations provide for all the needs of its members, this may lead to demands of total loyalty to such agencies. Nevertheless this school of thought has assisted in improving personnel management practices, participative organization forms and has reiterated the worth of the individual workers.

Finally, the Systems School of Management Thought which has greater contemporary importance views both earlier schools as providing only partial approaches to management development. It thus attempts to synthesise both views within a systems framework of analysis. Management of organizations is viewed as a totality involving the simultaneous synthesis of behaviour at 4 levels—the structural functional level connected with structure, technology and formal networks, the human relations level concerned with informal relationships, motivation and communications, and environmental level related to cultural and social value systems and external linkages and transactions, and finally on the level of organization change, innovation and survival. Organizations are thus seen as complex sets of mutually dependent and inter-acting variables in terms of these 4 dimensions. As this school anticipates dynamic patterns of inter-action, conflict within organizations is viewed as a natural by product of group behaviour.

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J. D. Thompson for instance concurs with Simon and Parsons in that decision making in organizations is considered as based on bounded rationality and aims at satisfying or satisfactory accomplishment and not maximization. Further he says, organization structure needs to be developed and made consistent with technological requirements and co-aligned with the realities of the task environment. Other writers of this school view organizations as structured socio-technical systems having goals, technology, structure psycho-social and managerial sub-systems. These sub-systems inter-act with each other and the environment in a process of dynamic equilibrium.

In conclusion, the development of management thought could be seen to illuminate many dimensions of organizational and managerial behaviour. The approach one takes may well be conditioned by the tasks and challenges faced by managers and organizations in our times.

ADMINISTRATIVE REFORM AS A WORLD-WIDE PHENOMENON

Lawrence L. Barber

Administrative reform may come in any of a variety of guises. Since administration is constantly changing, and since generally the aim, if not necessarily the effect of such change is to make administration better, one can assume that some effort towards reform is always taking place. At the moment these words are being read, no doubt some greater or smaller change or reform is being introduced somewhere in the world's hundred and forty-odd countries or in its thousands of regional or local units, in an effort to make a procedure or a structure or an operation better than before.

Even if we concentrate our attention on "major reforms" or big changes, which involve restructuring of an entire department or ministry, rebuilding of the whole machinery of government, complete changes in personnel or financial systems, etc., change and reform are amazingly frequent, taking the world as a whole. At any given moment we can be certain that at least ten or a dozen countries are in the midst of major reform effort.

It might be valuable to enquire at this point, "Why reform?" Even in the modern world, change merely for the sake of change has no intrinsic value. If a country, and its public servants and its citizens are to go through the exercise and dislocations of major changes in its administrative structure there should be some compelling reason, either in the evils of what has been existing or in specific benefits which are expected if changes can be introduced.

Unfortunately many countries find themselves amid the turmoil of administrative reform because of political rather than substantive reasons. Each new government wishes to show that it can find defects

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in the ways its predecessor operated and that it is progressive enough to modernize and improve; each existing government wishes to build a record for being forward-looking and ready to improve.

Within administration itself, and leaving aside political motivation, the steady growth and progress of needs and techniques, not only within the country but world-wide, mean that from time to time it is necessary to review the ways in which administrative operations are being carried out, to look at new developments in various countries, and to consider whether men now can see ways which are better suited than those adopted when the existing structure or procedures were initiated some years back. At one time in the United States it was considered that such changing needs and progressive improvement techniques made it generally desirable to review and revise the entire administration of each region or state approximately every twenty years, and it is notable that major reviews of the American federal government in the present century have come at roughly 20 year intervals.

The surge of independence since the mid-1940's has created another major reason for administrative study and reform in well over half of the countries of the world. It is now almost trite to claim that colonial administrations were organised primarily for collection of revenue and maintenance of law and order, while the new independent national administrations must have structures and procedures which are development-oriented. Whether this distinction is completely valid or not there are other major reasons why a recently-independent country rapidly needs administrative reform. The replacement of a relatively small cadre of highly-skilled colonial officials by local staff, usually with much less experience, gives an incentive to simplify procedures as does the increased sensitivity to the needs of the public who are baffled by bureaucratic red tape. Nationalism, often in the form of a single-party state, usually leads to rapid enlargement of the public service to rewarding of freedom-fighters with public jobs, and to a substitution of political reliability for professional neutrality. This leads to demands that public work even at decision-making levels be simplified and geared to the new national policies. A natural demand that the terminology, language, structure, and procedures of administration be reconciled to national traditions rather than to the imported culture of the former colonial power may lead to sweeping changes in administration, or at the very least will modify greatly its surface aspects. Where the national independence movement has been associated with new economic and social ideas, new departments, programmes, and attitudes are required by the multi-faced national revolution.

The vehicles of administrative reform vary as greatly as its incentives. As suggested at the beginning of this article, a very sizeable amount of such reform comes steadily, gradually, even quietly within each office or programme. Some of this is forced by the inevitability of changing conditions or techniques and is accepted more or less casually by the officials and citizens concerned. While such specialities as public health, accounting, public works, etc. each have their constant new discoveries which compel administrative change. There are also overall revolutionary innovations which affect all parts of the public

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operations. The most notable of these at present is the growing application of computerisation, which in country after country is leading to across-the-board revision of systems and procedures.

Within any given department, reform may depend greatly upon the interest and alertness of one or more senior officials. Sometimes a progressive head is constantly watching for ways in which his department can be improved. More often a new head, desirous of making a record for himself, and naturally able to see the situation with a greater freshness and objectivity than can those who are immersed in operations and over-accustomed to the existing ways of doing things, tries to sweep clean with his new broom. This was carried to its extreme a decade or two ago in one country, where a particular ministry had nearly an annual change of ministers, each of whom commissioned a complete review and reorganisation of the ministry structure. Unfortunately—or perhaps fortunately—each minister was replaced before he could put his reforms into operation, and each successor repeated the investigation with new, and differing, recommendations.

Since department heads are both busy and limited in range of knowledge, there is a general tendency to call in expertise, either from within the department or in the form of outside analysts, to make a study of reorganisation needs and to present recommendations. This may lead to a proliferation of committees of investigation and multiplici y of reports, which is visible to any one who reads the Index of Ceylon Sessional Papers, for instance, although the situation is certainly not unique to Ceylon. It would appear, from discussions at recent international seminars and from increasingly introspective evaluations of international and bilateral technical assistance, that there is a growing concern at the futility of these committees of investigation, largely because so few of their recommended reforms seem to be "implemented" or put into effect.

A much more spectacular approach is to set up a government-wide committee which reviews the needs for reform throughout the administration as a whole. This device is attractive for several reasons. It is a recognition of the fact that generally any administrative reform involves not one department alone but numerous parts of the public structure. It accepts the reality that even a small tinkering with organisation or procedures may require changes in laws, in personnel grades and salaries, in budgets, and reforms,—all matters which affect units outside the single department originally studied at the same time, it is usually hoped that a widely-publicized reform effort, given support from the highest quarters such as the president or prime minister, and able to recruit staff with numbers and prestige, will not only produce better recommendations than a series of individual departmental efforts, but will have greater chance of securing the needed political and administrative support to get its recommendations accepted and implement d. Hence we see a variety of Royal Commissions on Administrative Reform Hoover Commissions big and little, Presidential Commissions on Management, and the like. Among Asian examples in recent years are Pakistan's Administrative Services Commission, India's Administrative Reforms Commission, Indonesia's Commission for Reform of the Government's Structure, and South Korea's Adminis-

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trative Improvement Research Committee. Other parts of the world could show similar examples. Generally these temporary commissions are assigned a wide range of investigation, covering all aspects of management throughout the government. Sometimes, however, they are asked to focus their attention on a more limited but key area of management, an outstanding example being the British Royal Commission on the Civil Service, commonly known as the Fulton Commission.

As with departmental reform committees, there has been a growing disillusionment with the effectiveness of even the more prestige-laden commissions on overall administrative reform. There has been a tendency for such commissions to be too ideal in their recommendations and too unaware of administrative or political objections. The commission is ordinarily primarily concerned with investigation and preparation of a logical report, and usually does not have sufficient time or a broad enough mandate to concern itself with implementation. As a result, the reports of many such commissions lie unread in the archives except for occasional reference in political debates or administrative training courses.

Current thinking among those interested in administrative reform throughout the world emphasises the need for continuous rather than merely temporary review and pressure. This means the necessity for creation and strengthening of permanent bodies of some sort, which will be able to make more detailed analysis than can be done by any brief commission, and which will be always available to urge reforms and help in the agonising details of installing them. To a limited extent this role has been played, or was intended to be played, by the units which were installed in nearly all countries in the 1940's and 1950's and which were variously called Organisation and Method units, in the British nomenclature; Rationalisation units, in the Germanic-Scandinavian tradition; or Administrative Management units, in American parlance. One familiar with the work of the British Treasury O and M, for instance, cannot underestimate the valuable work which units of this type have been able to accomplish in the more detailed matters of structural and procedural improvement. However, paraphrasing Nurse Edith Cavell, who said that "Patriotism is not enough" it is becoming clear that "O and M is not enough". Somewhere in the governmental structure there is also need for a small cell unit whose officers can think imaginatively and sympathetically of improvement and reform as such, working closely with O and M, with establishment, with budgeting, with planning, and with political leadership.

This concept is not particularly new in government. For the past twenty-five years it has been common for governments to utilize specialised advice on administrative reform, from invited international or bilateral experts, or by employment of management consultants from the private sector. While these experts and consultants have usually been temporary visitors, in many countries there has been a succession of advisors. Most countries have now built up bases for advisory services, in institutes of public administration or in universities. Sometimes a public administration institute serves as secretariat for a temporary administrative reform commission, as was recently the case in Indonesia. Too often, however, these institutional centres have

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been outside the main stream of governmental operations, and thus either too academic or suspected as "outsiders", or they have tried to carry on a multiplicity of activities such as training, research, documentation, etc., leaving their staff with insufficient time to concentrate adequately on administrative reform.

Thus there appears a growing tendency to establish some type of Department of Administrative Reform, centrally-located, limited in size, and assigned the specific mission of sponsoring and promoting reform. Within recent years, for example, two countries at opposite sides of the world, India and Venezuela, have been notable cases where temporary reform commissions have been supplemented by creation of such permanent units. In the late 1950's Iran set up a High Council for Government Administration, which in 1961 became the broader State Organisation for Administration and Employment Affairs. Specific administrative reform units have appeared in many other countries, usually closely associated with the offices of the president or prime minister.

It was pointed out earlier that if the reasons and incentives for administrative reform are varied, so are the devices which must be used to achieve reform. No single approach has been found completely satisfactory in any country. Instead, country after country is moving toward a multiple effort, involving constant self-analysis within each department, technical skills in O and M type units, periodic major commission review, and some permanent reform unit.

The weakest aspect of administrative reform is not in the analysis or recommendation, but in what happens—or fails to happen—after the recommendations are prepared. Reform unfortunately is not self-announcing or self-implementing. Public servants tend to be conservative and tied to the existing way of doing things. Often they are unaware of the need for reform or of the possible ways of improvement In contrast, the public and the politicians who represent them are frequently all too aware of defects, but uninformed as to the reasons which inhibit improvement. The various units and commissions considering reform usually must provide channels to receive ideas and criticisms of ideas from within and without the public service, to supplement the expertise provided by the reform unit's own staff. Only thus can the suggestions and needs of operators and clientele be satisfactorily reconciled.

Administrative reform is not merely a technical process, nor a managerial process; it is an effort to provide more efficient and economical service to the public. It involves new uses of public funds, amendment of public laws, adjustment of public attitudes. These are fully as much political as administrative. Nearly all efforts at administrative reform eventually have to be presented to, and sold to, the political organs of Government. Especially in a democratic system, this is a delicate process, and often is not notably successful. Sometimes political representatives are appointed to a temporary reform commission and participate in its analysis from the beginning. They are then able to explain and defend the recommendations when later presented for political approval. In other cases the reformers hold formal or informal consultations with political leaders to get their ideas and to promote the needed understanding of the reform proposals. Occasionally the reforms are presented for discussion at meetings of the public or of

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special interest groups, in the hope that their support will be communicated to political representatives, who will in turn give needed support to the reforms. At one stage in Iran, a mammoth Administrative Reform Congress was held, while in America a political action committee of civic leaders was formed to support Hoover Commission recommendations.

Occasionally when a country has a dictatorship or strong presidency the chief executive has power to impose the recommendations of an administrative reform group. This has twice been the situation in Colombia. Somewhat the same result can occur when a prime minister controls a solid majority in parliament and makes the reform the subject of a controlled party line vote. In other instances, as for example at times in the United States, it has been arranged that reforms accepted by the Chief executive will go into effect unless the reorganisation plan is vetoed by the legislature within a limited time. Commonly, however, reform recommendations need specific action of agreement and implementation by the legislature and by top administrators.

No one has ever made a comprehensive review of the extent to which proposed reforms throughout the world have in fact been accepted and implemented. Only rarely in any country has such a score of success been worked out for the recommendations of any particular commission or for any particular year. Unfortunately, it seems that in most cases the score would be extremely low. Some commissions have produced fine recommendations, none of which have been accepted. Others have been lucky enough to have some part of their proposals put into effect. Almost never has there been complete application of all recommendations. It is easy to become cynical or despondent regarding this. From the point of view of the reformers it would be ideal if all their recommendations were accepted and put into immediate effect. Each reform effort strives toward this goal. Yet for various reasons that goal never is achieved, nor can be achieved. For one thing, the reformers are not infallible. Sometimes their recommendations are unrealistic or defective and very properly are rejected. Sometimes the political situation, which may have created the movement for reform, is no longer sympathetic by the time the recommendations are presented. Many types of reform require financial or personnel or legal resources which may be impossible to supply, or which may require a long time to develop. As with all human proposals, administrative reform must be explained, argued, sold, and too often the reforms themselves or the reports which present them lack the clear compelling logic to outsiders which they seemed to have to the reformers.

All these factors seem to suggest that advocates of administrative reform anywhere in the world must be sensitive to what in one country is stated as the concept of "ripe" or "unripe" time. Reform proposals must not only be good in themselves; they must be acceptable, they must be accepted, and action must be taken on them. The acceptance and the action will come only if and when the time is ripe. The reformers must be willing to wait until the time is ripe; they must also be constantly available and striving to bring that stage as soon as possible; finally, they must be alert and on hand to take advantage of it when it arrives.

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MANAGEMENT FOR DEVELOPMENT IN SRI LANKA

E. J. De Silva

Management is an important element of all purposeful social activity whether the task be the construction of an irrigation tank, the operation of a factory, the running of a shop or maintaining an office. In any of these activities, it may be seen that management is concerned with the conversion of different types of resources through the use of human effort into products and services. Viewed in another way, management is a process whereby unrelated resources are integrated through organizations for the accomplishment of objectives. It is a way of obtaining results by "making things happen".

We could appreciate the functional role of Management by comparing two organizations which perform similar activities and possess the same amount of material, financial and human resources. The difference in their efficiency of operations and effectiveness in achieving objectives would be largely determined by the manner in which their resources are integrated and used by them. Mere availability of resources by itself would not ensure the achievement of organizational results. It is the manner of the use of resources—or what may be called the managerial process—which makes the significant difference.

Management was referred to as an important element of all purposeful social activity. Even plentiful resources have to be managed if objectives are to be achieved. When, however, resources become less abundant or scarce the tasks of management become all the more important and exacting. That is why in a less developed country like Sri Lanka, Management assumes such crucial importance.

Let us for a moment look at the problems of development in our country. On the one hand there is the problem of raising the Gross Domestic Product of the country sufficiently fast so that with present rates of population growth it is possible to obtain an adequate improvement in the living standard of the people. On the other hand there is the problem of generating sufficient employment to meet the backlog of existing unemployment as well as the increment to the labour force. On one side we are plagued by difficulties arising out of the scarcity of resources such as capital and foreign exchange, which are of such central importance to the expansion of the productive base of the economy. On the other side we are beset with difficulties arising out of the severe restriction of opportunities for our most plentiful resources namely labour. There are also the complex problems arising out of low productivity whatever the resource may be. All these problems raise important challenges to Management.

A more efficient use of capital, for instance, requires more efficient management systems and processes. Substantial increases in planned output of the agricultural and industrial sectors would similarly need to be based on increased managerial capabilities in these sectors. Increasing export incomes would in turn require effective managerial action for reaching the cost and quality levels necessary to make our products more competitive in world markets. An increase in savings

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without which the resources necessary for rapid economic growth cannot be found, is directly linked with more efficient managerial practices with productivity as the key word.

There is another dimension to the problem of management for development which must be referred to. This would have been to some extent implicit in the comments already made. This factor arises from the fact that development is a much wider concept than economic growth. Development means growth plus something else. If it meant only growth it could have been understood in the relatively simple terms of increasing output, raising the gross domestic product and raising per capita incomes. Development however means growth plus change. In countries like Sri Lanka this involves a qualitative change in the conditions of life of the people and in the entire social framework. This naturally makes the tasks of management much more difficult and complex. There is no need to over-emphasize the difference between the management of a business firm for profit and for instance the management of a programme for agrarian reform.

It would thus be clear that management is a crucial consideration for development. It should be equally clear that management capability itself should be developed if our development objectives are to be realised. There has been a tendency for development plans in less-developed countries to take management capability for granted. Such an approach lacks realism as inadequate management capability is part of the problem of under-development. A development plan which does not take this factor into consideration cannot expect to achieve any degree of success. The close linkages that exist between management and development have to be recognised and a plan for the development of management has to be evolved as part of an overall development plan.

Our next task is to locate the main work areas within management that needs to be improved for the task of development. Though managerial roles and work specialities would differ with different types of activities and organizations, some general considerations in the task of improving management for development could be highlighted.

Firstly, approaches to Development Administration need to be increasingly applied in the Management of Development Programmes. Currently there are two schools of thought regarding approaches to Development Administration. One is the Administrative systems approach. Its emphasis is on increasing rationality and economy in achieving public goals. It seeks to do so with a balanced administrative growth strategy. This is by generating extensive and complementary centres of productive rationality. Examples are personnel systems, budgetary and fiscal procedures, planning processes etc. which need to be simultaneously developed. The second strategy advocated by this school is the selective development of key institutions and processes. The second school of development administration adopts the social systems approach. This approach looks to the inter-relationship of factors in the social system to find the source of higher productivity. Reforms in the social, economic, and political sub-systems having. linkages with the administrative sub-system are considered to be equally necessary in the development of public administration. Using either

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of these approaches, change in the administrative system and its processes could be increasingly aligned with the developmental processes of policy making, plan formulation, programme and project implementation, integrated administrative control systems and the progress review and feedback needed for continued effectiveness in administrative action for development.

Next there is the need for programmes in organization development. Such programmes in all production sectors of our economy need to take into consideration policies and structures; work systems and procedures; group inter-actions; and environmental linkages and transactions. Organizations for this purpose, need to be seen as open social systems inter-acting with their task and contextual environments in society. Developing organizations would also involve programmes for innovation, renewal and change. This is in order that each agency could meet the challenges of its internal and external problems within the environment of the country today. The work of different organizations also has to be related and integrated within the requirements of sector programmes and the total plan of social and economic development.

Organization development would in turn require the upgrading of the managerial process which includes the skills, abilities, and problem solving capabilities of individuals and groups of individuals involved in managing. Improved planning by selecting organizational objectives and the policies, programmes procedures and methods for achieving them, would provide a better framework for integrated decision making. Through work organization, people and resources would be better coordinated to achieve the results expected. Such a task would also require the involvement and motivation of the work force. Improving the managerial process also needs integrated control systems to ensure that organization sub-systems are performing in conformity with plans. This entire process in turn has to be linked by systems of data processing, informating flow and communication which would assist in improved decision making throughout the management sub-systems at different levels.

Management Development would also require performance improvement in specific functional or operational sub-systems. Improving production management would result in greater economies leading to a lower cost per unit of production or increases in total output or in per capita productivity. Both these would assist in production optimization. On the other hand the development of personnel management could improve programmes and procedures connected with selection and recruitment, placement, managing career development, staff evaluation and reporting and improved programmes in staff motivation, training and development. Similarly the improvement of financial management may have to largely rely on developing financial planning, budgeting, accounting, evaluation and audit processes. The use of output-based budgets and financial plans may provide a more effective frame-work for management planning and control.

As an appreciable amount of capital is tied up with supplies and materials required by organizations for their operations, considerable economies may be obtained by a rationalized system of supplies and

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materials management. Considerations as to better tendering and contract procedure; quality inspections and control; adoption of economic order quantities; and improved supply and stock control systems, would all assist to improve managing supplies and materials in organizations. In so far as sale of goods and services produced by organizations are concerned, the development of marketing and sales management would also constitute an aspect worthy of consideration. Such a programme would indeed form the base for any export drive of local goods in international commodity markets.

The improvement of organizations, managerial processes and functional sub-systems of management would also be greatly facilitated by the adoption of modern management tools and techniques to suit our needs. An entire range of approaches, tools and techniques are available to us from systems analysis; computer based models; linear programming; input output analysis; simulation techniques; work study; network analysis; programme budgeting and techniques for organizational analysis. However the indiscriminate use of any of those technologies without regard to factors such as the appropriate level of sophistication, the available data base and skills; and other criteria of social costs and benefits may not yield the desired results. Selectivity in the use of these tools, techniques and approaches has therefore to be emphasized.

In conclusion, it must be pointed out that all these organisational processes, managerial roles, functional sub-systems, and other modern tools and techniques described so far, need integration and synthesis in actual operation if managers are to obtain results in accordance with their objectives, plans and programmes.

MANAGEMENT IMPROVEMENT IN THE PUBLIC SECTOR: A SURVEY OF NEED AND MEANS

Shriram Bapat

A look at any newspaper picked up on any day in any developing country where the press is not muzzled, will show at least one report or comment on the inefficiency of some government department or public enterprise, and at least one exhortation by a prominent politician or senior official calling for immediate steps to ensure better management. Though this clamour has gone on for years, the standard of efficiency in public management shows little improvement. Various committees and Commissions are appointed from time to time to study causes and recommend cures; expert advisers are imported from abroad; institutes and academies for training are established; and special units under various titles such as 'O.&M. Divisions', 'Management Services' etc., are created. And yet the result achieved remains far below expectations. Must this always be so? Must we accept the contention that

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public management can never be as effective as private enterprise, or that the profit motive is a pre-requisite for producing good managers?

2. The answer is an emphatic NO! A survey of the developed world will yield as many examples of conspicuous efficiency in public enterprises as of gross mismanagement in the private sector. Besides, a discussion of the relative merits of public v. private enterprise is neither necessary nor relevant to our present purpose. For the developing countries, the choice is severely restricted in any case. When basic resources are in short supply, and the foreign exchange needed for their import is limited, there is very little scope for the operation of a free economy. The state has to step in, in the interests of the people, to determine priorities and to control the investment and allocation of resources. If "public ownership, management, or control of the means of production, distribution and exchange" are the essential elements of Socialism, then the developing countries cannot avoid adopting a largely socialist economy even against their wishes. The question whether or not a socialist pattern is desirable or preferable becomes irrelevant in a situation where, over an extensive area of the developing economies, it is inevitable.

3. The same factors which create the need for a dominant role for the public sector also make it necessary that the role be played with maximum efficiency. Some aspects of this call for special emphasis:

(i) Where there is bad management in competitive private enterprise, the loss falls on the capitalist entrepreneur; if public enterprises fail through poor management, it is the people who must bear the loss;

(ii) affluence gives greater scope for absorbing the effects of managerial mistakes. Wasted resources can easily be replaced, and losses written off or set off against other gains to save on taxes. A public enterprise using scarce resources has no room for trial or error. It must 'get it right the first time';

(iii) enemies of socialism or public enterprise naturally wish the public sector to fail, and therefore tend to be uncooperative or even obstructive. Management in the public sector needs to be more vigilant and extra efficient to overcome this opposition.

4. In addition to enterprises concerned with the production of goods or 'commercial' services such as utilities and transportation, the public sector also includes the government departments and b dies traditionally responsible for maintenance and regulatory functions, and for social services such as education, health and welfare. In the context of rising expectations and the expanding need for state intervention in the economic and social life of the citizens, the work of ministries and departments has grown vastly in variety, complexity urgency and volume. The factors which enhance the need for efficient management in public enterprises apply with no less force to the tasks which ministries and departments are now called upon to undertake. Indeed, the problem of the latter is further complicated by the need for a radical change in attitude and approach from that of 'administer-

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ing laws and rules to one of 'managing' for achieving objectives and results.

5. Management improvement in the whole of the public sector is thus vital for survival and growth in all developing countries. This fact is universally recognised. An intensive and extensive study of management science in recent years has also made available to developing countries the knowledge and techniques which can be used to achieve that improvement. Why, then, does the gap between the possible and the actual still persist? Having spent a working lifetime in an effort to help improve public management in his own country and, through United Nations assistance, in a number of other countries, the present writer feels justified in offering some ideas which may explain the gap and also indicate some practical steps to bridge it.

II

6. The disappointing results can usually be traced to one or more of the following factors:

(i) the effort to promote better management is not sufficiently comprehensive, lacks cohesion and coordination,or is directed to curing symptoms rather than causes;

(ii) the organs and institutions responsible for carrying the effort forward are not endowed with sufficient authority, high level support, or manpower;

(iii) the persons selected to take charge of such organs and institutions are not always among those who have the requisite knowledge and abilities; and even where the best men have been chosen they are too often transferred or promoted to other duties before they have had time to build up sufficient strength and momentum to ensure successful functioning after they leave.

The causes and effects of such negative factors deserve fuller examination.

7. The different parts of the public sector are much more closely interdependent than is generally realised. The power to determine the policy and to carry out or control execution in different matters of substantive or procedural activity is exclusively assigned to particular ministries or departments; and efficient achievement of the objectives of each requires correct decision and prompt action on the part of several others. Successful implementation of the programmes or projects of one department may be seriously impeded by delays in land acquisition by another, the issue of import licences by a third, the procurement of transport vehicles by a fourth, and so on. Localised efforts in a few organisations cannot therefore go very far in improving the standard of public management. Only a well-planned co-ordinated and sustained campaign conducted simultaneously on all fronts can produce significant and lasting results.

8. How such a campaign can be organised and pressed forward is discussed below. One basic and vital condition must, however, be emphasised at the outset. The planning and execution of any combined

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operation requires an appropriate command structure, including a focal point from which all strategic decisions emanate, and to which all operating groups are ultimately responsible. For a comprehensive, co-ordinated effort to improve public management, this focal point must be located at the seat of all political and executive responsibility and power, namely, the Head of the Government and Cabinet. The experience of almost two decades of United Nations technical assistance in public administration has shown that tangible and encouraging progress towards increased efficiency is achieved only where the members of the topmost echelon in the government demonstrate a common and active interest in launching a concerted drive and a willingness to invest sufficient human and material resources in providing the means necessary to sustain it.

9. The precise pattern of the command structure would naturally have to suit the local conditions in each country, but a necessary common feature is a Standing Committee of Cabinet (presided over by the Head of the Government and composed of the most appropriate and influential Ministers) entrusted with continuing responsibility and authority for ensuring a high standard of efficiency in the operations of all ministries, departments and corporations. Reporting to this Cabinet Committee, there should be an Officer's Committee composed of all Principal Secretaries and Heads of Departments (or equivalent officers) to consider, recommend and implement the practical measures approved by the Cabinet to achieve that end. Each Committee should meet at least once a month, preferably on the same fixed date, to review progress and consider further steps. A special unit manned by picked officers should be created to provide the necessary staff assistance to the Committees. What title or designation is given to his unit matters little but it is essential that all Ministries and departments recognise it as carrying the authority derived from the Cabinet Committee and not from any individual ministry. Locating the unit in a supra-departmental organ such as the Cabinet Secretariat, or the Prime Minister's (or President's) Office is very helpful this context; if, however, the unit is placed in an individual ministry it has to be made perfectly clear that it speaks and acts for the government as a whole and not merely for the ministry in which it happens to be located. Reforms and improvements in the common administrative system are more readily accepted and implemented if they are evolved as a result of a co-operative and joint effort of all ministries, and under the leadership of and with technical expertise mobilised by a central supra-departmental unit with the backing of the Cabinet. Changes recommended or imposed by a single ministry are often met with passive resistance from others.

With a command structure set up on these lines the task of starting and keeping up a comprehensive and concerted drive for management improvement would be greatly facilitated. Some ideas on the different directions and fronts such a drive must cover may now be discussed.

III

10. Good management requires efficient attention and performance in each of the following broad areas:

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(i) Determination of overall policy, setting general goals and specific targets; assigning priorities and allocating resources . . . . . .i.e. *PLANNING*

(ii) Division of the total task into sub-tasks; fixing sub-targets, and setting out sequence and timing for their completion; drawing up operational and financial plans to ensure that the necessary personnel, supplies, finance and know-how will be available at the right time and place; ensuring that all individuals and units involved understand the what, when, and how of the results they are to achieve . . . . . i.e. *PROGRAMMING*

(iii) Carrying out the programme; ensuring that what has to be done is in fact done, and the intended results achieved without waste of time labour, or resources . . . i.e. *IMPLEMENTATION*

(iv) Concurrent assessment of performance and results; spotting actual or threatened faults and failures; taking corrective action to amend the plan or programme, or improve implementation; et . . . . . i.e. *EVALUATION AND REVIEW*

11. The fact that all these areas or ingredients of management are equally important appears often to have been overlooked. The most carefully planned project can fail because of faults in the programme, and the best scheduled programme can be frustrated by poor execution. The history of the public sectors in developing countries shows a common tendency to concentrate most attention on efficiency in planning, while little is given to sound programming and still less to effective implementation. A concerted effort to improve public management must ensure that this imbalance is corrected.

12. Efficiency in planning and programming is primarily a matter of taking correct *decisions;* on the other hand, effective implementation requires, mainly, the taking or ensuring of correct *action.* How correct the decision is depends on the accuracy, relevancy and adequacy of the information available to the taker of the decision and his ability to use it in judging the implications and consequences of possible alternative courses. Fortunately, recent advances in management science have evolved a whole battery of 'quantitative techniques' (such as operations research,linear programming, network analysis etc.) which can be used to improve both the quality of the information and the soundness of the decision-making. Use of such techniques is spreading rapidly among the industrial countries, both capitalist and socialist. Developing countries which fail to adopt them in the public sector wherever possible only risk falling further behind in the race.

13. The soundest of decisions can still be frustrated by failure or delay in any one of the many actions, needed to give effect to it. Even a minor project or programme requires, for its execution, a complex matrix of such actions, to be taken in a sequential and interlinked pattern, individually or in groups, by a number of persons whose functions, duties and responsibilities are also interlinked in a structured pattern of organisation. Efficiency of implementation therefore depends not only on the abilities of the individuals to do their respective jobs,

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but also on how well they can function as members of an organisation, Government-wide attention to the devising of efficient organisational structures, and the enforcement of efficient systems and procedures, must also be one of the essential ingredients of a drive for better public management.

14. Although money, materials, and mechanical or electronic equipment are necessary as means to improve efficiency, all management is, in the last analysis, something done by men, for men, and through men. The making of decisions, and taking or ensuring action require the application of the mental and physical energies of human beings. The behaviour of human beings as individuals and as members of various groups is determined or affected by a variety of causes rooted in their nature and the nurture and culture they have absorbed. An understanding of how the principles of individual and social psychology can be used to optimise human performance is, therefore, of the management. Here again, recent advances in management science have greatest values in led to fresh knowledge and insights into organisational behaviour in such fields as leadership, acceptance, inter-personal and inter-group human relations, communication, motivation etc. Effective techniques have also been developed for spreading the knowledge and related skills through management education and training. A concerted drive for improved public management must also take the fullest advantage of these techniques.

IV

15. The needs and means can also be analysed from the point of view of the individual member of the managerial ranks in the public sector. To get the best performance from any man in any job several conditions must co-exist:

(i) the *will* to do his best;
(ii) the *knowledge* and *skills* required;
(iii) the *opportunity* and *environment* for using them;
(iv) *recognition* and *encouragement* to go on doing his best.

Some of these factors are mutually reinforcing. For instance, recognition and encouragement strengthen the will; their absence weakens it. More over, while all these conditions are essential, the value of each is diminished if any of the others are missing.

16. Although psychological and other factors may have different effects on will or motivation in different individuals, some generalisations may safely be made. A man's willingness to give of his best depends very much on the way he is treated and the way he sees others being treated. Appeals and exhortations have little effect, but a just and impartial system of rewards and punishments can be very helpful in maintaining high motivation. A personnel system where appointments and promotions are made on the basis of merit and are clearly seen to be made operates as a positive incentive; on the other hand, even a few instances where claims based on merit have evidently been subordinated to other considerations can have disastrous effects or motivation throughout the organisation. Those who have participated

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in the planning of the work they have to do are far more willing to give of their best than those who are merely told what to do without having been consulted. Where there is real delegation of authority motivation is high; the man who has to put everything up for orders from a higher level is hardly likely to put himself out to make the extra effort. In short, eliminating from the personnel system and organisational work-ways all features which have an adverse effect on motivation, and providing positive incentives, are matters to which attention has to be given if improved public management is desired.

17. Knowledge and skills are very much a matter of education and training. Institutions for training in administration and management have been established in almost all developing countries. In most cases however the impact they have achieved has been disproportionately small compared to the needs. The reasons for this vary to some extent from country to country, but one of the most common is the lack of a realisation that the possession of high technical qualifications in specialised fields such as agriculture, engineering medicine etc. does not necessarily qualify a man to be an efficient manager. With the increasing tendency in developing countries to place technical officers at the head of organisations and projects calling for a high level of managerial skills, the need for management training for technical officers becomes ever more urgent. The organising of training courses for this purpose, and ensuring that the courses are attended in sufficient numbers by both the general administrative and the technical officers should have high priority in any drive for improved efficiency in the public sector.

18. Indeed, a fundamental change of policy is needed in most developing countries in regard to the use by public personnel of the training facilities made available to them. The general practice is to treat this as a matter of voluntary decision on the part of the individuals who wish to be trained, which is further subject to a veto by their superiors who may be unwilling to release them from their current duties for the period required by the course. This results not only in retarding the spread of the knowledge and skills needed for increased efficiency, but also in a partial waste of the resources invested in creating, staffing and equipping the training institutions. The remedy requires two measures:

(i) the adoption and enforcement of the principle that it is the duty of every public employee to undergo such training at such times and places as competent authority may direct and provide in order to develop and improve his knowledge and skills; and

(ii) the setting up of a machinery to ensure that every ministry, department and enterprise in the public sector draws up, in consultation with the training institutions, a co-ordinated training plan and schedule according to which specified employees are deputed to attend appropriate specified courses at specified pre-determined times. Drawing up of such rosters in advance will also facilitate proper arrangements for the performance of the work of individual officers

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during their absence on training. The same machinery must also see to it that the training plans so drawn up are in fact carried out.

A command structure on the lines suggested in paragraph 9 would be in the best position to implement these measures and ensure co-operation and compliance from all parts and units in the public sector.

19. It follows, also, that if governments desire to achieve rapid and substantial improvement in public management they must be prepared to invest much more generously, than is generally the case, in creating and expanding training facilities and institutions, both centrally and in individual ministries and departments. In the advanced countries, investment in management development through training is taking place at a steadily increasing rate. For developing countries the need for enhanced investment in this sector is vital.

20. All the intensified efforts to expand training will, however, be of little avail if the persons so trained are not allowed, enabled, and encouraged to use their increased knowledge and skills in the performance of their jobs. The traditional patterns of organisation, and the systems, procedures and controls laid down for their working during the colonial regimes are all too often allowed to continue unchanged although they have many undesirable features which impede instead of helping the achievement of development objectives. Excessive regard to procedure for its own sake rather than as a means to effective action; over-centralization; lack of adequate delegation of authority; insistence on too many horizontal and vertical clearances before decision or action, may be cited as examples. No improvement in public management can be hoped for unless such negative factors are identified and eliminated on a government-wide basis, and positive steps taken to encourage the taking of initiative and responsibility, and the use of the newer quantitative and behavioural techniques wherever feasible. To avoid any misunderstanding, it must be emphasised that there is no intention here to advocate the wholesale scrapping of the old in favour of the new. Properly designed procedures and controls are essential to orderly and effective development. It is only when they are misconceived or carried to excess that they become harmful to the cause they are intended to serve. Deciding what should be discarded and what should be retained or modified requires a deliberate, discriminating and objective study; and ensuring acceptance of the changes decided upon requires support from the highest levels of authority. Changes which are introduced hastily and are based on subjective assumptions rather than on proved need, can merely result in substituting one evil by another. The command structure suggested in paragraph 9 should furnish both the means and the authority needed for a comprehensive and objective review of organisation, systems and procedure in the public sector.

21. In the field of staffing and personnel management also, the carryover from the colonial past tends also to continue features which hinder the attainment and maintenance of a high standard of efficiency. Added to this is the danger that measures introduced rather hurriedly under the impetus of political changes may swing the pendulum too

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far in the opposite direction creating new problems and impediments. This field also needs a comprehensive, and objective study in all its aspects, e.g. the principles, methods and machinery for recruitment, postings, promotions, and transfers; career development of the most promising officers through planned training and job-rotation; conditions of service relating to remuneration, leave, pensions; discipline, morale, and staff-welfare; grievance procedure, etc. Only comprehensive, co-ordinated and continuous attention to optimising policy and practice in these matters on a government-wide basis can help to ensure that the right men are available and chosen for the right job at the right time, and are kept there for the right period.

V

22. The foregoing analysis is, necessarily, somewhat sketchy; it is also, unavoidably, repetitious in places. It is, however, based on direct observation and experience, and the conclusions will, it is hoped, be considered and accepted as logical and incontrovertible. They may be summarised as follows:

(i) management improvement in the public sector needs priority attention in the developing countries, especially where accepted policy calls for the adoption of a progressively more socialist pattern;

(ii) to achieve and maintain increased efficiency in public management, it is necessary to launch a concerted, co-ordinated effort on a government-wide basis;

(iii) such an effort needs clear, express and active interest and support from the highest levels of political and executive authority in the country. This must be unmistakably demonstrated in the design, functions and powers of the command structure created to conduct the campaign;

(iv) the drive should provide for vigorous and simultaneous action on all fronts including, in particular:

(*a*) a comprehensive review and reform of the organisation, systems and procedures with a view to eliminate or minimise all factors which impede efficiency;

(*b*) a similar review and reform for the same purpose, of the policy and practices in the field of staffing and personnel management;

(*c*) expansion and increased investment in training facilities accompanied by the adoption and enforcement of a government-wide training plan and rosters to ensure that the training facilities are in fact used.

23. Governments wishing to embark upon an efficiency drive can, if they so desire, receive help in the form of advisory services almost 'for the asking' under the United Nations Development Programme financed through the Special Fund or the Technical Assistance component. Such assistance can be of great value even to countries which are well endowed with local talent capable of organising and conducting

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the total effort on their own. Advisers provided under the United Nations programmes are enjoined to remember that what works well in one country may not necessarily be suitable for others, and that the function of the adviser is not to give ready-made answers but to help the concerned local officials to study their own problems and to evolve solutions which they find appropriate and feasible in the light of the local situation and conditions. The wider experience and objective approach of the outsider, placed at the disposal of the requesting government in this manner, can and should be *used* to good purpose even where the need for such help may not appear to exist.

CONFESSION OF AN ORGANISATIONAL CHANGE AGENT

W. J. Reddin

This is an account of errors made by the author in his role as organizational change agent working as a process consultant. For each error there is an illustrative case study in which he was directly involved. Although some of the case studies could be used to illustrate more than one error, this is avoided in order to provide more examples. The errors include initiating change from the bottom up, creating a change overload, raising expectations beyond what is possible, allowing inappropriate attachment, becoming trapped in one part of the organization, changing only a sub-system, inappropriately using behavioural interventions instead of structural interventions, losing professional detachment, assuming that a change is needed, and failing to seek help.

There are many book-length case studies of organization development (OD) interventions (Argyris, 1971; Daumer, 1969; Mann, 1961; Rice, 1963; Sofer, 1962), and there are many prescriptions concerning the consultants role (Argyris, 1961; 1970; Boehme, 1956; Burke, 1971; Bowman, 1959; Covner, 1947; Ferguson 1968; Gibb and Lippit, 1959; Schenin, 1969). In spite of this extensive literature, however, most writing on organization development does not include explicit discussions of actual errors. Some authors go as far as to suggest that if the client is dissatisfied with the assistance the consultant provides, the client has only itself to blame (Tiles, 1961; Woody and Woody, 1971). Examples of errors do exist, however. These include failure to understand why a client relationship deteriorated (Symposium, 1964, pp. 114-119); change overload and discrepant value, and changing a sub-system when the top man is not involved (Bennis, 1966, pp. 152-165). Beckhard (1969, pp. 93-96) has produced a list of twelve reasons for OD failure.

Bottom-up Change

When change agents tell me that they plan to attempt a change from the bottom up, I remind them of the military dictum that the penalty for mutiny is death.

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In 1959, I was a consultant to a company team that was planning a change program for a twenty-thousand-employee firm. The budget was enormous. We planned a series of ten-month-long residential seminars for thirty managers each. The entire top management was to attend, except for the nine-man top team. The first week of the seminar was a T-group; the second covered social issues, on which prominent journalists and activists spoke; the third was on planning and organizing and the fourth was on objectives. The quantity and intensity of the post-seminar reactions were the highest I have experienced. After three of the ten seminars had been conducted, the top team cancelled the allocated budget, and the program was abandoned. What had happened was the successive waves of managers with radically changed ideas of how the company should be run were causing a tremendous disturbance, and we had made no preparation to enable the top team to deal with it.

I am frequently pressured by clients to make this error again but, recently at least, have not done so. The person who makes the request usually explains that the top man is too busy to attend a seminar, does not need it, or could simply read the book. Sometimes I am asked to just speak to him for a couple of hours. I have an armament of counter-arguments and sometimes, shamelessly. I even suggest that the top man should attend an unfreezing seminar for symbolic reasons. Beckhard (1969) touches on a related type of problem that can be avoided by commitment and participation on the part of the top team; "a continued discrepancy between top management statements of values and styles and their actual managerial work behaviour" (p. 93). Bennis (1966, pp. 157-160) gives an example of this error.

Creating Change Overload

It is often easy to create more change than a system can cope with conveniently, thus creating a change overload.

I once held a four-day, team-building meeting with the top team of a food processing company that employed one thousand people. The company had experienced no real change in the previous decade. Our discussion centred on the organization chart, and it was agreed that we would reorganize the top one hundred positions in the company. This was easier said than done. The two most powerful men on the top team were highly rigid, and in implementing the change, grew more and more authoritarian. What was designed as a healthy programme of evolutionary change deteriorated into a disguised rearrangement and a program to write more detailed job descriptions.

It is difficult to predict the occurence of change overload, even though the potential for creating it can be high. The most rigid systems are most likely to experience overload because they are the ones least equipped to handle change. The change agent who has a continuous interface with the client should be able to identify the possibility of change overload and help the client avoid it or adjust to it. If, however, the change agent's role is to "drop in again when you are in town, and let's have another team meeting in a year or so", this potential problem is difficult to monitor. I tend to avoid change overload now by requiring

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a continuous association between myself and the client and by avoiding single intervention. Bennis (1966, pp. 153-155) refers to a similar error.

Raising Expectations beyond what is Possible

Perhaps the easiest error to commit in organization development is to raise expectations beyond what is possible.

The top man of a government department decided to introduce Management by Objectives (MBO) by participative means. At my suggestion, we had a meeting to discuss it. Several errors had already been committed at this point. MBO, certainly in the traditional format, is not suitable for most government departments, since power in them is so diffuse. The top man's autocratic decision was hardly the way to introduce a participative approach, and the meeting raised expectations above the delivery point. There was great excitement about the new management style; everyone thought things would change completely and immediately. However over the next few months, budgets were done the old way, and some key decisions were imposed autocratically. A program that might have been a success if introduced slowly obtained a bad name in its opening months because of the raised expectations.

The best way to avoid this error is, from the start, to think and talk in terms of three to four years. Beckhard (1969) refers to "short-time framework" (p. 94), as a condition for failure. Another way to avoid the error is to describe every OD intervention as an "experiment" but I have never done this because it can lower the responsibility of everyone involved and can also allow failure to be explained away too easily "we agreed it was just an experiment".

Inappropriate Attachment

Many change agents would share the view that the nature of the consultant's attachment to the client is a key element in the success or failure of the intervention.

The chairman of a 10,000-employee subsidiary of a giant British industry invited me to dine with his board members at their country house training centre. It was an epic meal, and the vintage port flowed. The conversation was witty, and I had to lean on my limited classical education to keep up with the literary allusions. In preparation for an MBO conference, I had, in fact recently re-read Thucydides' History of the Peloponnesian War, and this gave me some good lines. My first error was to accept that invitation and my next was to visit again in similar circumstances. It was a superb, if unconscious, seduction of me by the client. My relationship to this client became that of an intellectual, witty companion. My attempts to change roles were met with incredulity.

Other versions of this error are failing to obtain multiple entry; attaching oneself at too low a point in the organization; interfacing with an individual rather than with a group; allowing slavish dependency ("We really need you") or counterdependency ("You have served your purpose") by the client. At times I have been "attached" as servant, master, captive behavioural scientist, visiting professor, tame seal, and resident magician. Sometimes I have had to remind clients that I have not walked on water recently. Sometimes I have had to remind myself.

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Obtaining the appropriate attachment can be one of the most difficult things to accomplish. It can be facilitated by having a few ground rules for the client to accept at the start. These might range from not eating with the client—a rule Tavistock once used—to never talking to any one individual alone. The attachment issue is particularly difficult for the internal changed agent; the ideal structural device is a three-year guaranteed terminal assignment with all remuneration issues settled in advance. Beckhard (1969) refers to "overdependence on outside help" (p. 94) as a condition for OD failure. This is one face of the multifaceted problem of attachment.

Becoming Trapped in one Part

One element of good change strategy is multiple entry; but it is all too easy to become trapped in, or by, one part of the organization.

A brewery used my services to improve its marketing orientation. The change program was highly successful, and in the three-year period, the profits went from $ 500,000 to $ 1,000,000. Meanwhile the sole competitor's profit fell from $ 500,000 to $ 70,000. During this same period, the position at the top of the marketing team increased greatly in power, changing, in essence, from pubic relations officer to sales manager and then to vice president for marketing. All this was very well, but it was not viewed that way by the production department, which had seen its considerable power and prestige erode. At this point (or earlier), the OD emphasis should have shifted to such interfaces within the firm, and I made several unsuccessful attempts to achieve this. In the minds of the production people, I was the wicked consultant who had hurt them. In the minds of the marketing team, I was their man to use in the fight against production. All this might not sound too bad, but twelve years later, very low trust still exists between the two sub-systems to the degree that I, even now, discuss with the marketing vice president whether he ought to move on.

The possible solution to this problem is to obtain and maintain multiple entry to anticipate the consequences that might arise from current change efforts. One can often identify where one might be needed by identifying who the client talks about most disparagingly.

Changing only a Sub-system

Changing only a sub-system was a common error of mine, especially when I worked with large systems.

In the early sixties, a one-thousand-employee division of a three-thousand-employee power commission engaged in a successful attempt to increase employee initiative. Indications of this were that line-crew foremen, not head office engineers, selected line tools, and that meter readers wrote their own rule books and established their own work norms. A major conflict developed between this division and other divisions and the central systems unit. Fundamental disagreement arose over how many signatures should be on expense accounts, what was an appropriate discretionary amount for truck drivers to spend on repairs on the road, and in the biggest fight, where computerized individual performance data should be fed—to the individual, to his superior, or to a staff unit? The conflict is unresolved today, and in

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this tightly integrated technology, two quite different climates exist where, presumably, any one type of climate would be better.

While the previous example refers to sub-systems aligned vertically, the error applies equally well to systems aligned horizontally. The error then involves treatment of one level but not another. It could be bottom-up change, exclusion of top people, or having only supervisors sent to MBO or OD seminars. Beckhard (1969) states a particular case of this general error as "a large gap between the change efforts at the top of the organization and efforts, at the middle of the organization" (p. 95).

As every system is partial to every other system, and since the one predictable thing about OD is its unpredictable consequences, this error is likely to be made continuously. The best way to avoid it is to establish specific, measurable objectives at the start and to obtain agreement to them not only from the system assumed to be directly involved but also from adjacent systems. This is at least one way to make the changes without impairing other relationships.

Inappropriate use of Behavioural versus Structural Interventions

The bread and butter of the psychologist is the random error of the sociologist. Those of us concerned with change in behaviour in organizations can be easily biased too strongly. Is a personality clash a function of poor role clarity or of low human skills? Either of these may, at times, explain most of the variance, but one may easily choose the wrong explanation in a particular case.

I was once asked to plan a change programme for a Montreal production subsidiary of a U.S. firm. Four of the subsidiary's general managers had been fired in six years for failure to show a profit. The trust level was low, and most managers had moved to a very low level of risk-taking. After I had started to unfreeze, team build, develop candor, etc., an independent study by the parent company uncovered major errors in the transfer-price system within the subsidiary and from the subsidiary to the parent company. When changes in these prices were introduced, profits started to appear, and the current general manager stayed with the company for eight years. The company had really needed a cost account rather than a change agent.

A similar error was narrowly avoided when the president of a fish packing firm turned down my idea to start team-building sessions with his trawler-fleet captains. The problem was that the members of the competing Russian fleet co-operated with each other while his own trawler-fleet captains did not, thus showing lower productivity. He pointed out to me that under Canadian Maritime Law, the trawler-fleet captains and crew were not employees but merchant co-adventurers. Each was an independent businessman. Not only the legal system but the existing community structure and a long local history supported this view. He said that it would be farcical to imagine that much could be done by a seminar demonstrating that co-opertion optimizes the system but does not necessarily optimize each individual in it. It should be rather like rearranging deck chairs on the Titanic. The clincher was the president's report of the first, and last, Christmas Eve party that

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the executive committee had arranged with the captains. It had to be on Christmas Eve, because that was the single day of the year when all trawlers were in port. The trawler captains used the occasion to announce their first strike. Their spokesman apologized for the timing but explained that it was the first time the captains had all been together.

Beckhard (1969) refers to precisely this error as "no connection between behavioural science-oriented change efforts and management services/operations research-oriented change efforts" (p. 94). To avoid this error, one must either develop a wider range of conceptual tools or somehow bring such tools to bear. Psychologically oriented change agents would do well to read more of the literature on systems theory, sociology, and even Management By Objectives.

Losing Professional Detachment

A surgeon once told me that during operations, it was not uncommon for him to tell dirty jokes to the nurses. He explained that such behaviour served to maintain a psychological detachment from the patient, since psychological involvement might have affected the surgery.

After working with one U.S. client intensively for two years, it became apparent to me that the client was talking about change and had built a staff to implement it, but that no change was taking place. For various reasons I was emotionally involved with this client and wanted the program to be a success. My style became abrupt and argumentative. Instead of trying to analyze the resistance with the client I was berating him for not changing it. At that time, I ascribed my change in style as my innate style flexibility; after fall, very few of us remain who are equally adept at Theory X and Theory Y (Mc Gregor 1960). Now I see my actions simply as emotional involvement leading to a lowering of effectiveness.

As a boy of seventeen, I was roaming Eastern Canada in the winter looking for work, which was hard to find. I heard of a free two-day residential course conducted by the St. John Ambulance Brigade, with meals provided. I decided that it was my public duty to learn first-aid. I will never forget one instructor's comment: 'Suppose you are the first on the scene of a two-car collision. People and their legs are lying about and there is a lot of screaming and blood. If you want to be helpful, first say to yourself, it is their problem, not mine'. His intent was to shock us, and of course he did. He was saying "Do not get too emotionally involved with the system you are trying to help". The implications of this aspect of the role relationship are many and contentious. Does the client really have the right not to get well? Is it a poor professional posture to hope the client really has the right not to get well? Is it a poor professional posture to hope the client will get well? Is joining the client the ultimate defeat?

These days I pay more attention to my own feelings and watch for the danger signals. For me, at least, they include post-meetings depression, not understanding what is going on, making remarks that are a little too smooth or too crude, liking the client, wanting the client to like me, wanting an intervention to be a great success, attempting to impress the client, or obtaining much satisfaction from client praise.

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Assuming a Change is needed

It is easy to assume that new is better than old or that a new label changes something. This, too, is an error.

After some preliminary discussion, I met with a project team of a power utility. The utility was located in a poor section of a very poor area. From looking at the boots that some of the team members wore to the meeting I was convinced that they were not likely to be acquainted with recent developments in behavioural science. I was sure that these people needed something; the question was "What?" I suggested that we explore the concept of job enrichment and then heard explanations of what the four-man line crew does and what the sole operator of a remote generator does. I gave my famous talk on "let's burn the job descriptions" and was told that they had no real job descriptions. I discussed employee participation as the wave of the future and then was told of the annual two-day meeting with the general manager at which anyone can question any issue and at which reorganization decisions arise from floor discussions. I suggested implementing MBO. They showed me detailed ten-year plans for the company. In desperation I asked how they selected pole linemen. I was told "They must not be overweight, must not be afraid of heights, and must not drink on the job". I left those people quietly, with as much grace as I could muster.

Sometimes we attempt change when the system clearly does not need it. Sometimes we do not know when to give up. I am reminded of two young Boy Scouts whose younger brother had fallen into a shallow pond. They rushed home with tears in their eyes to their mother. "We're trying to give him artificial respiration," one of them sobbed "but he keeps getting up and walking away".

Failing to Seek Help

The long-standing problem of those in the helping professions is that they do not seek help themselves. This paper is full of examples of such failures. The best way I know to avoid this error is first to admit one's failure to oneself and then to accept a fair share of the blame. It is wise for a consultant to identify other people in similar lines of work who also know the consultant as a person and to arrange for regular telephone talks about current clients. This is what I have done; I have not found it useful to seek such assistance from my client's staff members, from external staff members that are also working with my client, or from those people who work closely with me. They are as emotionally involved as I am and are just as prone to distort the situation or issues, albeit in a different way. Another, more structured, device has been proposed by Bennis (1966) who commented on the Clinical Pathology Conference in which medical students and doctors find out for certain why a patient died. Bennis believes that this is a good teaching practice but says, "No equivalent teaching device exists in the behavioural sciences, unfortunately, mainly because we fare in a relatively early stage of developing a practice" (p. 152). In a footnote, he continues: "There are other reasons as well, for example, the understandable desire for secrecy regarding failure or mixed success and the difficulty of ascertaining precise causes in these complex social-change ventures" (p. 152).

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This article is clearly a highly personal account of errors. I am not at all tempted to develop a paradigm of errors that other change agents might make. I am sure, however, that embedded in the account of my errors are many assumptions about man, about the role of change agent, and about the change process that can be utilized by other practitioners.

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II

SYSTEM — STRUCTURES AND PROGRAMS

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ADMINISTRATIVE CAPABILITY FOR INTEGRATED RURAL DEVELOPMENT

SHELTON WANASINGHE*

INTRODUCTION

Integrated rural development, both as a goal and as an instrument of national development, is very much in the air in the Asian and Pacific region. Constant references to IRD are heard from various national and international for a almost every week. The increasing commitment to IRD is often expounded and articulated by political elites.

Nevertheless, the immediate past as well as the current experience of the Asian and Pacific countries continues to show a recurrent gap between the announced goals and objectives of IRD and the achievements of the actual IRD programmes which are designed to operationalise the approach. Whilst this continuing lag is of the same character as the implementation lags experienced during the first two development decades as one advances towards the third development decade one begins to realise more and more the immediacy of the threat of the dysfunctional tendencies that are likely to arise through the non-satisfaction of the aspirations of the beneficiaries. Thus it becomes imperative to re-examine ways and means of overcoming the implementation lag in our development efforts, and particularly in relation to IRD programmes. This article, therefore, seeks to raise several issues which relate to the generation of adequate levels of administrative capability to support the implementation of an IRD programme. It is hoped that such a discussion would help in the attempts being made by different governments to provide enhanced capability in their respective implementation systems to support IRD efforts.

The Planning of Administrative Development

For a clearer appreciation of these general issues they should be viewed in the context of a broader concept of an administrative system than is generally common. Such a broad concept would view an administrative system not merely as "a collection of government functionaries engaged in project implementation" but as an interlinked system of policy formulation and programme implementation institutions and institutional arrangements which the beneficiaries of such development efforts to such policy formulation and programme implementation institutions. Such an approach would broaden the concept of an administrative system to include a wide range of levels engaged in national policy formulation and would also stress the links which exist between such levels and the programme implementing organizations as well as the institutions which enable the effective participation of the people in the making and influencing of decisions which effect their development and in controlling the functionaries who implement such decisions.

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2. Experience shows that unless efforts at enhancement of administrative capability are based on such a broader concept of an administrative system, these efforts fail to generate intended results. Such efforts, therefore, must cover the total interlinked system, must be planned and implemented as an integrated activity and cannot be effectively carried out on an *ad hoc* basis. Such administrative development planning must also be undertaken as an integral part of the planning and policy formulation for the relevant socio-economic development programme itself.

3. These remarks have several implications for rural development programmes. For example, they demonstrate the need for a continuing in-built process of administrative development planning as part of Integrated Rural Development Programme. Such a process includes—

(i) the precise identification and definition of the sub-systems, institutions and organisations which constitute the interlinked administrative system related to the Integrated Rural Development Programme;

(ii) the projection of the types and levels of capability required in each such sub-system, etc., to meet Integrated Rural Development Programme goals;

(iii) the assessment of the types and levels of capability existing in each sub-system, etc., as well as the intra-system and environmental factors which have contributed to the existing levels;

(iv) the formulation of action plans to bridge the gaps between existing and projected levels;

(v) the development of systems to monitor such action plans; and

(vi) the setting up of institutional arrangements to carry out these tasks.

Such an approach would be a major departure from the common practices one encounters in efforts at socio-economic development-wherein the availability of adequate levels of administrative capability is assumed as a constant in the formulation of development programmes.

The Need for a Definition of Integrated Rural Development

4. An equally important issue is the need for precisely defining the concept of "integrated rural development" on which a specific IRD programme is based. It is not unusual to find different individuals participating in IRD programmes having different concepts of integrated rural development. Where, over a period of time, different programmes of rural development have been launched in a country, each of these influences the conceptualisation process of the different participants in an IRD programme Such a confusion in conceptualisation becomes an impediment to effective development of administrative capability for two reasons. Firstly, the definition of "integrated rural development" which a particular programme accepts is basic to the designing of an administrative system which is to support the programme. In the absence of a precise definition, the resultant administrative system

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would tend to become "a lumping together of bits and pieces". Secondly differences in conceptualisation would affect the approach of individual participants in the programme to the performance of their roles. Such a confusion in role perception would inevitably result in the efforts of such participants being counter-productive.

5. A study of the definitions of integrated rural development seems to indicate that these many definitions tend to lie at different points on a continuum. At one end of the continuum one finds integrated rural development being viewed mainly as a mechanical delivery system of services, inputs, etc. to improve rural productivity and the quality of life of rural areas—whilst maintaining the rural power structure and its supporting institutional framework relatively intact. At the other end of the continuum, one meets with a much broader concept of rural development, as a process which leads to an integrated development of rural society conceived of in terms of:

(i) the availability of equity of access to factors of production (such as land, irrigation water, industrial raw materials, agricultural machinery, fishing gear, marketing and processing facilities, etc.), and to factors which enhance the quality of life (such as education, health, recreation and cultural facilities, etc.);

(ii) the progressive reduction of rural urban imbalances;

(iii) the increasing level of decision making power over their development goals and strategies acquired by the rural people, and their ability to have an increasing influence over national decision making.

Another sharp contrast between these two concepts is the preponderance of a bureaucratic orientation in the first approach and a 'people orientation' in the second. IRD programmes which restrict themselves to the first end of the continuum seem also to lose momentum, over a period of time and to cease to have relevance in the minds of the rural people, even though such programmes continue in their outward form.

6. One finds most IRD programmes at a point in between these two ends of the continuum. A danger, however, is that there is inadequate appreciation, in the minds of programme formulators, of the dynamism inherent in IRD programmes and a tendency to view such "in-between points" as being static. Failure to recognise this dynamism often leads to an inadequate positive response from programme formulators and others when, consequent on pressure generated from client groups, these IRD programmes attempt to move towards the latter end of the continuum. Sometimes, not only is there failure in positive response but there is also active resistance to such evolution.

7. A clear definition of the concept of integrated rural development on which a particular programme is based, thus becomes a *sine qua non* or effective administrative support to such a definition would necessarily need to accept the dynamism in the concept and would need, therefore, to clarify the pace at which the concept would move towards the latter end of the continuum. The definition of the concept is, by no

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means, an end in itself. What is equally important is that all participants in the IRD programme, at the different levels, have a clear comprehension of the definition on which the programme is based. This is obviously, not something which could be achieved through the issuance of circulars, but has to be sought through a comprehensive process of intergroup and interlevel interaction and through training activities designed to generate attitudinal changes.

Commitment to IRD Goals

8. A further factor which affects administrative capability is the level of commitment to IRD goals which obtains, at all levels, in the environment of the administrative system. Of all the factors in the environment which condition the behaviour of the administrative system in responding to the demands of an integrated rural development programme, the level of commitment is one of the most critical. Several examples exist of rural development programmes which have failed to be effective due to the lack of such broad-based commitment and to the fact that any existing commitment has been confined to a few individuals or to a small group.

The Need for Operational Targets

9. A further issue relevant to the development of administrative capability is the need to have precise operational targets for an IRD programme and to formulate effective policies for the achievement of such targets. In many IRD programmes one encounters broad objectives rather than specific timephased operational targets. The failure to set such precise operational targets often creates a problem for IRD programmes in obtaining commitment to the programme from policy makers and in obtaining resources support for such programmes. The absence of operational targets also prevents any effective attempt at monitoring and evaluating the performance of IRD programmes. This, in turn, leads to a denial of resource support.

10. Thus, the setting of operational targets is critical to the planning of IRD programmes. It would, perhaps, be more realistic to set such operational targets for sub-programmes and projects (either in geographical or sectoral terms or both). Such operational targets would need to be set in terms of final outputs and not merely in terms of intermediate outputs which are only instruments for achieving final outputs. For example, it would be more relevant to measure the increase in productivity of an agricultural crop in a project area rather than to monitor the number of departmental functionaries posted to the project.

11. Linked to operational target-setting is the formulation of effective operational policies for their achievement. This, in turn, is dependent on the adequacy of capability for analysis of alternate operational policies—both in terms of available institutional arrangements and of trained manpower for policy analysis at different levels in the administrative system. This has proved to be an area which tends to be neglected in development administration in most countries. Hence, in administrative development planning supportive of IRD programmes special emphasis would need to be laid on the development of capability for policy analysis and policy review at different levels in the administrative system.

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Programme Continuity

12. An equally important factor which affects administrative capability is that of programme continuity. A situation wherein there is hasty formulation of IRD programmes which have a short life, followed by an equally hasty formulation of new programmes to replace the discarded ones, does not contribute to obtaining a clear and adequate response from the relevant administrative system. The bewilderment caused by such lack of continuity and drastic changes, both in the cadres in the administrative system as well as in client groups, contributes to their withdrawal from such programmes. Whilst unchanging rigidity in IRD programmes would result in a lack of relevance, the frequent and drastic changing of programmes also contributes to a counter-productive situation. Hence programme formulators would need to be concerned in ensuring that both these extremes are avoided.

Quality of Manpower

13. A further factor which affects administrative capability is the quality of manpower which is available to the programme, in terms of commitment, organisational and mobilisational ability and technical skills. Manpower, in this context, would include not only the staff of "rural development agencies" as such, but also the staff in all relevant organisations in the administrative system from the project to the national levels, as well as the cadres of people's organisations. It is not necessary to belabour the point that the quality of such manpower would be a key determinent in the success or otherwise of IRD programmes.

14. This situation implies the need for a massive programme of IRD-focused retraining and retooling of manpower throughout the broad administrative system. In the context of most developing countries, this, in turn, implies that the total training capability, which is available system-wide, would need to be harnessed for this task, on a priority basis.

15 This would involve taking training institutions away from their accustomed paths and tasks, to come together as a network to undertake this task of IRD-focused training. They would have to develop new training models, mount programmes for retraining of trainers, lay down training priorities as between client groups and implement the training programmes on a co-ordinated basis. This obviously is one of the most urgent tasks which policy formulators for integrated rural development have to set their minds to.

Peoples' Organisations* and Local Government

16. An equally relevant issue is the effectiveness of people's organisations in rural areas, as active participants in the process of integrated rural development. It is not necessary to stress that, if the conceptual model on which an IRD programme is based is not one which is static at the first end of the continuum referred to earlier, the effectiveness of people's organisations is critical to the success of the programme.

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*For a fuller discussion, see Wanasinghe, Shelton: "Role of Rural Organisations in Rural Development" (Asian and Pacific Development Administration Centre–mimeo. 1975

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17. People's organisations fall into several groups, the chief of which are:—

(i) organisations which are formed for support mobilisation, for agitation and for common action with the aim of achieving specific social, political and economic objectives;

(ii) organisations which are formed for the performance of economic services for production, or are directly linked to the production activity itself.

18. These people's organisations play a multiplicity of roles vis-a-vis rural development. These roles include that of:

(i) an identifier of rural development goals and strategies;

(ii) agitator for the achievement of identified goals;

(iii) formulator of action programmes;

(i) resource mobiliser for action programmes;

(v) organiser of the implementation of the action programmes.

The effectiveness of the performance of these roles by people's organisations would appear to depend on several factors. Amongst these factors, particular note should be made of:—

(i) the extent of support which the people's organisation could command amongst the beneficiary groups;

(ii) the organisational capability which is available in the people's organisation;

(iii) the level of rapport which exists between a people's organisation and the politico-administrative decision making groups;

(iv) the level of inter-supportiveness (region-wide or country-wide) existing amongst such organisations.

These variables which implinge on the level of effectiveness of such organisations vis-a-vis their role performance are, in turn, influenced by several factors such as: the genesis of peasant organisations; the local power structure; the level of peasant awareness; and the policy environment.

19. In the context of administrative capability for IRD programme, it is interesting to note the impact of organisational genesis on role performance. Indications are that people's organisations which owed their origin to bureaucratic activity do not, in the long run, show adequate ability to mobilise the participation of the local community and to develop adequate levels of inter-supportiveness amongst themselves. These indications have an important bearing on the practice of using government functionaries as sole agents for organising such people's organisations. One is often faced with the contention that

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there is no alternative to such government functionaries. Hence, there is a need for a conscious effort to find a team approach which provides for mixing such functionaries with those drawn from beneficiary groups outside the bureaucracy, as well as for the specific training of such functionaries with the objective of minimising the development of "principal-client relationships" between the functionaries and people's organisations.

20. The enhancement of administrative capability in support of IRD programmes is assisted greatly by the availability of viable local government institutions which could participate in the formulation of such programmes and be responsible both for their implementation and for the mobilisation of the resources for them. The solution to most problems, such as bringing of the felt needs of the local population into the programming of rural development activities, implementation co-ordination and resource mobilisation, would become easier to the extent that IRD programmes are linked to a viable and effective system of local government. Experience seems to show that IRD programmes cannot be successfully carried out, over the long run, through centrally directed bureaucracies. The effectiveness of the local government system as an instrument of integrated rural development would, naturally, depend on the solution to these basic policy questions. The first relates to the provision of an adequate resource base to local government institutions. The second relates to the ultimate vesting of the responsibility for recruiting manpower for development work in local areas to local government institutions. The third relates to the need for the transformation of the local power structure, through appropriate interventions where necessary, in order to bring the local government institutions into alignment with the broader mass of the rural people, which adds a further critical dimension to the policy issues concerned with local government.

Conclusion

21. The question that often comes to one's mind is the role of the bureaucracy in such IRD programmes. It is clear that if such programmes are to evolve as "people-centred programmes", the role of the centrally directed bureaucracy is, at best, a transitory one. In what manner this transitory nature could be maintained as such, is one of the major challenges faced in development administration. In the rush for productivity-oriented short-term results, there is always the inclination to strengthen centrally directed hierarchical bureaucracies within the administrative system. This becomes inimical to the achievement of long-term goals. Hence, development administrators concerned with integrated rural development programmes would need to be continuously on the alert or keeping long-term needs continuously in perspective, in the planning of administrative development to support integrated rural development programmes.

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SRI LANKA TECHNICAL AGRICULTURE AND SOCIAL ORGANISATION*

V. C. B. Unantenne

Country Description

The Island Republic of Sri Lanka is situated to the South-East of India in the Indian Ocean. It is located in the Bay of Bengal between the Eastern and Western half of the Indian Ocean with India as her immediate neighbour. The total area of the country is 25,332† square miles stretching 272 miles from North to South and 140 miles across from West to East. The total population is 13 million growing at a rate of 1.8% annually‡. 73% of the population is below the age of 35 years. Over 60% of the population is below 25 years and employment for the youth is a major National problem

Per Capita Income and House-hold Size

The average per capita income is approximately Rs. 1,122 (1973) i.e. $ 140. According to a recent Socio-Economic Survey over half of all individual income receivers reported money incomes of less than Rs. 100 a month and about 4/5 reported a money income less than Rs. 200 per month. Since the numbers reporting money incomes of less than Rs. 100 per month was only 30% in the urban sector it would be seen that the larger percentage of lower income groups are in the rural sector. The over-all average of house-hold income is Rs. 441 for the urban sector, Rs. 198 for the Estate and Rs. 264 for the rural sector.

The average size of a house-hold in Sri Lanka is 5.8. For the urban sector (non-farm family) it is 6.3 and for the rural sector (farm family) it is 5.8. The non-farm house-hold size therefore is larger than the farm house-hold size.

Agro-Climatic Environment

Being close to the Equator Sri Lanka has a Tropical Climate and since it is within the Monsoon wind belt there are two main periods of heavy rainfall—the North-East Monsoon from November to January which is the major agricultural season (Maha) and from May to September South-West Monsoon (Yala) There are specific characteristics of the Agro-Climatic Environment which determine the growth trends in Agriculture. Firstly one observes the division into two large Zones one called the Wet Zone containing 30% of the land area and receiving an average rainfall of 113 inches and the other the so called Dry Zone comprising 70% of the land area and receiving an average rain fall of 64 inches. The Wet Zone has a duality of a highly developed plantation economy of Tea, Rubber and Coconut which are the primary export crops on which depend 90% of Foreign Exchange earnings and the

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*Adapted from a Country Report presented at the Export Group Meeting on Curricular Planning for a Short-term course on "Technical Agriculture and Social Organization, organized by the Southeast Asian Regional Centre for Graduate Study and Research on Agriculture at Los Banos, Philippines.

†Statistical Abstract of Sri Lanka—1973.

‡Central Bank of Ceylon—Annual Report—1975

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relatively un-developed domestic agricultural sector consisting of small holdings. The Dry Zone comprises largely of peasant small-holdings irrigated by a Net Work of major and minor tanks while the Wet Zone small holdings are mainly rainfed supplemented by small scale anicut-cum-channel irrigation schemes. Due to the lack of a major irrigation infrastructure domestic agriculture, mainly rice production, is subject to serious fluctuations and crop failure due to recurrent drought and flood conditions.

Secondly, besides the two large Zones of the Wet Zone and the Dry Zone Sri Lanka has wide variations in soils, climate and water supply conditions. The land and water use Division of the Department of Agriculture has identified 24 Agro-Ecological Regions 10 in the Wet Zone, 9 in the Intermediate Zone and 5 in the Dry Zone each with the potential for the production of different combinations of crops requiring different cropping patterns and management systems. Latosols occur on 4/5 of the land area. Other soils include ground water bearing laterite soil, regosols and a small area of alluvial soils in the flood basins of the river catchments. A major factor influencing agricultural productivity is that the latosols are marked by laterite layers, known as Cabook which interfere with the penetration of roots and water, heavily weathered and low in plant nutrients, yielding poor harvests and, more significantly, resulting in precipitation exceeding infiltration into soils in most rain storms. In practical terms this means, since the land formation is basically of the ridge and valley type, the severe run-off causes soil erosion and major damage to the fertile top-soils. Proper management of land and water and effective soil conservation is central to the problem of management and neglect can lead to serious trouble in the future.

Agricultural Productivity

At constant prices the GNP for 1974 is valued at Rs. 10,730.5* million. The contribution from Agriculture, Forestry, Hunting & Fishing is Rs. 3,558·3 millions or 33% of the G. N P. is from this source.

When assessing the contribution of agriculture to the National Economy we have to divide it into two distinct areas of Productivity, namely Domestic Agriculture and Export Agriculture. In Domestic agriculture, there has been a significant increase of paddy production, in recent years. Output increased by 22% rising from 62.9 m. bushels in 1973 to 76.8 million bushels in 1974. A very large increase in the extent under cultivation, about 20% contributed to increased output.

As against the satisfactory performance of domestic agriculture the productivity of the plantation sector was diappointing. There has been a marked decline in production of Tea, Rubber and Coconut.

Production of Tea declined from 503 million lbs. in 1965 to 450* million lbs. in 1974. Although rupee export earnings have increased from Rs. 1,210 millon in 1965 to Rs. 1,360 million in 1974, the equivalent foreign exchange earnings in SDR have shown a marked fall from SDR 203 million in 1965 to SDR 168 in 1974.

Rubber Production reached a peak in 1970 with 351 m. lbs. and thereafter declined. In 1974, it stood at 301 m. lbs. Coconut production

*Central Bank of Ceylon—Annual Report—1975.

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in 1974 was, 2,031 million nuts which represents a marginal increase over 1973, but still below the record product of 2,963 million nuts in 1972. Recurrent drought conditions in the past few years is an important contributory factor for the drop in production.

Employment

The Agricultural labour force in Sri Lanka has for almost twenty years been about 55% of the total work-force.

(1)	Tea—597,000* Acres at 1.25 per acre	746,250
(2)	Coconut 1.1m. Acres at 0.1 per acre	110,000
(3)	Rubber 562,000* Acres at 0.35 per acre... ...	196,700
(4)	Rice 1.7m. Acres* at 0.25 per acre	425.000
	Work Force ...	1,477,950
	Subsidiary Crops ...	180,000
	Total ...	1,657,950

Other crops, animal husbandry, forestry and fisheries could make up a total of 1.7 million.

Foreign Exchange

Sri Lanka's foreign exchange situation is to a large extent determined by the value of and the volume sold of the three major export commodities, Tea, Rubber and Coconut. More than 90% of the total value of exports has been accounted for by these in recent years—US $ 302 Million of a total Foreign Exchange earnings of US $ 335 Million (1972 figures) and fluctuations in International Markets largely explain variations in the value of these 3 exports. The most important export crop is Tea which contributes approximately 60% of the total export earnings and next in importance is Rubber, 15-20% and Coconut 10-16%.

Land Area and Land Holding Size

The total land area in Sri Lanka is 16 million acres of which about 10 million acres are cultivable. The total extent cultivated at present is around 5 million acres of which 600,000 acres are under Tea, 562,000 acres under Rubber and 1.1 million acres under Coconuts making a total of 2.26 million acres under Plantation Crops. Rice production occupies about 1.2 million acres of which nearly 75% is under Irrigation.

An important feature of the domestic sector of Agriculture in Sri Lanka, which is mainly rice production in the low-lands and other food crops in the up-lands is that the production units consist mainly of small-holdings. Of the total land area in cultivation of nearly 5 million acres, 3.90 million acres are in small-holdings made up of 1.62 million acres with an average holding size of 2.36 acres. Evidence reveals that the size of holdings has dropped during the 10 years between 1962 and 1973 and over 85% of small-holdings are now under two acres in extent.

The basic problems which arise are—

(1) How could highly productive systems of Agriculture be developed in the context of large multitudes of small individual holdings?

* Central Bank of Ceylon—Annnal Report—1976

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(2) How is the domestic food production sector consisting of subsistence level small farmers to be integrated with a modern plantation sector and a National system of agriculture created?

Crop Statistics

	Area (1,00 *acres*)	*Output* (*Rs. million*)	*Yield* (*Per Acre*)
Tea	597*	844	814 (lbs)
Rubber	562*	345	608 (lbs)
Coconut	1,100*	478	2,290 (nuts)
Other tree crops ...	187	70	—
Rice	1,700*	1,029	44.41 (Bushels)
Other field crops ...	503	608	—
Total ...	4,649*	3,374	

Although Tea and Rubber are mostly grown on a Plantation scale in large Estates and unlike small-holder peasant rice production there are heavy investments in fertilizers and agro-chemicals as well as systematic management of soils, there is much scope for increasing yields. For instance, the average yield of an acre of Tea is 814 lbs. while the better Estates yield over 2,000 lbs. per acre. Similarly in coconuts it is about 2,290 nuts per acre, when the better Estates yield more than double this amount with increased use of fertilizers and other improved production practices. By re-planting old Tea, Rubber and Coconut Plantations with newer, high yielding clones there should be annually at least a 20 to 30% increase in yields. The rate of re-planting Tea and Rubber is about 7,500 acres per year. This has to be doubled during the next Plan period (the present Plan period is from 1970/76 and is due to end) so as to have a substantial impact.

It would therefore be seen that modernization of peasant agriculture as well as intensification of production in the estate sector have to go hand in hand if agricultural productivity is to be enhanced. A very significant event which occurred in 1972 was the nationalization of private lands over 50 acres in extent as a Land Reform measure. Together with this all Sterling Company foreign owned Estates were taken over by the State as a further measure of Land Reform. Nearly 1 million acres of land have since come into the ownership of the State. It is now possible for an integrated programme of modernization of Agriculture to be launched in these two sectors. Already a good part of the marginal lands as well as estates close to village centres have been alienated to peasants under schemes of village expansion. Concurrently a good part of the balance lands have been handed over to State Corporations specialising in plantation crops. Further extents have been handed over to Co-operative Farms, Collective Farms, Youth Settlement Schemes etc., since social ownership of lands also implies the setting up of new and innovative social organizations to handle their management.

*Central Bank of Ceylon—Annual Report—1976.

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High priority is being given to livestock development in the current Five-Year Plan. The out-put targets and the proposed investments (set out below) aim at achieving self-sufficiency in all animal products. Although the targets seem modest (in view of the heavy investments involved) it is assumed that per capita consumption would remain constant whilst expansion of population and import substitution would account for the limited expansion.

Present and Projected Livestock Demand 1970-76*

	1970	1976	*Average Annual increase %*
Milk (million pints)	457.0	517.0	2.1
Beef (million lbs.)	62.3	71.0	2.2
Mutton (million lbs.) ...	14.7	16.2	1·6
Pork (million lbs.) ...	7.3	17.0	15.1
Poultry meat (million lbs.) ...	8.8	14.8	9.0
Eggs (million) ...	278	342	3.5

It is important to note livestock production has received a tremendous impetus with the setting up this year of a Livestock Development Board which has been vested with 8,483 acres of land taken over by the State in the Coconut Belt of the Western and the North-Western Regions of Sri Lanka. It is now possible for the State to invest on imported foundation stock, cattle breeding and the necessary ancillary services as well as integrating Livestock with Crop Farming.

Planning Process

The Planning Process in Sri Lanka takes the form of 5-year medium term Plans and Annual Implementation Programmes. National Targets are set out taking into account the potential productivity of land including existing crops, projected demand and market situations. It also takes into account present per capita consumption in respect of food crops, livestock, etc., and the forecasted increases in population. There has been a great deal of planning for the domestic agricultural sector for over a decade. The Ministry of Agriculture, in consultation with the Ministry of Planning works out the basic targets over the Five-Year Plan period which is further broken down into Annual Targets. The latter is assigned to the districts in which the Government Agents as Chairman of the District Agricultural Committees set up an Inter-Disciplinary Team of officials to develop detailed Annual Implementation Programmes mainly for the rice production and subsidiary food crops. Targets in respect of fertilizer, foundation seeds, Agro-Chemicals, Irrigation, Tractors and equipment, etc., are worked out for each district in terms of acreage to be cultivated each year. The figures for the 22 districts are aggregated as National targets and an all Island National Implementation Programme is printed annually by the Ministry of Agriculture and Lands. The release of Foreign Exchange for the import of fertilizer, Agro-Chemicals, Farm Machinery and ancillary equipment are all based on the annual Implementation Programme Targets.

A noteworthy feature of the Planning Process for domestic Agriculture is the vigorous participation of farmers through Agricultural

*"Medium-Term plan, Framework of Plan Targets, Agriculture", Ministry of Planning & Employment, 1971

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Productivity Committees, Cultivation Committees, Multi-Purpose Co-operative Societies and special co-operatives in planning activity. Each district plan is broken down into targets for each Assistant Government Agent's Division. These are further broken down to cultivable extents at the village level and field Project Officers meet with the village leaders of Institutions at this level and jointly prepare the Annual Implementation Targets. A further step in the planning process is the investing of wide powers to Agricultural Productivity Committees which, in each D.R.O's Division, is now the regional authority for planning agricultural productivity in respect of all land, whereas Cultivation Committees set up under the Paddy Lands Act of 1958 were only limited to assisting in planning for rice production. The Agricultural Productivity Laws now enable Agricultural Productivity Committees to set down and enforce proper Management standards and cropping patterns for each region and initiate as well as co-ordinate the execution of the Regional Agricultural Productivity Plans. A significant change from the past is the fact that whereas the field staff were hitherto invested with this responsibility, under the new policy, the social organizations are given the powers and the responsibility and the field officers have hereafter to co-ordinate their work under the leadership of village Institutional Heads. Five hundred Agricultural Productivity Committees with an equal number of Agricultural Service Centres have been set up to service the new Agricultural Programme. Under the roof of the Agricultural Service Centres the farmer can now obtain all his requirements including agricultural credit and crop insurance. The Chairmen of the A. P. C. C. have also their offices in each Centre so that these are, in effect, the nodal points for agricultural activity in the rural areas.

The problems which have surfaced in Agricultural Planning during the past few years need to be analysed and the present trends in agricultural planning require attention. Up to about 1972 Agricultural Planning/Implemenattion was carried out in the background of rice and other staple food being imported with a total ban on the import of food items other than rice, flour, and a limited amount of sugar the stage has been set for large scale commercial production of food crops since relatively high price supports are now available in the domestic market. The result has been an urgent need for transformation of the organizational infrastructure and basic changes in Policy which are currently underway.

The lack of accurate Agricultural Statistics is a major constraint to realistic planning. The training of field level staff and the officials of Agricultural Productivity Committees and the vesting of the responsibility for providing accurate data of the Chairmen of the A.P.C.C. and their staff who are responsible to the people as against the earlier system of placing the onus on the field staff is expected to bring about a change towards the development of more reliable field information systems.

A fundamental structural problem in Agricultural Planning which is common to the Asian Region and is a part of the Colonial heritage has been the organization of Government activity through Ministries and Departments with vertical Agencies extending to the Regions from the Centre. Departmental Services are organised narrowly on functional

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lines and no proper coordinative apparatus exists for linking technical services in Agriculture with other Government Agencies and Social Organizations dealing with Agricultural Production. A major effort is needed to ensure that necessary organizational changes are initiated to develop integrated approaches to Rural Development particularly in respect of agricultural production.

Agricultural Research and Extension

Major Institutes

In the field of domestic agriculture the Central Agricultural Research Institute at Peradeniya co-ordinates the major extension work carried out in the different crops at Regional Centres. The Research Station at Maha-Illuppallama is mainly responsible for research in Dry-Zone crops with 4 other Research Stations specialising in rice research and 9 others in a variety of other crops.

Current Programmes

While the Rice Research Stations are mainly involved in developing new hybrid varieties of paddy of the short-aged dwarf varieties which are resistant to plant diseases and pests, the other institutions are engaged in research relating to specific crops for developing new high-yielding varieties which are disease and pest resistant. They are also involved in specific research relating to varietal trials, Soils Analysis, Agronomy, Water Management, Pathology and Entomology. The C.A.R.I. also carries out specialised research in such areas as Cereal Chemistry, Food Technology, Domestic Botany, Plant Introduction, etc.

Man Power

The attached schedule gives a total picture of the existing Man Power and the additional Man Power requirements during the Plan period. The staff indicated in the schedule are distributed as follows.

Research

The Research Staff are distributed according to the type of research done at each Research Station. 54 Research Officers, 33 Experimental Officers and 33 Agricultural Instructors are presently distributed according to the functional areas of:—

(1) Field Crops;
(2) Horticulture;
(3) Other perennial crops;
(4) Pastures.

In the Regional Research Stations specializing in each area of research 8 Research Officers, 3 Experimental Officers and 22 Agricultural Instructors, are located at the C.A.R.I. mainly responsible for the specialized areas of research indicated earlier.

Equipment Facilities

The C.A.R·I. has a fully developed infrastructure of lecture rooms, dormitories and well laid out demonstration plots for field work, besides, training aids such as films, over-head projectors, slides, graphics which are used in facilitating communication. The Publicity Division of the Department distributes extensive literature including leafle s

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explaining briefly the new extension methods and booklets giving full details of how to grow and look after different crops. Research Laboratories exist to undertake chemical analyses of soils, plant mutations, etc., and these cater to the needs of various subject specialists. The Dry Zone Research Station at Maha-Illuppallama has developed facilities to carry out any type of research on soils and crop in the region.

Agricultural Training on Technical Agriculture and Social Organisation

Major Institutes

The major Institutes involved in T.A.S.O. are:—

(1) The Agricultural Research and Training Institute;
(2) The Academy of Administrative Studies;
(3) The Co-operative Management Services Centre;
(4) The In-Service Training Institute of the Department of Agriculture at Peradeniya;
(5) The Rural Development Training Institute.

Training —Programmes

(1) *The Agricultural Research and Training Institute*

This Institute runs a broad range of courses mostly of short duration for field officers of Departments, Government Agencies and Social Organizations, in the field of Agricultural Development.

(2) *The Academy of Administrative Studies*

The Academy carries out In-Service Training in Development Administration and Management mainly for officers of the S.L.A.S. who handle Agricultural Development Programmes in Departments and Agencies, especially in the District Administration. For most of these courses Senior Officers of the Ministry of Agriculture and Lands and Departments and Divisions within it are brought in as resource persons both for lectures as well as for Panel Discussions. The Academy also provides a range of courses for other Departmental Officers and resource persons are similarly obtained for these courses from the Agricultural Sector.

(3) *The Co-operative Management Services Centre*

This Institution provides In-Service Training Programmes for Co-operative Inspectors and Officials of Co-operative Societies. A few of their programmes are also available for circulation.

(4) *The In-Service Training Institute of the Department of Agriculture at Peradeniya*

This Training Institute provides two week courses of training for new recruits to the department in the grades of Agricultural Instructor and Village Level Worker. It also provides a course of the same duration for A. II· and V.L.WW. with the emphasis on specific subjects and extension methods to be adopted in the different areas of the Island.

(5) *The Rural Development Training Institute*

This caters mainly to the Rural Development Officers who are the Divisional Officers in charge of the Rural Development Programmes of the Department of Rural Development. Government has set up nearly 6000 voluntary Rural Development Societies which function

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on a self-help basis teaching farmers basic skills in Agriculture, agro-industry, processing of agricultural products and generally in Community Development. Each R.D. Society has to prepare a comprehensive Development Programme for each village with the emphasis on the agricultural sector. It organizes major voluntary self-help projects for improvement of community infrastructure. At the moment there is a programme for the renovation of 8,000 village tanks in the Dry Zone with food aid provided under the World Food Programme at a cost of US $ 12,166,400. It is expected to devote 11,200,000 man-days for this programme during a period of four years.

Man Power at Various Levels

The F.A.O. has recommended that for developing countries the number of farmers per extension worker should not exceed 500 under conditions of intensive farming, and not more than 1,000 under less intensive conditions. In Sri Lanka it has often been suggested that there should be one extension worker in respect of each cultivation committee area. This would amount to about 4,000 extension workers. Such a coverage would give the Agricultural Villages an extension worker roughly for about 750 acres. Since intensive coverage is usually given for "Special Projects" and in other areas where intensive development is needed the coverage in such areas can be increased. This would appear to be a practicable number. However, the Department of Agriculture has only about 400 Agricultural Instructors who are the middle level extension workers with reasonably specialized skills and about 1,500 village level extension workers who are under the charge of 22 District Agricultural Extension Officers, one per Administrative District. The Government cannot afford to bear the entire cost of the balance of nearly 3,500 Extension Officers. The shortage can be met in two ways:—

(1) The major problem in Rural Development and specifically in Agricultural Development is the co-existence of a large number of departments and agencies with narrow functional areas of activity. Space does not permit details. However, at some stage, if integrated development is adopted as the approach, unification of cadres and training through foundational courses would have to provide the needed skills. Expert Group Meetings of this nature should be able to provide guidelines.

(2) Cultivation Committees which number 4,000 and Agricultural Productivity Committees which number 500 and the large number of Co-operative Farms, Youth Settlement Schemes, Electoral Farms, the State Plantation Corporation, the People's Agricultural Development Board, etc., could finance Agricultural Extension Workers who can be recruited from Farm Schools as well as from among progressive farmers. In most developed countries extension services are provided by large farms which have their own extension staff from whom the small farmers obtain technical advice and assistance. In developing countries Social Organizations which have been given the necessary powers and have

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extensive functions such as Agricultural Productivity Committees in Sri Lanka should fill the vacuum. It is imperative that T.A.S.O. Programmes should be devised to provide training at all levels on the basis of continuous and intensive in-service training programmes mainly of short duration to serve the training needs of such persons.

Facilities, Equipment and Instructional Material

The T.A.S.O. Institutes which have been referred to elsewhere in this report have well developed facilities to cater to their participants. The Agricultural Research and Training Institute, The Rural Development Training Institute, The Academy of Administrative Studies and the Co-operative Management Services Centre have spacious lecture and seminar rooms and access to a wide range of equipment and training aids. These include such Audio Visual Aids as Video Tape Television, Over-head Projectors, Film Projectors, Slides and Sound Equipment. Assistance has been available from U. N. Agencies, private foundations and Government to Government Aid Programmes for development of communication and information systems. However, there is a great deal of room for improvement especially since there is a dearth of facilities and equipment at District Level Training Centres and almost none for conducting village level T.A.S.O. Training Programmes in which the largest number of persons require to be trained.

Future Plans

Departments and Agencies in the field of Agricultural Training for Technical Agriculture are moving closer together to operate common programmes. On the one hand while the field of Technical Agriculture being somewhat narrow requires the services of subject specialists in such matters as plant breeding, agronomy, soils, fertilizer, water management, control of plant pests and weed control, who could assist in training Government Staff at village level on the other hand, the current trend in developing countries is to involve the people's participation in Agricultural Development through Social Organizations both statutory as well as non-statutory. This necessarily means that Training Programmes have to be widened in scope to enable extension workers to acquire skills in managing people, developing leadership both among themselves and among farmers, mobilizing people through their institutions towards mutual co-operation in common programmes and developing inter-disciplinary team approaches which cut across sectoral and departmental boundaries. These T.A.S.O. Training Programmes have to be in the nature of integrated Rural Development Projects.

Problems and Needs

The following problems are clearly seen in surveying the training field:—

(1) The number and variety of Training Programmes run by different Departments and Agencies in the Agricultural Sector. There is a great deal of duplication and resources are not utilized fully due to lack of co-ordinated programmes.

(2) As most Departments have narrow functional objectives T.A.S.O. Training Programmes show a lack of relatedness

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and compartmentalisation which run counter to the impelling need for integrated approaches between related sectors.

A basic structuial overhaul of the Governmental Organizations for T.A.S.O. Development has become a crucial need. To put it briefly, the Department of Agriculture now organizes research specifically in relation to individual crops and disciplines. But agricultural development is now moving outward in favour of developing viable and profitable farming systems.

(3) Three basic changes are involved—

(*a*) Research must move out of the isolated involvement with individual crops/livestock and develop an inter-disciplinary problem solving approach.

(*b*) Agricultural Development hereafter would have to be on the basis of regional specialization based on plans of Regional Development.

(*c*) Research must be action-oriented leading to short-term results applicable in the field.

(4) Training, Research and Extension are necessarily an integral package. Field Organizations and Structures have to be altered basically to provide for such integration.

Recommendations

As already indicated above organizational changes are imperative in the current situation. To begin with, Training, Research and Extension Services presently are single crop and discipline oriented. The future course of Agricultural Development is inexorably moving towards regional specialization.

Under Agro-Climatic Environment it has been pointed out that Sri Lanka has 24 Agro-Ecological Zones. Nine of the ten known soil types are found within the Island. Besides the two main divisions of the Wet Zone/Dry Zone each of the river basins has its own soils, topography and forms of vegetation. Each catchment is capable of developing a wide range of crops and cropping systems.

Regional specialization involves the setting up of composite Research Stations which are linked to Extension Centres by subject Specialists who should approach research in an inter-disciplinary problem solving manner. This, in turn, should be directly linked through a Net Work of Regional Extension Centres to the farmers fields in which the Extension Staff and the Research Staff would confront specific problems with farmers and develop research methods to solve them and extension techniques to apply the results directly. Steps are now being taken to have a complete review of the T.A.S.O. Structures and changes are already underway. The existing Training and Extension centres are to be re-grouped rationally according to regional needs and the assignment of staff to them would be dependent on such regional needs. At the lowest level of staff viz., the village level extension worker (who number about 1,350) the skills and capability of the existing staff are not equal to the newly emerging tasks. It is proposed to

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gradually do away with this grade and expand the recruitment of Agricultural Instructors who follow an intensive two-year pre-service course leading to a Diploma, entry to which requires a combination of Science subjects relevant to Agriculture at the G.C.E· (O.L.) while the V.L.WW. require as qualifications, any combination of subjects at the G.C.E. (O.L.) and are given only 6 months training at practical Farm Schools. Despite continuous in-service training the latter lack the specialized knowledge and skills to work directly with the farmer, translating and transmitting research findings through extension to meet the needs of the newly developing farming systems.

Single crop specialization, in the future has to give way to diversification into multi-crops according to soil capability and climatic conditions. Farmers have to be educated to change their mono-crop economic systems to a diversified farming system in which crop rotation becomes the take-off point to modernization and enhancement of productivity. A major shift in T.A.S.O. Training Programmes is indicated towards developing inter-sectoral cross-disciplinary team approaches to development. The compartmentalization and narrowly functional training systems would have to be re-organized to provide for sectorally integrated training programmes which would include within its scope such subjects as training in leadership, institution building at the village level, Project Appraisal and Evaluation Techniques, Development of linter-sectoral planning skills and awareness of national goals and priorities in development. T.A.S.O. Training Programmes would have to be specifically "on-the-job" oriented with the development of training skills through the work environment in integrated area development projects.

A corollary to broadening the scope of T.A.S.O. Training Programmes is to bring within their ambit various levels of staff who have sectoral responsibilities in Rural Development. For instance, officers of the Sri Lanka Administrative Service, the Territorial Civil Engineering Organization, Agricultural Development Corporations, etc., are vitally involved in rural-based development activities. The T.A.S.O. Training Programmes should not only contribute to the specialized needs of each functional group but also design courses which cater to cross disciplinary and inter-sectoral needs. The increasing socialization of the means of production in Sri Lanka has the end-objective of increasing the people's participation in the development tasks and mobilization of their energies in the development process. Government Policy in setting up village-level institutions especially in the field of Agriculture has the aim of developing systems of self-management based on self-reliance among the people and the assimilation of the skills needed for this purpose.

T.A.S.O. Training Programmes have now reached a historically important point of time. The time has come for the large number of Government Officers at every level in the Administrative hierarchy to realize that Government's Policy Objective is a massive transference of skills from the bureaucracy to the people through their leaders in the social organizations. Two questions arise. Firstly, how could T.A.S.O. Training Programmes prepare these functionaries to a realization that the Socio-Political situation demands that they voluntarily participate

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in this process of skills transference? Secondly, the methodology of T.A.S.O. Training Programmes have to undergo a radical change in developing systems and methods by which such a massive transference of skills could be effected practicably without a dislocation of the development programmes. The success or failure of T.A.S.O. Training Programmes would depend upon the commitment of persons from the highest level downwards in accepting the challenge and the will to carry through such a transference.

ANNEXE

Anticipated Additional Technical Staff Required to Implement Proposals for Research, Extension and Education During the 5-year Plan Period 1970-1976

		Present Staff	*Additional Staff required*
1	*Research*		
	Research Officers	62	83
	Experimental Officers	37	102
	Laboratory Assistants	59	186
	Librarians	1	2
	Assistant Librarians	22	—
	Technicians	—	3
	Statistical Assistants	3	6
	Research Station Superintendents	1	7
2	*Extension (including Mahaweli and Walawe Projects)*		
	Agricultural Officer Grade:		
	(i) District Agricultural Extension Officers	22	22
	(ii) Subject matters Specialists	—	56
	(iii) Extension Supervisors (Project Managers)	7	73
	(iv) Crop Production and other specialised posts	8	54
	Agricultural Instructors	319	500
	Extension Workers (K V SS)	1,493	*212
	(* 1970-71 only for Mahaweli and other projects)		
3	*Education and Training*		
	(*a*) In-service and Farmer Training Centres		
	Agricultural Officers	1	29
	Agricultural Instructors	5	23
	(*b*) Education (Schools of Agriculture and Practical Farm Schools)		
	Principals — (i) Graduates	1	5
	(ii) Non-Graduates	4	—
	Lecturers — (i) Graduates	17	42
	(ii) Non-Graduates	17	—
	Demonstrators	6	45
	Laboratory Assistants	3	7
	Physical Training Instructors	2	1
	Librarian	—	1

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SOME REFLECTIONS ON CURRENT ADMINISTRATIVE REFORMS IN THE DISTRICT ADMINISTRATION

B. S. Wijeweera

The year 1973 will earn for itself a special place in the history of Public Administration in Sri Lanka. For the first time we have displayed an innovative spirit and an ability to mould and modify, to suit local conditions, the administrative apparatus that was bequeathed to us by the British along with the Soulbury Reforms. The reference here is to the institution of District Political Authority which was set up almost by Prime Ministerial fiat[1] towards the beginning of October, 1973. We are not concerned here with the political and economic forces that led to the setting up of this institution (in fact this idea had been in the air a longtime before the precipitation of an economic crisis) nor are we commenting very much on the limited financial decentralization that was a corollary to this innovation. We single out this institution for comment because it is unique—an experiment in Government which, to our knowledge, has no parallel in countries following Parliamentary Cabinet type governing practices.

This paper is not an attempt at justifying this institution (in fact we anticipated these developments)[2], because we are of the view that it is essentially transitional in character, and hence will give way to other developments due to the very forces it will generate and by which developments it will be superceded eventually. Rather, our intention is to surface some of the problem areas this institution has created for the present administration, analyse such problems and identify the forces that the institution would generate, and, if possible, stipulate desirable directions in which these forces could be harnessed in order that the developments and changes that will emerge will be for the better management of the affairs of this country.

Constitutionality

We bring this out as the first problem area because of its fundamental nature and because of our firm belief that any administrative innovation must withstand the test of constitutionality or be preceded by an appropriate constitutional amendment. We are also aware that doubts have been expressed in certain quarters concerning the constitutionality of this institution. For purposes of analysis we would like to discuss this problem at two levels, general (i.e. taking the pith and substance of the constitution) and specific (i.e. taking into account the detailed provisions of the constitution).

1. The announcement was made by the Prime Minister on the 20th of September at the Bandaranaike Memorial International Conference Hall whilst the cabinet deliberations on this proposal were going on. The Cabinet formally approved this proposal which was by then a fait accompli, at its meeting held on the 27th of September.

2. Document No. 13/2/337, *Representations from Individuals*, Constituent Assembly Proceedings. *Memorandum dated 20th September, 1970, submitted by the Government Agent Badulla to the Steering and Subjects Committee* See also *Adiministration Report of the Government Agent Badulla District for* 69/70, Government Printer, 1971

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If one searches for the basic principles of the present constitution one cannot fail to see the principle of political direction of the Administration by a leadership that commands the confidence of a majority in Parliament. In fact there is nothing to search, it simply stares at one's face, and we use the words 'political direction' deliberately because we cannot think of a leadership that has come into power on a political platform acting otherwise. We would go further and say that this was also the spirit of the former Constitution, the Order-in Council of 1947, which provided for the Executive to be from the ranks of Parliament, and that this has been a basic premise to which all Governments that have ruled this country since the Soulbury Reforms have subscribed. In fact, if one goes back further in time one will realise that our constitutional history, from Donoughmore times, has been characterized by a process by which the elected representatives demand and achieve in stages, a full control of the administration of this country. Hence, to our reckoning, this concept of political direction of the Administration is not a new one, nor is it one that is inconsistent with the spirit of the Constitution. Whether this political direction is something that should be maintained only at the apex where it has so far been, or whether it should permeate to other levels of the administration is a matter of detail and convention and it is in this respect, if at all, that a problem of constitutionality arises.

When we go from the general to the level of detail there is to be found no specific provision in the present constitution for the setting up of District Political Authorities. In fact it is a truism that no such institution was contemplated at the time the present constitution was promulgated. Two reasons may be adduced for this. First, one cannot expect a written constitution to provide for every possible development that may take place subsequent to its promulgation. Second, constitution framing has also to draw its inspiration from accepted, tried-out and widely discussed constitutional practices prevalent at the time of making of the constitution, and as pointed out earlier, the institution of District Political Authorities is an unique experiment hitherto unheard of in Parliamentary democratic countries.

The more crucial issue is whether the setting up of District Political Authorities requires a prior amendment to the Constitution or whether it can be accommodated within existing constitutional provisions. Our view is that it could be accommodated, simply, by appointing the District Political Authorities as Deputy Ministers in charge of administrative areas. We also contend that the Deputy Ministers so appointed could be assigned subjects and functions (in respect of which their assistance is required) and assigned geographical areas of operation by Order under the hand of the Prime Minister.

This device of appointing District Political Authorities as Deputy Ministers has two important advantages. Firstly, it could provide for the formal co-ordination at a district level of multi-disciplinary programmes such as Food Production, which cut across departmental and ministry boundaries (and jealousies) and which entail problems of co-ordination. Secondly, it would fix precisely the position of the District Political Authority in the administrative hierarchy and its relationship

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to functional ministries and departments. This latter aspect is somewhat ambiguous and confusing today because of the fact that in some districts ministers have been appointed as District Political Authorities.

District Political Authorities and the Administrative Power Structure

We have so far dealt with the problem of constitutionality, but there are equally important issues that this device raises, especially those pertaining to the Government's power structure.

First, the District Political Authority is not only a co-ordinator of specific programmes, but also a disburser of funds for district works of medium and small nature. For the present, the financial resources are small (about 7-10 million rupees per district), but as time goes by it would expand and so would its scope and impact. Hence, local pressure groups which had hitherto being lobbying in Colombo—in ministries and departments—either through their Members of Parliament or other contact men, for small anicuts, tanks, V. C. roads, school buildings, etc. now find themselves in the position of having to lobby the District Political Authority. In practice, this boils down to convincing their Member of Parliament that what is being pursued is something that should be given priority. Further, the Members of Parliament (especially the Government Members of Parliament) who hitherto had to spend quite a lot of their time getting ministerial sanctions and chasing files up and down the corridors of ministries and departments (not to mention their follow-up at the regional offices), now find themselves to be an integral part of the very decision-making body which has the power to authorise these items. The result is a loss of clientele where the ministries are concerned, at least the ones affected by these developments, and a consequent loss of bargaining power.

In making the above observations we are not unmindful of the fact that decentralized allocation of resources can seriously cramp the style of an individual ministry. For instance, this year, some districts did not provide any funds for capital works in the educational sectors, and, perhaps, the Minister will be able this time to divert the wrath of the affected pressure groups towards the respective District Political Authorities· But if this happens two years running he is as good as crippled. This then raises a very fundamental issue of the extent to which he could be held responsible for the proper discharge of his functions. Having to negotiate ones way through a scrupulous Planning Ministry and a stringent Treasury was bad enough, but bargaining with 22 separate District Political Authorities would make the task of ministers immensely more complex.

The second problem arises from the growing importance of the Prime Minister's Office under the new dispensation. Traditionally, this has been a very small office with an equally small select staff attending mainly to the public relations aspects of the Prime Minister's duties. Its initiative in policy making was marginal, and in this field its main function was to serve as the link between the Head of Government and the policy making instruments, the Cabinet and the Ministries. With the institution of District Political Authorities, which are directly attached to it, the Prime Minister's Office takes on a new dimension, and for the first time establishes a direct link with the 22 districts and

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their administrations. Admittedly, the District Political Authorities could not have been attached to any other Ministry without in turn transforming such Ministry into some sort of super-ministry. Hence, the most appropriate place was the Prime Minister's Office. However, this has vast implications. Now, the Prime Minister's Office will be cutting across ministry boundaries and exerting a direct influence on the administration in the districts, and more important, it will be opening itself to direct local influences on matters that are functionally the responsibility of ministries. We would like to amplify this by quoting a circular sent by the Secretary, Ministry of Public Administration, Local Government and Home Affairs, in consultation with the Prime Minister's Office:—

> Every Government Agent, A. G. A., D. R. O. and other officers concerned should act in accordance with the decisions and instructions of the Political Authorities in their District and should extend to them the maximum possible co-operation. Wherever there is a problem arising from the fact that such instructions may run counter to a Ministry circular or any other rule or Regulation, I expect such situations to be reported to the Prime Minister's Co-ordinating Secretariat for clarification and resolution of the problem. Where necessary, the Co-ordinating Secretariat will consult the Ministry concerned.[3]

The implications of these instructions are that the Prime Minister's Office is now assuming a greater initiative in policy-making. Over the years and with the probable expansion of the ambit of subjects coming within the purview of District Political Authorities, this trend could very well lead to the eclipse of some ministries as policy making instruments and lead to what is commonly called the "Presidentialization" of the Office of Prime Minister.

The phenomenon of 'Presidentialization' is not something new to countries following a Cabinet form of Government. It has been the subject of comment in Britain for a long time[4] and in recent times in Canada, notably under Trudeau.[5] In these countries it has been regarded, by some, as a means of investing the administration with the quality of charismatic leadership—the prerogative of any Prime Minister.

The third problem area that we select for comment is one that concerns a basic premise on which governments are formed and are maintained. To us, all governments are coalitions we mean, of interest groups. It may be that in the case of the present one (and the previous ones) the political nature of the coalition is dominant, but even in instances where governments are formed from among the ranks of a single, cohesive, political party, coalitions do operate. They are coalitions that reflect diverse combinations of communal, religious, caste,

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3. Circular No. AB/DC/17 dated 10th December 1973.

4. Richard Crossman, in his Introduction to the 1964 edition of Bagehot's *The English Constitution*. Humphrey Berkeley, *The Power of the Prime Minister*, London,

5. Denis Smith, The Transformation of Parliamentary Government in Canada in *Apex of Power*, (ed. Thomas A. Hockin), Prentice-Hall, 1971.

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regional and sectoral interests. The ministers inevitably get drawn into these interest groups and become the chief spokesmen for them at the decision-making level. On many an issue the position taken by them reflects the interests of the group or groups whose cause they choose to espouse, and also the extent to which these interest groups constitute their main political support, both within the Government and outside it. At the apex these differences are reconciled at Cabinet level by a consensus on important policy directions, but there is a silent understanding that back in the ministry each person is obliged to cater to sectional interests. At the operational level, the district official sees this very clearly, begins quickly to understand its mechanics of operation and acts accordingly. The District Political Authority on the other hand, is an entirely different proposition to an official who has to carry out instructions issued to him. Firstly, he is a political party man, and, in the context of a coalition of political parties, may view with disfavour those instructions which in his opinion will jeopardise the local interests of the party to which he subscribes. Secondly, he is also a politician in his own right with definite loyalties towards interest groups within the district, which in turn look up to him for leadership. In such a situation it would not be unnatural for him to be at variance with some of the instructions emanating from Colombo. What he does on these occasions and how he reacts to them will depend, inter alia, on his political judgement. However, our contention is that in the institution of District Political Authority there lies this germ of friction which, could be a source of constant irritation and which, if allowed to grow could eventually lead to the undermining of the coalition nature of any government.

So far we have taken the institution of District Political Authority and have analysed some aspects of its impact on the administrative power structure at the Centre. Before proceeding any further, we would like to lay down a few other comments on certain developments that are taking place at the Centre· These developments, though unrelated to the institution of District Political Authority, are very relevant for purposes of our analysis that they too involve the administrative power structure of the Government.

The Planning Process

In the early years after Independence whatever planning there was, was done by the Treasury. It was more a control function than a planning ob. Resource allocation too was not a very difficult task and any persistent minister was assured of getting his major programs through whilst the Treasury contended itself with saving a few rupees here and tnere on things like overtime, cadre, travelling, etc. The interference of the Treasury was disliked, but it was never a serious threat to other ministries to the extent of transforming the Ministry of Finance into a super-ministry With increasing interest on national economic planning there emerged the Department of National Planning. But it was not till 1965 that the planning process was linked with the budgetary process and thereby took hold of the management of the economic affairs of this country. Always with a top economist at its head, in the Ministry of Planning, since 1965, has grown in importance helped by two vital factors. First, it has always had in the person of the Minister of Planning

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the weight of the Prime Minister behind it. Second, and no less important, it was commissioned at a time when we were just beginning to feel the crunch of a deteriorating foreign exchange situation. This, coupled with the subsequent escalation of the financial situation into a crisis, largely contributed towards strengthening the hand of the Planning Ministry in the matter of resource allocation. Hence by early 1973 the Ministry of Planning had grown into a very powerful institution.

The country's planning mechanism underwent substantial change in July, 1973, when the Government, acting on recommendations made by a Cabinet sub-Committee, set up a Planning Council of nine Cabinet Ministers for the purpose of planning and assigning priorities in the matter of allocation of resources. The Council was to function through nine sub-committees called Sectoral Committees (to some of which other Cabinet colleagues have been co-opted each dealing with a broad policy area, such as Agriculture and Fisheries, Administrative Machinery, Industry, Irrigation etc.) The supporting staff for these Sectoral Committees, both for secretarial work and research, was to be found from the Ministries of Planning and Plan Implementation.

A noticeable feature of this development is that though the Planning Ministry is still there in a big way it has certainly lost its commanding position in the planning process. Further it has created a curious planning mechanism whereby a minister is both the supplicant and judge.

We are not interested here in getting ourselves involved in the conflict between economic imperatives and political realities; partly because it is futile and partly because of our belief that the truth lies somewhere in-between in a synthesis which provides for a reasonable approximation to an optimal decision making process. Further, the present impasse is only a local manifestation of a dilemma being experienced the world over, especially in developing countries[6]. Our intention rather is to draw from these developments some important conclusions which will lend support to the theme of our analysis of District Political Authorities.

Nowadays, one does not have to labour the point that in any country planning is a must and the poorer the country the more this should be so. Hence, expenditure planning and the allocation of resources, which form an integral part of the overall planning process should be both authoritative and rational. In this respect we are far behind time by any standards of modern budgeting.[7] In order to ensure that decision-making is authoritative, it has to be done at the highest political level, preferably by a small but representative group reflecting the political realities of the Government. In the Planning Council as it is presently constituted—a sort of inner cabinet—we have an excellent device for the authoritaitve allocation of resources. But, could it function rationally and objectively even to a reasonable degree of approxi-

6. Mike Faber and Dudley Seers, (ed), *The Crisis in Planning*, Chatto and Windus, 1972.

7. No doubt we have introduced programme budgeting but we are merely going through the exercise of programme budgeting without the planning of priorities an essential pre-requisite to any meaningful PPB system. In fact very little of the classical budgetary process has changed.

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mation? Our answer to this is, no. First, no person can be that objective about a cause that he himself has championed and on the acceptance of which may rest his prestige. Second, the supply side of resources is going to be increasingly characterized by a condition of scarcity, which would mean the elimination of a large number of programs which are otherwise excellent. In the context of a coalition of political parties, such elimination is bound to cause heartburn and friction, making rationality exceedingly difficult to achieve. As we have observed earlier one should not be the judge and supplicant at one and the same time, and if judge one must be, then we have to pose the question whether one has to be the supplicant. In terms of constitutional practice whereby Cabinet Ministers are assigned functions and subjects and are made responsible for the administration of prescribed agencies and departments the minister is responsible for the provision of funds, for the running of these departments and for commissioning of new programs. A serious shortfall in the allocation of resources will not only curtail his programs, but also, in the long run hamper the effectiveness of his administration, its ability to deliver the goods, and in the ultimate analysis his political image. Here we come up against another cardinal issue, namely, the doctrine of ministerial responsibility. It is this doctrine that we wish to question and to which we address our mind in the next section.

The Melting Pot

In view of the sacredness of this concept of ministerial responsibility we would prefer to preface our remarks by quoting at length some authoritative comments.

> The internal problem relating to the organisation of central ministries is largely the result of a self inflicted wound. The principal reason why the British have been so reluctant to rationalize administrative institutions and to improve ministerial control is the doctrine of ministerial responsibility. This doctrine requires no exposition here, but it is clear that ministers and senior advisors have invoked this doctrine in order to justify remote rather than direct control of other (their) institutions. According to the doctrine if the minister assumed direct control he would automatically become responsible to Parliament for every detail of the administrative work.
>
> The ridiculous point about this doctrine, which is one of the central theoretical features of British constitutional law, is that no one believes in it. No sensible Member of Parliament expects a minister to resign over a fault of administration, which is the doctrine's implied ultimate sanction. It may be a useful tag for harrying ministers in Parliament, but even then it smacks rather of a game of verbal cowboys and Indians. A minister resigns, or is effectively dismissed, if he really becomes too embarrassing to have on the front bench, or if he manages to earn the overwhelming hostility of his own party's backbenchers and has the job of a scapegoat, or if he becomes too closely associated with a policy which events prove either disastrously wrong or likely to lead to electoral suicide.[8]

8. Brian Chapman, *British Government Observed*, Allen and Unwin, 1963, p.38

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Chapman's argument is that no minister has any direct control of the administration of his departments in any real sense, and hence, by implication, a direct control of the execution of policy through them. We would go further and submit that, at the present juncture with resource allocation being characterized by a condition of scarcity and uncertainty, very few ministers have any direct control in any meaningful way of even the formulation of policy pertaining to their functions.

In the future, policy formulation will not be merely a matter of vitality, research and initiative of individual ministries but more a function of resource supply and the overall national priorities dictated by political, economic and societal realities. In this context, we must surely begin to re-examine our societal goals and objectives—whether we desire a rational ordering of priorities or whether we prefer to perpetuate a constitutional shibboleth at any cost.

In making a case against the doctrine of ministerial responsibility we are not in any way preaching irresponsibility. Responsibility should be there—at the level of policy formulation—on the Government and on the Cabinet as a whole as the doctrine of collective responsibility implies. At the level of execution and administration, we could with success follow the European and American example and remove the cloak of anonymity that surrounds the bureaucracy and demand of departmental heads and agency heads a greater degree of accountability and answerability, at least in respect of those whose appointments are considered to be of a political nature. In this respect we would like to quote Chapman once again.

> But fiction or not, this doctrine (of ministerial responsibility) seriously affects the internal organization and working of central ministries. First, it has furnished the theoretical grounds for maintaining, indeed insisting on, the anonymity and constitutional irresponsibility of civil servants . . . . . Nobody really believes that senior civil servants are faceless, pliable, sexless creatures without fixed ideas, or intellectual eunuchs impartially proferring advice with all deference and humility to the great man in the ministers office. The cognoscenti know perfectly well who are the *eminences grises* in a particular ministry. Their real strength, and the real dangers of the doctrine of ministerial responsibility, is that they are unassailable.[9]

There is another facet of this doctrine that we are very much concerned about. It involves one of the basic principles of democratic theory namely, the most important decisions which are binding on the community, should be made not by a leadership that consist of specialists or experts but by a co-ordinating authority which can decide the proper place of each specialism in the life of the community.

> To be able to do this demands very special qualities but not the qualities of the specialist. It demands, to put it roughly, the ability to think in terms of the good of the whole community, to survey all the different specialisms and their relations to each other, and to evaluate the particular contribution of each.[10]

9. Ibid., p 38–39.
10. G. C. Field, *Political Theory*, Methuen, 1969, p. 108.

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This, of course is the ideal but to the extent to which a country's higher decision making apparatus approaches this ideal, one can also be sure of the quality of its decisions. Our contention is that the operation of the doctrine of ministerial responsibility not only militates against realization of a reasonable approximation to this ideal, but also has the effect of exposing higher decision making to the dictates of specialisms. We refer to the 'cult of personality' which develops as a result of this doctrine. Every minister is made to feel that he (as distinct from Government as a whole) has to show positive results, the more spectacular the better, in order to account for his stewardship and to boost his public image. In this pursuit, even well intentioned criticism could become an obstruction, and where theory demands objectivity, a delicate balancing of specialism and 'the general good', what dominates is a determination to press on ones specialism against all odds. Our purpose here is neither to highlight human failings nor to single out the politician for the personality cult, but to drive home the argument that the design of institutions must take into account human behaviour.

The third draw back in the application of this doctrine is that it places too heavy a work-load on the shoulders of ministers in regard to the administration of departments and agencies. Given all the good intentions in the world, the day-to-day tasks of practical politics and the details of departmental administration weigh so heavily on a person, that short of super-human powers only a few could within the span of their period of office bring to bear on policy that 'very special quality' that is the prerequisite to good decision-making. In this connection we would like to refer to an observation made by the Seers Mission.

> One great obstacle here, of course, is the enormous pressure on the time of ministers, strikingly evidenced, by the queues always present outside their offices. Ministers need to be protected from such pressures *so that they have time to study and discuss the central issues of policy.*[11]

This, is in regard to their speciality. When it comes to the higher function of aggregation individual ministers are far too harassed or overwhelmed with their work to give much serious attention to the problems of others.

In this section and the previous one we have had at the focus of analysis the concept of ministerial responsibility and we have seen how it breaks down in the face of modern demands of PPB theory, constitutional theory and democratic theory. It had been a very valuable concept, but its inadequacies in meeting the stresses and strains of modern government are too glaring to be glossed over. If this doctrine is to be modified then where do we fit in the political control of execution of policy and the control of the administration, without which no government could be effective. It is at this stage that we would like to go back to the point from which we left off in the analysis of District Political Authorities.

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11. Report of the Seers Mission, *Matching Employment Opportunities and Expectations* I.L.O. Geneva 1971, pp. 152–153. Our *underlining* for emphasis.

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A Synthesis

It has been a long way from the District Political Authorities but it was a necessary detour in that we had to prepare the ground for what is to follow in this section. At this stage we would like to recapitulate the main points that we made in connection with the District Political Authorities. We demonstrated how they could reduce the clientele of ministries and even impair their effectiveness through a control of funds, indirectly enhance the power and authority of the Prime Minister's Office vis-a-vis the ministries, shift the policy making initiative from ministries and. in the last analysis, even seriously undermine the coalition nature of governments. We are not suggesting that any of these things will happen. In fact it would not be too off the mark if we were to suggest that the District Political Authority may even succumb to these forces it has unwittingly unleashed upon itself. Only time can say, but if this were to happen we consider it a national tragedy. Because apart from personalities, the institution of District Political Authority, in our view, symbolizes two key elements of a development strategy —decentralization and democratisation.

Decentralization is a key element in this institution because through its functions not only have the funds for any appreciable and vital range of programmes been decentralized, to be controlled, expended and accounted for at a district level but also, the very political decision-making process has been decentralized in order to preside over this disbursement, authoritatively.

In regard to the claim that the District Political Authorities symbolize democratisation, we would like to look at it in relation to the representative nature of that small group that is invariably involved in any decision-making function. From this point of view we make the claim that the group associated with the District Political Authority for decision-making purposes at the district level is far more representative of the people and their aspirations than any counterpart group in Colombo with the exception, of course, of Parliament. This is a strong claim to make and we will attempt to justify it. If one looks at the major decision-making bodies that are in Colombo and their individual members fairly closely, one cannot fail to notice, by and large, the social homogeneity that binds them together, whether they come from the political sector, bureaucratic sector, academic sector or the private sector. They form a closed corporation—a sort of confraternity—in which the members share common attitudes and values. We are not denying that among them, especially among the political elite, there are some who either by birth, upbringing or inclination have their roots firmly grounded to the soil. But even in these instances, whatever their private philosophies may be, the cumulative effect of having to live in the metropolis, to be in constant contact with each other both at official and informal gatherings, of having to cut off, to a great extent, the rural and rustic element from their lives due to the nature and pressure of their work, is that, they become very much the unfortunate victims of this society than its masters. On the other hand, at the district level, there is no such alliance of common attitudes binding the group together. They are from mixed backgrounds with very diffused social

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contact with each other, and, above all, the dominant political sector of this group is very much more rural and rustic than its counterpart in Colombo. Further, the very nature of the work they are involved in exposes the decision making process, to a very high degree, to rural and local influences. This, then is the thesis on which our claim that the District Political Authorities symbolize a process of democratisation is based. To those apologists of 'elitism' we offer no defence. We admit that this is, indeed, a value judgement.

Our analyses have now brought us to the cross-roads. On the one hand there is the breakdown of both the concept and practical value of ministerial responsibility brought about by the demands of modern government and on the other hand there is this conflict between this concept and the institution of District Political Authorities.

As an answer to these inconsistencies and anomalies, *we suggest a positive strategy of closing down the ministries in Colombo and setting them up in the districts* thereby absorbing the District Political Authorities into them. This, in conceptual terms, involves a modification of the doctrine of ministerial responsibiltiy from one of functional responsibility to one of spatial responsibility.

In this pattern, except for the Prime Minister, every Minister will be in charge of a particular district for purposes of co-ordinating all government activities and controlling the overall execution of governmental policy through them. For purposes of policy formulation there will be no ministries to preside over, but the ministers will function through the Sectoral Committees, Planning Council and the Cabinet. Today, in regard to policy formulation, there is considerable overlapping in the work done by ministries and the Sectoral Committees. In a country which can scarcely afford valuable expertise, this is a criminal duplication. In the suggested structure the bureaus of the Sectoral Committees together with the departments will be the sole repositories of expertise in respect of the areas of policy falling within their ambit. Without getting into an explanation of detail we would like to present diagrammatically (see annex) the structures of policy-making as it is presently constituted (Fig. 1) and how it would be under the suggested pattern (Fig. II).

At a glance one can notice that a five-tier structure has been simplified into a four-tier structure, thus avoiding the duplication referred to above. The other basic difference will be that the new Directorates of Planning and Policy will not only serve the secretarial and research needs of the Sectoral Committees, but also be the chief instruments for directing and controlling the departments and agencies under their charge, thereby taking unto themselves almost all the functions that are now performed by ministries.

The problems of re-organization are such that not only must one take into account, in the moves, the kings and queens, but also one must be able to fit in even the knights and the bishops. For this purpose we would like to take the Planning Council, the Sectoral Committees and their supporting staffs as components of a single administraiive unit and depict them below showing their hierarchical relationship under the proposed pattern.

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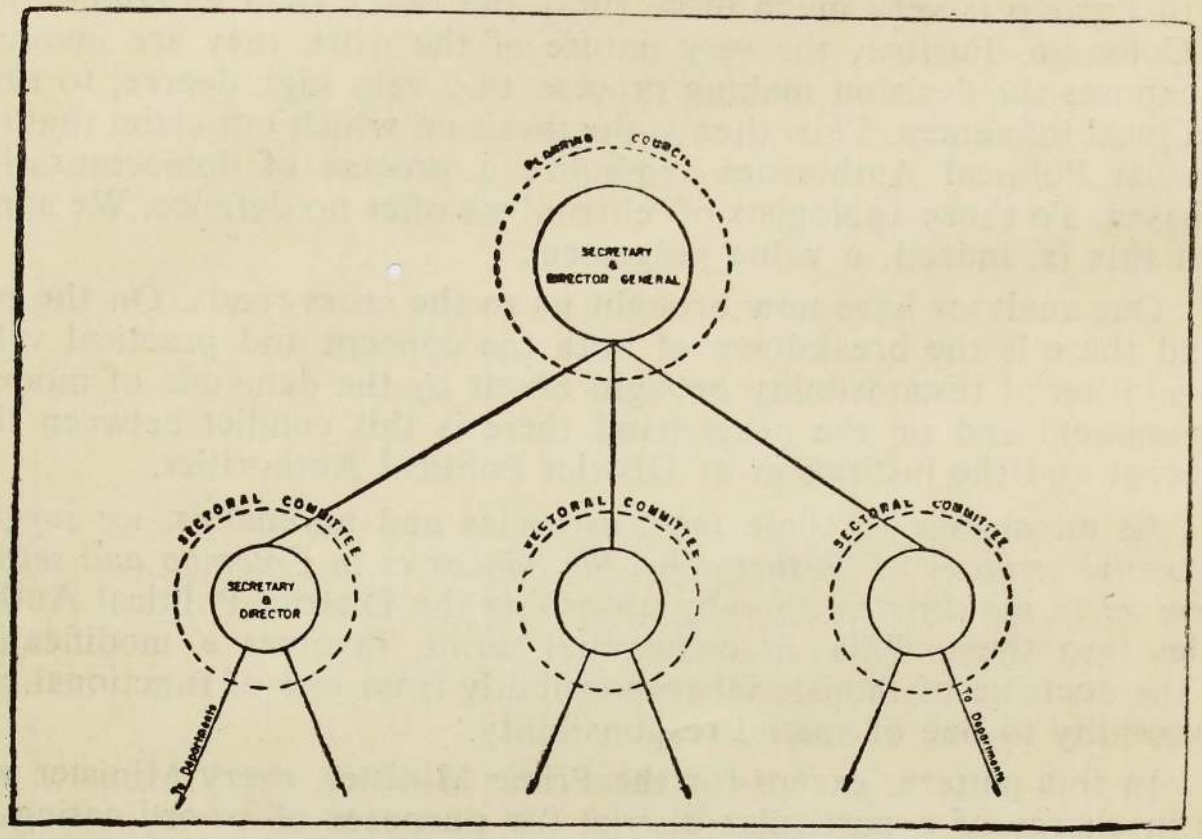

The administrative head and chief executive of the planning unit will be the Director-General and he will also function as Secretary to the Planning Council. He will be supported by the Directors of Planning and Policy, who will also function as the Secretaries of the respective Sectoral Committees. In the search for persons to man these key posts one does not have to look far, because in the present Secretaries of Ministries there is a ready reservoir of talent and expertise which could be harnessed for this purpose.

There is also the other possibility of ministers wanting to take along with them to the districts some of their key men presently in departments and ministries, thereby raising the general standard and quality of the District Administration. There has been, in recent times, too much comment and too little constructive action on the poor quality of the District Administration. This is due partly to the centripetal forces exerted by the ministers themselves in attracting men of ability to their ministries and departments. A reversal of this process would not only lead to the upgrading of the District Administration but also provide such able men with the richer experience of working in the districts.

A Justification

We do not want to go over the ground covered already by taking one by one the various issues that were raised during the stages of preliminary analysis, but suffice it to say that the proposed pattern meets them all adequately. However, before concluding we would like to substantiate the claim made by us that this would lead to the formulation of better policy.

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In regard to the practice of PPB, we raised the problem of a minister being presently both supplicant and judge, thereby negating the rational ordering of priorities. In the proposed scheme the ministers would not be supplicants, because they will not be having any functional departments or agencies under their direct control and hence would not suffer any loss of prestige as a result of a denial of funds. Of course, there would be the supplicants, *i.e.* the departmental heads and agency heads, who would stake their claims for resources and on the strength of whose claims the ministers will decide the priorities. But unlike what obtains now there will be no winners or losers in the budgetary stakes, at least, among the ministers. There will be certain sectors that will win and certain others which will get a low priority, but the district-wise arrangement of ministries will ensure that every one of them will get the district share of the 'winnings' of the favoured sectors. The result of this would be, in the long run, a more rational and objective approach to the ordering of priorities.

In the passage quoted by us, the Seers Mission made a passing reference to the need to protect ministers from "the queues always present outside their offices" so that they could concentrate on the formulation of policy. Whilst endorsing this objective we are left wondering whether this 'protection' is in fact feasible or even desirable. A minister is first a politician and then a policy-maker, and to a politician clientele is strength, a means of contact with the electorate; and no amount of brilliance or success in the functions assigned to him is going to compensate for the lack of dialogue that will result in "protecting" himself from his exacting clientele The greater danger, however, is that by so "protecting" himself the minister will become a pampered but caged bird mainly conditioned by the attitudes and values of that "closed corporation" about which we have had the occasion to comment. To us, queues are a reflection of reality, and one can cut oneself away from this only at the risk of alienating oneself from the real world. Queues are a necessity and our argument is that when working in the districts the ministers would get a chance of making a virtue of them. Our surmise is that unlike the ones in the ministries in Colombo, the queues that will form in the district offices will not be confined on functional lines to, say educational matters, local government matters, land matters and so on, but will portray a cross-section of the total needs and aspirations of the people living in the district. Through this device, the ministers would get a chance of viewing the performance of the Government as a whole as reflected in these demands, and of identifying the weak and vulnerable sectors for remedial action, without, of course, having to tread on some other minister's corns The second salient feature is that being pushed into the role of co-ordinator of all government activities within the district, a minister would invariably develop the characteristics of an "all-rounder' as opposed to a specialist, and thereby gradually acquire those "very special qualities" that democratic theory prescribes for its ideal rulers. The cumulative effect of these tendencies would be, in the long run, to provide for better policy.

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Conclusion

Myrdal once observed that "the key to development lies in men's minds and in the institutions in which their thinking finds expression". and by this token, it is necessary to take our own institutions and periodically evaluate the extent to which they meet the needs of contemporary society. It may be that something that we have got used to, or even cherish, may not be the answer to the present problems. In such a case we must have the good sense to change. Admittedly, changes entail individual and collective re-adjustments. But the story of Mankind, and indeed of all living organisms, is one of change, adaptability and survival, and so it is with human institutions. The urgent need of today is development, rapid development which will erase the dichotomy in a society in which one section is reaching out for the fruits of cybernetics whilst the other is still grappling with the basic necessities of life. It is to this end, in all humility, that we offer this design—a design for development.

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ANNEX

THE STRUCTURES OF POLICY-MAKING

FIG 1

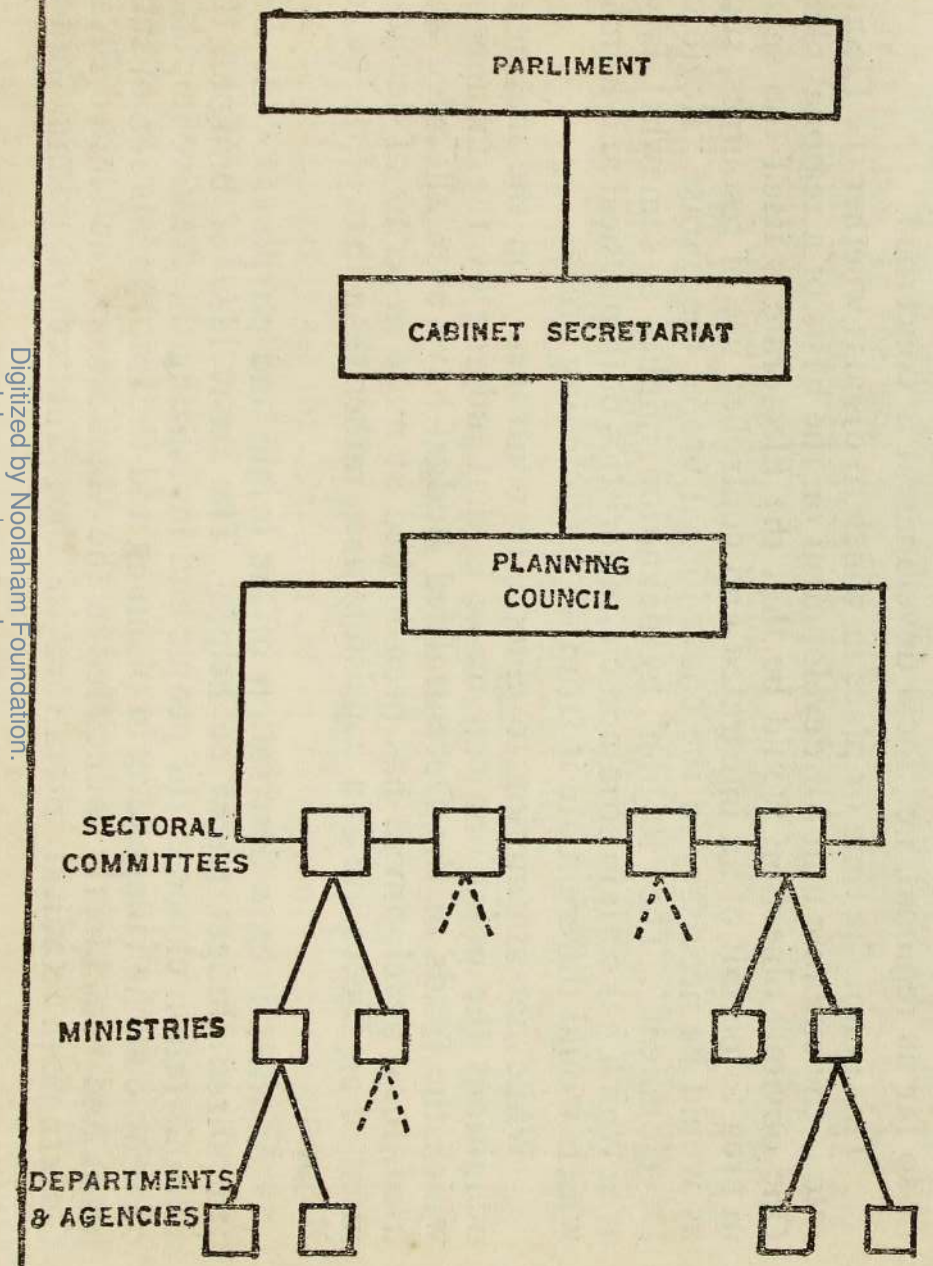
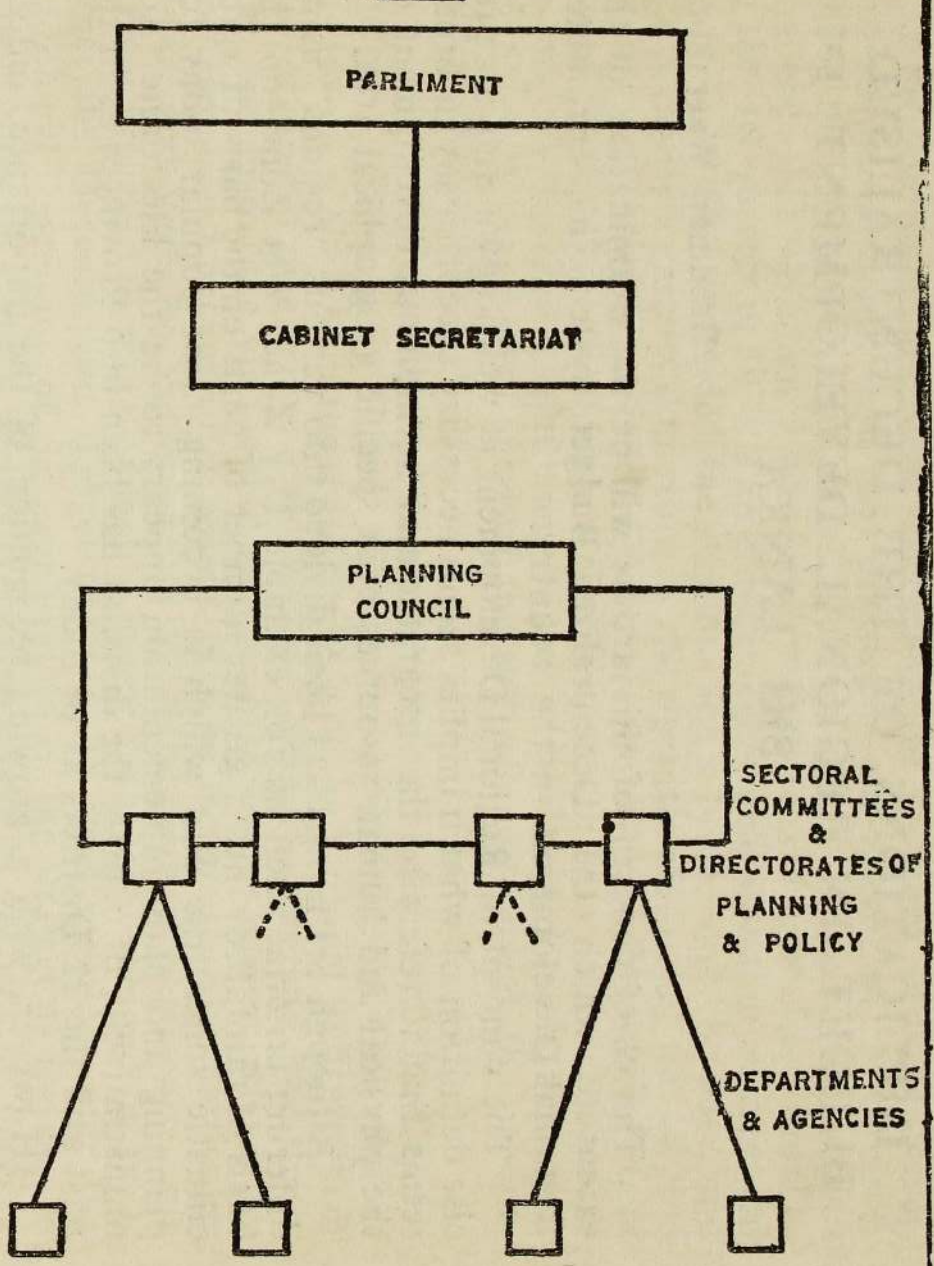


FIG 2



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IMPLICATIONS OF THE DECENTRALISED BUDGET IN REGIONAL DEVELOPMENT IN SRI LANKA

Bradman Weerakoon

The chief concern of this article will be the examination of the extent to which the Decentralized Budget system has promoted Regional Development in the country.

The concept of Regional Development is well-known and no precise definition of what it implies seems necessary except to say in broad terms that it refers to the integrated and harmonious development of the physical and human resources of a specific geographical area.

Although Sri Lanka has been divided into various "regions" using differing criteria, such as for example Dry Zone, Wet Zone, on the basis of rainfall, or into a greater number of parts on the basis of agro-climatic zones, the unit which is becoming most popular today for planning and plan implementation appears to be the Electorate. Administratively, of course, the division has been into Provinces as in the past and the 22 Districts as of today.

However, with a growing recognition of the importance, indeed the primacy of political leadership in planning and plan implementation, the focus of attention has inevitably come to be the Electorate. The manner in which the Decentralized Budget allocations have been broken down into Electorate allocations and the more recent choice of the Electorate as the area of authority of the Divisional Development Council and the Development Co-operative, are further indications of the fact that the Electorate will continue to be the operative unit in so far as regional, i.e., local development is concerned.

This is not the time or place in which to discuss whether the Electorate is the suitable unit for development on the basis of a regional plan. One obvious objection would be that the Electorate is itself too small in area to permit of an integrated and controlled use of resources, such as would be necessary in the conventional use of the phrase "Regional Development". The 'Region' by definition implies a somewhat large area which has certain common characteristics both physical and human which would differentiate it from its surrounding areas.

While not attempting to enter into controversy on the matter of definitions the point one can make is that judging by the manner in which the funds of the Decentralized Budget have been allocated and used, local development has been looked at more in terms of development of an Electorate as a consistent area rather than that of the larger Region.

At the outset, a description of the origin and purposes of the Decentralized Budget might be helpful. The basic idea of bringing the administration closer to the people and mobilizing the creative impulses of people at the village level in planning and the implementation of such plans had been clearly enunciated in the Manifesto of the United Front Government. Radical alterations in the structure of administration

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had been wrought and new institutions set up since 1970. However, a fundamental break with past practice in the allocation of resources under the Budget became an absolute necessity owing to the serious challenge that the country was faced with in regard to its food supplies in the last quarter of 1973. The grave international situation with regard to food supplies provided the stimulus for a break with the past, and a new, indeed unique, departure in the decentralization of the Capital Budget was the result. As the Minister of Planning and Economic Affairs stated at that time, "we have come as a nation to a decisive moment in our history when all our energies had to be directed to the achieving of the main objective of survival and self reliance through the production of essential food items".

What was intended by the term "Decentralization of the Capital Budget"? From early British times, the expenditure of Government funds took place within the strict confines of the National Budget which was organized primarily on the basis of Departments and Ministries. The Budget for the year would be presented to Parliament, passed by Parliament and expenditures would then be incurred under particular Heads and Votes by the operating Ministries and Departments. This system prevailed in more or less the same form until the end of 1973. What the Decentralized Budget did was to fundamentally alter the traditional conception of the organization of the Budget as far as the expenditures on Capital Works were concerned It did this by making available to each District a lump sum of money, ranging from 5 to 12 million rupees, depending on size and the needs of the District, to be used for works of a capital nature related mainly to food production. The works were to be selected at the sole discretion of the representatives of the people in that district.

We can appreciate the magnitude of the change if we compare it for a moment with the situation which prevailed earlier under the central Budget. In the past, if a road, anicut or bridge was needed in any local area, the proposal would first be initiated by the local officials of that Department and then sent up to Colombo to be incorporated into the Departmental Estimates prior to approval by the Treasury. Very often, the proposals from the bottom would get diluted or lost in the course of their way up the ladder, and it would often be finally the pressure of the Member of Parliament on the Departmental Head, and at times the Minister himself which would see the proposal successfully through the process. It was a long and arduous struggle for the Member of Parliament to win his case against several other competing claims. When finally the item was approved and money was allocated to it in the Budget the operating Department at the local level would start work and work would proceed up to the limit of the allocation set out in the Estimates of Expenditure. Reporting on progress of work was done upwards to the Department in Colombo. The itemization of work in the Budget invested it with a somewhat sacred quality. There was no flexibility to change plans as circumstances warranted, or to spend more, without a laborious system of approvals from above, and consequently at the end of the year there was generally considerable under-expendiure of the monies allocated. It is well-known that the under-expenditure on the Capital Budget was of the nature of 20 per

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cent. What the Decentralized Budget has done is to show the way of rectifying these shortcomings and delays.

How would the system work in the case of a local road, anicut or bridge under the new Decentralized Budget? The proposal comes up from a local institution like the Rural Development Society, the Agricultural Productivity Committee or the Cultivation Committee. A rough estimate is made of the cost, and if approved by the District Political Authority, which functions as a joint session of Members of Parliament and officials, an allocation is set aside for the purpose. The local operating agency, say the T.C.E.O. or the Buildings Department, is authorized to start work. Progress is reported not directly to the Head Office of the operating agency, but to the local District Political Authority which is in a much better position to scrutinize and review progress. If the plan of the road or bridge has to be changed in mid stream, all that is required is that approval of the District Political Authority. If more monies are needed for the work than the original plan provided, that too, can be approved by the District Political Authority. In short, in place of the inflexible and invariable procedures that constricted construction on capital works in the past, a flexible, speedier process has been evolved.

How did the system actually work in practice? In the first year of the Decentralized Budget 1974, a total sum of Rs. 175 million was made available for the operation. This money was collected under one Head in the Ministry of Planning and Economic Affairs by lumping together blocks of money which would normally have been spent for capital works by various Departments. For e.g. about Rs. 50 million was drawn out of the Department of Irrigation funds; Rs. 20 million from Land Commissioner's Votes; Rs. 10 million from Rural Development and so on. The total sum of Rs. 175 million was then allocated to each of the 22 Districts on the basis of draft plans of investment which had been prepared earlier by the Districts. These draft plans which for the 1974 Budget were prepared at the end of 1973, were built up on the basis of guide lines laid down by the Ministry of Planning. The Ministry of Planning would indicate the typical investment mix which the District plan should contain. Since the primary purpose of the Decentralized Budget was to stimulate Food Production, the vast majority of plan proposals would necessarily be related to food production activities. Irrigation works, agricultural roads, construction of Agricultural Productivity Centres, e.g., would take the major part. Social Service items like extensions to hospitals, repairs to school buildings, received only a very small share of the Budget, if at all.

Since the District Plan was built up of the requests of several organizations and individuals, covering the entire district, they were initially very comprehensive and it was estimated that in 1974 the total of the draft District Plans themselves amounted to over 300 million rupees. Some Districts alone had tentative plans which would have cost Rs. 25 million. However, the Ministry of Planning had only Rs· 175 million for disposal and therefore Districts received as mentioned earlier, only between 5 to 12 million rupees each. This meant, of course, that when the actual allocation was received in the District, the draft plan had o be tailored down to fit into the allocation received from the Centre

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and new priorities established. Some items in the original proposal had to be dropped and other items had to be pruned down in cost. Once the District Political Authority decided on its proposals for construction, the operating agencies were given the green light and work could commence. In the first year of operation 1974, in spite of the initial problems encountered in working the scheme, the quantum of work done was extremely satisfactory and the entire sum of Rs. 175 million was expended. While in a few districts there were savings, in some of the other districts there was over expenditure of the district allocation granted, and it became necessary for funds to be transferred from the districts in which savings were found to cover the over spending. This point, too, is indicative of the flexibility which the system has inbuilt in it. Any under-spending in one district, without resulting in a lapse to revenue, as would have been the case in the former ordering of the Budget, can be transferred without any delay, by the Ministry of Planning to another District in which work has proceeded at a faster pace.

With the experience gained in the operation of the Decentralized Budget in 1974, some new departures were tried out in 1975. It was seen in the earlier year that where the Members of Parliament were enthusiastic and active, the number of Projects commenced were so many that the district allocation was in danger of being exhausted. It was therefore decided in some districts that once the district allocation was precisely known, this sum itself, say, Rs. 10 million, should be rationally distributed among the electorates so that the Member of Parliament in charge of the electorate could himself apportion his priorities within a circumscribed upper limit. The problem here was to devise an acceptable system whereby the District allocation could be again allocated to the Electorates. The question really was, how was the cake to be cut, and how big was each slice to be? It was not very difficult to devise an objective method of sharing the cake. E.g. if there was Rs. 10 million for the district and 10 electorates involved it would obviously not be a rational allocation of resources to give each electorate Rs. 1 million. Some electorates are large, some small, some densely populated, some sparsely, some relatively developed, some undeveloped, some with great potential, others with little for future development. Therefore, some classification of the electorates according to their need was initially necessary, and the yard-stick employed in so classifying the Electorates used as indices, physical size, the population, the existing acreage of paddy and other crops, miles of roadway metalled and gravelled, and so on.

In this way it became possible for all Members of Parliament and the District Political Authority to agree on how the District allocation should be divided initially. E.g. of the Rs. 10 million assumed earlier three electorates might be given "A" priority and each given 15% of the total. Four electorates falling into "B" category might get 10% each, and the balance three electorates would fall in the "C" category and get 5% each. Once the electorate allocation was determined in this manner it became the function of the Member of Parliament in consultation with the institutions within his Electorate like the A.P. CC.*

* Agricultural Productivity Committees.

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R.D.SS.,* etc. to determine the ordering of priorities as regards the work of his Electorate. If as in the above example his electorate fell into category ,'A" and he had a total allocation of Rs. 1,500,000 (15% of Rs. 10 million) for works within his electorate he would have the power to determine how he would apportion the money, in line of course with the general framework postulated by the Ministry of Planning. He might for example determine to spend up to Rs. 500,000 on irrigation works, Rs. 500,000/- on road works; Rs. 200 000/- on construction of A P.C. centres Rs. 100 000 on Co-operative Farms, Rs 100,000 on repairs to school buildings and Rs. 50,000 on Rural Development works. The Member of Parliament in making these decisions would have the assistance of the local officials, and the Government Agent would sit separately with each Member of Parliament and the local Heads of Departments and assist in formulating and shaping the Electorate Plan. The combination of the several Electorate Plans would form the District, Plan.

The point that deserves emphasis is that the *Member of Parliament*, being the representative of the people, and the *Electorate* was, in the scheme of things, regarded as the centre of the planning exercise. It must also be mentioned that the Opposition Members of Parliament too were given the same privileges as Members of the Government Party in preparing these plans.

Another feature of this new development was that the Electorate Plan which was itself a co-ordinated, integrated piece of work, could now be referred back to the institutions at the village level who helped to prepare it. These institutions themselves were thus used as checks to review and report back on the construction activity relating to that proposal which was going on in the local area. By this step not only were the people at village level brought in at the stage of planning but they also assisted in the implementation of the plan.

One of the ideas behind the Decentralized Budget was that of encouraging the physical participation of people in construction activities, either through donation of labour (shramadana) or money. The fact that the plan was now brought down to the village level itself provided an opening for this kind of voluntary participation. If for example only a sum of Rs. 2,500 could be provided for an anicut, but it was going to cost Rs. 7,000 the balance component could be provided in the form of labour and donation of materials by the persons who were going to benefit by the anicut.

The organization of the district budget on the basis of Electoral sub-units has had the effect of transforming the monthly review meetings of the District Political Authority into a purposeful and controlled review of progress. Some detail of how this works may be useful. Each of the operating agencies, namely the Buildings Department, T·C.E·O.,† Education Department, Agriculture Department, Rural Institutions Department to whom allocations have been given for work on an electorate basis send in monthly returns to the Planning Office located in

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* Rural Development Societies.

† Territorial Civil Organization

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the Kachcheri, indicating the financial expenditure on the project for the month in question, and the performance of work done. For example, the total sum spent on any particular work indicated in the Electorate plan would be communicated to the Planning Office at the Kachcheri by the department concerned in the month of say August, by the 15th of September. The Planning Office would process this information coming in from the Departments on the basis of each Electorate, and prepare each month for submission to the meeting of the District Political Authority, which takes place in the third week of the month, a statement giving the actual progress on each item appearing in the Electorate Plan. A copy of this prepared statement is sent by hand to the Members of Parliament of the district so that they in turn could study the progress made in their electorate during the month in question and come to the D.P.A. meetings with a full appreciation of the position. The D.P.A. meeting which is held on the Monday of the third week of the month takes the form then of a close scrutiny of the activities of each department by the particular Member of Parliament. Each electorate is dealt with in turn and the officials questioned on progress and the possible reasons for delay and breakdown ascertained. By this very salutory process, problems which the Departments themselves are facing in keeping to work schedules are surfaced and corrective action applied at the necessary points.

Mention has also to be made of the servicing role at the Centre which is played by the Prime Minister's Co-ordinating Secretariat. The purpose of this new institution was to co-ordinate the effort made at the district level and to act as a clearing house for problems which may be encountered on the way.

The servicing arms of the District Political Authority are the body of department officials at the District level and their activities are co-ordinated by the Government Agent. In the preamble to the section on the Decentralized Budget appearing in the Annual Estimates. it is stated that the Government Agent, who is the Administrative Head of the District will be the Accounting Officer. The duties and responsibilities of an Accounting Officer are that he be responsible in the financial administration and management of the Vote, in this case, the district allocation, entrusted to him. The Accounting Officer is therefore empowered to watch the plan and progress of the work and to see, on behalf of the District Political Authority, that planned targets come as close to realization as possible.

When the scheme of the Decentralized Budget was initiated, it was stated that its intention was to generate increased production and employment in the rural sector by enlisting the participation of local people in the planning and implementation of development projects. The results obtained in most districts over the past 2½ years, and the satisfaction shown particularly by the Members of Parliament at the work so far done, indicates that the broad objectives visualized by the progenitors of the scheme have been generally realized.

As was discussed at the beginning of this article the "Region" for purpose of the Decentralized Budget has in practical terms been ken to mean the Electorate. We have seen that the district allocation

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made under the Decentralized Budget has, in actual fact, been utilized in terms of priorities and needs established at the Electorate level.

The fundamental reason for this has been the emergence of the Member of Parliament as the sole repository of power and authority in the area he represents. Naturally, therefore, the funds that are disbursed in his area and more significantly the priorities he assigns to the needs of his electorate in a situation of scarce resources, is inalienably his right. To the extent of course that the Member of Parliament represents the hopes, aspirations and needs of his constituents, this could ensure the most meaningful distribution of resources, say as between agriculture, industry, infrastructure and social welfare needs like housing, education and health facilities. It could at the same time have the effect, where a Member of Parliament was not so sensitive to popular pressures, to a misallocation of resources and to possibly an over weightage to social welfare needs as against perhaps the more important infrastructural needs.

There has been some criticism here that Irrigation facilities for example, being less visible to the public eye have received less attention than Roads and Buildings which everyone would easily notice.

Regional Development in the context of our times also assumes as an integral feature the idea of planning by the people themselves who live in the region. It is now an accepted fact that plans to be meaningful and effective must be generated from the bottom up. From that point of view the Electorate plan of expenditure through the Decentralized Budget has undoubtedly achieved this objective for no Member of Parliament could for long afford to be insensitive to the demands of sections of his constituency. To the extent therefore that people's participation in planning and implementation is vital for the success of the development effort the Electorate may be the only viable and meaningful unit in the present context.

PROBLEMS OF PLANNING AND IMPLEMENTATION AT THE DISTRICT LEVEL IN SRI LANKA

S. Sivananthan*

INTRODUCTION

Reform of the administration at the district level is a subject that has received considerable attention from a number of sources including politicians, practising administrators, and students of administrative reform, during the course of the last two decades or so in Sri Lanka. For instance, the election manifesto of the United Left Front that came

* Research Paper presented to the Institute of Social Studies "The Hague Netherlands" in partial fulfilment of the requirements for obtaining the Diploma in Development Administration.

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into power in the year 1970 referred to 'the abolition of Kachcheri administration and taking administration to the people through decentralisation of administration'. At the time of the campaign of the General Elections during the course of last year the same topic came into sharp focus once again when the United National Party, which later emerged victorious, in its campaigns and manifesto, announced the intention to appoint 'District Ministers' to every administrative district.

Similarly, practising administrators have voiced their interest in the subject and aired their views from time to time through contributions to journals and by way of memoranda to committees of inquiry into administrative reform suggesting changes in the administration at the district level in Sri Lanka.

If one surveys the spectrum of changes introduced in the sphere of district administration, particularly during the sixties and seventies, one will feel convinced that the interest evoked was more than justified.

Though the interest of the writer is to evaluate the machinery for planning and implementation at the district level for its efficiency and effectiveness as an instrument of development it was felt useful to refer to these developments in order to bring out the importance attached to this sector of the administration. Further, the body of information contained in this paper also concerns itself with the broader subject of administrative reform even while concentrating on the planning and implementation aspects of the administration at the district level. Hence this short excursion into its historical past.

The tasks of planning and implementation have an important role to play in national development in a country like Sri Lanka. At the national level, planning is more concerned with laying down broad policies and guide lines for the development of the economy and usually outlines only the strategies for achieving them. At the micro-level, however, the plans are concretised in a meaningful manner through the careful identification, formulation and implementation of sound development projects.

Sri Lanka has a record of having prepared a number of development plans. The main weakness appears to be its inability to translate them into action successfully. One of the important reasons for this state of affairs is the lack of administrative capability. The machinery for planning and implementation of development at the district level which is the vital sector is weak due to a number of reasons and hence is unable to cope with the task. The main concern of this study is, therefore, the analysis of the organisational and management constraints prevailing at the district level which stand in the way of the effective planning and implementation of development projects.

Before proceeding with the analysis proper, it is helpful to establish some agreement over the understanding of the terms 'planning' and 'implementation' respectively. To begin with, it must be pointed out that the two terms 'do not connote separate jobs but are parts of the same job'. For purposes of distinguishing them from one another, however, it may be said that 'planning concerns itself with what is to be done rather than with getting it done' whereas implementation 'involves

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the execution of planned activities'. Planning a development project requires a conceptualisation of the commitment of resources in the most economical sequence to achieve socially desirable outcomes.[1] In implementation on the stress is management and behavioural skills.

THE MACHINERY OF ADMINISTRATION AT THE DISTRICT LEVEL IN SRI LANKA

Some salient aspects of the trends at reform of District Administration

In order to have a clear understanding of the observations made in this study it is considered useful to describe briefly the main trends in the 'behaviour' of the machinery of administration existing at the district level in Sri Lanka, and the trends in effecting changes in that machinery during recent times.

The nature of the District administration has been characteried 'as having moved away from an integrated to an unintegrated perfectural form'.[2] The same source further goes on to mention that though it falls within an unintegrated type, it also partakes of characteristics of a functional type of system. Functional departments have been stimulated towards specialisation of activities ensuring national uniformity in the application of central policies with a view to enhancing efficiency and national integration. This picture of the District administrative machinery as described in the early seventies may be said not to have altered substantially, though, since the middle of the decade and in particular, after the latter part of 1973, a reverse process appears to have been set in motion, especially after the creation of the now defunct system of District Political Authority and the consequent shift of attention to the strengthening of the district administrative structure. Further recent announcements to appoint District ministers and the attempt to integrate the forces at the district level seem to favour this conclusion. There appears to be an attempt being made to build up the machinery at the district level while recognising the functional character of activities already existing within it.

At the centre of the district scene is the post of the Government Agent with its headquarters, namely the Kachcheri which have been the target of criticism by many, during recent times. The Kachcheri, both in terms of its nomenclature and role has portrayed itself as a relic of colonial rule while the office of the Government Agent has been partially salvaged and presented in the form of a 'Development Agent' during recent times.

Creation of institutions such as the District Co-ordinating Committee, during the fifties and the District Political Authority in 1973 with the Government Agent as its chief executive and the recognition given to the office of Government Agent by his appointment as Deputy of the functional departments of Agrarian Services, Co-operatives, Agriculture and Fisheries at the district level seem to confirm this view. The role of the Government Agent (as an agent of development) has been transformed from direct area co-ordination through a weak organisational framework to indirect forms of area co-ordination through the process of co-ordinating and integrating the planning and implementation process within the region'.[3] Whatever the forms that this

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trend in strengthening may take, the general concensus seems to be that the administration at the periphery has attracted attention and is continuing to attract attention resulting in changes.

The Organisation of District Administration

The nucleus of governmental administration at the district level as mentioned elsewhere, is the office of the Government Agent with its headquarters at the Kachcheri. In addition are the number of functional departments operating vertically as separate entities of their own. In towns where all the departments of the central government are housed together in the same building it is referred to as the secretariat. The Government Agent is the representative of the central government at the periphery and by virtue of his position as administrative head of the district is also the Co-ordinator of all development activities of the various government departments within the district. Recognition has been given to this role administratively thus: 'The Government Agent shall function as Co-ordinating Officer in all governmntal activities sponsored by all ministries in the district'.[4]

In order to have a clear understanding of the implications of this role it is necessary to have an idea of the relationship of the Government Agent vis-a-vis the other departments in the district. For the purpose of describing this relationship the government departments may be classified into three categories:

Category 1. The departments on the activities of which the Government Agent has direct control either as a result of statutory or administrative authority being conferred on him. These include the District administration, Land Commissioners Department, Small Industries. Rural Development, Regional Development, and Fisheries which are development oriented and a number of other departments involved in regulatory and welfare functions.

Category 2. The departments on the activities of which the Government Agent has been entrusted increasing authority as a result of the policy to increase food production. These include: co-operatives, agrarian services, agriculture and marketing departments. The position of the Government Agent has been strengthened over these departments by his appointment as the Deputy head for the district.

Category 3. The departments on the activities of which the Government Agent has no formal control but has authority to co-ordinate. These functions include irrigation, territorial civil engineering organization, survey, forest, buildings, health, education, post and telecommunications, local government and a number of government corporations.

The Strengths and Weaknesses of the District Administration

The co-ordinative capacity of the Government Agent in the context of the contemporary adminsitrative scene at the district level may be said to be conditioned by a number of factors which are both favourable and unfavourable to his role as co-ordinator. The relative seniority of the incumbent of the post of Government Agent vis-a-vis the local heads of other government departments in the district is, indeed, a vital factor that affects his performance as co-ordinator. The acceptance

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of his position and consequently his stature makes for a situation in which he can successfully exploit his seniority over his colleagues at the district level to his advantage. However, the district scene has become rather more complicated during recent times due to the deconcentration of activities of the functional departments such as that of health and of education, and more particularly also through the creation of an organization for the engineering departments parallel to the district administration, namely the Territorial Civil Engineering Organization. This process has tilted the scale to the disadvantage of the co-ordinative role of the office of the Government Agent and has in fact introduced contenders to this role in the local scene. Very often, the heads of the aforesaid departments were relatively senior in service within their own ranks and in relation to the incumbent to the post of Government Agent who was a comparatively less senior officer in the administrative service. In fact if one would survey the position in the districts during recent times one could hardly name a district where the Government Agent is senior to *all* his colleagues within the district. In the circumstances, it is correct to say that the co-ordinative role of the Government Agent was at best accepted by only a limited number of district functionaries of whom his junior colleagues belonging to the administrative service being the predominant category.

The co-ordinative role is also very often hampered by the attitudes of the functional departments in the capital towards the district and the manner in which the lines of communication flowed from the centre to the periphery. The tendency to establish direct links by the heads of departments with their functionaries at the district level may be classfied as strong in the case of the ones where communication facilities between the center and the pheriphery were good, physically. The further one moved away from the capital and the weaker the communication links, the greater the tendency for the district forces to integrate and rally round the Government Agent.

Besides, one has also to recognise some of the defects inherent in the system itself. One can understand the tendency for a district functionary to weigh his loyalties in favour of his superiors at the center, especially in times of conflict of functional interests with that of the district as, it is there that his future career prospects are determined and various fringe benefits conferred. It is therefore, not surprising to find their loyalties to the district being weak. In fact it is not an exaggeration to point out that some even exploited these conflicts to their advantage.

In such a situation it was left to the holder of the post of Government Agent to exploit other extra-official traits and resort to human relations "techniques" and the like to establish his position as co-ordinator. The usefulness of these "techniques" cannot be overemphasised as even where other things are equal, one has indeed enhanced his acceptance by making use of these techniques. Still another strategy that is adopted successfully is to advance the district interest by acting as the champion of the "district cause". Yet another strategy is to build up an image as the confidante of the government in power by establishing links with the powers that be both at the centre and periphery which is indeed a deplorable one.

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It has to be recognised that the basic issue underlying these conflicts is the "missquestion" of the "specialist vs. generalist"[5] which brings another dimension to this problem. Though this issue is not openly discussed it has been accepted in a number of writings[6].

Some Dysfunctional Aspects of Functionalisation

An attempt was made in the foregoing paragraphs to portray the functional-district background in which development planning and implementation takes place in Sri Lanka in the 'field'. The growth of functional departments may be said to have imposed a challenge to the district as an entity for integrated development planning. This phenomenon has in turn created the necessity to recognise the need for increased co-ordination at the district level through institutions such as the District Co-ordinating Committee and the District Political Authority.

The functional nature of departments and the manner in which it has affected development may now be analysed. For the purpose of this analysis it is useful to examine the manner in which planning and implementation took place in the agricultural sector. Though agriculture is a sector by itself, having a number of sub-disciplines, in the final analysis the burden of carrying out the programmes rested with one individual, namely the farmer, who required a unified approach to his problems. Due to the functional manner in which governmental activity is organised through various departments the inputs for agriculture are scattered amongst a number of departments. For example extension services and provision of seeds is the responsibility of the agricultural department; agricultural credit and marketing that of the co-operative department; tenurial problems the responsibility of the department of agrarian services; crop insurance that of the crop insurance board; water issues that of the irrigation department; and finally the purchase of his produce that of the paddy marketing board or the department of marketing. Needless to say that heavy strains were imposed on the instruments of planning and implementation — as a result of this bureaucratic specialisation which is, indeed, dysfunctional to the greater cause of agriculture the promotion of which is its objective.

Identifying the extents to be cultivated, assessing the requirements of inputs, procuring and programming their flow and regulating them successfully involves syncronisation of the activities of a number of departments and calls for meticulous planning. This task devolves largely on the administration in a country such as Sri Lanka as the people's organisations created for them are still in an infant state.

INSTITUTIONS FOR PLANNING AND IMPLEMENTATION AT THE DISTRICT LEVEL IN SRI LANKA

The District Co-ordinating Committee

It was pointed out elsewhere in this paper that the proliferation of functional departments with representatives at the district level created the need for inter-agency co-ordination. At the initial stages this task was attempted through committees, the earliest of which is the District Co-ordinating Committee. A perusal of the administrative

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regulation governing its activities, would indicate that this institution was expected to play a more vigorous role than mere co-ordination of development activities. This would be evident from the description of its functions given below:

"The functions of the Committee shall be to co-ordinate all governmental activities in the Administrative District and to facilitate the carrying out of Government's programme in the District. For this purpose it shall—

(*a*) meet as early as possible in October of each financial year and consider the programme of work according to the financial provision made in the Estimates; each departmental representative shall explain the programme of work envisaged, how he expects to carry it out and what assistance he required from other departments;

(*b*) formulate proposals representing a co-ordinated programme for the development of the Administrative District in the next succeeding financial year;

(*c*) transmit such proposals as affect the subjects and functions assigned to Ministries (other than the Ministry of Home Affairs) through the representatives of the departments of the Ministries concerned to their respective Headquarters;

(*d*) endeavour to eliminate delays and difficulties in the execution of the programme of the departments; and

(*e*) review from time to time the progress of Government activities in the Administrative District"[7].

That this institution did in fact have the necessary potential to function as an effective instrument for promoting planning and implementation at the district level was demonstrated by its operation in one of the districts in Sri Lanka during the period 1965-70.8 The experience gathered in its operation in most districts is, however, disappointing as it does not appear to have fulfilled its objectives generally. Contrary to expectations, it had deteriorated into a forum for deliberation of such trivial matters as transfers of personnel, etc. to the exclusion of planning development. The failure to utilise this institution effectively as an instrument of development was due to a number of reasons. Firstly, the status given to the co-ordinator and the weaknesses arising out of it in the course of operating the system which have been referred to earlier is one of the prime reasons. Secondly, the failure on the part of functional departments at the centre to consider seriously the proposals made by this institution created a sense of frustration amongst its members resulting in the lack of confidence in the system. The functional departments had their own priorities in allocating resources for development projects which had the whole nation as its perspective. Thirdly arising out of this centralised nature of decision making and the failure to relate the budgetary process to the planning process, allocation of resources was carried out depending on the bargaining power of politicians. Consequently, members of the government party very often utilised their lobbying power with ministers in preference to participating in an exercise of "planning" at the district level which yielded no profitable results. In the circumstances it is no surprise that the institution

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of the District Co-ordinating Committee lost its glamour as an instrument of planning and implementation. The creation of the District Political Authority system in 1973 dealt a severe blow to this already declining institution which, with the passage of time, went into temporary abeyance in most districts until the new government that came into power in 1977 did away with the Political Authority system and revived it. The District Political Authority, being a body with authority for decision-making and empowered to allocate resources proved more effective in planning and implementation than the District Co-ordinating Committee which had no authority to support its plans.

District Planning Unit and Divisional Development Councils

At this juncture, a further innovation made in the machinery of administration at the district level prior to the introduction of the system of District Political Authorities deserves mention. The Five Year Plan of development introduced in 1972 relied heavily on the machinery of administration at the district level for its successful implementation. Referring to the need for the "diverse activities of the government to be actively co-ordinated at the district level" it declared: "the responsibility for the co-ordinating function at the district level will be vested in a District Development Committee and the Government Agent will be the principal officer for plan implementation and progress control in the district. In implementing the regional component of the national plan the Government Agent will be responsible both to the relevant ministries and to the Ministry of Planning and Employment. To facilitate this work, Planning offices will be set up in each district'.[9]

In addition it was also decided to decentralise the function of plan formulation through the District Development Committee and the Divisional Development Council. The latter body which was created in every local authority area, would undertake the formulation of development projects and the preparation of a development programme for its area of authority. Though the District Development Committee did not come into existence, it may be said that another institution, namely the District Planning and Plan Implementation Council, popularly called the District Political Authority System, came into existence.

The Divisional Development Council, however, confined itself to the identification of employment oriented projects, using local raw materials. Though a Planning Unit was also created, inability to staff it adequately, hampered its performance initially. Further, being an arm of another functional department, namely the Department of Regional Development which serviced the Divisional Development Councils, it was engrossed in servicing the projects of the councils in preference to the task of plan formulation and co-ordination of all aspects of development for the district as a whole. Further, failure to delegate decision making to the district reduced the importance of this body as an instrument for effective planning of development at the district level. Project reports had to be very often appraised and approved through a highly centralised form of administration based at the capital as a result of which the planning unit was reduced to the position of an intermediary between the district and the centre. With the creation of the District

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Political Authority system, however, the usefulness of the planning unit was increasingly recognised and it was able to play a more important role.

The District Political Authority System

The District Political Authority system that was introduced in 1973 contained a number of novel features which require detailed description. Under this system a senior parliamentarian from the district was appointed as the District Political Authority. He would function as the chief policy making authority for development matters within the district in consultation with his colleagues and the local heads of government departments in the district who were constituted into a new institution called the District Planning and Plan Implementation Council. He would convene regular meetings of this body which was serviced through the Government Agent who was the chief executive and Accounting Officer for financial matters.

In order to give meaning to its intentions this body was provided with funds in block form by the Ministry of Planning from the allocations made available to it under the "scheme for decentralising the allocation of funds for capital works of a local nature intended to generate increased production and employment in the rural sector by enlisting the participation of development projects at the local level".[10] The planning of development by the district political authority would of course be within the broad national priorities set by the ministry of planning. Development could be undertaken on activities according to local priorities bearing in mind the national interest. An added feature of this programme was that it permitted transfer of funds amongst projects within the district.

The main function of this body was the preparation of an annual plan of development for the district utilising the funds available to it. This included the identification of development bottlenecks and providing solutions to them through sound development projects and ensuring their successful implementation. It would also provide an opportunity for popular participation in development efforts.

Two aspects of this system deserve special mention. Firstly, this system introduced the much needed decentralisation of planning to the district level in a meaningful manner. Though this activity was limited to development projects of a local nature which, incidentally, were defined as projects costing less than Rs. 300,000, the evolution of an organisational form which provided for the integration of the functional departments in such a way that the spatial aspects of development gained prominence over functionalism, is noteworthy. Secondly, hitherto to the representatives of the people were not actively involved in planning in a systematic manner for the development of the district. The new process incorporated them as active partners in the process of development and provided a forum for reflecting the needs and aspirations of the local people in planning development. Besides, their participation also operated as a motivating force to the public officials who would otherwise have carried out this task singlehanded, on the basis of their knowledge of development problems.

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The manner in which the new system functioned may now be examined. Though, at the initial stages the indications were that this institution was full of promise, a detailed examination of its operation reveals that it had to face a number of setbacks which acted as constraints to its being put to optimum use. To begin with, it must be pointed out that the decentralisation of decision making authority to the periphery led to an erosion of power from the centre which it jealously guarded hitherto. The situation is indeed hard to bear. Initial reactions to this may be said to have taken a number of forms. Firstly, the support given to the programme from the centre which still controlled the supporting services such as manpower, equipment and other resources which were now increasingly required at the periphery was lukewarm. Besides being not very receptive to such requests, a tendency was also noticeable on the part of the centre to transfer even matters that were legitimately theirs to the periphery. The failure to provide the supporting administrative infrastructure to the district along with the decentralisation of the budget, resulted in having transferred responsibility without authority. It would have been advantageous had such an accompanying shift of manpower and equipment too had taken place towards the districts.

The introduction of the new system was without doubt, a challenge to the vertical organisation of ministries and departments as this created a shift in loyalties from the centre to the district, even of representatives of functional departments whose problems were now being transmitted to the centre by the political authority saving them embarassment. The change in the character of the leadership from administrative to political which was increasingly having a say on transfers, etc. at the district level was a formidable factor to reckon with. From the point of the functional departments at the centre it must be pointed out that this loss in control over implementation deprived them of a feedback to their policies and programmes. Instead of adapting themselves to the new situation many of them were quick to point out initial shortcomings and made attempts to regain lost power. The first cracks in the system were visible when the votes for the Divisional Development Council and the one for Co-operative farms which came under the Prime Minister and the Minister of Agriculture respectively were withdrawn from the scheme, leaving only the planning of service and infrastructural projects under the Political Authority.

It was pointed out earlier that the scheme provided for popular participation in planning and implementation of development projects. The absence of a clear framework for containing this participation proved to be an obstacle to its efficient operation. Reconciling district interests with national interests is, indeed, a difficult task. One of the reasons for this was the absence of a long-term plan of development by sectors for the district. While the centre felt that this was being taken care of by the district authorities in keeping with district priorities, the departments at the district level expected the peoples' representatives to formulate priorities for development which was a sensitive matter and therefore refrained very often from evolving such plans. In the circumstances, there was a tendency for ad hoc plans to be evolved

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very often reflecting the felt needs of pressure groups which were able to prevail on the peoples' representatives. At times, there was even a tendency to lose sight of national priorities and to allocate resources for projects on parochial considerations. At the same time, there was also a tendency to overload the plan with more projects than the situation would warrant, with the intention of 'spreading the butter thin' on a number of them. As a result, available manpower resources were either fragmented on a number of projects or were frittered away through meaningless activities such as identifying and studying projects which had no possibility of adoption.

It must also be recognised that the institution of the District Political Authority is unique in character in a number of ways. The traditional basis on which governmental activities are organized are purpose, process, clientale and place. In Sri Lanka the ministries are organised on functional lines combining at times clientale. The problems of reconciling functions with place is an unenviable task. The failure to define the position of the institution of the Political authority vis-a-vis the functional ministries and in addition the relationships with the administative organisations at the district level created a certain amount of ambiguity and thereby affected its ability to establish its authority on a firm footing in the district. This is evident from one of the Circulars sent by the Ministry of Public Administration to the Districts quoted below.

"Every Government Agent, ...and other officers concerned should act in accordance with the decisions and instructions of the Political authorities in their district and should extend to them the maximum possible co-operation. Wherever there is a problem arising from the fact that such instructions may run counter to a ministry circular. . . . . I expect such situations to be reported to the Prime Ministers' Co-ordinating Secretariat for clarification and resolution of the problem"[11]

The district functionaries it must be pointed out, were in an unenviable position as the new situation created conflicts in loyalties. Their role as members of the district organisation loyal to the Political Authority, it must be emphasised, was to be played in addition to the obligations cast on them by their normal commitments to their head offices which continued, unabated. The need for issue of the instructions referred to earlier recognises the fact that there was room for conflicting situations to arise. This was an inherent defect which certainly acted as a constraint to its effectiveness from the very beginning.

In addition, the manner in which the planning process operated too, prevented optimum benefits from being obtained through this system. Some aspects of this problem will be gone into in the succeeding section.

THE PLANNING PROCESS

The Central Budget and the Decentralised Budget. A Comparison

An attempt will be made in this section to examine the planning process and the manner in which it operates and to identify problems in planning and implementation.

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In order to concretise development plans and to give meaning to them, projects have to be identified and resources allocated to them. The budget is the primary instrument through which this process is achieved in Sri Lanka, as in any other country. Reference was made elsewhere in this paper to the existence of two types of budgeting in Sir Lanka, namely the the Centralised and Decentralised system. It is considered useful to analyse the differences in procedures between the two systems, as the planning procedures associated with them are also different.

Firstly, there is the Central budget which is the traditional instrument for planning which is cast on the basis of Ministries and Departments. The allocations made available to the respective departments are meant for their respective activities. To promote a development project for financing under this system involves a laborious and time consuming process.

The process of planning development projects under the central budget may now be examined. In order to make this analysis more meaningful, it is useful to consider the various phases through which a development project usually passes from its conception to completion. As there is no universal way of defining the number of stages one is in a position to adopt the way that suits the study most. For the purpose of analysing the problems in our study it is advantageous to view the process from the angle of implementation rather than from the angle of project analysis. Viewed from this angle one could identify a number of stages, which begin with the identification of a project as a solution to a problem amongst many other alternative solutions and passing through a number of phases. If the project idea is approved for further study it moves into the next phase where it is more precisely formulated after pre-feasibility or full blown feasibility study. Thereafter it is designed; appraised, selected and approved; activated and organised; implemented, supervised, monitored and controlled; terminated; diffused and transferred to normal administration. This is followed by evaluation and follow-up analysis and action.

Planning a project under the central budget usually commences with the identification of a project as a solution to a bottleneck to development. The problem may be identified either locally by a functional department of centrally at its headquarters and development projects proposed to solve it. Alternatively, there may be replication of existing projects provided the environmental conditions are suitable. Another feature of this identification process is that due to the absence of institutional arrangements for a multi-disciplinary approach to identifying projects, this activity is usually carried out on a departmental basis. Feasibility study and formulation of the project is again carried out departmentally except in complex cases where foreign or local consultants are engaged. Approval too is carried out centrally and approval granted at the same central level. Monetary provision is thereafter made for expenditure in the votes of the department in the budget. The task of implementation too, is very often handled departmentally. Due to the stringent nature of the financial regulations, the allocation made available could only be utilised for the approved project as transfer of un-

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spent funds is not permitted to projects of other departments. In limited circumstances, however, transfer is permitted to projects within the same department. Due to various problems in implementation it is usually not uncommon for the financial provision of a ministry or department to be underutilised and to lapse to revenue at the end of the year.

A conspicuous feature of the process of planning under this system of budgeting is the lack of popular participation. The long drawn-out procedure involved and the absence of institutional arrangement for popular participation precludes involvement of people in the process. It is not unusual in the circumstances for people to be taken by surprise if activity suddenly starts on a development project in their area without any prior information whatsoever.

Control of progress on implementation is also centralised with the departments reporting progress direct to their head offices. As a result, not much interest is evinced locally to associate with the implementation of these development projects.

In case of the projects falling under the Decentralised Budget, however, the procedure is comparatively different and simpler. Firstly though for purposes of administrative convenience the task of identification is a departmental responsibility, the broad based nature of the machinery for planning consisting of people's representatives and members of all departments and their involvement in the various stages of the preparation of the District Plan results in the process of idenfication being made more meaningful. Secondly, as approval for projects is granted as a body by the District Planning and Plan Implementation Council there is a fair degree of awareness amongst its members regarding the projects approved. Further, the District plan incorporating the projects approved, along with details such as quarterly phasing of expenditure is publicised both among the departments and popular institutions. This provides invaluable information and an opportunity for interested members of the public to participate in implementation and in following up a project which they may have associated with in identifying. till it is completed. As the approval too is granted locally, the time lag between identification, formulation, approval and commencement of implementation is very little, and the project is not therefore, lost sight of by its sponsors.

It is pertinent to note at this point that the financial procedures regarding execution of projects under the decentralised system of budget handled through the District Political Authority have been relaxed simultaneously to permit greater flexibility of action. This is in addition to the authority to transfer allocations within the district amongst projects.

The manner in which the priorities were determined and the funds utilised under this system may now be gone into. Except for the statement of objectives in the preamble to the section containing the allocations in the budget and the circular instructions of the Director of National Planning setting out the broad priorities for investment, no detailed instructions were issued regarding the procedures to be adopted in preparing the District Plan. In the circumstances the manner

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in which priorities were determined varied from district to district. Though this state of affairs may be construed as a virtue in the system it also contained the elements for reducing its efficiency as an effective instrument for development.

As mentioned earlier, this system had tremendous flexibility in that there was room for transferring funds amongst projects within a district. This meant that if a certain project was lagging behind in progress the funds of such project could be utilised for another project or even for one in another district without allowing it to lapse unutilised. This element of flexibility which was an asset not found even in the central budget was not exploited successfully in practice due to the manner in which the system operated in a number of districts.

Generally, it may be said that there were two courses of action open for accommodating competing district priorities into the District plan. One method is to strike a balance between sectors and electorates by concentrating on the development of certain sectors, bearing in mind the spatial distribution of activity according to electorates. The other method is to rationally apportion the district funds amongst the various electorates using criteria such as physical size, the population, the level of development of the area and potential for future development, etc. so that priorities could be determined sectorwise using the electorate as the base.The latter method was a more tempting and popular one out of the two amongst people's representatives in most districts as it gave them absolute control over the allocation of resources within the electorate. This also absolved the District Political Authority of attending to the unpleasant task of arbitrating over disputes in which his colleagues were involved. This system, however, contained a severe pitfall, in that once a sum of money is allocated to an electorate it was no more possible to reallocate it elsewhere except with the consent of the member for the electorate which indeed was difficult,if not impossible. As a result, the same constraint that this system sought to remove was introduced in another form in most districts unwittingly. Whereas earlier, it was not possible to transfer allocations between departments, now it was not possible to transfer it between electorates. Due to this unforeseen development it was not possible to optimise on the resources allocated to a district. It is quite common to find a development project badly in need of finances to be delayed for want of funds in one electorate, while there were unspent funds within another electorate in the district jealously guarded by its representative for a project yet to be identified. The District Political Authority, too, very often fought shy of intervening and effecting an inter-electoral transfer as it was an unpopular activity. Even in some of the districts where the system functioned satisfactorily in other respects one could observe this regrettable phenomenon.

It is relevant at this stage to attempt an evaluation of the impact of the Decentralised System of budgeting towards the achievement of its objectives in terms of efficiency and effectiveness, by using some indicators. The main objectives of the programme as stated in the budget are to 'generate increased production and employment in the rural sector by enlisting the participation of the local people in the planning

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and implementation of development projects at the local level'. The main activities through which it was intended to achieve these objectives may be classified into the following:

(i) Identification of agricultural projects such as co-operative farms and minor agricultural and industrial projects by the Divisional Development Councils, which directly contributed to increased production and reduction in unemployment;

(ii) Provision of rural infra-structure such as irrigation facilities, roads to agricultural areas, and roads to regions with potential for future development and provision of hydro-electric power through rural electrification schemes;

An additional feature of this programme is that it also absorbed a substantial number of unemployed as labour intensive techniques were utilised and in addition construction undertaken directly by state organisations.

(iii) Provision of services for the agricultural sector. This included the construction of agricultural productivity centres which provided the necessary inputs such as improved seed, fertiliser, agricultural credit and agro-chemicals to the farmer. In addition, these centres also handled the marketing of produce for him.

(iv) Social infrastructure projects such as schools, hospitals and postal facilities which provided employment in the construction sector in addition to providing basic needs.

(v) Small rural infra-structure and industrial projects, e.g. village roads, needlework centres, etc. sponsored by community development organisations which provided opportunities for direct popular participation of people in development and increased production and helped reduction in unemployment. Under this scheme the members of the public donated their labour voluntarily for development projects (shramadana) as their contribution and the government subsidised the activity providing a portion of the finances required.

The efficiency of the system may be evaluated by the use of indicators such as, the number of projects that were identified and implemented; the reduction in the time consumed for planning and implementation of development projects as a result of the new system; the amount of money utilised out of the total allocation and the number of projects that were delayed in execution in spite of the new system and had overrun in cost. A comparison of the situation that existed before the introduction of the system with the one that obtained afterwards would help to assess the impact for its efficiency. Though in the absence of statistical information it is not possible to substantiate the conclusions one cannot altogether disregard the vast improvement that occurred in the district scene after the introduction of the new scheme. In general it may be concluded that the gestation period for development projects was in many cases reduced substantially. Similarly, the number of projects executed increased visibly while the percentage of failures were

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comparatively less. At the same time it may be said that the overall level of performance and the percentage of money utilised increased sharply. The degree of popular participation too was high as compared with the previous situation.

The effectiveness of the programme may be judged by the use of indicators such as the increase in the amount of production; the number of persons who were provided with employment and the increase in the incomes in the rural sector. Here again, due to the non-availability of statistics it is not possible to substantiate the conclusions with statistical evidence. The existence of a number of surrogate indicators such as increase in the demand for consumption items such as cigarettes, and bicycles, etc. leads one to conclude that there was an increase in rural incomes.

The responsive character of the programme catering for the felt needs of the rural people and the basic idea of bringing administration closer to the people and their creative impulses in planning and implementation of such development plans is a noteworthy feature of the programme.

Due to the paucity of trained personnel versed in up-to-date techniques in project formulation and implementation optimum benefits could not, however, be obtained from the system.

While it is accepted that a number of defects that existed in the earlier system have been removed the need for further improvements cannot be altogether overlooked.

CONCLUSIONS

Having assessed the nature of the problems, it is appropriate at this stage to examine some of the possible solutions. Several suggestions have been put forward as possible solutions to the problems existing at the District level in Sri Lanka by several parties.

A common trend that is discernible in most suggestions is that all of them are unanimous about the need for creating a stronger form of administration at the district level. For instance, commenting on the problems of co-ordinating agricultural development at the district level a writer observes that 'the vesting of final authority was an important pre-condition for the successful intervention of the Government Agent in the total field of operations. Bureaucracy and departmental red tape can often cause obstruction and the blank cheque of authority which the Deputy status implies makes it easy to get orders or advice' accepted whereas, without such authority the intervention would have been resented.[12] Still another writer in commenting on the changes makes a more radical recommendation when he suggests 'as an answer to these inconsistencies and anomalies, a positive strategy of closing down the ministries in Colombo and setting them up in the districts thereby absorbing the District Political Authorities into them'[13]

The need for changes, it must be pointed out, have been recognised and it is a matter of time for them to be introduced. The District Minister system as contemplated by the new government it is learnt, is receiving its final touches and will be a reality very soon. Our concern at this

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juncture, therefore is the nature of the changes that should accompany the system in the administrative machinery so that its potential could be tapped to the maximum for development at the district level.

In our opinion, some of the essential characteristics that the new system should embody are:

(i) It should provide flexibility in the movement of personnel so that the organisational form could be modified to suit different tasks and not vice versa;

(ii) It should be able to reduce the element of functionalism that is dominating the district scene at present;

(iii) It should provide the administrative head with complete autonomy subject to the control of the Minister, to give effect to district policies and programmes. This would imply that besides bringing all governmental activity within the district under the umbrella of the District Minister, empowering him to decide the manner in which governmental policies should be operationalised. It has to be recognised that to plan is to decide and to decide is to have money. Thus giving district the finances to decide is really to take power to where it should lie.

Evolving such a structure would certainly create greater harmony between the functional and district interests and also at the same time capable of promoting balanced development of the country. This would also enable better functional specialisation at the national level while improving the quality of implementation at the district level.

A closer look at the present scene would reveal that involving such a pattern of administration is not difficult as some elements are already present in the existing system. If one analyses the relationship between the centre and the districts having poor communication facilities one would discover that the centre has very little control over the manner in which plans are operationalised at the district level. Due to the functional manner in which departmental activity is organised at present, the centre is compelled to have a closer look at the operations at the periphery.

The creation of an integrated system of administration at the periphery would, while absolving the centre of the responsibility for implementation, place premium on its capacity for policy making. This is because there is a greater likelihood of the centre's policies being subjected to careful scrutiny by the districts for their implementability. It would be necessary for the centre to evolve more realistic policies having a high degree of implementability hereafter.

In order to give meaning to these efforts it is a pre-condition for the budget to be recast on the basis of districts. While the activities which are national in character will continue to be with the central ministries and departments, all activities that have a district flavour may have to be incorporated into the district budget. Experiments already conducted in this regard have demonstrated that such an arrangement is both feasible and desirable.

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SOME GENERAL PRINCIPLES RELATING TO ORGANISATION AND MANAGEMENT OF PUBLIC ENTERPRISES

P. Wignaraja

Introduction

With the expanding role of government in economic development the importance of public sector activity is also increasing. With proper planning and competent management public enterprises can contribute in a country's economic growth. In many countries, however, public enterprises have worked badly. There are many studies on this subject. From these studies it would appear that the quality of planning and management in many of these enterprises has been poor. Some of them have been slow in getting started, others have been extremely costly and a great many are incurring losses. Some have an underutilisation of capacity and others continue to have labour problems.

In all Asian countries the state has established public corporations for certain infrastructural activities, for some directly productive activities in agriculture and industry and for some activity in banking and finance. In this session we shall not discuss any one of these in detail and shall confine ourselves to some problems of organisation and management in public enterprises in general.

Planning and Project Preparation

The first prerequisite for good management is that a project has to be properly planned.

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The quality of overall planning and project preparation in many public enterprises requires drastic improvement, if corporation losses are to be reduced and corporation profits maximized. If the initial planning of a project is poor, even the best management will find it difficult to operate it efficiently. Location of an industry for political reasons, selection of poor quality equipment, lack of proper engineering studies etc., could result in a long-term disadvantage to an enterprise's earning power. It is necessary to plan ahead within a sector and identify and prepare projects in advance of their consideration for financing. Details of sector programming and project preparation will be discussed in other appropriate sections of this course.

Evaluation of Performance of Public Enterprises

Before we can get on to some specifics of organisation and management it is necessary that we have some idea of how to evaluate a public enterprise. It differs from a private enterprise, which is primarily geared to profit and/or a position of power for the entrepreneur. A public enterprise can be established for a variety of other purposes as well and is often established in areas where private capital and enterprise will not flow.

Where a national plan exists, a public enterprise becomes an important agency for implementation of the plan, even though it is supposed to operate like a business enterprise, as far as methods of management and accounting are concerned. On the other hand, its operations also differ from a purely government department in relation to;

(*a*) The nature of the decisions that have to be taken.
(*b*) The technical requirements for the tasks.
(*c*) The nature of the commodity or service that is produced.

Because of these differences, the conventional yardsticks of measurement of performance of either a private enterprise or the government department cannot be used by themselves in evaluating the performance of the public enterprise. Thus, a purely profit and loss evaluation or government audit type of review of individual decisions is unsuitable by itself. What is required is an overall evaluation of the results. For this, the objectives of an enterprise must be clearly laid down.

There are a range of objectives that an enterprise can achieve. Among these are:—

(1) Achievement of planning goals and targets on schedule.
(2) Profitability.
(3) Generation of additional resources for investment, both domestic and foreign.
(4) Employment.
(5) Quality of service.
(6) Spreading of technical culture.
(7) Regional development.
(8) Workers participation in Management.

For any particular enterprise, one or more of these objectives could be used in judging performance. But it is necessary from the standpoint of effective management, that each public enterprise receives the clearest

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possible terms of reference. Different kinds of enterprises will have different objectives and terms of reference. Public utilities may have some "uneconomic" rationale, or work on a "no profit no loss" basis. The provision of a service may be given a higher priority than the making of profit.

An industrial enterprise may be given a target for production or it may be asked to achieve a certain level of profit and so on. What is essential, however, is that a selection is made from the range of possible objectives and these are arranged in some order or priority, so that the management is clear as to the criteria by which the corporation will be judged. Otherwise, the evaluation becomes haphazard.

The actual experience indicates that in practice very often there are no fixed criteria and vague considerations such as "commercial" considerations are said to apply. The statutes under which corporations are established, do not give guidance as to what was meant by "efficiency" in economic terms and often prescribed only a minimum standard of financial performance. The purely "social" objectives are also never clearly defined though they tend to influence subsequent policy considerations and evaluations greatly. There is a tendency for variation of the criteria in time and depending on who is doing the judgment. There are many different judges of performance—the legislature, the public, the board of management, auditors, the press and so on. Under these circumstances, the assessment of the enterprise is not done according to any clearly established criteria but according to the particular predilections of the persons doing the judgment. The legislature may focus on the social objective, while the auditors on accountability, the board on profits and the press on the quality of service. To the extent that all these objectives cannot be achieved simultaneously and to the same degree this system of evaluation can be very demoralising to the management.

Pricing Policy for Public Enterprises

Among these objectives, the question of profitability has to be looked at from another point of view. The profits of public enterprises represent not only the return on public funds invested, but are also a source of public saving. Profits of public enterprises have become an important fiscal instrument and have a growing potentiality for resource mobilization.

The Government has three broad alternatives in its pricing policy for public enterprises :

(a) It may adopt a deliberate policy of running and undertaking at a loss by under-pricing of products. Here we are concerned with a deliberate policy and not with losses incurred as a result of inefficient planning and management. The rationale of such a policy would be to subsidise the consumer of the prducts. For instance, at the start of a major industrial drive, basic services, such as power and transport, at concessional rates could result in external economies for the industries to be established. However, once the basic objective has been achieved by creation of an industrial base, there is little justification for continuation of this policy.

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(b) The second alternative is to adopt a pricing policy which will cover the average or unit costs but does not attempt to make any net profit or loss as such. This was orthodox policy when the State confined its economic activity to basic public utilities like electricity, gas and water, which had a great impact on public welfare. This approach is not very relevant in the context of developing economies any longer, except for limited periods of time, for the same reasons as in (a).

(c) The third alternative is to make profits. It is essential in developing countries that public enterprises in general must not only cover their costs but must also create increasing surpluses to assist in the process of capital accumulation. Over a period of time, they should generate savings for their own expansion programme and also eventually become a source of finance for other programmes, in the public sector as well.

The use of price policy as a device for raising capital for expansion and thereby imposing compulsory saving on the consumer has often been subject to a great deal of controversy in the past, but is now an acceptable instrument of fiscal policy in developing countries. There is considerable scope for the further use of this instrument particularly in the transport, communication and industrial fields.

A clear system of financial objectives will permit an enterprise to know what is expected of it by Government. It serves both as an incentive to management and is one of the yardsticks by which success or failure could be judged, over a period of years. The alternative would be poor results and a lack of control over a large part of public investment. It must be noted, however, that the above formula cannot provide an answer to all pricing decisions, but it does give a frame work within which such decisions can be reached.

Autonomy vs. Control

The question of making profits is premised on good organisation and efficient management. As has been said before, there is still considerable room for improvement in the organisation and management of several public enterprises in Asian countries. A great deal has been stated about the autonomy that should be enjoyed by a public enterprise, in the interest of efficient management. It is clear that in a country which is planning its development a public enterprise cannot enjoy absolute independence, as it is an integral part of the machinery for development. However, it is necessary that the public enterprise has sufficient autonomy, to make the most effective contribution towards the objectives that it has been asked to achieve. For the same reasons mentioned earlier, it cannot be run as a routine administrative department.

In discussing autonomy it is necessary to make a distinction between general policy, which is a legitimate concern of any higher authority and the day-to-day management which should be left to the discretion of the

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enterprise manager. Of course, we cannot divorce these two aspects entirely and there can be some overlapping of the area of responsibility. The idea was once prevalent that autonomy for public enterprises could be secured through the appropriate legal form. However, it has been found in practice, that despite the legal form, the autonomy of a corporation can be eroded in several ways.

Sometimes in this connection, a distinction is made between a public enterprise operating a utility and a manufacturing or trading enterprise, and the former is established as a corporation under a special statute, while the manufacturing and trading enterprises are usually brought within the provisions of Company Law. These distinctions in themselves do not guarantee autonomy, either.

The main issue is that whatever the method of incorporation, the enterprise must be free to make prompt decisions and be free from any elaborate process of clearance and review, which needlessly slows its operations. Having created the organisation, the State must be willing to hold it at arm's length. Even in the Soviet Union recent re-organisation of public enterprises has had the purpose of granting greater independence and responsibility to the enterprise. This is a lesson from modern private enterprise too, which has attempted to insulate the modern industrial corporation even from its stock-holders. A great deal of technical proficiency has been the result of this kind of organisational change. Shareholders or government as the case may be should mainly be concerned with the overall results, and not with individual decisions.

It is the general practice to place a public enterprise under the supervision of the Minister, so that he may direct, supervise and co-ordinate general policy. Ministerial control should be exercised by the issuing of broad policy directives, by the appointment and the removal of directors and principal executives and by approval of specific managerial decisions such as, those relating to long-term programmes, major investments and sometimes prices. The degree of control and authority exercised by the Minister could vary. What is important is that a Minister normally confines himself to policy directions and abstains from interfering in day-to-day management. In many cases, though Chairmen of many corporations have nominal responsibility for management, all authority rests with the Ministry which is often inadequately staffed to deal with all the detailed problems that it has to deal with, as a result. Inadequate delegation from Government to top management leads to inefficiency. The fear to delegate partly arises from the Parliamentary accountability of a Minister, partly from a predilection towards intervention by the administrative authority, which requires continuous reference of all management decisions to Government. If competent and professional management were appointed in the first instance, the need for continuous review of every decision would also be less necessary.

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In addition to the Minister responsible, frequently the Ministry of Finance through its representative, is in a position also to exercise a detailed role with respect to the policy and management of the enterprise. Here the principle that needs to be kept in mind is that, while the Ministry of Finance should be consulted about matters directly affecting the national budget and fiscal and debt management, this does not require the Ministry in every case, to be represented in the management of an enterprise through occupancy of a directorship or participate in the management decisions of only indirect concern to it. In fact the Ministry of Finance is likely to compromise its position in financial matters, by becoming a party to other management decisions. There are several other governmental agencies also which have peripheral interest in one or another public enterprise and often claim representation on a board. These peripheral interests when represented on the board, make direct demands on the enterprise, making it very difficult for sound management.

The need to give management of public enterprise a certain freedom from administratve procedures.whch are appropriate to a routine government department and from undue Ministerial interference and interference from those agencies with only a peripheral interest in the enterprise, does not free the enterprise from being responsive to the purpose of those, within and outside the Government, who bear ultimate responsibility for the public interest. Thus there should be periodic legislative and public review of the operations of the enterprise. The ultimate authority of the legislature which must approve the establishment of public enterprises, vote funds and perform appropriate supervisory functions is generally recognised. The point that needs emphasis is that in fairness to the management, however, this review should be based on criteria spelled out in advance and of the overall results. In addition, there would, of course, need to be the more formal control of the enterprise, which aims at ensuring the correctness of its accounts and its conformity with legal requirements.

There is complete agreement that traditional government audit and accounting procedures are unsuited to the needs of public enterprise. These fiscal and accounting regulations may seriously impair the operational flexibility required for the successful conduct of an enterprise. As has been mentioned, the kind of business decision and the tempo of decisions, carry an element of risk for which traditional accounting is unsuited. Nevertheless they are still followed in a number of countries. While commercial accounting is preferable, it must be kept in mind that commercial accounting principles do not completely meet the needs of public enterprise and would have to be appropriately modified to accommodate the special requirements of a public enterprise and the objectives for which it was established. Many public enterprises are subjected to a multiplicity of inspections and audit. There is pre-audit, concurrent audit, and post audit. This is tantamount to unnecessary and rigid government control, by review of day to day decisions. In many countries this accountability has been streamlined and is limited to the enforcement of certain norms applicable to all enterprises. As a result individual decisions are not subject to this kind of review.

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In the final analysis, a proper balance has to be established between autonomy and control. Experience indicates that it is possible to establish organisational relationships which assure responsiveness to overall national objectives and public accountability, without impairing the flexibility necessary for the effective management of a public enterprise.

Management Structure

The problem of designing an appropriate structure for top level management deserves careful consideration. In Ceylon, for instance, initially, several industries were started and run by the Department of Industries. In 1957, under the State Industrial Corporation Act, No. 49, these industries and new industries were established as public corporations. There are still many unresolved and controversial issues relating to the proper structuring of top level management. In the light of experience some few acceptable rules can now be laid down relating to the following and it is important that these alternatives be analysed, when a new public enterprise is being established. Today, it is evident that a wider variety of organisational forms can be used depending on the structure of the enterprise, its organisational needs and the character of its management problems.

A choice can be made in relation to any of the following :

1. One man vs. collective management.
2. External vs. internal boards.
3. Management vs. supervisory boards.
4. Optimum size and composition of board members.
5. Duration and quality of board membership.
6. The relative role of ministry, board and enterprise manager.

The ultimate aim, here, is to secure professional management and continuity so that not only the day to day operations are carried out competently, but the firm's structure is so organised to permit planning corporate strategy and achieving longer term corporate goals.

Recruitment and Training of Managers

In all Asian countries the need for creation of proper top management for an expanding public sector was neglected. The process of recruitment of managers for public enterprise is still a difficult and unresolved issue in many countries. Managers are still selected on grounds of political acceptability. Many of them are untrained for the role. The frequent changing of managers and part-time management is bad, both to managerial development and to public enterprise efficiency.

Often the management is spread too thin and the same person manages more than one unrelated enterprise. There is a shortage of high level managerial talent suitable for leadership roles in public enterprises in most developing countries. An attempt is being made to professionalise public enterprises by creation of management pools, etc., in several countries. An important principle is between the horizontal method of recruitment i.e., recruitment of senior managers from those who have administrative experience in non-business organisations and the vertical i.e., from within the enterprise itself. There is need for further exploration of these two approaches to recruitment from the point of view of their implication for management behaviour and performance. It is clear that

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more effort must go into the effective professional training of top management cadres in all developing countries. The whole process of recruitment and training of management in the sphere of public enterprises calls for imaginative realistic reform.

The position of the Government of India in regard to the availability of managers for large public enterprises is reflected in the following :

".....The Government of India is very alive to the need of having a reserve of officers with special training and experience for the purpose of economic administration. Even as early as 1937, the British Government of India realising the pressure of public opinion for welfare and national development activities, created a pool of specially selected senior officers to afford them experience in commercial, economic and industrial undertakings. The officers were not all members of the Indian Civil Service but were selected from other All-India services as well such as the Finance and Audit and Revenue Services. This pool of officers provided the managerial talent that was utilized by the Government during the period of expanded activity in war time and after independence, during the first Five-Year Plan period. Orders have again been issued for the creation of a similar administrative pool of 140 officers. To quote the Government order, "the characteristic feature of the posts connected with economic administration is that the holders needed an understanding of economic affairs as well as capacity for, and experience of administration i.e., of handling men and affairs with the tools and techniques of governmental machinery. The relative emphasis of these two requirements varies between different categories of posts. Broadly, they all require either—

(a) administrators who have acquired training and experience in economic matters; or

(b) economists who have acquired training and experience in administration.

The pool is to be composed of officers who will be specially selected from :—

(i) members of the Indian Administrative Service;

(ii) officers of the Central Services;

(iii) officers of the State Services;

(iv) persons with specialist qualifications directly recruited from the open market at high age levels.

"The persons to be recruited from the open market have to be of the age of 25 to 35 and will be required to possess high academic qualifications in economics and should also have some experience in business, commerce, banking, industry or other allied profession or in teaching or in field research in economics likely to be of value in the Indian context. The establishment of this administrative pool of officers with specialist economic and administrative experience is an interesting development directly arising from the experience of the working of the Indian Five-Year Plans."

Management has only recently been recognised as a profession. It is now emerging as a functional discipline derived from Mathematics, Statistics, Economics, Engineering and the Behavioural sciences as applied

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to the study and solution of management problems. Top management today needs to be oriented with recent developments in management science which will assist in strategic decision making in an enterprise.

Conlcusion

Many of the deficiencies in the management of public enterprises still continue. In cases where the deficiencies have been partially rectified and the enterprise has been put into some operating order, it is found that overall costs were still higher, efficiency is lower than it should be and a longer time was taken to get the operations going than was necessary. Hence returns on investment continue to be poor and the public enterprise sector is not a source of finance for development.

These defects and correctives in public enterprises are often mentioned in plans, but in the total political and administrative echelons, there is still insufficient conviction that something needs to be done urgently. Even when conviction was there other issues, some procedural, some parochial, prevented action being taken. In some countries sheer public criticism is forcing the leadership to look more closely into the whole question of the management of public enterprises. This could result in the gradual evolution of a new culture in the operation of public sector enterprises. In this culture enterprises have to be better planned, capacities have to be fully utilised, managerial and operational efficiency has to be improved, new managerial techniques have to be used, better labour relations have to be established and there has to be close co-ordination between public enterprises and other economic sectors. All this has to be done simultaneously if the performance of the public sector is to be improved.

Some guidelines and questions for appraising the organisation and management of a public enterprise by an administrator

If the project is to be owned and/or operated by the government or a public body or agency, should there be provisions for bringing in private capital or selling the whole project to private investors?

Are the operations and/or organisation subject to government regulation (e.g. civil service regulations, accounting regulations)?

Is the management subject to change or interference for political reasons?

Does the management's efficiency depend too much on one man or a few men?

Is there a policy of training younger men to succeed to key posts?

Is a management contract or similar arrangement with an outside firm or organisation desirable?

Are there any impeding changes in management?

Are there any special problems or deficiencies in management or organisation (both during the construction period and during the operating period)?

History and record of existing organisations.

Is any merger or reorganisation necessary?

Should a new organisation be established?

Does any legislation have to be passed to establish a new organisation or to change an existing one?

Is the organisation over-centralised or too much dispersed?

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Is it well-balanced, or are some functions inadequately covered?

Are lines of responsibility clear, or is there overlapping and duplicating?

Is the organisation sufficiently flexible?

Are there organisational problems arising from past growth in the scale of operations, or is the growth to be expected in connection with the project likely to pose such problems!

Do the necessary internal controls (e.g. budgetary controls) exist which enable the management to keep informed of physical and financial progress and to foresee trends and problems?

Does the technical staff need strengthening or re-organising during the construction period (design, specifications, analysis of bids, supervision of construction) or during the operating period?

If so, should more permanent staff be employed, or consultants, or both?

Is the accounting department behind in its work, and if so, what steps can be taken to bring and keep the work more up-to-date?

Will there be any difficulty in accounting separately for the project?

Is a new accounting system needed, and if so, will outside help be necessary to design and install it and to train the permanent staff?

What are the arrangements for training staff for operations and maintenance?

Is it necessary to take special precautions to make sure that advisers, consultants etc., have the facilities and authority to perform without hindrance to all necessary functions?

PUBLIC ENTERPRISE: THE CONCEPT, THE RATIONALE AND THE ROLE*

V. V. Ramanadhan

Introduction

It is desired that this paper, to be presented at the Seminar on Public Enterprise to be held in Jamaica in October, 1976 at the aegis of the Commonwealth Secretariat, should cover the concept of public enterprise, the rationale for and the role of public enterprise as understood in various socio-political contexts and should refer, in particular, to questions of ensuring consistency with national, social and economic objectives. The area that the title of this paper suggests is so wide that at several points the presentation has necessarily to smack of an outline.

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Moreover the precise role of public enterprise in a country is a function of the socio-politico-economic context in which it functions, though a general under-current common to most countries, in particular to most developing countries, may be inferred from empirical evidence. It is on this basis that this paper proceeds, trying, however, to introduce certain points of specific application to the Caribbean region. It is hoped that the propositions that may be drawn from this paper will be discussed in the light of the specific situation and experience of the participating countries of the Caribbean in the realm of public enterprise and national development.

2. The Concept of Public Enterprise

For the purpose of our discussion, the term "public enterprise" may be understood to signify an economic activity of which the majority ownership or managerial control vests in the Government and/or other public agencies. An important aspect of this description is the majority concept. While it is as high as 100% in many cases, it can be 51% and by legal definition make the enterprise *public*. It is possible further, that even the enterprises in which the Government has a significant, though not 51%, share in ownership, get endowed with characteristics of public enterprises in de facto terms, the more so when such ownership is a product of governmental policy. We shall have occasion to refer to this idea in the course of the paper, when we consider mixed or joint enterprises.

The other essential aspect of the term public enterprise relates to the nature or character of the activity covered by it. While conceding that this may look arbitrary in certain cases, we shall limit the term "enterprise" to signify an activity whose costs, primarily, are expected to be financed from the sale proceeds—generally and in the long run.

3. The Rationale for Public Enterprise

(a) The most familiar reason why public enterprise emerges in a developing country is that there are certain economic activities which the Government desires to promote but private enterprise does not or cannot. This popular proposition calls for several qualifications.

(i) Private investors may not be interested in undertaking activities—basic, infra-structural and heavily capital-intensive—which are marked by long periods of gestation for—and these are important considerations, if not assumptions—they have, for their size of capital resources, alternative channels of quickly-yielding investment, and they are not quite certain of being allowed to enjoy high profits in the post-gestation future period that compensate for the losses in the gestation period.

(ii) Or, domestic private investors may not be able to raise the large capital resources needed for establishing certain heavy or capital-goods industries which, in the view of the Government, the country needs. And the Government does not wish these fields to be an open area for private foreign ownership.

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(iii) Or, in a slightly different version, the situation may consist of the lack of needed technology on the part of the nation, which entails its import; and the Government may wish to regulate, if not control, the incoming technical collaboration, most commonly accompanied by capital resources, in such a way that the projects end up in the public sector.

(iv) Or, the economic activities, whose profitability can be attractive to private investors, may be considered by the Government as infra-structural or developmental-promotive of further economic activities, such that the Government prefers low-price, even "uneconomic" price, policies on their part for an indefinite period of time-hardly an inducement to private investors.

(v) An allied version may be that the Government considers certain activities as strategic or the commanding heights of the economy and wishes to be in positive and dynamic control of their price and other operating policies.

(b) Many developing countries have national development plans (usually for five year periods, supported by long-period perspective plans). While we cannot generalise on the content of the plans, it is fair to suggest that many of them postulate sectoral priorities in development, if not active resource allocations. It is obviously the responsibility of the Government to ensure that these are accomplished. Wherever their accomplishment falls short of the plan schedules on grounds such as those covered in the above paragraphs, it devolves as a residual responsibility on the Government to sponsor the programmed activities. Herein lies an automatic inter-relationship between planning and the emergence of public enterprise.

(c) Another relevant aspect of some national plans, viz., income and wealth distribution policies, may be considered under the broad head of governmental budget policies that can have a connection with the rationale of public enterprises. These may appeal to the Government as a convenient instrument of raising the incomes of certain preferred groups of consumers or workers, of restricting incomes of certain groups, e.g., top managers, of curtailing the chances of private accumulation of gain through capital appreciation, of giving incentive to such desired values as the development of a backward region or depressed activity, export stimulation, and import substitution, and so on. Enterprises that conveniently enable the Government to achieve such national aims, through their policies of employment, wages, procurement of materials, pricing structures, dividend declaration, sales strategy, etc., may be sponsored or brought into the public sector, on the governmental assumption that they offer themselves as a preferable or more convenient instrumentality than budget decisions.

(d) One of the factors that led to the widening of the public enterprise sector in some countries relates to the extent of foreign-owned enterprise which the Government wishes to bring into domestic hands. Where private investors are not sufficiently forthcoming to take care of the transfer, the Government may have no option but to take it over

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under its own auspices. In some cases this process may be closely mixed with other considerations that intensify the choice of the public sector, e.g., heavy capital intensity, sophisticated technology, continued collaboration from foreign skills and infra-structural nature of the activities. In some situations the attraction for the Government's decision to convert the nationalised (foreign) enterprises into public enterprises rests on their established profitability. (This should appeal specially to Governments that already have predominantly losing public enterprises). There may also be cases where the negotiations regarding the take-over as well as the watchful regulations that certain continuing post-take-over foreign connections may need, involve the Government so closely with the whole action as to induce it in favour of bringing the taken-over activities into the public sector.

(e) There is a unique consideration favouring the advent of public enterprise in the case of small countries—contiguous or neighbouring. In certain fields of activity considerations of economies of scale may certify to the desirability of the establishment of a large or economically sized enterprise in one of the countries answering, however, the market requirements of the others as well. This calls for inter-country co-operation and agreements, for the best chance of success of the enterprise. If the countries in question disfavour the emergence of a gigantic "foreign" or multi-national corporation from outside the region and from a developed nation, they may decide that the most appropriate course open to them consists of an inter-country enterprise of the region at the aegis of the Governments concerned.

Apart from preserving for every one of the countries concerned the economies of scale in respect of the activities undertaken, such an enterprise can hold under check duplicatory establishments being registered here and there in the region: and what is more significant, it can help in the conservation of highly scarce technical and managerial resources for the most economical use. It can also be hoped that such a "community"-oriented enterprise, with the Governments concerned as the owner-sponsors, solves most amicably questions of inter-country relativities of interest in various matters as well as eliminates all chance of unfair private gains in the inter-country transactions.

This idea has its beginning already, though in a small manner, in some parts of the world. It deserves serious consideration in many regions where contiguity individual smallness and regional technological complementarities significantly characterise the countries.

4. The Role of Public Enterprise

One can draw inferences on the role of public enterprise from the rationale for it outlined above. One of the ways in which this may be presented is to highlight three major functions that enterprises in the public sector may be expected to serve in developing countries.

Firstly they have a *business* role. This may be understood as an expression in brevity, conveying such ideas as the following : that they supply a product or service that is demanded, that they have the usual operational motivation of business units to make a surplus, and that their operational or managerial functions are, by and large, market-oriented. Enterprises playing this role come nearest of all public enterprises to the

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private sector, though there is something distinctive about them in the rationale of their being in the public sector, i.e., on some special ground outlined in the previous section.

Secondly, public enterprises have a *developmental or promotional* role, in that they may be assigned responsibility for promoting a specific or some broadly visualised social or economic development—e.g., the expansion of a basic sector of activity, the promotion of small-scale industry, the stimulation of entrepreneurial habits, the development of a backward region, or the promotion of employment or export-earnings potential. In broad terms the end product of performance of such enterprises goes beyond the basic concepts of producing and selling a given output and of raising a surplus. The most conspicuous examples of the developmental category are the developmental finance corporations, industrial development corporations, unit trusts, research development corporations and regional development corporations. Today almost every developing country has, or is trying to establish, some such enterprises in the public sector. While these are public enterprises it is not necessary that the enterprises they develop or promote or aid are themselves public enterprises.

Thirdly, public enterprises have a *distributional* role, in the sense that they are expected, as far as possible, to conduct their operations in such a way as to subserve or accelerate the Government's intentions in the field of income and wealth distribution.

Most of the socio-economic responsibilities of public enterprises can be brought within the above classification. Distinct reference may, however, be made to a relatively minor role, viz., the *regulative* role. That is, some public enterprises may be sponsored in selected sectors of activity with the object that, through their pricing, procurement, wage, etc., policies, they effectuate the purpose of regulation that the Government has in mind with reference to the sectors of activity concerned—e.g., low price of bread or low interest rates on agricultural finance. In this sense the public enterprises concerned are in the nature of a substitute for regulatory administration.

5. Some Comments

It would be useful at this stage to note some points of critical review on the preceding outline on the role of public enterprises.

(a) It is easy to infer from the above classification of their role that in almost all categories there is need for compatibility between public enterprise operations and the socio-economic objectives of the country or the Government. Apparently of relatively small importance this is real even in the first so-called business role; for one of the basic aspects of the operations concerns the raising of a surplus—the fact of surplus and the size of surplus. This depends not only on the market conditions (representing all aspects of cost and price strategy) but on the way in or the extent to which the Government wishes public enterprises to avail of (or exploit) favourable market conditions for surplus enhancement of maximisation. There can be no uniform rule on this, which is applicable to all public enterprises : and the differential approach to the imposing of extra cost levies through the prices of public enterprises and to the offer of below-cost subsidy elements in certain prices is strictly a prerogative of the Government to determine and enunciate. This may not be

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recognised sufficiently or exercised meticulously by the Government; yet the need exists for bringing the operating, particularly pricing, decisions of public enterprises within the basic budget policies of the Government towards the taxation of given products or markets and the subsidisation of certain others.

(b) The discussion now takes us to an interesting practical question that applies, in varying degree, to all facets of the role that public enterprises may be expected to play: have proper systems been devised in the developing countries, firstly, for the governmental enunciation or stipulation of the national objectives that each public enterprise or category of public enterprises is expected to work towards and, secondly, for their meaningful disaggregation, wherever necessary, and communication to each unit of top managerial decision? Empirical experience is rather discouraging on this question. One lesson, however, that it offers is that we have reached a stage, in respect of the institution of public enterprises, where great importance should be attached to the devising of the modus operandi for the realisation of the conceptual role of public enterprises. This is not easy but it cannot be postponed except at the peril of keeping the gulf wide as between expectations and attainments in the field of public enterprise. One familiar example of the gulf is in the area of surplus generation by public enterprises; while in a few countries these enterprises are claimed to have come of age—at least in major segments, many countries still witness a poor showing in this respect.

(c) Several major questions concerning the institution of public enterprises flow directly from considerations of their role. Let us take as animportant illustration, the concept of managerial autonomy, which covers such ideas as ministerial supervision, parliamentary control and public accountability and can even touch on board composition. Apart from a few general principles on these subjects the actual bulk or weight of external interventions—which may range over advice, supervision, control, questioning and interference—that should exist in the case of a given enterprise or category of public enterprises ought to be a function of the precise national, socio-economic values with which it is characterised. The more significant these values, the stronger the case for external impacts, and vice versa. That the identification of the extra-enterprise objectives and the imputation-cum-qualification of the relevant ones to the individual public enterprise or categories of them are basic to this whole question. If such an exercise is absent or inadequate, there will be a tendency for far too general positions to develop on the question of managerial autonomy and for ad hoc and unscientific measures and practices of external intervention in public enterprise management. This is the position in most countries today; and it may remain so as long as the basic, undoubtedly difficult, tasks of enunciation of the socio-economic objectives of public enterprises, in a manner meaningful to them at the operational level, are left unattended to.

(d) Another important aspect of the role of public enterprise that may be highlighted in the present context is that in respect of many of them the import of all objectives or obligations attributed to them is not quite similar (few public enterprises have exclusively one of the three (or four) roles outlined above). For instance an enterprise which is

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expected to raise a surplus experiences the need for policies that are restrictive of that objective when it turns simultaneously to certain other socio-economic objectives such as employment promotion, export stimulation or regional development; or while it is expected to raise productivity, it is under the impact of countering measures in respect of the production function. How do the managers act in such situations? Several alternatives exist: they can maximise one aim, to the neglect of others, and they can do so consistently over a period of time or shift from one aim to another from time to time : they can effect a compromise among the aims, as per their own interpretations, and these can vary from time to time and managerial team to team : they may be passive and respond to each aim or objective indifferently : they may receive ad hoc instructions from the Government in favour of one objective or another from time to time, not necessarily consistently : and so on. None of these represents the best course of action, which consists of the managers being informed of what objective mix constitutes their responsibility. It is true that this needs revision from time to time, in accordance with the changing weights attached to the non-commercial or extra-enterprise benefits expected of their operations. For example, low prices on electricity for agricultural operations may be desirable in the initial periods, but a time comes probably when agriculture in the area concerned attains a level of development that justifies price revisions by the electricity enterprise.

(e) In conclusion we may refer to the concept of a joint enterprise, in which the Government and private investors have ownership interests. The reasons why such an enterprise comes into existence are diverse : a private enterprise may have been nationalised with the Government stepping in with capital while allowing the former investors to remain as shareholders : the Government may invite foreign capital as part-owner in a new-technology enterprise : the Government may subscribe to part of the capital of a new enterprise in order just to inspire confidence in private investors towards investment : the Government may retain an ownership share so as to influence the management in favour of its extra-enterprise objectives : the Government may just intend to be watchful, as part-owner, of the ethics of management : the Government may treat partial ownership as a first step to eventual nationalisation of an enterprise : the Government may prefer diffusing its limited investment resources over a wide area of public enterprises by pursuing, not total, but partial ownership in every case; and so on. Except in a few cases to minority ownership by the Government, the purposefulness of private participation in enterprise ownership needs careful consideration. The essential question is : how real would its managerial impact be in the context of majority ownership by the Government? It is generally claimed that such a joint enterprise guarantees the good results of private managerial behaviour, efficient management, and so on. Whether this is true in practice is a difficult question to generalise upon. How assertive, or otherwise proportionately to ownership, governmental share in management tends to be and how significantly it leans towards extra-enterprise objectives. It is possible that in some cases, particularly where foreign capital is invited as part investment, an adequately effective role is given to the non-government investors in the interest of good management of a sophisticated-technology enterprise.

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SOME ASPECTS OF CO-ORDINATION OF PUBLIC ENTERPRISES IN SRI LANKA[1]

V. C. B. Unantenne

The rapid expansion of Public Enterprises in Sri Lanka is borne out by the fact that, while at the end of 1950 there were only 3 State Corporations, there were no less than 40 State Corporations formed in the next 20 years (that is, up to 1970), while this number more than doubled in the next 5 years between 1970 and 1975. By the middle of 1975 there were as many as 85 State Corporations operating in Sri Lanka. The total investment in State Corporations rose in 1974 to Rs. 5,390 million from Rs. 4,747 million in 1973, and a total number of 260,766 were employed by the end of 1974[2]. Accurate figures relating to the total investment in all State Corporations are available only for the period ending December, 1969. Rs. 1,715 million had been invested in State Corporations as at the end of 1969. The Gross National Product in 1969 at Constant Prices amounted to Rs. 9,380 million. It would thus be seen that the total invested capital in 1969 amounted to 18.3% of the Gross National Product for 1969 so that even as at 1969 the investments in State Corporations amounted to nearly 1/5th of the Gross National Product, thus pointing to the substantial and vitally important position held by State Corporations in the economy of Sri Lanka.

During the period of the second world war State-owned factories functioned under a system of Advance Account and were run by the Department of Industries like any branch of a Government Department. The Corporations Act, No. 19 of 1955, enabled these factories to be incorporated. However, to start any new industries as State Corporations Government had to introduce a new Bill. The State Industrial Corporations Act, No. 49 of 1957, enabled the Government to set up and carry on an industrial undertaking, or take over any Corporation already established under the previous Act. The Act of 1957 is particularly important because these public enterprises were thereafter exempted from rigid Treasury control and the application of Government Financial Regulations and were allowed flexibility of operations and financial management to be placed on a commercial accounting basis, thus combining the benefits of State management with a profit-oriented form of financial management, hitherto associated with the private sector.

There is no doubt that political and ideological considerations have provided an impetus to the expansion of State Corporations in this country. The State control of industries basic to the economy is an essential element of the Socialist way of thinking and the form of organization of the State Corporation has become an acceptable compromise between a highly centralised Socialist economy and the need for economic management by the State. Thus, while the State controls the basic sectors of production and distribution as the country is committed to a

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1. This paper was presented at an Expert Group Meeting on "Co-ordination of Public Enterprises" held in Kuala Lumpur under the auspices of the Asian Centre Development Administration in September, 1975.

2. Central Bank of Ceylon (Sri Lanka), Annual Report, 1974.

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Socialist form of Government, the agencies of the State operate within the framework of a mixed economy with private enterprise sharing limited areas of activity mainly in the field of import substitution of consumer goods.

However, ideological considerations alone cannot be ascribed as the reason for the setting up of State Corporations which are the product of a complex of political imperatives and practical needs. Items such as cement, steel, tyres, petroleum, insurance are not only basic elements in the economy, but also of great strategic importance and have necessarily to be operated as State enterprises. Public utilities such as electricity, broadcasting and railways are universally acknowledged as suited to be set up as Corporations not only because they are essential life-lines but also because they are items of basic infra-structure which should be under State control without which effective economic and social planning would not be feasible. Further, with the expansion and development of the economy the Government is impelled to expand the State sector with large-scale capital investment so that the profits thus generated can be utilised for further economic development. For instance, 57 State Corporations are to make contributions to the Consolidated Fund in a sum of Rs. 128 million, besides a Corporations tax levy amounting to Rs. 68 million for the year 1975.[1] The State has also been compelled to enter into certain fields where private enterprise would be unwilling or does not have the resources to invest in large-scale projects. The public sector has also expanded in order to control commercial malpractices especially in such fields as foreign exchange, as well as to make available goods and services to the consumer at fair prices.

State Corporations have so far been set up in the fields of manufacturing industry, trade, construction and development as the principal areas of large-scale investment. There are also a large number of miscellaneous statutory bodies which have been set up such as Training and Research Institutes, Educational and Cultural Institutions such as Universities, and Financial Institutions such as Banks some of which are more comparable to organizations of the nature of Foundations or Trusts rather than to the typical form of production or development-oriented State Corporations. There is also the Joint Stock Company form of organization established under the Company Law with the State providing the controlling shares of capital and operating in combination with private shareholdings. Ceylon Dockyards Limited, Consol Expo Limited are examples of this. It must also not be forgotten that there are Public Enterprises still being run as normal Government Departments although they have a very large financial turnover and are run as commercial activities. The Post and Telecommunication Department and the Railway Department are examples of this.

The Government has initiated an interesting experiment with the recent proposal to convert the Ceylon Government Railway into an institution which is a half-way house between a Government Department and a State Corporation.

It is proposed the Ceylon Government Railway should organizationally remain as a Government Department in regard to the terms

1. Minister of Finance—Budget Speech, 1975.

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and conditions of service of its employees as well as accountability, while the enterprise would be run by a Board of Management instead of the General Manager of Railways. It is important to note that the Board of Management would be given the power to take decisions of a financial nature without the constraint of Government Financial Regulations, and also have the authority to devise methods of financial management which are flexible and profit-oriented.

The form of organization of State Corporations differs according to the objectives, functions and scale of operations. Boards of Directors are appointed by one or more Ministers of State but there is no uniformity in the number, and some are ex-officio members representing the Ministry, the General Treasury or the Planning Ministry interests.

The organizational structure and the pattern of management also differs according to functional activities and scale of operations. For instance, although the River Valleys Development Board has its head office in Colombo, since it is a Regional Development Corporation, the major staff concentration is in the field with nearly 9,000 skilled as well as unskilled labour grade employees as well as nearly 1,700 Administrative, Engineering and allied grade staff resident at Uda-Walawe which is the development area. The River Valleys Development Board which has been functioning on the lines of the Tennessee Valley Authority of the USA integrates all Central and Local Government Development activities, provides the entire social and economic infra-structure in addition to carrying out multi-purpose irrigation, hydrel and agricultural development. It also organises agricultural settlements on a colonization basis and finally hands over, after full development, to the normal agencies of Government. On the other hand the State Engineering Corporation or the State Development and Construction Corporation functions more like Engineering Consultants and Contractors moving on their engineering staff from work-site to work-site according to construction schedules.

The Co-operative Wholesale Establishment, which is a State trading organization, has its Chairman/Directorate and Managerial staff in Colombo, but operates an all-island net-work of 7 wholesale depots and 101 retail sales-points. It also operates a Flying Squad which reaches out to Districts to eliminate profiteering, hoarding and other malpractices.

State Corporations have been established under different Ministries and are directly accountable to each Minister. The largest number are manufacturing Corporations under the Ministry of Industries and Scientific Affairs—17 in number as at the end of 1973—with a total turnover of Rs. 1,658 million and an aggregate profit amounting to Rs. 189 million. The total number of employees in manufacturing Corporations is over 32,000.

Some Ministries have set up special Divisions to carry out the Central Co-ordinating Function in relation to Staff and Organization. In the Ministry of Industries a "Regulations" Division and a "Development" Division carry out this function, while other Divisions are in charge of such matters as Investment and Training Policy, allocation of foreign exchange, etc. Besides the Ministry concerned, the Corporations Division of the General Treasury exercises financial control through the

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evaluation of Project activity, examination of Annual Budgets and review of major increases in investment/expenditure before granting approval. The Corporations Division of the Ministry of Planning exercises a similar controlling and co-ordinating function. It examines the Investment Programme in relation to production turnover and allocation of foreign exchange and carries out Project evaluation as well as fitting in of Programmes within the sectors of the National Plan. The Central Bank carries out an annual review of the activities of each State Corporation and publishes the results in its Annual Report. The final accounts of each State Corporation are audited by the Auditor-General and submitted to the Public Accounts Committee which finally makes its observations to the National State Assembly.

A State Corporation is established either under a Special Law or incorporated by Order under the Corporation Act, No. 49 of 1957, and gives each Minister not only the power of controlling Policy but also appointing and removing Directors as well as approving the Budget and Investment Programmes. Although each Minister has the power to give directions even in regard to operational activity, in practice a great deal of autonomy is granted to the Chairman as well as the Board and the Management in decision-making and execution.

The autonomy of State Corporations as well as their lack of organizational uniformity are mainly responsible for the absence of common policies or common procedures. Although the State Services comprise over 350,000 employees, the number of posts have been classified within about 140 grades with a single salary scale for each grade. On the other hand, the State Corporations examined by the Cabinet Sub-Committee had as many as 1,547 salary scales for 137,000 employees of 50 Corporations. Posts with comparable responsibilities have no uniform qualifications. There have been cases of persons selected to the higher Engineering Grades whose qualifications would not have warranted an appointment to the middle technical grade in a Government Department. The Report of the Sub-Committee of Ministers[1] drew attention to the uncontrolled expansion of office grade staff and correspondingly higher remuneration and career prospects available to such grades, as against technical and skilled labour grades whose salaries and prospects were much less attractive.

Similarly, autonomy in financial management has resulted in the freedom to fix salaries without any norms or standards with the resultant plethora of salary scales and grades.

Duplication of activity is another area of waste of National Resources. For example, in the area of State Trading, the Co-operative Wholesale Establishment, the Sri Lanka State Trading Corporation, the Ceramics Corporation, the State Hardware Corporation and many others each producing or distributing a particular item or items of consumer goods have set up a net-work of Wholesale Depots and retail outlets throughout the island with heavy staff overheads. If all the staff are deployed at the local level on a single shop-floor basis there would be substantial economies of scale, reduction of distribution costs and lower consumer prices. Similarly there are two Regional Development Corporations and

1. Report of the Cabinet Sub-Committee on terms and conditions of employment in Statutory Boards and Corporations (Chairman, George Rajapakse).

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two Major Engineering Corporations handling contractual work with each of them facing the problem of excess staff and insufficient trading activity to engage all their resources.

It is therefore necessary before Government sets up any new Corporations to examine the functions of existing Corporations and satisfy itself whether the activity proposed to be carried out through the new Corporation cannot be handed over to an existing Corporation handling similar functions. It is equally important that there should be a complete review of the entire field of Corporation activity with a view to rationalization of functions, elimination of duplication, amalgamation of Corporations handling similar activities to effect economies of scale and to windup all superfluous organisations.

The following reasons make it difficult to establish a single Central Agency for co-ordinating the work of State Corporations:—

(1) Corporations have been established under different Ministries and are answerable to each Minister both in respect of Policy as well as their operations. While each Minister exercises control through his own Ministry, independent Ministerial authority renders central control through one Agency a difficult proposition to recommend. Under the new Republican Constitution of Sri Lanka which came into operation in May, 1972, the Cabinet of Ministers has further delegated each Minister with powers relating to appointments, etc., so that the concept of independent Ministerial authority has been constitutionally reinforced subject, of course, to Cabinet authority in matters only of common policy.

(2) As already indicated, State Corporations are functionally associated with different Agencies for different purposes. For example, the Treasury exercises a certain amount of financial control, the Planning Ministry appraises Projects and fits in Programmes within sectors of the National Plan, the Auditor-General's Department carries out the annual audit and reports to the National State Assembly through the Public Accounts Committee.

(3) It has been seen that the structure as well as the organisation of State Corporations differ from each other without a uniform model.

(4) The concept of autonomy of State Corporations, giving them substantial freedom both in financial matters as well as matters relating to recruitment and operational activity which is jealously safeguarded by Corporations, makes the proposition of Central Control by a single Agency subject to tremendous opposition.

(5) The complete lack of uniformity in recruitment policy, fixing of salaries, and the absence of a means of controlling staff expansion within Corporations not only shows up tne need for a Central Agency to control such matters, but also indicates the types of interests that would oppose any such control.

There have been various attempts at examining this problem and the suggestion of various possible alternatives. The Ministry of Industries and Scientific Affairs has suggested the setting up of Sectoral Corporations,

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grouping Corporations with like activities as well as amalgamating smaller Corporations with bigger ones engaged in like activities with a view to rationalising their activities. These Sectoral Boards are to take over from the Boards of Directors and to effectively direct Policy, evaluate performance and review progress. The Sectoral Boards in turn would operate closely through the Ministry concerned thereby bringing about closer Ministerial control over both Policy as well as operations. This suggestion is worth pursuing as it would pave the way for one Central Co-ordinating Agency to have linkages through the Staffs of the different Ministries with Sectoral Boards thereby carrying out more effective control and co-ordination.

The Ministry of Public Administration, Local Government and Home Affairs has suggested examining the feasibility of setting up a Holding Company which, like Sectoral Boards, would control Policy-making, plan Operations, examine Investments, define Personnel, Financial, Administrative and Production Policy, etc., with the day-to-day operations being handled through individual production units with regional subsidiaries where needed.

The Cabinet Sub-Committee (referred to earlier) has recommended the setting up of a State Corporations Secretariat under the supervision of the Prime Minister (who is in charge of the subject of Planning) which could exercise the type of supervisory control referred to earlier in respect of Sectoral Boards/Holding Companies. The Sub-Committee also recommended a comprehensive Corporations Law which would provide for a wide range of control of Policy and operations, regulate budgetary and financial procedures, fix accountability, lay down Rules of Procedure in regard to such matters as remuneration, recruitment policy, etc., as well as lay down rules in regard to the manner of reporting annually to the National State Assembly, etc.

The Cabinet Sub-Committee also strongly recommended exercising more effective Parliamentary control through such methods as :

(1) (a) Programming and Reporting—
Each State Corporation should provide a Programme Budget to be tabled in the National State Assembly with the National Budget giving information of a broadly classified nature relating to major fields of activity such as revenue, expenditure, production and turnover, foreign exchange budget, etc.

(b) Progress Reports—
These too would be of a broadly classified nature dealing with such matters as production shortfalls or excess, production targets, losses, new investments and the progress and expansion of new units, etc.

(c) Final Accounts—
There should be Statutory provision for Corporations to render Final Accounts well in time to the National State Assembly annually.

(2) There should be a Select Committee of the National State Assembly sitting regularly, examining and evaluating the documentation which would come up to the National State Assembly and advising the Government both in regard to Policy as well as Operations.

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It would thus be seen that attention has been focussed on the need for a Central Co-ordinating Agency to control and co-ordinate the Policy of State Corporations. However, there has been no decision taken yet in regard to the form which such Agency should take or the manner in which it should be established. There is no doubt an imperative need not only in respect of Sri Lanka, but, perhaps, in respect of other developing countries in the region also that their National Government should treat this at the highest level of policy and device the necessary organizational arrangements to establish such an Agency.

This need is felt most urgently in the fields of recruitment policy, staff training and disciplinary control. There is no substitute for competitive selection based on the highest educational and professional standards and the adoption of objective and impartial recruitment procedures. Experience has also shown that such standards can only be maintained when recruitment as well as placement is handled by a Central Agency which is insulated from the influence of preferment and patronage or the whims of personal subjectivity.

The need is felt equally severely in the fields of Staff Training, Management and Career Development. As the Staff of State Corporations are not interchangeable or are not subject to transfer even within allied fields, administrative and professional experience become very limited in scope which largely explains the continuing dearth of top management skills in the Corporations sector. Purposive career development also becomes impracticable in such circumstances as there can be no substitute for on-the-job training. Although the Sri Lanka National Institute of Management services the Management Training of Corporations staff, the lack of varied career experiences is a visible constraint to the development of higher Managerial skills. Therefore, a Central Agency for co-ordinating Recruitment, Placement and Training of Staff becomes a prime necessity especially in view of the current expansion in the State Corporations Sector.

Finally, it is observed that it would be necessary to begin initially with the establishment of a Central Policy-making Body at the highest political level. This could take the form of a Permanent Council of Ministers with State Corporations in their charge headed by the Prime Minister/President (as the case may be) serviced with a State Corporations Secretariat, which Council should have the power, under Law, to exercise Central Control and Co ordinating Functions in respect of the various matters which have already been dealt with in this Report.

The Ministers should perforce have to refer matters of Policy through the State Corporations Secretariat to the Ministerial Council for decision and all Ministries as well as Agencies having any functional or operational links should be represented in the Corporations Secretariat through their Senior officials. An Official Body consisting of Secretaries of the Ministries concerned should service the Council helping to co-ordinate Policy both in relation to individual sectors as well as the over-all National Plan and liaise with the Secretariat as well as with the Corporations, thus ensuring the necessary consultative machinery at all levels without which the Central Co-ordinating Agency would find it difficult to function.

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LOCAL GOVERNMENT IN DEVELOPING COUNTRIES[1]

Henry Maddick

Local government development must be related to the political and social circumstances of a country at a particular stage in its history. In this context it is important to consider administration at both the local and national levels as a means of fulfilling people's needs. It is from this premise that one has to start a discussion of so wide a subject as local government for development. From the point of view of development, the idea of planning and the necessity of devising a blue-print for economic growth and social development of a country is vital. It may be mentioned here that the need for development administration to be concerned more with achieving results is often forgotten completely. This is well borne out by the conditions of some of the countries which I had the opportunity of visiting during my Far Eastern Tour. The tendency amongst administrators in these countries is mostly to engage in excessive paper work and extensive discussions often based on cumbersome administrative laws which inhibit speedy administration. Hence, primarily, development administration must have a sense of purpose and a sense of achievement or, in other words, be based on a desire to get things done.

Another important factor is the need to possess a fair knowledge of the particular aspects of a situation. For example, if a development programme includes a major project for the manufacture of fertiliser, it is essential to take into account numerous factors such as the use of fertiliser. Almost invariably, in industrial and quasi-industrial projects, careful study of the raw material, its processing and its ultimate use is a very necessary and an accepted factor of a development proposal. The knowledge of conditions, particularly the knowledge of local conditions affecting the production of fertiliser in the new plant is essential. When however we turn to another aspect—providing the resources, the infrastructure, the knowledge for people to improve their economic and social standard, it is often assumed that the central government and its officials know instinctively, partly because of their superior education, exactly what is required in local areas and by the local people wherever they live. Probably this attitude may be right. Such officials might have the perspective to see that the country is going to raise the standard of living and improve the social and economic conditions of its people not merely through a temporary palliative such as paddy production, but through a diversification of production aimed at increased industrialisation. This is the broad pattern. But the difficulty of this approach is that from the lofty eminence of the central government and often, particularly, from the planning sections there is a blind-spot—an area which cannot be clearly seen. It is that people who live in local areas are those who can best tell what is wanted in such areas, or in other words what the priorities are, as between water, electricity, roads, and perhaps a dispensary. Furthermore,

1. This article has been adapted from a speech given by Professor Henry Maddick, at the Academy of Administrative Studies on 20-3-1970, during his visit to Ceylon in the course of a tour of Eastern Countries.

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they themselves can also contribute to the implementation of these programmes. It is true that the central government has to make certain decisions, but it is equally true that the people in the villages and the towns have an understanding of their situation and can define what they need, once the possibilities are made clear and open. It is this knowledge which the administrators, including the technical officers at every level from the sub-districts to the chief secretariat, seem to require. They need not only the knowledge that the local people can give them but also their support. They need, above all the understanding by people of the sort of changes the policies are going to bring and the acceptance of those changes. This appears to be the most essential feature of any system of local government in a developing country. Under such a situation, the decisions regarding the total deployment of resources mainly concern the breakdown of these resources as between different activities and in many cases between different ends must be ensured. They have also to ensure, because of the political content, that the employment of those resources will lead to roughly equitable results between different areas. But what they cannot do is to know the situation in a multiplicity of places where ingredients such as climate, agricultural and industrial requirements, and social, religious and commercial priorities vary. These require some means whereby local people can express themselves and they can indeed make decisions within the broad pattern. Local government could make a worthwhile contribution in this respect.

First, it can be used as a means to inform the central departments and their officers of the requirements that the people think will improve their standard of living. Secondly, it can produce a leadership which could mediate change. In almost every country the raising of the standard of living involves questions of changing people's way of life, and that requires the maximum leadership from people who are trusted by the citizens at large. In England for instance, there are various ways of involving people in matters of public significance such as questions of living in towns, traffic congestion and river pollution which are the results of modern technological change. In fact change is a universal phenomenon, to which Ceylon cannot be an exception. Within the next forty years when seven-tenths of her population will be living in towns, Ceylon too will be following world trends. That in turn will require a reappraisal of the situation and a new approach to living that may be achieved only through the counsel and the leadership of people whom the citizens trust. The Government Agents and District Officers will find it difficult to play this vital role because of the short duration of their stay in one place and their desire to give preference to their own favourite schemes. To meet the numerous requirements of economic and social change, such as the need to have new agricultural patterns and ideas about varying crops, to reduce the rapid increase in population, to accept new ideas of health, it is necessary to have a trusted and popular leadership that could mediate change through all communities. Local government should be able to produce this type of local leaders and furthermore hold them responsible to the people. Basically this new idea brings out the importance of accountable leadership at the local level, something which is more specific than that of the National Legislature. This idea also has a broad philosophical background. Accountable leadership seems to be a counterpart

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to the centralisation of power which is taking place in every country. Today, more and more activities are being centralised and as a result there is a parallel increase in the power of central organisations. It is true that the economic life of a country demands that control should be centralised with regard to different activities. Yet, with this sort of centralisation it has been realised that a legislative system can control the use of that power only to a limited extent. In other words, one of the greatest problems in the present day is that as we centralise we lose control over much of what is being done. Hence it is essential for a country to deliberately decentralise and to devolve responsibilities to local authorities and thereby get some of the power away from the centre.

The objective of creating centres of power in local areas should be something more than just controlling power within the society. They should in addition be used as centres of initiative, drive and enthusiasm for improving the environment in which people live, and the life which they lead. Although this might sound very idealistic, there is a limit to the initiative and drive that a Minister and his Department or all the Field Officers can apply to the multiplicity of local situations. Therefore it is a local government system that could best provide some sub-stations of social power throughout the country, and thereby contribute to the infra-structure formation of the country aimed ultimately at the improvement of living standards. If it is possible to harness such local initiative one could also harness a tremendous force for improvement and devlopment. In this connection it seems appropriate to mention the words of Pandit Nehru who in 1959 while inaugurating the Pachnayati Raj System in Rajasthan said that he "looked forward to the time when there will be 5,000 Panchayat Samitis in India with 5,000 Chairmen who will be almost like 5,000 Deputy Prime Ministers". These words bring out a wonderful idea capable of being achieved in every country.

At this stage it seems necessary to look into two administrative aspects. First, there is in a national administration, the problem of continually having to account nationally for what is being done. In consequence, the central government administration is usually reluctant to experiment. However, one of the unexplored benefits of local authorities is the degree to which they can experiment, so as to improve their own situation and to do things which may prove valuable to other authorities in the country. England is a good example where local authorities engage in such experiments. There are 142 local authorities out of 1200 who are responsible for education from nursery level to the level immediately below the University, including colleges, technical colleges, commercial colleges, so on. Over the last twenty years there has been a tremendous amount of experimentation with higher secondary education. Some local authorities have abolished the Selection Examination, others have grouped their schools in different ways and some others have combined their schools at the Sixth Form in order to provide a Sixth Form College. None of these experiments have required action by the Ministry of Education or involved the Minister and his advisers in the awful thought that if something goes wrong, the Minister will have to answer a question; a major crisis, because something has happened which is being considered unsatisfactory in a particular part of the country. Actually these experiments have now led to the point where the Ministry of Education

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is introducing a bill to change the selection system for particular types of secondary education. Experimentation appears to be a very vital administrative aspect of local authorities. Whilst education as a responsibility of local authorities may not be applicable in Ceylon, it is nevertheless an example of a way in which a service can be varied and developed through experimentation, instead of stagnating until the point where a Minister is pushed by officials or vice versa into changing an existing situation.

There is another administrative aspect of great importance. It is that of co-ordination. The nightmare in any system which consists of more than a minutely small number of people in an organisation is how to keep them going in unison towards the same objectives. It is difficult to believe that the question of co-ordination is not a problem in Ceylon, when it is affecting every country in the world. It is a problem in every organisation of every size. Taking my own Institute of Local Government in Birmingham with a staff of about thirty as an example, one can see problems of co-ordination unlike previously when we had two members on the staff.

It may be useful at this point, to go back to the idea introduced at the beginning of the discussion, that local government deals with people and that every country is divided into variable areas. Sometimes these areas range from those as large as Colombo or a future metropolitan area of Colombo, to a small area which is still waiting with two or three families living in a particular part of the country. In such a situation, the question is how to co-ordinate the work of the various departments that are operating in the field. In other words, how can we bring home to the technical officer and the administrative officer, that it is a freak to have a Department of Agriculture, a Department of Irrigation, a Department of Local Government, a Department of Roads working separately. All of us are concerned with this basic problem, and it is not a case of competition between local government and the central government, although some people think of it as a bitter war of opposing armies. This is actually something we have to get away from for it may be that local authorities are as bad as central government officers. But one has to relate the claim to be allowed to do things to the ability to do things. One has also to ensure a balance between the expertise of the highly educated officer and the knowledge and local leadership of the councillors. Moreover, it is necessary to balance the known defects of local politicians and of central politicians in such a situation and balance it against the fact that it could go on without political leadership in a community. Without political support in a community you are eventually going to arrive in a situation which would explode in your face as has been happening recently in certain Governments.

It cannot be disputed that governments in every country of the world are facing tremendous tasks and that these are not the concern of only one section of the Government. I have been told that your tremendous and imaginative River Project which brings water to the fields is the responsibility of the Department of Irrigation. It is difficult to believe that the government can by itself operate a system which does all the work connected with irrigation. At least in constructing irrigation channels the energies of local people could be utilised. In fact, one of the great statesmen of India who pioneered food production used to say, "What we

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need is 40,000 miles of irrigation channels built every year by the villagers in this country". Though Ceylon may not have problems of quite the same size, the infra-structure development in the rural areas as well as the improvement of conditions and standards of living in urban areas is of prime importance. This could be done, not by administrators working alone, but by the people themselves, who should be encouraged to think by themselves and act accordingly.

In conclusion, may I say that the need is to explore ways in which local government can play a full and meaningful part in a development programme of a country, and for the central government to ask itself whether it is necessary to waste its skills and resources in doing certain things which can be done by the local people with guidance and supervision and probably be done better in the long run than the central government personnel can do. In fact the opportunity cost of administration is an element which is very rarely considered. The involvement of the local people however, will lead to the scarce resources of the central administration and technical and professional services being freed for more exacting tasks.

A partnership between the central and local authorities is vital in the development process, and each country must decide in the context of its own politics how much can be contributed by local government and how much must be contributed by local government because of the inadequacy of services provided by the central government. Whatever the balance is between these two segments of the government the partnership should aim at the same objective of developing and improving the life of the community and making all people happy at home.

LOCAL GOVERNMENT AND DEVELOPMENT IN SRI LANKA

G. R. T. Leitan

Introduction

The impetus necessary for bringing an under-developed country to the point of "take-off" must necessarily come from the Government. This is specially true of countries which have for centuries been under foreign rule with their economies geared to that of the "mother country". Inevitably, therefore, in a country like Sri Lanka, the State interests itself and participates directly in programmes of economic and social development. Its activities in the agricultural sphere include the provision of various benefits to the farmer—for instance grants, subsidies and loans, marketing facilities, guaranteed prices for agricultural produce, extension services, fertilizers and seedlings, etc. It also undertakes directly large-scale agricultural, irrigation and multi-purpose projects. In the industrial field, besides engaging directly in industrial production, the state also gives special encouragement to small scale industry and cottage and handicraft industries.

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But in all this vast programme of state development activity the unfortunate but indisputable fact which emerges is that local authorities are by-passed almost completely. There is no association of local government in the machinery of central planning and no conception of utilising local authorities as administrative agencies in the process of plan-implementation. What is evident is that local government does not tie in with the development process in any special way.

Mrs. Ursula Hicks, on a visit to Sri Lanka commented as far back as 1957 that Sri Lanka's "failure to develop a robust system of local government" implied that the country was "not making the fullest use of her resources for economic and social development" and that "many of the quick maturing improvements which are so important in the early stages of implementing a development plan can best be carried out at the local level".[1]

The Maud Committee on the Management of Local Government in England states :

> "The local administration of public services is essential; that the local organs of administration should be democratically elected bodies is not. Nevertheless, our view is that although certain services may be provided locally by outposts of the Central Government, or by ad hoc bodies appointed by it, democratic local self-government is an essential institution and that, where functions, present or future can be performed by local authorities, they should be performed by them".[2]

Patterns of decentralisation however will vary, the pattern adopted by each country being the result of a number of factors. Among them are the accidents of historical evolution, the political maturity of its people, the attitudes of politicians and administrators to the question and the conscious efforts of governments to change their administrative structures in response to changing needs and demands of the people. However, like most other developing countries, Sri Lanka is faced today with the need for adopting these administrative structures to the new needs of development.

Development of Administrative Structures

In common with other countries emerging from a long period of colonial rule[3], Sri Lanka's system of local government and local administration is the result, in large degree, of historical forces and circumstances.

During the colonial era, the emphasis was placed not on democratic decentralisation in the form of local government institutions, but on administrative decentralisation or deconcentration. Thus governmental functions came to be performed by outposts of the central administration. Of special significance in this connection was the development of the

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1 Hicks, Ursula K., Local Government and Finance in Ceylon in *Papers by Visiting Economists* (National Planning Council, 1959).

2 The Report of the Committee on the Management of Local Government in England Vol I (H M S.O. 1968) p. 68.

3. The Portuguese took over the maritime provinces of Sri Lanka in 1505. These were acquired by the Dutch in 1638 and the British n 1796. From 1815 the entire country was under the British until Independence in 1948.

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hierarchically arranged provincial administration which became the backbone of the entire centralised administrative structure. Initially, the country was divided into provinces under Government Agents, and the provinces into districts under Assistant Government Agents. Subsequently, each district (of which there are 22 at present) was placed under the Government Agent. Technically the Government Agents were revenue officers; with the increase of governmental functions however, they became Governments' general agents in the field. This was the District Administration or "Kachcheri System' which exists till today.

This pattern is not different from that which was adopted for purposes of consolidation and control in other colonial territories of Britain—similar to the French Prefectoral system in which the Government Agent (or "Collector" or "District Officer") is both the representative of his district as well as the embodiment of central authority.

There also started to emerge during colonial times, decentralised government departments. The result of the vast increase of governmental activity (especially after Independence in 1948) has been a proliferation of vertically structured departmental field organisations functioning in each district parallel to each other, in addition to the district administration. The Government Agent is assigned a "general responsibility" as well as the role of co-ordinating all governmental work in the district. A supporting structure of ad hoc bodies—co-operative societies, rural development societies, cultivation committees, etc.—functioning as agencies of government departments at village level form the contact points between them and the general public in the implementation of departmental policy.

Within this vast bureaucratic structure, local authorities, emaciated and financially weak, are considered as unequal to the task of handling departmental programmes as in a Comprehensive Local Government System. Development functions are thus assigned to the bureaucratic administrative system and to the large number of public corporations established after independence.

Local Authority Functions

Although the beginnings of modern local government can be traced to the mid 19th century, the structural base of the present system was the result mainly of the reforms under the Donoughmore Constitution (1931-46). Today local government continues as it was in the Donoughmore era and no appreciable changes have taken place.

Structurally there are 4 types of local authorities—the Municipal Councils, Urban Councils, Town Councils and Village Councils. There is however, an absence of a multi-tiered system, so that one type of authority is not subordinate to another. The Municipal, Urban, Town and Village Councils—functioning within their respective Ordinances,[4] are responsible to the Department of Local Government. Their functions, specified as duties and permissive powers, are broadly the same,

4. Municipal Councils Ordinance (Chapter 252), Urban Councils Ordinance (Chap. 255), Town Councils Ordinance (Chap. 256) and the Village Councils Ordinance (Chap. 257). Functions are also derived from a number of other ordinances *e.g.* Housing and Town Improvement Ordinance (Chap 263), Town and Country Planning Ordinance. (Chap. 269), Resthouses Ordinance, (Chap. 275) etc.

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viz. maintenance and lighting of streets and thoroughfares, public health and sanitation, and public utility services which may be necessary for the area.

In many of the western countries, education, police, and personal social services are some of the most important services provided by local authorities; and in some of the developing countries, an attempt is being made (as in India under "Panchayati Raj") to associate local bodies in the development process. But significantly, these functions are denied to local authorities in Sri Lanka, and they are expected to play a very restricted role.

Local Government Structure—Absence of Machinery for Co-ordination

Before the Donoughmore reforms, local bodies were under the control and tutellage of the Government Agent, and officials of the district administration acted as mayors/chairmen (as in the integrated protectoral model). Today, all local authorities consist entirely of elected members, and they are independent of the G.A.s control.

A factor of significance, however, is that while the co-ordinating influence of the Government Agent was withdrawn the machinery for horizontal co-ordination envisaged by the Donoughmore Commission (and which would have facilitated transfer of development activity to local government) has not been established.

The Donoughmore Commission was alive to the advantages of a system of Provincial Council and suggested that the matter should be taken up for consideration by the Department of Local Government which was to be created. In keeping with these suggestions, the intention of the Minister of Local Government as announced in the legislature was that local bodies should be supplemented by a system of provincial councils which would be the co-ordinating upper tier. Democratic decentralisation on such a pattern, he felt, could eventually provide the agencies through which most departments would operate.[5]

The most important recommendation of the Choksy Commission of 1955[6] was the establishment of Regional Committees as consultative and executive bodies, performing a co-ordinative role in relation to development schemes of the area.

In 1957 and 1968 although attempts were made to introduce a system of regional or district councils,[7] in a country faced with ethnic problems, these measures had to be abrogated as a result of communal dissension and disharmony.

Thus an upper tier of district or regional councils has never been established. Today each local authority functions as an entity in accordance with the provisions of the relevant ordinance, subject to the control of the Department of Local Government.

Other Agencies

Another factor which to a certain extent has retarded the development of local government has been the establishment of other agencies for the implementation of development policy.

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5. Hansard 7-5-1937, pp. 1064–1067.
6. Report of the Commission on Local Government, S.P 33 of 1955.
7. The Draft Regional Councils Bill 1957, Proposals for the establishment of District Councils under the direction and control of the central government. 3rd June 1968.

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In this connection, the very limited functions assigned to local authorities in Community Development is specially noteworthy. The participation of local government in community development is confined to the Community Centre Movement[8] where the emphasis is on cultural and recreational work like construction and maintenance of libraries and reading rooms, maintenance of playgrounds and sports activity, organising dancing and drama, etc. The main responsibility for Community development rests, however, with the Department of Rural Development.[9]

Similar to the Community Development Movements in developing countries like India, Pakistan and UAR which gained impetus in the 1950s, the Rural Development Movement was inaugurated in Sri Lanka in 1948. Rural Development societies, established at village level, were to be the foci of all rural development activity in spheres like infrastructure development, agriculture, health and sanitation, etc. A special government department, the Department of Rural Development, within the Ministry of Home Affairs[10] was created for their organisation and control. A network of departmental field units throughout the country was entrusted with their functioning with the Government Agent (with a senior official of the Department of Rural Development to assist him) being responsible for the movement at district level.

Relationship with Local Government

It has been stated that evolution towards local government sometimes takes the form of a detour known as Community Development"[11]. It is this same idea which finds expression when the U.N. Study Team says that "Community Development programmes establish the necessary pre-conditions for the evolution of local government authorities" and that community development "should logically lead to the establishment and strengthening of local government".[12]

In Sri Lanka, unfortunately, relations between local authorities and rural development societies leave much to be desired. Mutual distrust and hostility characterized the rural development societies and local authorities from the outset. The fact that the former too were to act in more or less than same spheres as local government led, not unnaturally, to a feeling within the legally constituted democratic institution in the village viz., the village council—that it was "being supplanted and atrophied and.....losing its appointed place in the village"[13].

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8. The establishment and management of community centres is a permissive function of local bodies under Sections 46 (*f*) of the M.C. Ordinance, 35 (*f*) of the U.C. Ordinance, 156 (*a*) of the T.C. Ordinance and 36 (*v*) and (*w*) of the V.C. Ordinance. Community centres (corresponding roughly to the electoral ward of a local authority) are voluntary non-statutory bodies, which are however under the supervision and control of local authorities.

9. In more recent times, bodies like Divisional Development Councils (DDCs) and Agricultural Productivity Committees (APCs) were entrusted with certain aspects of development.

10. It is now within the Rural Development, Ministry of Public Administration and Home Affairs.

11. Wickwar, W. H. *Political Theory of Local Government* (University of South Carolina Press 1970) p. 84.

12. U.N. *Community Development and National Development*, 1973, pp. 14, 70.

13. *Report of the Commission on Local Government*, S.P. 33 of 1955, o.425.

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The Choksy Commission, as far back as 1955 drew attention to the rivalry and jealousy between these societies and local bodies. On the basis of extensive investigation their conclusion was that local government had lost its prestige as the authority of the area for voicing village opinion; and that, if the funds which were so readily made available to these societies (by the government and by foreign organisations) were given to local authorities, they would no doubt be in a better position to undertake these functions themselves[14].

Lack of Legal Provision in the Ordinances

It is also relevant to note here, the birth and demise of the community development activities undertaken by the Colombo Municipal Council. The Administration Report of the Mayor and Commissioner of the Colombo Municipal Council for 1974 drew attention to the escalation of council expenditure on poor relief and the need to devise effective methods to rehabilitate the families applying annually for relief. In 1975, therefore, the Colombo Municipal Council empowered the Charity Commissioner[15] to commence a programme of community development. It was impressed on him however that legally there was no provision for the council to use any part of its funds for this purpose and that these activities therefore had to be financed exclusively from funds donated by voluntary organisations. Accordingly, a number of projects—a sewing project, a basket weaving and rattaning project, a book-binding project and a canteen—were started under this programme.

As a result of certain technical irregularities however, audit queries arose and the Charity Commissioner was required to refund a sum of Rs. 35,275.50 cts. to the Council and the programme came to an abrupt end.[16]

The point to note here is that the law does not strictly permit municipal councils to utilise funds or property belonging to the council for community development. Also worthy of note, however, is the comment made by the *Commission to inquire into malpractices in local bodies (Municipalities)*:—

"This initial failure will not however detract from the tremendous possibilities of a reorganised comprehensive plan of development in this direction".

It was also suggested by the Commission that amendments to the existing law to enable municipal councils to engage in these functions should be considered.[17]

Shortcomings of Local Authorities

While in certain fields lack of power is a factor responsible for the limited range of local government functions, what is evident is that even where legal sanctions do exist, the record of achievement leaves much to be desired. A general power is given, for instance, to municipal, urban and town councils to provide amenities and public utility services[18] even

14. Ibid., pp. 68–74.

15. The Charity Commissioner is an official of the Coucnil who is in charge of the administration of poor relief, community centres and playgrounds etc.

16. See Interim Report to His Excellency the President of Sri Lanka by the Commission appointed under Sec. 2 of the Commission of Inquiry Act (Chapter 393) to inquire into Malpractices in Local Bodies (Municipalities) SP 5 of 1977, pp. 87–96.

17. Ibid., p. 95.

18. M.C. Ordinance Sect. 40 (i) (u), U.C. Ordinance Sect 129, T. . Ordinance Sect. 128.

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village councils are equipped (as permissive powers) with almost the same powers as the other units.[19] Yet it is only the Colombo Municipal Council (by reason of its special position and finances as the capital city) which undertakes a wide range of services especially inthe field of public health. In relation to the others, to quote the Administration Report of the Commissioner of Local Government (1960-61) ".....hardly any local authority has a proper surface draining scheme to serve the entire area of the council; very few village roads are paved and tarred or metalled; only a few have satisfactory conservancy and scavenging services, an adequate number of markets, maternity and child welfare centres, community centres, ayurvedic dispensaries, parks, playgrounds, reading rooms, libraries.....".

The comment of the Committee of Inquiry into Local Government (1972) that ".....the inability of local authorities to provide essential services accounts for the regrettable circumstance that in the entire country only the City of Colombo is served by a sewerage scheme....."[20] is itself a sufficient indication of the limited range of local authority operations and needs no elaboration.

Inadequate finances

One of the chief factors responsible for the shortcomings of local authorities is the inadequacy of their financial resources. As the following table illustrates, the income of many local bodies is very limited that of 138 village councils for instance, being less than Rs. 20,000 per annum.

Many local authorities find that administrative costs take up a major portion of their revenue. Grant payments are made by the Centre; but central funds are necessarily limited in a developing country. Moreover, they have to be allocated (as in every country) according to rival pressures from different departments.

The need to augment local authority finances has been recognised by the Committee of Inquiry into Local Government (1972). It has, accordingly, suggested that 75% of motor vehicle licence fees, cents 10 on each gallon of petrol sold and 75% of stamp duties on land transactions in each local area should be part of the central contribution to local authorities. It has also proposed that local authorities should charge a specific water rate, an increased acreage tax on a graded basis, a tax on professions and trades, a building applications fee, a hotel receptions tax, etc. Another of its suggestions is that trading services—like running rest houses and guest houses, permanent amusement parks, cinemas and theatres, fair price stalls, etc.—should be within the legitimate sphere of local authority activity.[21]

Attitudes to Local Government

Attitudes of administrators and government are also relevant in this connection. Government departmental officials very often tend to regard local government as redundant; for, they point out, government departments already functioning in the field are better equipped to perform

19. V.C. Ordinance Sect. 47A.
20. Report of the Committee of Inquiry into Local Government. S.P. 7 of 1972, p. 23.
21. Ibid., pp. 53–57, 86–90.
Some of these proposals are under consideration by the Department of Local Government at present.

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LOCAL AUTHORITY BREAK-UP BY REVENUE LEVELS—1968

(Rupees Thousands)

Municipal Councils		*Urban Councils*		*Town Councils*		*Village Councils*			
Less than Rs. 1,000	2	Rs. 50 & less than	Rs. 100 –	Rs. 30 & less than	Rs. 40 1	Less than	Rs. 10 25		
Rs. 1,000 & less than	Rs. 1,500 3	Rs. 100 do.	150 2	Rs. 40 do.	50 3	Rs. 10 less than	20 113		
Rs. 1,500 do.	2,000 2	Rs. 150 do.	200 2	Rs. 50 do.	60 4	Rs. 20 do.	30 90		
Rs. 2,000 do.	2,500 –	Rs. 200 do.	250 3	Rs. 60 do.	70 4	Rs. 30 do.	40 90		
Rs. 2,500 do.	3,000 1	Rs. 250 do.	300 4	Rs. 70 do.	80 8	Rs. 40 do.	50 43		
Rs. 3,000 do.	3,500 1	Rs. 300 do.	350 4	Rs. 80 do	90 8	Rs 50 do	60 38		
Rs. 3,500 do.	4,000 1	Rs. 350 do.	400 3	Rs. 90 do.	100 8	Rs. 60 do.	70 23		
Rs. 4,000 do.	4,500 –	Rs. 400 do.	450 3	Rs. 100 do.	110 6	Rs. 70 do.	80 15		
Rs. 4,500 and over	2*	Rs 450 do.	500 1	Rs. 110 do.	120 2	Rs. 80 do.	90 18		
		Rs. 500 do.	550 –	Rs. 120 do.	130 4	Rs. 90 do.	100 10		
		Rs. 550 do.	600 1	Rs. 130 do.	140 5	Rs. 100 do.	110 18		
		Rs. 600 do.	650 2	Rs. 140 do.	150 2	Rs. 110 do.	120 8		
		Rs. 650 do.	700 3	Rs. 150 do.	160 4	Rs. 120 do.	130 11		
		Rs. 700 do.	750 –	Rs. 160 do.	170 6	Rs. 130 do.	140 5		
		Rs. 750 do.	800 –	Rs. 170 do.	180 –	Rs. 140 do.	150 6		
		Rs. 800 do.	850 –	Rs. 180 do.	190 2	Rs. 150 and over			
		Rs. 850 do.	900 –	Rs. 190 do.	200 2				
		Rs. 900 do.	950 –	Rs. 200 do.	250 4				
		Rs. 950 do.	1,000 1	Rs. 250 and over	5				
		Rs. 1,000 and over	5						
	12		34		78		513		

*Colombo M.C. Rs. 48 million

Source: Report of the Committee of Inquiry into Local Government 1970, Appendix 9 (*b*) (Revenue excludes Electricity schemes and other Trading services).

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these functions more efficiently, impartially and with less friction. The attitudes of governments regarding the question of local authority functions seems to be reflected in the reluctance (despite the recommendations of a number of commissions) to introduce any major changes which would associate local authorities as base-units in the development process. A combination of these attitudes (stemming at least partially from the inefficiency, corruption and indifference of local authorities themselves) has resulted not only in their being by-passed, but also in a steady erosion of their functions.

Attempts of Government Departments

It should also be pointed out on the other hand, that attempts to associate local authorities in development activity, for instance, by the Department of Agrarian Services, did not prove to be very successful. Execution of minor irrigation projects was generally given over by this Department to Government Agents; but in 1956, it tried the experiment of entrusting Local Authorities with this function. This was described as the "first attempt ever of a Village Council undertaking any Irrigation works or of the Department utilising another agency for spending their money"[22].

Had they displayed sufficient interest in this instance and proved themselves, local authorities could have, in the future, claimed an increasing share in village development work. But although the Department was willing to assign a sum of money to Village Councils for this work, only a fraction of this sum was utilised in 1957 and 1958[23]; and according to the Commissioner of Agrarian Services, despite special arrangements made by the Department to expedite Local Authority estimates, most local bodies "did not show any interest in obtaining an allocation from this Department for minor irrigation works"[24].

A possible explanation for this seeming indifference could have been a lack of technical staff and other resources for attempting irrigation projects, even minor ones. Such inadequacies can be removed only by extensive reform measures by which local authorities can be equipped to participate in development work.

Conclusion

What emerges then, is that local government occupies a minor place in the administrative system. Independence and the imperatives of planned development have had no effect on it and its functions have not increased appreciately in modern times; and due to a combination of reasons it is by-passed in the development process.

"If the business of government" stated the Choksy Commission of 1955 is always to continue to remain in the hands of officials controlled from the Centre, then the gap that has existed in the past between those

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20. Report of the Committee of Inquiry into Local Government. S.P. 7 of 1972, p 23.

21. Ibid., pp. 53–57, 86–90.

Some of these proposals are under consideration by the Department of Local Government at present.

22 Administration Report of the Commissioner of Agrarian Services, 1957. p.KK5.

23 Administration Report, Commissioner of Agrarian Services, 1959

24 Administration Report, Commissioner of Agrarian Services, 1957 p. KK5

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who are governing and the governed will remain as wide as it has beeen"[25] The pattern which has developed over the decades is likely to continue however, unless a radical overhauling of the entire administrative system associates democratic local government more closely and more vitally with the overall programme of action which has come to be denoted by the word "Development".

25 Report of the Commission on Local Government—SP 33, 1955, p. 401

PROGRAMME BUDGET IN SRI LANKA DEVELOPMENT AND PROSPECTS*

T. Thirulinganathan

Introduction

Public expenditure refers to (annual) expenditure by Government for operating Government Departments, Advance Account Activities, Public Corporations and expenditure on Local Authorities. The mechanism of allocation of this expenditure is through the instrument of the Budget. Public expenditure is voted by the National State Assembly which is involved in the major process of policy formulation and policy control. Policy execution is through institutions of Cabinet, National Planning Council, Sectoral Committees, Ministries and Departments. The policy control function of the National State Assembly centres round ascertaining whether—

(a) The general policy guidelines are being carried out to achieve the purpose for which certain allocations have been made;

(b) The results have been commensurate with the efforts and costs that the State has approved through the Budget;

(c) The Budget execution is carried out by the executives keeping to the guidelines of economy, efficiency and effectiveness;

(d) Review for policy changes and adjustments that are necessary in view of the experience thrown out during the actual implementation process.

In this main process of policy control, the budget serves as a vehicle of government policy and therefore it becomes an instrument of allocating resources, managing resources and also of exercising control over the public expenditure made available through the Budget. The breakdown of the long-term plan in terms of the annual operations plan has been given expression through the Annual Government Budget. The Government Budget is expected to be as a vehicle of government policy, to link a long-term plan with an annual operation plan and an instrument of management and control by the executives and ultimately the National State Assembly which formulates public policy.

* Material for this article has been mainly taken from my contributions at U.N., APDAC and ADI workshops held in Kuala Lumpur, Malaysia and Kathmandu, Nepal.

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Budgetary Control During the Period Prior to Western Impact

(a) Very little is known about budget control system operations in the period prior to Western impact. It is only possible to conjecture that these systems would have been rather sophisticated since social and economic systems of these times were able to construct and maintain an extremely advanced hydraulic civilisation.

(b) *Period of Western Impact.*—The period of Western impact commenced in 1500 A.D. with the Portuguese, Dutch and the British ruling Sri Lanka in almost equal periods of 150 years. Very little is known of the Budget system under the Portuguese but under the Dutch there is evidence that there was a satisfactory method of recording revenue and expenditure. Expenditure was categorised not only in terms of items of expenditure but also classified into very broad functional areas. The evaluation of the budgetary control system as it culminates to the point of independence in 1948 commenced with the British. The British conquest of Sri Lanka welded her into the budgetary systems as then obtaining in the mother country. With the attainment of independence in 1948, people's representatives began to vote on the Budget proposals of revenue raising and disbursements of funds for public services. Funds were voted under each Head of expenditure. The Head number assigned to each Department served as a responsibility accounting code number. Under Head of expenditure, money was provided in terms of standard sub-heads which were really input categories, like salaries, travelling expenditure, supplies, etc. As an intermediate grouping under a Head a second tier which had groups of sub-heads, came out as a Vote. The Vote was intended to demonstrate the right of the people to authorise expenditure. At a subsequent stage of development, a differentiation of the sub-heads into standard sub-heads and operational sub-heads took place. The operational sub-heads represented activities carried out by the Department.

Changes in 1961–62

Changes in 1961-62 were a watershed in the development of the budgetary control system in Sri Lanka. A broad functional classification of Government expenditure consisting of a seven vote structure classified expenditure broadly into General Administration, Social Services and Economic Development giving for the first time a functional approach to public expenditure allocation and control. This innovation made a dimensional demarcation between the Budget as it existed and evolved under the British and set in train a new system of public expenditure allocation and control. The earlier system of Budgeting devoted itself primarily to bring into action expenditure and income a document of Financial Balance. Its primary orientation was presentation of certain figures indicating that the Social System was not stretched beyond its capacity. The new orientation of 1961-62 drew its strength from budgetary ferment which had originated in 1950 which was primarily stimulated by the United Nations. The focus of these discussions was to make the Budget an instrument of development policy which meant that thereby the budget was among other things to reflect the allocation of resources to ensure development. For the first time the 1961-62 change made a clear demarcation between expenditure for administration, social

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and capital development types. There were also further sub-categories of the three broad groups distinguishing between recurrent and capital expenditure components.

A broad matrix of economic cum functional classification adopted in Sri Lanka in 1961-62 is appended. Even though a broad frame work of an economic cum functional classification was installed, it took nearly a decade (1971) for the traditional budget to be converted into a meaningful format. The emphasis, then, was allocation of resources in terms of inputs rather than on the basis of activities and results. However, one knows that a curiously mixed development of standard sub-heads and operational sub-heads had already taken place as referred to earlier. Input orientation gave way to activity orientation and results orientation. This development blossomed out subsequently as the Programme Budget during the Financial Year 1971-72. A pilot project of three Ministries was selected for the budgetary reforms which commenced rationalising allocation of resources. Sixteen other Ministries followed suit in the subsequent Financial Year (1973) and in the Financial Year 1974. The entire Government Budget was converted into a programme Budget. The objective of introducing a Programme Budget was to formulate programmes and activities in specific terms and to allocate resources in a more efficient and rational manner, enhancing the allocative efficiency of Government Organizations, strengthening the implementation of policy and performance evaluation, with the consequent object of improving the decision-making system, with regard to resource utilisation for achievement of national goals and objectives. The programme structure gave a framework for decision-making on allocation. The instruments of decision-making and allocation of public expenditure in Sri Lanka are—

(a) National goals;

(b) Plans;

  (i) Long Term;

  (ii) Medium Term;

(c) Budget—Financial expression of government policy linked to goals but with the specific time dimension and achievable target-objectives;

National goals are broken down in terms of agency objectives. These in turn are broken down into functions, programmes, projects and activities. A programme is a performance oriented course of action deriving from the function of an agency reflecting each of agency's objectives with time and cost elements built into it.

The Need for Programme Structure

Traditional budgeting has been associated with—

(1) Parliamentary control of finance—traditionally the emphasis has been on fixing a ceiling limit on expenditure;

(2) Incremental expenditure—Expenditure is incurred in order to ensure that an agency continues to exist and it is a justification for past expenditure. Any increases should be supported by price levels;

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(3) An year time span—There is nothing sacrosanct in an year time span but it is noted however, that some Latin-American countries have their Budgets on a two-year basis;

(4) An independent existence on its own right, without a link with any comprehensive document which deals with—

(i) National goals;
(ii) Agency objectives;
(iii) The results expected for the year;
(iv) The cumulative effect/impact of the results over time;
(v) Multi-year dimension of costs of an activity:
(vi) Efficiency of performance.

The traditional system was found to be wanting in facilitating the development process in Sri Lanka. The need to link the objective of an organization, agency/department with the national goals was a fundamental ingredient in the development effort. Therefore, the emphasis had necessarily to shift to identify the activity of an agency, its performance, results expected and the cost. It was in this climate of inquiry, of the need to clarify the performance for an agency, its function to total government organization and national goals that the Programme Budget System was born.

After independence in 1948, it had become increasingly important that all development efforts had to be centred largely on the public sector and therefore the role of the Government became more and more conspicuous when the larger interests of the people had to be met by government intervention. This took the form of a Development Plan but after serious attempts of planning on a Ten-Year and Five-Year basis it soon became clear that the Plan Implementation would be a failure if the Plan is not translated into actual operating terms so that in each year of appropriation, the National State Assembly would be in a position to decide what policies and programmes had to be followed in order to fulfil the national goals and satisfy the basic and other needs of the people. It is in this context, that the process of planning, budgeting, implementing and evaluating were considered as parts of a total management system of improvement for development. The mechanism of allocation, the structural aspects of the allocating system, the ranking of programmes and projects of various government organizations and selection of different alternatives on the basis of costs and benefits were considered crucial exercises. Thus the existing framework of decision-making for which an agency has voted inputs in financial terms underwent a dimensional change so that the agency could focus its prime attention on its objectives, functions and work programmes not only for one year time period but in relation to a multi-year time span. This way, an attempt to link the annual budget with the existing plan, was made.

Development of Programme Structure

The Programme structure can be developed in two ways. The country's goals can be related to functions and operations that should be undertaken by Government and on this basis, the programme is technically a segment of a function that has a major end objective. This

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approach has drawbacks for a developing country and most of the developing countries (Sri Lanka included), did not follow this method. The basic difficulty would have been with the budgetary structure where the organizational form would have to be broken up and re-built from ground upwards. The structuring of the programmes in Sri Lanka followed a cautious approach in that the programmes were confined to the framework of a Head of expenditure, e.g., when the Department of Fisheries considered a Programme of Inland Fisheries, it did not attempt to link up with any other programme of wider consequence, the programme of meeting the protein requirements of the country. Such a type of broad programme structure should have included the activities of the Department of Agriculture which cultivates soya beans, with that of its animal husbandry division which deals with dairy development, etc. Procedurally, a simpler device was adopted as a matter of convenience when introducing the change; but the process is being now reviewed and a programme structure based on a functional classification based on the U.N.O. Manual is being attempted.

A Programme would consist of several activities. The activities could vary in size, scale and in nature. The activities that are considered to be similar or homogeneous are grouped together as a sub-division of a programme and titled 'project.' This is equivalent to a programme sub-category referred to in the U.S. budget. In Sri Lanka's context a programme represents the means of achieving one of the major objectives of an organization; the project being a sub-division of a programme consisting of a number of homogeneous activities. It was thus possible at a time to adopt a convenient method of having a project within the framework of an organizational division.

Meaning of Programme Structure

The Programme represents the sum total of efforts performed by an organization in order to achieve a part or whole of the Agency's objectives. It is possible that an agency may have more than one objective in which case the number of programmes would also vary with the number of major objectives. An example is the Colombo Port Commission where it is charged with the responsibility of—

(i) Development and maintenance of ports of Sri Lanka;
(ii) Modernisation and improvement of cargo handling;
(iii) Protection of the coastal line of the country's coast from sea erosion.

While objectives (i) and (ii) are inter-related and therefore would go to form one single programme objective (iii) would be covered by an independent programme with fundamentally different activities being performed to accomplish it. In theory, a Programme structure should not take into account the existing organizational system but for practical reasons, to conform to the evolutionary pattern, the existing organizational divisions were fitted into the Programme Structure. This is more often the case at the project level.

Rationale for Programme Structure

The Prime Minister gazettes the functions of a Ministry and Departments under the Ministry. A departmental function has links with the

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departmental objectives which are linked to the Ministry objectives which in turn have links with the national goals. The link between the Ministerial objectives and the national goals are spelt out in broad terms whereas the departmental objectives are more specific and lend themselves to statements in clear quantitative terms. From this type of description, it should be possible for any citizen to understand why an organization exists, its targetted performance and whether this, in fact is actually fulfilling its targets. Thus the need for a programme structure arises from the need for a mechanism of evaluation of an organization in relation to its own objectives and indirectly the National goals. Sri Lanka's initial efforts on conversion of the traditional budget into programme budget were primarily centered round ensuring clarity of the function of an agency in terms of explicit statements as to what it hopes to perform and link them with cost estimates.

After the introduction of a Programme structure several benefits surfaced out and these could be summarised as—

(a) Detection of overlap in operation in various Government Agencies;

(b) Redundancy of some organizations in their entirety or in parts;

(c) Inadequacy of man-power and other resources to attain Programme objectives in some agencies while in others, there is surplus man-power resulting in wasteful deployment;

(d) Structural inadequacies in organizations which prevented them from fulfilling the role that was expected of them.

The Programme structure revealed, at times the agency objectives were somewhat in conflict with national goals and that of the objectives of parallel agencies with similar work programmes. Further on the basis of a cursory analysis of programme structure of some organizations, it became evident that they had outlived their usefulness but continued because of the inertia of an incremental budget system. The Ministry of Education, the Ministry of Labour the Ministry of Social Services, the Ministry of Parliamentary Affairs and Sports perform in certain areas similar functions, the end product being "trained manpower of different degrees and types of skills" but yet suffer problems in obtaining placement in the national man-power arena. If all these activities were subsumed under the Programme titled "Vocational Education" these handicaps could be highlighted and a more balanced programme developed.

The Use of Programme Structure in Decision-making

In Sri Lanka, the Programme Structure replaces the vote structure. With the introduction of the programme budget, the appropriation level is the Programme. In certain cases, the programme structure facilitates greater flexibility of operation while in certain other cases, the flexibility enjoyed by organizations, particularly the larger ones, were limited by a narrower programme structure. However, the total effect of the change of introducing the programme structure was considered beneficial in that a meaningful and explicit classification of government activities was born. The greatest benefit that surfaced out on mere installation of the programme structure itself was that for the first time the management was able to appreciate what they are doing, for whom and with what

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results and at what costs. As indicated earlier, management realised the different areas of overlap, redundancy and inadequacy. This sets in trend thoughts on—

(a) "a zero based approach" for analysis where the existence of an organization was not taken for granted but a root and branch analysis was made regarding the validity of its continuance, integration of organization in limited areas, if not in structure, at least in their functional co-ordination;

(b) introduction of programme structure led to ranking of Programmes and Projects. Such a ranking is not only in terms of magnitudes of financial expenditure for the Budget-Year but in terms of the total programme commitments, in the distant future. Redeployment of resources had been advocated by running down one programme as an alternative to starting another.

Programme Analysis

Simple qualitative and quantitative analyses are presently adopted. It is to serve as a fore-runner of any sophisticated analysis that would be eventually undertaken. The direction Sri Lanka had taken in the area of programme analysis had been to emphasise studies for the redeployment of resources from low priority programmes to high priority programmes. Sri Lanka has not entered into the field of sophisticated programme analysis but techniques of cost benefit analysis are adopted at project formation and at admission stage. In this context, one has to distinguish between the objectives of programme analysis which is to re-shape policy and that of project analysis which is a micro-economic analysis. In project analysis, the project is placed in the context of the capital development programme which programme would contain both capital and recurrent cost elements.

Performance Measurement

Meaning of Performance Measurement.—One of the many objectives of programme budgeting as opposed to the traditional Budget is to make available information on the following :—

(1) Programmes that should be undertaken by an agency to fulfil its objectives as far as they are consonant with the national goals;

(2) The extent to which chosen programmes are effective in fulfilling these objectives;

(3) The cost of these programmes with cost effectiveness analysis.

Performance measurement is the means of ascertaining whether the programmes are being run effectively and efficiently to achieve the purpose for which they are undertaken. The question of effectiveness of a programme, which is the relationship of the objectives to achievement and efficiency which is the relationship of costs to achievement become two important ingredients in planning and Budget management. The performance measurement should indicate the impact of a programme on ensuring attainment of national goals. When considering the programme objective within agency limits, performance measurement should indicate to what extent the programme is fulfilling the agency's objectives and at what costs. On this basis, certain programmes may have to be

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abandoned and other programmes substituted if, effortwise, and costwise, programmes are not worth being continued. Even in areas, where programmes cannot be changed, it may lead to the re-thinking of objectives of the agency. For purposes of policy analysis, performance measurements which are quantitative in character would serve as a stimulii. However, within agency and programme limits, the use of performance indicators go to indicate the results of a programme, the impact such a programme may have on the hierarchal levels of organization, the work load that should be discharged at each level, for a programme to make an adequate impact, is more germane.

The Importance of Performance Measurement for Programmes

The difference between the programme budget and the traditional budget is that the traditional budget had a greater element of incrementalism which clouded analysis as against programme budget which is zero-based. To achieve this, the performance measurement becomes the indicator as to how the programme fares and whether such a programme should be continued or discontinued, changed, substituted or modified, *e.g.*, If it is proved under the Filariasis Campaign that the extent covered by spraying and the frequency of spraying had no significant impact on the reduction of filariasis cases, but on the other hand if it is shown that the incidence of filariasis can be reduced by intensive curative campaigns, which need not cover a longer time-span and is less costly, then such an analysis would indicate the direction in which the investments of the programme should be made and surplus resources from the analysed programme to be siphoned off to other priority areas such as anti-malaria campaign.

Should Performance Measurement be applied to all Government Programmes or should its application be limited to certain types of Programmes and Projects?

Sri Lanka's experience on the application of performance indicators on Programmes is that the impact of a programme cannot be easily measured. It is understood that sophisticated methods of determining the impact of programmes based on linkage methods, etc., as determined by advanced econometric methods may be necessary to point out to what extent the programme has fulfilled national goals. Attempts are now being made to develop appropriate social indicators to measure effectiveness of programme. However, from the management point of view, application of performance indicators is operative at the project level. The performance indicators are of the work-load type serving mostly the purpose of internal organizational control, showing work volume targets. In many cases, measures of work to indicate results, under a project and an activity have been developed and usefully applied. The application of performance measurement indicators are limited to programmes which lend themselves to be readily evaluated.

Sri Lanka's estimates have two dimensions under the Performance Measurement System :—

(1) The productivity ratios;

(2) The unit costs;

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Cost of inflation and pay-adjustments distort unit costs figures and they may not lend themselves easily for trend analysis. However, quantitative adjustments in regard to the increased unit cost could be made while performance system remains unchanged. With regard to the productivity ratio, the distorting feature is contributed by different levels of staff being aggregated and unit of production per man year worked out on an arithmetical average. The situation could be remedied by adopting certain weighting factors using activity sampling methods and arriving at productivity ratios which are more realistic.

Lessons Learnt from Performance Measurement under the New System of Budgeting

The usefulness of Performance Measurement, may be summed up as follows :—

(1) Detection of overlap, redundancy and inadequacy;
(2) Detection of the need for redeployment of resources;
(3) Revamping of priorities;
(4) The need for further improvements in the system to lend itself, to more effective analysis.

Monitoring, Reporting and Evaluation of Programme Performance

Programme Budget Classification by itself does not serve much purpose unless strengthened through a performance evaluation system, a system of programming of expenditure and a system of monitoring process. Accurate recording of expenditure and physical performance data and their timely reporting are essential ingredients of the system if the progress review or programme performance evaluation are to yield information leading to reformulation of policy. Thus the progress review and evaluation of programme performance through a system of comparison of planned figures against actuals both in financial and physical terms are absolutely important if effective utilization of resources to achieve national goals is to take place.

In Sri Lanka the limitation to the programme budgeting exercise is that the accounting is on a cash basis rather than on an accrual basis. As an interim step under the new system recording of expenditure is on the basis of commitments and appropriate vote ledgers have been devised to extract information both on a cash and commitment basis of expenditure.

A further limitation on the evaluation of programmes in terms of efficiency and effectiveness is that the real product costs do not flow out from the present accounting records. In certain other countries cost budgets are supplementary to expenditure budgets.

Performance Evaluation

Performance evaluation under the traditional budget had been control-oriented and evaluation of results of government spending could not have taken place in terms of whether national goals or departmental objectives are being fulfilled. The best that was possible under the traditional budget was to reveal that the expenditure had been incurred properly and whether provision had been exceeded or under-utilised. The institutional arrangements that exercised control over Public spending under the traditional budget were that of the Auditor-General and

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Public Accounts Committee. These two institutions of Parliament are answerable to the National Assembly but the structure of the Budget itself was a constraint for any objectives evaluation. The nature of the evaluation was limited by the existing budgetary information system which did not incorporate performance targets or output measures linking them with agency objectives and national goals. Currently under the programme budget system the Auditor-General and Management Services Division of the Ministry of Public Administration together with the operating Ministry officials and Treasury Officials are partners in the process of performance evaluation throughout the the Government Departments on a continuing basis. The performance evaluation in Sri Lanka is conducted monthly, quarterly and annually. The Ministries and Departments conduct monthly reviews of expenditure incurred and the targets achieved. There could be exceptions where these are done quarterly. The Treasury, Auditor-General's representatives and the representatives of the Management Services Division conduct quarterly review and progress. The annual review is in the form of evaluation in that one does not confine himself to progress review only but the exercise is extended to revision of the current year forecast, programme analysis on a zero based approach and revision or modification of programme structure, improvements in the adoption of performance indicators and also tentative determination of resource allocation for the ensuing financial year. Taking an over-view of the process of evaluation that have taken place for the last two financial years under the programme budget system the benefits that surfaced are—

(i) location of areas where programme and projects have to be re-structured;

(ii) location of redundant programmes or projects;

(iii) areas of under-expenditure and over-expenditure;

(iv) location of areas where total cost estimates may need revision either immediately or during the year or perhaps at the end-of the financial year;

(v) arriving at appropriate magnitudes of allocation for the ensuing financial year, minimising the conflict areas in the field of resource allocation amongst competing claims.

Programme Budget for Local Authorities

All Local Authorities have based their budgets on a programme budget format. They have adopted standard object classification of the central government. Developments are taking place in major local authorities in the direction of introducing performance measurement systems. The significant feature in the Local Authority budget is that standardised programmes and projects have been developed and accounting reforms had gone hand in hand with the introduction of programme budget. Inter-council comparison is possible under the present system of budgeting adopted by local authorities.

Assessment, Appraisal and Re-Valuation of the New System of Programme Budgeting—Problems and Issues

(a) *Human/Environmental.*—The Head and Sub-Head concepts had been strongly entrenched and the introduction of programme and

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project structure where the cost elements are isolated for each project was a new feature as opposed to the traditional system of operational Sub-Head being aggregate of several cost elements, gave the impression that an unbearable load of increased documentation was cast on operating officials. This claim is valid to some extent but the vehemence of the opposition was probably due to antipathy to change. The man power skills of the accountancy discipline were used in large measure to build up the new system and it was this class of officials who showed keeness and interest. However, notwithstanding the importance of this category of officials from the Budgetary point of view, the demand of the change in concept required active participation of Management Officials. The initial targets did not necessitate much involvement in the intricacies of programme budgeting. This of course is natural considering the fact that historical budgeting lay in the province of the Accountant. High level officials of the Government though initially motivated by the Secretary of the Ministry of Finance and the Treasury at various Seminars and Discussions soon delegated the budget function either to the Senior Deputy or the Chief Accountant of the Organization. Another programme that slowed down the indepth application of the programme budgeting across the entire Government was due to inadequate motivation of the Officials concerned in implementing the change. However, it should be mentioned that the Training Institutions of the Government recognised the lasting value of the budgetary changes and attempted to design and conduct training courses with the association of the Ministry of Finance.

It was natural that programme budgeting was regarded with a certain degree of reservation in that under this system, objectives, activities and expected work performance would become very clear and particularly when result connected with costs become explicit an agency or organisation which is slow in fulfilling its objectives or targets is likely to be faced with a possible prospect of financial allocations being curtailed. These fears were minimised by a progressive decentralisation of decision making power. Variation of Estimates under virement procedure were relaxed year after year and increased delegation of powers to vary expenditure by Departmental Heads were given. One would not fail to notice the new attitude developing at the centre, the control orientation giving way to objective efficiency and effectiveness criteria rather than to mere bringing expenditure to account.

We have to bear in mind that in the environment of a developing country where analytical skills are not all that available, programme analysis review would be the weakest part in Sri Lanka's Budget System and it cannot be claimed that evaluation that had so far conducted had much impact on abandoning of unproductive programmes. In a developing country like Sri Lanka, it is not unusual to find Institutions/ Organizations who seem to have discovered the secret of eternal life and refuse to die despite the fact that the environment which supported them has changed.

(*b*) *Technical Organizational and expertise*—The main problem area in achieving the objectives of the programme budget system is in determining the mechanism to effectively link the budget with the Plan. The

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weakness mainly lies in the fact that the planned targets themselves seem too high for the resources of the country to afford annual financing. The saving rates expected by the plan had not been realised and therefore corresponding investment rates could not maintain the pace that was expected. Broadly speaking, however, the total capital budget allocation in the immediate past two years had reached the magnitudes prescribed in the plan but taking the inflation percentage into consideration it had to be admitted that resource allocation had not been keeping pace with the planned expectations.

High proportion of the Budget goes to cover sunk costs and therefore allocation of resources to new fields remain at marginal levels. The multi-year approach to budgeting has been attempted with a view to make it a rolling Plan. It became important particularly in Sri Lanka's context where most of the Projects start with one year time dimension but invariably extend over a couple of years thereby at the Project admission stage the Government budget gets committed to non-viable projects. Performance measurement system adopted so far is work-load oriented and therefore it lacks the necessary will to change the scale and direction of programme and project. There is a serious lack of properly defined performance indicators with adequate weighting factors and correction indices to productivity ratios. The performance measurement system could be made effective for Policy appraisal only with development of social indicators and such other effectiveness indicators. The present system can only help the Managment in their control and review function but it cannot help in policy control. The impact of a programme can only be worked out with the application of sophisticated techniques involving statistical methods. Hence the building up of adequate statistical base becomes an essential prerequisite for the programme budget system to enter the arena of policy analysis.

Organisational

Traditionally, in Sri Lanka the Secretary of the Ministry is the Chief Accounting Officer and the Head of the Department under a Ministry is the Accounting Officer. Invariably the Chief Accounting Officer, in his Ministry is involved in policy formulation, direction and review and therefore the Accounting Officer shares a major responsibility in the field of accountability. Accountability in the past has been identified as ensuring propriety of expenditure and adhering to the limits prescribed by parliament. In this function the Chief Accountant of a Head of Expenditure played a crucial role relieving the Head of the Department to a great extent and permitting him to direct operations of the Department. The Chief Accountant of a Department has thus become the repository of all financial information and even physical performance data collected from various agencies are consolidated at this point. In this environment he logically becomes the officer-in-charge of Budgeting and accounting but with the introduction of new concepts, higher level management was drawn into the Programme Budget System. In several Ministries Additional Secretaries or Senior Assistant Secretaries function as Budget Officers of the entire Ministry, but as far as a Department is concerned invariably the Chief Accountant plays the role of Budget Officer. Progressively, with the introduction of Programme

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Budgeting an informal organizational set up has developed leading to the appointment of Budget Officers and of identifying a staff unit with the Budget Officer. A rudimentary Budget cell has been evolved.

Several attempts were made to formalise this arrangement but because of the danger of conflicts the attempts were kept at a low level. There is no separate Budget Service in Sri Lanka or Programme Analysis Service as found in United States, Canada or Philippines. This aspect is being approached with caution and Sri Lanka has not yet fully developed an organizational arrangement to effectively deal with the responsibilities that have been caused by introduction of a new system of Budgeting with the related links to national planning.

Organizationally at the central guidance level the relationship between Ministry of Planning, Ministry of Plan Implementation and the Ministry of Finance are rather loosely defined. Each organization is very careful not to encroach on each other.

Expertise

Training Programmes conducted over the last five years had generated, at the operating and middle management levels, officers capable of handling the tasks under the new Budgetary System. However, lack of exposure to other countries experience had been a limiting factor in getting the full package developed in Sri Lanka.

Future Developments

The programme budget system as developed in Sri Lanka had taken, the path of cautious innovation. However, it is necessary to progress towards a programme structure superceding the present Head structure. Future lines of development will be in the adoption of functional codes. which would group together the programme structure of each Head of expenditure and thereby weld them into true programmes. Heads of expenditure or sub-sections of it, would thereby eventually become constituent elements of different programmes.

The weaknesses of the existing performance system have been pinpointed. The performance indicators are based on arithmetic averages, sometimes aggregating efforts of varying time spans. The adoption of statistical techniques of activity sampling etc. and the introduction of sophisticated apportionment methods for time and costs have commenced. Preliminary studies have started in the Department of Labour which could be considered as a forerunner in the field of indepth application of programme budget. The experience gained from this effort would be extended to other Agencies. The productivity indices to enable analysis of man power of different ranks and skills which produce common results, under an activity are necessary. These are being developed on a rational basis by assigning weighting factors so that discrepancies and incongruencies in arriving at productivity indices can be eventually eliminated.

A new division of the Treasury relating to pricing and wage policy has been set up. One of its chief functions is to determine periodically price and wage inflation rates, so that budgetary trend analysis which is now distorted by price and wage inflation could be improved. One of the many objectives of the Division of the Budget which is in charge of

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the Budget Document is to straddle all organizations ranging from those which are responsible for perspective planning to the humblest implementation projects in the field. Naturally the nature of information that has to be submitted through the Budget Document, the control data that would be made available would be different depending on the perspective of particular agencies and their immediate needs. In time, the Budget Estimates in Sri Lanka will link the plan through economic functional cross classification to operations and simultaneously permit allocation of resources through programme and sector analysis and performance norms. As of yet these linkages are confined to Government Departments. It is hoped to extend the system to revolving funds commercial activity (Advance Accounts) and once the Public Corporation Sector is also brought under this discipline the system for public expenditure control would be reasonably well established.

The development of a district political authority system should eventually lead to the formulation of a District Budget. The question that arises is whether the development of a regional or district Budget is consistent with Programme Budget. This is a relevant question since the pronounced effect of implementation of programme budgeting in all countries is an enormous centralisation of powers, but in Sri Lanka the direction that the programme budget would take appears to be deliberately determined in opposite lines. The programme budget development should eventually lead to the re-organization and re-structuring of Government Agencies. Sri Lanka in common with other developing countries inherited in administration created to serve the needs of Law and Order maintenance. With Independence, development needs assumed pre-eminence yet old structures of administration continued with their old cultures. The most that happened was that there was a slight bending to fulfil the new needs but no fundamental alterations of posture took place. The Programme budget with it emphasis on costs, allocation efficiency and zero budget approach lends itself admirably to stimulating agencies to be "born again" to serve specific developmental needs. With the development of programmes on the basis of functional and economic cross classification the Head structure would give way to a nationwide programme structure where the programme would be formulated on a District Budget Basis with District Ministers spearheading the implementation effort. Thus the Development in Sri Lanka seems to suggest that eventually through the District Budget System which is the basic framework of the District Political System would blossom into a National Programme Budget.

Summary

The political and administrative environment in Sri Lanka has always been conducive to experimentation. The adoption of improved methods of budgeting incorporating some principles of PPBS taking everything into consideration was relatively an easy task.

The introduction of Programme Budgeting was evolutionary. The first step was where cost elements and activities became segregated, and aggregated at different levels, ranging from the task level to the object level, leading eventually to a Programme-Project Classification.

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Commencing from a matrix arrangement which showed a broad framework of a cross classification of functional areas and economic aggregates, the Budget structure of Sri Lanka blossomed out in 1974 into a Programme, Project and Activities format showing wherever feasible, performance data incorporating productivity ratios and unit costs.

All elements of Programme Budgeting have been introduced in Sri Lanka in varying degrees of depth.

Adoption of programme budget classification in the Central Government pinpointed some benefits like the identification of areas of overlap, redundancy and inadequacy of organization to meet their objectives.

The Programme Budget of Sri Lanka differed from that of advanced countries in that the programme structure had been built on existing agencies, the Head superseding the programme structure. However it should be noted that this model is an expression of a projected approach which is necessary when introducing changes across the board in all Government Departments.

The weaknesses in the system operative in Sri Lanka have been identified and are summarised as follows :—

(a) The Programme Budget in Sri Lanka, is agency-oriented and cannot be said yet to be goal-oriented in the strictest sense of the term;

(b) The indepth application of performance measurement indicators has been limited to the development of work load and work results type of indicators. These are inadequate in that linkage of the objectives of the organization with the national goals is not evident. Further, without a fool-proof system of discounting inflationary costs contributed by price increase on materials and wage increases, the trend analysis of productive employment and unit costs becomes a qualitative and subjective;

(c) Operational planning, monitoring and review procedures are limited to a one year time span and the multi-year dimension of a Programme Budget has not yet been adequately established.

The aspect of Programme Analysis and Review had been limited to simple qualitative exercises though areas for Programme analysis have surfaced, at the regular progress review conducted at the Ministry of Finance.

Organizational changes in tune with the improved model of integrated budget system had not kept pace with the changes that have been introduced in the Planning and budgetary system of the Central Government of Sri Lanka. There is no separate budget service as in the case of advanced countries like U.S.A. and Canada of the West and Philippines of the South East Asia region. However, the beginning of organizational change had taken place with the setting up of the programme budget unit at the centre. It has established close links with budget cells in different Ministries and Departments.

Attempts have been made to improve the budget document, to make it more meaningful to the national planners and other officials of the

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Central guidance cluster of Ministries. Revisions of the standard object classification, standardisation of object details, introduction of a dividing line between capital recurrent expenditure and adoption of economic-cum-functional classification on the basis of the U.N.O. draft manual on Government financial statistics, extending the Programme Budget format to local authorities, public corporations and statutory bodies and to some revolving fund activities (Advance Accounts), introduction of a man power budget with effect from 1977, where Budget would now differentiate between posts by administrative (salary scales), occupational and trade categories, are the innovations introduced recently.

Providing a multi-year dimension to the budget has been attempted for the year 1977 and this is expected to play a crucial role in changing the vision of the Ministries and Departments on expenditure planning in the future.

Local Authorities of Government of Sri Lanka have been intimately involved with the standardisation of Programmes and Projects. This has enabled the Local Authorities to make inter-council comparisons.

The organisations divisions of the Ministry of Finance have been strengthened with adequate statistical skills and it is hoped that the incongruencies in the application of the performance measurement system could be eliminated in the future.

The initial expenditure on the Decentralised Budget has given confidence for future development of a District Budget System. This strengthens the hand of policy implementation. The Institution of District Political Authority has been progressively recognised as a viable instrument of effective plan implementation. The logical consequence of this development would lead the country to have a distinction between the national and district budget with the control Ministries functioning more or less in advisory capacities while the district organisations are given exclusive responsibility for district development plans and their implementation.

The complex exercises involved in the indepth application of programme budgeting has taken the country closer to the area of computerisation and it is hoped that with a satisfactory system of coding accounts the organizational limitation to the programme project structure would be overcome.

Finally the improvement efforts adopted in the past, in the direction of an integrated approach to budgeting have to be strengthened by further improvement of programme project structure, the removal of incongruencies in the performance measurement system, adoption of improved methods of operational planning and programming with introduction of a multi-year dimension to budget expenditure, and with adoption of programme analysis and review techniques to strengthen the zero based budget approach and provision of an economic-cum-functional classification which would form the basis of sectoral allocations and agency allocations in the future year and to make the annual budget as an effective instrument of policy formulation, implementation and control.

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LOCAL GOVERNMENT FINANCE IN SRI LANKA

D. Vamadevan

The subject of Local Government Finance in Sri Lanka has been the concern of economists and of a number of Royal Commissions and official Committees for the past five decades. The need to focus so much attention to Local Government Finance has arisen from the fact that Local Authorities in Sri Lanka have always been afflicted by the inadequacy of finances the consequence of which has been felt in the comparatively poor services and amenities provided by them. Many of the Local Authorities have not been able to perform even the basic obligatory functions assigned to them by statute even at a minimum standard owing to their financial difficulties. Lady Urusla K. Hicks, the eminent economist, made the following observation when she visited Sri Lanka in 1957. "While the primary limiting factor in the development of Local Government in Ceylon is clearly not powers in general, inadequate finance was a much more serious factor. The inadequacy of financial resources in practice is apparent in every direction, autonomous taxes, grants and loan finance."

The main sources of income of local authorities can be grouped under three main categories: (1) Local Taxation; (2) Central Government Grants; and (3) Loans. The realization of such income depends on the extent of exploitation of local revenue potentialities and the efficient manner in which the local authorities utilise their powers for collecting rates and taxes; and the willingness and largesse on the part of the Central Government to bestow liberally from loan funds and provide grants for specific items of capital expenditure. This inevitably leads us to the question of the relationship between the central government and the local authorities. The key factor in local government finance is the kind of reciprocal relationship that is established between the central government and the local authorities. However, it is not possible to lay down in a rigid way for all time the kind of relationship that should exist between the centre and the local authorities in financial affairs. This aspect was highlighted by the CHOKSY Commission when they remarked that "This important subject has to be reviewed periodically and can be undertaken, if not by a full Commission, by a departmental committee of officials appointed from the Ministries concerned." It simply means that general principles regarding financial relations between the Centre and the Local Authorities cannot be laid down for all times.

Finance being the central problem in Local Government in Sri Lanka let us take a look at the work of the various Commissions and Committees in this vital sphere.

The Financial Relations Commission of 1920

The Financial Relations Commission appointed in 1923 made the first major attempt to define Central-Local Relations on a rational basis. The terms of reference of the Commission were "to consider and report on the financial relations between the central government and the local government bodies generally and to advise inter alia which public services were partly of a local character, and partly of a national character, and

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to make recommendations concerning the maintenance of such public services". At the time of this Commission during the Colonial period the functions of government were weighted heavily in favour of the central government as against local government. Important functions like police, education and curative health services were the functions of the Colonial Government. The Commission made recommendations for the continuance of these functions in the hands of the central government. In its report the Commission made certain general observations regarding the attitude of the government towards the local authorities in matters of finance as follows. "If local self-government is to be a success in Ceylon it is necessary that Government should have due regard in its financial relation with local authorities.....and should not expect of institutions which have not yet outgrown the weakness of infancy the same capacity for imposed burdens as may reasonably be expected of them when they reach maturity. Equally on the other hand, it must be recognized that local self-government will be a mere sham unless it includes responsibility for raising the revenue required to meet the expenditure of the self-governing authorities. A prevalent idea that the financial needs of local authorities should be met by the grant from the Colonial Exchequer of liberal subsidies proportionate to their needs, or by the assignment of Colonial revenue to local authorities (which would be a subsidy under another name), is one that cannot be accepted. It means in plain words that the Government is to be saddled with responsibility for collecting revenue which the local authorities will spend in a situation which no Government in the world could accept. Our view is that the local authorities in Ceylon wishing to increase their expenditure must be prepared to rate themselves adequately, and, where necessary, must be given legal power to do so. The imposition of adequate rates should therefore, be a condition precedent to any financial assistance from Government in the way of grants. We also realise, however, that a popular elected local body is faced in its nascent stages with very great difficulties, and we do not think they can be expected to impose on themselves a large and sudden increase of rates".

The report of this Commission was published in 1924 and the Government's decisions on its recommendation were published in 1926. These final decisions served as the broad basis of the Financial Relation between the local authorities and the central government till 1946, when the Board of Ministers made further changes in the context of the times.

Report of the Select Committee of the Legislative Council:

The Select Committee of the Legislative Council appointed in 1926 made a review of the existing sources of revenue of the local Authorities. The significance of this Committee report on the financial affairs of Local Authorities was that they made the first comprehensive account of the sources of Local Government Revenue in Sri Lanka. The Final Report of the Select Committee on local government was published as Sessional Paper XXXVI of 1928.

The Financial Relations Settlement of 1946:

The next major change in financial relations came in 1946 when the Board of Ministers decided to pay the Local Authorities what is known as the Block Grant. The decisions taken by the Board of Ministers were as follows :—

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(1) Additional sources of revenue were approved to be made available to the local authorities namely the Municipal Councils. Urban Councils, Town Councils by (a) a levy of a tax on Pawn Brokers and Money Lenders; (b) a levy of a tax on Traders and Professions: The tax to be fixed on an all island basis.

(2) Annual Block Grant as set out to be paid immediately. The basis of this grant was a combination of population and revenue, in the case of Municipal, Urban and Town Councils. In the case of Village Committees, only the revenue factor was taken into account.

(3) The Central Government undertook the responsibility for water supplies to the extent that approved extensions to existing schemes would be subsidized up to 50% of the cost. In regard to new schemes which were approved, the cost of construction would be borne by the central government, but the cost of distribution system would have to be met by the local authority.

(4) Rural and Urban Housing outside the Municipal areas should primarily be a concern of the central government. In the case of Municipal areas, assistance if any, for such scheme, was to be considered on the special merits of each case.

(5) As regards the capitation tax in Village Committee areas, it was agreed that this tax should be abolished as from 1947 and, in its place the central government would make a grant equivalent to the average recovered in capitation tax for the years 1944, 1945 and 1946.

It should be noted that effect was not given to the decisions regarding taxes on Pawn Brokers and Money Lenders and on Trade and Professions.

Dr. V. Kanesalingam has commented that "the review by the Board of Ministers of the Centro-Local Financial Relations and the implementation of the recommendation did not constitute an overall reform for a long term solution to the problems arising from the inadequacy of local government finances. The agitation for an overall review of the Centro-Local Financial relations persisted".

Report on Local Government Finance 1949:

The Minister of Health and Local Government appointed an official Committee under the Chairmanship of Mr. V. C. Jayasuriya, the Commissioner of Local Government to "Report on the present methods of taxation of local authorities, their sources of revenue, the need, if any, for a reformulation of the system of taxation and for further sources of revenue to enable local authorities to discharge their duties satisfactorily". This Committee was appointed because local authorities thought that the decisions reached in 1946 did not provide an adequate solution for their financial problems. Implicit in the appointment was the recognition of the insufficiency of the funds available to local authorities for the efficient discharge of their duties and functions. This official Committee presented its report to the Minister in 1949. It was considered by the government but no final decisions were taken. It was most unfortunate as the then Minister of Health and Local Government Mr. S. W. R. D. Bandaranaike had resigned from the government. Although improvements in the

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finances of local authorities were long overdue it was indefinitely postponed owing to the political situation. The Official Committee on Local Government Finance 1949 remarked, "the last financial Relation Commission report in 1924 and since that date no real attempt was made to tackle the problems involved in local government finance in all aspects. In 1946, certain 'ad hoc' decisions were reached on the proposals submitted to the Board of Ministers".

Choksy Commission Report, 1955:

The next important comprehensive undertaking to inquire into local government in general and its finances in particular was the appointment of the Choksy Commission in 1953. This Commission published its report in 1955. The Commissioners made an exhaustive study of local government matters in Sri Lanka. The terms of reference of this commission pertaining to local government finance was "the ways and means of providing the revenue required by local authorities for the proper discharge of their functions ". On the need for more finance to local authorities the Commissioners concluded as follows: "we feel satisfied, both by personal observation made over different parts of the country and on the examination of the evidence and material placed before us, that the complaint of local authorities that without more money they cannot even discharge such of their powers, functions and duties as they are presently endeavouring to discharge as intensively and at as satisfactory a level or standard as they should and would desire to do, is well founded, to say nothing of the impossibility of their entering into new fields of activity. Nor can they on their existing resources even merely enlarge and intensify the field and scope of their present environmental activities, as the community expects them, and which expectations the local authorities were keen to fulfil if they are given the funds."

The Commission also recommended the implementation of the official Committee's report on finance of 1949 for increasing the finances of local authorities. But, neither the report of the official committee on finance of 1949 nor the main recommendations of the Choksy Commission seem to have been implemented: Dr. V. Kanesalingam observes that "only some of the less important recommendations (referring to the Choksy Commission Report), were implemented, e.g., Revision of the basic data relating to the formula for payment of block grants, increase in the rate of acreage tax, etc."

Even visiting economists who analysed the problem of local government finance were disappointed with the condition prevalent in Sri Lanka. Mr. U. K. Hicks observed that "the failure so far to develop a robust system of local government and finance implies that Ceylon is not making the fullest use of her resources for economic and social development. Many of the quick maturing improvements which are so important in the early stages of implementing a development plan can best be carried out at the local level. It is here, too, that experience in responsible citizenship can best be gained by the general population. Finally, at the local level it is often possible to tap tax potential which escapes the net of larger and more remote authorities."

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The Official Committee Report on Local Government Finance, 1962:

In 1962 the Minister of Finance appointed an Official Committee under the Commissioner of Local Government to examine and report on --

(a) the extent to which existing sources of local revenue remain untapped and whether any steps should be taken to ensure that the local authorities make full use of the existing sources of revenue.

(b) the feasibility of assigning to local authorities any sources of revenue presently tapped by the central government and what basis such assignment could be considered.

(c) what new sources of local revenue can be made available to the local authorities in order to enable them to carry out their functions more efficiently.

This Committee did not find any new sources of local revenue that was satisfactory or worthwhile, but generally recommended updating and streamlining the existing sources of revenue and those recommended by the earlier committees. The recommendations of this official Committee too were not implemented.

Report of the Committee of Inquiry on Local Government, 1970:

The next committee of inquiry on local government was in 1969 under the Chairmanship of Mr. V. C. Jayasuriya. Among other matters, this committee was required to inquire and report on "the adequacy of the present sources of revenue of local authorities, and what new sources of revenue should be made available to local authorities to enable them to perform their functions more efficiently". This Committee submitted its report in 1970, in which year too there was a change of government .

It would be seen that although commissions and committees have examined the malaise afflicting local authorities owing to the paucity of finance and made recommendations from time to time no substantial attempt was made to solve the problem of local government finance. As Mrs. U. M. Hicks has observed "it is very quickly clear to the outside observer that local government in Ceylon is in the doldrums. That something is wrong indeed might be deduced from the larger number of commissions and committees which have made a clinical examination of local government and finance over the last 20 years, and have advised remedial treatment." Political vicissitudes have apparently stood in the way of improvements to local authority finance is most unfortunate. The financial resources of the local authorities is by and large the result of the arrangement made by the Financial Relations Commission of 1924 and the subsequent Financial Relations Settlement of 1946 and tinkering with some of the recommendations of the Choksy Commission Report. This is hardly sufficient to meet the needs and aspirations of independent Sri Lanka and to satisfy the increasing and evergrowing demands for providing amenities and services in a social welfare state. Dr. V. Kanesalingam makes a caustic comment that "the Donoughmore Commission's diagnosis in 1928, of the malaise of local government as that of a lack of drive at the centre and demand at the circumstance, is probably more true today".

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The parlous state of the finances of the local authorities can be gauged if one compares the pace of growth of the revenue of the central government with that of the local authorities over a period of years.

Years	*Central Government Revenue*	*Percentage Increase*	*Local Government Revenue*	*Percentage Increase*
1938 ...	113.2 Million ...	— ...	9.6 Million ...	—
1953 ...	871.4 Million ...	659% ...	41.1 Million ...	340%
1968 ...	2,202.1 Million ...	1844% ...	90.6 Million ...	844%

Erosion of Functions:

In recent times there has been a tendency to encroach on the traditional sphere of activities of local authorities by the central government agencies. The passing of the Electricity Bill has caused much misgiving in the minds of local authorities, as the installation and distribution of electricity was regarded as one of the legitimate functions of Municipal and Urban Councils on the same footing as any other public utility, such as water supply. When local authorities were producers and distributors of electricity they had a substantial profit margin, but today their income from this source has begun to decline rapidly owing to the small margin of profit they are allowed to make as retail distributors of electrical energy purchased in bulk from the Electricity Board at rates over which they have no control. To make matters worse, local bodies are deprived of income from most of the larger consumers such as the industrial concerns and factories as these are supplied direct by the Electricity Board. Under existing legislation no local body will, in future, be able to undertake the distribution of electricity. Thus, it will be seen that on account of government policy a once substantial source of income will be denied to the local authorities. The Local Authorities may face the same fate in the matter of water supply as the central government has already encroached on this vital public utility service with the passage of the Water Supply and Drainage Act. The local authorities are also to be blamed for this. Because the water rate structure now in force has no bearing either on the liabilities of the council or on the true cost of services provided to the consumer. In effect the service provided has been undercharged. It is not an uncommon fact that many of the electricity schemes and water supply schemes undertaken and managed by the local authorities are not viable.

Local Taxation

Let us now discuss some of the important sources of revenue of local authorities from local taxation. The most important local tax is derived from rating. The property tax or assessment tax as it is called is the main source of local government revenue in Municipal, Urban and Town Council limits and also in "built up localities" in village areas. In rural areas village councils levy an acreage tax on agricultural lands other than lands under paddy and chena cultivation. The Royal Commission on local government in England in 1969 noted that "although local government needs new sources of income, the rate modernised from time to time will remain the chief local tax. It is reasonably productive, well established simple to operate and is, in fact, the principal local government tax in

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many countries". This tax is assessed in our country on the annual rental value on land and buildings. "Neither its base nor the volume of revenue derived from it has expanded sufficiently" was the observation made by Dr. V. Kanesalingam on the operation of this tax. Certain experts on local government have advocated a change in the rating from annual rental value to capital value of lands and buildings. Mrs. U. K. Hicks while recommending this change added that "if the selling price-capital value base were to be used instead, it would automatically include the market's valuation of development expectation, at accepted prices. Capital value thus provides a much more expanding base for local tax than annual value. Since unused and underdeveloped property clearly has a market value, even if there is no tenant, a capital base automatically disposes of this difficulty". Hence, assessment of property on its capital value, regular and periodic valuation on a scientific basis, non-interference with the assessments and collections of revenue without extensions of time, these alone will ensure that the estimated revenue will be raised by way of assessment tax for the local authorities.

Apart from the Property Tax the Income of Local Authorities under licence duty is collected from licenceable trade which can be broadly classified under the following categories :—

(a) Dangerous and Offensive Trades
(b) Hotels and Restaurants and
(c) Miscellaneous Trades

The inadequacy of these licence duties in the context of the present development is due to the fact that the original intention of licensing these trades was a means of regulating of their activity as a public health measure and not as a source of revenue. However, with the passage of time, the licence duty has come to be recognised as an independent and important source of revenue for the local authorities.

In this connection it is not uncommon for local authorities to have large amounts of arrears as uncollected revenue from the rate payers. The Commissioner of Local Government has observed "a weakness on the part of every council to which the Auditor-General has drawn attention every year is the failure to insist on the due payment of rates and taxes. While exemption on the ground of poverty is permissible under the ordinances, the Chairman and members of the council seem to succumb to the importunities of rate payers to be afraid to incur the unpopularity of strict adherence to the rules governing the collection of rates and taxes" To overcome this problem the report on the committee of inquiry on local government in 1970 recommended the vesting of responsibility for the recovery of the rates and taxes on the paid executive. This recommendation has been implemented and the results seem to be favourable.

Central Government Grants

A remarkable feature of local authorities finance in Sri Lanka is the excessive dependence on central government grants for the execution of capital works. Mrs. U. K. Hicks has observed that "properly geared specific grants can most fruitfully be employed to stimulate local activity both on current and on capital works, while at the same time conditions concerning the standards of performance necessary in order to earn the grant can be laid down". As the central government grants increase

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there is also the tendency for an increase of central control of local authorities. Professor W. A. Robson has observed that "the very large increase both in the absolute amount of grants and in the proportion which they bear to rate revenue is a cause and a consequence of an increase of central control. The diminished independence of local authorities is a reflection of, and in turn reflected by the diminished role of local sources of revenue".

But Dr. V. Kanesalingam makes the point that "it is however important that in order to preserve local initiative the total amount of these grants should constitute a smaller magnitude than autonomous local revenue. But in Ceylon this has not been the position generally until now". He adds further that "we do not imply that the quantum of grants ought not to increase over time. What we do underline is that while these grants increase in amount, the proportion should be lower than the proportion of their autonomous revenue".

The Minister of Finance has recently done away with the General Purpose Grant and the Grant for Payment of Allowances to Employees and Pensioners in Local Bodies with a view to increasing the awareness of local authorities about autonomous revenue, though he will continue to provide the salaries of staff of village councils as these bodies would not as yet be in a position to receive substantial direct revenue.

Loan Finance

There is provision for local authorities to obtain loans from the Local Loan and Development Fund for capital works. The Local Loan and Development Fund was set up in 1916 under the provisions of the Local Loan and Development Ordinance. The National Planning Council has observed that "while it is legitimate for local authorities to finance a certain amount of capital works out of revenue it must be expected that large works will require loan finance. Here the difficulty has not been so much the constitutional obstacles to raising loans but the unwillingness of the central government to allow them to be raised". Besides there is the problem of cumbersome formalities to be followed in obtaining loans and also securing the repayment of these loans. The Choksy Commissioners had recommended the liberalisation of loan facilities to local authorities. The V. C. Jayasuriya report of 1970 has recommended the reconstitution of the Local Loan and Development Fund.

It would be relevant to note the specific recommendation of the Choksy Commissioner's Report pertaining to loan facilities for Local Authorities which are as follows:—

(a) That the loan policy of the Government be liberalized and that there be made available, for local authorities through the Local Loans and Development Fund about Rs. 15 million to Rs. 20 million at least per year, for the next ten years.

(b) That the activities of a capital nature which a local authority wishes to undertake, whether it be revenue-earning or not, should be sympathetically considered for loan facilities, if application is made.

(c) That the period for the repayment of these loans be extended. At the moment a loan has to be repaid in 20 to 25 years. Loan

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repayments should be spread out over longer periods, depending on the life of the asset. For most of the local authority activities for which loans are required, it seems to us that periods of repayment extending from 40 to 60 years should be permitted.

(d) That the rate of interest on loans (which is now four per cent) be reduced and that the maximum rate of interest be two per cent. It must not be forgotten that the Central Government's National policy of development is carried out through local authorities. Money should be lent to them on terms which do not make it difficult for them to act in furtherance of such policy. Every encouragement and facility should be given to them in their permitted fields of activity. This can be most effectively done by providing them with money at a cheap rate of interest, with repayment spread over a long period of time so that the future generations may also have to share a part of the cost of long-term projects which benefit them too.

Present Changes

The Minister of Finance in his budget speech of 1974, while enunciating certain broad principles regarding local government finance, says "I propose as a first step, that 1 per cent of the turnover tax on non-manufacturing business collected by the Inland Revenue Department be refunded to local authorities through the Commissioner of Local Government. These refunds would be made on the basis of the returns furnished to the department of Inland Revenue by tax payers. This would induce Local Authorities to provide information on the location of tax payers and the extent of their turnover. This would also be an interim measure till the local authorities themselves are in a position to compile their own registers and levy this 1 per cent direct; at which stage I would reduce the turnover tax to 3/4 per cent and the local authorities could make arrangements through licence fees or otherwise to levy an equivalent amount"

New Sources of Revenue

There is a relation between local government finance and local government functions. Therefore, before I conclude, I wish to deal with one other possible source of revenue to local authorities in relation to its function, i.e. revenue from road users. Roads constitute one of the main items of expenditure of local authorities. Roads are the arteries of communication and the infra-structure for development activity, Local authorities controlled nearly 2/3 of the road mileage in the island. But on a rough average the Highways Department spends about Rs. 10,000 on a mile of road while the local authority can spend only about 10 per cent of this amount resulting in the lower standard of the majority of the roads constructed and maintained by local authorities. It is clear from this that local authorities should be provided with increased funds if the large road mileage under their control is to be maintained at a standard adequate to meet the growing needs of a developing economy. The road users, meaning the persons who own vehicles and operate them contribute to government a fee for the registration and licensing of vehicles by the payment of an annual licence duty. These used to be collected and appropriated in full by the local authorities namely the Municipal Councils,

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Urban Councils and Town Councils in respect of motor vehicles garaged in their area prior to the passage of the Motor Traffic Act, No. 14 of 1951. These local authorities were then the Licensing Authorities for their areas. Village Councils did not enjoy this privilege and the licence duties in respect of motor vehicles garaged in village council areas were collected by the respective Government Agents and credited to government revenue. As a result of the passage of the Motor Traffic Act the local authorities which had the licencing powers, lost these powers along with the revenue derived from them. In order to compensate these local authorities for the loss of revenue from this source, the central government decided to pay them a fixed grant on the basis of the amount that had derived in the year prior to the passage of the Act. This basis continued though the revenue from this source has considerably increased in the intervening period. The Choksy Commission which examined this matter recommended that 50 percent of the entire revenue derived from this source should be paid to the local authority. The Jayasuriya Committee recommended that 75 per cent derived from this revenue should be paid to the local authority. There is a very strong case for local authorities to receive this revenue as road maintenance and improvement is one of their main functions. If local government finance is a weak link in the structure of local government it has to be strengthened by additional sources of revenue.

Conclusion

During the pre-independence era the colonial power that was Great Britain for very understandable reasons, did not confer the traditional functions and powers assigned to local government institutions in Sri Lanka, however elaborate the structure and pattern of local government machinery prevalent at that time. In post independence times, as already mentioned, even the existing functions were encroached upon by the erection of central government Boards and Corporations, e.g. The National Water Supply and Drainage Board, The Ceylon Electricity Board, etc. However, the setting up of these boards were necessitated by the advantages to be gained by the economies of large scale and the need to apply and benefit from modern technology. The application of modern technology on a large scale renders the boundaries of local authorities somewhat obsolescent. In the future conurbation of Greater Colombo there will be the imperative need for large scale planning of highways, water supply, sewerage, drainage schemes, and urban renewal and redevelopment at the expense of the existing boundaries of local authorities in and around the city of Colombo. This is inevitable and is in the very logic of the future development process. The problem of local government finance in this context has to be tackled from a much broader perspective and not merely finding additional sources of revenue. Therefore, the reform of local government finance is very closely linked with the reform in the structure and powers of local authorities in Sri Lanka.

The Problem of Local Government Finance is not something peculiar to Sri Lanka alone. In fact many local government institutions both in the developed and the developing nations are faced with this problem. In recent times the financial crisis of the metropolitan city of New York was spotlighted and attracted the attention of many students of local government. It was found that New York city was unable to pay for the welfare

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schemes and services undertaken by them over a period of time. Many writers have focussed attention on the crisis of local government and it has become somewhat fashionable to speak of a crisis of local government in Sri Lanka too. But, if there is a crisis there is also the need for reforms. This is the Challenge of our time.

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AGRICULTURAL PLANNING: A PRIORITY

J. M. Gunadasa

A major task of development in the under-developed countries like Sri Lanka is the development of the agricultural sector itself.[1] It may be wondered as to why this is considered as so important, especially by those who advocate a rapid pace of industrialization to stimulate the self-sustaining process of development. The rationale here is clear and unambiguous. In the attempt to enjoy the living standards of the more developed countries, the development gap to be filled in the under-developed countries is sizeable. It however, varies with each under-developed country and the level of living of the more developed country that is taken for comparison. Some idea of it could be formed by comparing the per capita incomes of a few countries falling within the two groups (see table 1). But the position revealed from this comparison is at best an under-estimation of the magnitude of their development problem. Rapid population increase with annual rates between 2.0 and 2.9 per cent (see table 2) and gradually decreasing death rates add to the problem. Thus, the development effort in the under-developed countries

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TABLE I*

PER CAPITA GROSS NATIONAL INCOME AT FACTOR COST IN 1969 OF SELECTED UNDER-DEVELOPED AND DEVELOPED COUNTRIES

(in U.S. dollars)

Country	1958	1969
Under-developed		
Kenya	69	116
Malawi	34	56
Morocco	158	186
Arjentina	489	682
Bolivia	81	167
Colombia	189	299
Ceylon	118	137
China (Taiwan)	151	270
India	64	73 (1968)
Burma	53	67 (1968)
Indonesia	82	86 (1968)
Pakistan	62	131
Average for under-developed market economies	110	150 (1966)
Developed		
United States	2,115	3,814
United Kingdom	1,013	1,513
Germany, Fed. Rep. of	790	1,910
France	853	2,106
Australia	1,120	1,991 (1968)
Japan	290	1,288
Average for the developed market economies	1,070	2,030 (1968)

*Source : United Nations, *Statistical Year Book* 1970, pp. 597–601.

consists of improving the present consumption levels which are very low and also providing the same facilities for the annually increasing numbers. The prevailing level of economic activity in the under-developed countries is inadequate to cope with this need. More goods and services have to be provided at a rate of growth that outpaces the rate of population increase so that both the improvement of the existing levels of living and meeting the needs of the increasing numbers can be attained without going through a protracted period of development that frustrates a nation to be cynical towards efforts at development and planning. The solution lies in the acceleration of the production of goods and services needed to attain the successive stages of growth and development. The strategy of development therefore, lies in the identification and promotion of those sectors which contribute to the attainment of the above objective. The priorities of resource allocation also have to be decided upon accordingly.

The types of goods and services needed to prepare for the successive stages of development depend on the prevailing conditions of an economy. In almost all the under-developed countries, the prevailing economic and social conditions are more or less similar. The general level of living are very low as may be observed from Table 1. A majority of

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TABLE 2*

ANNUAL RATE OF POPULATION INCREASE BETWEEN 1963 AND 1969 IN SELECTED UNDER-DEVELOPED AND DEVELOPED COUNTRIES

Country	*Annual Percentage*
Under-developed	
Kenya	2.9
Malawi	2.9
Morocco	2.9
Arjentina	1.5
Bolivia	2.6
Colombia	3.2
Ceylon	2.4
China (Taiwan)	2.8
India	2.5
Burma	2.2
Indonesia	2.5
Pakistan	2.1
Developed	
United States	1.2
United Kingdom	0.6
Germany, Fed. Rep. of	1.0
France	0.9
Australia	2.0
Japan	1.1

*Source ; United Nations, *Statistical Year Book*, 1970, pp. 80–86.

the people live in rural areas as agriculturists (see Table 3) and their levels of living are lower than the average levels of living indicated by the national per capita incomes. The symptoms of this low levels of living are under-nourishment, malnutrition, ill-health and illiteracy. The immediate cause of the low levels of living is the low income. Incomes are low due to several reasons. Given agriculture as the main source of income, the latter depends on the productivity and the size of land holdings of the individual cultivators. Due to rapid population increase over the past half century within an economic structure whose agricultural dominance is little changed (see Table 4) land/man ratio in the agricultural sector decreased at an astonishing pace. Cultural factors like the laws of inheritance resulted in land fragmentation. The technology of production is mostly traditional. It is based on the use of higher land input for higher incomes. Labour being less productive due to the reasons stated above, therefore, with a traditional technology land sub-division results in progressively deteriorating peasant incomes. This perpetuates and worsens the ills of the peasant communities. In contrast the under developed economies also have an urban sector with emerging infant industries and also a commercialized sub-sector of primary production consisting of mining, forestry and plantation agriculture.[2] In these sectors the incomes are high and enjoyed by a small percentage of the total population.

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TABLE 3*

PERCENTAGE OF POPULATION IN AGRICULTURE IN SOME SELECTD UNDER-DEVELOPED AND DEVELOPED COUNTRIES
(AS ESTIMATED FOR (1965)

Country	*Percentage*
Under-developed	
Arjentina	20
Bolivia	63
Colombia	50
Ceylon	55
Burma	62
China (Taiwan)	47
India	70
Indonesia	67
Pakistan	74
Kenya	84
Malawi	80
Morocco	55
Developed	
United States	6
United Kingdom	4
Germany, Fed. Rep. of	8
France	16
Australia	10
Japan	24

*Source: UN/FAO, *Production Year Book*, 1970, vol. 24, pp. 21–24.

The national development objective of the under-developed countries placed in this situation should be the improvement of the living standards of the large majority of the peasant cultivators. For this more attention is needed for the development of the agricultural sector itself. As Mellor points out, the development of the agricultural sector is contributory to the entire development process in several ways.[3] But contrary to much of conventional thinking, this development especially in the context of under-developed countries like Sri Lanka cannot be interpreted as a simple task of producing surpluses in the agricultural sector to meet the demand elsewhere in the economy notwithstanding the plight of the agriculturists in the rural areas.[4] Unlike some of the western societies where individual cultivators produce at levels above subsistence and regard farming as a commercial enterprise, agricultural development in the under-developed countries, in addition to increased production, involves improvement of the living conditions of the rural farmers themselves. Increased output in the agricultural sector, thus, has to be utilized firstly for the improvement of the farming community. It has several beneficial effects.[5] With better food, improved health facilities and education, the under-nourished, disease-ridden and illiterate farm labour can be made more productive.[6] When the farmers are convinced that opportunities are provided for them to enjoy the fruits of their own labour they begin to respond readily to programmes of development designed to increase farm production. This also leads to a change of attitude towards

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TABLE 4*

INDUSTRIAL ORIGIN OF GROSS DOMESTIC PRODUCTION AT FACTOR COST IN SOME SELECTED DEVELOPED AND UNDER-DEVELOPED COUNTRIES

(Percentage distribution for 1968)

Country	1	2	3	4	5	6	
Under-developed							
Kenya	35	14	5	8	10	27	
Malawi	35	10	5	5	9	37	
Morocco	35	21	5	—	21	18	
Arjentina	14	36	6	10	13	21	
Bolivia	19	30	7	8	10	26	
Colombia	31	21	5	7	14	23	
Burma	34	10	2	7	29	17	(1967)
Ceylon	39	12	6	9	12	21	
China (Taiwan) ...	23	27	5	6	13	26	
India	52	15	4	4	10	15	(1967)
Indonesia	52	13	2	2	18	13	
Pakistan	46	12	5	7	12	18	
Developed							
United States ...	3	32	5	6	16	39	
United Kingdom ...	3	47	7	8	11	33	
Germany, Fed. Rep. of	4	44	7	6	13	26	
France	7	38	10	5	11	23	
Australia	9	34	8	8	15	26	(1967)
Japan	10	31	8	8	17	26	

(1) Agriculture; (2) Total industrial activity; (3) Construction; (4) Transport and Communication; (5) Wholesale and retail trade; (6) Others (comprising banking, insurance and real estate, ownership of dwellings, public administration and defence and personal and other services).

* Source: United Nations, *Year Book of National Accounts Statistics*, 1969, Vol. II, International Tables, pp. 67–112.

the solution of problems in agricultural production; the cultivator problems tend to be viewed more humanely and realistically. The minority of people in the non-agricultural sectors already enjoy living standards which are comparable with those of the more developed countries.

Therefore, supposing that in keeping with this objective, measures are adopted to improve the living standards of the vast majority of the peasant cultivators, then their income levels begin to rise. Assuming that the prices remain unaffected, the immediate effect of this is an increase of effective demand for the types of consumption goods that are already used by them without satisfying the existing needs fully. These are normally the low quality food items like grains, yams and vegetables, cheap clothing, low cost housing and minimum medical and educational needs.[7] Once these basic needs are fully satisfied further rises of income gradually change the pattern of demand for high quality food and clothing, luxury consumer durables, and better medical and educational facilities.

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If by increasing the income level what one means is an increasing of the level of money income this may be easily attained. But the rise of money income is meaningless if the goods and services asked for in exchange are not available. Therefore, the solution of the problem of improving the living conditions of the peasant cultivators in the under-developed countries lies firstly in the production of those goods that would be demanded by them with the gradual improvement of their incomes. As referred to earlier, most of them are the agricultural products that are already produced by the peasants, but in short supply. Due to their being caught in a vicious circle of adverse circumstances, the peasant cultivators themselves cannot intensify their production effort firstly, to close the gap between the prevailing low production and the satisfying level of need and secondly, to proceed further to satisfy new needs and desires which may be secondary or tertiary now but take priority at a later stage of development. It is not possible to leave this challenge to private initiative. It is less abundant, reluctant to make the type of investment needed and also incapable of meeting the social needs effectively. This is why it is undebatably accepted that governments must take the initiative in the economic development of the under-developed countries. This means that, it is in the sector of peasant agriculture that more investment and more production through government initiative are necessary.

Presently, in many under-developed countries including Sri Lanka, the consumption gap between the need and the level of peasant production is filled at least to some extent with the imports made possible by the foreign exchange earnings of the commercial sectors. Therefore, it may be surprising or even amusing to hear of no emphasis being laid on investment and production in this sector; because without increased investment and production its foreign earnings decrease. The likelihood of this decrease is more probable due to adverse price fluctuations for these primary products in the world market. When the foreign earnings deteriorate, the imports have to be cut down; then the levels of living in the peasant sector deteriorate too and the investment activity in general has to be slowed down due to shortage of capital created by low foreign earnings. This surely is the chain of events if nothing is done regarding investment and production in the peasant sector. But when action is taken to make investment in the peasant sector and intensify the production of those goods which are in short supply there, the need for a major part of its import requirements disappears. Thus, there will be saving of foreign earnings especially when the development of peasant agriculture is so adjusted as to minimize the use of foreign earnings. When this strategy is followed the need for further expansion of the more vulnerable commercial sector does not arise. The strategy instead builds up better security and resistance against the adverse effects of dependence on a few export commodities and their price fluctuations. Therefore, resource mobilization to develop the peasant agriculture sector is urgently needed in the under-developed countries.

Despite this positon many under-developed countries have been labouring over a number of years with the mistaken notion that top priority of development must be given to industrialization and the related expansion of the non-agricultural sector.[8] They seem to have been

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impressed by the present structural characteristics of the more developed economies without ever observing the sequence of their development which also at the initial stages manifested characteristics similar to those of the present day under-developed economies.[9] Perhaps one may contend that knowing the path trodden by the more developed countries it is foolhardy to follow the same lengthy track when short cuts are available. This is truly a wise approach if short cuts envisaged take one to the destination one wants to reach. Apparently, the under-developed countries have believed so. So much so, most of the investments have been made in the industrial and other non-agricultural sectors. Even the savings generated in the agricultural sector were diverted to the expansion of the other sectors. The idea has a popular appeal; because the prospects of employment opportunities in the non-agricultural sector cut-off from the drab monotonous and poorly rewarding hard labour in the country side, are more attractive. It also gives the hallucination that there is going to be quick attainment of prosperity through the setting up of factories and industrial plants promoting more urban life with better facilities and amenities. But in fact this strategy has been a misleading one and it is so realized already by many under-developed countries.

The futility of this approach must be examined in relation to what happens when the strategy is followed for some time. No doubt with the investment savings diverted from the agricultural sector, the industries may come up and the non-agricultural sector begins to expand. This expansion makes demands not only on capital but on other resources also. The most important of them is invariably bound to be labour. This also would be drawn from the agricultural sector with another misleading notion that the marginal productivity of labour there is zero.[10] Now the non-agricultural labour force increases; their income level rises more than that in the agricultural sector. Pattern of consumption also changes both along with the changed incomes as well as the new way of life in the industrial and urban community. Assuming that the intermediate inputs are available either through imports or from some tentative local sources of supply, the new industries also start producing goods which to start with in any case are essentially meant for the domestic market mainly constituted of an agricultural population. For this process of industrialization to proceed non-stop, industrial production must be maintained at least at the break-even point. This however, is not possible as envisaged by the strategy.

The output turned out by the expanding industries does not have the anticipated domestic market as the effective demand for them in the agricultural sector is negligible due to low incomes of large numbers of peasants. They who form a major section of the population are still living and producing at the same or even worse levels of subsistence. It is more likely that then conditions have become worse than they were as even the little savings found in the agricultural sector are diverted to the other sectors; there is no capital left over for any development within the sector itself. Labour which is the most important factor of production next to land under this system is also withdrawn and now employed elsewhere. The higher income incentive in the industrial sector promotes the withdrawal of even more productive labour from the agricultural sector. This further affects the agricultural production. With

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the typically high birth rates and decreasing death rates, the agricultural sector is also left with an undesirable composition of population demanding more for consumption than contributing to production. Young ones, women and old people who tend to be left behind in the agricultural sector do not constitute a productive labour force. The net result therefore, is a neglect of agricultural production. The agriculturists themselves begin to feel food shortages and may find it difficult to maintain even the former levels of subsistence. This makes them further physically weak leading to ill-health affecting productivity in turn. In the meantime, the demand for various items of food and even intermediate inputs of agricultural origin begins to rise in the expanding non-agricultural sector. This demand has to be satisfied with production in the agricultural sector itself. If not imports become necessary. It is a fantasy to expect agricultural supplies of food and raw materials from the agricultural sector when it cannot meet its own bare minimum requirements.

It may be imagined as to why the food requirements of labour and the other inputs of industries cannot be imported and the industrial products be exported when the domestic situation deteriorates. This is only a theoretical alternative; its practicability is extremely remote at least at the initial stages of industrial expansion when the problem develops and a solution has to be found urgently. Firstly, the infant industries of any developing country are unable to enter into successful competition with the already established industries of the more developed countries especially in the external markets. Secondly, many of these external markets in the under-developed countries would be faced with the identical problem if the same strategy of development referred to above is followed. If a different strategy is followed such countries may protect their own domestic markets by various policy measures like high tariff barriers or even total ban of foreign products. In either situation dependence on foreign markets becomes problematic. Ultimately, food and raw material shortage bids prices and wages up. Poverty among agriculturists leave most of the industrial output unsold. Thus, after an initial spurt of activity the short-cut approach to development by means of the strategy of industrial expansion all at once, comes to a grinding halt leaving ruins both in agriculture as well as in industry. The strategy of the expansion of the non-agricultural sector by harnessing the resources of the agricultural sector without first providing for its own development therefore, can be considered as a road to ruin than development. It leads to the exploitation of the already worse-off peasant cultivators only to make a few already fortunate urban dwellers, elite and industrialists better-off[11].

On the contrary, the position would have been different if the savings generated in the agricultural sector, along with other capital, are invested in the agricultural sector itself to improve its productivity, employment opportunities, income levels and the conditions necessary for agricultural diversification and surplus generation. The industrial expansion could be planned and phased out to match the rate of progress planned for the agricultural sector. It creates a state of sustainable mutual dependence between the two sectors in an under-developed economy. This sort of approach is more practicable and also most urgently needed in respect of the peasant sub-sector.

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But how should one set about translating this strategy into action? It calls for making more investment in the peasant agricultural sector, not indiscriminately but to make the optimum use of the available resources; *i.e.*, to produce the maximum social benefits. A prerequisite of this is the identification of the investment projects which yield such maximum social benefits on given investments. For this the first step is the identification of a number of discreet investment projects that lead to increased agricultural production in the peasant sector.[12] Their identification in realistic terms is not possible unless one familiarizes oneself with the conditions of agricultural production in a peasant economy with a view to understanding the bottlenecks of development in relation to an intended or already proposed course of planned action.

Cultivators under subsistence agriculture make their production decisions more as satisficers than as profit maximizers.[13] Their wants in life are a few and usually determined again by the traditional way of life. Similarly, production for trade is limited. Both these characteristics are further enhanced by the poor development of transport and communication, urbanization and also very low levels of literacy among the peasant communities, again the characteristics of the very state of under-development. The result of all these interrelated factors is the adjustment of agricultural production to meet only the day to day subsistence requirements and perhaps some surpluses to make provision for special occasions and emergencies depending on the possibility of storage. In a set-up of this nature, the level of subsistence is directly dependent on the seasonal yield performance. In the usually small peasant holdings the amount produced, with the use of a traditional technology, is so small that very often it is hardly sufficient for a peasant family to go round till the next harvest. When the family grows bigger the level of subsistence deteriorates further and the land holding as well as the technology of production remain more or less unchanged. Damages and yield fluctuations resulting from the vagaries of weather render the position of the peasants extremely shaky. They live in a highly uncertain economic environment. The under-nourishment and malnutrition usually found in such communities make the peasant families more susceptible to ill-health and debilitating diseases. Loss to agricultural production from this cause is not small as the family labour is the most important input of production next to land. A householder falling sick during a cultivation season can cause untold hardships to the entire family.

Quite naturally in this state of agricultural production the risk absorbing capacity of the peasant cultivators is very low. Their ambitions are suppressed by the fears of uncertainty so characteristic of their agricultural life. Therefore, except for a few rich farmers who also may happen to be culturally more advanced, the peasants in general are compelled to make their production decisions as satisficers and risk minimizers. As long as this position prevails prospects for development also remain rather dim. As development proceeds, once the basic needs of the peasants are satisfied, surplus generation becomes necessary both to introduce the peasants to new levels of living as well as to meet the requirements of the expanding non-agricultural sectors. This cannot be achieved as long as the peasants continue to make their production decisions as satisficers; because in this disposition all decisions are made to produce only that

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amount sufficient for their own subsistence by incurring the least risk. But in planned development the peasants must be made to behave as profit maximizers. Profit motive makes them continue and expand production as long as they make profits to the maximum possible. This provides better living conditions to the cultivators and greater surpluses to those who need them elsewhere in the economy.

A question that arises at this stage is that, if agricultural production is so important in the planned development of the under-developed economies why can't the production in this sector be directly undertaken and organized by some responsible central authority instead of leaving to the individual cultivators themselves? Agricultural production, unlike industrial production, is dependent on nature to a very great extent. Thus, it is generally accepted that decision making in the field of agricultural production cannot be centralized to the degree that is achievable in industrial production. Referring to Indian planning Gadgil says that, "in the field of agriculture the centre has only a limited role to play."[14] This is particularly so in relation to the less developed countries where the peasant agricultural sector consists of a large number of small scale producers engaged in atomistic production under a multiplicity of varied physical, economic and social conditions. More satisfactory decision making by a central authority presupposes a thorough knowledge and understanding of this complex background of agricultural production. This may have to be considered more as optimistic than realistic. Therefore, decision making in agricultural production has to be left either to the individual cultivators or local organizations like the Cultivation Committees and the newly set up Agricultural Productivity Committees of Sri Lanka, constituted of cultivators familiar with the local conditions; there is no choice but to fall back on the cultivators themselves.

How then should the peasant cultivators be made to behave as profit maximizers so that they make their production decisions also accordingly? The solution lies in a multi-dimensional approach. The technology used in peasant agriculture is mostly primitive. Efficiency in production could be greatly improved by the use of techniques conducive to increased production.[15] To adapt and develop them research programmes are needed. Contrary to the beliefs and speculations of armchair philosophising, peasant cultivators in the under-developed countries are found to respond to price incentives[16]. Price incentives do play a significant role. However, they are of little effect if, there are no satisfactory ancillary services like transport, marketing and irrigation facilities which the individual cultivators are unable to provide by themselves. The use of a new technology is almost always accompanied by new knowledge and also new inputs. Unless these are readily obtainable, their adoption and use cannot be expedited as desired. To adopt them the peasant cultivators do not have sufficient capital; provision of credit can go a long way to ease off their helplessness. Traditional land tenure systems and fragmentation causing the scattering of holdings lead to inefficiency as well as the under-utilization of full capacity production. Then suitable

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forms of land reforms are needed. Illiteracy and isolation are two dominant barriers which keep the peasant cultivators unaware of the information regarding opportunities of production, marketing, prices and technology. To overcome them extension programmes consisting of farmer education and demonstration are needed. Despite all these, still the peasant cultivators may be hesitant to deviate from their traditional patterns of production due to their low risk absorbing capacities and the uncertainties of the production environment, viz., weather. Trade, transport and communication, prices, technological innovations, use of new inputs and availability of the requisite information now not only begin to play a very important role but each one of them involves certain risks and they are no less in magnitude than those when the cultivators make production decisions as satisficers. Thus when the peasant cultivators are expected to behave as profit maximizers the risks of production they face are further aggravated. What is more distressing to them is that now they face a set of quite unfamiliar risks but with the same vulnerable economic position. It is no wonder then that peasants who are already used to a certain way of agricultural life where production decisions are made to obtain some satisfying level of output with a minimum of risk, view the requirements of profit maximizing behaviour as totally unacceptable. Countering this resistance needs careful planning; the provision of insurance schemes and the holding of buffer stocks and bigger reserves of food are some possible devices[17]. Gittinger refers to the overwhelming importance of these various policy measures in more details.[18]

However, an aspect that has received only inadequate attention till recent times deserves particular reference. Despite the adoption of measures referred to earlier agricultural development in the peasant sector ultimately has to be regarded as a task of institution building. The significance of this becomes clear when the peasants are seen as the most disorganized professional group in the under-developed economies with all the attendant handicaps of illiteracy and low incomes. Hence their bargaining power over different social groups even at the local and district levels is quite weak. Knowingly or unknowingly this situation leads to the exploitation of the peasant cultivators to a certain degree by more affluent social groups which invariably tend to provide leadership to the farmer as various forms of organizations and institutions are being created and promoted along with the adoption of measures for the development of the peasant sector. Superficially the peasants also show the approval of such leadership, as they are helpless in the face of more affluent social figures who take in such positions of leadership. But given the opportunity of security against possible threats of this nature the peasant cultivators are more disposed to following the leadership of a more dependable person from among themselves. Such a person however may not be easily identifiable by an outsider as he usually does not make an attempt to appear as a prominent social figure. In conclusion, therefore, it should be stated that it is by building and energizing of the village level institutions around such genuine leaders that much could be attained in the agricultural development of the peasant sector.

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2. This makes an implicit reference to the concept of dual economy in the underdeveloped countries. In respect of Sri Lanka, Farmer says that this sort of economic duality is not so clearly marked especially in the wet zone areas due to the overlapping between the peasant and export sectors. This is particularly so in the coconut cultivated areas in the wet zone; see B. H. Farmer, "Ceylon : Some Problems of a Plural Society", *Essays in Political Geography*, ed. by Charles A. Fisher (London, Methuen & Co Ltd. 1968), pp. 147–159. For more details regarding the concept of dual economy see, J. H. Boeke, et. al. *Indonesian Economics: the Theory of Dualism in Theory and Practice* (The Hague, 1961), also see A. N. Agarwala & S.P. Singh, *Accelerating Investment in Developing Economies* (Oxford University Press, 1969), pp. 289–313.

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4. *Times Literary Supplement*, 19th December, 1968.

5. As a usual practice in the under-developed countries there is a tendency to treat all immediate consumption as of lesser value than saving and investment. Thus, reinvestment benefits of a project are valued above those of immediate consumption. But this practice though looks rational is not quite convincing; see Michael Lipton, "Yield Saving Debate", *Paper read at the seminar on Project Evaluation and Planning at the IDS, University of Sussex*, 15th November to 19th December, 1970.

6. Viner believes that when the effectiveness of labour is improved in this manner rapid economic development would readily follow. Although this view is contested by others it is not totally rejected. In fact its importance is recognized though with reservations; see Jacob Viner, *International Trade and Economic Development* (Glenco, Illinois 1952), p. 131; also Bruce F. Johnston & John W. Mellor, "Role of Agriculture in Economic Development", *The American Economic Review*, Vol. 51, No. 4 (1961), p. 568, footnote 2.

7. Income elasticity of demand for food in low income countries is estimated to be 0.6 or more while in the high income countries it is 0.2 or 0.3. The change of demand in the rural and urban sectors of the under-developed countries can be expected to follow a similar trend; see Johnston & Mellor, *op. cit.*, p. 572.

8. Perhaps this may be due to the misconstrued and indiscriminate application of ideas regarding the role of the agricultural sector towards the development and expansion of the other sectors; see John W. Mellor, *The Economics of Agricultural Development* (Cornell University Press, 1966), pp. 4–5.

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41. D. R. Gadgil, *Planning and Economic Policy in India* (London, Asia Publishing House, 1961) p. 177.

15. Mellor states that "the constraints on the means of developing agriculture provide that the major task of agricultural development must be one of creating and diffusing processes of technological change. These are almost by definition primarily tasks of institution building." See John W. Mellor, National Planning; "The Relation between Agriculture and Economic Development in the Context of Population Growth", *Cornell International Development, Mimeograph*–29.

16. One example is the response of the cultivators to change over increasingly to the cultivation of potatoes in Sri Lanka when the potato prices rose up subsequent to the ban of imports. Similar trends are observable in the cultivation of other crops like chillies and onions too.

17. Streeten and Lipton, *op. cit.*, p. 14.

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THE ORGANISATION FOR THE FORMULATION AND IMPLEMENTATION OF THE DISTRICT AGRICULTURAL PROGRAMME IN SRI LANKA

P. B. Wanninayake

Introduction

The agricultural sector in Sri Lanka is usually divided into two well-defined sub-sectors :—

1. The plantations—which are well organised on modern lines and fall more appropriately within the "industrial" segment of the economy.
2. The traditional agriculture—which includes paddy, subsidiary food crops, animal husbandry, etc.

This paper confines itself to the second category mentioned above. More specifically it seeks to examine that part of the activity for agricultural development as spelled out in the annual agricultural plans of the Ministry of Agriculture and Lands. Since the intensive campaign for food production—more popularly known as the "Food Drive"—was launched in 1965, the Government has systematically and consistently formulated and implemented annual agricultural plans.

The need for an intensified effort of this nature can hardly be overemphasised. Despite the fact that Sri Lanka is predominantly an agricultural country she spends nearly half of her foreign exchange earnings on the import of food items. With a deteriorating foreign exchange situation this position could not continue. On the other hand agriculture provides much scope for import substitution, improving the national economy, solving the balance of payment problem and providing expanding markets for industrial products. Further, it could provide additional opportunities of employment for the growing population in rural areas.

The primary objective of the Government in launching the campaign was the attainment of self-sufficiency in food: both rice and subsidiary food crops. Though the country's achievement in the production of

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subsidiary food crops was impressive, the attainment of self-sufficiency in rice is yet to be realised. For example, the 1972 target for paddy was estimated to be 78 million bushels, but the actual amount recorded was 62.9 million bushels (N. Balakrishnan 1973).

It may be that the failure to attain the targets was at least partly due to reasons beyond the control of man—like the unfavourable weather conditions. But there is a wide range of activity over which control could have been exercised. The planning effort is directed towards securing the co-ordination of activities of several departments, the concerted efforts of a number of statutory and voluntary organisations and the active co-operation of the farmers.

The creation of a viable small sector in agriculture is a prerequisite for effective implementation of an agricultural plan. As the Five-Year Plan stated "The ills of the small sector can be remedied only by an attack on a broad front, ranging over the institutional, organisational, financial and technical services available to the cultivator."

This paper assumes that the subject of agricultural development cannot be treated in isolation from the system of inter-related societal changes of which it is one aspect. The whole subject of agricultural development must be viewed in the context of :—

(a) the overall economic, social and political development in the country.

(b) the institutional and organisational structure designed to achieve these objectives.

It is proposed to examine briefly the stages in the development of the machinery for plan formulation and implementation, see how effective the present structure is, and suggest certain changes that seem to be desirable.

The Administrative Set-up—Plan Formulation and Implementation (1965-70)

At the apex of the organisation for agricultural planning was the cabinet sub-committee, chaired by the Prime Minister himself. Planning was assigned to the Ministry of Agriculture. The task was handled by a special division in the Ministry headed by the Director of Agricultural Development.

The bulk of the work in connection with the preparation of the targets, implementation and progress control was done through district administration. This organisation was on a three tier system :—

(a) *The District Level:*— The district formed an important unit in the planning process. The Government Agent co-ordinated the activities of the officers of the relevant departments, who formed themselves into a committee. This committee was the main instrument of plan formulation and implementation in the district. It also supervised the activities at the divisional level;

(b) *Divisional Level:*— The organisation at this level was similar to the one outlined above. The Divisional Revenue Officer functioned as the co-ordinating officer and also supervised the activities at the village level;

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(c) *Village Level:*— The field officer at the village level served as the link between the organisation at the divisional level and the farmers. He was expected to give the required guidance to the farmers and also collect the data necessary for planning and information need for progress control.

The district administration was strengthened by the appointment of hand-picked senior public servants as G.A.A. With a view to relieve them of much of the routine administrative functions, additional government agents were appointed to assist them.

Both as an instrument of economic development and a device for administrative co-ordination, agricultural plan was a significant departure from what existed upto that time. The total acreage under paddy and subsidiary food crops came within the purview of the plan. All the operations and stages in agricultural production—from the granting of agricultural loans to the sale of the produce—were programmed for. Targets were drawn in consultation with the farmers. Progress was regularly checked. Corrective measures were taken where necessary.

The scope and the comprehensiveness of the plan and the variety and diversity of functions connected with it presented a challenge to the public service. More co-ordination than that existed hitherto was called for. The approach was clearly project-oriented in that, definite targets were set and the administrative machinery was directed towards achieving them within a given time schedule.

However the system was not without its shortcomings. The administrative change effected for the purpose of the programme had an element of superficiality. The change did not take deed roots. The co-ordination which the Government sought to achieve depended more on the personality of the officer rather than the soundness of the system itself.

The failure to achieve the targets should not belittle the importance of the plans of these early years. There was a definite increase in production. A large section of the farmers switched on to modern methods of agriculture. There was a general acceptance on the value of co-ordinated effort towards the goal of self-sufficiency in food.

The Process of Politicization

The effective involvement of the farmers is the most vital aspect in any agricultural plan. This fact has been in the minds of the planners from the beginning. During the period from 1965–70, certain measures like consulting the farmers in preparing the targets, conducting farmer training classes were taken to secure this involvement. However there was a growing body of opinion—particularly in the political circles, that agricultural planning was largely in the hands of the public servants. It was felt that, in order to make the food drive more effective, certain institutional changes were necessary. The changes introduced during the post 1970 period brought about a great degree of politicization of institutions connected with the agricultural planning.

(*A*) *The Appointment of the District Political Authority*

The appointment of D.P.A. in 1973 was the most important step in the process of politicization of the administration. It was set up in recognition of the fact that the interdepartmental co-ordination that was

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expected to be brought about through the office of the Government Agent was inadequate. The introduction of political leadership at the district level seemed to be the answer.

There were two important functions assigned to the D.P.A.

(i) The management of the decentralized budget;
(ii) The co-ordinating of the activities of various departments involved in agricultural planning.

(*B*) *Agricultural Productivity Committees*

These were set up under the Agricultural Productivity Law No. 2 of 1972. There was to be an A.P.C. in each local authority area for the promotion and development of agriculture and formulation and implementation of agricultural plans pertaining to the area of operation. The cultivation committees as reconstituted under the provision of the agricultural lands law No. 42 of the 1973 became agents of the A.P.C.

According to Section 23 (3) of the Agricultural Productivity Law the A.P.C. "shall be appointed by the Minister and shall consist of not more than ten persons appearing to the Minister to represent interests of persons engaged in agriculture or such other persons as the Minister may think necessary should be appointed."

Most of the functions performed by the D.R.O. in connection with agricultural planning were transferred to the A.P.C., which in effect replaced both the D.R.O.'s office as well as the cultivation committee as the nucleus of planning.

In view of the great impact these two institutions had on the machinery for planning and plan implementation, they merit a detailed discussion.

Planning requires political commitment. It is natural therefore that political leadership was introduced at this critical point in the planning process—namely the district. Due to a number of reasons the position of the G.A. as a co-ordinating officer had weakened. Thus the appointment of the D.P.A. could help to strengthen the process of co-ordination. Also the D.P.A. could relieve the G.A. from the political component of decision-making and help to establish a more direct and effective channel of communication with the political leadership at the national level. It was contended that the political direction at the district level, properly channelled could facilitate the task of mobilising the support of the people in implementing development programmes.

The appointment of the D.P.A. can be regarded as a useful experiment. It can be viewed as a stage in the process of readjustment of the district administration to suit the needs of a rapidly changing society. It was, however, not an unqualified success. The most glaring defect in the system was the lack of definition of the respective roles of the D.P.A. and the G.A. Much depended on the quality of statesmanship of the holder of the office of the D.P.A. The extent to which the national perspectives were given priority over parochial interests and the degree of appreciation by the D.P.A. of the problems faced by the administration depended on the individual attitude of the D.P.A. Much was left vague and undefined.

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In comparison with the D.P.A., the A.P.C. was even less effective as an instrument of planning. The reasons are not far to seek. The method of selection of the members of the A.P.C. namely nomination by the Minister—did not help to attract the best individuals. The members did not command the confidence of the people whom they were called upon to serve.

The statutory powers conferred on, and the nature of the functions assigned to the A.P.C. invested it with a great degree of influence and prestige in the locality. It was necessary therefore that the members should enjoy a great measure of acceptance from the people.

Some of the members did not possess sufficient educational qualifications, training or knowledge. Sometimes they were not practising farmers and as a result they were not familiar with the problems faced by the farmers. There were instances when members were found wanting in honesty and integrity.

The contact between the A.P.C.'s and the government officials was inadequate. The relationship between the A.P.C. and the officials connected with the agricultural plan was not satisfactorily defined. Some departments, however had made suitable arrangements. But the others left the position vague and undefined. Thus the co-ordination between the A.P.C.s and the government departments left much to be desired.

Despite these shortcomings, the concept of the A.P.C. deserves the serious attention of planners for two important reasons:—

(a) It contained the principle that agricultural planning should be the direct responsibility of the farmer himself while the government official played only an advisory role. Whether this aim was realised will be examined later in this chapter.

(b) Each A.P.C. was to have its own agricultural service centre which would serve both as the office of the A.P.C. as well as the convenient point at which supplies and services needed by the farmers would be provided. All the government officials who handled functions connected with agricultural development at this level were to operate from this centre. Whatever the unit of planning at the divisional/village level may be, it is imperative that there must be one office, centrally located, from which planning activity could be directed and controlled. In that sense the A.P.C. was a step in the right direction.

The Need for an Integrated Approach for Development

The appointment of the D.P.A. and the establishment of the A.P.C. are two of the attempts to secure better involvement of the people in the planning process. As the brief discussion above shows, these experiments had limited success mainly because no attempt was made to deal with the problem in its entirety. This explains why many of the changes introduced at the national and district levels had some beneficial results, but failed to have an impact at the divisional and village levels.

If one examines the position below the divisional level, it would appear that the most striking feature is the multiplicity of government departments and organisations—both statutory and voluntary—engaged

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in development activities. Several government departments have their own field staff while the educational qualifications and training of some of these officers are similar, their areas of operation are not co-terminus. The scope of activities is narrow. Either there is duplication of each others work or working in water-tight compartments. The effort of the officers are not properly directed towards the common object of development.

Within a small geographical area, there are several organisations like the village council, the Rural Development Society, the co-operative society and the A.P.C.—to name only a few. Some of these organisations are competing to perform similar types of functions. As a result much of the energy of the membership is wasted. In predominantly rural areas, there is the problem of finding sufficient number of people to provide leadership to these numerous organisations. There is of course the common problem of non-availability of financial resources to carry out the development programmes, undertaken by these organisations.

In the case of some of the organisations, the scope of activity is so narrow, that they fail to evoke much popular enthusiasm.

The activities of all these departments and organisations have the common objective of achieving economic and social upliftment of the community. The problem lies in the fact that their energies are divided. The harnessing of the efforts of all these organisations calls for an integrated programme of development.

As CliftonR. Wharton Jnr. pointed out "Only an integrated approach which recognises and takes into account major inter-relationships among a wider range of variables than those traditionally the concern of a single discipline can provide an appropriate framework for studying the dynamics of change".

Organisation for Agricultural Development

"Planning is not only the efficient determination of target instrument relations, but essentially a politico-economic process that draws together the techniques of economic analysis, the forces of consensus building, decision-making and action taking" (Taake).

Each country has its own form of organisation based on the ideology and the political, economic, social and cultural system.

It is useful to examine some of the important aspects of the planning process in Sri Lanka and see how the activities of the government departments and the statutory and voluntary organisations can be co-ordinated to secure an integrated institutional framework for agricultural development.

(1) *Administrative Organisation for Planning.*— The District Continues to be the focal point in the planning process. But the revenue division which was the next link in the chain has lost much of its functional usefulness since the creation of the A.P.C. The area of the A.P.C. is too small and it is too remote to be controlled by the Kachcheri. It is necessary to have an organisation at the Divisional level for effective supervision of the work at the A.P.C. level.

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(2) *The Basic Unit of Planning.*— Originally the cultivation committee was the basic unit of planning. While it was a convenient unit for supervision by a village level officer, its area of authority was too small for the formulation of a comprehensive scheme of development. Both geographical and functional aspects taken into account it would appear, that a village council area would be the ideal unit of planning. (It should be noted than an A.P.C. was set up for each village council area).

(3) *Geographical Congruence of the Area of Authority/Operation.*— Different departments and agencies engaged in development activity have their own area of authority/operation. The area of authority of one department is not always co-terminus with that of another. As a result co-ordination of activities become difficult.

(4) *The Role of the Public Servant in Planning.*— The need for active participation of the farmers at all stages of planning can be hardly overemphasized. But it should also be remembered that planning is a specialised task which calls for particular type of knowledge training and skill. Experience of many of the village level organisations in the country has shown that this kind of skills is not readily available within the village Therefore a certain degree of leadership has to be provided by the public servants working in co-operation with the people.

Conclusion and Suggestions

An integrated programme of community development is essentially a dynamic process. Unlike the programme of a department or self-contained organisation, it is multifaceted in character. It seeks to bring about not only agricultural or industrial development, but improvement in all aspects of the economic and social life of the community in an appropriate measure; finally seeking to achieve the development of human personality as a whole.

It follows therefore, that planning must be directed towards development in its entirety. In the context of Sri Lanka, this calls for a major restructuring of the institutional set up. It is suggested that in each of the units of planning as proposed in a previous paragraph there should be one organisation for planning. This would be the nucleus to which the other departments and organisations will be connected. Tasks performed by the government officials and the activities undertaken by the various organisations could be channelled through this body.

The public servant has an important role to play at all the three levels, namely—District, Divisional and Village. His active participation at the village level is of particular signifcance because it is at this level the actual mobilisation of the people takes place. The officers who handle development functions at this level should have a basic training in agriculture and community development. The scope of their activities should be much wider than that of an extension worker in the ordinary sense of the term. He must have an insight into the problems faced by the people. He should function as the friend and guide of the villages within his area of activity. The ideal arrangement would be to appoint one such officer—who may be styled—Sanvardhana Sevaka Niladhari—for each Grame Sevaka Niladhari Division. While the Grama Sevaka Niladhari attends to the duties connected with routine administration, the Sanvardhana Sevaka Niladhari can deal with matters pertaining to development.

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At the village council level, there can be an officer to co-ordinate the activities of these officers. Likewise the organisation must be linked to the divisional and the district levels.

The integrated programme envisaged here differs from the present system in two important respects (1) Agricultural development as a part of a more comprehensive programme of development. (2) The activities of the departments and agencies will be channelled through and the efforts of the people will be harnessed at a nucleus—namely the organisation for development at the village council level. It can be linked to the next higher level organisation as it is done under the Panchayati system or by administrative arrangement depending on the method of constituting these planning bodies.

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SOME ASPECTS OF RECENT LAND POLICY IN SRI LANKA

I. K. Weerawardena

(1) Background:

The first known source of information of a Land Register which recorded the ownership of land under the regime of Sinhalese Kings was the "*Lekammitiyas*"[1] In the maritime provinces with the advent of the Portugese and the Dutch and the confusion that arose as a result of these conquests, these "Lekammitiyas" came to be replaced by "*Thomboos*"[2]. When the British came, these "Thomboos" were the only source of information which could identify any land. While the "*Thomboos*" were available in the Maritime provinces, in the Kandyan areas the ownership patterns were more confused because whatever record there had been was never been brought up to date. The *Gangodas* where the people resided were considered to be private land, but large extents of undeveloped and unoccupied land were there which supported the village. Other than the main paddy tracts there were the chenas[3] and the people utilised them for their subsistence agriculture. Thus the peasant subsistence production was the hub of economic activity of the Sinhalese village.

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Several articles of necessity, foremost salt and cloth had to be obtained from elsewhere. But however, these self-subsisting village economies still could not produce rice adequately for their own consumption. This was the situation during the early part of the British period. Therefore, dry grains also formed a useful substitute which made the chenas an essential part of the life of the peasants.

In the Kandyan areas there emerged individual ownership of land which was feudal in character. The growth of the Paraveni System[4] of ownership resulted in a tenurial relationship which was a type of service. Through this system arose the Viharagam[5], Devalegam[6] and Nindagam[7] systems.

This complex system of land tenure and the revolt of 1818 made it possible for the British to bring about changes in their own colonial interests and from there onwards the peasants began to lose their land.

In order to achieve the objectives of the British Government, the first law pertaining to amassing land was passed in 1840. It was named the Crown Lands Encroachment Ordinance. As its preamble explains, the purpose of this Ordinance is as follows:—

"Whereas persons without any probable claims or production of title have taken possession of land in this Colony belonging to His Majesty and it is necessary that provision should be made for the prevention of such encroachment." This law went on to achieve the following objectives. All forest, waste and unoccupied land including the chenas in the Kandyan area and lands which were cultivated after intervals in the low country areas were all deemed to be the property of the Crown, until contrarily proved.

The abolition of service tenure in 1870 was also an attempt to establish private ownership free from feudal influence. However, it made it difficult for anyone, years later to prove that services were rendered to the Crown. It was not possible to prove titles even to those who owned private land in the Kandyan areas unless a *Sannasa*[8] was produced. A number of Supreme Court decisions added to clarify the position that any land which had "once been a Chena would always be a Chena".

A host of other laws like the Temple Registration Ordinance[9] of 1857, the Grain Tax Ordinance[10] of 1870 and the Forest Ordinance[11] of 1881. The Land Surveys[12] Ordinance of 1866 made the peasants lose whatever land they had for the benefit of the Colonial Masters and the local entrepreneur class. All the land which the Crown accrued was sold to the capitalist interests for a nominal price.

More than any other establishment it was these capitalist agricultural ventures that resulted in the landlessness amongst the peasantry in Sri Lanka. The villages were hemmed in by the new Estates—without space for expansion. The population growth was placing increasing pressure on land, and Crown land in and around the villages were being continuously purchased by capitalists. The land sale system favoured the capitalists at the expense of peasants and it contributed to the landlessness which spread all over the Wet Zone. *People often blamed the European investor for this state of affairs.* But in a limited way the Ceylonese entrepreneur too was also responsible.

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The pressure on land increased as a result of the slump in the price of rubber in the 1930s. The villagers did not have work on the Estates and thereby had to depend on their own resources, namely land. This demand further led to the land grabbers buying land which was owned by peasants which in turn was leased out on "Ande tenure"[13] to the peasants themselves. Wherever disputes arose between the Crown and the individuals over title, the poor peasants were always pursuaded to sell the land to a land owner who was powerful enough to win back the land. Poverty also induced the peasants to sell their land to the new entrepreneur class.

There is even evidence to show that the Colonial Rulers themselves were alarmed at this situation. Sir Hugh Clifford, in the "Reflections on the Ceylon Land Question" wrote thus, "The preservation of the peasant came to be given pride of place in the formation of Government policies in the 1920s. This re-appraisal of land policies necessitated the search for an equitable balance between the needs of the peasantry and the other groups in the country, including the capitalist and the investor". This thinking formed the basis of the land policies in this country for a considerable period.

With the dawn of the first World War and the subsequent difficulties, the Government of the day decided[14] to launch a Food Drive as it always happens during any economic crisis. The Colonial Masters thought that opening up of big Estates to grow paddy may be the answer to this question. They were not concerned with the economic problems of the peasntry, but instead wanted to strengthen the capitalist Classes by making the big landlords in the paddy sector too.

The Ceylon Agricultural Society in a declaration in 1915-1916 sums up this situation thus:

"We have waited long enough for colonisation by small settlers, and it is time a definite liberal policy was adopted, as in Australia, to induce those who have capital to open up these lands and thus assist to colonize them, so that the Island's resources may be fully developed."

Interest was not lacking among the capitalists seeking to invest in the Dry Zone, as paddy fetched high prices as a result of the war.

Thus we see the first attempt[15] at Minneriya in 1919 by the Minneriya Development Company, and in Kalawewa in 1921 by the Ceylon Mills Company and in Kirindi Oya by the Low Country Products Association in 1922, where big Paddy Estates were opened up for greater exploitation. All these ended in failure, and the Paddy Sector was left to the vagaries of the peasant farmer, as against the big plantations owned by the rich, which provided raw material for an export economy.

As time went on one could see smaller concessions being given to the Ceylonese middle class which by this time had become politically effective and was trying to concentrate political power in their hands with the support of the new land owning class.

By 1920 the procedure of granting land on applications was put an end to, and small extents of land came to be available to the peasants on permits issued by the Government.

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The appointment of the Land Commission in 1917 is a hall-mark in the annals of Land Policy in Sri Lanka. This Commission made a detailed study of all the problems relating to land and the manner in which it affected the peasant in this country. They recommended "the preservation of the peasants" and suggested a system of "mapping out" all Crown land so that it could be allocated to the peasants and other potential users. They were also of opinion that it would not be possible to solve the problems of land hunger and land pressures by merely opening up the Dry Zone. They instead sought for solutions within the wet zone itself. All their recommendations were, however not for the full benefit of the peasants. "The peasant proprietor system" started by Mr. C. V. Brayne i.e., to allocate land to carefully selected applicants who received leases with restricted tenure and from this temporary category evolved a lasting experiment that became the corner stone of the Land Development Ordinance enacted in 1935.

The 1930s saw the dawn of the Donoughmore Constitution which gave political power to the Ceylonese Middle Class. The Executive Committee of Agriculture and Lands became the new policy making body, embodying the subjects of Agriculture, Irrigation, Survey, Forest and Land—a co-ordination which would have been useful even in the present day. It is after this that the Dry Zone came to be opened up. The opening up of the dry zone could be considered as a "way out" and "a grim necessity" under the circumstances which the rulers faced at that time. The pattern of land settlement which was started by the Ceylonese Middle Class formed the basis of the land policies in this country up to 1970, namely:

(1) Village expansion and the settlement of villagers—within rural areas; and

(2) the establishment of Colonisation Schemes under big tanks.

The population growth, food shortages, landlessness and an innumerable number of peasant problems came to be viewed with sympathy and finally resulted in the Land Settlement Ordinance[16] of 1931 and the Land Development Ordinance of 1935. These two Ordinances resulted in an accelerated programme of land alienation to the peasants.

The appointment of the Kandyan Peasantry Commission in 1946 can be claimed as another victory for the peasantry in Sri Lanka. The Commission's report which was released in 1951 made startling revelations and enabled the policy makers to understand clearly the problems of the peasant in the Kandyan areas. The report discussed at length problems of landlessness, tenurial relationships, Rajakariya,* Communication, Irrigation, Vel Vidane system and Forest Lands. Moreover aspects of Marketing, Health, Unemployment, Social Services, Kandyan Marriages and Divorces and the rehabilitation of the original inhabitants, namely, Veddahs were also dealt with by this subsequent Commission. The injustice and discrimination, suppression and the infrastructural difficulties were all spotlighted with a view to ameliorate the conditions of the peasant. This report in no small way contributed to the politlical changes that took place subsequently.

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The first impact of the political changes that took place in 1950s had been the enactment of the Paddy Lands Act of 1958. This Act had far-reaching implications in that it attempted to establish the supremacy of the tenant cultivator. It ensured security of tenure and controlled the rent, which the tenant had to pay to his landlord. The setting up of Cultivation Committees as elected Rural Institutions of the cultivators and the replacement of the traditional Vel Vidane system gave these peasantry self-respect. The transfer of power over cultivation activities to village level organizations gave peasantry additional recognition in the country. This Act, however, failed to achieve its objectives fully as a result of the opposition by vested interests which were strong enough to defeat this type of progressive social legislation. No other significant changes in land policy took place until 1970s and the traditional land policy as spelled out in the Land Development Ordinance of 1935 continued.

(2) The New Concepts:

It is significant that the Land Reform Law of 1972 was enacted mostly to reverse a historical injustice and at the same time to overcome certain pressing economic issues which the country faced at the time. The 1840 Ordinance[18] attempted to take over lands belonging to the peasants as uncultivated and undeveloped land. The 1972 Land Reform Law took over all excess land belonging to private individuals above the 50 acre ceiling and the subsequent amendment to the Land Reform Law in 1974 took over all lands belonging to Public Companies. The contrast in these laws is of a historical importance. The 1840 Ordinance was an attempt to satisfy the needs of the capitalists and colonial rulers while the post-1970 policy was an attempt to satisfy national interests and mainly the peasantry and the landless classes.

The post-1970 land policy was oriented towards a few clear objectives, viz., economically it attempted to solve the problems of landlessness, unemployment and to make maximum utilisation of available land based on the principle that land should be considered a national asset. Politically, it attempted to destroy landlordism, and foreign economic domination.

In order to achieve these objectives certain basic structural changes had to be made, new definitions had to be spelled out and the whole agricultural land policy had to be placed on a new Agricultural philosophy. The package of land laws that followed the Land Reform Law of 1972 viz., the Agricultural Productivity Law of 1972, the Agricultural Lands Law of 1973, Sale of State Land Law, the amendment to the Land Acquisition Ordinance, the amendment to Land Reform Law of 1975 and the Janawasa Law of 1976 are all considered as linked to one philosophy which brought about the sweeping agricultural changes in this country. As a result of these laws, new institutions such as the Agricultural Productivity Committees and Cultivation Committees were set up. In addition new statutory organizations such as the Udarata Co-operative Estates Development Board, and Janatha (people's) Estates Development Board and co-operatives were set up in order to manage the land that came under the land reforms.

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The principle of ownership of private property which was considered sacred broke down with the introduction of the new Republican Constitution of Sri Lanka in 1972.

While the Land Reform Law partly restricted ownership and partly. transferred ownership from private to state hands. the Productivity Law went further to define the concept that land was a national asset. The Productivity Law laid great emphasis on land utilisation and productivity. In fact, utilisation of land had been considered more important than the fact of mere ownership and if land is not fully utilised, provision has been made in the Productivity Law for under utilized or unutilized land to be transferred (after a period of supervision) to organizations or people who can put such lands to effective use.

Agriculture itself began to have a broader meaning including the growing of rice, all field crops, spices and condiments, industrial crops, vegetables, fruits, flowers, pasture, fodder, dairy farming, livestock rearing and breeding. An Agricultural Land meant "any land which is capable of being used for agriculture". These definitions gave new dimensions to agriculture, while at the same time it co-ordinated a number of activities which up to now were independent divisions.

Land that was released by the Land Reform Laws was alienated in keeping with this new philosophy, among either state-owned or state-sponsored organizations in the following manner:—

	Acres
Janawasama[17]	227,000
State Plantations Corporation[18] ...	239,000
Usawasama[19]	125,000
Electoral Co-operatives[20] ...	176,280
Livestock Board[21]	7,600
Coconut Cultivation Board ...	2,260
Sugar Corporation	2,800
Rubber Research Institute ...	1,700
Conservator of Forests	8,540
Multi-purpose Co-operatives ...	3,000

The Youth Settlements or the Janawasas which took over 70,000 acres were able to establish 175 new settlements involving 23,000 settlers. In addition the landless peasants were given nearly 100,000 acres in the form of individual allotments. Furthermore, the Land Acquisition Act was used to the utmost. During this period an extent of nearly 3,00,000 acres involving 6,000 units of land came to be acquired under this Act. These are some of the new experiments which resulted in a structural change in the Agricultural Sector in this country.

Land brought under electoral co-operatives came to be managed on a collective basis. The Janawasa Law specified that "No land held by a Janawasa should be used for the benefit of any individual member of the Janawasa except for an extent not exceeding 30 perches which may be leased to a member for residential purposes".

This new philosophy also included a new role in political leadership at village level and this was considered necessary to give these new-institutions the dynamic push that was needed. All members in Agricultural Productivity Committees and the Cultivation Committees were nominated politically. Similarly the settlers of the Janawasas too were selected politically.

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Thus the agricultural sector was able to align itself to the Political Authority System in the administrative sector. Never before in this country were people allowed to take decisions taken at political levels to the extent it was done in the post-1970 period.

The role of the Public Service also under-went a change. The government servants were no longer the ultimate decision makers and they were utilized to work with the new institutions with a view to guide and assist them.

The establishment of Agricultural Tribunals under the Agricultural Productivity Law is another hall-mark in the chain of changes that have taken place in the agricultural sector. They were entrusted with very high legal powers to adjudicate inter alia on farming and management disputes and also to protect the tenant cultivators from being evicted by their landlords.

The Agricultural Service Centre symbolised the new co-ordination in agriculture at divisional and village level to look after the service needs of the peasants by providing them with credit, seed, extension, implements, fertilizer and the agro-chemicals etc.

The peasants in the colonisation areas and others who received lands under the Land Development Ordinance were able to become owners of these lands as a result of the implementation of the Sale of State Lands Law. This transfer of ownership came after a decade and attempted to regularise the problems that were connected with the implementation of the Land Development Ordinance of 1935. It was Mr. H. R. Freeman the well-known champion of the dry zone peasants who opposed these crown leases in the earlier 1930s when he said that "Peasants wanted nothing but free-hold and that the method of lease would never be popular with them". It was only the Sale of State Lands Law of 1973 which achieved this objective of a "free-hold peasant".

(3) The Future:

In view of the radical changes that had taken place in the agricultural sector, one could predict new socio-economic and political patterns emerging in this country in the future.

The Landlord class that dominated the village scene in the past would be replaced in the future by a new set of leadership. However, a few landlords will continue to exist as a result of the 50-acre ceiling, the inter-family transfers and the regularisation of certain land sales to family circles. but they will not be able to influence the political scene as a class hereafter. With the population growth and the expansion of these family units whatever available land will gradually get divided and fragmented.

With the decision to grant compensation to the landowners there is a possibility of the birth of a stronger capitalist class confined to the Industrial Sector. If this money is not properly controlled, there is the possibility of these ex-landlords investing them on such industrial ventures such as production of consumable items, luxury items, the gem industry and the tourist business. It may also result in the peasantry being lured to purchase more and more of these articles produced by

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this new Industrial Sector at prices far above reality, thus nullifying the increased incomes which they would receive as a result of the changes in the Agricultural Sector.

In the agricultural sector new agitation will develop as a result of the increase in pressure of population and more and more youth joining the ranks of unemployed in the villages. Militant groups will thus agitate for the reduction of the ceiling on land so that more land would be available to be distributed amongst landless and the unemployed.

The tenant cultivators will organise themselves to agitate for the transfer of ownership of land as the laws implemented to protect them have not been successful.

The small farmers' concept in the agricultural sector will become important as a result of large numbers joining their ranks. The agricultural machinery will be reorganised and geared to cater to this class of small-holders. Agricultural inputs like seed, planting material, fertilizer, agro-chemicals, farm guidance, home economics and credit will have to be made available at points close to the farm-holdings as the earlier system of big estates ordering them direct from the producers will no longer be possible. They will have to be given greater incentives such as loans and subsidies in order to increase their yields and to get maximum productivity out of available land. There would now be a genuine attempt by these small-holders to get maximum productivity out of the available land by adopting such methods as inter-cropping, or multiple cropping and animal husbandry. To this end the Agricultural Productivity Law is bound to play a bigger role in the future.

The agrarian reforms introduced in recent past would facilitate the integration of owners and their management staff who lived away from the people while the workers lived in working class lines under conditions of abject poverty. Hereafter there would be greater liaison between the management and the workers and closer participation in the activities of the estate. The economic and cultural discrepancies would be narrowed down, the workers can look forward to new incentive schemes and profit sharing schemes. There would very soon be a common wage structure in the plantation sector. The workers will have better houses and greater social facilities.

The agrarian reforms introduced in recent past would facilitate the integration of the estate and the village. The concept of perimeter fencing for each estate would gradually disappear and the estates themselves would lose their individual identity. In order to minimise management and working overheads and the fullest utilisation of available resources such as factories, vehicles, expertise, etc., planning and implementation to cover larger extents of land and overall planning concepts will evolve. It should be the development of an agro-climatic region instead of individual land blocks. A start in this direction has already been made in the crop diversification project in the Kandy district.

The Janawasa could bring new aspirations to the youth. The Co-operatives or collective ownership legalised through the new Janawasa Law also could bring in new dimensions and strength to agricultural

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development, based on the principles of self reliance and independent thinking of the youth in this country who will toil for a better living because they will share not only the ownership but also harvest the fruits of their sweat. These new settlements will emerge with greater ties with the village and the peasants. The political concept of a socialist agriculture would gradually influence our traditional village and it may be possible in the near future to break away from individual ownership to more effective forms of agriculture like that of "group farming" and "common operations" leading to better planning and greater productivity. It would also lead to greater technological changes in agriculture and also changes in the social values of the traditional village.

These are some of the changes that one could envisage as a result of the structural changes that are presently taking place in the agri cultural sector in Sri Lanka. Sri Lanka has freed herself from foreign domination and exploitation which started with the coming of the colonial powers in the 18th and 19th centuries. The path is now ready for new changes to achieve economic freedom where the toilers would be the masters of their land.

REFERENCES

1. *Lekammitiya* : This was a Palm Leaf Register of lands originally prepared during the time of the Sinhala Kings. Subsequently taxes were levied by the Portuguese and the Dutch by referring to this register. This register has three parts, such as ;

(i) *Disalekammitiya* ; Ranged according to the Departments.

(ii) *Hilekammitiya* : Which was arranged according to villages.

Kathal Lekammitiya : Which was a register confined to the Kandyan District-

2. *Toomboos* : This was a register prepared and maintained originally by the Portuguese and the Dutch. They collected taxes on the basis of these.

3. *Chena or Hena* : This land belongs to the crown where the jungle is felled and burnt for the purpose of cultivation. The cultivation of these lands is done at intervals. The burnt jungles form a good manure for the cultivation of the highland paddy, grains and vegetables. After one or two cultivations the land is abandoned, to move to another plot.

4. *Paraveni* : This is a term used to describe the land that has come into possession from one's ancestors. It is considered as family property and ownership is absolute.

5. *Viharagam* : These are lands belonging to the temples given as grants by the ancient Sinhalese Kings. They were not subject to royal service.

6. *Devalagam* : These are lands held by the devalas. Also given as grant by the Sinhalese Kings.

7. *Nindagam* : These are lands given by the Sinhala Kings to the Chieftains or persons of that rank, in return for services or as reward. The people working in the Nindagam are subject to service either to the king or to the chieftain.

8. *Sannassa* : This was a grant by the Sinhalese Kings engraved on Copper Plate. The early kings alienated land in this manner.

9. *Temple Registration Ordinance* : This was enacted in 1857 and came into operation as from 1st January 1859 where every temple was requested to register all lands belonging to such temples. Any temple which failed to do so resulted in a loss of the land which automatically became the property of the Crown.

10. *Grain Tax Ordinance* : Enacted in 1876 under which every cultivator of paddy land had to pay a tax to the Government. Reference Robert Michael—Grain Taxes in British Ceylon, 1832 to 1876, The Problems of the Field—J. A. S. and (XXVII).

11. *Forests Ordinance* (Chapter 311) : Enacted in 1881 which made certain provisions to safeguard the forest produce on land deemed to be crown land.

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12. *Land Surveys Ordinance* (Chapter 316) : All surveys were undertaken under the Ordinance and the Government makes use of this Ordinance specially to declare crown title to land.

13. *Ande Tenure*: This is a systemof tenure where land was let to those who cultivated same and give a share of the produce as Rent. Traditionally this share amounted to half the produce.

14. Food Production Minute of 1920 permitted the Divisional Revenue Officers to lease crown lands in small extents to farmers.

15. Tropical Agriculturist (XLVI—1916), page 389.

16. *Land Settlement Ordinance* : Land Settlement Ordinance, No. 20 of 1931 (Chapter 319)— With pressing need for expeditious alienation of crown lands and the development of private lands it was considered necessary to amend and consolidate the law relating to Land Settlement. This Ordinance ceased to reiterate the presumption made in favour of the crown under the Crown Lands Encroachment Ordinance and the Waste Lands Ordinance.

17. *Janawasama* : This is a State Corporation set up to run the Plantation Estates that were taken over under the Land Reform Laws.

18. *State Plantations Corporation*: This was a Corporation established for the purpose of running Plantation Estates as state ventures. With the implementation of Land Reform a large number of estates were handed over to this Corporation.

19. *Usawasama*: (Upcountry Co-operative Estates Development Board). Established to take over and run Plantation Estates. They came over from the Land Reform Laws specially in the Kandyan area.

20. *Electoral Co-operatives* : These are registered Co-operative Societies set up on a Electoral basis to run estates that came over from the Land Reform Laws.

21. *Livestock Board* : This is a Corporation established by the Government to develop livestock. A number of coconut estates have been handed over to this Board for this purpose.

PEASANT COLONIZATION IN THE DRY ZONE OF CEYLON: AN ANALYSIS OF THE PRESENT PATTERNS, PROBLEMS AND SUGGESTIONS FOR THE FUTURE

S. Gunaratnam

The Dry Zone of Ceylon is a natural region, geographically and otherwise. Theoretically, P. G. Cooray's definition of the zone as the area where soil moisture falls below wilting point for at least two months in the average year, is a fair description of the area. Although there is marked internal differentiation within the Dry Zone based on the differences of rainfall, this is not differentiated in this study.

Of all the natural regions of this island, this zone is the richest in human associations. This is the cradle of the ancient civilization of Ceylon. After witnessing the rise and fall of Kingdoms, this region became generally desolate and neglected. With the advent of the British administration large parts of these depopulated areas became property of the Crown as a result of legislation enacted during this period. The idea of populating these once prosperous areas started gradually when the voice

1. P. G. Cooray, "Effective Rainfall and Moisture Zone in Ceylon".

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of the Ceylonese people became heard in the political arenas of the country. Planned colonization started within the last 40 years of this century. The need for colonization could be briefly listed as follows :

(1) To give back to the peasants the land that were taken over as Crown property.

(2) To ease the increasing pressure of population on the land of the South West country and the concern of the rising population to be redistributed.

(3) The concern for the peasantry as a social institution worthy of preservation for its own sake as a "prosperous, self-supporting and self-respecting multitude of peasant proprietors".

(4) The constitutional changes which culminated in the "Donoughmore Constitution" of 1931 brought new forces into action. For the first time Ceylonese ministers became responsible for government departments and thus a new sympathy for the amelioration of the conditions of the peasantry was brought to bear. These actions crystallised as the land policy and culminated in the Report of the Land Commission of 1927–29.

(5) The legislators and public servants started to take a wider view of the economic and social problems of Ceylon and came to appreciate the significance of the connection between such problems as population growth, food supplies and landlessness. Some of these problems were brought home with tragic force by the years of the depression.

(6) The application of D.D.T. spraying brought a complete revolution in environmental conditions of the Dry Zone by eradicating malaria. It is no mere coincidence that a new willingness to migrate to the Dry Zone became evident in the years following 1946.

(7) The passing of the Land Development Ordinance No. 19 of 1935 and the appointment of a Land Commissioner who became the custodian of all Crown lands facilitated the new trends in no small measure.

There are at present 95 peasant colonies with a total colonist population of 37,940 and 339,731 acres under cultivation (Land Commissioner's Administration Report).

The wet season in the Dry Zone comes with the North-East monsoon in about November to January. The winds and the rains which they bring are uncertain and, in particular, are apt occasionally to arrive late. But normally a large proportion of the annual rainfall falls in the three North-East monsoon months, over 40 per cent everywhere, and as much as 60 per cent in Jaffna. In the inter-monsoon periods (roughly February-May and September), there may be rains due to depressions and to local conventional circulations, but at most places these rains are variable and unreliable. Variability of rainfall is a phenomenon to be reckoned with in any assessment of the Dry Zone problem. One or two years heavy rainfall may so inflate the mean for a twenty-year period that it gives a very exaggerated impression of the rainfall that may be expected. "The Dry Zone peasants difficulties as are due to the vagaries of the rainfall

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are increased by the fact that it is apt to fluctuate, especially at certain seasons about the critical level which is effective. Effective rainfall may be defined as that which is just enough to keep soil moisture above wilting point, and thus to keep shallow rooted plants alive".

Rainfall is generally effective throughout the Dry Zone in the wet season, when in fact water logging is common, but there are occasional months of ineffectiveness which may spell disaster to chena crops; and to say that rainfall is "effective" is far from saying that it is adequate for a thirsty crop like rice. In the dry season the rainfall is nearly always ineffective, annual plants wilt and die, and the apparently luxuriant natural vegetation survives only because of its deep roots, deciduous habits, small leaves or other adaptation. In the inter-monsoon periods there is a chance of effective rainfall which varies from station to station. This is why R. W. Ivers, who knew the Dry Zone well said "It may broadly be stated, that without artificial irrigation and storage of water, human existence in the North-Central Province would be impossible".

The Dry Zone is watered for the most part by short relatively small radial streams which rise within the zone itself and thus feel to the full the effects of its seasonal rainfall. Therefore there is little scope here for great perennial canals. Irrigation direct from rivers can in most places function in Maha only and storage tanks are, of necessity, the commonest type of work. Moreover, because of rainfall variability, yields of catchments vary greatly from year to year. There are thus years of greatly reduced cultivation or total failure on the one hand, and of flood and great damages to works on the other. It becomes difficult to say what is the safe maximum cultivable area beneath a given tank if water resources are to be fully utilized. Most modern engineers have played for safety, but the waste of water in years of heavy rainfall is then colossal.[1]

There are one or two major streams, such as the Mahaweli Ganga and its tributary Amban Ganga which rises in the Wet Zone and have a perennial flow, though they are still subject to great seasonal fluctuation.

In the limestone country of the Jaffna Peninsula, water supplied by the rains is stored naturally underground, and are tapped by shallow wells. Recent investigations of the water resources of the Northern part of Ceylon have belied the earlier belief that the limestone conditions exist all over the North of a line joining Kalitiya in the West Coast to Mullaitivu in the East. Only the existence of such limestone waterbearing rocks have been found in the North of Puttalam area in the West in a narrow strip running along the Mannar Coast line not extending beyond a few miles interior. The same may be the case in the Eastern coast as well. The Kilinochchi Paranthan and the Vavuniya districts are floored with crystalline rocks, virtually impervious except for rare and irregular joints as is the case in the rest of the Dry Zone.

This shortage of underground water has made the Dry Zone entirely dependent on surface irrigation with all the waste by evaporation that accompanies, as the temperature in the Dry Zone is uniformly high throughout the year averaging 80 F. It also means that the supply of water for domestic purposes presents a serious problem in settlements as

1. B. H. Farmer in Pioneer Colonization in Ceylon.

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has been experienced in major settlements like Kantalai in the Trincomalee district.

The soils of the Dry Zone, like so many other tropical soils, have the same defects like lacking plant nutrients and humus which give the soil their favourable properties. There is also the point that tropical rains acting at high temperatures, leach away soluable nutrients far more rapidly. But, on the whole, the Dry Zone soils are quite adequate and occasionally rich and the Ceylonese peasant is capable of utilizing the soils with the indigenous techniques and methods. History shows beyond doubt, that the average soil of the Dry Zone has been quite adequate for paddy cultivation, to say the least.

As stated earlier, there were several reasons and aims behind the commencement of planned colonization schemes. The pioneers chose family farms as the basis of the settlement patterns in these first attempts and this continued till today as the basis of all the Colonization Settlements in the island. The Ceylon peasant is highly individualistic and the family farms are the most suited to their temperament. Besides, the pioneers wanted that the family unit, which has been the basis of Ceylon's subsistence agriculture with its varied values both economic and social, be preserved in the new settlements. While preserving the family farms, the settlements were planned in Units varying from 150–300 people preferably from the same village or adjoining villages, with the same environmental conditions, so that the new farmers who are uprooted from their villages of birth form themselves into nucleus that will give them a feeling of security and a feeling of a village set up.

The colonists for the Dry Zone schemes came largely from the South-West country of Ceylon and from the Kandyan provinces. But the villagers who lived in and around the irrigation schemes were absorbed into the schemes wherever they were found to be convenient. A typical example of the breakdown of the colonists into categories is enumerated as below:—

for Parakrama Samudra Colony.

"According to the methods of selection employed the 2,780 colonists of this colony in 1953 fell into five categories :

(1) Compensation (175 colonists). Most of the lands of the villages of this area had been acquired into the colony. The peasants who consequently became landless received allotments in the colony.

(2) Local 483 colonists. Landless peasants and those with little land in this area and in some of the other villages of the Polonnaruwa district were also selected as colonists.

(3) Those who had served as labourers in government departments connected with the establishment of the colony received allotments in recognition of their services.

(4) Immigrant (1,198 colonists). This category represents a selection intended to realize the main aims of peasant colonization. The colonists came from overcrowded villages of six administrative districts in the Wet Zone. Some of them were refugees from the landslide at Kotmale. They received allotments without going through the normal selection procedure.

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(5) Ex-servicemen (571 colonists).[1]

Social and Economic Background of the Colonists

A typical example of the social and economic background of colonists in the various schemes of the Dry Zone is again illustrated by the study of Dr. H. N. C. Fonseka in his study of the same colony. (Data on 136 colonists interviewed, see next page).

Agricultural Traditions

The simple wooden plough drawn by a pair of bullocks was generally employed in preliminary tillage in paddy cultivation except in the case of some peasants who used bullocks to trample the fields. Unselected varieties of paddy were planted in all cases. Most colonists sowed paddy broadcast, but transplanting was widely practised by those from the Kegalle and Kandy districts and by Kotmale refugees. Organic manure (farmyard and green manure) was used by most colonists except those from the Polonnaruwa district. Only a few colonists from Kegalle, Kandy and Nuwara Eliya districts applied artificial fertilizers on their fields. (In an example colony—Parakrama Samudra).

Land Use—Physical Set Up of Settlements

Most of the lands in the colonization schemes were either lowland or highland. This division of the land was based only on the level of the land on local differences of relief and slope on which the layout of the irrigation channel system depended. Since gravity irrigation depended on levels and they invariably followed the contour lines the division too followed the gradient of the land into low land, and high land even though other factors like soil also was taken into consideration in this division. Areas that could be irrigated were classed as low land and those could not, as highland. There were also land set apart for communal buildings and civic centre purposes in the highland section and also small extents of land reserved as forest and pasture reservations to meet the needs of the colonists.

The highland allotments which consists of a house, well, latrine and comprises an extent of 2 acres are thus grouped together on land which is higher from the irrigation channels. It spreads out the farms some 100–200 yards apart. The small village consists of 300–500 allotments which are provided with a civic centre with the following buildings :

(1) Co-operative Stores
(2) Midwife's Quarters
(3) Dispensary
(4) School with 2 Teachers Quarters
(5) Post Office

When these villages are more than 2 or 3, a greater centre is provided with a Rural Hospital and a bigger school with provision for more number of teachers quarters.

The lowland is also carved out into blocks of 3–5 acres depending on the size of the allotments, the older schemes having 5 acres and the newer schemes 3 acres and even 2 acres in some places. However, the extent of

1. Parakrama Samudra Colony, An Example of Peasant Colonization in the Dry Zone of Ceylon, by Dr. H. N. C. Fonseka.

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DATA ON 136 COLONISTS INTERVIEWED

Category	*No.*	*Community*	*No.*	*Religion*	*No.*	*Caste*	*No.*	*Original size of Family*		*Size of family in 1960*	
								No. of members in family	*No. of families*	*No. of members in family*	*No. of families*
Compensation and local	22	Kandyan Sinhalese ...	79	Buddhist ...	18	Goigama ...	84	1	7	2	1
Labourers	14	Low Country Sinhalese	43	Muslim ...	13	Padu ...	12	2	9	3	4
Immigrant	81	Muslims	13	Christian ...	5	Wahumpura	8	3	10	4	4
Ex-servicemen	13	Tamils	1	...		Batgam ...	5	4	11	5	12
						Goldsmith	5	5	17	6	14
						Karawa ...	4	6	21	7	23
						Salagama ...	2	7	24	8	22
						Hakuru ...	2		14	9	20
						Muslims ...	13	9	11	10	20
						Tamil ...	1	10	7	11	7
								11	3	12	6
								14	2	14	1
										16	1

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the blocks are uniform in individual schemes. These allotments are sited along the channels and the distance of individual allotments of colonists do not exceed generally more than 1½ to 3 miles from their highland allotments.

The cultivation in these settlements can also be divided as :

(1) Lowland cultivation and
(2) Highland cultivation.

Lowland Cultivation

Schemes of settlements in the major part of the Dry Zone were based on irrigation water from tanks which store water either from the rains during the rainy season or water diverted from rivers by anicuts. The tanks are constructed by providing bunds at convenient points in a catchment area and the stored water is distributed by means of distributary channels from which water is led by sub-distributary and field channels to the fields. These lowland allotments are cultivated both in the rainy season and in the dry season.

The former is called Maha and the latter Yala. Paddy grown on irrigated fields is the dominant crop in these lowland allotments. It constitutes the basic crop on which the whole economy of the peasant depends. The North-East monsoon rains provided an additional supply of water during the Maha, while the Yala depended entirely on irrigation water. The extent of land cultivated for the Yala depended on the availability of water in the reservoir tanks. It is not unusual that the extent of cultivable land is reduced when there is a shortfall in the water storage.

Highland Cultivation

The highland generally has no irrigation facilities. The crops commonly cultivated in the highland allotments are tree crops (coconut, jak, citrus, murunga, pomegranate, mango, cashew nut and kapok), plantains, vegetables (onions, chillies, yams and manioc),dry grains (kurakkan, gingelly, maize and sorghum) and rainfed paddy.

The tree crops grow especially well where the water was artificially raised by proximity to the tank, irrigation channels or other water courses, provided the plants were individually watered during the dry season. Murunga was normally planted along the boundary of the allotment together with other trees to serve as a fence. Few plantains are grown in the colony because of their low resistance to drought and high winds.

Many colonists cultivated vegetables during the Maha season in quarter to three-quarter acre plots. This was mainly to meet domestic needs, but wherever in surplus they were sold. Quite often, the crop was spoiled by the heavy rains during this season. The cultivation of dry grains were quite widely practised during the first few years of the settlement but becomes less important due to the gradual impoverishment of the lands after several years of continuous cropping. Wherever conditions of terrain and soil permitted, the colonists cultivated half to two acres of paddy during the Maha season and the crop was entirely dependent on the North-East monsoon rains. But on the whole most highland allotments in the Dry Zone are in a 'poor state of development due to the lack of water for any useful cultivation.'

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Techniques of Paddy Cultivation

The traditional wooden plough or a light iron plough drawn by a pair of buffaloes is still the predominant way of ploughing even though the use of tractors has been more intensified during the 1965–74 food drive of the Government. The colonists are aware of the superiority of the tractor even though many still preferred to carry on the traditional methods of cultivation with animals. Some were of the opinion that the tractor dug too deep and brought up the infertile sub-soil.

Some found tractors too expensive to buy and those who owned animals did not like to incur extra expenditure. However, the colonists preferred the use of tractors for the first ploughing of the hardened earth by tractors and followed it by the traditional ploughing methods when the earth is wet and flooded and mudding conditions prevailed.

As a result of a concerted food drive the use of pureline paddy was increased in these areas. But even though the Government advised them to purchase fresh seed paddy from the Agriculture Department once every three years, the majority still used paddy from each year's harvest for seed. Transplanting is extensively practised only in a few schemes in Polonnaruwa, Anuradhapura and Ampara districts during the Maha season. Here the colonists by transplanting the seedlings obtained yields of ten to twenty bushels more per acre and some even 30 to 40 bushels more. But transplanting could not be carried out in some other schemes to the full extent during the Maha, because the area involved was too large or there was not enough trained labour and because it was too expensive to do so. Very little transplanting was done during the Yala season because of the lack of time in this short season. The Japanese method of transplanting was done in certain schemes and this method of transplanting was practised in Ceylon, planting of paddy in regular rows but fewer seedlings are planted at each point and the interval between the seedlings was narrower. Hence the method is more labour exacting.

Many people were reluctant to adopt it because of the high labour costs involved. The yields obtained were about the same as those obtained by normal transplanting.[1]

It was found in many schemes most colonists from the Kandyan areas cultivated their paddy crops, systematically, intensively, and adopted methods like transplanting more widely and weeded their fields regularly. Most found family labour insufficient and employed additional hired labour.

The application of both organic manure and artificial fertilizers were limited but is now growing as a result of the concerted food drive which organized 'Package development projects' as models. The farmers are slowly realising the profitability of the use of fertilizers in their cultivation habits.

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1. Dr. H. N. C. Fonseka. Parakrama Samudra Colony—An Example of Peasant Colonization in the Dry Zone of Ceylon.

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Agricultural Production and Income

Statistics of yields of paddy in the lowland for the two seasons Maha and Yala 1959–60 relating to the colonists of Parakrama Samudra which could be taken as a typical dry zone colony, indicate that most of them secured yield in one of the four yield groups: 26–30, 30–40, 46–50, and 56–60 bushels per acre. The majority who secured yields in one group for the Maha season secured yields within the same group for the Yala season. The high yields reflect the better agricultural practices adopted by these people. The figures given above for the two harvests could be considered as representative of a series of years for the following reasons:

(1) all these allottees had been cultivating their allotments for a period of over ten years;

(2) the improved techniques of agriculture had been in operation for some years; and

(3) climatically the agricultural year 1959–60 was a normal year.[1]

The incomes of the colonists were derived mainly from the sale of paddy. Statistics reveal that most of them obtained incomes between Rs. 500–2,000. The incomes bear a strong correspondence to the yields of paddy. The estimates of expenditure connected with paddy cultivation vary from Rs. 300 to 1,000 for a 3 acre allotment and Rs. 500 to Rs. 1,500 for a five acre allotment. On the basis of these estimates the majority of the colonists obtained poor to medium net incomes. The incomes derived from subsidiary crops from the highland were quite small and were not regular. It varied from Rs. 30 to Rs. 100 for a season.

Identification of Different Patterns in Settlements

As said earlier the settlements in the Dry Zone are mainly based on irrigation schemes on the basis of lowland and highland cultivation. This is how colonization schemes were conceived at the start and the extent allocated was determined on the basis of labour force available per family as paddy was a labour intensive crop.

However, some attempts were made to settle peasants on the basis of cultivation of other crops. They are :

(1) The settlements based on the highland crops like coconut, vegetables and schemes based on a combination of these two with adoption of poultry farming.

(2) Recent attempts on the basis of subsidiary food cropslike chillies, onions, etc. on irrigated land.

In the early 1960, schemes of settlements were started in the Dry Zone based on coconut cultivation. Units of 5 acres of land suitable for coconut cultivation was given to a family. It was anticipated that a colonist family will receive a minimum annual income of Rs. 1,750 from his allotment from the time the coconut trees come into bearing which is normally from the 6th year. Expenditure per colonist in these schemes roughly came to Rs. 11,250 per family.[2]

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1. Parakrama Samudra Colony. Dr. H. N. C. Fonseka.
2. Administration Report of the Land Commissioner 1966–67.

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The allottees were expected to subsist by undertaking vegetable cultivation or by adopting poultry or animal husbandry till the time the coconut comes into bearing. While the coconut schemes are popular in more favourable areas like Chilaw, the schemes started in the actual dry zone which is marginal climatically to coconut like the Vannathivillu scheme in Puttalam district, Kiranchi and Mulangavil in the Jaffna district and schemes in Trincomalee and Vavuniya districts have not been successful and are problem schemes to this day. My personal experience in managing these schemes for a considerable number of years makes me to come to the opinion that no further coconut schemes should be started in these areas unless it forms part of a mixed farming with a properly organized poultry and dairy farming. Coconut which takes over 10 years in the dry zone for bearing could be expected to bring in additional income.

In the recent years settlements have been started on the basis of cultivating chillies, onions and vegetables. Even though they have been initiated as unemployed youth schemes,[1] in essence they are colonization schemes. These are either lift irrigated or irrigated by channels from reservoirs. The Muthaiyan Kaddu in the Vavuniya district and the Visuwamadu Kulam and Dri Aru scheme are examples for the lift-irrigated schemes, while the channel-irrigated schemes could be illustrated by the one at Rajangane where the youth scheme is sited.

In these schemes units of 3 acres of irrigable land was alienated and the allottee and his family is expected to live on the income derived from this land.

In all these schemes the Government provides the normal assistance as in the earlier paddy schemes.

Assistance to Peasant Colonists

Crown land is alienated to colonists as a protected holding under the Land Development Ordinance on a permit. This means that the permit is only personal to the permit-holder who can enjoy the land subject to the fulfilment of certain conditions and obligation.

He cannot dispose of the land to anyone nor can he lease or mortgage the land. If the conditions of the permit are not observed, the Crown has the right to cancel such permits and in that event the land reverts to Crown free of all encumbrances. But if the allottee fulfils these conditions he could continue to enjoy the fruits of the land and on his death his spouse or one of his children will inherit the land subject to the same conditions. Only one person will inherit it to avoid fragmentation of the land. The allottee pays a sum fixed by Government as a rent called the annual payment for the lease-hold.

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1. For detailed information see 'Evaluation Report on Youth Schemes' by E. M. D. Wickremasinghe, S. B. Gupta and S. Gunaratnam.

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The State also assists the allottee by incurring various types of expenditures on the development of the land. The first is the bearing of the cost of irrigation development. This includes the construction of the headworks, main channels and access roads both to and within the irrigated area. In recent times the cost of these items has averaged in the region of Rs. 1,000 per irrigated acre. As newer schemes are undertaken with greater engineering and other costs, this cost is likely to rise to about Rs. 2,000 per irrigated acre.[1]

The next item is the cost of developing individual allotments. The Director of Land Development has given Rs. 6,500 as average cost for a standard allotment for the following items :

1. Jungle clearing
2. Fencing
3. Ridging
4. Stumping
5. Cottage or house
6. Latrine
7. Proportional cost of communal well
8. Proportional cost of roads
9. Proportional cost of general buildings.

The third item are the costs incurred by the Land Commissioner in transporting the colonist from his original village, a subsistence allowance for 6 months until the colonist harvests his first crop, an issue of seed paddy, a few necessary implements and planting materials for the high land allotment. The costs total on an average of Rs. 425 approximately. The total cost of producing an economic holding in a colonization scheme is as follows :

		Rs.
1.	Irrigation: 3 irrigated acres at Rs. 1,000 ...	3,000
2.	Development of allotment	6,500
3.	Assistance for settlement	425
4.	Cost of survey, etc.	375
		10,500

The cost includes proportionately the construction of roads and general buildings such as post offices, schools, dispensaries, administrative buildings, officers' quarters, etc.

Internally the colonies are served by minor roads. The minor roads are connected by cart tracks to the highland allotments. Most of these cart tracks could be used by cars during dry weather. Carts and bicycles are the most widely used mode of conveyance within the colony.

Marketing

Paddy is the most important cash-crop and the customer is the Government which buys the paddy under the guaranteed price system at Rs. 25 per bushel. This has been organized through multi-purpose co-operative societies which are organized for each colonization scheme. The retail business for the colony is organized through smaller stores for each unit of 300 colonists in the schemes.

1. National Planning Council Interim Report.

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There are three sources of credit available to the colonists :

1. multi-purpose co-operative societies,
2. Traders, and
3. fellow colonists.

Generally the greater part of the colonists are in debt to the co-operative societies by way of not paying agricultural loans obtained for cultivation and invariably in debt to the traders as well.

Problems

The settlement schemes in the Dry Zone are based on paddy production on a subsistence framework. It has been the policy of the planners right along that a family settled in these schemes are to be given a way of life on a reasonable income, which is not very much above subsistence. The choice of 5 acres in the earlier years and the reduction of the extent of paddy land to 3 acres and now to 2 acres is on the basis that rice yields are now increasing as a result of better application of agro-technical methods and hence a reduced extent of the land parcel is enough[1] to produce the subsistence level intended for a colonist. Nor the principle of equal income forms the basis of this land parcellation. The quality of the land and the advantages it offers differ from place to place depending on the qualities of the soils and the availabilities of the dependable water supply. But the unit of land parcellation remains as a universal application for all acres in Sri Lanka. Rice yields per acre are increasing annually and will continue to increase with more attention to fertilizers and other improved techniques. However, an increase in rice production alone is insufficient to give the break-through to the Ceylonese farmer from a subsistence to better level of living.

Under the present system of agricultural production all the factors of production or resources are underemployed or inefficiently exploited.[2] This goes for land, water, labour and capital. Production is very low and hence the holdings do not pay their way, so that their contribution to the national economy is insignificant.

An examination of land utilization indicates that about 40 per cent of the farm area, usually is not exploited as there is no water facility to cultivate the highland allotments. As the highland which is 2 acres in extent is not exploited it constitutes a useless appendage to his farm, despite the fact that the land and the soil of these allotments are generally of a better quality capable of producing a variety of crops if water is provided. Many of the highland allotments are usually found a little above the irrigation canal. These highland allotments are potentially better suited for very many crops than the lowland which is clayey and are mainly devoted to paddy. Tremendous quantities of water are used for the rice crop. Expert opinion has it that this water is quite unnecessary for the crop itself, but is used for weed control, which could be done by other methods.[3]

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1. Dr. Raanan Weitz.
2. Mr. Y. Arbel.
3. Mr. Y. Arbel "Report on a Survey of the Arid Zone of Ceylon". Subsequently proved by experiments in Ceylon.

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The labour forces available in the farm is not fully utilized. Besides the labour used is wasted due to the outdated cultivation methods. The farmer is not fully occupied all the year round. While there are peak seasons in labour requirements in paddy cultivation the rest of the year the labour remains unemployed. This is the weakness of a one crop based cultivation. The farm could be expected to provide labour days of about 450 per year, out of this only about 250 work days per year are being used and even some of these are done by hired labour. Thus only about 50-66 per cent of the potential labour days are used.

A sum of ten to eleven thousand rupees have been invested in a farm. An examination of output as a function of investment shows that production per unit of capital invested is very low and works around 1 : 10. Hence, the government, as sole financier of development projects, can levy no capital service charge, while recovery of investment is out of the question.[1]

The land tenure and the size of the allotment or holding make it imperative that only one of the farmer's children could work the farm allotment of the father after him. This creates a problem of the second generation leaving many of the adult children unemployed. This leads to encroachments by these people of reservation of forest for chena cultivation on an unplanned way that brings a serious hardship to the existing schemes and to the general deterioration of the landscape both by erosion and neglect of soil and hinder planned development.

The paddy based schemes have no proper supporting system. The infrastructure consists of a school, post office, and a co-operative store and a dispensary which were the minimum needed for a village of subsistence level. Even the roads are few and far between and they are in such deteriorating conditions lacking maintenance for years, that a bullock cart finds it difficult to use them in certain parts of the year. Since there are no proper supporting systems in the form of services other than a few privately owned retail grocery stores, the services do not provide anything as a source of employment which could be expected in a stage of development of a settlement after 10 years of existence. This is because the take off for this settlements from a subsistence stage has never come.

The co-operative movement on which the organization of the colony was to have been based and the basis of its credit system, did not succeed in the schemes of settlements. Even though the co-operative was expected to play an important part as an institution in the schemes, it did not fulfill its expectations. The co-operative society is expected to achieve the following functions:

(1) All paddy purchases from the colonist is done by the co-operative society. This sale of paddy at Rs. 25 a bushel is the chief means of lifelihood of the colonist and all his other activities really revolve round this fact.

(2) These societies run retail stores from which the colonists draw their regular rations of food especially the subsidised rice.

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1. Mr .Y. Arbel.

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(3) It is the agency which mediates in the obtaining and distribution of loans either on a share capital basis from an allocation to it by the co-operative department or the cultivation loans given by the commissioner of agrarian services. They are also responsible for the repayment of these loans by making deductions from monies accruing to colonists from their paddy sales.

(4) Lastly they provide an opportunity for the colonists to express their opinions and to ventilate their grievances.

The co-operative movement failed in the colonies for a number of reasons. For a co-operative movement to succeed there should be present at least 3 basic conditions.

(1) It must be recognized and supported in this role by all the institutions and agencies, government public or private, which supply these services.

(2) It must be all-inclusive, i.e. it must cover all those service activities which are essential for the farmer managing a commercial farm. This is the only way the farmer can be freed from this dependence on the traditional service supplies.

(3) It must be recognized by all members of the community as the determining organizational body in all spheres of activities.[1]

All these prerequisites were not present in these settlements. The multi-purpose co-operative societies are not multipurpose in practice. Thus, they don't engage at all in the marketing of fresh produce and for the most part restrict their marketing activities to those products which have a fixed government price. the remaining produce is generally marketed through private channels, increasing the chances of exploitation of the farmer by merchants and agents. Nor do the co-operatives supply the farmer with credit for either consumer or producer requirements which are not connected with the cultivation of the above products. He must thus seek loans for such purpose on a private basis at higher interest. A survey made in 1957 shows that the co-operatives associations in Sri Lanka supplied only 5 per cent of the credit needed in the rural areas. This situation tends to preserve the agricultural status quo of subsistence farming. Since most government support is directed primarily towards rice cultivation, the farmer has no incentive to try out new crops. Many important farming activities are outside the sphere of the community co-operative as it operates today and it, therefore, is unable to function as the means of introducing the necessary innovations in the agricultural production system.

Another reason for the failure is the absence of sufficient support from above. The government's sole effort in the area of co-operative activity was limited exclusively to give loans and credit and it did not concern itself with mustering the constant and expensive support needed to sustain and operate the co-operatives. The other fundamental reason for the failure of the co-operatives is the fact that their activities had,

1. Dr. Raanan Weitz.

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from the beginning, been limited to a narrow, defined area. In order to achieve the real aim of agricultural development, the co-operatives should have been multi-purpose in practice as well as in theory.

Since the co-operative activity is not really multi-purpose and not all embracing, the farmer goes to the co-operative only for limited purposes of buying his provisions when found convenient and for loans. Since all the activities are not covered by the co-operative, the farmer very often sells his produce in the outside market and the co-operative is rendered helpless even in collecting the overdue loans and the majority of the farmers are in debt to the co-operatives. Besides, they are placed at the mercy of mudalalies or traders who advance the money. "The rates of interest in the case of loans from mudalalies are much higher than that of the government agencies. A survey of Gal Oya Valley found that mudalalies invested at a rate of Rs. 67 per bushel of paddy which they sell at 12% under the guaranteed price schemes and make a profit of 100%. In Chandirikawewa rates were more favourable to the colonist. I was told that they could get a loan of Rs. 50 on a promise of delivery of 6 bushels of paddy after the harvest. This works out to a profit of Rs.22 per Rs. 50 i.e. an interest of 44% for a period less than 6 months"[1]. Thus the colonist is in a vicious circle of debt which grows from year to year and binds the victim in a chain of despair.

In a colonization scheme families differing in caste, kinship, income levels, proximity to location, adaptability and a host of other criteria come to co-operate and live. The fact is that the colonist is subject to a series of often contradictory pressures and acts depending on the particular issue that agitates him. Thus sub-groups which are antagonistic to each other on specific issues, for instance on how the water should be diverted along the main channel, would unite quite casually to present a common front in a demand against a third party, for instance, to see some encroachers evicted or to demand extra payments for subsistence. Thus one can speak of social cohesion only in respect of specific issues. Though it is one of the objectives of colonization that an attempt could be made to build up a self-reliant independent "Sturdy yeomanry", frequently what obtains is the reverse. Colonists are highly volatile, and are often divided into mutually antagonistic groups. The tensions and frustrations which are the natural outcome of the first attempts at social cohesion lead to aggression and exhibition of violence.

The location of homesteads in colonization schemes do not promote a feeling of solidarity among the colonists. These houses are individually situated in highland allotments with a fair distance between each other and about 300 to 500 of them are roughly brought together administratively as colonization officer's divisions. Here one does not come across the ecologically determined centrality of a village, found in the Dry Zone villages. Colonists cultivation operations are also done on an individualistic basis with each colonist having his own threshing floor. These factors undermined the social and economic cohesion among the colonists and the co-operative movement expected to bring about a change in this sphere has not contributed much towards this end.

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1. Sarath Amunugama, Chandirikawewa.

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Suggestions

The use of all resources available in a farm to their full capacity should be the primary aim of any suggestions. This necessitates the need to change the whole farm structure by diversification of production. Only by diversification will it be possible to extricate the farming sector from its present state of subsistence or physical self-sufficiency into a more "commercialised" agriculture where crop patterns are not primarily dictated by the needs of home consumption.

The need for diversification was felt long ago by the Ceylon planners and a growing concern was shown to diversify crops like chillies, etc. where ever they were possible even introducing husbandry like poultry farming in some of the schemes. These attempts failed because a diversified farm structure is dependent mainly on an efficient supporting system or dependable services and marketing conditions. The lack of these conditions put an end to these earlier attempts in this direction. In order to attain this goal it will be necessary to introduce a new technology on the farm and to develop a ramified supporting system. This is not merely a matter of investment but also, and probably even more so, a matter of adaptation to a completely new form of production. The farmer must be made to understand that even though a new technology means additional inputs the resulting output and income will be higher than the cost of these inputs. Diversification will use the resources to the maximum capacity and increase the rate of production.

The change from subsistence to diversification needs to be pushed forward on several main fronts. The first is the introduction of lift irrigation techniques in order for the highland areas to be irrigated. Thus the traditional sole reliance on gravitational irrigation will be changed. Experiments in lift irrigation and operational techniques of sprinkler and drip irrigation methods should be learnt and adopted.

The use of lift irrigation for irrigating the highland is expected to bring about three important consequences:

(1) The increase of land under cultivation will be increased and the full land potential in a farm will be exploited.

(2) The farmers will have to pay for the use of water supplied by the new installations. The introduction of this notion that water has a value and should be paid for is particularly important under the conditions prevailing in Sri Lanka. In fact it may serve as an incentive for diversification because farmers will tend to grow crops that bring the highest returns per unit of water.

(3) The consequence of an increase in the yields of paddy which is likely to result from the introduction of new methods of cultivation that will be needed in order to save water.[1]

When the lift irrigation methods are adopted it will become possible to introduce new crops and to introduce animal husbandry which will usher in an era of diversification.

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In the wake of diversification will follow the better use of lowland for paddy cultivation. Improved techniques and the application of increased inputs like better seeds and fertilizer and economic use of water by not using it for weed killing but instead using weedicide and also by consequence reducing the wastage by using pesticide will achieve a better production economy.

The use of lift irrigation will make the hitherto unproductive highland productive and will enable this land used for new varieties of crops and fodder for animal husbandry. All lands hitherto used as uneconomic paddy lands could be made use of to grow subsidiary food crops thereby making them more profitable.

Labour could be used to its full capacity and the open and hidden unempolyment could be avoided. The return per family could be made more profitable while using all the available labour to the full.

The capital invested will be more productive and could be utilized to bring a better return.

In the new organization for a diversified farm settlements, a new sector of services will emerge which will create new avenues of employment. The unemployed adult children of the farmers who will not inherit the land from their parents will be profitably employed both in this sector and in the small industries that will grow around new crops which will need further processing. The agrotechnical change over will give impetus to small industries which will make and turn out agricultural implements. These industries could be cited in suitable centres so that they provide employment to people in the rural sector.

Diversification and the growth of industries bring in not only structural change but also have a psychological effect on the whole concept of agriculture. "The Ceylonese peasant agriculture has over the generations adopted itself completely to the conditions prevailing on the island, using the traditional technology. It has therefore reached a state of equilibrium with its surroundings—the natural conditions as well as the rural social structure. Such an equilibrium is not likely to change unless the conditions which created it change." This requires the introduction of technological innovations and their assimilation will most certainly lead the way to an entirely different conception of agriculture. When this change comes in conception, development plans based on irrigation will adopt these methods other than the hitherto practised methods by gravitation. It will drive home that water should have a price and the production costs of new innovations can be met when the crop chosen is one that can make a high value per unit in terms of water used. Even the application of weed killers in order to save the water requires this change in the very concept of farming.

The move towards a more commercialized agriculture requires also the building up of a supporting system such as marketing organization, storage facilities, efficient supply of fertilizer and of other agricultural inputs, credit, transportation, etc. In this, the aim is to open markets for the farm products and to increase the purchasing power of the farmer by increasing farm output and reducing the share of total output at present paid to unnecessary middlemen.

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Co-operation should be made to play a better role in this new scheme of development. The Israeli experience of a Moshav and regional co-operation is a pointer in this direction. The Israeli experience has shown that the multi-purpose co-operative organization which is one of the essentials for more efficient production, can be introduced successfully even among those settlers belonging to a more traditional society like the Yemenites and other settlers from Africa and Asia. The Moshav is a rural-community multi-purpose co-operative, made up of individual family farms. The co-operative association in the Moshav includes all farmers living in the village. Membership in the co-operative is compulsory and there is almost complete identity between the association and the community. Only a limited number of professional workers hired by the community can be residents of the village without joining the association.

Centralized purchasing of the means of production and of all personal consumer goods is done by the Moshav for its members. It is responsible for marketing the produce and for granting credit, either directly or as a guarantee. The association also provides the necessary municipal services and in many settlements is involved directly in the management and operation of co-operative productive enterprises, which require for efficiency a scale of operation greater than that of a single village unit. This can include such enterprises as co-operatively managed orchards, rainfed grain cultivation or certain branches of services or industries. In addition a mutual aid society is maintained for the members. Any member, who due to illness for instance, can't take care of his farm, is given the assistance to do so by the association. The association also maintains suitable facilities for, purchasing and marketing—a consumer co-operative store, a supply depot for all the inputs purchased outside the village such as fertilizer, fodder for livestock and so forth, and storage facilities for agricultural produce.

In accordance with the by-laws of the Moshav, each member must purchase his means of production and market his produce through the Moshav and the accounts of these operations are kept by the associations. There is a separate account record for each member who is given a regular, usually a monthly, report on his financial position. The farmer receives credit for his running expenses from the association, which in turn receives credit from outside sources. Farmers needing additional credit can get it directly from banks with the association providing the security.

The general expenses of the association, as well as the cost of various community services, are financed by taxes usually assessed at a certain proportion of the turnover. The management council of the association is chosen at a general meeting. This council elects a secretariat and appoints people to take care of specific economic and consumer needs. Supervision of the activities of the association is carried out by a national body, the Audit Union.

The co-operative Moshav fulfills the three pre-requisites necessary for a successful co-operation. The Sri Lanka co-operative societies should reorganize itself on the basis of the Moshav for its role as the

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basic unit upon which the entire organization of agricultural rural development should depend.

Besides, in order to provide adequate services it is advisable to link a group of six to eight villages to one "rural centre" where all the necessary civic and economic services can be located. The centre will then include a school, health centre, co-operative stores for the purchasing and sale of products, tractor stations and primary facilities required. A "composite rural structure" like this should provide a solution for several problems previously discussed. In addition it would allow the setting of each village by only one group of selectees, of social commonness, which is beneficial from the social point of view. A certain number of these "composite rural structures" could be linked to a regional centre in order to obtain a high level service as well as to have easy access to the industrial facilities required for the operation of the supporting system.

Thus an adequate supporting system based on co-operation is possible to be evolved which should facilitate and usher in a new agricultural development based on diversification.

CHANGE OF PHYSICAL LAYOUT

In past settlement schemes the physical layout of the "village" was dictated almost exclusively by the topography of the terrain and the position of the irrigation channels. As a result individual holdings are widely dispersed within the scheme boundaries, thus causing difficulties in social and organizational integration. An attempt should be made to adopt a different, flexible approach to physical planning. This flexibility applies particularly to the structure of the farm. The proposed plan is therefore expected not only to meet the present requirements of a diversified farm, but to lend itself to future changes as will be required by the trends of development of the farm unit. Another aspect of the flexible plan is its adaptability to changes in intersectorial relations of agriculture, industry and services, which occur during the development process.

Specially the physical layout should aim to bring about the following changes:

(1) It should be a new system of land parcellation which in the future will aid the introduction of scale operations required for certain agricultural operations, such as pest control, etc.

(2) It is a new concept of a "village" which implies a distribution of houses far more compact than it has been in past settlement schemes. This means that the highland plots around the houses should be narrower although not necessarily smaller in total area than before. It may even be necessary, under certain topographical conditions, to separate the highland plot from the farm yard in order to obtain the desirable compact pattern. The establishment of the compact village of about 80 to 100 families will have the effect of simplifying the task of the extension workers and easing the propagation of new agricultural techniques. It will also

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be possible to improve the functioning of the multi-purpose co-operative societies which are responsible for subsidised fertilizer and for operating the guaranteed price scheme for purchasing most crops. Proximity of the houses to the co-operative will be an incentive for the farmers to take a more keen interest in the day to day working of their institution where their physical presence will always be felt.

(3) It should facilitate the introduction of a new element in the rural areas—a rural centre where economic and civic services including health and educational facilities will be provided for a group of about 6 to 8 villages on a scale not justified by the needs of any single village. In addition provision can be made there for the maintenance of mechanical equipment. A number of these "rural centres" will be linked to a regional town or service centre where higher level services—secondary schools, demonstration centres, etc.—will be located. This will be the basis for the whole agricultural supporting system of transport, marketing, etc. and will eventually be the location for manufacturing industries. The introduction of new crops, especially industrial raw materials such as cotton, will lead to the establishment of such regional processing industries as drying plants and cotton gins.

A layout of this type based on the villages, the "rural centre" and the regional town, which allows for a distribution of functions according to scale, should form a suitable unit to assist the transition from subsistence to diversified farming.[1] The planning of villages of smaller neighbourhood units enable the groupings of different sections of people different in their ecological and social background to be grouped in these small villages and for these smaller groups to co-operate through the village centre. This will be an attempt at a unity amidst diversity which should minimise some of the social problems stated in the earlier part.

Tourism

Visitors to colonization schemes like Kantalai, Allai, Padawiya, Gal-oya, Udawalawe will be astonished by the scenic beauty and other tourist attractions these places offer as sanctuaries of wild life and recreational sites. Besides, since very many of the irrigation works are the restoration of ancient works these settlements have in their midst the ruins of the ancient civilization of this area preserving the grandeur of the ancient works. These attractions are not used to their capacity as an income earner. If the co-operative movement is well established in the colonization schemes, they should be in a position to cater to this need which should also serve as a source for additional employment to the rural sector youths. Even the private sector participation in this matter will serve towards the same ends.

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1. Dr. Raanan Weitz.

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SOME NOTES TOWARDS THE METHODOLOGY OF A SHORT-TERM AND SELF-RELIANT ACTION PROGRAMME FOR FULL EMPLOYMENT IN SRI LANKA*

Dingi Karunatilake

Introduction

While there has been much discussion, and considerable research, on the general issue of unemployment in developing countries specially under the auspices of the International Labour Organization, this dialogue has been very much an academic exercise, diagnosing causes for unemployment in the overall development strategies, over-population, structural imbalance between job opportunities and job expectations etc. The dialogue has also been clearly First World biased. This would be clear, for instance, if the composition of the several I.L.O Employment Missions are reviewed. Except from among the few on permanent tenure at these international institutions, there was hardly any representation of developing countries. The Socialist countries who should have much to offer in any discussion on employment, have been completely left out. Again, many scientific institutions in the developing countries, such as Sri Lanka's C.I.S.I.R., have done considerable research in appropriate technology for small-scale industry, food processing, etc., but these contributions are rarely referred to in the institutional dialogue at Geneva, Bangkok and elsewhere.

The present position is that the experts have who been invited to advise us on employment strategy and help mobilise foreign resources, have been severely critical of the development strategy of the developing countries, made a pessimistic prognosis of our capacity for development, and advised us on labour intensive technology, making mobilization of foreign resources more difficult. A viable direct employment programme has not emerged in these discussions though there are references to public expenditure on construction and youth schemes.

It is an appropriate task for the social scientists of the developing countries who see for themselves the acuteness of the problem and the urgent need for an immediate solution, to explore the methodological possibilities for a self-reliant, effective and short-term Action Programme to solve the problem of the unemployed of the developing countries. The dialogue on employment should not be allowed to be side-tracked into discussions on over-population, inappropriate aspirations, labour intensive technology, redistribution, etc.,—all areas in which foreign aid is not necessary, it may be noted—or for that matter even the issue of overall growth which in any case is said to be difficult.

Perhaps what the employment issue requires most of all is that what the Bucharest Conference did for the Population Issue, a fundamental confrontation to initiate a dialogue on behalf of the unemployed. Even for a national self-reliant effort, the debate will have to be international

*A Paper read at the section on education and employment, of the Sri Lanka Association for the Advancement of Science—Special International Session on Scientific and Technological Co-operation among the Non-Aligned countries, 1976.

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as well, because in the present climate of international expert advice, a viable programme will not be accepted nationally, unless the battle is won in the international arena where research on the issue is supposed to be done, and it may be added, where research allocations of even the international institutions are spent.

If a solution for the employment problem is to be found, it should be obvious that employment itself has to be the issue. It may be true that whenever international institutions administered employment programmes, there was little to show later in the way of employment or other gains. But most such employment programmes have been in fact famine relief programmes and within that framework may be said to have been successful. Where there were viable direct employment programmes[1] such as Sri Lanka's Graduate Trainee Programme, they have in fact been a success.[2] If an employment methodology is to be sought for the short-term, it should not be in temporary relief-programmes but on a methodology for sustained employment on a sufficiently large scale.

The present plea is not for any diversion from the national development plans or for a diversion from fund commitments for the planned projects, but for a subsidiary employment-specialized programme within the planned perspectives. National funding for such a programme need not be particularly difficult. In Sri Lanka, for instance, funds are available in the moneys ear-marked for employment-oriented projects in the decentralized budget and the Rs. 100 million released by the present Minister of Finance to commercial banks for employment-oriented projects. The critical need is perhaps not so much for a methodology of financing, but for a methodology of project design and administration, to mobilise the unemployed for a sustained effort for a programme of investment in new farming, fisheries and small-scale industries at a higher level of investment. For the organizational task of such a programme, a dynamic programme of non-formal education for development for the new project managers etc., should be essential.

Some General Considerations

It may rightly be asked, are there general solutions to such fundamental problems as unemployment in the developing countries, leave alone solutions in the short-term? And, if there are, are we capable of implementing such programmes? To answer the latter question first in the developing countries, in fact, there are enough examples of fundamental social re-adjustments and social revolutions such as of Tanzania, and Vietnam, Sri Lanka itself, for instance, has enacted fundamental land reform laws and has successfully vested the excess land in the State; has successfully negotiated the transfer of the ownership of the foreign-owned estates to the national Government, and by whatever social adjustments, whether by postponement of marriage for reasons of a Neo-Malthusian environment or for other reasons, has been able to bring down the rate of population increase to 1.8 per cent from the all time high of 2.5 per cent or so of the fifties. Similarly, the problem of unemployment itself may be capable of solution.

1. Thomas, J. W.—Employment Creating Public Works Programmes. In Edwards, Edgar, *O.ed.* Employment in Developing Nations—Report on a Ford Foundation Study, Columbia Uni Press, 1974, (pp. 297–310.)

2. I.L.O. Social and Labour Bulletin, No. 4, Dec. 1975.

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Firstly, it may be pointed out that there need not be unemployment in socialist countries. By all evidence, clearly there is no unemployment in the present U.S.S.R. or the People's Republic of China. Of course, there may have been some unemployment or under-employment in some socialist countries during some periods. But that may have been for reasons of development strategy, for instance to encourage seasonal migrations to nearby countries to earn needed foreign exchange. But, it should be clear that there is no need for unemployment in a socialist country and that most socialist countries have no unemployment in the conventional sense.

Secondly, it may be noted that Iran solved its problem of unemployment within a very short period. The I.L.O. Mission headed by Etienne Hirsch, identified a problem of unemployment of the magnitude of 7 to 8 per cent of the total labour force in Iran.[3] But, at the Eight Asian Regional Conference of the I.L.O. held in September–October 1975, a Government delegate from Iran was able to report: "By the end of the Fourth Plan, Iran had already moved from a labour-surplus to a labour shortage situation....."[4]. The particular example is not as spurious as it may seem. The precise manner in which the problem could be solved in Iran, the extraordinary increase in oil revenue in 1974, may not be capable of being repeated in other developing countries. But, Iran, over a long period received considerable revenue from oil which was not earlier invested in a programme to provide full employment. Again, it is not only the price of oil that could rise in the international market. If a more equal exchange in the commodity trade with the developed countries is made possible, the example of Iran, at least to some limited degree, could be replicated in the other developing countries.[5]

Thirdly, an example from a developing country without any special circumstances: Philippines at the above I.L.O. Conference, the Government delegate of Philippines said: "In 1972, when President Marcos proclaimed a state of emergency and challenged the Filipino people to create a new society.....total unemployment, as measured in the statistical survey of households, subsided from a historic high of 6 to 10 per cent to barely 4 per cent in 1973....." The point that should emerge from these examples is that if employment-oriented development programmes are implemented, unemployment can be substantially reduced in the developing countries. A further point may be that each country has to evolve its own path to full employment.

In recent discussions, in the developing countries perhaps to down grade the seriousness of the problem of unemployment, and in the donor countries and agencies, perhaps to divert the issue to redistribution, much has been said about the alleged acuteness of the problem even in the developed countries. To that point, the present Secretary-General of the UNCTAD provided an answer recently: "The developed countries

3. I.L.O. Employment and Income Policies for Iran, Geneva, 1973, p. 10.
4. I.L.O. Provisional Records, 8th Asian Regional Conference of the I.L.O. 30th Sept.–9th Oct., 1975, p. 16.
5. Ibid. p. 17.

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are supposed to have 15 million unemployed. The developing countries total would go. I am sure, into hundreds of millions unemployed and under-employed....."[6].

In regard to general possibilities for full employment, what Keynes said in 1936 is worth reiterating as the full significance of what he said is often forgotten in the later discussions of "Keynesian economics": "The outstanding faults of the economic society in which we live are its failure to provide for full employment and its arbitrary and inequitable distribution of wealth and incomes..... The authoritarian State systems of today seem to solve the problem of unemployment at the expense of efficiency and of freedom.....it may be possible by a right analysis of the problem to cure the disease whilst preserving efficiency and freedom"[7]. The solution he suggested, that "governments could generate full employment by sufficient spending", if adopted to the needs of the developing countries to mobilize the human resources, and if his views are corrected for time constraints—the inevitable liberal phraseology of his times—Keynes himself may be said to have pointed out the essential strategy for the solution of the problem in the developing countries. He at least was interested in a direct and forthright solution to the problem of unemployment.

It is customary to delve on the issue of over-population in assessing causes for unemployment in developing countries—the overall imbalance between the supply and the demand for labour, which obviously would be there if there is unemployment in a country. But it should be clear that even if the population of a country such as Sri Lanka was stationary at the level of the early fifties when unemployment begins to emerge as a problem, and if the real prices of primary commodities continued to decline as they did, and if there were no employment generating development projects, yet Sri Lanka would have had considerable numbers unemployed and poor.

The redistribution issue similarly has limited relevance. Certainly, redistribution may be compatible with growth and is welcome. It is compatible with socialism as well and should perhaps be taken up by the adviser countries as well. But, marginal transfers of ten per cent of the income of the richest to the poorest ten per cent will not amount to a substantial change in their economic conditions. On the other hand, a land ceiling to make possible optimum-use of labour in paddy for instance as low as two acres or so as suggested by some experts[8] would tend to perpetuate subsistence agriculture in countries like Sri Lanka.

The argument for labour intensive technology may seem almost self-evident: there is the obvious foreign exchange constraint making capital-intensive technology difficult. But, it should be noted that the argument is not for appropriate technology. It is for labour-intensive technology almost as a new faith. For Sri Lanka, for instance, the I.L.O. Employment Mission dismisses the Mahaweli Scheme out of hand, is

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6. Corea, Gamini—Interview with Oliver Todd (in the Sunday Observer, 18th May, 1976).

7. Dalton, G.—Economic Systems and Society, Penguin, 1974, p. 96.

8. I.L.O.—Matching Employment Opportunities and Expectation: A Programme of Action for Ceylon, Geneva, 1971.

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highly cricitical of some limited tractor use and advocates some capital-intensive technology mainly for the handloom industry.[9] The main strategy advocated by the I.L.O. missions—to mobilise the rural sector,[10] may be a crucial strategy, but the overall framework of their thinking for rural Sri Lanka is a future of subsistence agriculture with a considerable section of the popuiation in casual agricultural employment with low income.[11] The essential development model of the I.L.O. Missions, Y—P L, where Y is the growth of output, P the growth of productivity, and L the growth of employment, may be an innocent tautology[12], but in practical recommendations for Sri Lanka would result in a stagnant rural sector which may absorb some unemployed but not produce much more. For true development, at least in some areas truly intermediate technology should be possible even in Sri Lanka.

However, it has to be conceded that there are even more obvious constraints to the expansion of employment in a country such as Sri Lanka. As the UNCTAD IV at Nairobi reiterated, the nature of economic development possible for our countries will be determined by whether we can negotiate an equal exchange in the commodity trade with the developed countries. Similarly for employment: the nature of the jobs will be determined by the nature of the commodity trade. It may also be true that if there was a fair exchange in the commodity trade in the earlier period, there would have been much less unemployment now. It may also be added that a fair exchange may not be very easy to negotiate. But those are all the more reason why we should separate the employment issue from that of overall growth, and within the planned perspective evolve a direct employment programme so that dignity of labour is available to the larger majority, initiating a new economic order within our frontiers as well.

Nature and Magnitude of the problem of unemployment in Sri Lanka

In Sri Lanka, in spite of considerable expansion of employment in the recent period, it has not been possible as yet to either reduce the magnitude of unemployment or to a solution. As the then Prime Minister said at the May Day Rally in 1976: "Since the present Government came to power (in 1970) it has been possible to create about 400,000 jobs, but each year about 250,000 youth enter the labour force".[13] She continues that the problem of unemployment together with that of the high cost of living are the major problems about which the Government is concerned, and envisaged a solution as the Mahaweli Diversion Scheme and other development projects are completed.

At the recent Eighth Asian Conference of the I.L.O., the Sri Lanka Government delegate said: "The basic problems of under-employment and unemployment still continue to be with us, mainly as a result of

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9. Ibid.

10. Hirsch, E.—A Few Remarks on Employment Strategy (in I.L.O.—Strategies for Employment Promotion, Geneva, 1975, p. 48) also I.L.O.—Sharing in Development, A Programme of Employment, Equity Growtn for the Philippines, Geneva: 1974.

11. I.L.O.—Matching Employment Opportunities, p. 33.

12. Bandaranaike, Sirimavo (Prime Minister of Sri Lanka)—Quoted from a speech at the May Day Rally in Colombo (1st May, 1976).

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factors beyond the control of Sri Lanka. As a result of the drought and the international conditions, the expansion of output did not measure up to Plan levels. The number of jobs created fell short of the needs and no significant dent could be made on the backlog of unemployment. I must emphasise that this was not due to lack of effort on the part of the Government or as a result of failure to implement policy recommendations. It is well known that employment opportunities are closely related to the overall performance of the economy. The slow growth of the economy during the first three years of the Plan had a depressing effect on the rate of employment creation. Real output as measured by the Gross Domestic Product at constant prices increased only at an average annual rate of 3 per cent per annum. Continuous harvest failures affected output in the agricultural sector. The foreign exchange constraints led to the curtailment of imports of industrial intermediates and consequently to the stagnation of large-scale industrial production. It was only the performance of the subsidiary food crops and the improvements in the output of mining and small-scale industrial sectors that contributed to the modest improvements in the Gross Domestic Product".[14]

The above Government statement should indicate—

(a) the magnitude of the problem,
(b) The Government's awareness of the problem and concern for a solution;
(c) expectations of a solution through the overall growth of the economy, and
(d) the many constraints, some of them beyond our control, that prevent rapid overall growth of the economy.

The I.L.O. Missions led by Dudley Seers accepted the following estimate of open unemployment in Sri Lanka :—

TABLE 1

Open Unemployment by Sex: Urban, Rural, Estate 1969/70 (thousands)

	Urban	*Rural*	*Estate*	*Total*
Males	78	211	36	325
Females	41	175	14	230
Total	119	386	50	555
Of whom those aged 15–24 as percentage of total unemployed	(74)	(83)	(94)	(82)

Source: *Socio-economic Survey*, 1969/70 *First Round*[15]

In the above estimate, "unemployment" is defined as : "numbers in the labour force seeking work who were not regularly employed or mainly engaged in seasonal occupations, who were not unemployed family workers or engaged in household work and who had not done ten days or more of casual or temporary work during the previous month". As such, the figures may include some under-employed, exclude others engaged in " household work" etc. According to the estimate, unemployment was about 14 per cent of the total labour force aged 15 to 59.

14. Gunasekera, H. A. de S. (Sec., Ministry of Planning)—Provisional Records, Eighth Asian Regional Conference, (op. cit., Ninth Special Sitting, p. 9).

15. I.L.O.—Matching Employment Opportunities, p. 26.

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The labour force participation Rate Survey of 1973, estimated the proportion of unemployment in the labour force at 13.7 per cent.

TABLE 2

The Number of Unemployed in Sri Lanka by Sex and Location in 1973

	Urban	*Rural*	*Estate*	*All-Island*
Males	103,635	315,534	27,760	446,929
Females	85,130	235,032	25,909	346,071
Total	188,765	550,566	53,669	793,000

Source: *Labour Force Participation Survey*, 1973[16]

Present unemployment may be somewhat higher. Assuming the rate of absorption estimated by I.L.O., "70,000 new jobs a year" and "certainly not more than 50,000 for what we may call 'property based' self-employment", and 200,000 school leavers a year, that leaves about 100,000 school leavers each year who have to "reconcile themselves to more meagre opportunities for self-employment or for casual employment".[17] If unemployment is to include the very poor, those without an adequate income, that may suggest present unemployment of the magnitude of nearly a million.

The I.L.O. Mission was specially impressed by one feature of the unemployed: large numbers were young and educated and shown to be seeking urban employment, thus creating an "extreme imbalance between the structure of opportunities and of aspirations".[18] Large numbers were clearly educated and young: "The proportions unemployed of those with 'O' levels aged 15 to 19, especially women, are indeed staggering—even in the age group of 20 to 25, the figures were still over 50 per cent for men and 75 per cent for women".[19] Regarding urban-bias, Srivastava[20] has pointed out that at least regarding location, there seems to be a fine urban-rural balance in Sri Lanka; but what the I.L.O. Mission was concerned about seems to be urban-biased aspirations. In general, the I.L.O. Mission seems to have "taken-off" from some data given in the 1968 Labour Force Survey :

TABLE 3

Persons with 'O' Level Never Yet Employed, aged 15–24, by Type of Work Sought (Thousands)

	Males	*Females*	*Total*
Willing to take any employment including unskilled	8	6	14
Wanting semi-skilled or skilled employment	1	3	4
Wanting white-collar employment ...	29	30	59

Source: *Labour Force Participation Survey*, 1968[21]

16. Central Bank of Sri Lanka, The Determinants of Labour Force Participation Rates in Sri Lanka (Central Bank of Ceylon, 1974), p. 143.

17. I.L.O., Matching Employment Opportunities.....*op. cit.*, p. 33.

18. Ibid., p. 33.

19. Ibid., p. 28.

20. Srivastava, R. K., "The Unemployment Problem" in (Youth, Land and Employment) (Marga Institute, Sri Lanka, 1974), pp. 13–22.

21. I.L.O., Matching Employment Opportunities.....op. cit., p. 31.

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Since the 1968 Survey, there has been no confirmation as to whether the 'O' levels yet aspire for white-collar jobs in such "staggering" proportions. Perhaps with increasing unemployment, at least to some extent the aspirations may have changed. Even if that is not so, given the wage differentials etc., it is difficult to understand why such a fuss should be made about young people "aspiring" to be clerks rather than "casual labourers" etc., considering that hope should be a characteristic feature of youth. However that may be, in the recent period, educated unemployed youth seem to have shifted to the 25–29 age group as well.[22] In Sri Lanka, not only the unemployed, but the employed too seem to be young and educated.[23] Urban aspirations or not, 80 per cent employment is in the rural and estate sectors.[24] Even in that infamous year 1968, there seem to have been 102,000 males and 27,000 females, making a total of 124,000 aged 15–24 "willing to take any employment including unskilled"[25]. Other structural features pointed out by the I.L.O. Mission and others such as the inability of estate workers to find employment in other sectors and the low female participation rates, may be expected to have changed with the repatriation of some Indian workers, the spread of the women's liberation movement etc.

In the above data, while noting the magnitude and the different dimensions of the problems, it may also be noted that the structural features mentioned need not necessarily be interpreted in such terms. If most of the unemployed are young, educated and with high "aspirations", that can be considered a positive feature if the employment programme requires educational skills and organizational ability as would be necessary if the rural, fisheries, small-scale industries and estate sectors are to be mobilized for a higher investment effort.

Strategies and Programmes for Employment Creation in Sri Lanka

There have been very few programmes in Sri Lanka specially designed for employment creation, for example, where jobs are created first and work found for them later. In the earlier period, there were the Pioneer Corp and the Land Army, para-military formations used by the Government for development oriented manual work. The corps were disbanded by the later Governments, perhaps, precisely because they were paramilitary organizations. A number of projects undertaken by Youth Council and the Sarvodaya and such movements may also perhaps be classified as employment programmes. In the recent years, the most significant Government programme has been the Graduate trainee programme which recruits graduates at a nominal salary, and after "training", finds them placement in Government departments as vacancies occur. Though the programme has been small in size due to funding and placement constraints. a significant proportion of unemployed graduates have been absorbed through this programme, and some of these "trainees"

22. Central Bank of Sri Lanka, the determinants of Labour force.....op. cit., pp. 146–147.

23. Ibid., p. 195.

24. Wilson, P., "Structure and Growth of the Labour Force in Sri Lanka" (A paper read at the seminar on population problems in Sri Lanka), D. T. R. U., Sri Lanka, December, 1975, p. 3.

25. I.L.O, Matching Employment Opportunities.....op. cit. p. 33.

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have been doing extremely useful work as Development Assistants etc. in the new government development programmes. However, in general, Sri Lanka has so far worked on the basis that as the development projects get under-way, jobs would be created.

But, there have been several attempts in Sri Lanka to assess the possibilities for employment creation. The "Crash Programme" of 1970 envisaged the possibility of creating about 100,000 jobs in small-scale industry etc. The five-year plan projected the general possibility of creating about 810,000 jobs at the end of the plan period and provided a sectoral break-down envisaging the highest employment generation in the Agriculture Sector. The I.L.O. Mission too worked on the basis of such general estimates, allowing a maximum of 5.5 per cent growth in the Agricultural Sector.[26] More detailed estimates are available for some projects. The present stage of settlement and irrigation of the Mahaweli Scheme is expected to provide about 3 acres of land per family for about 75,000 families, so providing employment for such families. The Ministry of Plantation Industry has a pilot scheme under study to diversify and alienate an area in the mid-country, which is expected to generate employment for about 70,000 families.[27] About 1,000 District Development Council projects approved for 1976, are expected to create about 20,000 jobs.[28] Such figures too are not expected to be precise estimates.

There are also several estimates in terms of crops and the acreage under cultivation. The paddy sector is the one major area till recently, where some degree of employment was created. In paddy, labour utilization has increased from 1.1 per acre in 1946 to about 1.4 or 1.5 per acre in 1970[29], well "below the degree of labour utilization in Taiwan and Japan", and hence the exercise on the desirability of an optimum size of 2 acres or so when labour utilization is said to be at an optimum.[29] Again, the tea estates employ only about 1 or 1.2 workers per acre, and coconut estates only about 1 worker for 10 acres.[30] The latter position has led to much of the Crop Diversification thinking. For instance, if the acreage under coconut could be converted to a labour intensive crop such as mulberry, the employment problem could be solved merely through that programme.[31] If the Mahaweli Project phasing of 20 years is reduced to a short period, the problem may be similarly solved.[32] There has also been considerable interest in subsidiary food crops such as chillies and onions as high income-earning areas, and in this Sector about 75,000 acres on a double cropping basis, or about 150,000 acres on a single cropping basis, is said to be capable of being absorbed by the local market.[33] Non-traditional exports such as passion fruit and lobsters

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26. Ibid., p. 33.

27. Project quoted from a speech by Mr. Kapila Wimaladharma (Senior Asst.Secretary, Ministry of Plantation Industries), at the W.U.S., Asian Regional Workshop on Non-formal Education, Colombo, April, 1976.

28. Economic Review Sri Lanka, April, 1976, p. 28.

29. Gunatilleke, Godfrey, Opening Address of the Seminar in Marga,Youth, Land, and Employment.....op. cit., pp. 3–10.

30. Ibid.

31. Ibid.

32. Corea, Gamini, "The Employment Potential of the Dry Zone, in Marga, Youth Land and Employment.....op. cit., pp. 23–24.

33 Jogaratnam, T, "Employment and Dry Zone Agricultural Development", Marga, Youth, Land and Employment.....op cit, pp.35–40.

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have attracted similar interest.[34] There has been some interest in mechanising the fishing industry; and though hand-looms and manufacturing industry have had difficulties, they are continued to be encouraged. Specially the District Development Council Projects are considered to be a growth model. The other new growth areas—tourism, shipping and gemming are also expected to create some employment. There has also been considerable interest in a new technology for dry-farming and a new cropping pattern for home-gardens.[35] In terms of the organization for development, there had been considerable thinking on the futility of increasing subsistence farming, and on the need for farming at a higher investment level.[36] Some youth farms and co-operative farms, specially some of the Janawasas, have shown considerable success, and the special co-operatives for industry under District Development Councils have some similarly high-success examples, such as the Kothmale light-engineering co-operative.[37] While these prototypes have been developed, the over-all attempt to mobilise the rural sector through the integrated programmes of the District Development Councils and the Agricultural Productivity Committees is considered to be yet in a formative and initial stage of development.

In the area of general strategy and policy, the government has a clear view. "A major constraint on economic development in Sri Lanka has been the scarcity of foreign exchange to finance the country's essential imports. The strategy evolved to meet this situation was a combination of export promotion, import substitution and mobilisation of foreign aid..... An Export Promotion Secretariat was set up to facilitate the diversification of exports and to reduce the overwhelming reliance on plantation crops.... With regard to import substitution, the chief incentive has been the high level of domestic prices for a wide range of commodities. The special food drive launched by the Government has the twin aims of attaining self-sufficiency in the shortest possible time as well as the creation of employment opportunities for the rural population. Since the agricultural sector offers considerable scope for the adoption of labour intensive techniques, several steps were initiated by the Government to induce the rural masses to participate in agricultural activities. These included enactments for the compulsory cultivation of uncultivated agricultural land protection of tenants, tax exemption on incomes received from paddy sold to the Government, input subsidies and extension services..... Land reform was carried out smoothly over a period of two years with little disruption to the existing system. A major part of the land acquired was distributed to government institutions and various statutory boards.... In order to secure the uniform development of all regions within the country and to enlist a greater degree of people's participation in the development effort, Divisional Development Councils were set up throughout the country. The main functions of the Divisional Development Councils are to identify, formulate and

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34. Kalutara Passion Fruit Project. Marga, In Youth, Land and Employment..... op cit.

35. In Youth, Land and Employment, Gunatilleke, Godfrey, op. cit., pp. 149–154, Corea, Gamini, "The Employment Potential of the Dry Zone," op. cit.

36. Ibid.

37. Fernando, Harold, quoted from a speech at the W.U.S. Regional Workshop .....op. cit.

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implement development projects in the fields of agriculture, industry, and economic overheads within their areas of jurisdiction. These councils are also expected to prepare an integrated development programme for their area, to co-ordinate the popular effort and the services made available by the Government....."[38].

The above excerpts from a government statement would show the essential thinking of the Government on the issue and also suggest the framework within which any employment-specialised programme will have to be thought out.

Another source for employment strategy may be the I.L.O. Employment Mission Report. But, with its many recommendations on subsidies etc. reiterating earlier World Bank and I.M.F. strictures, opposition to tractor use, recommendations to import used machinery, discouragement of any new ventures in major irrigation and fisheries etc., it is a difficult document for any Sri Lankan national to work with. Again, if the I.L.O. report is quoted in a strategy of negotiations on behalf of the unemployed, there is always the danger that the Report may be quoted back, to reduce wages of ordinary workers and to take away "subsidised" rice, sugar, etc. from the unemployed and the poor.

A Solution -A set of Demands for negotiation on behalf of the Unemployed.

A programme for full-employment may be set down as a series of 'demands' for negotiation on behalf of the unemployed for purposes of viability and determination of priorities. It may be true that it is difficult to negotiate on behalf of the unemployed because they are unorganised, and weak. But, precisely because they are weak and unorganised, if the infrastructure facilities and the organization for the jobs are to reach the unemployed, some group such as the social scientists of the developing countries, has to negotiate the infractructure and the organizatior for them or at least accept the responsibility for the educativ function towards that infrastructure and organization.In the initiation and organization of an employment oriented development effort. at least the new group of project managers and service personnel would need non-formal education for development, and that education will have to be provided by social scientists.

In outlining a set of demands, perhaps it would be wise to start at the sectoral level, the level at which most employment experts operate. Higher priority for construction—a programme of government spending on building, irrigation etc., because it could be a national effort without capital intensive technology may get almost universal expert backing.[39] The drawback may be that the national government would not have much funds for such work. There is the further weakness that even some funds ear-marked for employment-oriented projects are in fact spent on the repair of roads and schools creating only temporary employment at low levels of skill and pay. A similarly attractive proposal may be to ask for credit and advisory facilities for projects in the urban informal-sector

38. Gunasekera, H. A de S , op. cit., pp. 4-7.

39. This is the one "project" area listed in the United Nations Economic and Social Council resolution on the "Problem of Mass Poverty and Unemployment"..... Quoted from I.L.O.s *Strategies for Developing Countries*.....op. cit., p. 161.

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to strengthen the small repair-shops etc. But such a programme, in itself will not make much of an impact on total unemployment even in the urban sector. But in both areas, some attractive proposals could be made. A scheme of loans for low-income housing, for instance, for which low-income earners may sacrifice even the one meal a day, may be attractive to the government and the credit institutions as well, creating not only jobs but also improving the living conditions of ordinary people.

At the national-project level, possibilities for negotiation may be even greater. A short-period phasing of the Mahaweli project, for instance, may be feasible if foreign exchange is negotiable.[40] The crop diversification schemes may be very much expedited if there is sufficient public interest, and if the interest is only in the marginal estates. However, given the present government policy elaborated above, the most strategic area in which public interest may bring in more project commitments may be in the District Development Council project area. So far the difficulty has been that in each D.D.C. area only one or two projects have been successfully implemented or planned.[41] But, if the more successful-type D.D.C. projects can be replicated elsewhere and made more numerous in the particular areas, it should be obvious that more jobs could be created. The D.D.C. Projects with their low level of expenditure per job created, and the intensive farming or small-scale industry model would be an attractive feature as a development model as well. But, then it may be a mistake to burden the D.D.C.s with too much work at this formative stage. Perhaps, with the present personnel, they could organise only one or two projects in an area.

The answer to the dilemma and the final demand may be to think of a viable employment project of a sufficiently large scale, following the D.D.C. model. planned and administered in consultation with the D.D.C.s but separately organised on preferably a semi-independent basis.[42]

The necessary funds may be already available in the Rs. 100 million made available to the Commercial Banks by the present Minister of Finance, precisely to make similar projects possible. In the designing and execution of the Employment Projects, if the D.D.C. present level of expenditure per job created, about Rs. 2,000, per job,[43] "could be maintained, the Rs. 100 million could be used to create about 50,000 jobs in intensive-farming, fisheries, small-scale industry etc., on a productive, wage goods biased, sectoral-interlinked basis—so curtailing attended inflationary tendencies etc.

As the D.D.C.s have the infrastructure facilities of government servants to design projects, get supplies etc., any other institution may find the organization of such projects more costly. But, the commercial banks who administer the money released by the Ministry of Finance, also have similar facilities. It should not be difficult for a branch bank for instance in consultation with the D.D.C., to design the projects and also supervise the credit use.

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40. Corea, Gamini, "Economic Potential".....op. cit.

41. Gunatilleke, Godfrey, "Origin and Development of Divisional Development Councils", Marga, Youth, Land and Employment.....op. cit., pp. 91–112.

42. A semi-independent organization will not be open to criticisms on the grounds of further burdening the government, providing more secure government jobs, etc.

43. Gunasekera, H. A. de S., op. cit.

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Perhaps, it may be thought that if administered through the bank, these moneys too may get tied up like the cultivation loans administered through the commercial bank and which have a high default rate. But if the commercial banks' role of the cultivation loan operation is analysed, it will be seen that the banks have not incurred any losses due to the high default rate.[44] That the banks themselves believe that they have lost on this issue may of course be a point that our forward looking banks could be a little dim at least in hind-sight. In any case, recently, some commercial banks have taken up the management of a few experimental farms on a loan supervision, supplies basis.[45] But to do so on a large scale, the banks would need additional personnel.

Are there people in Sri Lanka, who could organise a large number of small projects like that? Assuming the D.D.C. ratio of about 100 jobs per project, this operation would require about 500 projects in different sectors and different areas. It is possible that potential organisers for such projects are available in the Arts Graduates and at a junior level, the "A" and "O" level educated unemployed. Whatever project execution there has been in this country has been done precisely by such graduates and so educated. They may, of course, need some period of training such as in the Graduate trainee programme. That would be where, non-formal education could play a role.

Following the prototype of the more successful D.D.C.s, all workers of a unit could be formed into a special co-operative. That would curtail top-heavy administration, and ensure that the project is efficiently maintained. The partnership with the bank would ensure that the project is carried out on a business-like basis.

Such an Employment Project, independent of the Government, but with its support and blessings may provide many positive results. It may, for instance, provide an islandwide network of members of special co-operatives who act as a pressure group to protect the D.D.C. model of growth.

The operation so far would create only 50,000 or so jobs. If the model is successful, to expand the project size, no additional outside funds will be necessary. Assuming a commercial bank deposit ratio of one to ten, the initial Rs. 100 million, in fact means that the banks will have Rs. 1,000 million for the investment operation with a capacity to create 500,000 jobs. If 500,000 jobs are created, the other 500,000 jobless may look after themselves, or if necessary it may not be difficult to find another Rs. 100 million to start with.

If the projects are on a new level of farming, small-scale industry and fisheries etc.,a foreign exchange component will be necessary for this programme. But if it is a bank operation with bank guarantees, it may not be difficult to get a forward looking OPEC investor for collaboration on such a project. When the loan is for machinery, however small scale, from the developed country market, even conservative international

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44. A cultivation loan default rate of about 35 per cent, the normal default rate in Sri Lanka, could not possibly be a loss to the servicing bank because of the interest earned on repaid loans, government reimbursements, etc.

45. The People's Bank, for instance, has such a farm in the Anuradhapura Regional Manager's Area.

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loan agencies may become quite obliging with the necessary funds. Similarly, technicalities of transfer of technology[46] may be a problem that has to be tackled.

While it may be possible to find objections to the scheme, the Employment Project outlined above, should be at least conceivable, and may well provide a viable demand for negotiation on behalf of the unemployed.

A Concluding Note

The Employment Project for Sri Lanka outlined in this paper attempts to outline a programme within the planned perspectives and within the framework of existing institutions. If the social framework was different, the programme also could have been different. However that may be, the discussion should show at least that direct Employment Projects are legitimate and conceivable.

The recurrent tone of confrontation notwithstanding, the arguments of this paper are presented—as qualified in the title of the paper—as notes —towards an Employment Project model and it is hoped that the arguments would be met with total criticism so that the model could be improved, or a new model for employment sought.

It may also be noted that for a positive short-term solution, non-formal education for development would have to play different roles, not only in vocational oriented training for the youth, but also in educating the public, the project managers, service personnel and the unemployed to the task of solving the fundamental problem of unemployment.

Finally, it may be concluded that if the problem of unemployment in the developing countries is to be solved, some new groups such as the social scientists of the developing countries, should champion their cause.

As Ralf Dahrendorf said: "The availability of possible organizers, founders, and leaders is essentially a technical pre-requisite which must be satisfied for unorganised quasi-groups to be transformed into organized interest groups.[47]

SOME LEGAL REFORMS FOR THE PERFORMANCE IMPROVEMENT OF THE STATE CORPORATION SECTOR IN SRI LANKA

R. K. de P. Sarath Chandra

In this study, no attempt has been made to deal with reforms required at the level of the legislature and areas closely connected with the Legislature. The legal system as such and the process of adjudication too have not been considered in detail.

46. Regarding the different aspects of the problem, see Sunderalingam, K., "Transfer of Technology in Sri Lanka", in Logos (Sri Lanka), (April, 1976, pp. 24–25.)

47. Dahrendorf, Ralf, Class and Class Conflict in Industrial Society, (Stanford University Press, U.S.A., 1959, p. 185.)

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Administrative machinery comprise the main area selected for this study.

The main topics covered in this study are as follows:—

(1) Planning
(2) Ministry Participation
(3) Inter-Ministerial Problems
(4) Chief Executives
(5) Trade Union Relations
(6) Emergency Situations
(7) Management Services Bureau
(8) State Audit Bureau
(9) State Corporations Development Bank
(10) State Enterprises Bureau: Introduction
(11) Functions of the State Enterprises Bureau: Summary
(12) Functions of the State Enterprises Bureau: Planning, Programming and Progress Control
(13) Functions of the State Enterprises Bureau: Advisory Services
(14) Functions of the State Enterprises Bureau: Documentation
(15) Functions of the State Enterprises Bureau: Operations
(16) Management Research Institute

1. Planning

1.1 This is a very important area in which the administrative process seems to be extremely weak.

It is true that since the passing of the Finance Act, Number 38 of 1971, the practice of adopting annual budgets in time has got established.

Unfortunately the compulsion to submit a budget on the due date has resulted in the preparation of budgets which are more a mass of tabulated and printed figures presented in such a way as to meet the statutory requirements rather than a plan of operations put in money-terms.

This situation could be improved through additional statutory provisions in this regard: for instance a stat ment of objectives, targets for cost reduction or cost control, limitation of the total wages, could be made a necessary preface to all corporation budgets.

1.2 One of the common reasons for treating budgets as no more than a statutory requirement is the nearly unpredictable behaviour of prices of raw materials, machinery, equipment, spare parts, fuel, etc., but it should be possible to declare the price-levels, wage-levels and conditions assuming which a budget has been prepared so that when performance is compared with the budget, one could clearly understand a substantial part of the variance in terms of changes in the various base-factors.

This too could be achieved initially through statutory provisions.

1.3 Another important aspect regarding planning is the use of planning techniques; in this connection network planning could be mentioned as a particularly important technique. In developed countries it is customary for the submission of say, construction tenders along with network programmes drawn up by the tenderers. This is advantageous for both the contractor and the client institution.

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Further, in a situation in which planning does not receive the attention it deserves, planning discipline could be instilled into the minds of managerial personnel if statutory compulsion is introduced for the use of networks in certain specified classes of operations including construction of factories, floating of important projects, introduction of new products, large-scale purchasing operations spread over a long period of time, etc.

Although knowledge of these techniques is not alien to Sri Lanka, a beginning will not be made unless statutory compulsion is introduced within reasonable limits.

2. Ministry Participation

2.1 One of the biggest draw-backs in the administrative process is the usually negative and occasionally harmful role played by the respective Ministries in charge of Public Corporations.

This is caused by one or more of several factors, depending on the personnel concerned to some extent but caused by a weak system to a much greater extent.

2.2 The commonest reason is the old government style approach to supervision and control. In this approach the main interest is not on focussing attention on targets, back-ground, directed progress and helpful contribution towards such progress; it is rather more connected with haphazard, aimless, routine, superficial, interference of a doubtful and transitory value but quite often with far-reaching harmful effects.

An examination of many a sample of correspondence between Ministries and Corporations would reveal the nature of this approach.

2.3 This is caused to a great extent by the absence of a clear and precise definition of the role of Ministries with respect to Public Corporations and the incidence of powerful officers in Ministries who lack training, attitude, orientation, qualifications and experience to handle affairs pertaining to Public Corporations.

Instances of ministry officials who are supposed to review personnel operations without knowing the elements of personnel management; or to review project proposals without the haziest idea of project evaluation, or to review purchasing exercises without a knowledge of the ABC of tender evaluation and procurement theory and practice, or to review price structures without knowing anything more than the existence of pricing theory, methods and techniques, to say the least are not too rare. There is no rhetoric or emphasis in these comments; it is only a statment of fact, perhaps an understatement.

2.4 Another aspect of ministry administration is that the activities of ministry officials are virtually restricted to "re-acting to the papers" that come into the 'in-tray'. The true managerial role should rather be to use papers as one of the vehicles of communications for achieving set goals in a decided style.

2.5 The use of rules and regulations to decide, defend or find fault with action taken is another characteristic of government-style administration. In the Corporation set-up rules and regulations should be treated more as a facility and a guide-line since attainment of targets is the more important aim.

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The day when Ministries would totally ruin Public Corporations, perhaps not even knowing that such a thing is happening, is not a day to wait for. Before that day, let the role of Ministries be defined by legislation.

2.6 This legislation ought to be introduced in phased packs so that initially the powers of the Ministries would be restricted to co-ordination only; thereafter with the gradual improvement of the quality of ministry systems and personnel, additional decidedly useful powers could be given to Ministries.

2.7 Training agencies should give top priority to the training of ministry officials. The proposed State Enterprises Bureau will take the initiative in programming training activities in this regard.

The delay on the part of Ministries in dealing with State Corporation problems is not at all in consonance with the speed of operations expected from Public Corporations; this is one common reason for the frustration of corporation executives.

2.8 This is incidentally an illustration of the absence of serious time-based targets where ministries are concerned, whereas most Public Corporations nervously follow time-based targets. Corporation executives are often heard to say that if the Ministries were not there at all they could have performed better. This however is too much of a sweeping statement.

One legislative solution to this is mentioned under the section on the State Enterprises Bureau.

2.9 The essence of the suggestion is that where a delay is inordinate the Corporation will be entitled to a special compensation in money charged against a vote in the particular Ministry.

2.10 This could be incorporated in the re-definition of functions of Ministries and in other relevant enactments.

2.11 A useful analogy for a standard in re-adjusting the role of the Ministry with respect to its Corporations, is that of a Holding Company with respect to the member companies.

2.12 Until new systems are evolved Ministries must learn to reduce the incidence of establishment and expenditure control methods for supervising the Public Corporations in their charge.

2.13 Yet another weakness of the old style ministerial administration is the prevalence of decision-making based on the "presented case". This is partly a consequence of the incidence of civil servants who were supposed to be able to make correct decisions on nearly any subject by applying their "brilliance" to the "facts presented". This is neither the only way nor the best way of decision-making at the ministry level.

2.14 It is more sensible for ministry officials to be armed with necessary background data and take decisions definitely conducive to the economic well-being of the country as well as the performance improvement of the Corporations concerned. This would naturally require closer understanding of the operations of Corporations and hence also the collection, analysis, collation, interpretation, preservation and proper retrievability of relevant data.

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2.15 In the definition of the new functions of ministries with respect to Public Corporations data collection, etc., should be mentioned specifically. Although in some ministries such as Industries, Irrigation, Power and Highways, and Planning. Progress Control rooms have been attempted legislative compulsion is needed to create the better attitude towards collection, organisation and presentation of data.

2.16 Taking all the Ministries into account, one has to say that there is no regular well-designed reporting system as between Ministries and Public Corporations. This has been attempted to some extent for instance in the Ministry of Industries.

Regular performance improvement oriented reporting systems are so necessary that it is not a good thing to be left to the discretion of Ministry or Corporation officials.

Statutory provision is the only way in which good reporting systems could be established.

The need for an accepted reporting system could be mentioned in a general act; this could be amplified in legislative enactments for groups of Corporations, e.g., Banks, Trading, etc.; in specific enactments or equivalents for specific Corporations the exact pattern of reporting and review between Ministries and Corporations could be spelt out.

In this context it might be mentioned that the provisions of the Finance Act Number 38 of 1971, have met with some measure of success for instance in connection with the timely submission of annual reports including accounts, and also regarding the preparation of Budgets.

2.17 It must also be made a statutory duty of the proposed State Enterprises Bureau to review the reporting systems periodically so that firstly the systems could be generally improved and secondly new ideas arising in particular Ministries could be put to use in other Ministries.

2.18 Closely tied up with reporting systems is the question of effective performance criteria. The need for definite performance measurement criteria should be mentioned in a general act. The responsibility for evolving performance measurement criteria should be given to the proposed State Management Services Bureau (Section 3.9) by Statute; the Bureau will however take the advice of other agencies such as the State Enterprises Bureau, the State Audit Bureau, Ministries and Corporations.

2.19 The effective use of performance measurement criteria cannot be achieved only as among Ministries and Corporations. Hence in the legislative provisions at the appropriate level, may be in specific acts, group acts and general acts depending on the style of Corporations. The law should require every Corporation to evolve performance measurement criteria for units within the Corporation. Only in this way can the measurement of performance be done as a matter of habit; law will take the lead, may be, until the habit is formed.

3. Inter-Ministerial Problems

3.1 A Public Corporation means one thing to one Ministry and quite a different thing to another. This is meaningless. A uniform approach to the sector is needed. It is hoped that this would eventually result when some of the recommendations in the first few units of this study are implemented.

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As among certain ministries the approach to Public Corporations is clearly contradictory. In one instance a Public Corporation is regarded as an independent economic entity operating in close resemblance to a company; simultaneously another Corporation is treated as a Government Department of which the head is called by a different name, i.e. a Chairman, whose powers are less than those of a Director of a Government Department in the sense that vital decisions are supposed to be taken by the Board of Directors and not by the Chairman; in another place a Corporation exists in place of a Government Department merely because it affords a quicker release for pressures to secure employment for the unemployed and under-employed.

3.2 The absence of arrangements for pooling of resources among Public Corporations under different Ministries, is a significant gap. For instance, in the case of redundant personnel, non-moving spare parts, excess machinery and raw materials or expertise, much could be done by an inter-ministerial co-ordination system.

It is hoped that this would be attended to on the basis of certain recommendations made under the powers and duties of the proposed State Enterprises Bureau.

A Minister for Public Enterprises as has been tried out in some countries may lead to a solution. However it might not suit the local situation in Sri Lanka unless the Minister is also the Prime Minister; what has been proposed in this study takes into account local politics and other conditions prevailing at the time of writing.

4. Chief Executives

4.1 The administrative process is closely linked with the office of the Chief Executive. Elsewhere in this paper a suggestion that Boards of Directors of the present style and form be done away with, has been made. If these suggestions are accepted the office of Chief Executive will become much more important than what it is today.

The position of the Chief Executives and the calibre of persons occupying these positions have to be looked at carefully, specially in this eventuality.

Once the broad objectives, operating plan, policies and programmes have been settled in consultation with other authorities the Chief Executive must have the freedom to direct the organisation towards the achievement of its goals, purely on the basis of sound management principles.

4.2 This implies firstly that the persons occupying these posts must be proven managers and secondly that they must feel secure in their position to assert themselves fearlessly. Even the few Chief Executives who are otherwise capable of delivering the goods have been rendered weak, apathetic and resigned, for one clear reason, i.e., absence of job security. This is going to such an extreme that very soon, a young person with a long future ahead, however capable and confident he is, will not touch a post of Chief Executive for fear of spoiling his career. In this situation we might be left with the criterion of long experience as the only criterion on which Chief Executives are appointed. This is not the best criterion.

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4.3 A few simple statutory changes can brirg about vast change in this matter. some of the changes recommended are as follows:—

(1) To set up a State Corporations Managerial Service to which all Chief Executives and senior managers will belong.

(2) This service to be set up by special statute.
The Statute to provide for security of tenure of office, salaries, appointment, promotion and removal of officers.

(3) The service to supply personnel for manning—

(a) Ministry Units handling Corporations,

(b) service and control agencies for the Sector such as the State Enterprises Bureau, State Audit Bureau, Management Service Bureau and Public Sector Training Institutions.

The involvement of managers occasionally at least in matters like Research Training, Consultancy, Audit, etc., is useful; it would help improve the quality of managers as well as the quality of such services.

4.4 Important management problems, administrative bottle-necks, impediments, etc., are discussed and forgotten in whisper conferences. This leads to silent deterioration of morale among managers, frustration and despair; it does not bring about any useful results.

Free discussion among Chief Executives has been attempted by the Sri Lanka Institute for the Study of State Corporations (SLISSCO) a voluntary organisation; at these conferences a candid suggestion was made that the forum provided by SLISSCO was NECESSARY, and USEFUL if only official approval of the conference was patently declared. This suggestion was not one arising out of timidness or fright but it was a well considered idea arising from the wisdom of veterans.

It is submitted that statutory provision be made for such free discussions among Chief Executives.

4.5 One possible method is to set up a Federation of Public Corporations to which the State Enterprises Bureau would provide Secretarial Services. Statutory powers such as the following could be given to the Federation:—

(1) Conducting Conferences of Chief Executives to discuss any matter whatsoeve pertaining to Public Corporations.

(2) Advising Government and individuals or groups of Public Corporations on policy matters.

(3) Providing a forum for the open discussion of large-scale projects.

4.6 In the private sector there are very effective arrangements for negotiations between Trade Union Federations and Employers' Federations. Further individual companies are given advice from the centre in connection with industrial relations problems.

The proposed Federation of Public Corporations might fill the void, in this regard.

In fact earlier attempts to arrange for collective agreements with respect to Public Corporations failed in the long run because the institutional arrangements were transitory.

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4.7 The 'public' discussion of large-scale projects will help improve the quality of managers as well as the quality of projects undertaken.

4.8 The incidence of two persons presumably having the powers and duties of Chief Executive appears to be somewhat common. Widely different combinations, e.g., Chairman and Vice-Chairman, Chairman and Managing Director, Chairman and General Manager, are capable of causing this difficult situation. If one grants the fact that the organisation will not run properly if there are two Chief Executives, it immediately follows that cases where there are two de facto Chief Executives should be examined and rectified.

4.9 The suggestion to have some part-time Directors over-seeing certain functions is another weak link in the organisations where Chief Executives are concerned; it should be left to the Chief Executive, if he so desires, to consult an expert on the Board of Directors; that would be informal. To formalise such an arrangement is not a good thing.

5. Trade Union Relations

5.1 The administrative process presents a clearly negative approach in the handling of trade union relations. Although within most of the Public Corporations there are arrangements for meaningful discussions with trade unions, when it comes to the level of Ministries hardly any effort is made to co-ordinate matters as among Corporations. It is interesting however to note that the trade unions on the other hand have their own inter-corporation organisational arrangements and that most trade unions are federated at the national level.

In this matter the relative disorganisation of the Public Corporation Sector is illustrated by the fact that very many simple demands are based on the practice prevailing in one Corporation or another, such practice being known to the trade union organisations but not to the Corporations or the Ministries. Every time such an issue arises, it is customary for a Public Corporation to address communications to several relevant Corporations and inquire about the prevailing practice; quite often replies come late or no replies come at all or sometimes the replies are inaccurate; the net result is the embittering of relations with workers.

This could be easily avoided with better inter-ministerial and inter-corporation relations with respect to trade union matters. This has been an obvious problem for so many years; the solution too has been fairly obvious.

5.2 It now seems that legislative provisions alone can help initiate the expected changes.

Some of these provisions are discussed in connection with the proposed legislation for the State Enterprises Bureau considered elsewhere in this paper. Related provisions could be made in re-defining the functions of Ministries, and in setting up the proposed Federation of Public Corporations.

5.3 This type of co-ordination provisions will be subsequently useful in promoting a positive role for Ministries and other agencies in Trade Union Matters, i.e., the prior preparation and the promotion of common lines of action for future demands. This would also give time for consulting the Government in very important matters, before strained relations are caused.

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6. Emergency Situations

6.1 There is no accepted method of dealing with emergency situations restricted to one or more Public Corporations. The situations meant here are caused usually by one of the following reasons: (a) total breakdown of relations between employees and management; (b) where there is prima facie evidence of serious charges against the Chief Executive or members of the Board of Directors or both where it is not clear which one is responsible; (c) occurrence of a catastrophe not readily understood.

6.2 The situation that prevailed in the Fisheries Corporation in 1969 and in the Sri Lanka Steel Corporation in 1969–1970, were two vivid examples of a total break-down of relations between management and employees. Events that took place in many Corporations soon after the General Elections in 1970 followed a similar trend though short-lived being largely caused by transitory political enthusiasm.

There is no clear indication that this trend has been arrested. Sit-in's and the like in India might easily get copied in Sri Lanka. In any event it is obvious that preparation is needed to meet difficult labour relations situations in Corporations, particularly manufacturing Corporations. The situations, mentioned above, in the Fisheries and Steel Corporations continued for several months.

Both started with strikes. Both resulted in a nearly complete breakdown in labour-management relations. Prior to the General Elections in May, 1970, no final solution was evidenced in either case. In the case of Fisheries, a new Board of Directors appointed after the General Elections brought the situation under control. In the case of Steel a short-term solution was found in the formation of a somewhat informal productivity committee without formal approval and without the assistance of the Board of Directors or the General Manager on which the three main trade unions of the Corporation were represented.

It is difficult to say that this was a viable solution but it lasted as such, for a little over 7 months; almost during the entire period the Board of Directors, the General Manager, and many senior officers were virtually cut off from the work-force in the factory and the Head Office.

Strangely the partial changes at Board level effected after the new Government took over in May, 1970, failed to bring about a settlement.

A further change of the Board within a few weeks, i.e., in September, 1970, in which political personalities favourable to the new Government were also dropped helped to achieve a solution, since with this change the earlier "management clique" was in effect dropped as the workers had demanded.

6.3 In the case of Steel, a large project with over Rs. 100 million investment (which recently increased its profit to 24 million rupees), in theory at least, the assets were left unprotected for so many months although in reality the trade unions themselves (including the Executive Officers Trade Union too) gave protection to the assets through their informal productivity committee.

But this indicates the immense risk taken in this type of situation, especially when plant and machinery are so costly due to foreign exchange

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problems, since no acceptable solution has been worked out for a future eventuality.

It is submitted that in a case like this the appointment of a Special Commissioner, and individual of very high standing, to run the Corporation during the emergency to the total exclusion of the Board of Directors and the Chief Executive for the time-being is a feasible and possible solution.

6.4 The General Law of Public Corporations should therefore provide for situations of emergency.

The two other classes of emergency situations mentioned at the beginning of this section could also be looked after by this means.

7. Management Services Bureau

7.1 The Management Services Department of the Ministry of Public Administration, and Home Affairs appears to be the only organised attempt within the Government sector committed to the provision of management services. However this department generally serves Government Departments and Ministries rather than Public Corporations.

7.2 It is felt that owing to the fast, varied and somewhat haphazard growth of the Public Corporation Sector the need for management services of the sector are more pronounced than that of Government Departments and Ministries.

It is unfortunate that the need is so much that in some Public Corporations paradoxically the need is not felt; and hence enormous problems that seriously affect the performance of Corporations are left unattended year after year.

Further there is a marked dearth of experts in certain specific fields such as marketing in general, market research, documentation, project evaluation, etc.; in these fields, since it is not practicable or economical to have experts in all Corporations, Management Services Bureau including such expertise would be an economical solution. It is proposed that such a Management Services Bureau be set up under a special statute.

The functions of the Bureau should include the following :—

(1) To provide management services to Public Corporations.
(2) To assist the State Audit Bureau in fixing performance measurement criteria and performance measurement systems within each Corporation.
(3) To link training efforts with the application of training imparted.
(4) Assisting Public Corporations in taking remedial action suggested by auditors.
(5) Advise the State Enterprises Bureau on the task of classifying Public Corporations.

7.3 At this point, it must be stated that in 1971 a proposal for setting up a State Audit and Management Services Bureau came up before the Legislature.

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It must be pointed out that although it is economical from the point of view of saving overheads, if one institute is established for both audit and management services, it would certainly be more effective if the two institutions are set up separately. Otherwise it is quite possible that the audit function will gain emphasis at the expense of the management services function.

8. State Audit Bureau

8.1 In the early Corporations set up under the State Industrial Corporations Act, Number 49 of 1957, Auditors were appointed by the Ministry in charge of a particular Corporation in consultation with the Auditor-General.

A recent change, specially after the Finance Act, Number 38 of 1971 has been for the Auditor General's Department to directly undertake the audit of certain Public Corporations.

It has been argued that direct audit by the Auditor-General's Department will result in a Government type audit in which regularity would be the prime concern. On the other hand, it can be argued that the missionary zeal of the Auditor-General and his officers who are traditionally invested with the guardianship of State assets should be conducive to a good audit.

Further it is known that planned efforts are being made to change the scope and style of audit, to make the audit function more meaningful.

It would be appreciated that the Auditor-General's Department being a Government Department might not find it easy to expand its organisation to keep pace with the expansion of the Public Corporation Sector and the audit needs of the sector according to modernised patterns.

In particular in order to make the role of audit more dynamic it will be necessary to attract younger and more qualified audit personnel into the audit field.

8.2 In this context, it is proposed that a State Audit Bureau for auditing Public Corporations be set up.

In addition to conducting its normal business aforesaid, it is submitted that the functions of the proposed State Audit Bureau include the following :—

(1) The definition of performance measurement criteria in consultation with the State Enterprises Bureau. It is admitted that the definition of performance measurement criteria is no easy task, specially when educational and other institutions for which the profit-criterion is not applicable are concerned; even where profit is the traditional criterion it may not be a sufficiently deciding criterion. At the initial stages, one convenient way to tackle this problem is to derive corporate periodical plans from the national plan for given periods and to compare the performance with the plan. If suitable combinations of different types of 'plans' are selected for each Corporation the net result is likely to be a reasonably good performance measurement criterion for each Corporation.

(2) Design efficiency audit systems where ordinary measurements of performance are irrelevant or of little application.

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e.g.—(a) For institutions such as Universities where profit is not the main aim.

(b) Institutions like the C.T.B. which maintain services out of social necessity, which cannot be ignored merely on account of profitability, etc.

(c) Price fixing decisions prompted by special reasons, which render profits as an ineffective measure of efficiency.

(d) Public Corporations which undertake research, development and training operations on a large-scale ordinarily out of proportion to the direct needs of the relevant institutions.

(3) To advise the State Enterprises Bureau to follow-up weak areas in Public Corporations which are discovered in the process of audit such as are of a general or far-reaching nature, and should not be left to the relevant Corporations of the Ministries alone.

8.3 It must be mentioned that the statute creating the State Audit Bureau should require the person holding the post of Auditor-General for the time being to function as the Head of the Bureau; any departure from such a pattern should not be entertained until after the operations of the Bureau are watched for a few years.

In the enthusiasm to solve a current problem, the sanctity and unitary nature of the office of the Auditor-General of a country should not be lightly disturbed; such a step might have far-reaching adverse effects.

8.4 The State Audit Bureau must be required to emphasise pre-decision and post-implementation audits, financial as well as evaluation audits, organising its work in audit packages, e.g., a group of related corporations selected by objectives, organisation or age, so that remedial action would be facilitated.

8.5 It would be very harmful to continue to debate the feasibility of having efficiency audits, the availability of personnel for such audit and so on and postpone implementation of these proposals; even in some of the developed countries these problems exist and the debates continue; in a developing country such as Sri Lanka it is of vital necessity to attempt some extent of modernisation immediately and continually revise the arrangements on the basis of experience, without waiting for perfection of systems which might not be achieved within a reasonable time.

9. State Corporations Development Bank

9.1 It has been said that in the case of Turkey, that at one time inter-corporation financial transactions had increased and had got interwoven to such an extent that at a certain stage it became extremely difficult to assess the exact financial position of many Public Corporations.

In Sri Lanka action has already been taken to reduce inter-Corporation loans and further administrative action in the same line has been taken, for instance to reduce suppliers' credit among Public Corporations.

However, such provisions have only helped to avert a bad situation with respect to the financial assessment of individual Corporations. So far no concrete steps have been taken to positively contribute towards the financial structure of Public Corporations. The present arrangement

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is for the National State Assembly to give capital grants to Public Corporations. Similarly losses are replenished ultimately by the National State Assembly. In the same spirit, surpluses of Public Corporations are channelled back to the Treasury.

Borrowing limits of Public Corporations are fixed by the Treasury, and the Treasury uses its discretion in providing guarantees to secure loans to Public Corporations obtainable from Commercial Banks; the common practice is for Corporations to look to Commercial Banks for loans and overdrafts.

9.2 The weakness of the prevailing system is two-fold. Firstly, the authority granting credit facilities and assisting in obtaining such facilities is not necessarily sympathetic towards the relevant Corporations. Secondly, the authorities granting the loan and overdraft facilities, namely the Commercial Banks, are less sympathetic towards the recipient Corporations.

As for the Treasury, it is age-old tradition to delay and obstruct every channel from which money flows out of the Treasury. Though this attitude is not so prevalent today it is not in consonance with the ethos of Public Corporations in the throes of financial distress whether it is their seeking or otherwise.

As for the Commercial Banks their interest would be to invest money on a safe Treasury Guarantee, regardless of the consequences as far as the recipient is concerned.

One cannot be sure that all commercial banks are sufficiently equipped to evaluate investment projects or to assess immovable assets in Corporations for the purpose of granting loans on the security of assets.

It is known that requests for fixing borrowing limits and granting loans take a slow route through the respective Ministries; normally it takes several months, say about 6 months to complete action on a request; during the delay the figures considered become unrealistic; further the basis of the need would drastically change; the need itself would become different.

Even if one assumes that quick and considerate decisions are taken by the Ministries one wonders whether these are economic decisions since the dearth of project evaluation personnel, accountants and economists is known to be felt in the Ministries.

One question can be asked in general regarding granting of funds for the acquisition of assets as well as for temporary loans. In how many instances has the Government given more than what was asked by a Public Corporation on the basis of a scientific evaluation of the request?

9.3 The suggestion made here to remedy this situation is the setting up of a State Corporations Development Bank. The basic idea is that Government's financial dealings with the Public Corporation Sector should be restricted to dealings with the proposed Bank, which would in turn deal with individual Corporations.

The following details are suggested for consideration in drawing up the scope and functions of the State Corporations Development Bank:—

(1) To receive surpluses from Public Corporations.

(2) To receive temporary savings deposits from Public Corporations.

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(3) To finance development projects undertaken by the Public Corporation Sector.
(4) To give credit facilities to members of the Sector.
(5) To give capital grants to members of the Sector.
(6) To serve as a clearance house for inter-corporation debts.
(7) To assist the State Enterprises Bureau in investment, re-organisation and expansion decisions by undertaking evaluation exercises.

10. State Enterprises Bureau: Introduction

10.1 A look at the array of problems of State Enterprises of Sri Lanka and the solutions suggested from the stand-point of law and the legal system, clearly reveal one key factor as far as the solutions are concerned. That is the need to set up a State Enterprises Bureau as a central unit for the entire Public Corporation Sector.

10.2 The State Enterprises Bureau should be set up by a special statute under a Ministry headed by the Prime Minister. In fact to fit into the existing pattern of governmental organisation a separate Ministry for State Enterprises could be set up with the Prime Minister as the Minister of State Enterprises. The State Enterprises Bureau could be set up as a unit within the new Ministry, the Secretary to the latter being the Director-General of the Bureau.

10.3 Powers, obligations, rights and duties of the Bureau should be drawn up in such a way that the operations of the Bureau will eventually cause guided changes in the entire Public Corporation Sector.

11. Functions of the State Enterprises Bureau: Summary

11.1 For convenience the proposed functions of the Bureau are considered under five broad headings :—

(1) Planning, Programming and Progress Control;
(2) Documentation;
(3) Co-ordination Services;
(4) Advisory Services;
(5) Operations.

12. Functions of the State Enterprises Bureau: Planning, Programming and Progress Control

12.1 Information relating to long-term and short-term plans of Public Corporations should normally be available in the Corporations themselves, the respective Ministries the Planning Ministry and now the Plan Implementation Ministry. Either such information should be readily available to the Bureau suitably analysed or the Bureau itself should have the information directly obtained from Corporations.

Owing to political and administrative changes and other problems it is not uncommon to find plans and programmes being merely filed of record for no clear reasons. The Bureau could play a useful role in maintaining planning information and reviewing matters which would other wise be left unattended to. At least the monitoring of development projects through capital budgets could be ensured.

One might say that this would result in duplication of work since the Plan Implementation Ministry would itself attend to this matter; but apparent duplication is allowable where the scope covers a part of a subject, the reduction in scope increasing the closeness of attention given.

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In any event the collection of this information is a vital necessity for some of the other functions proposed for the Bureau.

It is of particular importance for the Bureau to maintain information regarding long-term plans and follow them up.

12.2 Another important fact is that plan implementation should form part of the functions of the Bureau; this is following-up of remedial action decisions.

When progress is reviewed and decisions taken at various levels to remedy certain shortcomings all too often such proposals are forgotten by everyone concerned. Existing agencies such as Ministries and the Auditor-General's Department look after this matter to some extent. It is the State Enterprises Bureau which could most effectively collect such decisions, and contribute towards their implementation, because it will be more permanent and less biased.

12.3 Particular mention should be made regarding proceedings of the Public Accounts Committee. This committee would be more effective than now if assistance is provided by the Bureau in progress-chasing with respect to remedial action proposals.

12.4 The study of proposals for setting up new corporations should be a function of the Bureau. This study will naturally be with particular reference to the long-term plans of the Public Corporation Sector. In this matter the Bureau should be given the power to approve proposals for setting up new Corporations, in consultation with key ministries such as Finance and Planning on particular aspects. It is said that the Public Corporation Sector in many developing countries has expanded at a relatively fast rate. Though fast growth may be an asset in certain respects it would also imply ill-considered decisions.

12.5 The question of planning and programming for performance improvement with respect to the Public Corporation Sector has caught the attention of important agencies and individuals during the last few years; yet we have hitherto seen very little concrete results in this regard.

It is submitted that the main drawback in this connection is the absence of a single powerful agency to design, promote, implement and follow up such programmes.

One might say that this should be left to the Ministries; true, but only in given circumstances; the Ministries will probably play an effective role in this matter after certain preliminary steps are taken by and with the impetus from some other agency, and the latter should be the State Enterprises Bureau.

An illustration would make this clear. Now it is argued that most Ministries are not in a position to design and implement performance improvement programmes since they do not have the required number of personnel with the necessary know-how. It is also known that there are certain training agencies possibly capable of imparting the training needed for performance improvement operations. To solve this problem one cannot expect each Ministry to communicate with all the training agencies, define its training need and examine whether a solution could be offered; even otherwise such communications will not be immediate or simultaneous.

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If the State Enterprises Bureau took the initiative the matter would become much simpler, and the solution would be speedy, economical and sure.

12.6 This leads us to another subsidiary but important question, viz., the pooling of existing training facilities. There are several training agencies like the Academy of Administrative Studies, the National Institute of Management, the Sri Lanka Institute for the Study of State Corporations and the University of Sri Lanka. While it is admitted that each of these institutions do some amount of training useful to the Public Corporation Sector, it is doubtful whether the available resources are wisely pooled to achieve set targets. At least it is true to say that among these agencies there is insufficient understanding or co-ordination. The reason is that there is no authority for setting targets, making plans and getting the institutions together.

An integrated scheme providing the necessary training facilities could therefore be made another function of the proposed State Enterprises Bureau. The Bureau could ensure that broad plans regarding training are geared to performance improvement programmes, and the available resources for training are put to the maximum use.

12.7 The Progress Control aspect of the Plan Implementation process is worth special consideration. No amount of charting of progress would ensure remedial action involved with problem-solving where several powerful authorities like senior Ministers, Secretaries and Chairmen are involved.

It is submitted that at least for a period of 10 years no less a person than the Prime Minister should preside at a periodical review of every individual corporation, so that problems of the type mentioned above could be solved with authority then and there. The State Enterprises Bureau will be responsible for organising the reviews. Useful lessons could be drawn from the National Action Council in Malaysia in this connection.

13. Functions of the State Enterprises Bureau: Advisory Services

13.1 The State Enterprises Bureau could render certain advisory services to Ministries for instance in (1) setting up standards for the supervision of Public Corporations under them, (2) organising units within the Ministries for attending to performance improvement programmes and (3) the design, installation and maintenance of proper reporting systems and delegation norms as between the respective Ministries and the Public Corporations in their charge.

These should form part of the functions of the Bureau for they are of such vital importance.

It is discussed elsewhere in this study that Ministries are ill-equipped to handle Public Corporations effectively. Hardly any attempt is being made to change this position. It is submitted that a beginning could be made through the State Enterprises Bureau, for it would have knowledge of advances already made in say one or two Ministries in this connection and also certain techniques adopted in other countries; it could take an overall view of each of the Ministries so that advice devoid of internal

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politics and personality considerations could be rendered as is usually done to a reasonable extent by centrally placed ministries.

From this it follows that the Bureau would be in an ideal position to advise Ministries regarding standards for the supervision of Corporations and for the design, installation and maintenance of proper reporting systems, as between Corporations and Ministries.

10. Functions of the State Enterprises Bureau : Documentation

14.1 Documentation operations should be made an important aspect of the functions of the proposed State Enterprises Bureau.

Performance improvement has now become a topic discussed among corporation executives when they meet specially at training programmes. They look for instruction or reference to existing documents regarding principles, methods and techniques already tried out or proposed both in Sri Lanka and abroad.

The absence of arrangements for quenching the thirst for such information will naturally have bad effects on the morale and development of managers at this crucial stage.

The ideal place to centralise such information is the State Enterprises Bureau.

14.2 A documentation unit within the Bureau should attend to literature produced both in Sri Lanka and abroad on the subject of public enterprise; this should include even literature of specific interest to one or more Corporations, e.g., Project Reports. The documentation unit should also collect, collate, analyse and maintain data on Public Enterprises processed into systematised information packs. A great deal of waste of effort and frustration would be avoided by providing this service.

14.3 In this connection the Bureau should be given the function of liaising with all agencies here and abroad on the subject of Enterprise and other related subjects.

14.4 The Bureau should serve as a data-bank for information on Public Corporations in Sri Lanka in particular.

14.5 The use of a computer in this connection is recommended; otherwise the data-bank might turn out to be a clumsy service not keeping pace with the quick process of decision-making, somewhat characteristic of developing countries whether the subject matter is important or trivial.

15. Functions of the State Enterprises Bureau : Operations

15.1 At present there is no single agency attending to and responsible for updating State Corporation Law. The State Corporation Division of the Treasury has taken interest in this matter as is evidenced by the new provisions relating to Public Corporations appearing in the Finance Act, No. 38 of 1971.

It is recommended that the State Enterprises Bureau be entrusted with this function; the Bureau will liaise with all Public Corporations, Ministries and other related agencies and in keeping with Government policy move amendments and additions to the law relating to Public Corporations.

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15.2 Surveillance on the consistency of policies adopted with respect to Public Corporations should also be a function of the State Enterprises Bureau. Inconsistencies arise in various situations; firstly, it could be done to a change in Government; secondly due to change of policy by the existing Government; thirdly due to difference of political views within the Government; fourthly differences of views between Ministers and the Secretaries of Ministries who interpret policy. In most of these cases it is not easy for the Corporation itself or for the relevant Ministry to come out with the inconsistency and solve it. The Bureau is better equipped for that.

15.3 It is proposed elsewhere in this study that a statutory body styled as the Federation of Public Corporations ought to be set up. It should be a function of the State Enterprises Bureau to function as a Secretariat to the proposed Federation.

15.4 As regards the Public Accounts Committee it is felt that a permanent agency rendering Secretarial Services to the Committee will render the proceedings of the Committee more useful and of sustained and permanent value. It is suggested that the provision of secretarial services to the Public Accounts Committee should be made a function of the State Enterprises Bureau.

15.5 Various Commissions and Committees of inquiry are appointed to inquire into the affairs of Public Corporations. There is little knowledge as to the use made out of the findings of such bodies. Being temporary bodies such Commissions and Committees vanish after some time; their findings also appear to suffer the same fate. It is suggested that the State Enterprises Bureau be made a permanent Secretariat to all Commissions, Committees and the like dealing with one or more public Corporations or matters related to the Public Corporations Sector.

15.6 It should be a function of the State Enterprises Bureau to initiate and conduct experiments to try out new methods, techniques and principles in the matter of setting up and managing Public Corporations.

A few experiments could be tried out in connection with the constitution of Boards of Directors. For instance a particular corporation could be set up with no Board of Directors, or with a functional Board or with other types of composition; the results could be studied by the Bureau for advising Government on the best policy to be followed, in given circumstances.

15.7 No one is responsible for continuously examining redundancies, gaps and superfluities within the Public Corporation Sector. Instances are highlighted now and then regarding cases of more than one Public Corporation being set up for the same activity; none out of several corporations being responsible for a particular activity which is closely related to their objectives; corporations being set up for activities which are reasonably well handled by Government departments or the private sector without examining the rationale of setting up a new institution. In short the rationalisation of the organisation of the entire Public Corporation Sector ought to be a function of the State Enterprises Bureau.

15.8 It would be quite useful for the National State Assembly or rather a Select Committee to receive and consider a consolidated statement on the Public Corporations Sector at regular intervals. The

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preparation of such statements should be a function of the State Enterprises Bureau.

15.9 Although there are several agencies that might be expected to undertake research into the management of Public Corporations no clear attempt is being made in this vital field. The State Enterprises Bureau could be assigned the function of promoting research activities in the sphere of the management of Public Corporations. A case in point is the trend of industrial relations and the possible resort to violence in the set-up that seems to be developing. Perhaps a study of relevant situations might reveal important hints to guide managers to forestall such unhealthy trends.

15.10 Schemes for increasing productivity have received a great deal of attention during recent years; in fact a little too much enthusiasm has been evinced in installing incentive schemes. Vague attempts are being made to promote worker participation. Some of these schemes, while they might bring immediate benefits, could prove to be harmful in the long-run. They might even cause inconsiderate wage demands. Hence a central authority should closely follow up productivity schemes in Public Corporations; the State Enterprises Bureau could undertake the function of studying and authorising productivity schemes.

15.11 It is discussed elsewhere in this study, how the feeling of insecurity of Chief Executives in Public Corporations adversely affects their performance. The solution suggested is the setting up of State Corporations Managerial Service.

In fact it is submitted that at the initial stages this service should be operated by the State Enterprises Bureau although at a later date the appropriate Ministry could take it over.

15.12 The design of the service, drafting of legislation for it, actual institution of the service should all be essential functions of the Bureau.

15.13 When inter-ministerial problems arise Public Corporations should have a ready mechanism for their quick and effective settlement. Here again in order to avoid personality problems and slowness of routine direct reference of such problems to the State Enterprises Bureau should be facilitated; this can be made a function of the Bureau; in such matters the decision of the Bureau should be final.

15.14 Elsewhere in this study it has been suggested that performance standards and performance measurement criteria ought to be implemented by the respective ministries; due to lack of training and the novelty of some of these exercises disputes will naturally arise between Ministries and the respective corporations. Although the Ministry view will normally prevail the whole scheme might fail if at the outset the Ministries again assert their 'superiority' over corporations. Hence disputes regarding the implementation of a Performance Improvement programme should be referred to the State Enterprises Bureau and its decision should be final.

15.15 It has been suggested elsewhere in this study that inter-corporation disputes should be referred to a Special Court set up for this purpose. However it would be appreciated that all the sundry disputes cannot be taken to a Court of Law; hence up to a certain level, such disputes ought to be settled by the State Enterprises Bureau. One might

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question whether the Ministries cannot attend to this when the disputants are under the same Ministry. Such a course is not recommended. When individuals are considered the judge might well be one of the disputants in reality; at least the judge is too close to one or both parties. It is worse since the Minister might take personal interest and direct the Secretary to the Ministry to implement a settlement which is more political than managerial for which one cannot blame the Minister, for he is a politician more than a Manager. Hence it should be a function of the State Enterprises Bureau to adjudicate on inter-corporation disputes up to a certain defined level.

15.16 As a practical need the scope of operation of the Bureau in this connection could be extended to cover cases in which one of the disputants is a Government department, Ministry or other governmental agency, and the other is a Public Corporation.

15.17 As to whether certain circulars issued by Government departments and Ministries are binding on Public Corporations is often debated; some Corporations do follow nearly all such circulars as are applicable; the practice in others varies widely. The usual ones that are questioned come from the Ministry of Finance and the Ministry in charge of Public Administration. Once there was a circular from one Ministry increasing Employees Provident Fund Rates; sometime later another Ministry sent out a circular reducing these rates. Although the circulars went in opposite directions, the effect on Public Corporations was in reality in one direction and that was to increase the wage bill.

It is imperative that legal provisions be made and existing provisions clarified and amplified to settle this issue.

15.18 Legal provisions only can remedy this situation; for, this is one area in which administrative practice has almost transgressed statue law. In the State Industrial Corporations Act, No. 49 of 1957, for instance it is provided under Section 31 (1)—that the Minister may from time to time give the Board of Directors (among other things) general directions. This implies that circulars from other sources should be converted into 'Ministry Circulars' before they become applicable in corporations under the particular Ministry. This is not done with any degree of precision or regularity and the net effect is confusion which to some extent has caused the acceptance of all external circulars, by some Public Corporations; some attempt has however been made by the Industries Ministry in regulating the passage of external circulars.

15.19 It is submitted that legislative provision be made to exclude circulars from Departments and Ministries other than the relevant Ministry, from applicability in the Public Corporation Sector; simultaneously a general act on Public Corporations should enable the State Enterprises Bureau to receive all such circulars and for the Bureau to issue suitable circulars to Public Corporations where it is considered necessary by the Bureau.

15.20 It is sometimes argued that such circulars ought to be vetted at the respective Ministries but this contention is closer to a myth than a real need.

15.21 The provision of mechanisms for the pooling of resources as among Public Corporations should be a function of the State Enterprises Bureau.

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Questions regarding scarcity on one side and surpluses on the other with respect to resources that are on the whole either scarce or problematic, often arise within the Public Corporation Sector but the absence of effective mechanisms for exchanges results in waste of resources in some places as well as the slowing down of programmes at other places, for want of resources.

Skilled personnel, spare-parts, machinery and equipment, raw materials, expertise, etc., are among such resources.

A simple example regarding expertise could be given. Where new Corporations attempt to set up documentation units, they usually do not have expertise whereas older and bigger corporations do have such expertise which they can well afford to spare, possibly for a fee. Scores of cases like this could be cited. Spares which do not move within one corporation could be made available to another which has hardly any means of procuring them due to foreign exchange difficulties.

15.22 The State Enterprises Bureau should also be given the responsibility to serve as a clearance house for inter-corporation transactions; perhaps not involving money. One way in which this could be operated would be to use the Bureau as a useful meeting place for Corporation representatives, thus reducing communications to some extent.

15.23 In the same way the State Enterprises Bureau could provide a common office at a given place for all Public Corporations. For instance, wharf and purchasing departments of corporations located outside Colombo will find it useful to have an agent in Colombo.

15.24 The same facility could be extended in outstations where the Bureau will provide office facilities for all interested Corporations.

This would help reduction of costs and rationalisation: hence this should be made a function of the State Enterprises Bureau.

15.25 A very similar problem arises when new Public Corporations are set up. It would be interesting to examine how each Public Corporation was organised during the initial stages, specially during the first year; how much of time, money and effort was wasted in these exercises. A simple solution to this problem is to legally compel all new Public Corporations to be set up using the State Enterprises Bureau as Secretaries and Accountants. In fact a small ready-made shadow unit for this purpose could be maintained at the Bureau.

This is not so trivial an issue as it might seem at first sight. The rot that gets into Public Corporations as they are formed and during the initial period, grow into mammoth problems as time goes on. It would be most revealing to study how much of the current problems of each Public Corporation dates back to the initial period of its existence.

15.26 No Corporation should be authorised to set up its own independent organisation before a certain date laid down statutorily except with the approval of the State Enterprises Bureau.

15.27 A very important role that could be played by the State Enterprises Bureau is the provision of facilities for maintaining reasonably uniform and coherent standards with regard to salary scales, job specifications, job descriptions, conditions of service, fringe benefits, incentives etc.

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It is common knowledge that communications among trade unions, as regards improvement of terms and conditions of service are much faster than among say, different public Corporations. The result is that when new demands are put up in one corporation, a precedent (usually not known to the management) in another corporation is quoted. The delay in verifying facts usually generates heat in labour relations.

This problem is well known; in fact a special Cabinet Sub Committee has gone into this question and made its recommendations.

It is recommended that this matter should form an important function of the State Enterprises Bureau. The provisions in the proposed enactment in this regard should be detailed, extremely precise and carefully worded.

Some of the principles to be applied in drafting the relevant provisions are set out below—

(1) No attempt should be made to have exactly the same terms, conditions and salary scales in all Public Corporations.

(2) Scientific job evaluation should be encouraged and such evaluations must be used in rate-fixing.

(3) Every attempt should be made to see that comparable posts in different corporations of the same size and type of business attract nearly equal salaries.

(4) Where Corporations of different types and size have similar job standards, a scheme should be evolved to compare these and reasonably comparable salary scales should be set down for such jobs.

(5) Fringe benefits should in general be discouraged but allowed where there is good reason to do so.

(6) Every attempt should be made to have reasonably comparable job specifications for jobs that have the same content.

(7) The adoption of general and inclusive designations should be encouraged as against specific designations in relation to rate-fixing.

(8) The general system followed should allow for reasonable mobility within grades, e.g., as among clerks, typists stenographers, storekeepers.

(9) Where special conditions and salaries are required, these should be decided solely on the basis of the "market principle" and made operative for a limited time.

15.28 The State Enterprises Bureau should be entrusted with the maintenance of an updated model manual of operative procedures for Public Corporations. Provisions should be made to compel Public Corporations which do not have their own manuals to adopt the model manual until and unless they adopt their own manuals.

15.29. A school of thought has arisen in this country that rules, regulations, procedures and the like are remnants of an old administrative system and they are of no use in running Public Corporations, on commercial principles; this school has probably arisen as a weak apology for inefficiency in defining rules and concentrating managerial discretion only in the solution of exceptional problems.

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Management of Public Corporations in Sri Lanka will be much more meaningful and sensible if the function of enforcing a model manual of operating procedures is given to the State Enterprises Bureau. It would certainly help in cost reduction and in increasing the incidence of considered management decisions, discretion being reserved for use only where it is worth being used.

15.30 There is some amount of discomfort among managerial circles who believe that the demand by Government for surpluses out of profits and the directives sent on various other matters cannot always be reconciled. It is not easy to comment whether this is true.

It is submitted that statutory provision be made to enable any Public Corporation, which considers that a particular directive from the relevant Ministry or any other Ministry is such as to cause a depletion of its assets against its wish, to ask for compensation from the State Enterprises Bureau. The Bureau having settled the demand will then ask for re-imbursement under the Statute from the relevant Ministry; if this system is adopted, some financial provision in the nature of a 'penal vote' should be made under each relevant Ministry; a change with respect to the latter could be made through a Finance Act for convenience.

15.31 Similar provisions should be made for compensation payable to Public Corporations with respect to inordinate delays in dealing with a matter placed by a Public Corporation before the relevant Ministry or any other Ministry. Here again the decision to pay and the payment should be made by the State Enterprises Bureau.

16. Management Research Institute

It is true to say that at the national level in Sri Lanka, there is no planned, co-ordinated, organised effort directed at management research, although it is put down as a subject allocated to certain governmental and Government-sponsored organisations.

It would be appreciated that research should have been the forerunner in the effort to improve the performance of Public Corporations; but probably it would come last.

Most suggestions that are made for the betterment of the Public Corporations Sector are based on estimations and not on opinions built on research.

It is submitted that a modest beginning be made to establish a Management Research Institute which will as part of its activities, conduct research into the functioning of the Public Corporation Sector.

Such a Law would have a more far-reaching effect than it seems it might; for today there are Public Corporations which (1) have no manual of operative procedures (2) assume that they have such a manual but it cannot be easily identified (3) use a maze of rules consisting of an old manual, amendments that cannot be related or traced, the financial and administrative regulations of Government, Board decisions, etc., all put together in a grand mixture.

It would be surprising how some Public Corporations still manage to show their heads up in spite of this type of wasteful confusion.

It might be recalled that when the early Industrial Corporations were set up under the Industrial Corporations Act, No. 49 of 1957, Section 34

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provided that "(1) The Minister may by regulation made under this Act provide for the application to the corporation, with or without any modification, of any provision of the Companies Ordinance. (2) The provision of the Companies Ordinance, other than the provisions of that Ordinance which are made applicable to the Corporations by regulations made under this Act, shall not apply to the Corporation".

Now the Companies Ordinance, Chapter 142 of the Legislative Enactments of Sri Lanka, has a set of Tables of Regulations appended to it. It would be revealing to examine how many Public Industrial Corporations (1) by regulations made under the Act adopted any of these tables or regulations, under the Companies Ordinance and, how many, (2) adopted fresh regulations under the authority of Section 39 of the State Industrial Corporations Act, No. 49 of 1957, which enables the Minister to make "regulations for the purpose of carrying out or giving effect to the principles and provisions of the act in respect of matters for which regulations are authorised or required by this Act to be made".

PUBLIC SECTOR ENTERPRISE AND ACCOUNTABILITY

M. D. Amarasinghe

The purpose of this article is to attempt a survey of Public or State Sector Enterprises from the standpoint of Accountability. It would be quite appropriate to state in clear terms what accountability connotes in the essay. Professor William A. Robson has set out in his illuminating and exhaustive book "Nationalised Industry and Public Ownership" what accountability means as follows:

> "To account for one's actions means that one gives a report of what one has done in a specified period of time, together with whatever explanations may be necessary to justify the actions performed or the ends pursued".

More recently, a Report of a Seminar organised by the Commonwealth Secretariat, The Government of Jamaica and the University of West Indies on the Role and Management of Public Enterprises in October, 1976, has explained what accountability means as follows:—

> "Accountability can relate on the one hand to financial and economic matters, and on the other to social aspects. These were seen as complementary facets of the same problem even though the questions raised by considerations of each aspect may appear to place them in opposition of each other. In general, it was agreed that the following considerations held:
>
> (*a*) It is the entity as a whole that is accountable to Parliament and to society and not any individual member of the organization, the executive or the Board.

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(*b*) But there is a hierarchy of accountability, i.e., the entity is accountable to the political directorate (the supervising Minister or Ministry) which is in turn accountable to the Government or Cabinet which, finally, is accountable to Parliament as the forum of the Peoples' representative and which is responsible to society at large. Internally, the Board is accountable to the Ministry, the Chief Executive to the Board and so on, down the line of Management individually."

It is these definitions and concepts that will be used in this essay.

For ease of exposition, this essay will be in three parts. The first Part will present a brief historical development of the philosophy and concept of the Public Sector enterprises in Sri Lanka. Part II will attempt a short account of the present arrangements for assessing their performance. Finally, reference is made in Part III to certain proposals which may be adopted in this country with advantage which will enhance the accountability of Public Sector Enterprises.

I

The participation of the State in industrial and commercial ventures has become an established feature of State policy in many countries. The course of history, increasing economic difficulties experienced by different countries seem to justify the State venturing into industry and commerce.

The following reasons may be advanced as sufficient justification of the Public sector undertaking such responsibilities.

(i) The concept of planned economy necessarily leads to the State participating in the actual management and not merely the regulation of commerce and industry.

(ii) By the very nature of risks and returns involved, private entreprise shy away from entering into certain areas of entrepreneurship. Thus, State intervention becomes imperative in a situation in which capital investment funds need a great deal of building up. The planning initiative, the ability to assess the requirements of the country and to establish the capacity to meet these requirements logically came within the purview of the Public sector.

(iii) A Government which is committed to the objective of a socialist society is compelled to enter directly into commercial and industrial activity.

(iv) Fulfilment of some of the specified aims of social and economic justice is another reason fo the State embarking on industrial and commercial enterprises.

(v) Large-scale participation by the Government in Public ventures is bound to augment the national product which becomes available for distribution and reinvestment.

(vi) The criterion of Public sector undertakings is not necessarily based on profitability, but economic and social needs.

The Sri Lanka situation may be viewed from the above view points.

There is a popular misconception that shortages of consumer goods and war requisites consequent on the Second World War resulted in

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the Government undertaking industrial ventures. This does not seem to accord with facts.

The first report on industry appeared as far back as 1922 (Sessional Paper No. 1 of 1922). At the turn of this century, there were only processing factories to meet the requirements of agricultural produce from the tea, rubber and coconut plantations. The Government at the time did not involve itself in such activity, and was looked after by the private sector concerns. Although the Sessional Paper of 1922 was the first enunciation of Government industrial policy, it was only in 1931 that a separate Ministry of Industries was set up which declared its policy as one of fostering private enterprise. But nothing tangible was achieved as the 1930's was the decade of the depression. The Government's attention was focussed on the immediate task of providing employment and for this sufficient funds were not available. By 1938, a period of prosperity set in and the State began to think of industrialisation. An effective draw-back was the lack of technical know-how. But the outbreak of the Second World War further forced the pace. The following industries were established:—

1. Plywood and Saw-mill
2. Steel-rolling Mill
3. Leather Factory and Tannery
4. Quinine and Drugs Factory
5. Coir Yarn Factory
6. Ceramic Factory
7. Acetic Acid Factory
8. Glass Factory
9. Semi-mechanised Paper Factory.

(Sessional Paper No. 19 of 1953—Report of the Commission on Commercial Undertakings).

These undertakings formed an important nucleus of the present public sector enterprise. These factories proved to be profitable only during the period of the war, but incurred heavy losses thereafter. This prompted the Commission on Government Commercial Undertakings to recommend the closure of the factories. The Government however, was not agreeable to give effect to this recommendation probably due to the upward trend in unemployment at the time and therefore it continued the policy of running these industries as best as it could with zeal and enthusiasm. This enthusiasm proved to be short-lived for, the Report of the International Bank for Reconstruction and Development in 1952 and the Report of the Commission on Government Comercial Undertakings in 1953 were both critical of Public Enterprise and recommended the abandonment of most of the projects which the State proposed to start. This resulted in a complete reversal of the policy hitherto followed by the Government.

In the evolution of Industrial policy of this country, the State Industrial Corporations Act of 1957 stand out as an important landmark and resulted in a period of rapid growth of industries. A change of Government in 1965 did not effect any change and industrial corporations continued to expand at a rapid pace.

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This brief summary shows that Public ownership of industry is not something new to Sri Lanka and the State expected to play a major role in industrial development.

II

It is clear that successive Governments since the mid-fifties have accepted the public corporations as an instrument of expanding the industrial sector and infra-structural sector activities. In this context, the functional setting of public enterprise vis-a-vis the State has caused considerable controversy. It cannot be said that there is any significant degree of agreement amongst the experts as to the steps that should be taken to bring about harmonious relations between the Legislature and the Ministries on the one hand and the public enterprises on the other.

The following table shows the heavy capital investment outlay by the State in Public Corporations:—

TOTAL CAPITAL INVESTMENTS OP PUBLIC CORPORATIONS 1973–1975

Rupees Million

Sector	1973	1974	1975
State Industrial Sector ...	1,988.4	2,346.1	2,963.6
Trading Corporations ...	372.7	422.0	501.8
Services	1,850.9	2,009.5	2,222.6
Financial Institutions ...	554.8	612.1	736.2
TOTAL	4,746.8	5,389.7	6,424.2

Source: Central Bank of Ceylon, Review of the Economy, 1975

Such a massive outlay by the State naturally evokes widespread Public interest. One is struck at the frequency with which the Press continues to comment on the activities of the Corporations. In an atmosphere of such widespread feeling that there is a great deal of inefficiency, incompetence, waste and corruption in public corporations the problem of the accountability of public sector enterprise has come to the forefront. This problem has defied any satisfactory solution, for public corporations as forms of business organisations have been set up to ensure the flexibility necessary to run such organisations free from bureaucratic control whilst at the same time to permit the legislature to determine matters of policy concerning them.

As is common in most democratic countries, possibility exists for reviewing or assessing the performance and activities of public sector corporations in Sri Lanka by resorting to any one of the following methods:—

1. The National State Assembly together with the Public Accounts Committee.
2. Invoking the Minister's powers.
3. Auditor-General.
4. Administration Reports.
5. *Ad hoc* Committee of inquiry.

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In the National State Assembly, an opportunity presents itself when it could critically examine the affairs of a corporation on the following occasions:—

(i) Budget Debates,

(ii) Debates, e.g., when the Corporations present their long-term development plans or when extra capital is sought.

(iii) When the annual reports and accounts are laid before the House.

(iv) Questions in Parliament.

The affairs of the public sector enterprise come up for scrutiny before the National State Assembly during Budget Debates and when their annual reports together with the Auditor-General's reports are tabled in the House. But due to the pressure on parliamentary time, it is not able to examine such reports in any great detail. At best members make use of this opportunity to highlight matters pertaining to their constituencies or an act of negligence which come to their notice. Furthermore, there is no expertise knowledge to undertake a critical analysis of the annual reports and accounts. The opportunity available to the members of the House to raise any matter regarding the working of a corporation during question time has been of very limited use. This is mainly due to the fact that the Minister is not answerable to the House on matters of day-to-day operations of an undertaking.

Another important device which could effectively control and review the work of public enterprise is the special powers of the Minister responsible for the particular activity. The Minister is empowered to appoint the Board of Directors, the Chairman and to approve the appointments to top level positions and determine their conditions of service. Further, he will have the power to issue directives after consultation with the Chairman of the enterprise. For example, Section 6 (3) of the Sri Lanka State Trading Corporations Act, No. 33 of 1970, enumerates the powers of the Minister as follows:—

"The Minister may, from time to time, order all or any of the activities of the corporation to be investigated and reported upon by such person or persons as he may specify, and upon such order being made, the Board of Directors shall afford all such facilities and furnish all such information to such person or persons as may be necessary to carry out the order".

Similar provisions are found in almost any of the Acts under which corporations are established. Special powers of the Minister places him in a very strong position vis-a-vis the corporation in this regard.

Corporations' Audit is carried out by the Auditor-General which is a regularity audit. The Auditor-General normally reports any lapses to the Public Accounts Committee. Whilst it is conceded that formal correctness and conformity with rules of procedure are necessary, yet negative standards such as these do not meet the full requirements and are therefore inadequate. This sort of approach has effectively stifled the initiative of the officials who would not act unless they are protected by some rule or precedent. Far from liberating the corporation from bureaucratic practices and procedures, too much emphasis on rigid unimaginative controls have been the order of the day and corporations have been run more like Government Departments.

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The annual report is an established feature in all the corporations. The usefulness of these reports have been minimal due to their delayed publication and the information they contain is of little consequence.

Occasionally it becomes necessary for an ad-hoc committee appointed by the Minister or President to inquire into the working of public sector institutions. In such an event, the affairs of the institution come under close examination and often contain useful suggestions for future corrective action.

Special mention must be made of the Finance Act, No. 38 of 1971, provisions of which are pervasive and far-reaching. Corporations are obliged to render their accounts to the Auditor-General within four months after the close of any financial year (Section 13 (6) of the Finance Act). The governing body of a corporation shall be guilty of an offence under the Act by reason of a contravention of the same provisions. Further, the Finance Act of 1971 (Section 8) requires that an annual budget should be prepared three months prior to the commencement of the financial year. It also specifies what the budget should contain. The budget so prepared is to be submitted to the Minister in-charge of the corporation, the Ministry of Planning and the Ministry of Finance. The Act also stipulates that proper accounts and other records be maintained. In order to give effect to these provisions in the Finance Act, a three tier institutional arrangement can be discerned as follows:—

(i) The supervising Ministry;
(ii) The Ministry of Planning; and
(iii) The Treasury.

An analysis of the administrative functions of the Government relating to public corporations would reveal that there is ample opportunity for the State to lay down the policy of the corporations sector and effectively monitor the operations and ensure overall control. These functions can be categorised as follows:

The supervising Ministry is charged with the following functions:—

(i) Laying down of general policy and objectives;
(ii) Continuous supervision of the corporations activities;
(iii) Examination of new proposals;
(iv) Approval of the annual budget;
(v) Review of the draft annual accounts;
(vi) Appropriation of profits.

The Ministry of Planning is concerned with the following:—

(i) Evaluation of new proposals, increasing of authorised capital and investment of funds exceeding Rs. 500,000.
(ii) Co-ordination of development plans and expansion of schemes submitted by the corporations according to national priorities and targets.
(iii) Laying down guide-lines for the information of Ministries for economic and financial evaluation of Corporations' activities.
(iv) Advise the Ministries and corporations on the format of their annual reports and the details they should contain.

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Finally, the Treasury functions would be—

(i) Examination of annual Budgets, Accounts and Balance Sheets;

(ii) Keeping a watch on investments on behalf of the Government in order to obtain a fair return as well as to ensure repayment of loans and interests;

(iii) Brief the Treasury representatives serving on the Boards of various corporations.

III

In considering the additional methods by which accountability of public enterprise can be secured, it will be worthwhile to examine the arrangements in other countries particularly the developing countries so that Sri Lanka can benefit from the experience in those countries.

At the outset it has to be noted that there has been no clear statement of objectives of public sector corporations. The success of any venture can be ascertained only by reference to its objectives. No indication is given to the corporations as to what is expected of them in financial terms. The only reference in this regard is Section 7 of the Finance Act of 1971 whereby all corporations are expected to ensure that "the ultimate surpluses on revenue account shall be at least sufficient to cover the ultimate deficits on such account over a period of five years or such other period as may be determined by the Ministry of Finance." One has to concede that the achievement of objectives need not necessarily be interpreted to mean profitability. It is possible to achieve objectives by not making profits. If this position is accepted the question that arises is how best the accountability of the corporation be effected without interfering with its day-to-day operations. A proper assessment of the performance of corporations makes it necessary to lay down in clear terms the objectives for each of these institutions. The United Kingdom has experimented with this device with a considerable degree of success.

Reference has already been made to the paucity of expert knowledge in the Legislature to undertake a comprehensive examination or review of the annual accounts and reports. Experience in several other countries also indicates that this drawback is common to several of these countries. This serious disadvantage has been obviated to some extent by the appointment of a Select Committee of Parliament on National Industries in the United Kingdom. This is very similar in purpose to that of the Public Accounts Committee. The British Select Committee which has been in existence since 1956 has been parly responsible for significant improvements of performance of State Corporations in that country. The situation in Sri Lanka may not be similar and the required expertise may not be always available in the National State Assembly to undertake an effective review of the operations of corporations. This shortcoming has been overcome in certain countries by the creation of a further institution to service the Select Committee in the deliberations and to furnish processed information to the Legislature. Professor A. H. Hanson refers to this as follows:—

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> "It is noteworthy that only a few countries have done much to ensure that either the responsible committee or the legislature as a whole has access to factual material of unimpeachable reliability. In some cases, the reports of the Auditor-General or Court of Accounts are useful to members energetic and interested enough to read them. In Israel, for instance, the reports of the State Comptroller are far wider in scope than comparable ones in other countries and are now valuably supplemented by the reports of the Government Companies Authority. The State Enterprises Secretariat in Ghana should eventually play a similar role. In Yugoslavia members of Parliament receive monthly data about public enterprises from a body known as the 'Social Book-keeping Service'; In Poland, a somewhat similar role is performed by the Sejm's 'Supreme Chamber of Control' which is called upon to supervise the economic, financial, organizational and administrative activities of all State units from the point of view of their legality, good management, purposefulness and reliability. Elsewhere, the process of supplying information about public enterprises to the legislature does not seem to be well organized"[1].

An institution on the lines suggested above, but suitably adapted to suit Sri Lanka conditions appears to be opportune. Such an institution serviced by a Secretariat of the type proposed will be able to focus public attention on any matter needing attention. Since information submitted by the Corporations or by the Ministry may often be biased and therefore be useful to the Parliamentarians, a Select Committee on the lines suggested above will prove very useful.

But such a device may be open to criticism. Public Corporations should be immune from parliamentary inquisition and detailed scrutiny of day-to-day operations. Professor Hanson answers such criticism as follows:—

> "One might suggest that the main effort be devoted not to restricting the role of the legislature, but to enabling it to behave more constructively. This would involve the provision of adequate opportunities for debating the affairs of public enterprise from the standpoint of principle, policy and achievement . . . . . .
>
> It is true that, in removing the restrictions to which some legislatures are subject in their dealings with public enterprise, one is opening the door to interferences with 'day-to-day' as distinct from policy matters. But, if legislators are determined to immerse themselves in such matters, in the interests of constituents they represent or the pressure groups with which they connected, they will certainly do so, whatever formal inhibitions may be imposed upon them. This being so, it is surely preferable for them to speak openly, in a public forum, rather than have recourse to private intrigue"[1].

The arrangements prevailing in a few of the developing countries may be briefly mentioned. Ghana has established a State Enterprises

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1. Organisation and Administration of Public Enterprises; Selected Papers, New York; U.N. Document No. ST/TAO/M/36.

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Secretariat. Yugoslavia has a 'Social Book-keeping Service,' which furnished periodical information to the members of the legislature. Poland's legislature has an organisation Supreme Chamber of Control—charged with the supervision of all activities of the state enterprises including financial aspects.

In the present stage of the evolution of the public enterprise sector, it would be opportune to set up an institution of the type referred to above. The vital need today is to ensure efficiency of operations of the corporations. On this issue Professor W. A. Robson observes that "information which can throw light on productivity, on the policies which a board are pursuing and the success with which they are applying them or the extent to which a corporation is abusing its monopolistic position is valuable not only to Members of Parliament, but also to the public and to consumers"[1].

Opinion is divided as to the extent to which Parliament should exercise control over public corporations. The same situation prevails with regard to the extent of responsibility of the Minister-in-charge of the corporation. The real problem with regard to the degree of control and responsibility is "to find a point of balance between intervention and non-intervention based on the distinction (always difficult to clarify) between 'general policy' and 'day-to-day' administration"[2].

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PART TWO—MANAGEMENT AND ORGANISATION

I — PROCESS AND FUNCTIONS

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ORGANISATION DEVELOPMENT

K. S. Kulatunge and Abaya Jayasundara

We live in a transitional society. Everything about us is in the process of rapid change. Old traditions, customs and beliefs are breaking down giving way to new cultures, and new ways of life. There is change in the attitudes of individuals and expectations of the people. In our societies, the gap between the rising expectations of the people and the achievements of the society has constantly widened. A society has to achieve its objectives through organisations which may take the form of economic, political, social or governmental organisations. It is generally accepted, that there is a significant time lag, in bringing about change in the objectives of organisations to meet the expectation levels. There is a similar time lag, in making changes required in the capacities of organisations, to meet organisational objectives.

Organization development is an attempt to close these time lags, and to make organisations more attuned to the needs of the society, and improve their effectiveness. In other words, organisation development is a conscious response to change, a deliberate strategy intended to change the beliefs, attitudes, values and structures of organisations in order that they can meet the challenges of time more effectively. Planned change requires a deep understanding of the structure and process of organisations. As a very simple definition, we can describe an organisation as an integrated structured process, where people interact to meet certain objectives. People are the most important element in organisations. Therefore, if we try to analyse organisations in terms of people, we can say that organisations are people with objectives, or goal oriented. They are people working in groups, or psycho-social systems. They are people using knowledge and techniques, or technological systems. And finally organisations are people working together, or integrated structures of activities.

It would be useful to take a deeper look at each of these facets of an organisation. Firstly, we mentioned that organisations are people with objectives. Here the distinction has to be made, between the objectives of individual members of an organisation, and the organisational objectives. We all have our own personal objectives in joining an organisation, the most important being to earn a living. On the other hand, we also have our own concepts of the organisational objectives. Organisational effectiveness would depend to a great extent on the compatibility of individual objectives with the organisational objectives. In organisation development, one of the vital tasks is therefore to integrate the individual concepts of personnel and organisational objectives. In modern bureaucracies and high technology oriented organisations, there is a tendency towards greater alienation of the organisational members from their work, and the total organisational goals. In most cases this widening gap can be reduced, and closer identity established between individual objectives and organisational objectives, only with, radical, structural and attitudinal changes. Worker participation in management which has been now introduced in our country is a step in the correct direction to bring about such congruency between individual and organisational goals.

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Organisational objectives are structured in a hierarchical pattern. The broad objective of a total organisation is divided into sub objectives, and these in turn, are further divided into sub-sub objectives, and so on. The means of the higher objectives become the end of the lower objective. The existence of such a means-ends chain, or a hierarchy of objectives, provides a framework for purposeful and consistent behaviour of the total organisation. One of the draw-backs in the large public sector organisations in Sri Lanka seems to be the lack of clear definition of the sub objectives of the component units at the lower echelons of the organisation. Broad objectives of a government department or a corporation at the national level, expressed in vague terms of, for example, the provision of a particular service, do not become strong instruments of control or motivation. We seem to place more importance on organisation charts depicting the organisational hierarchy or officialdom, rather than the hierarchy of objectives which devolve on such positions. For organisational effectiveness it is very essential that the organisational objectives are divided and sub-divided into the lowest levels of operational objectives. Organisations must adapt themselves to change. Therefore it is also essential that objectives at all levels are subjected to constant review, and renewed if necessary, and communicated explicitly to all concerned.

We described organisations as people working in groups or psycho-social systems. The psycho-social system, or the individual in social relationships, can be understood in terms of motivation and behaviour taking place in an environment which includes status and role systems, group dynamics influence systems and leadership. Although individuals have unique behavioural patterns, the generalisation can be made that the process of behaviour is similar for all individuals. Human behaviour is not spontaneous and aimless. It is caused, motivated and goal directed. Behaviour towards goals is generated as a reaction to a stimulus which is filtered through a system of wants or needs. Different patterns of behaviour occur in different individuals due to variations in their perception, cognition and motivation. In organisation development it is important to understand what motivates the individual towards productivity. In the public sector where the scope for motivation through material incentives is limited other forms of motivation in the way of meeting social and self actualisation needs become significant.

A person's organisationally defined status and his individually perceived role influence his own behaviour and how others behave towards him. Organisations do not exist in a vacuum. In countries like ours, socially defined status too, which depends on caste, community, family and public school ties have significant implications on one's organisational status. In bureaucratic organisations great importance is attached to status symbols and signs of office. Designations, the size of the room or the table, whether an office peon is standing by the door or not, all go to make the total image of the holder of the office. Therefore, even highly placed officials try to protect these trappings of office with much vehemence.

Group dynamics is a fundamental aspect of organisational systems Each individual of an organisation is a member of various formal and

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informal small groups within the organisation. These small groups play a vital mediating role between the individual and the organisation. Interactions within small groups tend to develop shared sentiments. Social research has demonstrated that motivation is more a function of group dynamics than an individual variable. It has been also confirmed that group processes are one of the most important factors facilitating or inhibiting change. Organisational effectiveness can be enhanced by parallel improvements in individual and small groups.

Influence systems and leadership are the other important elements in the psycho-social system in organisations. Influence has been described as "change in behaviour of a person or group, due to anticipation of the responses of others". Behaviour can be influenced through emulation, suggestion, persuasion and coercion. Power is the basis on which influence systems function. In contemporary organisations power is both unilateral and by-lateral. While superiors wield more power than the subordinates, subordinates in turn influence the actions of superiors. Today, power equalisation per se within the organisation is considered a desirable thing, and coercive power is being fast replaced by normative social power. Authority or institutionalised power is a very important concept in the study of organisations. It is possible to identify three basic categories of authority. These are charismatic authority, traditional authority and legal-rational authority. Charismatic authority depends on the magical qualities of the individual leaders. With the common acceptance of the status and role systems over time, charismatic authority generally evolves into traditional authority. With the system getting formal legitimisation, traditional authority in turn can evolve into legal-rational authority. Authority is effective only to the extent that it is accepted by the governed. With the spread of education and democratic ideals the zone of acceptance of authority has narrowed down.

Influence systems provide the broad setting for organisational leadership. The three main components of leadership are the leader, the led and the situation. Certain personal traits as intelligence, emotional maturity, high achievement motivation and appropriate attitudes to human relations, provide higher potential for successful leadership. But there is no such thing as a best leadership style. In the ultimate analysis this is dependent on all three elements of leadership, that is the leader, the followers, and particularly the situation. "The determination of an appropriate style involves the consideration of all the elements of the psycho-social system of an organisation".

The technological system of an organisation represents the complex of knowledge and techniques used in the transformation of inputs into outputs. It is determined by the task requirements of the organisation. Traditional management theories did not take technologies into consideration in their analysis of organisations. The impact of technology on organisational structures, job design, and as a determinant of the human inputs of an organisation is today well recognised. Increased specialisation, dehumanisation of jobs, and job alienation are some of the problems created by modern technology. Rapidly changing technology calls for the replacement of mechanistic forms of organisation structures and management systems with more organic systems. Adoption of more

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flexible management systems becomes more important in the developing countries, where the imposition of modern technologies on traditional societies create highly unstable environments.

The other element of organisation we have to discuss is that of organisation structure. Organisation is defined as the established pattern of relationship among the components or parts of the organisation. The structure is closely tied up with the process of organisation. The formal structure of an organisation, is generally presented with organisational charts, job descriptions, work procedures, formal rules etc. Traditional management theories are more concerned with the design of logical organisation structures. The principles of division of labour, unity of command, span of control, and the concepts of authority, responsibility and accountability are some areas in which traditional theories excel. These theories apply more in stable environments and often break down when confronted with rapid change, and increasing complexity of organisations. Increased differentiation both vertical and horizontal in contemporary complex organisations create problems of integration which call for innovations in organisational structures and introduction of new approaches to management such as project management.

Just as the goal systems, psycho-social systems, technological systems and the structural systems in an organisation are closely inter-related and make up an integrated whole, the organisation itself is only a subsystem in the total societal system. Therefore, organisation development has to take into account the interfaces and the linkages that a given organisation has with the larger societal system. Especially in public sector organisations where the very objectives of the organisation are derived from wider social objectives, organisation development has to take place within the broad framework of the social goals.

The dominant characteristics of administrative environment are interdependence rather than competition, turbulence and uncertainty, rather than readiness and certainty, large scale rather than small scale. When examined from the point of purposes, processes, and personnel we see a shift in all three dimensions of the administrative environment. The shift in purposes becomes all the more clear when one realises that the role of public administration in national development stresses heavily on programme advocacy and problem solving in addition to its traditional role of fulfiling legal and procedural requirements of governmental operations.

The increase in technical content and managerial requirements of the tasks related to national development and the constant need and ability to sense the totality of environmental forces have resulted in a shift in the processes of public administration.

From the personnel perspective, the values and attitudes, orientations and behaviour, which were once considered proper and appropriate are now redundant and inappropriate. Further administrative assignments of today are complex and burdensome and are in critical need of new skills, attitudes, values and behaviour. Hence, the shift in personnel.

The organisation that is required to operate in such an environment haudling complex and varied tasks will have to look different and behave differently from the more conventionally designed organisations. The

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structure of a conventionally designed organisation follows a hierarchical or pyramidal alignment and integration of separate relatively autonomous functional units. Organisational behaviour within and between the functional units is patterned in accordance with a number of administrative principles such as line-staff dychotomy, division of labour or departmentation, scalar principle, span of control, unity of command and primacy of superior-subordinate relationships. The traditional approaches to administration shaped the organisational effort around established notions of administrative propriety, i.e. the principles of administration with little reference to the task to be performed or goal to be achieved.

Although the basic motive of the conventionally designed organisation is the rational and efficient achievement of goals it is undeniable that this type of organisation carries within it the seeds of inefficiency. The emphasis on reliance of rules, regulations and canons of procedure can and often does have the consequences so as to lose sight of substantive objectives and goals. Displacement of goals—in which means become ends is an occupational hazard of this type of organisation. Occasionally, a state of trained incapacity develops where an official so adept in the application of knowledge and skills valid in a specific context becomes incapable of action in a change of that context. The ambiguous nature of this characteristic of this organisational form which is or was considered a social invention makes us ponder for a while as regards its usefulness in regard to today's developmental tasks. In my view those functions of an organisation which can be formalised and routinized or these organisations which deal wholely with functions that can be formalised and routinized, the conventional or bureaucratic form of organisational structure seems quite suitable. A very appropriate example in this context is that of the Department of Elections. This organisation has been able to formalise and routinise most of the tasks connected with its objective. This process has contributed to its efficient and effective functioning. The strength of the bureaucratic type of organisation lies in its capacity to manage efficiently the routine and the predictable aspects of human affairs.

Conditions prevailing in the country right now and the demands of development raise doubts about its contemporary viability especially in regard to developmental tasks. The usefulness of an organisation particularly in the public sector depends on its ability and capacity for sensing and responding to the environment for which it serves. The environment surrounding the public sector organisations are in a state of flux. Today events occuring in other parts of the world affect us. Problems in one area of necessity creates difficulties elsewhere. Slow response to suddenly erupting events could lead to unfortunate and disastrous consequences. The failure of act has been and will be as disastrous as reacting in an indifferent or callous way.

The critical and crucial nature of the happenings of recent times should open our minds, eyes and ears to an organisational system that could move beyond the rigidities that characterises bureaucracy and towards planned change through collaborative efforts.

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Any organisational system or sub-system may be thought of as having a mission to perform. In organisations which characterise the contemporary administrative environment there are a wide variety of missions each requiring varying types and qualities of skills, resources and facilities. Rather than attempting to co-ordinate these diverse activities across organisational lines as it occurs in the conventional type of organisation, the organisation envisaged creates managerial unity over the resources of time, funds, material, people, technology and administrative processes necessary for the successful achievement of a prescribed goal.

Organisation development is a currently popular phrase used to describe an approach to induce growth, learning and adeptiveness in organisations. As explained by Alexander Winn the term Organisational Development implies, a normative re-education strategy intended to affect systems of beliefs, values, and attitudes within the organisation so that it can adapt to the accelerated rate of change in technology, in our environment and society in general. It also includes formal organisational restructuring which is frequently initiated, facilitated and reinforced by the normative and behavioural change. Changing attitudes and values, modifying behaviour and inducing change in structure and policies are then the three core objectives of organisation development.

The change oriented organisation takes action to create the desirable rather than prevent the undesirable. We may term such types of organisation as pro- active rather than reactive. Pro-active organisations determine their goals and objectives and cause events to occur or things to happen. Pro-action, of course, requires the skill and ability to sense the environment for opportunities as well as problems.

Many meaningful plans have failed because organisations function to meet and effectively deal with problems of the previous decade rather than with opportunities emerging in the years just ahead. The need for pro-action is nowhere greater than in a situation such as ours.

This factor alone calls for policy makers, administrators and all others concerned with societal activities to pay heed to the process of organisation development. A typical programme of organisation development takes into consideration many aims and objectives. It aims at creating an open, problem solving climate throughout the organisation. Such an environment is sadly lacking in most ofour public sector organisations. Another aim of organisational development is to supplement the authority associated with role or status with authority of knowledge and competence. Further it attempts to locate decision making and problem solving responsibilities as close to the information sources as possible. Building trust among individuals and groups throughout the organisation is another vital aspect. A very important aim is to make competition more relevant to work goals and to maximise collaborative efforts. These could be and have been achieved in a couple of public sector organisations. Now coming on to a more difficult area organisation development aims at developing a reward system which recognises both the achievement of the organisation's objective and the growth of its people. It tries to increase the sense of ownership of organisation objectives throughout the workforce. It encourages managers to manage

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according to relevant objectives rather than according to past practices. And a final consideration in organisation development is its aim to increase self-control and self-direction for people within the organisation.

When one considers organisation development programmes, particularly in the public sector, one must take into consideration the institutional constraints that are peculiar to it. Public sector is characterised by the unusual opportunities for multiple access to multiple decision-makers. Multiple access is in intention if not always in effect a major way of obtaining assurance that public matters receive attention from a variety of perspective and dimensions. While multiple access to decision-makers has certain positive features that could encourage organisation development it could also be treated as a likely constraint in that there is a possibility of conflict arising at different points in the decision making structure in regard to such programmes.

Another likely constraint, arises from the heterogeneity of purposes, processes and personnel employed by the organisations of the public sector.

Third constraint arises from the peculiarity of command linkages that exist in the public sector organisations. Command linkages in the public sector are characterised by competing identifications and affiliations which permit and sometimes even encourage a fragmentation of the managerial hierarchy at various levels.

The fourth constraint arises from the resulting weak linkages between career public servants and the political representatives. Reasons for such weak linkages are many. Firstly, career public servants and political representatives are weakly linked due to the brief tenure of office of the latter. Secondly, the career public servants especially those at the top often weakens their own managerial linkages as they sometimes seek irreconcilable, political, administrative and personal goals. Finally the occurrence of a slippage between the higher and lower career public servants is another reason for the weak linkages that exist in the public sector. What appears as burdensome and cumbersome to the top executives are perceived as necessary means for security and promotions by the lower. These four institutional properties of the public sector organisations tend to inhibit and even complicate the achievement of an organisation development programme.

Another area that has to be taken into consideration when examining constraints is what can be called the habit background, or sub cultures of public sector organisations. The habit background of the public sector organisation can be observed from various angles. It is well known to most of us in the public sector that when delegation is resorted to it has always been with a view to maximise the delegators sources of information and to minimise the control exercised by the delegatee and finally as mentioned earlier, public sector organisations tend to lay heavy stress on procedural regularity and caution all of which may not encourage organisation development.

Constraints are a part of organisational life or for that matter of everyday life. One should not be discouraged by the existence of real, perceived or imaginary constraints. While we may not attain the ideal

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any attempt at realising the aims of organisation development stated earlier is bound to add to our experience in this process. I must not fail to mention the particular effort of organisations in the Ministry of Communications in this direction. The Minister of Communications and the Management of the Ceylon Transport Board are attempting to achieve most of the aims and objectives that could be conceived of in an organisation development programme. The Ceylon Transport Board which is one of the largest organisations of its kind in the world has introduced some dimensions of organisation development through worker participation. This organisation has thought it not only desirable but also necessary to get across the perspective of this decision to those partic pants very frankly and openly. I happen to collaborate in this venture and from my experiences it is possible for me to state that organisation development has made a resounding start at least in one or two public sector organisations in Sri Lanka.

THE MANAGERIAL PROCESS

Ranjith M. Withana, George Wijesinghe and A. P. Hapudeniya

What is meant by Management in its common usage has been briefly referred to as the 'function or process which is concerned with the utilisation and conversion of different types of resources into products or services, by human effort.'

It is my intention to examine and analyse how this managerial process or function works, or rather to put it more accurately, how it should function or work if it is to effectively achieve its objectives. We can simplify this concept with a very common illustraiton, namely the public sector function of providing a road passenger transport service. This involves the recruitment of the necessary human personnel, which we call the members of the work organisation, who will be collectively engaged in running this enterprise. It also involves as you would know the procurement of other necessary machinery and equipment as buses, workshops etc., and the deployment of these resources by the personnel now grouped in the organisation, to achieve the objective of providing a satisfactory transport service.

Two important features of the managerial process thus stand out. Firstly, the resources should be obtained and then secondly, these be efficiently or optimally used or converted to achieve the ultimate goal or objective. Looking at it in another way we could say that the resources used like human effort, working of the machinery, money spent, etc., are 'inputs' of the process and the service provided are 'outputs'. Since we measure the 'inputs' and 'outputs' by a common yardstick of a financial valuation, the whole operation should not work at a loss. That is the cost of 'inputs' should not exceed the value of 'outputs' achieved. The

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totality of activities and sub activities which comprise the overall operation described in this simple illustration, we hope conveys clearly what we mean by the managerial process.

Letus now look at some of the basic principle or procedures that should be followed in the entire operation if it is to be successfully carried out, and see in what manner they help us to understand the managerial process in a simple way. These principles are sometimes referred to as the constituent elements of the process.

One of the most important principles or requirements is that the personnel that are carrying out the operation should be organised in terms of the specific tasks they have to perform to make the total operation a success. This we term organising. Organising has to be done so as to bring out the specialised tasks and for which a term we also use is the 'division of labour'. This brings out another important factor, namely that in the division of labour there has to be a group of personnel who have the authority and the power to make decisions as to how the enterprise should be run. They are mainly responsible for how the entire operation is carried out and we call this group of persons, the managers. Their actions as we see later become a pivotal point in a discussion of the managerial process. The identification of the decision-makers (i.e., the managers), the specialised staff and the other members then comprise the work group or organisation. Therefore developing the relationships between the different groups and their specialised tasks is an important aspect of the organising principle. The importance of developing this work group, namely the organisation from different points of view and considerations have been dealt with.

As important as organising the work, is the need to plan the manner in which and how the organisation and its individuals are to carry out the work. Planning is really action oriented and obviously this work plan has to fit into the specialised functions already identified in the organising process. Planning is an overall activity which is indispensable for efficient management. It involves identifying the necessary resources, determining in which manner and using what technology they are to be processed, what skills to develop among the personnel, what norms of performance to achieve, and in what specific form and at what particular time the final output is to be obtained. The success of any managerial operation would depend on the extent to which managers, and on their initiative, the other members of the work organisation have planned the work steps and the manner in which they are to achieve the objectives or goals of the operation.

Planning and organising leads us to the next important element in the managerial process, namely of entrusting responsibility to the personnel at different levels of the organisation to satisfactorily carry out the varied work operations already planned, and for them to decide on appropriate action at certain stages. We use the term delegation for this, and it is also central in the process of management, because though the responsibility of making decisions are vested with people with authority higher up in the organisation for an effective work arrangement it is impossible for them to decide and be responsible for all the activtiies and work that are carried out daily. Delegation has to be done in such a way

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that the most important activities would be done by the people higher up where as the less important work would be delegated to people holding positions of lesser responsibility.

With the spelling out of these few important principles or procedures which are essential for an efficient managerial operation we come to two others, which are also equally important, namely the function of co-ordinating and controlling the separate activities. Planning and organising are in themselves not sufficient unless the managers regularly ensure that work goes according to plan and where necessary varying it when occasion demands such variations. The controlling function is to ensure that the organisation is all the time working towards the objectives as planned and forecasted. Co-ordinating also becomes a focal point of the managerial process, because the ultimate output as we see require the close relationship and harmonious working of the different activities and specialities, so that they integrate at each stage, until the final objectives are achieved. To illustrate this further some of the specialised work may be concerned with purchasing material for a particular production activity. These then have to be used in the production operation. These products then have to be priced and marketed, which then becomes a specialised marketing function. The function which is concerned with determining the remuneration, incentives and work conditions and other requirements of the personnel, is called personnel aspect of management. These are some of the common specialised functions into which the total managerial process is compartmentalised. In addition to ensuring that these distinct functional areas are separately planned, organised and controlled, they have to be regularly co-ordinated with each other at different levels in the organisation and integrated to achieve the ultimate end product or goal, which is a mix of all the functional outputs. Co-ordination ensures that the functional activities do not work in opposition to each other, in which case resources are wasted and objectives by passed.

The above outlined basic principles of the managerial process should be carried out to make the total operation of the entire organisation a success. Their universality was identified in one of the first systematic studies of the process of management, as early as the beginning of this century, by a practising manager named Fayol in France and around the same time by an Englishman named Urwick. By identifying these constituent elements, Fayol and Urwick separately were able to demonstrate the unifying nature, in other words the similarity of the managerial process irrespective of the nature of the enterprise, technology or type of the work operations. In view of the fundamental nature and the general applicability of the principles, they are used even today for a superficial understanding and an elementary treatment of the managerial process.

Since these basic principles were enunciated by Fayol and Urwick a vast body of knowledge has grown from different sources to show that the managerial process is a much more complex operation. The complex nature of the process could be briefly depicted by a short reference to the lines in which deeper analysis and a study of the components of the managerial process have been carried out since the beginning of this century.

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These studies have considered the managerial process to be centred around the tasks, and the persons who perform the tasks, and the dynamic inter-relationships firstly between the different tasks themselves, secondly between the tasks and the persons who perform the tasks, thirdly between the individuals and the work groups and finally between the individual, the tasks and the organization. The earlier mentioned basic principles or elements as organising, planning, controlling and co-ordinating cannot be effectively carried out until a manager has an insight and an understanding of the tasks and the persons and their above referred to inter-relationships.

An outline of the fields of study that have grown during the course of this century to analyse and get a better understanding of the above activities and inter-relationships would demonstrate the vast body of knowledge that has come into existence about the managerial process, and therefore the complexity of the process itself.

The sciences of engineering, physics, mathematics and their offshoots in work study, operation research have been attempting to analyse and measure the individual task and these tied up with the contribution from economics, statistics, politica science and the recent area of finance and accounting have been mainly concerned with the problems of inter-relationships of the different tasks and attendant matters of optimum utilisation of the resources. The subject area of behavioural sciences, which grew out of physiology, psychology, sociology and anthropology have been concerned with the study of the behaviour of persons, as individuals and as members of a group in a work organization, specially in relation to the factors that promote a better performance of their tasks and facilitate co-operate activity.

These voluminous studies in the different areas in addition to having contributed to a deeper understanding of the managerial process, would also, we hope indicate the complexity of the process which therefore defy simpler understanding. To present it as an overall concept, we cannot do any better than go back to the commencing statement, that it is a process which utilises and converts different types of resources by human effort, into meaningful products and services.

Motivation is one of the main elements in the managerial process. Expressed in very simple language, motivation means the process by which a manager gets his employees to achieve profitable levels of output.

Looking back on the processes of motivation which we have commonly observed, we may be able to identify four approaches.

Firstly, we have had the experience of managers who motivate their subordinates in an authoritarian manner by compulsion and by threats. We might refer to this approach as motivation by threat.

Secondly there are managers who adopt a moral approach. For example, one might shower benefits and facilities on one's employees in the hope that they will perform more effectively out of a sense of gratitude.

Thirdly there is motivation by bargaining. In this process the manager decides to be less authoritarian in regard to rules, regulations

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and the restrictions of the employees' freedom because, by doing so, he bargains for more effective performance on the part of the employees.

Finally we would have observed a process of motivation by competition. In this approach the manager adopts a system of inter-personal or inter-group competitions with the expectation that the individual or the group, as the case may be, will be motivated to out do the other and thereby increase the overall level of output.

Before we draw out the general characteristics of these four approaches let us examine very briefly their merits and de-merits.

In the first approach—motivation by threat, as we called it—the employee is really used as a tool to achieve the goals set by the manager.

In the second process the manager concedes to a certain extent the importance of the human element in his approach to motivation: but still, he uses benefits and facilities in order to get his subordinates to help him to achieve the goals he requires. He tends to be concerned with these goals far more than with the human element.

In the third approach the sense of independence which the employees have, their bargaining power and the benefits they obtain by bargaining are the main advantages that accrue to them in this process. However, in this case too, bargaining is a tool which the manager adopts to secure the co-operation of his subordinates in the achievement of his goals.

Finally, in motivation by competition, the sense of achievement which the employees will have in performing more effectively than their peers or peer-groups, is one of the merits of the system. However, competition is really a tool which the manager uses to satisfy his need for achieving organizational objectives.

There is a very significant characteristic in all these approaches, namely that, in adopting these processes, the manager is primarily concerned with his own need to achieve the level of output which the organization expects of him. In this process he is, in effect, making use of his employees—he is really manipulating his subordinates so as to satisfy his own needs. We used the term "motivation" in describing these four approaches: but the term "manipulation" would have been more appropriate.

The crucial factor in this distinction between manipulation and motivation is the consideration of the employees' needs. The importance attached to the consideration of the needs of the person being motivated is based primarily on two vital factors. Firstly, all human beings have needs: a person will have different needs and, at any given period of time, one need may attract his attention predominantly. Secondly, it has been observed empirically that one can motivate another most effectively only by satisfying the latter's needs.

This observation is based on a more fundamental principle—namely that all human behaviour is occasioned by a cause or stimulus, that this cause or stimulus, gives rise to a need or tension and that a human being adopts some form of behaviour to achieve a goal which, when achieved, will lessen or eliminate the need or tension. To illustrate this principle we could take the example of a hungry man. The man's empty stomach is a cause or stimulus which gives rise to his need for food: to satisfy

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this need he decides on his goal which is obviously the procuring of food: to achieve this goal he adopts a certain form of behaviour, and once his goal is achieved he lessens or eliminates the cause as well as the need.

Although people differ in their needs, it is possible for us to speak of human needs in terms of a basic pattern which is equally applicable to all.

Abraham Maslow who expounded his theory of the hierarchy of needs mentioned five basic needs which are common to all human beings. These are—

Firstly, our physiological needs such as food, clothing and shelter;
Secondly, our security needs—man needs to feel secure that he could continue to satisfy his basic needs without severe hindrance;
Thirdly, our social needs—our need to have friends and to be treated as friends by others;
Fourthly, our ego needs such as our need for recognition, prestige, status and independence; and
Fifthly, our self actualization need which is our need to achieve what we might consider to be our vocation in life.

These needs generally appear in the order which we have just mentioned. This hierarchical principle is generally true in that a person is seldom concerned about his higher needs (let us say, his ego needs) when his attention is devoted to lesser needs (let us say, his security needs). Of course there may be an occasional exception to this general rule.

Another important principle is that a satisfied need is not a motivator. A person who is satisfied in regard to his physiological and security needs is not likely to be motivated effectively by means of a salary raise unless, of course, the raise in salary will satisfy his need for prestige or status.

The principles we have examined could now be summarized as follows :—

(1) We all have needs. At a given time one particular need attracts our attention predominantly;
(2) One's behaviour is an outcome of these needs;
(3) Such behaviour is goal directed;
(4) Our needs generally confirm to a hierarchical order; and
(5) A satisfied need is not a motivator.

Now let us apply these principles to the manager's tasks of motivating his subordinates. In a manager's inter-action with his subordinates, he needs to be aware of the latter's needs. A subordinate will have many needs, and among these there may be one which attracts his attention much more than the others at a given time. Hence it is necessary that a manager should maintain a close inter-personal relationship with his subordinates, and he needs to do this as a continuous process rather than by fits and starts.

Sometimes, among our subordinates we may have one who idles. Such a person we have often described as lazy or indifferent. Fixing such labels does not solve the problem. The question is, have we tried to analyse the cause or stimulus which occasioned such behaviour and secondly, have we identified the type of goal which that person is seeking

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to achieve. Perhaps, that subordinate is having a very strong social need: may be, this need is not satisfied because his colleagues do not move as freely with him as he would have wished: it may also be that his boss gives him a cold shoulder whereas his previous boss treated him a friend.

We remember a significant incident where a certain manager assigned new tasks to two of his subordinates (let us call them Piyasena and Palitha). Almost daily he used to check with these two persons regarding the progress they had made on these tasks. Piyasena was very happy that his boss did so. But, Palitha was annoyed at this and mentioned to one of his colleagues "I cannot understand why my boss should, every morning, pry and probe what I am doing". Now, it seems clear that Piyasena was having a strong social need, and to him the visits of the boss satisfied that need. On the other hand it is very probable that in Palitha's case the social need was relatively satisfied and therefore a further satisfaction of this need did not act as an effective motivator. Probably he had a very strong ego need: probably he liked to be independent and he was seeking the prestige that would accrue to him if he did the job all by himself.

So, in a manager's inter-action with his subordinates, it is necessary for him to make certain assessments regarding his subordinates' needs and groom his interactions with them in terms of these needs. Thereby, he could motivate them by satisfying the need uppermost in their priority of needs.

In analysing the hierarchy of needs behavioural Scientists have adopted a medical analogy to describe the lesser needs, namely the physiological, security and social needs. They have described these needs—particularly the physiological and security needs—as hygiene factors. In as much as a person will fall ill if certain nutritional factors are absent in his physical hygiene, so will an employee be demotivated if these three needs are not satisfied. One inference from this observation is that a manager can motivate a person by satisfying these three needs only up to a point of reasonable satisfaction. Thereafter, the satisfaction of these needs ceases to be a positive motivator. Another inference is that we could motivate an employee positively only by satisfying his higher needs—that is, his ego and self actualization needs.

Considering the first observation we might ask ourselves whether in our social context we could consider the social needs as having very limited motivational potential. We are inclined to the view that we feel that social need to a greater extent than the Westerner. Our strong family ties and our keenness in community activities are manifestations of this. The lesson our managers could gather from this observation is that there is very great scope for motivating subordinates by satisfying their social needs. This is particularly applicable to the manager who is in his ivory tower cut off from the common man and from his employees lower down his ladder.

Regarding the second inference we hear the common lament that most jobs are routine ones which do not afford an opportunity for the satisfaction of ego needs. This may be true to some extent. However let us consider the following situation.

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A certain boss in a private organization noticed one morning that there was a breakdown in the office telephone system. Knowing that a particular subordinate of his was efficient in attending to jobs of this nature, he got Jayantha Silva to see that the situation was set right. Jayantha's normal tasks were of a very routine nature and this particular assignment was not part of his normal functions. Any way, he contacted a friend of his in the Department of Telecommunication and saw to it that the telephone system was set right in a few hours. The communication between the boss and this subordinate ended there. Recognition for the latter's efficiency was overlooked. The boss did not snatch the opportunity he had for satisfying his subordinate's ego needs even in a small way by complimenting him for his efficiency. In fact, Jayantha was so demotivated on this occasion that he firmly decided that he would never do this type of task again.

We have innumerable instances of this type both in the private and public sector. As managers we need to snatch whatever opportunities that arise to satisfy our subordinate's ego needs for prestige and recognition. By doing so we could make good, at least partly, the shortcomings in certain classes of jobs which do not lend themselves to job enrichment.

In motivation, what matters most is the attitude of the manager towards those whom he is motivating. A manager needs to cultivate the attitude of genuine concern for his employees as men and not merely as workers. In fact, in the cases of Palitha and Jayantha Silva referred to earlier, the managers involved in these situations might have been more effective motivators if they had the correct attitude.

A manager who is oriented towards manipulating his employees may adopt certain means to get his employees to perform better, but fail to achieve positive results in the long run. Whereas one who is oriented towards genuinely motivating his subordinates may adopt the same means and continue to obtain favourable and positive results.

Let us take the case of management providing facilities for sports contests and tournaments for its employees. If the manager's attitude is such that he treats these activities merely as a means of creating a sense of gratitude in the minds of his employees so that, thereby, he could "buy" their loyalty, then he is oriented towards manipulating his subordinates. Such a manager's inter-action with his subordinates will very soon reveal this attitude. Indeed, in such circumstances a false facade of genuine concern may help in the short run, but will be detrimental as employees become wise to the situation. On the other hand, if the manager treats these activities as opportunities for the employees to satisfy their need for prestige and sense of achievement and show this attitude in his inter-action with his employees, then he is oriented towards genuinely motivating his subordinates.

The process itself seeks to inter-relate and integrate the use of resources through organisations for the accomplishment of objectives. The elements of this process which has been examined so far, were the functions of organising, planning, controlling, co-ordinating and motivating. In this talk we intend to spotlight the functions of decision-

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making, communicating and leadership. These are three other equally important elements in the managerial process.

The function of decision-making is one which we all perform in our daily activities. For instance, a housewife has to decide what items of food she has to buy for her home, where these items could be bought at the least cost of required quality, and how these could be best prepared to satisfy the needs of her family. All these decisions are taken within the limits of the family budget allocation set aside for food consumption. Managerial decision-making reflects many of these characteristics and problems.

In identifying his purposes and objectives, the manager selects between alternatives. He has to decide on how best the resources of the organisation are to be allocated to each of its activities. The making of choices between one or another course of action is thus always with him. Decision-making by managers could be either simple or complex. Simple decisions involve a single choice among alternatives, whereas complex decisions are a product of a series of alternatives varying with policies, previous decisions and environmental uncertainties. Decision-making may also be either basic or routine. The difference between these two types is the magnitude of the consequences of error from decisions with regard to the organisation as a whole.

Managers also make either programmed or non-programmed decisions. The routine decisions which are repetitive could be programmed. But novel, unstructured and policy type situations normally call for non-programmed decisions. Some writers have also distinguished between different strategies of decision-making. Centralised and comprehensively planned decision making of a "synoptic" type is advocated by Tinbergen. However, Lindblom and others favour a strategy of disjointed incrementalism where decision-making is dispersed and essentially incremental in nature.

Decision-making as a managerial process is best made at the lowest level in the organisation which is consistent with good operations. In this regard, decision-making in both public and private sector organisations today is seen to be somewhat unduly centralised. People will support what they help to create. Thus participatory forms of decision-making are needed both within and outside organisations for generating greater responsibilities and commitment of employees and the public to development goals, policies and processes.

Common weaknesses of management decision-making in this country stem from hesitation to take risks, inadequate appraisal of adverse consequences, lack of awareness of objectives and a fear of change. Improving decsion-making processes within organisations would thus involve a better understanding of organisational aims and operations in conditions of uncertainty. Problem areas and issues need to be clarified and problem solving skills improved. Internal communication need to be strrengthened and linked to appropriate relationships between decision and action. Innovative action within organisations need to be encouraged and managers permitted to be adventurous in taking risks within limits.

The second element in the managerial process which we will touch upon in this talk is the function of communication. This process

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encompasses all human behaviour in organisations which result in an exchange of meaning. How well we manage or supervise often depends on how well we communicate. A manager's prime responsibility is to get things done through people. Neither the soundness of his ideas nor the reasoning embodied in managerial decisions alone is adequate. Decisions become effective only in so far they are clearly formulated and effectively transmitted to achieve the desired action or results.

Communication processes usually involve several elements—a communicator, the transmittal of a message, a respondent or communicatee, a response and a feedback. Communications may be downwards (as in the transmittal of policy and directives), upwards (as by the supply of statistics, information or reports), or sideways (as in matters of mutual concern, and requests for co-operation). Communications may also be oral, or written; individual or collective; or take formal or informal patterns.

Wherever practicable oral communications are preferable to written communications as face to face relationships enables clarification of doubts and chances of a more complete understanding. It is also said that the strength of a favourable response to an order is in inverse ratio to the distance the order has to travel. As such, oral communications confirmed in writing may perhaps obtain the best results.

Weaknesses in communication are usually traceable to the communicator, the receiver or operative conditions between the two. Barriers affecting the communicator are usually lack of interest of knowledge, lack of proper presentation by way of audibility or legibility, and attitudinal factors of status, hostility, amotion or differential perceptions. Similar conditions may prevail with the receiver who may in addition have preconceived ideas and some element of "deafness'. Weaknesses in the communication situation is normally due to "noise", distance traversed, delays and communication gaps.

If better communication is desired in the managerial process several methods may be fruitful. A manager must be well informed or in other words his span of information must be wider than his span of communication. He must have a positive belief in both the importance and effectiveness of communication and must establish a reputation for sincerity and truthfulness in his messages. Every management decision must be accompanied by a plan for communicating it to those who are affected. Decision-making must also have a sensitivity to feedback from such communications. Recent applications of cybernetics and information science systems to managerial processes has also tended to enhance the value of communications in the improvement of managerial processes.

The third element of the managerial process which we will touch on briefly is that of leadership. At present, more stress is laid on the functions of leadership, rather than on the personality traits of the manager as a leader. There is a wide range of leadership styles and behaviour from which a manager could choose. Three such styles could be broadly described as authoritarian, laissez-faire and democratic behaviour patterns. Each style has an effect on both the leader and the led and

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has different degrees of effectiveness under different managements situations and environmental conditions.

Tannebaum and Schmidt in a well-known contribution conceives leadership styles as an outcome of three influences—forces in the leader, forces in the group and thirdly, the situation concerned. The factors influencing the leader are his value system, his confidence in the group members, his own leadership inclinations and his feeling of security specially in the uncertain management situations. The factors influencing the group members are the need for independence by the group, their readiness to assume responsibility, the degree of interest understanding and identification with organisation goals, their extent of knowledge and experience and the expectation of the group in the sharing of decision-making responsibilities. The factors influencing the situation relate to the type of organisation, the extent of group effectiveness the nature of the problem itself and the degree of pressure on time which is inherent in the situation.

Leader behaviour of managers within the environmental context of this country today also involves a consideration of a few other factors. For instance, the leadership style which would be most appropriate should enable the optimisation of efficiency and effectiveness in terms of organisation goals. The level of employee motivation also need to be raised together with enhanced team work and morale. Finally, the leader style of management should induce an increasing readiness to accept change.

Another dimension to the managerial process of leadership has been added in the writings of Philip Selznick. He draws a distinction between an organisation and an institution. An organisation is conceived to be a technical instrument purely designed to achieve objectives, whereas an institution is imbued with value beyond the technical requirements of the task at hand. Apart from ability to survive and obtain resources from its environment, an institution is able to diffuse its normative and value system for compliance by other organisations and social groups within its environment. Thus according to Selznick one of the most important functions which has to be performed by a leader is the defusion of organisational value systems in order that these could become normative standards for strategic subsystems within a society. This emphasises on the process of institutionalisation as a function of managerial leadership has been taken up by a multi university research programme in America. This research programme which has been carried out in countries in Latin America,the Middle East, North Africa, India, Malaysia, Thailand and Phillipines and emphasises the value of institution building in Third World Countries. It would thus perhaps be of great value if such a programme is launched in this country too, with a view to stimulating more effective processes of institution building.

In conclusion, it may be seen that the above talks provided so far on the managerial process have isolated and elaborated on a few functions performed by the manager. The elements of the process which have been highlighted are those concerned with organising, planning, controlling co-ordinating, motivating, decision-making, communicating and leading. It may be realised that these functions are in separate categories only for

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the purpose of analysis. In actual practice all these functions are meshed and inter-related within a single managerial process. Perhaps it could be said that a significant contribution to the improvement of the management process could be provided by a better integration of all these different functions and roles which a manager has to perform into one unified and smooth going process. In the talks that would follow in this series, an attempt would be made to relate the managerial process and how it functions within the operational subsystems of management.

HOW CAN THE PUBLIC SERVICE OF CEYLON BE MOTIVATED? *

Dr. H. C. Uragoda and Others

The term motivation in the words of Linda King Taylor conveniently describes in one word a number of variables such as our need, incentive, drive, expectancy, reward, impetus and it is these variables which are important as they present within a person, can incite him to action, to want to be better and want to do better. By triggering this inner motivation managers can inspire their workers or motivate them to give their full potential, to give their best and thus maximise their human resources.

The new developments, operations, tasks, increased work-loads or stricter discipline cannot be effective, nor can improved productivity be achieved unless employees' needs, wants, aspirations, reactions, thoughts and fears are taken into consideration. This brings us to the necessity of analysing the probable causes of lack of motivation in the public service of Ceylon and evolve possible solutions in relation to the Maslow theory of the hierarchy of needs.

Motivation takes two forms, namely positive and negative. Positive motivation offers something valuable, eg., pay, praise, etc., for acceptable performance. Negative motivation uses or threatens punishment if performance is unacceptable.

Individuals act because of certain driving forces within themselves such as wants, needs and fears. It is the seeking to achieve the objectives to satisfy his needs that man spends his energy.

The central problem of motivation therefore is to determine as to how to induce a group of people each having distinctive needs and personalities to work together to achieve the objectives of the organisation.

Positive motivating factors can be analysed in terms of a hierarchy of needs.

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*Presented by a group consisting of Dr. H.C. Uragoda, J.F.R. Perera, W. Mediwakke, P. E. de Silva, D.J. L. Gunawardena at the Personnel Management and Industrial Relations Course, February, March, 1972.

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Physiological needs satisfy basic human requirements. As far as an employee is concerned basic human requirements are satisfied by the pay he receives in addition to other benefits, welfare facilities, etc.

Pay has to be determined by the cost of living and comparable wages in other spheres of employment. At present there is no scheme for the revision of salaries of public servants at regular intervals. There should be regular revision of salaries taking into consideration the above factor

Compensation in simple terms is how much money could be paid to respective jobs. Salaries in the public service are never related to the relative worth of jobs. Salaries in the public service are more related to certain outside factors and pressures, which are even more unrealistic. Base compensation, i.e., salary that is related to the job alone is not a motivating factor. It only acts as a factor that would hold a person to a job. Incentive compensation acts as a stimulant. There are complexities and difficulties in the enforcement of a satisfactory system of incentive compensation like measurement of norms and performances. However, this is a very important factor that would improve motivation. Like turnips to a mule nothing motives a man other than money. A satisfactory system of supplementary compensation, incentive bonuses, extra money for suggestions to improve service, developments, innovations and inventions is worthwhile trying out, as such schemes have already paid their dividends in most public corporations.

At present sufficient loan facilities are available in the public service e.g. distress loans, housing loans and transport loans. Relaxation of some of the rules governing loans will serve as an extra motivating factor.

At present public servants transferred to new stations find it extremely difficult to secure suitable housing for themselves and their families. Government quarters should be provided on a much more extensive scale, so as to motivate the public servants to accept transfers more readily.

The pension scheme has been one of the factors motivating people to take to and continue in public service. Withdrawal of the pension scheme has resulted in retirement insecurity, although provision has been made for a provident fund scheme. It is recommended that the restoration of the pension scheme be considered, particularly in Ceylon where the state has not yet made adequate provision to look after people in their old age.

Having satisfied the physiological needs an employee will seek to satisfy his social needs. He now wants to belong, associate, gain acceptance from his fellows, give and receive friendship. This sense of belonging could be created by better communication both horizontally and vertically.

Under the present administrative setup there is no recognition for individual employees in the public service. He is considered a mere cog in the wheel. It is important to create a sense of feeling that every employee irrespective of his grade or rank could and should make his due contribution towards the achievement of the desired objectives. The defect lies on the present span of control. It is so large and

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unrealistic in most cases that individual employees are individuals and nothing more, so that each man is not identified as an important component of the total enterprise. If the span of control is limited each man could be identified and motivated towards the achievement of the desired goal through positive and negative factors.

One of the simplest, oldest and widely practised among all employees as an important factor that stimulates motivation is promotion. Opportunities for advancement is one of the basic attractions in state and state sponsored institutions. Promotion places employees in positions that carry greater prestige, increased responsibilities as well as increased earnings. Thereby it acts as a factor that satisfies both security needs and ego needs of the Maslow hypothesis. It also indirectly acts as a factor that has a bearing on self-fulfilment needs.

In the public service, lines of promotion are well known to all public servants so well that many a time this has been the bone of contention between the Government and trade unions. However well the lines of promotions have been defined, the degree of acceptabiity of those lines among public servants is a question. The degree of acceptability of the lines of promotion varies from category to category.

Too long a time-lag between two grades and classes is one of the reasons that has resulted in employees resorting to a light attitude towards work. Although this problem is widely discussed among public servants, in the corporation sector this is not so. Corporations which have had certain degrees of freedom in spelling out their schemes of promotions have given thought to this problem and, the time factor between grades has been minimised. This has resulted in Corporation employees not being in the habit of comparing their jobs with those of the public service (meaning government departments).

Secondly, the fundamental base on which decisions are made regarding promotions is seniority. Merit as a factor to be reckoned with in the matter of promotions has been given little consideration. We are alive to the fact that seniority is one of the simplest and widely acceptable base on which promotions could be made, particularly in the public sector, where the actions are accountable to the public in many ways. But this again has been one of the disincentives as regards a stimulant. Giving a greater weightage to seniority or giving total consideration to it, provides little incentive to good work, and does not create an interest among employees to improve their skill and knowledge. It also drives out younger and capable men and it does not attract capable personnel. Due to these reasons, the necessity arises for a realistic and a practicable system whereby merit and performance appraisal is given equal or more weightage in promotion. This again has its defects in so far as the actual execution,and problems with regard to favouritism, etc., may arise. But it is worthwhile as it undoubtedly has its own advantages.

An employee depends on his organisation for order, supervision, decisions affecting his work and for continued employment. Also arbitrary or unpredictable sections which create feelings of uncertainty and

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favouritism are threats to work life safety. Hence it is necessary to avoid arbitrary actions and to minimise favouritism in the public service.

Worker participation in management is now considered an important factor in motivating workers to achieve the objectives of an organisation. This gives each employee a sense of being consulted, and a sense of recognition, as a factor to be reckoned with. One of the serious drawbacks in the public service is the lack of participation of employees in management. All grades and categories of employees in a particular department should be consulted not only in respect of the day to day routine work but also in matters of policy making, etc. The appointment of Advisory Committees has satisfied to a limited extent the need for worker participation in management. However, according to the present system, it is not incumbent on the part of the management to accept the suggestions made by Advisory Committees, as the status of these Committees is more or less demi-official. Experience in other countries particularly Yugoslavia has shown that the direct participation on the part of the worker in matters relating to management has resulted in a higher rate of motivation and greater productivity. Therefore it is necessary that worker participation in management should be more official than demi-official. One important way in which worker participation in management could be achieved is by a proper system of communication both vertical and horizontal.

Another draw back in the public service is the lack of work targets based on planning, programming and plan implementation. If work targets are set up it becomes incumbent on the part of all employees to make his due contribution towards achieving the set target. Implementation of plans should be periodically evaluated with a view to ascertaining the bottle necks and other hazards. Having ascertained, action should be taken to eliminate such hazards by instituting appropriate action. Perhaps it may be argued that planning and setting up of targets is practicable only in commercial enterprises. This analogy is not acceptable. On the contrary it could be said that planning and plan implementation could and should form the basis of all government undertakings irrespective of their functions. Work without proper planning is a waste of capital and human resources.

At present the procedures, rules and regulations in the public service are so rigid that decisions invariably take the form of transcriptions from the 'Book'. This fact was realised in the setting up of state corporations where varying degrees of flexibility has been given in both the preparation of rules and regulations, and their execution. What we want to stress is that the age old Administrative Regulations and Financial Regulations should be recast with a view to giving greater flexibility and greater freedom in decision-making within the limits of public accountability Decisions in any undertaking have to be made at the very lowest possible level. Because of the rigidity of rules and the very natureof the administrative organization the mechanics of decision-making has taken a rigid routine, and this has resulted in people down the line taking the attitude of unimportance. This is the reason for most people to behave in the 'submitted for orders' pattern. We feel that large scale administrative reforms are necessary in the public sector.

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The old concept of 'subject clerk' has to be changed to give a more dignified and a responsible outlook. This alone would create a sense of importance and thereby better motivation.

Among all sectors of employment in Ceylon the most attractive is the public service. This is because the state has taken the form of a secure and responsible employer. But the very fact of safety and security in the public service has manifested a sense of complacency among public servants towards their work. In the Public Service Regulations inefficiency and negligence have been highlighted as acts of misconduct. But the extent to which these two factors have motivated employees, to give their best is in doubt. It has been said that the public servants are sometimes not even giving their minimum. In the private sector despite a variety of laws governing workers' rights inefficiency and negligence takes a serious form in determining the continuance of employment. Stricter discipline, would not lead to increased efficiency. But a proper machinery to deal with inefficiency would be feasible in increasing the degree of motivation in the public servant.

The main malady among all public service enterprises in this country in simple terms is that "people do not work". It takes little time to arrive at the fundamental reason for this ever present grievance. The question is "what is the attitude that a public servant shows towards his work?" Although a basic theory cannot be expounded to cover all areas of public sector enterprises in Ceylon, one could say that the average public servant has shown and continues to show a lethargic attitude towards his work. Whatever incentives the Government strives to give the employees if the employees do not change the lethargic attitude towards their work, the productivity and efficiency of the public service will continue in the same unsatisfactory manner. The Japanese experience has shown that, more than anything else, the Japanese workers' attitude towards work is the fundamental secret behind her massive productivity and high rate of economic growth. This brings us to the question of how well this could be done.

In Ceylon, the public service has taken the form of a fictitious character. It does not take the form of an identifiable human or physical character, so that a wide sense of ownership is not present. Ownership is a motivating factor. It mostly takes the form of a positive motivating factor, in that when there is ownership, people strive to arrive at certain set targets. In the public service managers as well as employees do not in the ultimate analysis belong to a group nationally present with a goal in their heads so that, they have merely become machines doing the minimum. This generates lethargy. To avoid that more education and training geared to national objectives is necessary. Every group of public servant should be educated, that each man's contribution is very necessary to the advancement and build up of the nation as a whole. The present state of underdevelopment of the country, the concrete nation building plans ahead, and the individual contribution of each group towards the goal should be impressed upon public servants. Unless the average public servant changes his attitude towards work no amount of incentives or factors for motivation is going to help.

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PROFESSIONAL DEDICATION AS A COMPONENT OF ORGANISATIONAL PERFORMANCE

B. M. Sharma & C. Prasad

Administration of organizations, large or small, has come to be recognized as an universal and indispensable phenomenon—a worthy discipline. Its influence cuts across all the social and economic systems and its poor functioning is painfully felt at the production points—at the ultimated performance of the system. Scientific and efficient administration and management, however, has yet to be fully realized as a fundamental prelude to production in developing nations and more so in their public sectors. The concept of development administration has now gained currency. This appears to be a haply development where problems and subjects of developmental tasks and complexes are given due cognizance while marshalling the material and non-material organizational resources for efficient production.

Broadly speaking, a dynamic and scientific management system would like to deliberately, consistently and carefully strike at three crucial points for better performance: first, personnel; initial personal, professional and situational backgrounds and continued concern for sharpening these aspects; second, professional dedication as a strong determinant of personnel performance, for its inadequacy can even leave the initial basic potentialities in the dormancy which would rust with the passage of time; and third, the organizational working conditions being created and provided to the working army—even the best working conditions may not be fully utilized if the personnel lack professional dedication. Thus, the professional dedication is an area which should attract the attention of the students in administration. Chavan (1969) has rightly stressed, "If devotion to profession leads to paralysis, detachment becomes remoteness, examination turns into procrastination, cross consultation brings about abdication of responsibility and thoroughness results in debilitating delay, the objectives of administration however, laudable, are to a large extent, defeated."

Identification and quantification of constituents of professional dedication is not an easy task in view of its difficult subjective nature. An attempt, nevertheless, has been made in this study to this effect in the context of the extension personnel of the community development organization working at the C. D. Blocks. This exploratory study would further lead to more precise and depth studies contributing toward understanding the vital component like professional dedication of the organizational incumbents.

Concepts and Methodology

In order to identify the basic contituents of professional dedication, the term professional dedication was conceptualized as a sincere attachment and devotion to one's profession and duties. The word profession is commonly used for any occupation, but all occupations are not professions. The occupations which require specialized competence and

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where only qualified individuals can enter for the jobs are really the professions. Dedication is something eternal, a characteristic of and individual which may vary in degree from individual to individual; it is the expression of giving the best of one's potentiality and talents in his or her assignments. In subjective terms, several factors can be conceived of contributing to the professional dedication. Nevertheless all can not be accurately measured; one has to be selective at that. With this theoretical concept in view a good number of items were collected making use of relevant literature, discussion with the concerned staff of the community development departments, various professors in the Universities, and personal experiences and observations.

A pilot study was further undertaken with a view to gain deeper insight into the problem. All the items so collected were then grouped into a few major components. Each major component of professional dedication consisted of several sub-components—the indices or indicators.

A list of the major components and their respective sub-components so prepared was then sent to 80 judges who were specially selected from among the administrators in the field of C.D. and extension services and social and psychological Scientists with a view to add, delete or modify the components or sub-components. Further, to quantity the components, the judges were asked to give weightage to each sub-component out of ten marks keeping in view its (sub-component) importance in measuring the professional dedication of extension personnel. The responses of 67 judges out of 80 were received. After deleting the ambiguous responses, the opinion of only fifty judges were considered for the study. The coefficient of concordance 'W' proposed by Knedall was calculated to know the consistency in weights given by different judges. The perfect agreement and the least agreement among the judgements of the judges is known when the value of 'W' is one and zero respectively. Chi-square was also calculated to test the significance of the value of 'W'. The data are presented in Table 1. It was found that the value of 'W' for all the components was considerably high and significant either at five per cent or one per cent level of probability. It means that the ranks of the weights for each such components as assigned by the judges were significantly consistent. As such, all the major components and the sub-components which were sent to the judges were considered as the constituent components of professional dedication of extension personnel. Had there been a sharp divergence of opinion between the judges on any of the components or sub-components, the procedure would have been to drop out or modify the controversial component. As such nine major components and 56 sub-components (excluding subject-matter-knowledge and undertaking items) were finally identified as the constituents of professional dedication.

On the principle stipulated by Goode and Hatt (1952) it was presumed that all the components and the sub-components might not be of equal importance and therefore, there might be variation in interpreting the results. So to further strengthen the validity of the scale, the weights for each of the component and the sub-components was calculated separately. The average mark for each sub-component was

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the weight for that particular sub-component. The weight for the major component was the pooled weight of the respective sub-component taking 100 as the base.

Table I.—Major constituent components of professional dedication of extension personnel concordance values and average weights

Components	*Co-efficient of concordance values*	*Weight taking 100 as base*
Knowledge and understanding	0.98*	93.50
Public responsibility	0.62*	74.50
Initiative	0.95*	70.10
Anxiety for work	0.93*	69.80
Aspiration	0.89*	69.70
Job responsibility	0.95*	68.33
Career satisfaction	0.95*	66.00
Contribution	0.95*	14.86
Professional relations	0.49*	59.00

* Significant at .01 level of Probability.

Data in Table 1 revealed that the nine major components were identified for measuring the professional dedication of extension personnel. The Co-efficient of Concordance values against all the nine components indicated that the judgements of the selected judges in assigning the weight for a particular component was significant at .01 level of probability. The pooled weightage for major components showed that the subject-matter-knowledge and understanding was given the highest importance in assessing the professional dedication. It scored 93.50 marks out of 100. The other eight components which followed were: Public responsibility; Initiative; Anxiety for work; Aspiration; job responsibility; career satisfaction; contribution and professional relations. The weights of the sub-components are dealt with while describing the major components.

Components and their Weightages

Subject Matter, Knowledge and Understanding

This component was given the topmost importance in assessing the professional dedication of an extension personnel. It is an established fact that man cannot import rare insights into his work and exhibit innovating skill in any activity without a certain degree of knowledge and understanding of basic principles involved. Each category of job requires different type and varied amount of subject-matter-knowledge. With an appropriate knowledge test the subject-matter-knowledge and understanding of an individual can be judged and the scores for his professional dedication may be allotted considering the weights.

Public Responsibility

The second vital components of professional dedication was the public responsibility. It was believed that those who pay more respect to and keep a sense of moral obligations for the public for whom they were recruited, be rated high on the dedication scale.

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While further analysing the data, nine sub-components were identified to assess the 'Public responsibility" of an individual. The first important component under this head was 'habit of taking impartial decisions for the public' (8.0). The other eight sub-components were personal interest in rural welfare programmes (7.7) ; efforts made in achieving the job targets (7.6); sense of responsibility for assigned duties (7.6); use of talents in extension work (7.4); establishing relations with the clientele (7.4); prepared to work beyond the official schedule (7.0); priority to official work than to personal ones (6.6); and helping attitude for the public (6.5).

Initiative

The component 'Initiative' occupied third rank in the scale of professional dedication. This component was referred to as the risk-taking capacity of an individual. It was assumed that there are certain opportunities for every individual where he may overlook some risk to get the work done quickly and effectively. The person who has capabilities of demonstrating self generated action in a particular situation is regarded as a man of initiative.

There were six sub-components on which the level of initiative of an individual could be measured. They were: application of own judgement in the emergency (7.5); taking prompt decisions (7.1); unmindful of personal hardship for work (7.1); trying new things and ideas (7.0); oversight of certain rules and regulations for effective work (6.5); and design new ways and means for greater service to the public (6.4).

Anxiety for Work

Anxiety for work was identified as the fourth important constituent component of professional dedication. The component was referred to in the context of the intensity of the concern of the individuals for their professional achievements. Four sub-components of the major component 'Anxiety for work' were identified. It was the apprehension of the judges that extension personnel should sincerely defend the situation when the extension work is somehow mis-represented. This view was considered as the pivotal one in assessing the 'Anxiety for Work' of the personnel. The weighted average for this sub-component was 7.6. The second, third and fourth important sub-components of the 'Anxiety of work' were: feelings of an individual when his work is left behind the scheduled programme (7.2); concern after some decisions are taken (7.0); and the concern for the work when on leave (6.9); respectively.

Aspiration

Aspiration of an individual for his professional prosperity reflect his professional dedication. The judges ranked this component fifth constituent component of professional dedication. It may be spelled that higher level of aspiration in the profession accelerate the developmental programme, as a man decides to act for a particular job what he perceives of the whole situation. Ten sub-components were identified to measure the aspiration of an extension personnal. They were: Aspirations for maintaining relations with extension workers (8.0); holding higher positions in future (7.9); higher education and training (7.8); encouraging

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others for higher qualifications (7.1); enlarging extension activities (6.6); extension publication (6.4); maintaining personal library (6.3); staying longer in service at one place (6.3); and own farming (6.3).

Job Responsibility

The component 'Job responsibility' was identified as the sixth important constituent component of professional dedication. Six sub-components were recorded to analyse the 'Job responsibility' level of an individual. The first one was knowledge and understanding of his own 'duties'. (7.6); followed by the duties of co-workers (7.5); knowledge of various extension programmes in action (7.1); service rules and regulations (6.6); power given to the senior extension personnel (6.5); and progress trends in extension programmes (5.6).

Career Satisfaction

Attitude of extension personnel toward extension profession as a career was identified as the seventh important component of professional dedication. It was realised that a person who has negative attitude towards his present job might not necessarily be having negative attitude towards the extension as a professional career. In this context, the 'Career satisfaction' component was further analysed and six sub-components were identified and quantified. The first importance of them was satisfaction in use of talents and energy (7.0) followed by further prospects (7.0); liking for extension as a profession (6.8); advising others to join extension profession (6.6); satisfaction with the relative importance of extension work (6.1); and satisfaction with the recognition and awards in extension profession in general (6.0).

Contribution

While identifying the component 'Contribution' it was felt that under the circumstances whatever contribution is made by the personnel for enhancing the extension profession indicates their contribution potentiality and thereby professional dedication. The component 'contribution' was placed at eight position according to its relative importance on the dedication scale. There were seven important sub-components on the contribution scale on which the total contribution of an individual could be assessed. The sub-component 'Achievements in extension targets' (7.1) was given the top priority. The rest six sub-components were: contribution in rural welfare programmes (6.8); arranging training programmes (6.4); developing teaching aids (6.3) and solving rural problems (6.1).

Professional Relations

The 'professional relation' was identified as the ninth—the last constituent component of professional dedication. The context in which this component was considered on the scale, was that, those personnel who tried to keep relations with professional staff as well as institutions, were interested in their profession too. Nine sub-components were further identified to know the professional relations of an extension personnel. They were: participation in professional gatherings (6.5); knowledge of professional societies and educational institutions (6.4);

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personal interest shown in professional societies (6.3); contacts with C.D. Block level personnel (6.2); interest shown in extension literature (6.1); contact with district level officers (6.0); relations with communication agencies from village to National level (5.4); contact with State level extension officers (5.2); and contact with National level extension officers (5.0).

The scale points in the present study were assumed to be spaced at equal intervals and the scale points ranged from 1 to 5. These five points may be interpreted according to the continum used. To illustrate, the respondent will get 1, 2, 3, 4 or 5, score when he gets a check under very little, little, somewhat, much, very much respectively.

Analysis Procedure

The statistical analysis for assessing the professional dedication of an individual or a group of personnel may be made on the basis of weighted average. The weighted average, for an individual as well as a group may be calculated as follows :—

Individual Weighted Average

Individual weighted average on a particular component is the ratio of the summation of multiple of weightage of the sub-components and scale scores to the weightage of the components. The same may be expressed as $= WA = \frac{\Sigma W}{\Sigma W}$ for an individual..

Where WA = Weighted average
S = Scale scores
W = weights of the sub-component.

For an example, in the component—Public responsibility there were nine sub-components of different weights. The responses recorded for a village level worker are shown in Table 2.

Table II. — Computation of weighted average for a VLW on the component—Public responsibility (an illustration)

Sub-components	*Weights* (*W*)	*Scale score* (*S*)	*W S*
1	8.0	2	16.0
2	7.7	3	23.1
3	7.6	2	15.2
4	7.6	2	15.2
5	7.4	3	22.2
6	7.4	3	22.2
7	7.0	3	21.0
8	6.6	2	13.2
9	6.5	2	13.0
Total	65.8		161.1

By substituting the values in the formula—

$$WA = \frac{\Sigma WS}{\Sigma W} \quad \text{We get: } WA = \frac{161.1}{65.8} = 2.44$$

In a similar way WA for other components may be calculated and interpreted. The overall professional dedication may be calculated by polling the WA for all the nine components and taking average of it.

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Interpretation

The weighted average score may be interpreted according to the predetermined classification as mentioned below :—

Very much dedication	.. ..	4.5	to	5.0 WA
Much dedication	.. ..	3.5	to	4.49 WA
Somewhat dedication	.. ..	2.5	to	3.49 WA
Little dedication	.. ..	1.5	to	2.49 WA
Very little dedication	.. ..	1.0	to	1.49 WA

The weighted average for 'subject matter knowledge and understanding' may be calculated through a knowledge test. If an individual obtains scores between 75 per cent. to 100 per cent. 60 to 74 per cent; 50 to 59 per cent.; 40 to 49 per cent.; and less than 40 per cent. on the knowledge test, he may be awarded 5.0 WA, 3.5 WA, 2.5 WA, 1.5 WA and 1.0 WA respectively and interpreted on the professional dedication scale in the same way as in case of other components.

Summary

Identifying and quantifying the constituent components of professional dedication is one of the burning problems of today. It is the common feeling in almost all the organisations that the persons who are dedicated to the cause of their profession are being treated at par with the non-dedicated personnel and even sometimes non-dedicated personnel are given undue benefit over dedicated personnel. Under the circumstances, it is very essential that a scale be developed through which the professional dedication of the personnel be identified and may be interpreted in quantitative form without indulging into the sights of impartiality.

In the present study an attempt has been made to identify and quantify the constituent components of professional dedication of extension personnel. A large number of items related to the problem were collected through relevant literature, discussions with the experts and own observations. Finally, a list of nine major components and fifty-six sub-components (excluding the first component subject-matter-knowledge and understanding) was prepared which was then sent to eighty judges for their comments as well as for quantifying the components. After deleting the ambiguous responses, the judgement of 50 judges was considered for the study. Co-efficient of concordance was calculated to know the consistency in their opinion which was found significant at .01 lever probability. The average weights for each such-component and the major component was later calculated for quantifying the professional dedication of the personnel.

Thus the scale contained nine major components and fifty-six sub-components. For assessing the subject matter knowledge and understanding a special knowledge test be developed and grades be awarded to the individuals as explained earlier.

Looking into the delicacy of the problem, it is justified here to suggest that more researches of this kind be undertaken by the Social Scientists and the problem be hit from various angles so that we can better measure the professional dedication. Such an understanding of the personnel will go a long way in improving and training them.

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GUIDELINES TOWARDS THE IMPROVEMENT OF THE DECISION-MAKING PROCESS IN PUBLIC SERVICE ORGANISATIONS*

Raja G. Gomez

Decision-making is probably the most fundamental function of a manager in the sense that anything that proceeds from his desk is an instruction or a suggestion to proceed (or not to proceed) according to a certain course of action. Thus the managerial decision-maker is called upon to choose in this fashion between various alternatives, whether they be various plans open to his organization, various people whom he may select to staff it, various styles of leading his subordinates, and so on.

One may expect at first sight that every decision would be taken on the basis of pure rational argument. It has been pointed out that this is not always the case, but to be able to appreciate the extent to which non-rational considerations can enter the decision process, it is necessary

* This article is based on a lecture given by the author at the Sri Lanka Academy of Administrative Studies.

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first to break up the process itself into stages. We may also see in this way what other lessons can be learnt from the analysis. We may hopefully be able too, to bring greater order into our own particular techniques of decision making by making such an analysis

Stages of the Decision Making Process

Various authors have analysed the decision making process into varying numbers of stages. The analysis that follows, which is based on Duncan's approach (2), is perhaps as good as any.

In the first stage we must be clear about what the objectives are of the particular decision we wish to take. It is very often possible in the public service atmosphere to go on taking "decisions" without really being clear about what is being aimed at. This is undoubtedly one major reason for the generally poor level of decision making in the public service, and it arises from an uncritical acceptance of simply doing what the man who sat in the desk before you did last week, last month or even several years ago.

At this stage it is also perhaps necessary to be clear about the policy structure within which one operates. Certain policies we may wish to adopt (or to avoid) but it may not be up to pass judgment upon them. and it is rational to accept this fact at this stage. One may perhaps wish to examine as many alternatives as possible without being constricted by considerations of this type at this stage; however, in this case, this restraint must be clearly kept in mind at later stages when the alternatives that will be developed are being examined.

It is also necessary at this early stage to be clear about the significance of the decision one is trying to take. By this is meant that the level of effect of the decision must be clear at least in the very broadest terms, though here, too, we may decide at a later stage to drop certain alternative decisions we are examining because their possible effects and consequences are to be avoided.

To enter the next stage of decision making, we must now start collecting as much information as possible which is relevant to the decision we are trying to take. We must ensure that, along with this information, we have around us the necessary skills and knowledge to examine and appreciate the information. One of the difficulties encountered at this stage is that we can never be clear enough about how much information we should collect. And when is our information complete? A good guideline is to remember that we shall never have all the information that we need for perfection. If we were to make ourselves "fully informed", we should probably never be able to take a decision in time: that is to say, the decision itself would be stale by the time it is taken, or others may have gone ahead of us and, in effect, the decision that we would have taken would really have been the decision to do nothing.

There are some specific temptations that we must resist. One is the temptation to postpone decision making on the basis that the information is too little (for then, as we have seen above, the decision may well be a "non-decision"). Another temptation, to which the public service is very prone, is to appoint a committee at the slightest provocation. The

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appointment of a committee may be justified in certain cases, but it is well to remember that there is no guarantee of any relevant information being collected by such a committee. We tend to appoint committees, as Dale and Michelon have pointed out, to seek safety in numbers and to spread responsibility (1), but the results of the operations of such a committee may not quite often justify the appointment.

In the public services we often find it necessary to appoint committees to investigate some problem, to collect further information and to make recommendations. These are very important, valid and legitimate functions of committees. But it is rarely that a committee can really make a decision, and in such cases they would not be committees in this sense of the word, but some definite point of the decision making process in the organisation. A Cabinet or Council of Ministers or a Board of Directors or even a Staff Conference in a Department are examples of this type of "decision making committee".

We come now to the third stage of decision making which is the setting down of all possible alternatives open to us. However, just as we realised that we can never have all the information we need at the second stage of our decision making process, we should realise at this third stage that we shall probably never be able either to list all the possible alternatives that may be open to us. This may be occasioned by lack of time, by lack of skills, by lack of knowledge, by lack of resources, etc. Whatever the reason, it is always realistic to accept that there may be another alternative that has just not surfaced. Particular attention is drawn to this point because in the public services we often tend to short-circuit the process of listing of alternatives and to select the first decision that strikes us. There is a great difference in the thinking mechanism involved in this stage between members of public service institutions and members of commercial organisations. The lessons should be very clear.

The separation of alternatives will also help to highlight another distinction that may have to be made, namely the necessity for a short-term decision as well as or in place of, a long term decision. But we are often content in the public services with taking a short-term decision and ignoring the long-term aspects or, less often, vice-versa.

It may also be suggested that at this stage it may be very useful to draw up a decision table or a decision tree or other semi-graphical device which will set out with some degree of visual intensity the alternatives and the consequences of each decision alternative so that the next stage of the process becomes somewhat easier.

The next stage is making the choice between the various alternatives that we have set down in our third stage. To many people, this is the very core of decision making. At this stage the decision process becomes very personal for this is a job for the one decision maker and no one else. True, he may appoint a committee or ask someone else to make a "decision". But in such cases his "decision" is merely to push the decision making responsibility on to someone else (and this may be a valid delegation) or simply to procrastinate till a further report comes to him. In real terms there is no escape from this stage of the process and all human activity stems from the imperatives of this stage.

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Several things must be noted about the consideration of alternatives. not the least important of which is to realise that doing nothing or postponing a decision are themselves decision alternatives sometimes open. These are used perhaps more than they ought to be in the process of public service decision-making.

Clearly our assessment of alternatives must proceed according to scientific methods. The processes of deduction and induction, of carrying out further experiments on alternatives and of stimulating consequences are among the approaches available to us.

It is perhaps necessary to speak briefly about two common terms that are experienced in discussing decision-making. One is intuition, the other is experience.

By experience I refer to that peculiar interaction of skills and knowledge which have been gained almost subconsciously or unconsciously (rather than as the direct effect of conscious training) by repeated exposure to pleasant and unpleasant effects of earlier decisions made by the person concerned or by others. The scientific marshalling of facts or their examination plays very little role in this process whereas, I suspect, they would have played a much greater role in some of the other factors which are listed below as constituting intuition.

Intuition, as Duncan points out, "has come to be one of those vague words which people use when they do not know what they are talking about and are not going to admit it". (3). But nonetheless, it is widely used in decision-making, and he sees intuition as a combination of four different factors, namely, knack or flair, skills acquired through training, intensive knowledge, and an interest in that area of decision. To this we should add perhaps a fifth factor, namely, what we spoke of above as experience.

It is necessary to be clear about these terms because we often hear, particularly from those members of organisations who are senior in age or have long service behind them, that they make decisions by intuition or by experience. As we see from the analysis we have just made, such decisions may carry with them their own dangers for there is no guarantee that all reasonable alternatives have been sufficiently considered.

To revert to the question of alternatives, we need perhaps to mention differences in two of the broad approaches available to us at this stage.

One approach may be to consider the whole problem purely in qualitative terms and this is often quite sufficient. But it may also be necessary to try to give some sort of quantitative value to the various alternatives open to us. This is easier in some instances than in others. But on the other hand, we must not adopt a quantitative approach purely for the sake of doing it. We must ask ourselves the question whether it is indeed meaningful to give some quantitative value to the various decisions. Much progress has recently been made in this area and measures of utility, as against simple financial or other considerations, are now becoming more and more available to assist in this process. The question of how much a decision should be based on quantitative considerations and how much on qualitative considerations is one to be settled in each case on its merits.

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The very mention of quantification is a pointer to an element in the analysis of alternatives which is sometimes forgotten especially when decisions are made from a purely qualitative base. This is the fact of some quantum of risk or uncertainty being allied to the effects of every decision that is being made. We must therefore, consider each alternative along with the consequences that may flow from it and the probability of their occurrence.

Many executives in the public services are also often troubled by questions of efficiency and fairness in decision-making. They often find for instance, that in order to make a fair decision, they need much more information than they have, but which would be exceedingly time-consuming to collect. On the other hand they would be quite willing themselves to admit that a rapid decision may be more helpful to the person or persons affected by it. This is a trade-off that public servants have to learn to adopt in each instance, because as we have seen, the delay in the collection of information may itself invalidate or make stale the final decision.

We do not often in the public services measure executive decision-making capacity by the efficiency of the decision. With the public services taking on more and more developmental decision-making, rather than simple routine administrative decisions involved in governing a country, it seems necessary to clarify in what instances the efficiency of decision-making should not carry greater weight. A different aspect of considerations of fairness and efficiency is examined later.

The last stage of our decision process is the implementation of the decision. Some of us may not consider this strictly a part of the process but it certainly deserves mention as a rounding off of the material of the decision, since it forces consideration of aspects of practicability of the decision, and of control over it, which may otherwise be forgotten or be only insufficiently considered.

Efficiency and Fairness in Public Service Decision - making

We noted above that there seems to be some difficulty in the public service climate of giving sufficient stress to efficiency in decision-making. It seems sometimes that efficiency can be obtained only at the expense of fairness of judgement. If this really were so, it would be both dangerous and counter-productive. What I do suggest is that efficiency and fairness are not necessarily exclusive of each other in public service decision-making, but rather that, owing to the bureaucratic structuring of these organisations, loss of efficiency seems to be a unintended consequence of the emphasis on fairness. (In certain instances the reverse may also be true).

The following model I propose on the basis of my own observations may be useful in suggesting how these unanticipated consequences may occur and may throw some light on what preventive action must be taken in each organisation to reduce their occurrence.

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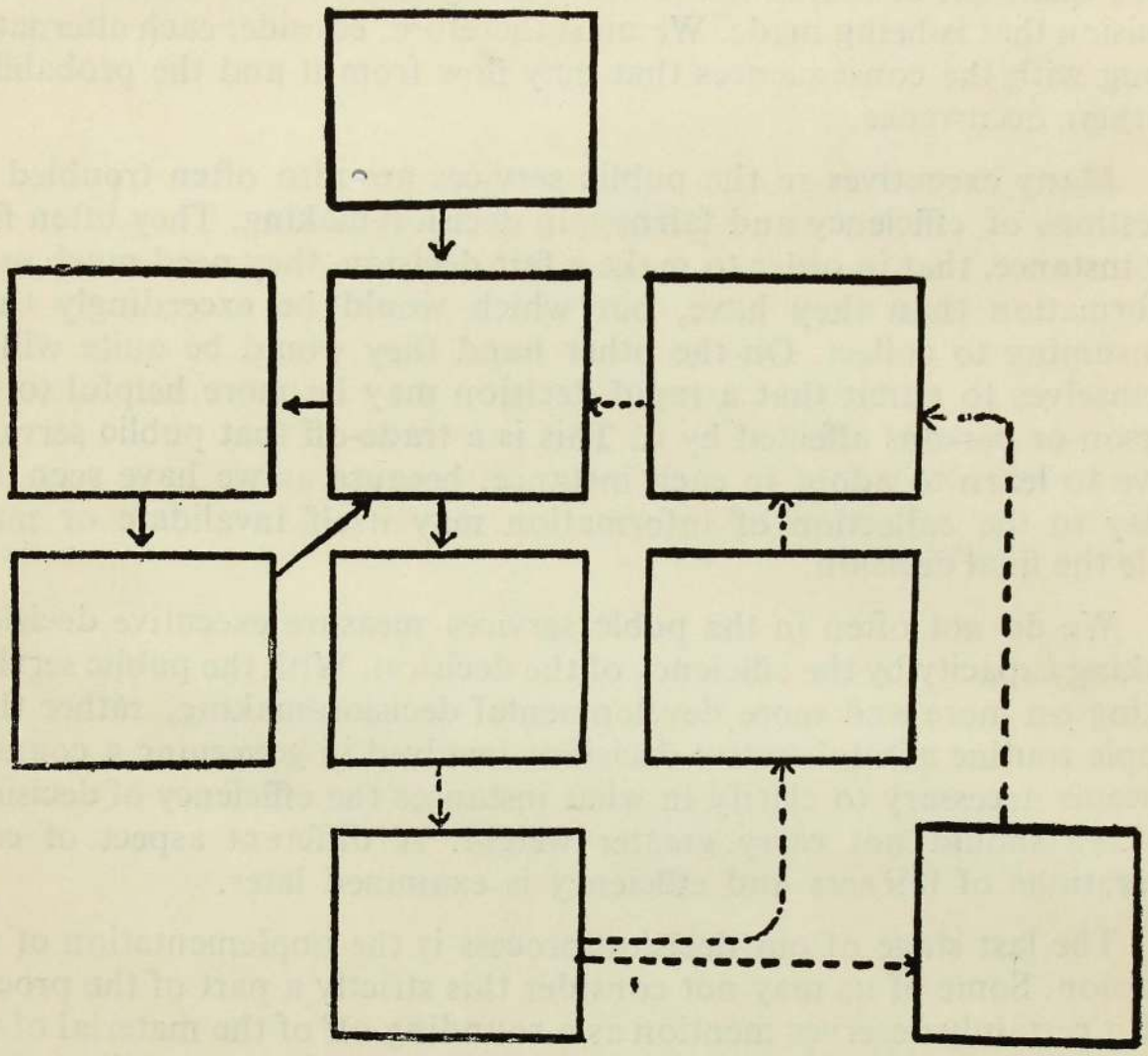

——— Intended Results
..... Unintended Results

What I suggest in this model is this. To achieve fairness of judgment, we have to develop rules. These rules should be such as to permit certain virtues of public bureaucracy to be aimed at, namely, openness, use of discretion, flexibility of judgment (permitting handling of the exceptional case) and, of course, speed. The exceptional cases that are thrown up should be pointers to the review of policy and the development of new rules. Unfortunately the use of rules, as all students of the bureaucratic phenomenon are well aware, leads to rigidity of behaviour and the tendency to categorise problems to the extent of using categorisation itself as a decision technique. When this happens there is insufficient consideration of the alternatives open to the decision maker, resulting in a loss of efficiency as far as the decision process is concerned. The tendency to think in categories also leads to dissatisfaction on the part of one's clients because of the loss of individuality involved. Either result will lead to increased supervision being imposed, resulting in the development of further rules which will be ad hoc regulations rather than well-considered policy formulations.

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It should be clear therefore that action needs to be taken at various points depending on each organisations structure and task to prevent these unintended results taking place.

It should also be clear that, while fairness and inefficiency do not appear to be unincompatible, the stress on fairness may lead to an unfortunate loss of efficiency owing to the weakening of some point of the decision making process.

Levels of Decision Making and Types of Decision

We may consider now the levels in an organisation at which decisions may be taken. It may be useful in this regard to keep in mind Herbert Simon's division of decisions into programmed and unprogrammed areas (5). By a programmed decision is meant one that constantly recurs and can be fitted into the routine of an organisation. An unprogrammed decision, on the other hand, means one that has to be handled specifically because it has not occurred before. The use of such a dichotomy in the public service structure should be more or less obvious at first glance, for most such organisations are structured in a pyramidal fashion in order that that routine decisions could be taken as far down as possible. But the methods of operation of such organisations rarely lend themselves to the consideration of decisions within this very framework. It is often left to the person lower down to make a decision as to whether the required decision is a programmed or unprogrammed one: the consequences can be perilous for the organisation as well as for the public who are its clientele. It is therefore necessary for such organisations to have rapid procedures for separating out the non-routine decisions from the routine ones in the first instance.

Consideration along these lines will also considerably assist in the process of delegation of duties down the line and give a signal when the delegation progress is not functioning smoothly.

The level within an organisation at which a decision is taken must also be related to the degree of risk inherent in the decision and its consequences. As has often been pointed out, decisions which will be valid over a long time span are correlated with a high degree or risk and must be therefore taken at a higher level than otherwise. Decisions which can legitimately be considered as carrying little risk would be those whose effect will be valid only for a short period. These will generally be routine decisions, but it is necessary that the system should easily provide a signal if the degree of routine is not as great as originally programmed for.

It would be a very useful exercise for public service organisations to spend some of their time analysing specific areas where either delegation or its lack seems to be affecting their smooth working. This, too, is an exercise that is very rarely don.

Community and Decision Process

To be of any use a decision must also be communicated, as soon as possible after it is taken, to all those who have to carry it out as well as to those who would be affected by it. (It may also be necessary that certain decisions be not communicated too widely). We must realize too

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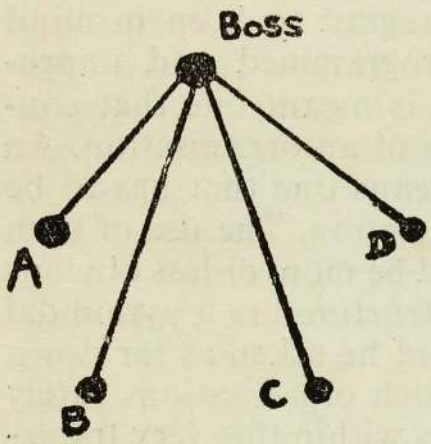
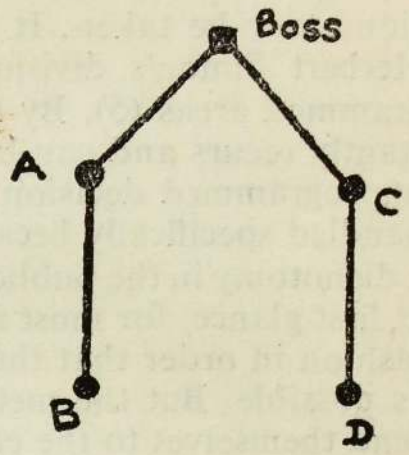
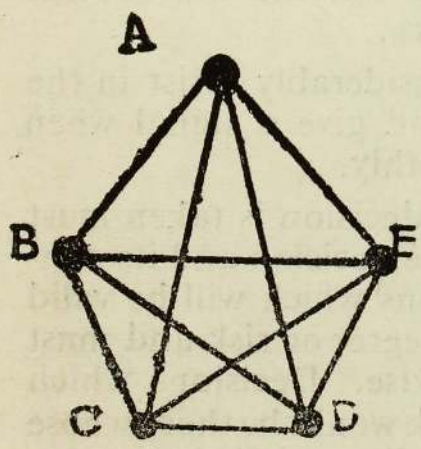
that the method of communication adopted to convey and carry out one particular decision may not be suitable towards conveying and carrying out some other decision. But in the public service structure this is not an approach that is considered at all. We tacitly assume that one structure is good enough for carrying out all decisions. Leavitt and Bavelas, among others, have shown the dangers inherent in this assumption (4).

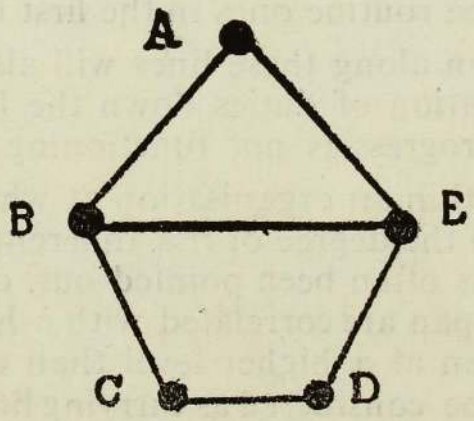
They considered various communications structures such as

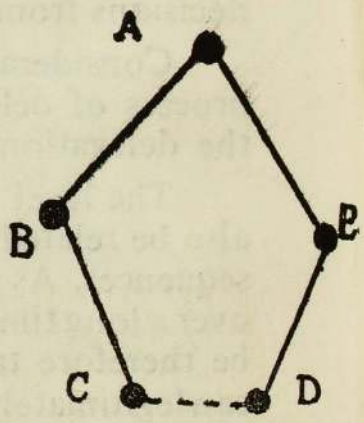




in which all communication is through a superior, as well as other channels like







They found that there is no one answer to the question which of these channels (or any other) will get the best results. This depends on both qualitative and quantitative aspects of the problem being tackled. This is a very important lesson especially for the public services, where we hardly even consider whether an organisation structure is able to take the strain in a given situation (whether in a problem of communication or otherwise).

Rationality and Habit in Decision-making

Lastly we come around to the question of rationality in the whole process of decision-making. We now accept, as forcefully pointed out by Simon, that objective rationality is not always possible in decision-

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making (6). For one thing we may not have complete knowledge of facts and certainly our knowledge of consequences will be always fragmentary. For another, assigning values to future consequences is also an imperfect process. Thirdly, as we noted earlier, we will never be able to list all the alternatives which we have to consider in the process of decision-making for some of them will be beyond our range of skills or knowledge. And finally we may add to this list of the circumstance that the possible range of decisions may be very seriously affected by the practicability, and constraints on applicability, of each alternative being considered, some of which considerations may not be foreseeable.

We should perhaps end with a brief discussion on the effect that habit formation has on decision-making, especially in the public service. It is very common to find senior public servants telling their subordinates or other audiences that they make decisions based on "habit". This means, when analysed, that they react in the same way to situations that appear similar. If this means further that the routine aspects of decision-making are being separated from the non-routine aspects, something important in itself would be achieved. If, on the other hand, it means that this is not being done but an immediate response is being blindly given, the danger should be obvious. While there may be no irrationality in the process, the chances are that objectivity would be greatly reduced. We should therefore be rather suspicious of ourselves if we find ourselves taking decisions without some degree of hesitation, especially if the decisions are being taken at a fairly high level of the administrative ladder. Hesitation does not necessarily indicate incompetence; it should indicate the reaction time needed for the consideration of alternatives.

Conclusion

We have analysed the decision-making process with particular reference to the structure of, and climate surrounding this activity in, the public services. Clearly there is large scope for a general strengthening of each stage of the process and those stages which appear weaker than others have specifically being identified, with some consideration of what may be causing the particular difficulty. It will certainly not be a bad idea for public servants to review the stages they themselves use in their own day-to-day decisions and to examine in an individual and personal manner what improvements they may be able to make for themselves.

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MECHANICS OF DECISION MAKING

(*A pint of view*)

C. S. Chinniah

Introduction

Decision making is the number one function of management. A manager has to make things happen, get things done and produce results within a given time, making optimum use of his resources, human and material. In doing this he has to make innumerable decisions. His efficiency as a manager therefore largely depends on his capacity to make decisions correctly and quickly. Among the several attributes a manager must possess is courage and this is chiefly required in the area of decision making.

In the past management was generally regarded as an art. It will remain an art to the extent that intuition or horse sense continues to play a major part in decision making. Management, however, is now spoken of as a science with definite disciplines and techniques. Decision making is clearly not a question of "guesstimating" but rather a rational process based on a scientific approach.

Characteristics of Decision Making

When and why do human beings have to make decisions?

A man has to make a decision when he finds himself in a situation about which two things can be said—

(*a*) It is the kind of situation in which he must do something.

(*b*) It is the kind of situation in which he is not quite certain just what ought to be done.

As long as you know what has to be done in a situation, there is no problem about decision making; you just go ahead and do it. For example, if you are the only competent swimmer present when some one is obviously drowning, you don't debate within yourself whether you should rescue him or not. You just take the plunge and try to save his life. On the other hand when you are not quite sure what ought to be done, when you don't know which of two or more possible lines of action is likely to be the best, then you must stop and think. As a result of your thinking you make a decision to act in a certain way. Therefore, the first characteristic of a decision making situation is that it forces us to think about the situation and analyse it, to know just what it is and what factors are contained in it. When doing this we realise the need for more knowledge about the matter in question. The second characteristic is that our thinking forces us to increase our knowledge about the area.

The soundness and reliability of any decision must therefore depend upon two factors:—

(*a*) Ability to think and analyse a situation.

(*b*) Knowledge we possess or can acquire, which can be brought to bear on the situation.

Clear thinking without knowledge will not guarantee a sound decision, and extensive knowledge without clear thinking is no better

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guarantee. A sound decision, therefore, is the healthy child of a happy marriage between clear thinking and relevant knowledge.

Steps in Decision Making

Decision making is an intensely personal activity. But it can be either haphazard and conducted on a hit or miss basis or it can be systematic and based on a regular and habitual method. In other words there is a general plan of decision making. This plan comprises the following seven steps:—

(1) Understanding the problem clearly.
(2) Formulation of objective or aim.
(3) Gathering relevant information—collection of data, getting all the facts.
(4) Analysis of the information.
(5) Listing alternative courses of action.
(6) Consideration of all the alternatives and deciding on a single course of action.
(7) Implementing the decision by a plan or set of instructions.

Understanding the Problem Clearly

This is the foundation on which the decision making process rests. Mr. Krishnamurthi, the famous Indian philosopher and savant, when asked a question about a problem, sometimes began his reply by saying "The answer is in the problem". What he obviously meant by this cryptic answer was that a clear understanding of the problem is the first requisite for its solution. It will provide a lead for the answer. If the problem is nebulous or vague in our minds. we certainly cannot make a sound decision—in fact we can hardly arrive at a decision. The first step, therefore, is to define the problem and determine all the factors affecting it.

Formulation of Objective or Aim

You cannot really do anything unless you know either what you want to do or what you ought to do. A clearly formulated objective makes the performance of the subsequent steps easier and more effective. It is a psychological fact about the human mind that when it has a definite aim in view, it automatically develops a concentrated and focussed alertness of attention. This automatic concentration of attention must be made use of in the decision making process—when we analyse the situation in the light of clearly formulated objectives.

Determining the objective is therefore crucial to the making of a sound decision. This has to be defined clearly and precisely and this requires, calm, clear, dispassionate and reasoned thinking. Spelling out the problem on paper often helps to identify and clarify the objective. Seeing something in writing facilitates clear thinking about it.

A managerial decision should be in alignment with the main or overall objective of the Organisation. It should be made only in terms of the objective and will be good only if so made. Decisions which do not achieve the objective are theoretically bad, although they may be ethically and morally sound. Administration is a series of decisions at all levels. There is a common tendency to deal with papers and files as if they were mere abstractions, without any co-relation with the objective. Administrative decisions like all decisions have to be objective oriented.

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Gathering Relevant Information

The decision-maker has to get himself well informed about the elements in the situation within which he has to realise his aim. Acquiring the necessary knowledge about the situation forms the basis of any sound decision. This raises two problems. First, how do we know when to stop the process of gathering preliminary information about the situation before taking the decision? Secondly, since we have to contend with the constraint of time, we must stop somewhere, and hence our information is bound to be incomplete. How then can a sound decision be made on the basis of incomplete information?

The data on the basis of which we make a decision can never, in the nature of things, be complete. In all the preliminary thinking and assessment of the situation we are analysing it as it is in the present and we are also making forecasts about possible and probable reactions on the part of other persons in the future. We may get pretty good knowledge of the situation as it is, but about the future, whether it is about persons, things or events, we can never have detailed knowledge. If we could know the future in detail there would be no problem about decision-making as our line of action would be obvious. The problem arises precisely because the future cannot be forecast with detailed accuracy. The data on which action must be based are always and necessarily incomplete; hence the element of risk, which must accompany a decision and which frightens the drifters, if this is so, why then should we bother with all this preliminary gathering and analysis of data, and careful formulation of objective? Why not just go at it baldheaded like those who trust in intuition? The answer to this obviously is that there is all the difference in the world between rational thinking and guesswork. It is basically the difference between trusting to luck and relying on judgment, and these are two different things. The whole preliminary process of gathering and analysing the information is really an attempt to reduce the element of luck in a situation.

In all decision-making there is a factual area and a speculative area. If the factual area is 100% or 99.99% there is no problem. However, if the speculative area is greater, then comes the problem in decision-making. For good decision-making we must reduce as far as possible the speculative area, and this is what step three seeks to achieve. Administrative processes, therefore, should help to achieve this. Minutes and reports in files should serve this purpose. Good administration in one sense is trying to find equipment that will enlarge the factual area.

If we cannot have complete information, then how do we know at what point to stop gathering it. Perhaps we do not and cannot ever know. We must rely on what judgment we have.

The decision-maker must try to be sure of his facts. Facts are incontestable, irrefutable, unarguable, although it may be argued that a fact is not really a fact. It must also be realised that not all facts are immutable. With progress and change, today's fact may be out-of-date tomorrow. However, to the extent we can, we must try to get the facts. In the absence of proven facts, we must fall back on available information, which is reliable, and on opinions, which are well founded.

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There are two points to be stressed in this connection. First, we must try to get as much genuine objective information as we can in the TIME available. Secondly, we must resist the very natural temptation to postpone the moment of decision by spending too much time on gathering and analysing information.

Traps to be avoided

(*a*) *Misdirection.*—This may be described as getting the right answer to the wrong question. In getting information from somebody the real problem is to ask the right question—the question that will pinpoint the problem, making it clear what information is wanted from him. One of the easiest ways to be misdirected is to try to find out something without revealing anything—going on a fishing expedition, so to speak—trying to get the answer without asking the question directly. This will certainly be a case of blind leading the blind, the man who does not know the answer is trying to get them from a man, who does not know what information he is supposed to be supplying.

(*b*) *Bias.*—One has to get information from the right people and not from those who have an axe to grind. Every experience in a man's life contributes something to his inclinations and prejudices in one direction or the other. He may disregard his inclinations and prejudices but he can only do so with an effort. If he does not make this effort, or does not recognise the need for it, BIAS will be reflected in his actions and words. With almost everything, social and moral, status, political and other implications built into it, the presence of bias must always be considered. It is often sufficient to know that it is present and we can adjust our thinking accordingly.

(*c*) *Interpretation.*—Decisions combine fact and theory. They are choices made by interpreting things in the light of things believed. The same set of facts or the same information may be subject to several interpretations. One must be on guard against the interpretation, which using facts arrives at a distortion of them. This distortion need not be deliberate, and may arise quite unwillingly. An interpretation may be a distortion in our eyes only because it has misled us.

(*d*) *Jumped-at conclusion.*—This is a common human failing, which the decision-maker must consciously guard against.

Analysis of the Information

Not only must we get all the available information, but also we must analyse it carefully. We must weigh the facts. To some we may have to give greater weight than to others. We have to ask the question, which factors, what aspects of the problem are important in the contingent circumstances? What is relevant and important depends upon the nature of the problem—the law of the situation. On the same set of facts two persons can come to different conclusions, sometimes diametrically opposite, depending on what factors are considered important.

An important step in decision-making is to apply what knowledge we have to the facts, and to discover their real *meaning* in the context. In the absence of direct personal knowledge, we must seek advice, or even if we have the knowledge, we may find it wise to confirm our own thinking by checking the opinions of staff or getting the counsel of

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an associate whose wisdom and experience we respect. We must be able to review the advice we receive in the light of our own knowledge

Listing Alternative Course of Action

At this point we should distinguish between finding out what we can do, what it is possible to do *and* finding out what we ought to do, what it would be best to do.

It is a fact of psychology that human beings tend to see only what they want to see, and this is seldom all that there is to be seen. It is therefore a sound principle always to assume that there is at least one alternative more than those you can first think of and to try to discover it. This will be a guard against subjectivity.

Often a number of alternative decisions may be possible, which are likely to achieve the objective. They have to be weighed, one against the other, and their relative merits and demerits carefully examined in the context of the existing situation.

If you do not list alternative courses of action, you may indeed achieve your aim, but at unnecessary cost. A possible alternative which you had not thought of might have been simpler and less costly than the one you selected.

An important point to be stressed in this connection is the need particularly in the field of administration, for not being guided solely by precedents, but rather of creating new ideas or ways of tackling a problem. Precedents, although useful guides to action, cannot be followed blindly or rigidly, as they may not be valid in every case.

Regulations, administrative and financial, which are necessary in any Public Organisation, are not designed to act as a brake on achievement of objectives and should not be taken cover under for failure to make the decision that the law of the situation demands. Whatever the regulation a way has to be found to achieve the objective. This applies to all techicalities.

Making a Decision Between the Open Alternatives

The obvious question to ask at this stage is this. Which of the alternative courses of action is likely to achieve the objective best in the contingent circumstances? This is the moment when you must be prepared to take a risk, the risk that in choosing alternative *A* rather than alternative *B*, you might be wrong, but this cannot be avoided, for this is what taking a decision means—taking a risk. What distinguishes a rational decision from an irrational one is precisely that a rational decision is based on careful prior analysis. But nothing can alter the fact that at the moment of actual decision, you are, as it were, poised over the possibility of error. The chances of error are however greatly diminished if all the preceeding steps have been carefully considered When you have decided on *A* rather than *B*, then you must take the plunge; you must commit yourself fully to *A* and not go on looking backward wondering whether it might not have been better to do *B*.

We can never be sure in advance that the decision we make is the best. But as Omar Bradley, former Chief of Staff of the U.S. Army has pointed out, a second best decision quickly made and vogorously

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carried out is better than the best decision arrived at too late and half heartedly carried out.

Decision making involves taking calculated risks. Intelligent risk taking, however, has nothing to do with bravado and fool hardiness or with impulse and dumb luck. Constructive risk is always based on fact and preparation and guided by reason.

Implementing the decision by means of a plan or set of instructions

If your decision is one that requires that other persons assist in carrying it out, then you must issue instructions. You must develop a plan of communication paying meticulous attention to all detail and with instructions so precise and clear as to exclude all possibility of their being misunderstood.

The objective which the decision seeks to achieve should be spelled out in clear and unmistakable terms to all those concerned in its execution, so that every action taken will be in alignment with the objective. However soundly a decision may be arrived at, it can be negatived or frustrated if any loop holes are left for failures in communication.

If the decision is one that you must carry out for yourself, then you need a *plan* which takes you from the alternative on which you have decided right up to where you want to be or what you want to accomplish. In long-term, far ranging or high level decisions, the need for the plan is more obvious than in short-term ones. If, for example, as the officer responsible for the Agricultural Develo nent of a region, you have decided on the development of certain areas in that region, you will have made the decision after a great deal of preliminary analysis of various factors, but even so, a great deal of detailed planning has to be done before the first crop begins to grow on the land in question. On the other hand if your decision is so simple as that of buying some more chocolates, your plan will amount to little more than reminding yourself where the nearest shop is.

Follow-up

It is obviously a wise practice to check the results of any decision taken and implemented. An appropriate questionnaire for this purpose may be as follows:—

Did the decision achieve the objective?

If not why did it fail to do so?

Was this failure due to:—

(*a*) Incorrect or insufficient facts;

(*b*) Distortion or wrong interpretation of facts;

(*c*) Not weighing the facts properly;

(*d*) Wrong judgments of the comparative importance of the relevant factors of the problem;

(*e*) Not identifying and clarifying a sound objective in relation to the overall objective;

(*f*) Not considering carefully all the possible alternatives;

(*g*) Failures in communication.

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A manager who habitually evaluates his decisions in this manner will improve his technique of decision-making by so doing.

Conclusion

A sound and reliable decision emerges from a methodical procedure which allows thought, knowledge and experience to be brought to bear on the situation. Experience is certainly a valuable asset in decision-making. It is to some extent a matter of "getting the feel of things". Without experience the intelligent man has no sure foundation on which to work and he must be given time to acquire it. Without a technique of thinking even the man of experience must trust to luck more than any sane man should.

In decision-making there will always be a speculative area. In this area, the human factor is the important element. It is the influence of this factor in decision making that determines the good or bad administrator. How can we deal with this human factor? The only possible answer is by training. In solving a mathematical problem, one who is trained will approach it in a certain way and solve it. Another equally brilliant but untrained will not be able to tackle it. It is so in administration as well. The administrator to make good decisions must have not only knowledge but also judgment. It is the ultimate quality on which a manager will be rated. Judgment can be improved by training.

The manager today faces a bewildering array of scientific techniques like operations, research, network analysis, decision trees, behavioural research, cybernetics etc. He can use them to solve his problems, to facilitate his decision-making, particularly in complex areas, or to baffle and confuse himself. The technological revolution of this century has brought into being highly sophisticated machines like the Computer, which can help the manager to arrive at the right decisions provided the right and requisite data are fed into it. But by themselves, neither the installation of computers nor the adoption of sophisticated systems will provide data that do not already exist. However ingenious they may be, they are no substitutes for data collection. Whatever the sophistication of the mathematical models used. things will not come right in the end if there is deficiency in the data collection. Both computers and mathematical models can make an invaluable contribution to better decision-making provided they are coupled with the discipline of good management. Mathematical expertise and sophisticated techniques are not likely to yield any better result than the application of common sense ideas by an intelligent and knowledgeable manager. Mathematical tools will undoubtedly help in cutting through the complexity of the range of data that need to be considered in making managerial decisions today. In the final analysis, whatever the field there are perhaps no substitutes in decision-making for mature value judgment.

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COMMUNICATIONS TAXONOMY AND INFORMATION HANDLING IN PUBLIC SERVICE SYSTEMS

Raja G. Gomez

This paper is an attempt to collect some ideas regarding the taxonomy of communications within Public Service systems with special reference to the Sri Lanka situation and to highlight some points which arise in the processing of information collected through the various means of communication (1).

In a sense this paper is also a follow-up on the writer's previous paper relating to the improvement of the decision-making process in the same type of public service system (5). What will be suggested herein is not a general taxonomy or general guidelines for the improvement of information processing methods. The writer believes that public service systems, even of the most elementary types, are too complicated and too diverse for such generalities to be made. The suggestions that will be made are such that hopefully will permit an analyst to develop his own scheme within his own sub-system for the analysis of his communication system and thereby the improvement of his information processing network.

Information, Communication and Management

There are many definitions of information and it is not the writer's intention to go into discussion of such definitions nor to analyse them here. For our purpose it will be sufficient to accept that information is a description of some given fact or concept in a manner that makes details of the fact or that concept intelligible to the person to whom it is directed.

The communication process is then the method whereby information in a continuous or discreet stream is conveyed to the audience. It will also be readily accepted that different types of information will require different types of communication systems for such information to be passed in the most efficient and intelligible manner. This therefore readily shows us why a great amount of attention must be paid to the classification of communications and the processing of the information that is passed through these communication systems.

It may also be relevant to note at this juncture that while information passed through an inefficient network may result in misunderstanding, the positive aspect of the same problem is that the communication is able to and should choose that system which permits one to work best with the person to whom the information is sent, that is, in such a manner as to make the best use of the information. Peter Drucker's famous statement about the manager's work and what he describes as the only tool to carry out this work is relevant here :—"The manager has a specific tool: information. He does not 'handle' people; he motivates, guides, organises people to do their own work. His tool—his only tool—to do all this is the spoken or written word or the language of numbers"(2).

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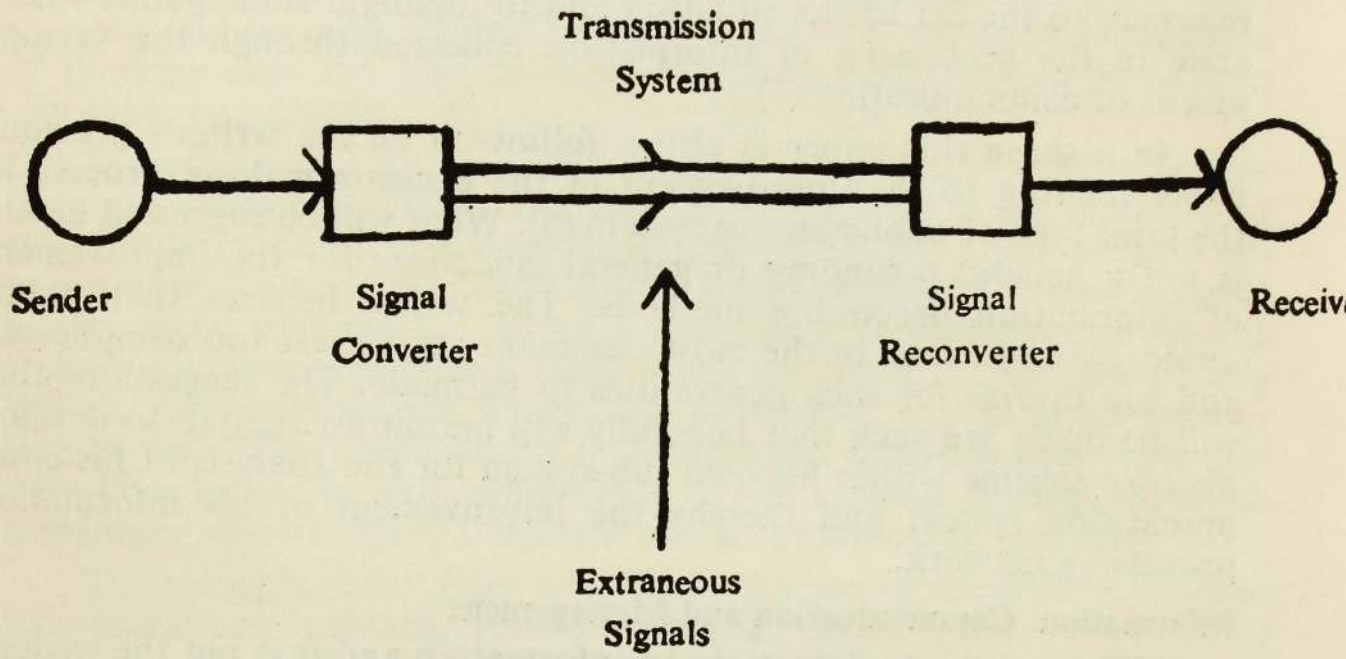
The Essentials of a Communication System

We noted above that information is transmitted through the communication system. Without delving too much into the theory of information and communication, we can note here some of the types of danger and abuse that can creep into the communication system through which information is passing or has to be passed.

Diagramatically such a system can be simply represented as follows —



We note here the existence of several different entities. First, there is the person sending the message. Second, there is channel or system used for the transmission. Third, there is the method of sending the information through the channel which may involve coding to some greater or smaller extent. Fourth, there is the method of converting this back into the original message. Fifth, there is the person who receives the message. Sixth, there is the extraneous matter which can cause garbling of the message as it passes through the channel thus causing a different message to be received by the receipients; it may also be noted that this garbling could be due to errors in coding and transmission or in translating it back.

An analyst who wishes to examine the communication system with which he is concerned must therefore be very clear about a number of questions relating to the message or information being transmitted. He must, for instance, be clear about who is transmitting to whom and for what purpose. He must be clear about how the transmission is to take place. He will also probably have to be clear about when the transmission is to take place.

Unless these questions are answered a taxonomy cannot be built up since such a taxonomy, if it is to be useful in practice, must necessarily consider the type of message involved, whom the message will affect, the leavel at which the message would be transmitted, the possibility of time available for reaction and so on.

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Identification of Characteristics and Dimensions of a useful Taxonomy

As was stated at the beginning of this paper, the purpose of the suggestions made herein are to enable a working executive to analyse his communications network in such a way that he will be able to improve on the system he uses. At this juncture therefore it will probably be useful to indicate how the characteristics upon which a taxonomy can be built acquire dimensions which have to be analysed.

One of these characteristics, for instance, is being able to classify the various types of messages that have to be sent. This is the backbone of the taxonomy and is dealt with in greater detail as we proceed. But two dimensions of this characteristic will be mentioned for purposes of this illustration. (Analysis of dimensions will not be carried further in this paper, only the main characteristics being treated in detail.)

One dimension of this characteristic is to recognise what causes the necessity for a communication to be sent. This "triggering" of information generation may be caused by some event or by some effluxion of time or by the combination of both. Thus one might require some informtaion to be sent when a letter is received from another Department (event-triggering), or on a certain date (time-triggering), or either when a letter is received or by a certain date even if such a letter is not received (combination of event and time triggering). A clear recognition of the causes of information-triggering is important so that an effective communication channel may be devised for the information transmission and receival.

Another dimension that deserves mention is the type of organisational structure within which the communication is sent. This becomes particularly important under the recognition that information is sent for the purpose of conveying a decision or so that a decision may be taken by the recipient or when a reply is received from the receipient. It is not the writer's intention to go into this aspect in detail—reference may be made to some of the papers mentioned in the Bibliography at the end of this article (e.g., (6), (7)). What may be noted here, however, is that the lack of a suitable structure may often affect not only the rapidity of communication but also other aspects of the efficiency of transmission which may extend even to garbling of the message.

We now go on to mention characteristics usually worth analysing so that the basis of a taxonomy could be laid.

Elements of a Taxonomy

For the purpose we have outlined above, the following characteristics will need examination:—

(a) The type of communication (e.g., whether written or oral, etc)·
(b) Persons intended to be affected by the communication.
(c) Level of transmission and importance of the communication.
(d) Effect of the communication.
(e) The time span within which the communication should take effect.

We now proceed to examine some basic aspects of each of these elements in greater detail.

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(*a*) Types of Communication

There are two major categories into which communications, viewed as specific entities, fall. These are dependent on their properties in regard to permanency and in regard to repetition.

A permanent communication is generally a written one (it may be more correct to use the adjective "visual" rather than "written"), as distinguished from an oral message. It may be necessary to note that these distinctions can sometimes overlap; for instance, a message on a dictating machine may be permanent or temporary according to the way in which it is viewed, and similarly a face to face talk, while not being visual in the sense of being written, may convey much more than the words because of the use of facial expressions, etc. (a visual element).

The second property is in relation to repeatability of a message of communication or act. Here a constantly repeated communication would be referred to as "routine" while something done for a special purpose would be non-routine or "ad hoc". This is important because much of Governmental activity requires the conversion of ad hoc communications into constantly utilised routine once: accordingly the procedure may need to be revised and the case will also arise where a stop will have to be called at some stage of a constantly repeated communication procedure once it has outlived its usefulness. The lack of review procedures in regard to this area is one of the very great defects in public service communications systems.

It may be useful to revert at this stage to some further aspects of written/oral communication and to proceed to list some of these with their identificable features in great detail so as to permit easy examination when a taxonomy is prepared.

The common types of written communications in public service systems are the following:—

(*a*) *Minutes.*—This is perhaps the commonest types of written communication and is used to refer to the passage of information on a written file from one official to another. It is loosely used to cover many of the other types of communication which are detailed below (for instance, orders). The extension to which something which can be done in a oral discussion is reduced to minute writing is an aspect which any executive can usefully examine. In this connection it may be noted however, that especially in public service systems, one tends to reduce what would otherwise be satisfactory oral communication to a written form because of some statutory necessity or to safeguard oneself in the event of queries at a later stage (e.g., this could be quite legitimate as in an audit procedure or less legitimate, e.g., to cause harassment).

(*b*) *Reports.*—This term is used to refer to a specially prepared and often detailed communication which is a complete summary of certain facts relating to an event, a procedure, etc. Reports may be required at pre-determined intervals on a routine basis. or they may be called for a special basis. In the former case they will be triggered by a time or an event requirement: much of decision-making in Government Departments is slowed down by insufficient attention

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to the need for such reports on a due date or at a due time, which would thereafter have to be called for resulting in lengthy, detailed and unnecessary correspondence.

(*c*) *Queries, Inquiries and Clarifications.*—These terms refer to written communications asking for further details so that a decision or the required assistance can be given. Many queries are in the form of minutes especially within a given working unit. Cases do arise where one unit sends a special message to another unit and this is a situation that must be carefully examined when it arises to ensure that such duplication of communication (that is, involving separate office copies, etc.) is necessary under the circumstances: insufficient examination of this often leads to confusion and delay in office work.

(*d*) *Memoranda and Proposals.*—These are usually non-routine communication which a subordinate submits to a superior or one unit to another in order to change some procedure of work, to initiate some new scheme, and so on. The terms are used, especially in Government practice in this country, to refer to more weighty matters than are referred to under the term "minutes", e.g., reference of matters to the Cabinet.

(*e*) *Decisions and Orders.*—Of course a decision may always not be an order but it will generally lead towards one. These are the culminations of all other types of communications. Once a decision or order is given, it is generally carried out accordingly though in a very few instances a subordinate or an adviser may have to point out some flaw which prevents the order being carried out efficiently. A superior can obviously obtain very important information about the work-load of his subordinates and the efficiency and accuracy of their work by an examination of the level at which an order is given, the examination preceding it, the rapidity with which it is given (though this may not always be a totally desirable characteristic) and so on. This type of examination is all too rarely done perhaps because of the lack of information about the level of decision being taken. This results in a vicious circle and the carrying out of correspondence on a "ping pong" basis (especially with members of the public) can often result if insufficient attention is paid to these characteristics of subordinates' decision-making by their superiors.

(*f*) *Miscellaneous.*—There are categories of communication which cannot be sufficiently summarised into these groups but which may become important under certain circumstances: for instance, suggestions from the public as to the importance of a procedure may not at all times fall under any of the categories above, but, say, if such suggestions have been called for by a Commission or otherwise, they may then fall under the category of Memoranda.

Oral (that is, generally impermanent communications), may be categorised into the following types:—

(a) Face to face discussions,

(b) Telephone discussions,

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(c) Conferences, seminars and meetings which are face to face discussions of several individuals rather than two at a time (it is necessary to note that conferences can now be arranged without face to face meetings by means of telephonic internal communication system.

This examination of the types of communication clearly shows that a decision is necessary before a particular system is used as to whether the communication needs to be oral or written and whether it will be occasioned by routine or special considerations. This will also help to distinguish those cases where a discussion can be conducted orally (and the result reduced to writing and, if further necessary, signed by both parties) from these cases where correspondence in a written form is absolutely necessary.

Clearly each type has its own benefits and its own disadvantages and no single decision can be taken as to "which is better". The lesson is that, in order to take this decision, the objective of the communication must be clearly known.

(*b*) Persons intended to be affected by the Communication

Another important characteristic of a communication is the question of who is to be affected by it. According to the answer that would be given to this question we might decide to use appropriate methods suitable to the level or person who may be affected but we have also to keep in mind the quantitative aspect, that is, that many persons (or indeed organisations) may be affected. Clearly, if many are going to be affected a different approach would have to be taken from the case in which a few would be affected..

Consideration of this point also becomes important in making some analysis of how many different types of communications each different type of person is called upon to handle in the course of his work and how many of these should justifiably be handled by that level of person.

(*c*) Level of Transmission and Importance of the Communication

A brief reference has already been made to the level at which a communication may be transmitted.. Apart from the point of view of who the persons are who are affected, it is also necessary to keep in mind the aspect of the importance of the communication in relation to the level of transmission.

The importance of a communication may also require particularly expensive methods of transmission, for instance, which may not otherwise be used..

The devising of some means by which the importance of communications can be gauged has preoccupied the minds of analysts right through the history of management. One of the particular difficulties that arise in the public service system is that what seems very important when stated say, by a visiting VIP, may not appear so very important after being reduced to cold written words after the VIP has left. But these are problems not of taxonomy itself but rather of the general process of management.

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(*d*) Effect of the Communication

From the two considerations above, some sort of idea will be derived of the total effect of the communication both in qualitative and quantitative terms.

The executive must be very clear about the effect which his communication should have since this will often affect the method of transmission he uses as well as the very statement or expression of the communication. Too often a transmitter feels sorry for having worded a message in a particular way when an analysis after the event shows that he has used words totally at variance with the effect he intended his communication to achieve.

The intended effect is also related therefore to the attitude with which a person will receive the message. It is necessary thus for both sender and receiver to be always of what each other's attitude might have been or will be.

(*e*) Time Span

Another aspect to which careful attention must be given is the time span within which a communication should take effect. If the sender is alive to this problem, he will not, for instance, fall into the trap of loading qis subordinate with too much work at a particular instant of time; conversely if the receiver is clearly aware of this problem he will safeguard himself against being loaded with too much work.

The implications of reaction time and its analysis are exceedingly important for communicating executives. Too often we see an official especially of the type who has an indeterminate work load to attend to, being burdened with many pieces of work of an exceedingly important type which ultimately results in a total change of attitude on his (the receiver's) part so that it leads both to weakening of morale in general and poor efficiency in the performance of the specific work.

Uses of a Taxonomy

Once we have come to some conclusions as to the type of analysis which will best suit our purposes, and once we can identify the characteristics (and those dimensions) of the taxonomy which we are going to build up, we can put our classification to a variety of uses.

The most important and obvious uses of the taxonomy will be to analyse how much work of an office or other organisation is based on the use of different types of communication channels. Of course the proportions vary from day to day but if statistics are maintained over a period, a fairly good idea can be developed of the more important methods of communications being used. Examination can then be made of how far the methods are relevant and assist in the work of the organisation. It may be found, for instance, that the routine type of work involved in an organisation which claims to be development-oriented is substantial: the results of such an analysis can be surprisingly useful.

This method of analysis can be taken one step further to gauge the extent to which executives at different points of the hierarchy use the different methods of communication. It will also show how much simple shifting of papers of a query and answer type goes on within

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a working unit and thus help to identify those who really do not take decisions but merely keep moving papers around.

The analysis may also show whether the use of mechanical methods is necessary or justified. Thus for instance a high executive may use too much of his time on certain manual methods out of sheer habit without even thinking about it: a communications analysis would show up this defect.

This type of analysis can be carried further into building up a communication chart for recording the sequences of action which affect the performance of a particular job. It has been pointed out that this can lead in turn to identification of suitable control mechanisms, the analysis of inter-relationships, the location of delays and so on.

We end this paper with a brief comment on the processing that may occur once the communication has been received since this must form also one part of our analysis or at least an allied analysis: comments on the processing of communicated information have been made throughout this paper and this comment is to stress one point.

Once information has been transmitted a decision has to be taken. The executive must be very careful of the situation where still further information is asked for especially if it seems related only tangentially to the original thinking.

Quite often situations like this arise because of a break-down in a control system. Many public service decisions are taken on the basis of two or more controllers who affect one system (e.g. an Assistant Director and a Director). It is only if both (talking of two for simplicity) agree on a scheme of action that it can be put into effect: thus both subordinate and superior will have to say "yes" to a certain proposal. If the subordinate says "no", the matter may go no further and it may only be if the subordinate says "yes" that the superior will even be able to, or want to, look at the problem. There is great danger in this, for subordinates can fall into the habit of 'saying "no" in the first instance'. It should not be too difficult to use our communications taxonomy and its ideas to work out the instances in which the subordinate has said "no" merely as a means of playing safe. It is not the intention here to go into further analysis regarding this sort of dual control but it is only pointed out that such an analysis may form a very useful adjunct to a communications taxonomy and may assist in making analyses which may otherwise never be made.

Conclusion

The purpose of this paper has been to make some comments on the derivation and possible use of a communications taxonomy especially within public service systems. Attention has been paid to some of the elements which will have to be considered in the preparation of such a taxonomy and to the fact that various dimensions will have to be looked at in the building up of an overall model. It is hoped that these suggestions will assist those interested to build up classification systems of their own and make analyses from which some practical benefit might be derived.

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ACKNOWLEDGMENT

The author acknowledges a considerable debt to the publications and influence of Prof. Samuel Eilon. The references below will indicate some extent of this debt ((3), (4)).

References and Notes

1. "Taxonomy" is used throughout this paper in the senses of "classification" as well as of "principles of classification".
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DEVELOPMENT OF PERSONNEL MANAGEMENT

V. Sarvaloganayagam

Personnel Management has been defined by the Institute of Personnel Management of the United Kingdom as "a responsibility of all those who manage people as well as being a description of the work of those who are employed as specialists. It is that part of management which is concerned with people at work and with their relationships within an enterprise. It aims to achieve both efficiency and justice neither of which can be pursued successfully without the other. It seeks to bring together and develop into effective organisation the men and women who make up an enterprise, enable each to make his own best contribution to its success both as an individual and as a member of a working group. It seeks to provide fair terms and conditions of employment and satisfying work to those employed".

Thus it will be seen the term Personnel Management has two connotations—it refers to the Management of people by managers and the other to the specialist function of Personnel Management. The first namely the motivation, and leadership of people and communication within the enterprise has already been dealt with in an earlier lecture in this series.

I propose to confine myself to the second aspect of Personnel Management namely the development of personnel policies and their effective implementation. It is very essential that an organization should state as explicitly as possible its personnel policy.

A leading manufacturing company in Sri Lanka runs an impressive advertisement which has nothing to do with the product it markets. The advertisement says "manpower is our most precious asset. We believe

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that a wealthy, efficient and contented working team is an asset to the employer, the industry and the country". Not many organisations either in the private sector or the public sector have such clear cut definition of their personnel policy. A well-defined personnel policy is an essential pre-requisite for the development of personnel management in any organisation.

The broad objective of the personnel function in any organisation may be stated as follows:—"to provide the right number of employees with the right skills at the right time with suitable motivation to enable the organization to meet its short and long-term objectives at an economic cost."

Thus the personnel function involves recruitment and selection of employees, their training, promotion and development, the relations between employer and employees and of managements with Trade Unions; internal communication and consultation, the terms and conditions of employment including wages and salaries, health, safety, welfare and employee services. In other words it is the Personnel Manager's duty to recruit and retain workers in an organisation. Let us look at each of these functions in greater detail.

One of the major responsibilities of the Personnel Manager is to recruit a suitable and sufficient number of people for the organiztaion to achieve its objectives. If for instance it is the declared intention of the organization to give employment to the dependents of its employees then the Personnel Manager would recruit in that fashion. If on the other hand recruitment is to be merit, a proper system of recruitment has to be evolved and developed. This would require a Job Analysis, a Job Description and a Job Profile to enable the Personnel Manager to look for the right type of person. In the public sector we had the problem recently of recruitment to the clerical and allied grades. The Ministry of Public Administration was confronted with the problem of recruting people into the clerical service from tens of thousands of applicants. If it adopted the traditional way of examinations and interviews it would have taken a long time to complete the procedure. The Minister of Public Administration decided to utilize the service of the computer to reduce the time involved and to make the selection process more objective and acceptable. This innovation has found much acceptance among the people today. In the &ublic Sector more than the Private Sector it is essential to ensure and to make it appear that a just and fair system of recruitment is adopted in selection of employees.

Once a selection is made the new recruits have to be trained in their sphere of work. Not many men and women enter employment with skills sufficient to discharge their duties without further training. Thus induction training is an integral part of the development programme of the employees.

The next major function in Personnel Management is performance appraisal. Performance appraisal is crucial to training develpoment and promotions. Unless an organisation has an objective system of performance appraisal, a system of performance appraisal which would look at an employee's performance from the stand point of the organisation

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as well as that of the employee himself, output in any organisation is not bound to be that good as it could be. In the public sector we have adopted the annual confidential report as the instrument of performance appraisal. Trade Unions in public service have asked for and in recent years succeeded in changing this system of reporting. Confidential reporting system tends to breed distrust between the employees and his immediate superiors. An open system of reporting, a report which is known both to the employees and his supervisor, it is felt would throw a greater sense of responsibility on the reporting officer and the officer being reported on. A common standard of assessment or a standardisation of the appraisal has to be ensured so that there is uniformity in the evaluation of the performance of employees particularly in a large organisation like the State. We at the Academy are constantly telling the managers in public service that performance appraisal should be taken very seriously and done not as a routine chore but as a responsibility exercise which involves the future of both the organisation and the employee. A lax and indifferent report can prove disadvantageous to both the organisation and the employee. Thus it is important that an effective and objective system of performance appraisal should be developed to evaluate the performance of its employees, based on which evaluation would depend the career and prospects of the employee as well as his organisation.

Performance appraisal can serve as useful aid for assessing training needs and for making promotions within the organisation. The importance of a system of promotion and career development based on objective evaluation of performance can hardly be overstressed particularly in large organisations with strong trade unions. Training of personnel both at induction level and thereafter at frequent intervals is now recognised as essential to the progress of any organisation. Sad to say except a very few large organisations, no organisation in this country has paid serious attention to setting up of training units and providing the necsesary training for its employees.

One of the major areas of industrial disputes in any organisation is salaries and wages. Indistrial disputes arise as a protest against the quantum of wages and also as a protest against discriminate payment of wages. It is not possible to avoid the former except by continuous dialogue with the trade unions and by continuous research through a pay research unit into problems of wages and quantum of wages. This would obviate the necessity for ad hoc appointments of salaries commission. and create a favourable climate for wage negotiation with trade unionss

The second area of disputes in wages can be overcome to a great extent by basing the salaries structure on an agreed system of job evaluation. Job evaluation is the assessment of the relative importance of the different jobs in an organisation and the placing of these jobs in a hierarchy. Job evaluation helps to justify and to explain rationally and objectively, the salary differentiations that occur within an organisation This would also minimise problems of salaries anomalies occurring.

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Salaries and wages are however, not the only areas of industrial disputes in any organisation. Disputes arise from matters affecting discipline, promotions, etc. It is essential that a system of grievances procedure be evolved to ensure that people have a chance of airing their grievances. One of the biggest causes for sudden outbursts of industrial strife and emotion is the lack of a proper system of grievance procedure. A machinery like the Whitley Councils in the United Kingdom or the joint councils system adopted in the private sector would prove very useful to provide a forum to employees with grievances.

Studies in industrial psychology have shown that most employees who have a sense of grievance want to have a hearing. It is said that with sympathetic and attentive listening quite many of the disgruntled employees have been pacified.

The story is told of an employee who walked into a Personnel Manager's office and complained bitterly of the food served in the canteen. The Personnel Manager listened very patiently and attentively and at the end of the interview promised to look into the matter and improve the service provided by the canteen. Unfortunately, pressure of work prevented him from taking any action on the matter for some time. A fortnight later the employee walked in again and much to the surprise of the Personnel Manager was in a pleasant mood. She told him that the quality of the food had improved since her last visit to him and thanked him for the kind intervention on the matter.

The moral of this story is not that Personnel Managers should manipulate situations of similar nature by pleasant and attentive hearing. It is that most employees have often times felt a need to be heard by somebody higher up and unless this safety valve is properly and efficiently utilised sudden eruptions are unavoidable.

Finally, every organisation has to define its attitude towards trade unions and workers' organisations. Today particularly in our part of the world no organisation would dare say publicly that they are opposed to trade unions, although most of them would in private have many harsh things to say about trade unions. Trade unions as responsible organisations of workers are an essential part of industrial democracy. The sooner this is accepted the better it is for all the parties concerned. I am glad to say that successive governments of Sri Lanka have accepted this position and taken trade unions as part and parcel of development strategies. Unless a proper understanding is reached with trade unions through meaningful and continuous dialogue no organisation can ever prosper.

Time does not permit one to take a greater look at these and other functions of Personnel Management such as welfare, safety, hygiene, etc. All of these go together to make Personnel Management an essential function of any organisation.

Personnel Management one must re-emphasize is not one of hiring and firing employees. Its responsibility is to ensure that a healthy, efficient and satisfied work force, which would lead the organisation on to its objectives willingly, is always available.

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EFFECTIVE MANAGEMENT JOB DESCRIPTIONS

W. J. Reddin

There is only one realistic and unambiguous definition of managerial effectiveness: effectiveness is the extent to which a manager achieves the output requirements of his position. When it is seen this way, the concept of managerial effectiveness becomes the central issue in management. It is the manager's job to be effective. It is his only job. Once this definition is accepted and understood it can lead directly to changes in personnel policy and major changes in management development practices, and in the philosophy underlying management by objectives (MBO).

To understand what managerial effectiveness is, it is necessary to distinguish sharply the three terms **managerial effectiveness, apparent effectiveness,** and **personal effectiveness.**

Managerial effectiveness: It is not an aspect of personality. It is not something a manager has. To see it this way is nothing more or less than a return to the now discarded trait theory of leadership, which suggested that more effective leaders have special qualities not possessed by less effective leaders. Effectiveness is best seen as something a manager produces from a situation by managing it appropriately. In current terminology it represents output, not input. The manager must think in terms of performance, not personality. It is not so much what a manager does, but what he achieves. The following is an extreme example :

A manager's true worth to his company may sometimes be measured by the amount of time he could remain dead in his office without anyone noticing. The longer the time, the more likely it is that he makes long-run policy decisions rather than short-run administrative decisions. The key decisions in a company are long run and may refer to market entry, new-product introduction, new-plant location, or key man appointments. The person making these decisions should not get involved as can happen with short-run issues. If he does, he has not decided on the output measures of his job, nor has he the skill or opportunity to create conditions where only policy issues reach him.

Some managers have narrow views of their jobs. What they do they may do well, but they leave an enormous amount undone. Some managers let the in-basket define the nature of their potential contribution and the clock its limit. One manager might view his contribution as simply that of managing a going concern and keeping it on an even keel, while another might see the same job as having large components of subordinate development and creative problem solving in it. Still another might see his position primarily as a linking pin connecting with other parts of the firm and thus might take a wider view of his responsibility.

Apparent effectiveness: It is difficult, if not impossible, to judge managerial effectiveness by observation of behaviour alone. The behaviour must be evaluated in terms of whether or not it is appropriate to the output requirements of the job. For example, the following qualities, while important in some jobs, may in others be irrelevant to effectiveness : Usually is on time, answers promptly, makes quick decisions, is good at public relations, is a good writer.

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These qualities usually give an air of apparent effectiveness in whatever context they may appear. But apparent effectiveness may or may not lead to managerial effectiveness. For example, consider the case of Charles Smith, an independent consultant with four employees. He was the first one in and last one out each day. He virtually ran everything and ran everywhere. In a business which usually makes low demands for immediate decisions, he always made them on the spot. "Do it now" was his catch phrase. He was very intelligent, active, optimistic, aggressive, and his job input was enormous. His staff turnover, however, was 100 percent in one year, and he sometimes signed contracts which he had no possibility of meeting. If his business failed, the casual observer might well say, "It wasn't because of Charlie", thus showing the confusion that exists over the important differences between apparent effectiveness and managerial effectiveness.

Conventional job descriptions often lead to an emphasis on what could be called *managerial efficiency*: the ratio of output to input. The problem is that if both input and output are low, efficiency could still be 100 percent. In fact, a manager or department could easily be 100 percent efficient and 0 percent effective. The efficient manager is easily identified. He prefers to :

do things right	rather than	do right things
solve problems	rather than	produce creative alternatives
safeguard resources	rather than	optimize resource utilization
and discharge duties	rather than	obtain results

Conventional job descriptions lead to the apparent effectiveness of the behaviour as listed in the left column; a job effectiveness description which emphasized managerial effectiveness would lead to performance as listed in the column on the right.

Conventional job descriptions and management audits usually focus on the internal efficiency of an organizational system rather than on its external effectiveness or its outputs. It would be a simple matter to increase internal efficiency sharply and to decrease external effectiveness just as sharply. Paper work usually is quite unrelated to effectiveness.

The distinction between managerial effectiveness and apparent effectiveness can be further illustrated by what really happens when a "steamroller" manager brings what appears to be chaos to an organization but the situation clearly begins to improve. Unless outputs are the focus of attention, the result can be serious distortion about what is really going on.

Personal effectiveness: Poorly defined job outputs can also lead to what might be called *personal effectiveness*, that is, the satisfying of personal objectives rather than the objectives of the organization. This is particularly likely to occur with ambitious men in an organization. having only a few closely defined management output measures. Meetings with these men are riddled with hidden agendas, which operate below the surface and lead to poor decision making. To illustrate: in a three-day meeting to set corporate objectives for a Toronto consumer goods firm.

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one of the four vice-presidents in attendance initiated a series of proposals for reorganization and argued for them with great force.

While all had some merit,it became clear, as he described them, that most would not lead to greatly improved team effectiveness. Other team members saw quickly that all these proposals were aimed to some extent unconsciously, at improving the vice-president's power and prestige. This issue was confronted for several hours and the team members, many of whom had previously had intentions similar to those of the vice-president, finally decided to turn their attention away from improving their personal effectiveness to improving their managerial effectiveness and, therefore, their total team effectiveness. The top management, structure was modified but in keeping with market, consumer, competitive, and organizational needs; not with personal needs.

There is nothing wrong with either personal effectiveness or apparent effectiveness. We all like to make it in our own terms and we all like to appear effective. The problem arises only when either condition is confused with managerial effectiveness. In a well designed firm, al three kinds of effectiveness could occur simultaneously for a particular manager. This would mean that a manager who is in fcat effective looks as if he is (apparent effectiveness), and is rewarded for it personal effectiveness).

The Deadly Sin of Inputs

The first step in helping managers to be more effective is to help them see their job in output terms. To keep the concept of effectiveness in mind, we can refer to these outputs as *effectiveness areas*, but they can have a variety of other names. The problem is that too many jobs are described in terms of inputs, not outputs: in terms of *input areas* and not in terms of *effectiveness areas.*

The source of much of the problem which surrounds effectiveness is found in the way job descriptions are written. Lengthy job descriptions or crash programs to write or update them usually have little actual usefulness. As C. Northcote Parkinson has pointed out, the last act of a dying organization is to issue a revised and greatly enlarged rule book. This observation may hold as well for crash programs to write job descriptions.

Many, if not most, managerial jobs are defined in terms of their input and behaviour requirements by such phrases as: *he administers.... he maintains..... he organizes..... he plans.....* and *he schedules.* Naturally enough, managers never refer to job descriptions like these; once made, they are not very useful as an operating guide. They are often proposed initially by those who want to use a seemingly scientific technique to justify a widespread change in salary differentials or a change in the organization structure. They are often a negative influence, as they focus on input and behaviour, the less important aspect of the manager's job.

The most common error in writing effectiveness areas is in producing input areas instead. An input area is an incorrect statement of an effectiveness area which is based on activities or inputs rather than results or outputs.

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One director of agricultural extension working with a staff of about forty initially established the following effectiveness areas: (1) filling of staff positions adequately, (2) competence of staff, (3) turnover of professional staff, (4) organizing and developing an extension program, (5) promoting activity in farm youth clubs, (6) conducting studies and preparing reports, (7) supervising loan grants to farmers. (These areas were covered in his first attempt).

After becoming acquainted with the managerial effectiveness concept, and particularly with methods of establishing effectiveness areas, he decided that this first attempt needed improvements. In particular, he saw that he was taking no responsibility for change, and that he was focussing on inputs, not outputs. His proposed effectiveness areas indicated a low-level bureaucratic view of his job. Like many of those employed by government, he greatly overemphasized staffing, programs, and report writing. All of these are important, of course, but they do not relate directly to the basic function of the position.

The director made a second attempt at setting his effectiveness areas, concentrating this time on the areas of: (8) net farm income, (9) percentage of commercial farmers, (10) high-value crop acreage, and (11) the average number of livestock.

This second attempt very clearly focuses on an end result on output. not input. In discussion, however, this director found that to some extent he had gone too far the other way. He could not make "net farm income" an effectiveness area because so many factors affected it over which he had no control, including such things as government policy and farm board decisions. His third attempt was somewhere between the first and second attempts.

In his third attempt he became involved with the areas of: (12) average farm acreage, (13) securing farm loans, (14) high-value crop acreage, (15) average number of livestock, and (16) farmer knowledge.

Areas 10 (high-value crop acreage) and 11 (average number of livestock) remain. Area 8 (net farm income) was removed. Two of the director's major resources used to help increase net farm income were loans to farmers and educational staff, programs, and facilities. The director decided to make these into effectiveness areas, largely to replace "net farm income". His final areas were focused on ends, not means: on what he had to achieve, not what he did. The objectives associated with all of these effectiveness areas were easily measurable and all were clearly output, not input.

In a letter to the author, the director wrote: "Number 1 was my first attempt at setting these down. Number 2 presented my first change. Number 3 is what I thought was a refinement on the second. I am still not completely satisfied with these and I will now discuss these at some length with my superior in order to arrive at what we both feel is the best set of effectiveness areas for my position. The problem that I faced initially in preparing them was that I am in a position of directing a number of program areas, and a lot of the decisions I make are with reference to staffing, budgeting, personnel, and additions to programs. This led me to lose sight of what I was actually supposed to accomplish".

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Too many attempts to set effectiveness areas fall into one of the two traps illustrated by this manager's first and second attempts. Either they focus on inputs and turn managers into bureaucrats, or they deal with uncontrollable outputs and so become predictions, dreams, or simply part of another manager's job.

The Training Officer

While many initial attempts to set effectiveness areas turn out instead to be a list of activities, many attempts can go in the other direction: everyone then appears to think he is heading a profit center. Of any proposed effectiveness area the question should be asked, "Why is this being done?" or "Why is this important?". For example, a training manager might go through this kind of process. He is first asked what his most important area is. To which he might reply: "To design a management development program". When asked "Why?" he replies, "To put on courses for managers". When again asked "Why", he replies, "To increase managerial skill in problem solving". When again asked "Why", he replies, "To improve the quality of managerial decisions". To yet another "Why", he replies, "To improve profit performance". The correct area for this training manager would probably be "to increase managerial skill in problem solving". It cannot be "to improve the quality of managerial decisions" or "to improve profit performance", as these are both influenced by many factors over which the training manager has no control. He has no authority. On the other hand, the areas cannot be simply "program design" or "putting on courses", which are clearly inputs. The sole objectives of industrial training is to change behaviour. The effectiveness areas and the objectives of a training manager must reflect this.

Most inputs can be converted to outputs if the position is needed at all. Some examples of inputs converted to outputs are the following: *maintain machines to machine availability*; *coach subordinates to subordinate effectiveness*; *teach PERT to PERT usage*; *church attendance to Christian values*; and *farmer education* to *high-value crop acreages*. One should beware of such areas as communication, relationships, liaison, co-ordination, and staffing: these areas usually suggest inputs.

From Inputs to Outputs

The following are actual examples of improved effectiveness areas, showing both first and second attempts at establishing them. The first attempt was most-often produced as private work without consultation. The second attempt shows how these first attempts were improved after a small group discussion. Such before-after changes as these are typical. They demonstrate what an imperfect view many, or even most, managers have of their jobs, and how easy it is to change this view, given the appropriate method and conditions. None of the second attempts are claimed to be perfect for the job in question, and in any case this would be impossible to determine without much more information. The point being made is that the second attempt clearly is better than the first.

Chairman of the Board

A full-time chairman of the board of a 6,000-employee company produced these two sets of effectiveness areas :

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First attempt : (1) improve value of board, (2) assure good executive meetings, (3) provide useful counsel to company officers, (4) maintain effective remuneration and personnel policies for senior executives, (5) develop good high-level corporate image and public relations, and (6) initiate sound long-range planning.

Second attempt: (7) board decision quality, (8) national corporate image, and (9) corporate strategy.

The realization that the second set of areas was really his job led this chairman of the board to make many changes, particularly in his time allocation. He saw that number 1 (improve value of board) and number 2 (assure good executive meetings) could be replaced by number 7 (board decision quality), that 3 (provide useful counsel to company officers) was meddling, and that 4 (maintain effective remuneration and personnel policies for senior executives) should be given to the president, to whom 5 (develop good high-level corporate image and public relations) was his job, but on a national scale, as expressed in 8 (national corporate image), and that 6 (initiate sound long-range planning) was best replaced by 9 (corporate strategy).

University Director of Physical Education

A newly appointed university director of physical education with a staff of about ten produced the following as his first and second attempts.

First attempt: (1) character building, (2) health, (3) sports activity, (4) maintenance, (5) staffing, and (6) future programs.

Second attempt: (7) utilization of facilities, (8) readiness of facilities, (9) quality of facilities, (10) program innovation rate, and (11) growth of facilities.

This man came to see that he could only partially influence areas 1 (character building) and 2 (health) and that he had no practical measuring device for the former (character building) that 3 (sports activity) and 4 (maintenance) were best expressed as 7 (utilization of facilities) and 8 (readiness of facilities), and that 5 (staffing) was an input and that 6 (future programs) could be more clearly worded as 10 (program innovation rate). Unlike some such managers, he did have some control over the growth of his facilities and thought it appropriate to include 11 (growth of facilities).

President of the Food Processing Company

The president of a 5,000-employee food processing company initially produced a set of thirteen effectiveness areas. They included :

First attempt: (1) profitability, (2) planning, (3) top team quality, (4) profit growth, (5) reputation growth, (6) growth momentum, (7) trade relations, (8) industry relations, (9) government relations, (10) board and employee relations, (11) capital employment, (12) return on investment, and (13) management succession plan.

Second attempt: (14) profitability, (15) planning, (16) reputation in industry, (17) company climate, and (18) customer-top management relations.

This company president decided to retain number 1 (profitability) and number 2 (planning) as numbers 14 (profitability) and 15 (planning)

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Area 3 (top team quality) he identified as a common area; 4 (profit growth) could be included as a sub-objective of 14 (profitability) by using a longer time span; 5 (reputation growth) was changed to 16 (reputation in industry)—he kept this as he was a marketing-oriented president who spent much of his time on customer and industry visits; 6 (growth momentum) moved to 14 (profitability); 7 (trade relations) moved to part of 16 (reputation in industry); and 8 (industry relations) became more specific as 18 (customer-top management relations). Number 9 (government relations) was identified as the executive vice-president's area exclusively; 10 (board and employee relations) he changed to 17 (company climate); 11 (capital employment) and 12 (return on investment) were given to the vice-president of finance; and 13 (management succession plan) was seen as an area belonging to the vice-president of personnel.

Job Outputs are always Measurable

If a so-called effectiveness area or objective is not measurable, we can forget it, because no one will know anyway. The most stern but necessary test of effectiveness areas and objectives is measurability. The rule is "if you cannot measure it, forget it".

In the left hand column of the following discussion is a list of qualitative objectives which are used as an illustration in one popular MBO book to suggest that such qualitative objectives must sometimes be used. This is incorrect. To illustrate, in the right hand column are this author's conversions to show that such qualitative objectives are usually unnecessary.

Actual Suggested Qualitative Objectives in standard MBO book	Conversion to illustrate the qualitative objectives are usually found to be activities. By asking the purpose of the activities, the quantitative objectives are derived.
Conduct monthly management development sessions for superintendents in techniques of standard cost program.	Have 50 percent of superintendents using standard cost programming techniques on at least two projects EO JUL 1974.
Prepare a program for patent productions.	Have no patent loopholes in our patents discovered by our own staff, independent agents, or competitors during 1974.
Prepare and distribute an internal public relations manual.	Obtain an average of 75 percent unaided recall by all non-managerial employees of 50 percent of the key corporate activities or accomplishments of the prior month for each month during 1975.
Improve statistical reports to reduce time lag between production and publication dates.	Without decreasing usable content, reduce by an average of four days, the time to distribute the following reports by the end of SEPT. 1974.

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Prepare quality control manual for supervisors.	Eighty-five percent of first-line supervisors to know eight of the ten key points in company quality control practice by the end of DEC. 1974.
Improve appearance, packaging and design of products.	For each item in product line, design a package which will receive more consumer jury votes than any competing product by the end of NOV. 1974.
Undertake to ally research efforts more closely with production needs.	Have at least 80 percent of proposals to production manager accepted during 1974.

It is true that most of these conversions from inputs to outputs involve a broader view of one's job, a greater responsibility for the staff function and a higher cost of measurement.

Effectiveness Areas—Knowledge Workers

It is a popular myth that the effectiveness of many knowledge workers cannot be measured. But look at this set of effectiveness area, disarmingly simple, all of which are capable of measurement if the associated objectives are worded correctly :

Consulted in area of competence
Advice accepted
Advice acceptance leads to improvement

The first area, *consulted in area of competence*, obliges the knowledge worker, not the manager, to see that the knowledge worker is consulted. Too many knowledge workers, like some university professors, see themselves as information reservoirs with no responsibility to provide "tapping" facility; and usually this is sorely needed. Knowledge workers more than managers, have the opportunity to develop a relationship so that their advice is sought when appropriate. Industry has no place for the knowledge worker who does not himself create consultative conditions.

The second area, *advice accepted*, reflects that it is too easy to give advice that is not accepted. The knowledge worker must be evaluated on his effectiveness in giving advice a line manager sees he can use. The final area is *advice acceptance leads to improvement*. As it is too easy to give advice not accepted, it is also too easy to give advice that leads to "a poorer situation developing". The knowledge worker has a responsibility for the success of his advice. Personal competence is not listed as an effectiveness area. It is an input. In any case, if the knowledge worker was not competent, his advice would not lead to improvement.

While the measurement problem usually can be solved with imagination, the *cost of measurement* problem may remain. To measure the impact of a training course on behaviour necessitates at least many telephone calls or questionnaires, and preferably a field survey. The outputs of a public relations position are hard to measure without a formal survey of some kind. In these cases one has to ask whether the

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function is important enough to have even a rough measurement of its effectiveness. If not, then eliminate the function. If so, then allocate 10 percent of the total appropriate budget to measurement. There is too much conventional wisdom that a particular activity is a "good thing". Measurement is the only way to test it.

It is difficult for some managers to accept the philosophy that "if you cannot measure it, forget it, because no one will know anyway". Accurate measurement is central to good management. Some managers initially see their job as having vague, pervasive, and very long-term effects and claim that it is impossible to measure their performance by normal methods. If such a manager also says that he understands what managerial effectiveness really means then he: is in a position that is not needed, or he has no authority to do his job, or he is avoiding responsibility.

As a simple example, a good relationship is often proposed as an effectiveness area. This is not measurable except by highly subjective methods. A sales manager who once proposed this area said later that it was not only nonmeasurable but it was an input as well; he saw that his effectiveness in this area could be equally well measured by short and long-term sales.

Is There a Job at All

If two people are responsible for the same things, one of them is not needed. Major problems occur in such areas as delegation and planning when a manager sees his effectiveness areas as being simply the sum of all the subordinates' effectiveness areas.

Some superiors who misunderstand their jobs believe that, in essence, it is to make sure their subordinates do what they are supposed to do. This view, if taken to its natural conclusion, means that the sole function of all levels of management is to make sure that the workers get on with it. This clearly is incorrect and it would mean that all levels of management existed to see that the workers at the very lowest level worked. While it may be true in some technologies it is not true in many. We simply cannot say that a superior's job is always well represented simply by a collection of his subordinates' effectiveness areas, or their objectives.

A Canadian vice-president supervised four managers of profit centers. (See Exhibit 1). He knew he had difficulty in determining his own effectiveness areas; one area could not be profit, because this was an area of each of his subordinates. He had no resources such as capital to allocate among them; in fact, he did not have a job. At a meeting held for this unit it became clear he had no job. The team recommended that, as a unit, it be dissolved. The four profit centers became attached to other parts of the organization and the vice-president fully assumed another role which he had previously filled only nominally.

It is clear that for every position, effectiveness areas must be identifiable. What typically happens is that in his first attempt, the manager accepts the fact that all his effectiveness areas are really those of his subordinates. While apparently left with nothing to do, he knows he is filling a useful role. With further thought he comes to see his unique

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contribution only dimly perceived before. With his real job identified, he gets on with it rather than with the jobs of his subordinates.

Personnel Manager

One personnel manager listed his effectiveness areas as: training wage and salary administration, employment (staffing) safety and security, and industrial relations (see Exhibit 2). He was then asked to draw himself and his subordinates as an organization chart and to identify all the effectiveness areas, starting with those of subordinates, and not to duplicate any. The result is shown in Exhibit 3. He ran out of effectiveness areas before he got to his own position. This meant that he saw his position as having no unique responsibilities. His job, as he had defined it, was either doing his subordinates' work or making sure they did it. This was a narrow definition of his responsibility. He could see his job in broader terms than that and, surely, he has more to contribute.

He was asked these questions: What is your unique contribution? What is the biggest thing which could go wrong? What do you or could you do that the managers do not because: (1) they do not have the ability or experience? (2) they do not have the time? or (3) they do not have the information? Why was your position created?

This personnel manager came to see that his unique contribution was in the areas of: personnel policy, working conditions, organizational development, and managerial effectiveness. He could not accept full responsibility for all of these areas but was responsible, as any staff person, for giving acceptable advice which would prove correct. When we compare his first set of effectiveness areas to his revised set, they show a greatly enlarged view of the job, and a preparedness to allow subordinates to get on with it.

As he had fairly experienced subordinates, he could allow them to work with full authority in their respective positions. If he lost a position in his structure or a key subordinate, he might have to take the effectiveness areas of the position concerned and add them to his own for a while.

Common Effectiveness Areas

All management positions, no matter how different, do have some common effectiveness areas. Common effectiveness areas are those which may be, and usually are, associated with every management position. The other areas which are specific to particular management positions are cal ed specific areas—all that have been referred to so far have been of this type. The common effectiveness areas are called: subordinate, innovative, project, development, systems, and co-worker.

Not all of the common effectiveness areas meet the stern tests of output and completely objective measurement suggested for the specific effectiveness areas. This is because effectiveness areas are, by their very nature, designed simply to ensure organizational continuity rather than to ach eve the outputs of particular positions.

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Subordinate Effectiveness Areas

Every management position having positions subordinate to it needs to have subordinate effectiveness as an effectiveness area. This effectiveness area serves to focus sharply on the true relationship needed between the supervisor and his subordinate.

An associated objective could be worded like this: "Each subordinate is to establish by 15 August 1974 measurable objectives which are agreed to by those concerned, and which align horizontally and vertically". Such an objective substitutes for customary objectives concerning motivation, control, relationships, and delegation, which do not get to the heart of the matter: *effectiveness.*

Unnecessary emphasis is sometimes used in the wording of objectives concerning subordinates. "To ensure that subordinates will achieve ....." "To motivate subordinates to achieve....." These phrases sound powerful and dynamic but add nothing.

Innovative Effectiveness Area

The innovative effectiveness area refers to doing something new on one's own initiative. It does not refer to doing things better or to implementing innovations which others propose. The mere existence of this as a common effectiveness area results in annual questioning of "the way we are doing things now". Associated objectives might concern proposals or implementation: "Propose X new": "Introduce X New". If proposing new products is not normally part of one's job, the following objective might apply: "During 1974 propose five new products to the product committee, each with a four-year sales potential of X and have one accepted for trial testing". This objective may be somewhat grand for a manager who does not have innovation as his full-time job. More realistic objectives may relate to innovations in methods or procedure.

Project Effectiveness Area

Another common effectiveness area is project effectiveness. Project-concern activities which are not a normal part of the job and are no innovations to the existing job. They most usually arise from an assignment from the manager's superior. Its associated objectives refer to projects which are usually of a "one-shot" nature. They may refer to such things as: project committee membership, conversion of paper files to microfilm, appraisal of any system, redesign of any system, initiation of any system, conducting special investigations, and temporary assignment to other departments.

Such objectives usually refer to such things as feasibility studies and trial applications—untested, new systems. The objectives may form the basis of project team problem solving and are usually self-cancelling once the objective is achieved. Project objectives can have a lower priority than others, and of course they may vary widely from year to year.

Development Effectiveness Area

The term *development effectiveness area* refers to that area involved with preparing to meet the objectives of the position. This may include

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human skills acquisition, technical skill acquisition, conceptual skill acquisition, and work habit modification. There may be only one single objective in a particular year which could be worded. "Prepare myself during 1974 to be able to meet my objectives now established and those which will probably be established during the next X years".

The associated activities could include: making a time budget, reading specific management books, obtaining practice in the use of PERT diagrams for objectives, participating in seminars, visiting and attending conferences.

All managers would wish to set at least one objective in this area each year. If they do not, it is unlikely that they are improving their overall capacity at the rate they are capable of doing. On the other hand, over-emphasis on this kind of thing simply indicates a man who hasn't got a job. He develops himself and not the business.

Many of these developmental objectives have a strong flavour of input rather than output, but should be made output-oriented when possible. For instance, concerning training, don't say "attend a five-day PERT network seminar", but "be able to use PERT for at least two of my objectives", or better, "use PERT for at least two of my objectives".

Systems Effectiveness Area

A manager is part of the system. If the system does not work, the achievement or lack of achievement of his objectives is inconsequential. Clearly, all managers have a responsibility to respond to the superstructure of the system in which their position is embedded. Some managers carry it too far and believe that an ideal manager in all circumstances is the bureaucrat who is interested first in maintaining the system. On the other hand, the single-minded pursuit of an objective while not also considering the firm as a system means only that a manager has learned the name of the game, not the spirit of it.

Systems effectiveness is needed as a common effectiveness area. It relates to a manager's responsibility to see that his position and unit fits well into the broader scheme of budgets and procedures. A budget is a device for making an organization work as designed; in the same way, so are standard operating procedures. An associated objective might be worded: "to maintain the company budget, procedural, and administrative control systems".

Budget should not be included, of course, if the manager has no budget responsibility, nor if he is also a revenue center when a "margin" or "cost per dollar received" objective can be used instead, nor if the budget is so constructed as to have only one to three key items, in which case it is often a good idea to express the objectives in terms of these instead of as a common effectiveness area.

Co-worker Effectiveness Area

Co-worker effectiveness is a common effectiveness area only for those who have co-workers. The common area exists to emphasize the role of the manager as an external representative of his department. It gives recognition to the essential linking needed for a firm's subparts if organizational effectiveness is to be achieved.

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An associated objective might be worded "in the opinion of each co-worker, to have done nothing to inhibit his managerial effectiveness". Some managers prefer to word this positively as: "in the opinion of each co-worker, to have aided him to achieving his managerial effectiveness". While the measurement method is a trifle subjective, the method itself is clear—you ask them.

Some managers shy away from this common effectiveness area with a variety of excuses. It is sometimes because they have been trained too well to look upward and downward in the organization, and not across.

Do all Apply?

Do all the common effectiveness areas apply to all management positions? "The rule is "when in doubt try to make them apply". One MBO adviser with a firm which had a low rate of new-product launches and low creativity suggested initially that the innovative effectiveness area could not generally apply. He was trapped by the firm he was in. The very reason it appeared to be difficult naturally suggested its use there. If a common area is seen not to apply, it is best to take a close look at the reasons given. They may be obvious and correct. On the other hand, they may be neither. When possible, then, all managers should attempt to apply all the common areas to their positions.

Do Effectiveness areas Cover the Whole Job?

One of the more interesting differences of approach of writers of MBO books is in the percentage of the job that they believe should be covered by effectiveness areas. I believe that effectiveness areas, and therefore, objectives must cover 100 per cent of the job. To some extent this is facilitated by the "common areas" concept.

How to Select Effectiveness Areas

Here is a list of simple questions for a manager to ask himself, and then be able to develop an initial list of effectiveness areas for his position to test on his superior and his co-workers. There is much overlap in the list. All that the questions really ask is: 'What is the job?" But they ask it in different ways. Some managers find that ideas are triggered when the question is asked in one way and some when it is given another way. What is the position's unique contribution? Why is the position needed at all? What would change if the position were eliminated? What will change if I am highly effective in the position? How would I know, with no one telling me, when I am performing effectively? What authority does the position really have? What do the job description and the organizational manual say? How do I spend my time? How should I like to spend my time? What would I be most likely to concentrate on over two or three years if I wanted to make the greatest improvement in my unit? In my superior's unit? In the organization as a whole?

Guides for Testing Effectiveness Areas

When effectiveness areas are identified, they should satisfy six tests which check on the adequacy of the effectiveness areas both individually and collectively. Each effectiveness area should: (1) represent output, not input; lead to associated objectives which are measurable; (3) be

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an important part of the position; and (4) be within the actual limits of authority and responsibility.

Effectiveness areas as a whole should: (5) represent 100 percent of the outputs of the position, and (6) not be so numerous as to avoid dealing with the essence of the job or so few as to make planning difficult.

Flexibility of Effectiveness Areas

The manager at the top of any organizational unit usually has some flexibility in the choice of the effectiveness areas he decides to associate with his own position. This freedom is very marked when he has the ability to create a subordinate and can assign part of his own work to the subordinate. Under these conditions the top man's areas are fully flexible: he can make them what he wants them to be. He could, for instance, become an "outside" man with an emphasis on liaison with other organizational units or customers. His newly created subordinate could be the "inside" man concerned with managing the unit. The reverse situation is equally feasible. This demonstrates clearly that, within broad limits, a manager who can create a subordinate and can design his subordinate's effectiveness areas has a very wide range of different areas which he can associate with his own job.

It is impossible to look at the effectiveness areas for a particular position in isolation. Such areas are best seen as sets of areas which link several positions together. It is quite possible, then, that if the set of areas for one position changes a great deal, sets of areas for other positions may change as well; and they should. When setting areas, then, the question is not "What are they?" but "What could they best be?" Clearly MBO is intimately related to organizational design and organizational flexibility.

A plant manager after three years on the job may well decide to change the effectiveness areas he established three years earlier. He may have trained one or more subordinates to assume some of them.

The important thing is that effectiveness areas should not simply be applied to an existing organizational design and then considered to be relatively permanent: instead, the assigning of effectiveness areas should be used as a basis for inducing organizational flexibility and seeing that it is maintained.

Effectiveness areas usually are subject to change when: a new manager is appointed, co-workers change, a manager grows in skill, power and decision levels move, MBO is implemented, or any major organizational change occurs.

Making Managerial Effectiveness Operational

To make the concept of managerial effectiveness operational for a manager it must be linked with objectives. This is easily done by using these four linked ideas:

MANAGERIAL EFFECTIVENESS: the extent to which a manager achieves the output requirements of his position.

EFFECTIVENESS AREA: general output requirements of a managerial position.

EFFECTIVENESS STANDARD: specific output requirements and measurements criteria of a managerial position.

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OBJECTIVES : effectiveness standards which are as specific, as time bounded, and as measurable as possible.

While the ideas of objectives is central in MBO, the other three ideas (managerial effectiveness, effectiveness areas, and effectiveness standards) are the foundations of any objectives that are set. Only with an understanding of these foundations will the objectives be sound.

Managerial Effectiveness

A sound implementation of MBO must be preceded by the acceptance of managerial effectiveness as the central value or philosophy in management. Unless this is given primary importance, MBO will be no more than a highly sophisticated managerial-level work study. A small, or even large, firm can have values built in which counter the idea of managerial effectiveness. Such values may seriously interfere with or completely prevent the implementation of MBO.

Effectiveness Areas

The second idea, effectiveness areas, is based on the view that all managerial positions are best seen in terms of the outputs associated with them. Surprisingly few managers see their positions this way. Effectiveness areas spring primarily from the strategy of the firm as made operational by the organization structure. To a lesser but significant extent they depend on top management's views on the best focus for decision-making.

Effectiveness Standards

Effectiveness Standards are subdivisions of effectiveness areas, which incorporate measurement criteria explicitly or implicitly. An effectiveness area of "sales" might be conveniently broken down into one or more of these sets of effectiveness standards:

Existing products—existing markets; existing products—new markets; new products—existing markets; and new products—new markets.

Or—unit sales by area, product, customer.
Or—dollar sales of product A, product B, product C.
Or—sales of product A, gross margin of product A, profitability of product A.

One of these four sets of standards or some combination of them would suit most situations. The set of effectiveness standards chosen is that which best covers the total job in output terms.

Objectives

Objectives are essentially specific effectiveness standards with time limits and numerical values attached to them. Thus, for the effectiveness area "sales" we have seen that one effectiveness standard might be "dollar sales of product A". The associated objective might then be "increase sales of product: A by $ 15,000 for the period January 1 to December 31, 1974".

The concepts are related in this way:

Effectiveness Area

Product A.

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Effectiveness Standards

(1) Sales increase in dollars on product A.
(2) Gross margin increase in percent on product A.
(3) Profit ability increase per unit in dollars on product A.

Objectives

(1) Increase sales of product A to S 400,000 during .....
(2) Increase gross margin of product A to 22 percent by decreasing distribution cost to S 1.10 per unit during .....
(3) Increase profitability of product A to S 0.22 during .....

For each effectiveness standard there is usually one objective, as shown in the example above.

All this is relatively straightforward but it is almost worthless if the effectiveness areas do not represent outputs from the beginning.

The Job Effectiveness Description

A job effectiveness description is needed which describes a managerial position almost exclusively in output terms. It contains first a list of the effectiveness areas of the position. Together with each of the effectiveness standards the manager develops a specific objective (usually annually), and he measures his degree of attainment of the objective by the established measurement method also contained in the job effectiveness description. For most managers, all this can be put down on one side of one piece of paper. The only additional content of the job effectiveness descriptions are specific statements of the authority vested in the position. These statements may refer to authority to enlarge or decrease staff, use overtime, change the product or service, rearrange work flow, or modify a production program. In constructing these job effectiveness descriptions, great care is needed to ensure that the authority is sufficient for the specified effectiveness standards and the objectives derived from them. Either the authority is found, or made sufficient, or the effectiveness areas and effectiveness standards are passed upwards.

Job effectiveness descriptions are prepared for each managerial position and also for each unit, which includes a manager and all of his subordinates. Managerial objectives are thus formally linked to team objectives.

Making Managerial Effectiveness Operational

Managerial effectiveness may be made operational in the firm as a whole by linking these four concepts to personnel and other policies. Such linking amounts to imposing the value of managerial effectiveness on the operation of the firm.

Managerial effectiveness should be linked directly to organization philosophy, induction training and organization development. In this way it becomes the firm's central value induced by training and OD. Effectiveness areas should be the basis of describing job and linking one job to another, that is system design. Effectiveness standards form a basis for job specifications, what kind of manager is required, manager selection, is this the man we want; training plans, how do we obtain desired behaviour; and job evaluation, how much should we pay. Objectives form the basis of the link between corporate strategy, and

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managerial appraisal. These four concepts then can provide the central theme for philosophy of management.

A Program to Achieve Managerial Effectiveness

A program to introduce managerial effectiveness as a central concept into a firm's life needs to be well planned and well executed. The casting up of a new personnel policy or corporate strategy statement, while useful, will not alone spread the ideas. All or most of these elements are needed:

- ☆ A formal organizational policy statement should be produced on the centrality to be given to the concept of managerial effectiveness.
- ☆ A clear public statement should be given by the top man on why he supports the policy statement and what it means to him and what it means to the lowest level of supervision.
- ☆ A clear statement should be made of implications of the policy which would cover management training, management trainee, trainee training, management by objectives, management appraisal, and organizational development.
- ☆ A two day course for all managers should be conducted by the line, to teach the new concept.
- ☆ An integration of the concept into all operating policies should be undertaken by a managerial effectiveness committee composed of both staff and line.

EXHIBIT ONE

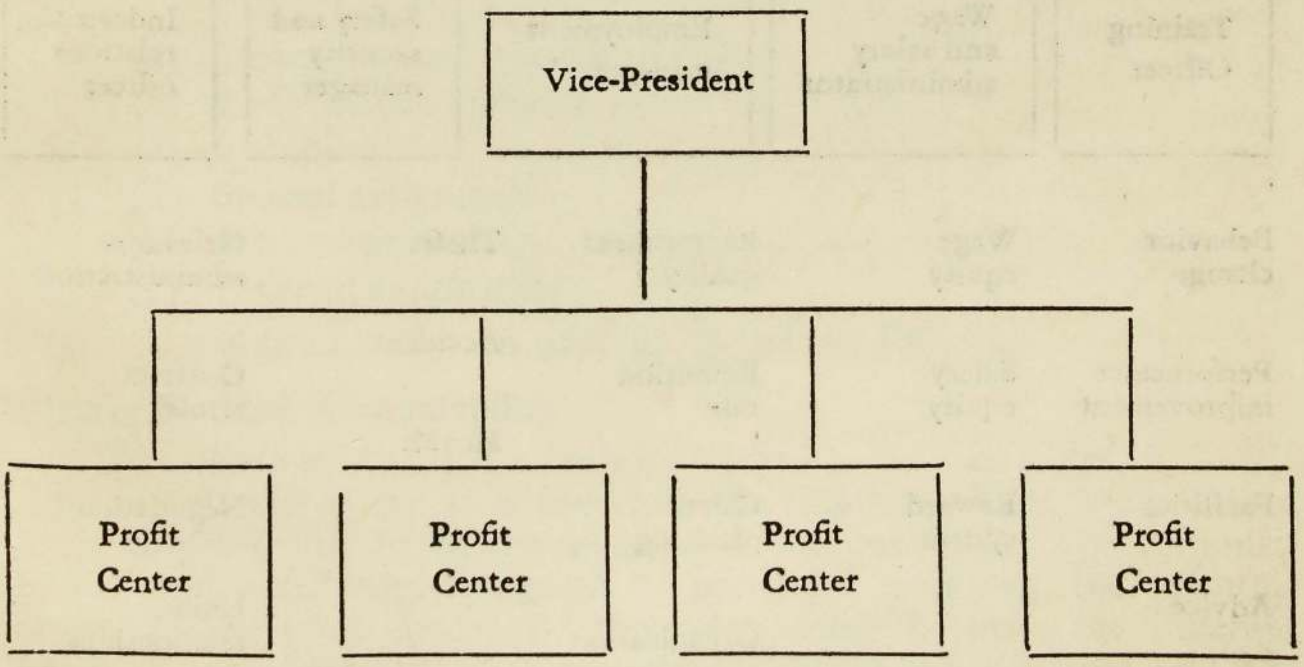

EXHIBIT ONE THE TEAM THAT WASN'T NEEDED
(This looks very important but was not needed.)

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EXHIBIT TWO

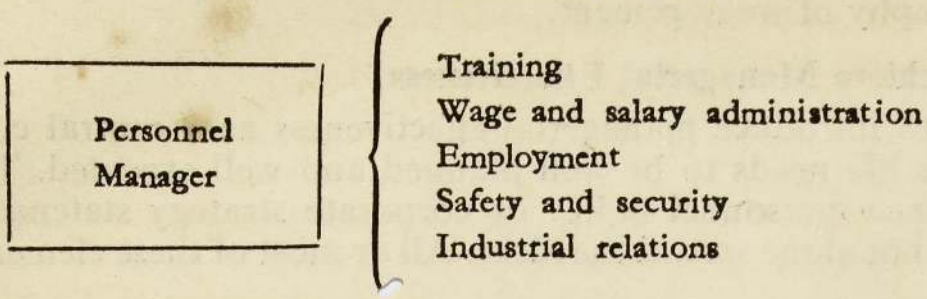

EXHIBIT TWO **A PERSONNEL MANAGER'S VIEW OF HIS EFFECTIVENESS AREAS**

(At first glance this appears to be an accurate description, but it is not)

EXHIBIT THREE

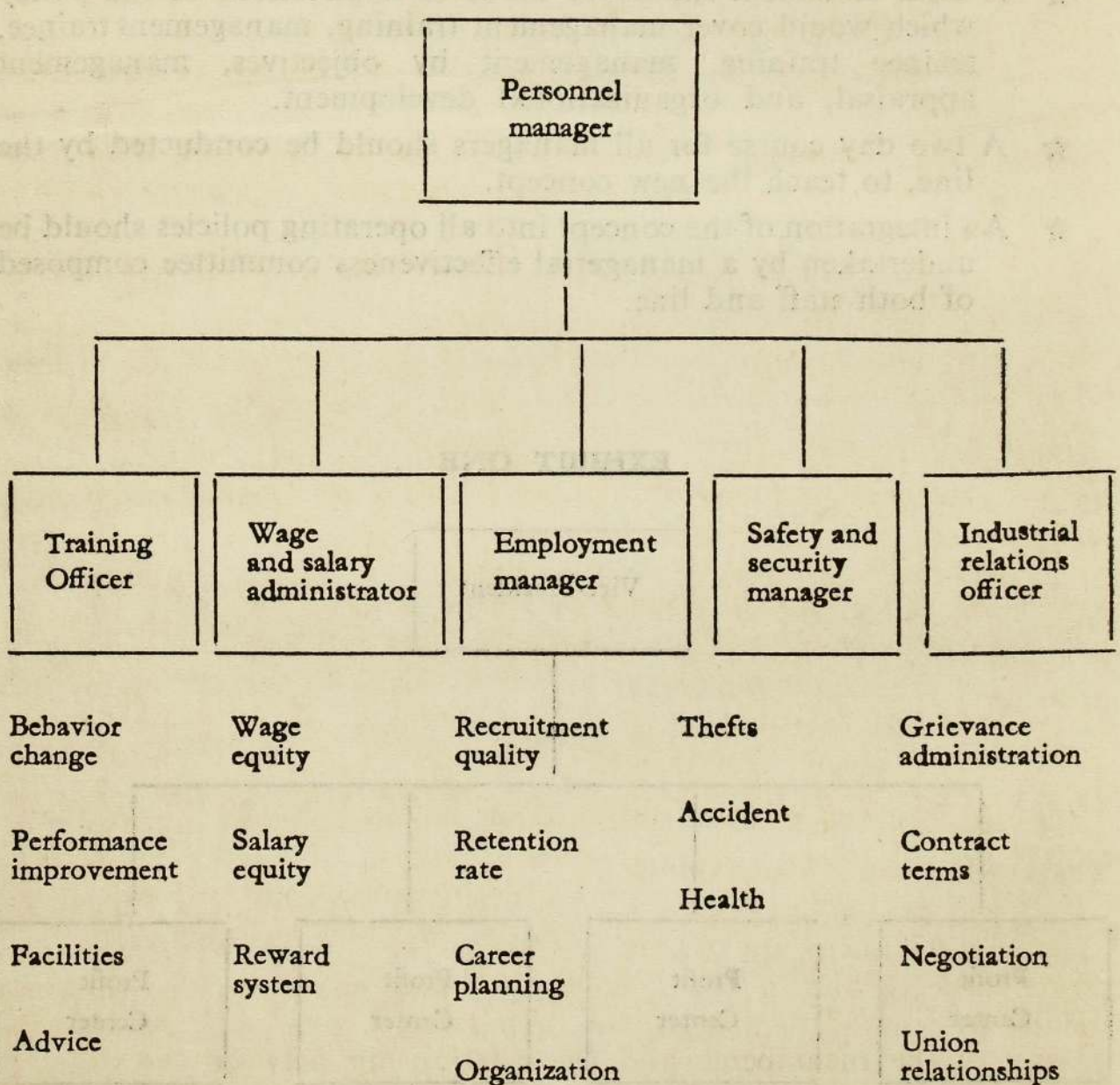

EXHIBIT THREE WHAT IS THE JOB OF THE PERSONNEL MANAGER?

(When your subordinates share all your effectiveness areas with you, what are you left with?)

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ON-THE-JOB TRAINING SOME NOTES ON THE TECHNIQUES

Jehan Raheem

This paper is essentially concerned with the provision of on-the-job training for supervisory and managerial personnel. Wanasinghe and others, have stressed the overall role of training in administrative development in the Ceylon context and have in the main focused on off-the-job training. Formal off-the-job training courses and development experiences play an essential and valuable role in the development of supervisory personnel. However, the contention of this paper is that what happens on the job is far more important in the growth of a manager than the more formal off-the-job activities. On or off-the-job, a man's development is limited to the extent of his self-development. But, on-the-job, there is no doubt that by focusing on individual strengths and weaknesses, specific development needs can be met.

Other advantages of on-the-job training can briefly be summarised as follows. –

(i) The manager does not lose time from productive work or fear denial of promotional opportunity by being away on training.

(ii) He can practice what he is currently learning and be evaluated thereon, and,

(iii) The training conditions are at their most realistic in their impact.

On-the-Job practices

The main on-the-job practices that have evolved in recent years are

(*a*) Clearly defined accountability;
(*b*) Performance appraisal;
(*c*) Coaching;
(*d*) Special assignments;
(*e*) Job rotation, and
(*f*) Planned assistantship.

A few brief notes on each of the above follows.

Clearly Defined Accountability

It has been said that if a man is to learn to be a manager, he needs a manager's job to do. It is therefore the function of the organisation he is working for, to clearly define his accountability. The responsibilities and authorities delegated to particular positions, the accountability of the incumbents and the relationship between the different levels of accountability, if clearly stated, clarify the structure and objectives of the organisation.

1. See the index in Vol. 1 No. 4, July 1970, of the Training Digest for the various articles on training.

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This appeal for organisational clarity often appears easier said than done. But it is a responsibility no organisation can side-step if maximum resource utilisation (be it personnel, financial, raw materials and/or systems) is an inescapable objective. Enough has been written on the processes of planning, organising, co-ordinating and controlling (i.e., the administrative process) not to bear repetition here. It is, however, a truism that operational processes (as opposed to administrative processes) such as financial management, etc., are often better clarified and stated. But no operational process can really proceed very far if the administrative process is defined in general ambiguous processes also requires careful organisational statement if any real development is to take place. Thus clearly defined accountability, providing the incumbent with a clear picture of *his role* within an organisation, helps in the training process by—

(i) Inculcating the values of sound, logical organisation as a basic principle of administrative development.

(ii) stablishing the environment for effective decision-making, and

(iii) Facilitating the task of self-evaluation against clearly defined targets.

Hopefully then when it comes to the trainee manager's turn to "organise" a new department, office, or section, the habit of "clear" organisational thinking and behaviour will persist as a result of his experience in his former jobs.

Performance Appraisal

Appraisal of a person's performance has many names; merit rating, periodic reporting, progress reporting, efficiency rating, service rating and performance appraisal. Whatever the name that issued, the appraisal function is essentially a valuation. It is a judgement, made by one or more persons, of how a subordinate, over a specific time period, has responded to what the organisation, requires of him. Appraisals are formal events, not informal reviews of performance.

Performance appraisals or evaluations are based on the concept that both the organisation and the person involved benefit from periodic evaluation of performance. For training purposes, the appraisal process has two aspects.

(i) The appraisal itself, and

(ii) Communicating the appraisal.

Obviously, both aspects are important; and they are also interrelated. An inaccurate appraisal is unfair and incompetent. It is also important as to how the results of an appraisal are conveyed to the subordinate. If, for example, the appraisal is well conducted and the subordinate is judged to be an excellent officer, the entire exercise can be ruined if the subordinate is informed in an offhand manner that he is "alright". This bad communication of an appraisal judgement can affect a subordinate's incentive and expectations.

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Many methods are used to conduct appraisals but that indeed is a complex subject by itself. Basically, a rating scale using one of two approaches is commonly used. The two approaches are:

(i) The "trait" approach, where predetermined characteristics or traits are used as criteria, and

(ii) The "results" approach where performance is the key criterion rather than predetermined traits.

Programmes exist for training managers in both approaches; sometimes personnel officers (and indeed union personnel) work alongside managers in developing either of the approaches. Here again the relative merits of these two approaches will not be considered here. Suffice it to be said that refinements in rating techniques are constantly going on. For example, some supervisors invariably rate everyone very high or very low. This renders comparisons difficult when persons from many units are being considered for a single opening. To defeat such unintentional biases, refinements such as forced-distribution and forced choice techniques are used.

In a sense whatever the technqiue used, for training and development purposes, the post appraisal interview is a very important occurrence. This interview has two important purposes:

(*a*) To let the subordinate (i.e., trainee) know where he stands, and

(*b*) To use the interview to suggest *concrete*, *tangible* methods for improvement.

A word of explanation is in order here as to why the appraisal interview is so very important to on-the-job training. Reduced to simplest terms, the process of personnel training consists of three phases:

(i) The input phase (the showing, telling, explaining, instructing and guiding),

(ii) The output phase (the doing, performing, reproducing and questioning what has been taught), and

(iii) The feedback phase (the being told how well or badly he is doing and why).

In forma loff-the-job training, the feedback phase is well handled by exminations and such tangible methods of inquiry by the trainer, knowledge of the trainee and his responses. But on-the-job, apart from routine correction of his mistakes, the most complete evaluation is the appraisal. An assessment has been made of his "output phase" over (say) the past year; for this assessment to be effectively helpful in training the subordinate to improve his future performance, the interview or feedback is most important. Handing him the appraisal sheet and saying "You are an average officer", tells him nothing. It is *how* he is told, *why* he is average that matters. The subordinate will naturally question the findings detrimental to him; he interviews his superiors as much as he is interviewed. The interview is a two-way exchange of information, hence its importance both to the management and the subordinate.

To tell a man he is wrong is easy but to suggest methods of overcoming such errors requires both knowledge and skill. In many organi-

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sations, post-appraisal interviews accomplish nothing and often damage existing relationships. The interviews then assume the character of formal routine, neither party saying or expecting much; in this event, on-the-job training becomes almost impossible. Often where the appraisal criteria are general, a keen subordinate will protest at the very broad nature of the judgements. These are cues that the senior managers should note, for if appraisal criteria are generalised in nature, very often the principles of accountability may themselves be vaguely defined. When this happens, organisational efficiency is itself in question.

Related to performance appraisal especially, the interview is development counselling, which in a sense is more subordinate rather than organisation oriented activity. The interviewing manager's role here less that of a superior and more of a counsellor. Connected to the act of development counselling is the follow-up either random or specified. Time and pressure of work can often erase the effects of a successful meeting between superiors and subordinates. Further, it is essential that if a commitment (for transfer, change of duty, change of supervisor etc.) has been made to a subordinate, it is vital that it must be kept. Hence the act of follow-up is important both to the subordinate and the supervisor.

Coaching

Coaching is a continuing set of instructions intended to educate and motivate the trainee. It is indeed a normal aspect of a manager's duty to his subordinates.However, it acquires significance as a training method when the development of greater ability and skill are the aims. Coaching thus is the focusing of normal supervisory activity in a planned manner so as to help a subordinate to overcome job limitations. Improper coaching often becomes interference and unconsciously relieves the subordinate of his responsibility. This could happen where, in the act of improper coaching, the superior virtually tends to perform the job himself. A good superior who aspires to be an effective coach should let his subordinate develop his own approach to the job. Except when complete disaster threatens, a superior should allow his subordinates to locate and rectify their own errors. Paternalism in a manager is very often a cover-up for incompetence.

The full potential of coaching has never really been recognised. Certainly not all superiors are good coaches, and here the act of coaching may have to be delegated. But nonetheless coaching is such an obviously natural method of effective simultaneous supervision and training that its encouragement cannot but prove beneficial. A subtle but effective form of coaching necessary to be mentioned is the setting of examples. Behaviour, even organisational behaviour, of proper decision-making is best learnt from realistic examples. Another method of "indirect" coaching is for the superior to consult his subordinates on a decision that he has to make.

Special Assignments

In almost any organisation (and at almost any level within such an organisation) there really is a great deal of non-routine work. Any of this non-routine work can be assigned to subordinates on a planned basis, either in addition to his normal duties or on a temporary release

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from them. Besides their value as a training tool, such assignments often help to get non-routine jobs done.

Such assignments should not be given on a "make-work" basis, nor should they be simple trifles given out to keep subordinates working. They should involve the creation of a broader perspective, contact with unfamiliar information, or even liaison with a technical department. Of course such special assignments should not overwhelm the trainee for then he is judged unfairly. A group of subordinates could be given one special assignment so as to encourage co-operative decision-making.

Job Rotation

Two major forms of job rotations tend to be found in most organisations:

(i) The practice of moving people through a predetermined, relatively short-term training activity, and

(ii) The practice of transferring and promoting with an eye to the impact of the jobs upon the subordinate's development.

The former is an often used orientation, initial training programme technique. Normally, they do not amount to more than short "sojourns" in various departments. Sometimes they do succeed in exposing the newcomer to some observable aspects of the complexities involved in running various departments. The basic fault with this method is that since almost everybody knows that the periods involved are short nobody takes the rotation seriously.

The second type is not a pre-planned, conscious rotation. Rather, it recognises that most men will hold different jobs in their life-time, thus increasing responsibility, and varying scope determine the rotation pattern. The "next job" therefore, is determined by a man's development needs rather than on the basis of a set of pre-planned exposures as is the case in the first type of job rotation. None of the "next jobs" are special positions or specific training assignments. They are normal functions, the extra benefit being that they are helpful in his career development and are selected thus far.

Two significant problems are attached to this type of job rotation. The first is the proper timing of change, for if the rotation is badly timed, the "next job" may prove to be either too difficult or too easy for the new incumbent. The second problem is that this type of rotation cannot be used for professional men or certain types of staff specialists. They are there specifically to perform specialised tasks and their transfer significantly affects the organisation. These problems apart, job rotation is certainly one of the best types of exposure available for training and development purposes.

Planned Assistantship

A true training position is that of the "assistant". If the position of assistant is created with a training and development function in mind, its role is indeed valuable. There are two types of assistants, viz. :

(i) The staff assistant, i.e., assistant to a manager. He normally has no authority over the manager's other subordinates, and

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(ii) The line assistant, i.e., the deputy manager, possessed of secondary responsibilities. The total responsibilities are often shared in many different ways between the manager and his deputy.

The position of an assistant, either staff or line, offers valuable training opportunities. The assistant has a good chance of seeing the whole operation of a department, section or unit rather than only a small segment of it. It is often a logical job in a job-rotation programme. In the case of a staff assistant he can be developed by the use of frequent special assignments without disrupting the work of other subordinates.

The practice of using assistants for training purposes has its critics. The first criticism is that appointing a man an "assistant", (especially a line one) creates a "crown prince". If the man proves to be incompetent it is often difficult to promote someone over him to the manager's job. The next criticism is that assistants do not have real responsibilities and are in a sense not really accountable. The third criticism is that assistantships tend to breed men who survive by agreeing, not managing. These are valid criticisms but not ones that careful organisation, planning and accountability cannot overcome.

Conclusions

No one system of training is an ultimate answer to development problems. Some tasks can only be learnt in the relative freedom of a training institution, some only mastered within the framework of the job itself. The most significant aspect of the foregoing techniques of on-the-job training is that the ultimate responsibility lies with the organisation, in the sense of providing an exemplary experience for the manager to follow. An organisation that is capable of providing good training for the staff, must naturally be well run. Good organisations breed good managers - benefitting both themselves, their managers and the society they live in creating an environment in which the manager could develop.

MARKETING MANAGEMENT

K. M. K. U. Kamalgoda

First, I would like to clear a misconception regarding marketing. It is mistakenly thought that marketing is nothing but selling. Goods are manufactured in a manner the manufacturer desires and then given to the salesman to sell. Selling concerns itself with the tricks and techniques of getting people to exchange their cash for a product. The customer is somebody "out there" who with proper cunning can be separated from his loose change.

Such companies demand salesman who will be aggressive, resourceful, dashing, prepared to take risks and in general possessing all those characteristics expected of 19th century entrepreneurs. Such orientation can work and of course, has worked. However the success of such companies is short lived. Their competitors can hire even better

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salesmen and produce a product more suited to the customer. This has happened in Sri Lanka, among manufacturers as widely different as razor blades and biscuit makers.

Selling, thus focuses on the needs of the seller—that of converting his product for cash.

Marketing, on the other hand, is concerned with the needs of the buyer. The concept of marketing introduces the marketing man at beginning rather than end of the production cycle. What a marketing minded firm would offer for sale is determined not by the seller but by the buyer. That is marketing through its research and studies will establish for the production engineer the particular design the customer wants in a product, the price he is willing to pay and where and when he wants it.

Marketing, then, is consumer-oriented and its functions is to create consumer satisfaction. It has been argued that politically and socially this is the most acceptable course. It is also economically the most sound. It takes more trouble and effort to produce what people do not want and try to persuade them to take it, than to produce what they do-want or will-want when informed of its nature and existence. Mistaken marketing decisions lead to misallocation and waste of resources, in fact to lower productivity.

The consumer thus stands at the very centre of the marketing universe. The marketing strategy consists of a mixture of such elements as product policy, price policy, promotional policy and distribution policy. The degree to which these elements get mixed depends on certain forces outside the organisation itself. These forces spring from the socio-cultural environment, the political and legal environment, the economic environment and the existing business structure. All these factors in turn operate within the framework of the resources and objectives of the firm.

The particular program devised by a marketing manager from the above elements and forces, constitutes what is known as the 'marketing mix'. Let us take a closer look at each of these ingredients.

From the socio-cultural environment comes the view that man's attitudes and behaviour are influenced by several levels of society-culture, social class, family life cycle, reference groups and face to face groups. The challenge to the marketeer is to determine which of these social levels is the most important in influencing the demand for his product.

The most enduring influences over an individual comes from his culture. It is our culture for instance that creates a demand for a product like chillies even when prices are very high, whereas in a Western culture there is no such demand.

It is culture that places a product in its social context and defines how it is to be used. The social implications of the concept 'perfume' for instance are basically feminine. Any advertising that goes against such culturally accepted values may have rather dubious results.

Social class positions attained either on the basis of money, occupation, education or inheritance, reflects to a considerable extent an

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individual's style of life. Differentiating consumers on the basis of social class is superior to the conventional method of income which has the weakness of assuming that a rich man is just a poor man with more money. The two may differ considerably in their values, tastes and spending habits. Significant differences, for instance, may be found among different social classes with respect to magazine readership, leisure activities, type of food consumed, fashion interests and acceptance of new ideas.

Family life cycle concept, that is, that there are definite social changes in the different stages in the life of a family, is a more accurate index of spending behaviour than age. Thus, the critical dates in the life of an individual may not be his birthdays so much as the days when a change occurs in his family status, for example, when he marries, or when his first child is born, or when his child attains school going age. To understand a person's social behaviour it may be more relevant to consider which stage in the life cycle he has reached than how old he is.

Reference groups are groups in which the individual has no membership but with which he identifies and may aspire to belong. Many young may identify themselves with film stars and may frequently imitate their dress. Reference group influence however is more on the lines of taste and hobby rather then on basic attitudes.

Groups that have the most immediate influence on a person's taste, opinion and attitudes are face to face groups. This includes all the small groups with which an individual comes into contact: his family friends, neighbours, fellow workers, club members and so forth. His informal group memberships are influenced largely by his occupation. residence, and his stage in the life cycle. For the marketeer this means that brand choice may, increasingly be influenced by one's peers. In such products as cigarettes, type of dress to be worn and liquor consumed, the influence of peer groups is unmistakable.

The political and legal enviroment takes into account Government controls over the product, over pricing, over competitive practices and other variables such as taxes, labelling requirements, patents and trade mark and licensing requirements. The type of labour legislation prevalent in the country as well as the level of labour satisfaction or dissatisfactions as evidence by the frequency of strikes is also an important factor.

The economic environment is important for the marketing mix not only in terms of the individual level of income but also in terms of national development. The ability and willingness of the individual to spend is dictated in a large measure by the level of national development. The foreign exchange position of Sri Lanka, for instance decides to a considerable extent the type of goods available in the local market as well as the discretionary spending power of the individual.

By existing business structure we mean the degree of competition prevalent in an industry, trade practices and attitudes, amount of market information available, methods of financing available and so forth. The vegetable business, for instance, in Sri Lanka is largely in the hands of private traders who act as middle-man on a commission basis.

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So far, we have touched on the external forces that impinge on the marketing manager's policy formulation. But what of the factors within the organisation itself?

The product as stated earlier must be the result of consumer research and reflect what the consumer wants under the marketing concept. A product is viewed as having social, cultural and psychological dimensions in addition to its intrinsic qualities. The style and quality of a person's clothes, is a good example of a product enhancing the social position of the person more than satisfying his utilitarian needs.

In Pricing Policy a common method used is to calculate the cost of the product and add a profit margin to it. To adopt this method as the sole basis, of fixing a price is unrealistic. It ignores demand. It does not, take into account the psychological aspects of pricing—how much a customer is willing to pay for that product nor the prices of competitors. Nor does it consider the alternatives or substitutes the buyer may have. In arriving at a price decision besides these factors one should also consider the auxiliary services that may have to be provided. For example in electrical goods installation, warranties, repair and maintenance and so forth.

Physical distribution is another aspect that has to be co-ordinated within the total marketing mix. This includes marketing channels, storage and transport. The type of product for instance, will determine largely the type of retail outlet it would be sold. That is, products can fall into any one of the following categories:

Convenience goods: that is products which customers purchases frequently, immediately and with minimum effort,

Shopping goods: where the customer before purchasing compares the product on suitability, quality, price and style, and

Speciality goods: where the customer is willing to make a special purchasing effort like ladies apparel that caters to a special group of customers.

Convenience goods like cigarettes should be available in practically every boutique while shopping goods are best made available where there is a cluster of shops like in Pettah or Fort.

Promotion, the final aspect includes advertising, personal selling and other merchandising techniques. Giving gift coupons with the product or giving free samples are some merchandising techniques. Advertising whether it be radio, newspaper, magazine, billboard or window display is intended to induce in the mind of the customer a change of attitude to buy the product. Any advertisement to be successful must have four essential ingredients. It must attract Attention; It must evoke an Interest; It must create a desire and finally, it must end in a positive Action of purchase. The final aspect that is Action in terms of a purchase would depend not only on the type of promotional method used but also on the successful marketing mix of all the other elements.

Promotion may also be used to induce consumers to come to a particular shop. Certain items may be sold at half-price drawing the

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consumer to the store hoping that the consumers would buy other tiems besides the ones advertised. Price promotion that is selling an item, say toothpaste—20 cents below normal selling price for a definite period is another technique that marketing men use.

The specific degree with which these elements get mixed in the marketing strategy will ultimately be influenced by the resources of the company and the company objectives. In defining the company objectives the end user of the product or the Target market has to be defined. In other words answers to such questions as who buys the product, who uses the product, how is the product used, where is the product bought and why is the product bought has to be sought.

Thus in the final analysis, the marketing concept calls for custom orientation backed by integrated marketing aimed at generating customer satisfaction and long run consumer welfare as the key to attain long run profitable volume.

PRODUCTION MANAGEMENT

J. Bandaragoda

The basic concepts of managerial process and organisation development discussed in the earlier papers can now be extended to consider the details of special functional areas of management. Production Management is one of these functional areas. To produce generally means to create goods and services for which there is a need expressed in the form of demand by the community. But, in a more practical approach, in defining production we mean the manufacture of tangible goods by the transformation of energy and materials. In this pragmatic approach, the highest efficiency in production is supposed to be obtained by manufacturing the required quantity of product, of the required quality at the required time, by the best and cheapest method.

To relate production activity to these criteria, the right quantity, right quality, right time and the correct price is an enormous and complex problem. The present-day production manager feels this complexity in a much greater intensity. He has to meet a double challenge. On the one hand, he has to satisfy the consumer by way of price and quality of the products, and on the other, he has to organize production so efficiently that there is sufficient return to pay the employees a satisfactory wage and to reward the owners of the means of production for their efforts, investments and the risk taken. To successfully tackle these challenges, he can make use of several management tools, or, what one might call, modern aids to management. Taking these requirements into consideration, by production management we mean the management of production through the application of planning, control and other modern management techniques.

Having described what production management is, we wish to emphasise on the importance of proper production management in the present context of our country. At the turn of a year which has been

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declared a "production year" it is quite appropriate that we seriously think in terms of ways and means of improving our production management. A large number of government agencies are actively engaged in production activity in manufacturing commodities like cement, petroleum, steel, textile, ceramics and agriculture. The private sector is taking an increasing interest in industry, specially, in several small industries encouraged by the government itself in an attempt to save our scarce foreign exchange and to solve the growing unemployment problem. In this kind of work situations the production manager has to gainfully make use of the modern techniques to plan and direct his work rather than constantly think of his daily detail.

Planning and control should necessarily be an integrated process.

A proper strategy for planning should originate from the organization's overall objective itself. It should consider the capabilities within the organisation as well as the opportunities available in the environment or the market. Planning begins with an analysis of given data on the basis of which a proper scheme for the utilization of resources can be outlined so that the organisation can have a desirable target that may be most efficiently attained. This overall plan then should set out sub-targets for the various sections of the organization, in terms of certain predetermined time periods, and these sub-targets are so decided that in achieving them the ultimate objective is attained. It is useful to realise that the operations in a well organised production system should invariably be based on a predetermined production plan.

However, there may be instances when the organization is compelled to deviate from the set targets. Control becomes necessary to detect such deviations as well as to take proper action in such instances. Control in this context is a word which is very often misunderstood and misinterpreted by most of us. It does not mean any authoritarian action that should be taken by the management. Nor is it any mere influence process. Its main objective is to bring back the activities in an organization in conformity with its decided plan, by rectifying errors or causes for such deviations or by even modifying the plans if absolutely necessary. Control initiates and supervises operations with the help of a control mechanism that feeds back information about the progress of work and helps the management to take necessary remedial action.

Let us now consider the detailed functions of production management, apart from the line operative functions which actually result in the ultimate output, there can be several staff functions such as, product design, supply, production control, cost control and maintenance.

It may be useful to consider each one of these functions a little more in detail:

1. Product design is actually a planning activity involved in determining the attributes of the finished product. This function is usually carried out by the research and development section of the organization and encompasses fundamental research as well as operations research.

2. Process design is also a planning activity involved in determining the methods of combining the various resources to produce the attributes

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as developed by product design. Plan lay-out, tool design and job design are the principal phases of this function. Analysis of work methods is usually carried through various work study techniques. The objective of work study is to improve conditions and methods that will permit the manufacture of the products of the required quality at minimum cost achieving increased productivity. The present day practice of industrial engineering comes basically from the pioneering work done by F. W. Taylor and Frank Gilberth in this field. One of the examples which Taylor gave in his book "Principles of Scientific Management" illustrated that in the handling of pig iron, the labour output was increased from 12 tons per day to 47 tons per day as a result of new methods. These methods of work simplification and work measurement have been refined since then, but have traditionally constituted the basic tools of the practising industrial engineer. A larger number of process problems are analysed through the use of what may be called "schematic Models". A schematic Model means all those methods which involve the graphical representation of the way in which a "system" operates. Some examples are flow process charts and flow diagrams, multiple activity charts, routine sequence diagrams, assembly diagrams, Gantt charts and block diagrams.

3. The function of supply is to provide the proper quantities of necessary materials at the proper time and place and at the lowest cost consistent with the required quality. The storage, transportation and disposal of scrap or waste are the problems that confronts the management in this context. Several inventory models are used as tools to solve some of these problems. In a model that is commonly used economic order quantity is determined taking ordering costs and carrying costs into consideration.

4. Production control in manufacturing process is the function of determining and controlling the activities that directly relate to production as decided by the production plan. Depending on whether the production is continuous, intermittent or some combination of the two, certain controls are used. Whatever the type be, the function can be generally sub-divided into routing, scheduling, dispatching and follow-up. A proper sequence of different operations and a time schedule for these operations at the machine have to be determined at this stage. Sometimes it may be necessary to determine whether or not to make a product. The questions generally asked are "how much?" "how many?" "when?" "how long?" "where?" and the like.This in fact is a complex of inter-related factors which in total determine the whole structure of the production system. They have to be resolved in favour of that set which best accomplishes the organizational goal. Now, this becomes an economic problem of "most efficient allocation of scarce resources to multiple ends". The choice of the best solution is actually a problem in sub-optimisation. One solution may lead to minimising machine cost, while another solution may lead to minimising total machine time. Obviously, it is necessary to make the choice that is consistent with the objectives of the larger organization of which the shop flow is only a part.

In some cases the number of choices may be so few that the best can be chosen by inspection. In other cases the number of constraints

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may be so large and complex that a technique called Linear Programming can be extremely helpful. Linear Programming is a method whereby some objective function is either minimised or maximised while at the same time satisfying the various constraints placed on potential solutions.

We can consider a simple example to illustrate the general nature of Linear Programming. Suppose in a textile mill there are three machines for warping, weaving and finishing, all of which are required to manufacture any product. There are three constraints in the form of capacity limitations of the three machines. For a week, the warping machine can handle only 24 hours of work, the weaving machine only 44 hours and the finishing machine only 60 hours. At present suppose there are two types of textile products, A and B in demand. One yard of textile A requires 2 hours on the warping machine 1 hour on the weaving machine and 6 hours on the finishing machine, while textile B requires 2 hours of warping, 5 hours of weaving and 2 hours of finishing. The profit contribution per yeard of textile A is Rs. 6.00 and that of textile B is Rs. 9.00. Our objective naturally is to maximise our profits. Now this is a typical Linear Programming problem. It is easily seen that different combination of products, A and B can be manufactured within these given limitations; but there is one set which gives us the maximum total profit contribution for both. The solution to this problem can be obtained graphically or by a mathematical technique called the Simplex Method.

Let us now come back to the other functions of production management mentioned earlier.

5. Quality control is the function of insuring that the attributes of the product conform to prescribed standards. The control system adopted should be able to determine the capability of equipment and men to produce the specified products and also to detect any changes. The type of inspection whether it should be continuous, regular, or random is an important consideration.

6. Cost control is a phase of general accounting procedure by means of which the details of the costs of materials, labour and fixed expenses are recorded, summarised analysed and interpreted. There are several techniques of statistical control that help the manager in this respect. Using these techniques, expected value and limits of variations can be evaluated leading to a stable chance cause system.

7. Maintenance of plant and equipment, machinery and tools is a function that helps continuous economical production. This is linked up with equipment selection as well as replacement. An important aspect of this function is to determine the economic life of an equipment and to decide among the alternatives available such as repair and replacement. In the servicing function of large organisation like a Transport Service, it may be useful to apply certain techniques divided from the probability theory such as the Waiting Line model or the Queueing model. This is concerned with a systematic use of a number of servicing channels in the face of random demand for such service.

We have now briefly mentioned some of the important functions of production management and some common management techniques

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that are used in carrying out these functions. The necessity to programme several independent activities to obtain some given or alternative outputs becomes the most important aspect of production management. For example, in the coconut oil industry, a variety of products might be made utilising the same basic inputs and factory capacities. Production management must decide on the most profitable allocation of available capacities over time, among the various product lines to meet the anticipated demand for each product. This is a programming problem that may be much more complex than it usually appears to be. This complexity, however, can be tackled through techniques of mathematical programming which includes, in addition to linear programming that we have already mentioned earlier, the methods like Transportation, Dynamic Programming and Parametric Programming.

The necessity to make inferences from less than complete information and to predict the outcome of future events under uncertainty is also another important aspect. This is usually handled through the various sampling techniques in Statistics and the use of probability theory.

In summary, we can say that production is a process in which a set of inputs are converted to a set of outputs. The process may be simultaneously a physical, economic and human process. The inputs are essentially materials, human skill and equipment. The outputs are the goods and services desired by the community. The solution of the economic problems encountered in the process is facilitated by several modern management techniques.

DEVELOPING SUPPLY AND MATERIALS MANAGEMENT

C. S. Chinniah

The efficient implementation of the Five-Year Development Plan drawn up by the Government demands, among other things, effective supply management in all sectors of the economy in the country.

The starting point of all economic activity is the existence of human wants. To satisfy hunger and thirst, to secure shelter and provide clothing were the chief aims of primitive man and constitute even today the motive force of all society. The primary concern of supplies management is to achieve the satisfaction of human needs by ensuring the supply of the necessary materials and services as economically and effectively as possible. Efficient Supplies Management is as fundamental to a national economy as it is to a household economy.

The functions of purchasing and supply, material utilisation and disposal and inventory control have come a long way from their storekeeping and pay and obtain origins into a highly specialised field of management, just as accountancy has outgrown the days of simple book-keeping into various specialised areas of financial management.

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The importance of the role of supplies management in development will be evident from a glance at the world history of development. We see the emergence of the Arabic races as traders of exotic oriental spices, of the Vikings and Norwegians as traders in fur, the Spaniards, Portuguese and Dutch as traders in slaves, ivory and gold and the British as traders in coffee, cotton, tea and rubber and later as suppliers of manufactured goods. In this century we have seen the emergence of the Americans and Japanese as business entrepreneurs with their tentacles spread out in the form of partnership syndicates dealing with the purchase, production and supply of goods.

The whole matrix of the development process is generally one of supply and production activities, whether they are undertaken by the private sector or public sector. It is therefore clear that supply management plays a crucial role in keeping the process of production moving.

This country imports nearly half its requirements of food from abroad. This accounts for much of the foreign exchange that is earned by the export of agricultural products. The total business turnover is about Rs. 2,000 million annually. Most of the industries set up in this country are more or less isolated development projects and the missing links so to speak, have largely to be provided through a supplies chain connecting local industries with the various foreign industries which cater to our requirements of raw materials.

Practically all the machinery required for our industries, most of the liquid and solid fuels, tools, fertilisers and other agro-chemicals for the agriculture and the plantation industry are imported. About 50 per cent. of the finished textiles and over 90 per cent. of the yarn cotton to feed the local textile industry are also imported.

The total import trade is of the order of Rs. 2500 million and the export trade is of the order of Rs. 2,100 million, the deficit being made up of foreign aid, suppliers' credit and other forms of deferred payment, which leaves the obligation of repayment to future generations.

Another significant fact is that about a quarter of the working population in this country is in the field of supply management in one form or another.

It is estimated that on an average 70 cents in the rupee are spent on purchase of materials, and that every day approximately ten million rupees are spent on materials in Sri Lanka. Further, about 60-80 per cent. of the working capital of Sri Lanka is tied up in stocks, and materials account for a substantial portion of the country's Gross National Product. Therefore, even modest savings in materials cost can make an enormous contribution to profits on investment and to the country's development.

The crucial importance of materials management not only to the individual enterprise but also to the nation at large is self-evident. Unless the right materials, of the right quality, in the right quantity, are made available at the right place and at the right time, any organization will run into difficulty. Insufficient or irregular supplies will not only hold up or slow down production but will also result in under utilisation of capital, plant and labour—a very costly form of waste.

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Supply failures can crush an army into defeat, bring production to a halt, force transport into immobility, hold up development, cause starvation or malnutrition and a host of other catastrophies which can throw society into chaos.

The factor of supply has decided the fate of many a great battle in history. Wars have been won or lost according to the availability of vital supplies. It is said that Hitler lost World War II, despite his mighty war machine and his lightning initial victories, chiefly because his supply lines broke down. General Rommel is reported to have withdrawn from Africa after his brilliant campaign, because he could not maintain his supply of munitions, food and water to his men at the front.

The gravity of the financial situation, in which this country finds itself at present, demands the highest possible efficiency in materials management for reducing overall materials and production costs, releasing capital unnecessarily tied up in stocks and conserving valuable foreign exchange.

Most of the efforts that could be made to minimize cost of production lie in the field of supply management. In fact in many organizations materials management is one of the few remaining fields, in which management has room for manoeuvering for cutting down cost of production. Economists tend to distinguish between industries that are labour intensive and those that are material intensive. However, in the final analysis all industries are material intensive. It is only a matter of degree. Materials account for 60, 70, even 80 per cent. of the total cost of the product. Therefore, it is obvious that materials management offers plenty of scope for cost reduction.

Efficient utilisation of capital is necessary at the best of times. It should be an objective of the highest priority in Sri Lanka today, when capital is so scarce and costly. The achievement of this objective involves the need to resolve between two conflicting principles. First, the need to maintain a stock level, which will ensure an unfailing source of supply to sustain the working of the organisation and second, to keep down to the lowest possible level investment in stocks, inventory carrying cost, and losses from redundancy, obsolescence, damage, deterioration and pilferage etc.

Efficient supplies management involves the balancing of one against the other with the view to arriving at the optimum result. Surpluses and shortages have both to be avoided. They are really the obverse and reverse of the same coin—poor inventory control.

One of the chief reasons which have hindered our development as a nation has been our failure to organise our national supplies into some form of order and system. Many of the headlines and news items in any of the major dailies in this country deal with deficiencies of one sort or another in the system of supply, whether they be for production, consumption or services. The greater part of the inefficiencies and most of the problems in production are due to mismanagement in the handling of supplies.

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Supplies account for a large proportion of the expenditure in all sectors of the economy. A substantial part of the annual budgetary expenditure of the Government is devoted to the procurement of various supplies, materials and equipment. It is imperative that the public sector secures the best possible value for money from the vast outpouring of the public purse. Material research, material utilization, value analysis and value engineering, quality assurance and supplier evaluation techniques, have to be applied effectively for achieving this end. The concept of value buying is all important.

The other equally important requirement is to utilze the available resources to the best possible advantage by proper classification and coding of materials, determination of interchangeability of stock items, standardisation and variety reduction, prudent purchasing based on tight investment, proper storage, maintenance and security of materials and scientific stock and stores control.

The steadliy worsening foreign exchange crisis poses a tremendous challenge for supply management in this country, with the drastic reduction in imports forced by the crisis on the one hand and the urgency of the need for rapid and extensive development on the other. The situation calls for intensive research in the exploitation of local sources of supply and the systematic development of these resources. Necessity it is said, is the mother of invention. The economic morass in which we now flounder demands considerable ingenuity and creative thinking in the supply management field.

Stepping up productivity to the highest possible level is the need of the hour. The need to increase the productivity of material resources is just as great as the need to raise the productivity of human resources.

Productivity may be defined in one way as a function of providing more and more of everything for more and more people with less and less consumption of real resources.

The most challenging part of the definition is that with the words 'with less and less consmption of real resources'. The old maxim, 'a little goes a long way' is very pertinent in the present context, when the situation requires that every material resource used should be made to go the longest possible way. It is necessary not only to achieve pre-determined goals or targets with minimum consumption of resources but also to maximise achievement by getting the best out of the resources used.

In Sri Lanka, as in other developing countries in the East, the problem is not one of shortage of manpower as in the developed countries, but rather one of steadily growing shortage of material resources. Productivity should therefore pave the way for import substitution, exploitation and development of local sources of supply, reduction in the consumption of materials imported from abroad and getting the best out of them.

Sri Lanka, which is committed to achieving the ideal of a socialist democracy and the goal of full employment, is faced with the problem of achieving objectives which are constantly expanding through use of resources which are continually diminishing.

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This dilemma calls for materials management of the highest possible quality in all sorts of the economy.

In these days of ever increasing shortages of even the necessities of life and steeply falling incomes and the fast dwindling purchasing power of money, the problem of supply management has become very acute both to the individual home and to the nation at large. The need to get the best value for money in procurement, for careful inventory control, for proper storage and maintenance of materials and to make the best possible use of supplies and eliminate waste in every form, is of the highest importance today both to the housewife and to the supply manager in a public or private enterprise.

Speedy and effective development is the supreme need of Sri Lanka. For the successful achievement of this vital objective, perhaps nothing is so important as efficient supply and materials management in every sector of the economy.

DEVELOPING FINANCIAL MANAGEMENT

P. Sivasubramaniam

Financial Management may be defined as the methods, systems and techniques which are employed to process and interpret information required by the executives of an organisation in planning, directing and controlling the programmes, projects and activities of the organisation with a view to maximise profits or minimise losses or to achieve the goals at the minimum cost.

Financial Management is an integral part of the managerial processes which may be broadly classified as:

(*a*) Planning;
(*b*) controlling;
(*c*) organising; and
(*d*) motivating.

Accountants employ financial systems and techniques to—

(*a*) assist management in planning and decision making;
(*b*) develop budgets for the organisation and for each of its functional areas;
(*c*) produce information for controlling operations; and
(*d*) correctly determine assets and liabilities as on the last day of each accounting period.

2. At the planning stage, the managerial process can be seen as a series of decisions. Each decision is a choice amongst available alternatives according to certain criteria and or objectives. Financial Management methods, systems and techniques help to identify and illuminate the alternatives in the light of the organisation's financial objectives.

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Alternative courses of action can be converted into capital costs, operating and maintenance costs, prices, revenues and profits. The plan which is likely to result in maximum profits can be chosen. Where results cannot be measured or converted into money values, the plan which will achieve the target or goal at the minimum total cost can be chosen. During the 1960's the procedures and techniques for evaluating capital expenditure were expanded and developed. Today it is the standard practice in almost all organisations to evaluate capital expenditure in terms of Discounted Cash Flow, Net present Value or Internal Rate of Return.

A person faced with the choice of having Rs. 100 now or Rs. 105 in one year's time would normally elect to have Rs. 100 now, because he can invest the Rs. 100 now and have more than Rs. 105 at the end of one year. This example illustrates the concept that Rs. 100 due in one year is not worth as much as Rs. 100 now. If ten percent is taken as a normal rate of return, the Rs. 100 due in one year will at present be worth only Rs. 90·91. If it is necessary to wait two years for the Rs. 100, then taking compound interest at 10% the present value will be Rs. 82.64.

When considering investment opportunities with earning patterns which are not the same, vaild comparisons can be made only by discounting the future expected earnings to present values. Similarly when costs are incurred at different intervals they too should be converted to 'present values'.

The excess of the 'present value' of expected future earnings of a project over the 'present value' of costs to be incurred on that project is known as the Net Present Value. The Project or Investment that gives the highest Net Present Value is the most profitable one. In cal culating the Net Present Value, a pre-determined rate of interest is employed and this rate is either the borrowing rate or the average return on capital employed by the organisation in other projects i.e., a cut-off rate.

The internal rate of return, on the other hand, is the rate of interest at which the present value of expected future earnings equals the present value of costs to be incurred. The project that gives the highest Internal Rate of Return is to be preferred over the others.

While the Net Present Value technique indicates whether a capital expenditure is viable or not, at a given rate of interest, the Internal Rate of Return indicates the maximum rate of interest up to which it is viable.

Management has also the responsibility to fix prices for its products and services.

The marginal costing system provides a useful basis for price fixing. Under this system all costs that vary directly with the quantity of the product or service produced are treated as variable costs while the costs that are not influenced by the volume of output i.e. costs such as rent depreciation, insurance, etc. are treated as fixed costs. The proposed selling price per unit minus the variable cost per unit gives the contribution per unit. This contribution per unit is then multiplied by the number of units that could be sold per annum, at that selling price.

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to give the annual contribution by the product. This calculation is repeated for all suggested selling prices, and the selling price at which the annual contribution by the product is highest is selected as the one that will maximise profits.

Marginal costing technique is also useful in deciding between alternatives.

Limiting Factor analysis is an extension of the marginal costing technique used to advantage in allocating limited resources to the best advantage.

If there is only one scarce resource, than the product that gives the highest contribution per unit of that resource is the most profitable one to produce and sell. Therefore maximum resources should be allocated to that product.

The final product of the management process of planning is represented in the Budget, which is essentially a financial document. The budget comprises of functional budgets, such as production, sales, personnel, finance, capital expenditure, research and development, all co-ordinated into a plan of action. Behind each budget are the actions of the people, their performances and the costs they incur.

3. The managerial process of controlling is the systematic appraisal of results to ensure that actual operations follow plans. If there are deviations from the plans corrective action is taken. Financial management plays a key role in controlling performances and costs through (*a*) budgetary control and (*b*) standard costing.

The Accountant traditionally has been at his strongest when producing control information. Accounting for control produces data at regular intervals, in a standard form, so that actual performances can be compared with plans and budgets, and differences identified and analysed by causes. It not only makes such comparisons possible but also provides feed back information to operate and guide the progress of an organisation. Accountants have developed various systems to produce the required reports at regular intervals for different levels of management.

The classification of costs is the basis of all accounting systems and is an essential step in summarising detailed costs. Normally Accountants classify costs by functional areas: production, marketing, research and development, finance and administration. Within these functions costs are collected by cost centres. An organisation operating a budgetary planning and control system will have the cost centres so planned that results by responsibilities flow directly from them.

The concept of management by objectives requires that once the objectives of an organisation are established, responsibilities have to be delegated to the different levels of management requiring them to achieve the accepted goals and targets. Similarly the budgetary control system seeks to establish departmental budgets relating the responsibilities of executives to the requirements of a policy, and then to continuously compare actual results with the budgets to secure by individual action the objective of that policy. The management by objectives approach thus consolidates itself in budgetary control.

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Standard Costing has been defined by the Institute of Cost and Management Accountants as follows:

> "The preparation of standard costs and their use to clarify the financial results of a business particularly by the measurement of variations of actual costs from standard costs and the analysis of the causes of the variations for the purpose of maintaining maximum efficiency by executive action."

No action is taken if the actual results are in agreement with those planned. However, if the actual result is in variance with the plan, then an assessment is made whether the variation is significant, because variations are brought to the notice of management only if they are significant.

Standard Costing techniques thus spotlight the areas where management should concentrate their energies to secure significant benefits to the organisation. Without this aid effort may be diffused on all operations showing good and bad performance. In the limited time available for control purposes, executives need their attention concentrated on the exceptions rather than the normal. Thus the concept of standard costing in the managerial process of controlling incorporates the 'management by exception' principle. In addition, standard costing provides a base for price fixing and measuring efficiency.

4. The managerial process of organising is the establishing of a framework in which responsibilities are defined and lines of authority and communication are laid down.

The total results achieved, converted to money values and expressed as a percentage on Capital employed, reflects the effectiveness of the organisation.

With the introduction of budgets for each cost centre and responsibility centre and the identification, location and controlling of responsibilities and costs, the effectiveness of each of the links in the organisation structure can be measured and used to develop an efficient organisation centre.

The introduction of a standard costing system requires the thorough examination and study of current systems and procedures to develop standards. This preliminary examination and study alone results in many instances in developing efficient organisation structures.

The work of an internal audit and internal control systems also result in increasing the efficiency of an organisation.

The financial system of every organisation provides a useful store of information which can aid management of policy and control of the Organisation. Thus financial systems, carefully designed for each organisation, bearing in mind the information requirements of the various functions and levels of management, will go a long way in improving the efficiency of an Organisation.

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An efficient financial system can be designed for an organisation by taking the following steps:—

(i) Defining clearly—

(*a*) the objectives of the organisation;

(*b*) the activities in which it is engaged; and

(*c*) its organisation structure.

(ii) Listing the information requirements of the various parties, i.e. the executives of the Organisation, shareholders, customers, suppliers, members of the public, the Inland Revenue Department and other Government Departments.

(iii) Determining the data that will be required to provide the information to the various parties.

(iv) Deciding on the manner of collecting the data and the sources from which they would be collected.

(v) Designing the appropriate forms and documents on which the data will be recorded.

(vi) Determining the methods of testing the data collected for accuracy and completeness.

(vii) Deciding on the methods, procedures and techniques of processing the data into meaningful information, taking into consideration the information requirements of the various executives.

(viii) Determining the methods of testing the processed information for accuracy.

(ix) Deciding on the methods of communicating the information to the respective executives.

(x) Deciding on the methods of storing the information and retrieving them on request.

(xi) Testing whether the executives and the other parties are satisfied with the information given to them, and

(xii) Improving the system on the basis of feed back information.

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TRAINING IN THE PUBLIC SERVICE

H. S. Wanasinghe

1. Introduction

The concept of training (or career development) in the Public Service is relatively new in Ceylon. Even so, there is a tendency to think of training as a possible remedy for the gaps in administrative support for the process of development. It is, therefore, desirable to take a close look at training and seek answers to questions, such as, whether training alone could help and what further steps need to be taken to provide the much-sought-after administrative support for development.

In this article, I would seek to examine the different issues involved in training in the Public Service and cover such questions as—

(1) The link-up needed between training and career systems;
(2) The organisational changes needed to derive the fullest benefits from training;
(3) Problems of assessing training needs of public servants;
(4) Issues involved in developing training programmes;
(5) Techniques available for In-Service Training;
(6) Problems of evaluating the results of training.

It is hoped that this article would help both in clarifying the issues as far as training in the Public Service is concerned, as well as in providing information which would be of help to all those engaged in training and career development in the Public Service of Ceylon.

Training, if properly planned and carried out, can make a valuable contribution to—

(*a*) The widening of the area of knowledge of a Public Servant;
(*b*) The acquisition, by him, of modern skills and modern techniques; and
(*c*) The changing of his attitudes and behavioural patterns.

When the demands made of a Public Service keep on changing constantly, due to the ever changing nature of the task it faces, a continuous process which contributes to the above named results become indispensable, if the country is to have a Public Service on which it could depend.

The jobs which the Public Servants are called to perform vary widely. In some instances, they are responsible for the preparation of programmes and for advising on policies. In other instances, they are responsible for the preparation of legislation, etc., to translate policy into action. The Public Service is also the instrument which has to implement these programmes of action. The programmes themselves present a variety and complexity which is not available in any other field of activity. The tasks of the Public Service entail the ability to understand the true meaning of public aspirations and of public reactions to policies and programmes. It also entails working with and through different bodies of the public. It calls for an appreciation of market forces and the ability to make decisions on industrial investment. It necessitates an awareness of the functioning of the economy.

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This is in complete contrast to the task that the Public Service faced even a brief quarter century ago. It indicates the new type of Public Servant who is required to respond to these tasks. The Public Service can no longer be staffed by persons who do not have adequate skills in one's job as well as grasp of the foundational knowledge which is relevant to the sphere of work he is engaged in.

It is this need of career development which training seeks to meet. In the subsequent sections we would examine how training could help in this process and what else needs to be done to speed up the process.

2. Training and Career Systems

Whilst everyone accepts the value of the contribution which the process of training could make to enhance administrative support for development, its acceptance by the Public Service pre-supposes the existence of adequate motivation for the Public Servant to participate in this process of training. Participation in In-Service Training Programmes is not yet anticipated as a part of one's normal work-life in the Public Service. In many instances, it entails personal inconveniences in having to be away from one's residence. Quite often, no arrangements exist for attending to the duties of an officer who is away for training, with the result that the participant is faced with an accumulation of work on his return. A training programme also creates for participants a problem of adjusting one's mind from the "work atmosphere" to an "academic atmosphere", as well as adjustments necessary consequent to working and living with strangers. It follows, therefore, that a Public Servant would tend to question the rationale underlying his participation in training programmes and that his keenness would depend on the answers which he receives.

First of all, the Public Servant must find that a training programme helps to fill some gap in his knowledge, skills or attitudes thus enabling his job better. For this to happen, it is necessary for him to be aware of the level of his present performance as evaluated against an expected standard. This means that a Public Servant should have for his guidance, performance standards which are considered normal.

Without performance standards, a Public Servant would not know that he is falling short and that there are areas of improvement which are necessary and which could be remedied by the process of training. This is a gap in our career systems and needs to be filled.

The laying down of performance standards does not require any amendments to regulations or laws. It requires only management action generated through a conviction in top management that performance assessment and performance standards are necessary. This, therefore, is a gap which is within the competence of the Public Service itself to fill and the earlier the process of filling the gap is started, the quicker would the results be seen.

The second problem connected with the career system flows from the same question. Even if there were accepted performance standards, there need to be sanctions for not meeting such standards as well as a recognition when such standards are met or exceeded. Performance assessments need to be the guiding factor in career advancement and

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for other forms of recognition, if there is to a motivation in the Public Service for performance. If performance standards are developed and are clearly known, this would be feasible.

The third problem is connected with the career systems of a different nature. If a Public Servant is to make the effort to acquire knowledge and skills, he should feel assured that he would have an opportunity to put them to use. He would not like to feel that the efforts he puts into their acquisition is likely to be wasted because his subsequent postings may not provide him with an opportunity to put them to use. The development of administrative and management skills needs to be based on a foundation of specialised knowledge as well as on specialised activity experience. Career management, in a modern Public Service, cannot, therefore, be any longer haphazard. There needs to be special emphasis paid to proper career management in our Public Service to generate motivation for Public Servants to participate in Training Programmes.

3. Organisational Support

If any process of training has been successful, it must, of necessity, generate in the trainee a desire for change. The extent of the desire for change would vary from trainee to trainee and would, to a large extent depend on his own attitudes and personality variables. But, in almost everyone, there would be, to some degree or other, an urge to experiment with changes. The fields in which a trainee would see the need for change would also vary. Some trainees would desire changes in the organisational structure or in working systems and procedures. Others may seek change in their own attitudes or in their own behaviour patterns. Some others may attempt changes in the behaviour patterns of those working with them.

If changes are to occur they require a climate of support and sympathetic understanding. Those of us engaged in training notice, in the feedbacks we receive from our participants, of the relative lack of acceptance of the need for change as well as the lack of support for it from those from whom they expected it.

In a dynamic environment, organisation structures, work systems and procedures, behavioural patterns, etc., cannot remain static. Most training programmes generate in their participants an innovative spirit. Innovation, however, involves risks. For example, a mistake which occurs within an existing system can always be blamed on the past which created the system. On the other hand, a mistake which occurs within a new system, brings the blame on the change of systems and on those responsible for such change. Naturally a Public Servant would be watchful of the reactions in the others in the organisation to such possible. "mishaps" and their innovative spirit itself would be conditioned to a large degree by the reactions which they notice. One might compare the desire for change to a young plant which needs to be nurtured by those in a position to do so and such persons do carry a heavy responsibility to foster and promote an innovative spirit.

Unless there is organisational support for the changes which are necessary and inevitable, the process of training itself can result in Public Servants who would be frustrated. The Public Service, thus, may develop

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a cynicism and very easily lose interest even in participating in the process of training because they would consider it a waste of time.

These are some of the different issues that need to be actively considered if a programme of training is to take root in our Public Service. Training does provide a vital answer towards solving the problem of generating administrative support for development. However, if it is to become meaningful it needs to be linked with career systems and needs to be supported by organisational changes. Those responsible for training must, therefore, address their minds to the problem of how they can influence the growth of career systems which motivate training as well as generate the necessary organisational support to give form and meaning to the results of such training.

This is the task in which the Academy, now renamed as Sri Lanka Institute of development administration, is currently engaged in. Before one proceeds to assess and analyse training needs in the Public Service-develop training programmes to meet such needs, and search for techniques which would produce the best results from such programmes, the supportive climate for the idea of training itself needs to be generated. One might even say, that the generation of a favourable environment for the very idea of performance improvement and increase of productivity must be a precursor to this process.

In some issues of the Training Digest, we would attempt to analyse problems connected with identifying training needs and programming to meet such needs. In the meanwhile, the Training Digest poses a question at the Public Service. We do see, in Ceylon, general expressions of the need for performance improvement add increase of productivity. We in the Public Service have a vital role to play in this area. Are we conscious, or are we even convinced, of this need in the country which is generally voiced today? If we are, how much of a look have we taken at our own systems and structures, to see in what manner they are fit instruments to support performance improvement and to increase productivity? On the answers to these questions would depend the answerswe seek to the others that are to follow in our future issues.

Our Diary Since 1. 7. 68

Name of Course	*Period*	*Code Reference*	*No. of Participants*
1. Office Management ...	2.8.68–14.8.68 ...	E ...	21
2. Supply and Materials Management	16.8.68–28.8.68 ...	D ...	18
3. Project Formulation Evaluation and Management ...	18.7.68–28.7.68 ...	B ...	19
4. Field Supervisors' Course ...	25.7.68–7.8.68 ...	FS ...	14
	23.8.68–3.9.68		14
5. Technical Supervisors' Course	9.8.68–20.8.68 ...	TS ...	15
6. Refresher Course for C.A.S. Officers—(recruited through the Limited Competitive Examination, 1967) ...	16.9.68–18.9.68 ...	CAS ...	43

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4. Assessment of Training Needs

Above we dealt with two important issues connected with training in the Public Service. The first of these was the inter-relationship which exists between training and career systems. The second was the organisational support — as well as the availability of supportive changes in the administrative system — which would determine the quality of the results of such training. I would now deal with another issue connected with training in the Public Service — viz, problems of assessing training needs.

5. The Need for Assessment

Whilst for us, in Ceylon, training has become an urgent problem, the resources — whether fiscal or man-power — which could be deployed for the purposes of training are limited. The constraint imposed by the scarcity of resources makes it imperative that those responsible for designing training programmes would have to assign priorities for meeting the training needs.

When the Government engages in a training effort, it expects that this effort would result in an increase of productivity and in an improvement of performance. The Government would naturally prefer to see these results in the areas most vital to the current Socio-Economic Development Programmes. Therefore, the designers of training programmes should, as a first step, give priority to these areas. Liaison with agencies responsible for Socio-Economic Planning is therefore, imperative for the agencies responsible for training. Whilst areas vital to the Socio-Economic Development Programmes would be important and would receive their natural priority, there may be other areas — even of a routine nature — which are sensitive as regards public reaction and which therefore need to be given adequate priority. Identification of both these categories of areas would thus be a prelude to the formulation of training programmes.

Another factor which stresses the importance of evaluation of training needs is that of the new areas of activity into which the Government is entering. The management of industry, the management of commercial activity, management of large public enterprises etc. are some of the new fields into which the Public Service is being drawn. These new areas demand not only new skills but also new knowledge, from the Public Servant. Training programmes must take into account such needs of new knowledge.

There is a further aspect to this question. If a training programme is to result in performance improvement, it must be based on a realistic assessment of the real training needs of the particular group. Both the Public servants who participate in the training programmes, as well as their superiors, expect a definite performance improvement to flow from their participation in such programmes. If a programme does not yield performance improvement, because it was not based on real needs, there would be a negative reaction in the minds of both the participants as well as their superiors, to the very idea of training itself. This is a further reason for careful assessment of *real* training needs before a training programme is launched.

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It would thus be clear that hastening to put on training programmes, without proper identification of training needs and proper planning, can do more harm than good.

6. Some pitfalls in Assessment

As in all such activities, the assessment of training needs of the public Sector, is beset with many pitfalls. Some of these are obvious and others not so obvious. Unless one avoids these pitfalls they could result in invalid conclusions, thereby vitiating the training programmes based on them. It would, therefore, be useful to identify some of these pitfalls.

The attitude, whims and the bias of organisers of training programmes could creep into the process of assessment of training needs. Quite often there are pre-conceived ideas as to the problems of the Public Service, what solutions are needed etc., existing in the minds of a large number of persons who influence the drawing up of training programmes. Sometimes those responsible for drawing up programmes tend to project their own needs and, even their own competencies, into the designing of programmes, without a real assessment of the actual training needs. This can result in training programmes which have no real relationship to the needs. Specially in a context where training has not existed before, such "unreal" programmes can go on for long periods on the argument that any "good programme" is bound to be beneficial.

Quite often those responsible for designing programmes — especially in institutions which are new, could take the easy way out of borrowing ready-made "package programmes". There is always the temptation to rely on either individual training programmes or experiences of other countries which could be transferred. The fact that a particular training programme has been successful in one place, does not necessarily mean that it is going to produce the same or equivalent results in a different environment. Very often the success of such programmes and experiences is high-lighted without reference to the context in which such success was achieved. It would be dangerous to ignore the historical or socio-cultural context in which a particular programme was successful.

Another trap into which one could fall is that of being satisfied with a superficial diagnosis of training needs. A superficial examination could yield symptoms which have the appearance of being "needs". Specially in the initial stages of a training activity, it would be, perhaps, natural to be satisfied with such symptoms and attempt to meet these symptoms. This would be referred to again later on in this article.

7. The Process of Assessment

Any attempt to make an exhaustive list of the possible methods of identifying training needs would be unrealistic. One would start off, naturally, with identifying the activity areas of the Government in which performance improvement would most be required to support the vital programmes of Government. Once this step has been taken, decisions have to be made as to what the *real* needs of training are, within these areas of activity.

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Perhaps, for us in Ceylon, a good technique to be used for this purpose would be the "organisational performance analysis approach". One way of doing this would be to commence by identifying the organisational performance norms. This, in itself, is no easy task. It is generally not one agency which would lay down such norms. They would have to be elicited from pronouncements in Parliament, Ministerial policy pronouncements, proceedings of Parliamentary committees such as the Public Accounts Committee; reactions of different groups of the public; programmes of planning agencies; budgets; objectives announced by senior levels of the Public Service itself. Quite often, the Training Programmer has to compile this information for himself from the various sources as there would be no single source from which he could get it. These performance norms need to be identified:—

in qualitative terms,
in quantitative terms,
in terms of time targets,
in terms of cost criteria etc.

If a "performance model" could thus be identified, the next step would be to compare the actual performance against this model and assess the short-falls in performance. As much as short-falls are assessed, any indications of success achieved must also be assessed even though they may be in limited areas, because these might indicate areas in which effective training could enhance performance.

When the short-falls in performance are identified, one has to be watchful to avoid the pitfall of being satisfied with the symptoms. It is natural for organisations and individuals to attribute their lack of performance to outside sources such as:—

(*a*) Factors outside the organisation itself;
(*b*) Short comings at levels other than that at which the short-falls occurred;
(*c*) Outside the individual who is most associated with the particular area of activity.

The efficacy of a training programme would depend on the ability of the programmer to cut through these superficial symptoms and look for the deeper-seated causes. It would not be realistic to be satisfied only with the question as to what caused the short-fall. The cause that one would be presented with would most often, be an organisational defect. It would be more rewarding if one were to ask the question "why such a cause did arise"? and keep on trying to take the human causes for the organisational defects.

Much more important in determining training needs especially at the higher levels — than organisational charts, rules and procedures, is paying attention to administrative behaviour and probing it deeply. "The administrative machinery", says Dr. Fouad Sherif, "is as good as the men running it. The multiplicity of barriers to effective performance does not hide the fact that the most serious barrier is that which resides in the administrator's mind".[1]

1 From a Paper prepared fro the U.N. Inter-regional Seminar on the Development of Senior Administrators in the Public Service of Developing Countries, Geneva, August 1968.

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Quite a number of exercises in administrative reform has failed to produce results because they stop at the organisational defects without probing the administrative behaviour which generates such defects. An organisational performance analysis must, therefore, be accompanied by an administrative behaviour probe. This becomes increasingly relevant as one goes higher in the ladder of the adminstrative hierarchy in seeking training needs. Whilst at the operative level, in repetitive and routine jobs, one may find meaningful clues to the identification of training needs in the requirements of skills, techniques etc., this would not do as one goes higher up the ladder, where administrative behaviour in the areas of leadership, decision-making etc., are more relevant.

Where defects in administrative behaviour are identified, it would be necessary to try to assess what causes such defects to be generated. This could be either one or a combination of several different factors, Some of these factors are:—

(*a*) The absence of goal orientation which could arise from:—
  (i) The lack of awareness of the organisational goals;
  (ii) Inability to appreciate the total purpose of Government and the individual's role in such purpose;

(*b*) The behavioural patterns of those constituting the organisation

(*c*) Personal attitudes.

(*d*) The lack of information on modern techniques and skills of management.

(*e*) A fear of change.

Factors such as these place a different emphasis on the problem of training within the Public Service. The type of programme — both as regards content and techniques — to meet such needs would defer very much from the type of training programme that is normally in vogue. Hence, the importance of carrying out surveys and studies of training needs, so that the resultant training programmes could be realistic.

As important as the organisational performance analysis or the administrative behaviour probe, is the need for programmers of training to develop a model of a desirable Public Servant at the different levels in the Public Service. This model would naturally differ according to hierarchical positions. In developing such models, due regard should be paid to the social background, as well as the administrative environment and the career patterns which are prevalent. A comparison of the contemporary Public Servant at different levels with the models would yield meaningful clues as to the training and development needs of the Public Servants at such levels.

8. The need for continuous Assessment

The above goes to indicate the complexities which those responsible for training face in developing training programmes which could result in performance improvement. One grave danger is the possibility of sipping into an attitude of complacency after the initial surveys and studies are over and the training programmes are launched. Evaluation of training needs is a continuing process. Once training programmes are launched, the feed back that would be forthcoming from such programmes provide further valuable clues as to the changing training needs.

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Training needs would never be static. They are, for ever, changing. Therefore, the process of evaluation would have to be continuous if the training programmes are to continue to be based on the *real* training needs of the Public Service at the particular time.

9. The problems which one encounters in assessing the *real* training needs of Public Servants were discussed above. This discussion showed us that, whilst the "training needs" varied from level to level, there is as far as the in-service training programme of the Ceylonese Public Service is concerned, a common need at all levels. This need is in the area of attitudinal changes.

9: 1 In the case of the management and supervisory levels, there are in addition, the area of Administrative Behaviour as well as the modern techniques and skills. In the case of the operative levels, there is an urgent need for training in operative skills. In the other important category,—the Field Workers—in addition to the operative skills, there is a felt need for training in techniques of working with and through groups of the public.

10. Problems Involved in Developing Programmes:

10: 1 A major problem involved in the development of in-service training programmes, is that of the time duration of the programme. On the one hand, programmers are faced with the question of releasability of participants. Departments and other agencies of Government which are involved in urgent programmes of work are, naturally, reluctant to release their more important officials for long periods for training. It is these same vital officers that those carrying out training are interested in, from the point of view of performance improvement. Thus the question of releasability imposes a constraint on programming. On the other hand, group interaction necessitates that the programme be of sufficient length to facilitate such interaction. A via media has to be found.

10: 2 Perhaps where the idea of training itself is new, it would be best to start off with short programmes.

10: 3 The second problem that one is faced with in programming a Course is to ensure a 'proper mix' of the different disciplines as well as of a wide range of Departments and experiences in the Course. This the Academy is striving to overcome by obtaining prior applications and screening such applications. This has been found to be more satisfactory than seeking nominations of participants from Departments, etc.

10: 4 A further major problem has been the need to provide for as wide a range of variety in the faculty for any Course, so that the participants are assured of exposure to as many viewpoints and approaches to subjects as possible. It is obvious that a training institution cannot have on its staff all the faculty that it would require for teaching in the different courses; nor would such a situation be desirable. At the same time, any person whom a training institute invites to be a member of the faculty for any Course, has to be not only knowledgeable on the particular subject, but also be one who commands the respect and enjoys the confidence of the Public Service of the country. He needs in addition

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to be able to communicate his ideas to a critical audience. One's experience proves that this desirable combination is not as readily available as one would like it to be. Not only is it rare, but when found the complication of the persons concerned being involved in heavy time-schedules of their own adds to the problem.

10: 5 A programmer would also be anxious to ensure a logical sequence of subjects in any Course. Specially where there is a heavy use of visiting faculty, this poses obvious problems. Invariably one ends up in a compromise between the demands for logicality in the sequence, and the indispensability of the faculty members. This is no doubt, a common occupational hazard of all training programmers.

II. Relevant Training Techniques:

11: 1 It would, perhaps, be presumptuous to attempt, in an article of this nature, a discussion of the wide range of training techniques which are available to a programmer of courses today. However, the very nature of the range which is available may itself pose problems of choice. A few comments on his aspect may therefore, not be out of relevance in this discussion.

11: 2 The package of training techniques to be used in any Course must be selected keeping in mind such factors as:—

(i) the relative seniority of the group of participants,
(ii) the level of experience of the group,
(iii) the degree of homogeneity of the group,
(iv) the socio-cultural milieu of the group,
(v) the time duration of the Course, specially in relation to the degree of group interaction desired,
(vi) the nature of the content of the Course.

11: 3 The fact that a technique has proved to be successful in a particular Training Institution, does not necessarily imply that it would have the same measure of success in another situation. One must therefore, always guard against borrowing techniques wholesale. A certain degree of experimentation and adaptation is inescapable, specially in newer Institutions, and, at the same time, would also be a rewarding experience.

11: 4 Obviously, the accent in any package of in-service training techniques would be on techniques which encourage the maximum degree of participation by all members of the group. The degree of involvement and participation would, in the ultimate, determine the extent of continuing benefit that any participant would derive from such a Course. From this point of view, it has been found that the package has been the richer to the extent to which any of the following techniques recur, therein:—

(i) Case discussions.
(ii) Group exercises.
(iii) Individual problem solving exercises.
(iv) Role playing.

At the same time, techniques such as Seminar Discussions, Field Visits, Practical Project Work provide invaluable support to the package of techniques in a Course.

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11: 5 The foregoing list does not contain the wide range of newer techniques which have become quite common in many of the training institutions, specially in the countries wherein training has been accepted for a considerably long period of time. This does not, in any way, canvass the validity of such techniques. Time and again, techniques such as Human Relations, Laboratory Training (Sensitivity Training), Managerial Grid Seminars, etc., have proved their effectiveness. However, considering the environment of public service training in countries such as the writer's, it is, perhaps, too premature to think in terms of such sophisticated techniques. But the time would soon come when the relevance of such newer techniques, or, perhaps, adaptations and modifications thereof, cannot be ignored by programmers of training courses for the public services of developing countries.

12. Evaluation of Programmes:

12: 1 It is but natural to be curious about the effectiveness of training programmes on which a wealth of scarce financial personnel and other resources have been expanded. The effectiveness of a programme must necessarily be measured against a pre-determined goal. This goal must obviously be derived from the process of assessment of training needs.

Without such a process of evaluation, one would not be able to obtain the necessary feedback, which is indispensable to the improvement of a programme of training to ensure that it continues to meet a 'felt development need'. Else, a wastage of resources is inevitable.

12: 2 There is, however, very little guidance on the techniques of evaluation available and one has, of necessity to innovate and experiment. It is common to start with participant reaction. One major problem in this approach is that—specially at the conclusion of a programme—one is more likely to obtain what has been described as 'happiness data' rather than real evidence of effectiveness. Even so, one should not decry this technique. It does, in a sense, provide a very useful guide post for comparison, for the subsequent feedback from attempts at evaluation.

12: 3 Evaluation has to be a continuous process. It has to be of the participant at work. The sources of information are varied. First and foremost, there is the participant himself. Perhaps, the best technique would be a structured interview, supported by questionnaires and observations. Other relevant sources of information are the superiors, colleagues and the subordinates of the participant. Whilst it may be possible to use the interview method to refine one's deductions, economy demands that questionnaires be the normal method.

The organisation to which the participant belongs, would itself provide meaningful clues for evaluation of training programmes, if its changes in performance are analysed. Meetings of alumni would also provide similar assistance in the area of programme evaluation.

13. Conclusion

In this article an attempt was made to clarify the issues involved in training in the Public Service and to highlight some of the problem areas. This attempt was made, mainly, because the idea of training in the Public Service is in its infancy in Ceylon.

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Whilst it would be somewhat unwise to expect too much from an infant, it is desirable that everyone concerned should be aware both of the potential and the limitations of the infant!

Training will undoubtedly provide a valuable answer to the problem of providing the administrative capacities to support the development process in our country. But it will only do so if the necessary organisational framework and support are forthcoming. This is the challenge to the decision-makers. (Concluded).

ADMINISTRATIVE TRAINING IN DEVELOPING COUNTRIES—A SURVEY OF SOME ISSUES AND PROBLEM AREAS[1]

Ranjith M. Withana

Administrative training as an important phenomena has grown in the developing countries from the late 1950's and since then it has attracted a large measure of interest both by administrators and academics in these countries and elsewhere, and by international agencies specialising in the field of administration and development.

A survey of some of the findings of a research project on certain aspects of this form of training[2] in some of the countries specially in Kenya, Zambia, Nigeria, India, Pakistan, Turkey and Philippines by a group of the Institute of Development Studies at the University of Sussex,[3] under Prof. B. B. Schaffer would be of interest to us for many reasons. This paper attempts to briefly focus attention on the main conclusions, the emerging themes, issues and problem areas identified by the above study and then to reflect on features that are common to the Ceylon experience. It is presumed that this would also enable us to comment on some specific and current issues that require clarification and further analysis here.

The dominant objective of the IDS Study seems to be to understand and critically examine the premise that administrative training in developing countries is an instrument mainly for administrative change. The study (because it was conducted by an University research group) naturally looked at the issues more as subjects of academic interest and less as would be seen by administrators and policy-makers

1 The material for this paper was gathered by the author during a short study attachment at the Institute of Development Studies, Sussex where he worked under Prof. B. B. Schaffer.

2 Demarcated as the training of non-specialist higher civil servants.

3 This research group under Prof. B. B. Schaffer included Theo Mars, Ken Cabatoff, Geoff Wood and Zoo Allen. The study has now been completed and the material will be published as a book summarising the results of the completed project with full case study chapters. The project was termed 'Public Administration Training Research' (PATRP) and was one of the main study areas of the 'Planning and Government Problem Area Group' during 1967-1971.

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in this field. Nevertheless the study on the whole would interest the latter category namely, administrators, policy-makers and also trainers and trainees.

The study which commenced around 1968 set out to examine these issues by firstly considering the factors connected with the growth of this form of training and in this way understand the phenomena by analysing two major issues namely, why such resources were put into administrative training in such a way and the consequences of that flow.

The study considers mainly the training activities that centre around training institutes which were set up in these countries through foreign technical assistance and other means. In addition to the then existing material (which included unpublished reports and working papers in these countries to which the group had access to) data for the study was also obtained by field studies which included observation of the programmes at work, and interviews and discussions with officials, trainers and trainess involved in the whole training 'matrix'.

Studies on Africa were carried out first. These were mainly of the Kenya Institute of Administration, the East African Staff College and the National Institute of Public Administration in Zambia which were set up under technical assistance schemes, and other training programmes which emerged under late colonialism in Africa in the late 1950's.

The study led to the general conclusion that in these countries administrative training was to be an instrument for certain changes and reforms in the administrative and political outlook though the exact identity of this function and what was achieved has not been clear. This is well exemplified where the study summarised the image of administrative training in Africa as "instrumentality, but. . . ." . An identification of the basis of the emergence of this institutionalized training gave an insight into the nature of the instrumentality function which was largely that training could promote 'localization' and thus prepare the ground for some policy action in the field of administration and satisfy certain requirements for independence.

This function for training has to be viewed in relation to the general developments and proposals that were made regarding desirable administrative patterns and changes in personnel that were required to fulfil the transfer from the colonial state to independence. Therefore a combination of these considerations and issues meant that training was for personnel turnover and thus a replacement activity rather than development, and as a consequence it was to be a means to boost the eligibility of local candidates for administrative positions. Thus it was apparent that training looked beneficial and instrumental in being able to have a control on entry and promotions, and maintenance and continuity of standards, rather than for innovation and administrative change. This could also be attributed to the climate and the changing situation of the Commonwealth African Countries which were preoccupied with the attainment of independence and the preparations for administering the country thereafter.

A further complication in the African scene was that training institutions and training programmes became involved with technical

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assistance because administrative training had become a means of transmitting technical assistance for public administration. This meant quite a lot of debate and conflict within the training area, because the issues and the factors connected with technical assistance in general got tied up with training so that these tensions naturally spilled into the area of training. This prevented the necessary climate developing which is essential for clarification of issues leading to an evolution of a clear policy for training and its exact instrumental role if ever, in administrative change.

A study of the efforts in administrative training in Turkey showed that the United Nations assistance programme which participated in the development of the training activity and setting up of the Institute of Public Administration in Ankara had as its guiding themes, administrative reform and improvement, transmission of technology and other necessary institutional inputs for growth.

The case study in Turkey was interesting for many reasons because there were a number of study groups of United Nations and Turkey personnel who had conflicting views of the situation and requirements. However the need or the problem area was identified as the improvement of the administration by education, training, consultation and the interchange of information on modern methods of management, with the Institute as a 'catalyst'. The 'catalyst' had to contend with its problems by way of the operational pattern and the content and area of training, requirements and relationships with other agencies, staff, selection of trainees, their attitudes and so forth.

One of the evaluation reports had (quite rightly) indicated that inspite of the problems the institute was faced with, the improvement of management practices could still be met from a training institute, provided that the efforts and the teaching of the institute were directed at 'refinement of personnel policies, effective utilisation of manpower' and most important of all the preparation of 'Civil Servants for participation in reform efforts'.

The other pertinent observation of interest to us, is that the Institute had continued in spite of the lack of a relationship between its intended work, as envisaged in the original plan, and outcome. This led to the suggestion (by the study) that institutes after the initial setting up, which is based on certain ideas, may differ markedly from these during their operation. This may result in without drastic changes or cessation, the institutes getting directed according to new guidelines. In the case of Turkey the study pointed out that the subsequently developed guidelines and the performance appears to be much in variance with the initial ideas and thinking for setting it up.

Though the background in which administrative training grew in Africa and Turkey appear to be far removed from the situation in Ceylon, nevertheless the significant themes and issues identified would be of meaning and relevance as would be seen later.

The experience of countries nearer to us as Philippines, Pakistan and India would be of greater interest for many apparently good reasons which need not be spelled out here.

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The Philippines case-study, the Finance Academy, which was set up in 1964 reveal many interesting aspects. It was created due to the sole efforts of a young politician (a successful campaigner for the then President Macopagal) who became Secretary of Finance. The improvement of the low level of performance by the finance officers was the major concern. In addition to training and research it was also to be an instrument for introducing a professional serviceable to recognise merit in the administration. The Academy's position was strengthened by the Finance Secretary's direct involvement in running it. However, after the first year of operation the activities were contracted and later ceased in 1968.

The significant lessons from these were numerous, but briefly: the feed-back from the participants showed that the instrumental role of the Academy as conceived by the originators of the institute was remote from the actual administrative situation and that courses did not seem to be a basis for promotion and for introducing radical changes as a merit service. However, the most important underlying feature for the failure might not be the assignment of such a function to a training institute but because of the intimate association during its creation and subsequent activities it had with a particular politician.

The very pertinent and significant comments by the study as mentioned in one of their working papers are, "the dependence of the administrative training institution on its environment can be very important for its fate where it is not wholly sealed off. Nor in the Philippino case as in the Turkish case does such an institute seem a useful instrument for radical innovation on its own account or against the tide. Sealed off, it may survive but may not necessarily innovate. Entering an innovation it is unlikely to be effective without other linkages, other supports and other instruments being used in the same direction".

We next turn to the group studies on India and Pakistan. The establishment of the National Academy of Administration at Mussoorie in India is traced including the changes in administrative training effected by the Home Ministry (which is centrally in charge of training). The main features of the changes in India have been the systematic organization of training by the Academy for Indian Administrative Service recruits, and Ministry efforts to institutionalise training in other departments and states. The limited analysis of the Indian situation has shown far less problem areas. The absence of any technical assistance programmes might have been one of the favourable features in India unlike in other countries, where such assistance prevented the correct climate for training and the development of its intended instrumental role. This we shall see in the Pakistan case too.

It is unfortunate that there have been comparatively less study of the Indian experience because a wider coverage would have brought out useful issues which would be valuable from the point of reflecting on the position in Ceylon.

The contrasting case is that of the National Institute of Public Administration in Lahore, Pakistan which has been analysed in greater detail. The study of the growth of the Institute shows that its instrumental role was to a large extent related to how it came to be there.

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It was established in 1961 through assistance given by the United States and by the participation of the University of Southern California School of Public Administration. The latter involvement has meant that the emphasis in the entire project was more on the academic side. Even before determining what form the training institute should take it appears that the Agency for International Development authorities had in any case wanted to set up an institute at the earliest date to do vigorous management development training which it felt was the best thing. The study group's findings show that the Pakistan authorities view of what the institute should be was different, in that they thought the 'institute would be a good place to post administrators periodically so that they could get together to talk rather than be taught a discipline of public administration by foreign trained academics'.

These led to many problem areas. Firstly it resulted in a difference between the American advisers (present in Lahore till 1967 and for sometime after) and the Pakistani authorities in the selection of Pakistanis for training in America. The compromise of sending 'high-status' practising managers meant that on their return they were not used by the N.I.P.A. Secondly, on the presumption that the attitudes of the participants were a reflection of the Pakistan Government's view that the institute was a place' to get together to talk rather than be taught', there was a tendency to undermine the training function of the institute by some form of covert, non-co-operation or by a tendency to resort to excessive formalism. This would also be understandable from the other findings of the study on the training methods used and the content of the main course (advanced course in administration and development) or middle level civil servants. The methods used were those to which the trainers were committed by virtue of their training career and the influence of the technical assistance programme without relating it to the acceptance by the participants. Regarding the content, the study was critical of two features, namely of not providing practice in the use of certain techniques taught and the lack of academic instruction in the skills which were, in fact practiced by the administrators in their job situations.

These outcomes or problem areas according to the study were due to the lack of a clear and a distinct instrumentality for training, because if there were any, it was a general notion that administrative improvement for mid career administrators would come from a training experience by a confrontation between administrators and, less administrative and more academic people, at an institute of this sort. The main underlying theme in Pakistan according to the views of the study group seems to be "the problem remains of what a training institute is actually about when its presence is a result of those technical assistance relationships. . . ."

Having surveyed some of the country studies what are the important conclusions and the common emerging themes which would interest us? How do these themes and issues relate to the Ceylon experience in administrative training and what insight does it give to identifying the issues that require further study and analysis here?

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This study shows various types of training, from long-term academic work, through management training to short-term discussions and conference exercises. The different typology of administrative training is partly due to the varying dimensions of public administration itself and partly to the different country requirements and experiences. This is evident from the fact that at certain times some types of training as instruction, localisation and promotion have been successful than training for public service change and development.

As a common theme, however it is seen that administrative training is associated with the concept however vague, of 'administrative change and reform' on the presumption that some change in the administrative practices is necessary and desirable in the developing world. The administrative change and reform would be to achieve the development objectives as necessitated in Ceylon, in contrast to the regulatory and control function to which it was geared earlier. Training is of course, only one of the instruments for this on the rationale that training can induce behavioral and attitudinal changes in individuals who will be in a position to effect far reaching changes in his job and job environment. This important instrumental role for training has only been hypothesised in Ceylon as in many other developing countries and thus its validity not empirically tested.

On the other hand going by the findings in Africa (which is remote both in time and situation to that in Ceylon), in the context of the function of training being for replacement of higher administrators of the colonial era by local personnel, it could be considered to be instrumental for preservation of standards than for changes. The study points out that the important issue then, even if training is for performance improvement, is on the presumption that there is a defined standard which is under fulfilled and training is helping to remedy it. On this basis the interesting issue posed by us is that conceptually even in Ceylon one could argue (or view) training as attempting to remedy the shortcomings in relation to defined standard within the same administrative framework, rather than acting as a catalyst for change.

The next interesting observation as seen to be common to all countries is that the administrative training activity involves the participation of different categories of persons as political leaders, senior administrators and policy advisors, trainers and trainees, each with a different conception of training (and its instrumental role). This naturally leads to many problems in sorting out priorities, content of course and the relation (if ever) of training with career development of administrators, performance improvement and professionalisation. These relationships become further complicated, as seen in the case studies, when a technical assistance component is present because foreign advisers' views and assessment depends on to what extent they are able to divorce the concept of training in their countries and relate it to the specific situation of the recipient country.

This leads to the important point that administrative training could be an 'on going' activity playing its expected instrumental functions (which as seen may vary with the dimension of public administration and the country situation) if the relationships with these external agents

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(external to the training institute, i.e., all the categories of persons outlined earlier) are clearly conceived and consciously developed. This would provide a mechanism for adjustments that have to be made in relation to changes in the external agents and internal components of the training activity. (The situation is analogous to the modern organisation theory, which considers the work organisation as an open system in equilibrium with its internal components and the external environment).

The failure to develop such relationships (described as 'linkages' in this study) as in Turkey, Pakistan and Philippines might be the reason for the apparent decline and failure of administrative training.

Finally one of the most important conclusions of the study which is significant to us from many aspects, is that the instrumentality of training depends on general or specific 'needs' that are hypothesised or established. This should bring up questions for analysis as to whether training would meet these 'needs' and that it (institutional training or otherwise) is the best way of meeting the 'needs'. This in other words is an analysis to find out what the desired output of training is, and the kind of inputs required (to use two terms that sum up the idea well). Such an analysis should also reveal the necessary 'linkages' to be developed with other areas as recruitment, promotion, staffing, professionalisation of the administration etc. All these have been labled by the study for want of a better phrase as the "training plan."

The "training plan" is to look into what alternative forms of training are required and desirable, what policy changes are necessary and the specific types of costs which would go into training so that it would be commensurate with the desired returns or output. The lack of such a "training plan" in the country studies account to a large extent for the problem areas administrative training had to face. According to the study only a broad 'need' was seen and then institutional training was launched upon. One of the working papers of the study group describes this aptly as "the dilemmas of administrative training institutes relate largely to the characteristic leap which their presence represents. This is from a broad "need" to a specific institute and programme, as from a recognised need for change (like industrial obsolescence, economic deficiency, de-colonisation, under-development) or from what administrators do . . . . "What is not recognised is that a jump has been taken without empirical verification of its consequences".

These then are some of the important issues brought out in the study which are valid to the Ceylon situation. What other aspects of administrative training in Ceylon in the light of this study could be commented on?

The then Academy of Administrative Studies which was the parallel training institute of Ceylon really evolved with a much enlarged and wider scope in 1965 from the Public Service Training Centre (established in 1957).

The latter institute hardly had any impact on the administration and in fact its existence was not common knowledge. Apart from other unpublished reports the recommendations for setting up of the Academy were mentioned in the Permanent Secretaries Committee on Adminis-

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trative Reforms[1] Since its inception it has enlarged into a fully fledged institute working on the pattern of the Civil Service Staff College in U. K. and the National Academy of Administration in India, conducting both induction training and courses for middle level administrative and technical personnel in management development, and a longer one year course leading to a Diploma in Finance Management for Accountants in the Public Service.

The instrumental role of this training is apparent from its first report which states "the Public Service is now confronted with new and heavy responsibilities in implementing this programme of development (the programme has been mentioned as extremely wide and varied ranging from public utilities, commercial enterprises, industrial projects, administrative planning for economic development in addition to the more traditional tasks of public administration). If it (i.e. public service) is to discharge these responsibilities successfully and within the phasing of the programme, it must be trained and equipped to deal with these complex tasks". If these be the 'need' it is of such a general coverage that it fits into 'a training needs a model' which has not been further analysed nor empirically tested.

The Academy and its training was also to be an instrument of administrative reform as recommended in the Report on Administrative Reforms. The effectiveness of such a dual function (the administrative reform and change function reinforcing the development function) apart from not being evaluated after nearly seven years of its existence and the absence of a "training plan" even subsequently developed with the necessary linkages established with the external agencies, seems to be the main areas which require detailed examination and study. Other elements that go into the training network as career development, posting, evaluation of performance have been talked of but never linked with the training activity. It could be postulated that the inability to develop these and an evaluative system at different levels of the administration may be due to the lack of an effective 'feed-back mechanism' which could influence the decision-making at policy formulation level on training.

An assessment of the success or otherwise of training would also depend on a critical examination of what the costs and inputs of the training are and what the attendant outputs so far have been. This would answer the two main questions that have been the dominant concern of the IDS study namely, 'why were such resources put into administrative training and what then were the consequences of that flow'.

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1. Report of the Committee appointed to Report on the Ceylon Administrative Service. Sessional Paper No. 6-1966.

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II MANAGEMENT TECHNIQUES

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A "COST CONSCIOUS" CHECK LIST FOR MANAGERS AND ADMINISTRATORS

George Ronson

What is Cost Consciousness?

1. If we were to ask six different people what the words "Cost Consciousness" meant to them, no doubt we would receive quite a number of different answers. However, to satisfy my own curiousity, I referred to a dictionary and found "cost" defined as "price of purchase; expense of production; expenditure (of energy, time, etc.) in achieving an object; suffering, loss." I next turned to "conscious" and found "able to feel, perceive and think; knowing; aware; in full possession of one's senses".

2. Many in reply to my question would certainly have defined "cost" as price of purchase and "cost consciousness" as knowing or being aware of the price of purchase or even expense of production, but I somehow feel that only a few would have indicated that expenditure of energy, time, etc. *in achieving an object* is likewise an important feature of cost.

3. In the space of this short article, let us look at cost and cost consciousness with this latter emphasis in mind by firstly, examining some of the areas where stimulation of more cost consciousness might have rewarding results, and by secondly, developing and using a check list to regularly remind those of us who are managers and administrators of some of the more vulnerable check points we should keep in mind.

4. Many of us would agree that in the past we have tended to associate cost emphasis with the quantity, quality and price of resources acquired in the form of materials, manpower, machines, etc,. because of the procedural processes involved in purchase and payment including tender boards 'checking' certification, payment and other safeguards aimed at control of public expenditure. We have been careful about the necessary protection and security of the resources we possess and control.

5. In recent years especial stress has been placed on the need for systematic planning and programming of resources to be used to achieve planned aims and objectives, followed by regular comparison of actual performance with the pre-determined plans and objectives in order to take corrective action where necessary.

6. In other words, we appreciate that we have now to install and use new procedures and methods to tell us how effectively resources available to management *are being used* as well as to follow the traditional regulations and procedures primarily intended to ensure that money expended on goods and services has been properly spent and duly accounted for.

7. This additional emphasis focuses our attention on the need for the efficient utilisation of all resources, which incidentally every manager and administrator has at his disposal, whether they be in the

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form of manpower, materials, money, machines, property and even methods. The quantum of imports and resultant outputs have to be measured in physical units of achievement, as well as in terms of their money values, and in fact, by a combination of both, in units of cost.

Is there a need to Stimulate Cost Consciousness?

8. If we think there is a real need for more cost consciousness in the public service, then where should we concentrate our efforts to stimulate effective thinking and action? Can we really honestly answer "yes" to the following question? "Would I do this, or make this decision, if I were spending my own money or using my personal resources?"

9. Stimulation of cost consciousness involves the creation of a greater awareness of the vulnerable points where cost control or cost reduction efforts should be directed to be most fruitful, which in most respects involves a change of emphasis from over-concentration on aspects of proprietory and often delayed accountability, however important, to more concentrated efforts on up to date performance evaluation of resources used.

10. There must be more emphasis on prompt reporting and detailed analysis of comparative consumption outputs as well as costs, with carefully predetermined plans. Exceptions can be quickly investigated. It also involves systematic internal checks and controls to ascertain whether plans, objectives and policies have been achieved or even improved.

11. Summaries giving statistics of productive and unproductive machine and manpower hours and related production and outputs become as important as cash accounts or cash summaries. Interest incurred on money invested in new projects becomes as important as the payments to contractors. Job descriptions, giving objectives and work descriptions for personnel, with records of workloads and outputs become as important as pay-roll and attendance registers. Checks of engine oil levels by M. T. drivers to prevent engine damage become as important as the checks applied to oil bills by the office clerk, to avoid possible overpayments, and so on.

12. Stimulation of cost consciousness 'can be most effective if those at the top set the pace by dedicated leadership' by encouraging, recognising and rewarding any efforts resulting in increased efficiency and higher quality, and quantity of work output, quicker collection of income, saving of costs or reduction of waste in any form.

13. Have we realised that written progress reports, however good, cannot replace personal contacts and display of interest in the work of those who serve us? They can never show us whether plant and equipment is being looked after properly, whether work and procedures are being organised as we suggested, whether the quality of the finished product, be it yards of cloth or bushels of paddy, is what we expected.

14. Do we spend enough time in creative thinking and developing new ideas and encourage and stimulate others to do the same, and how often do we say "no" to every new idea or principle and concentrate more on critical reviews, fault finding holding enquiries and other post mortem efforts?

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15. Should we give more praise and publicity to those who serve us well, the tractor drivers who obtain the highest productive hours, the revenue collectors who collect the largest income, the storekeepers who maintain the tidiest and most efficiently run stores, the accountants who are prompt in producing annual or quarterly accounts, the clerks who have the least absences or have never been late, the vehicle drivers with no road accidents?

16. Such acknowledgment would encourage a competitive spirit which usually stimulate effort for all round better performance with either direct or indirect cost reduction. Should there be an "achievement audit" which would solely *pin-point, record and recognise successful efforts and achievements*, however large or small? We say we profit by mistakes, but we can also learn to achieve more from following the ways and examples of those who have done well.

A Cost Conscious Check List

17. Various types of Questionnaires, aide-memoire or check lists have been developed and used in recent years and perhaps a "cost conscious check list" would be useful to us, firstly, to remind us of the vulnerable features that we should not overlook, and, secondly, to provide a record when, and by whom, such checks should and have been done. Internal Control Questionnaires have similar purposes in mind. The following check list, by no means exhaustive or comprehensive, may provide us with a useful outline for our own "Cost Conscious" check list to be used in the particular organisation to which we belong, or for extraction of the relevant items for use in our personal work.

Purchasing:

Minimise capital investment in stocks of materials.
Use economic order quantities.
Design and use alternative (sometimes already available in stock).
Programme orders, delivery and handling.
Safeguard against damage, delivery of wrong quantities or qualities by efficient checking and inspection arrangements (whether abroad or locally).
Regularly review storage costs (reduction of expensive stores, e.g., location, construction, etc.).
Provide efficient handling facilities to prevent damage, reduction of costs and time, etc.
Develop systematic and efficient stock-taking.
Prevent deterioration.
Reduce pilfering.
Reduce obsolescence.
Make alternative use of available stock items.
Introduce economic stock levels and efficient recording systems.
Ensure up to date stock records giving vital material management data.
Control usage; compare actuals vs. standards.
Eliminate or reduce waste, e.g., faulty material, inadequate inspection on arrival, inadequate supervision, inefficient labour, faulty equipment.

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Manpower:

Check or eliminate causes of inadequate productivity.
Determine causes, extent, cost and types of absences.
Reduce labour turnover and retraining costs.
Check adequacy of supervision.
Adequacy of training arrangements.
Adequacy of incentives.
Determine losses arising from inexperienced workers.
Reduce overtime consistent with real needs.
Concentrate on work methods and work study.
Introduce job descriptions, with aims and objectives.
Do not overlook working conditions and social amenities.
Check that trained people are being suitably used.

Machines, Equipment, etc.

Check on productivity and output.

Ensure good maintenance facilities to reduce breakdown and repair time.

Ensure adequacy and availability of spares.

Check that operators are available and suitably trained.

Introduce standardisation, wherever possible, for spares, maintenance and operator training programmes.

Construction Programmes:

Check on planning, programming methods, and effective supervision aimed at achieving target completion dates.

Concentrate on reducing the number of uncompleted projects to reduce interest and overheads on idle capital invested therein.

Develop simpler, less costly and more standardised designs.

Encourage study of more value analysis of materials used.

Maintenance:

Insist on preventive maintenance to reduce future costs and loss of products (e.g., routine oiling, greasing, cleaning, etc.).

Develop curative or emergency maintenance (repairs, alterations, improvements, etc.).

Physically inspect condition of assets from time to time.

Clerical Services :

Develop simplification of organisation and procedures.
Personally check on quality of supervision.
Introduce good methods and work study.
Review office lay out, etc.
Consider use of simple office aids, wherever possible.

Finance:

Concentrate on careful prior review of new capital projects and subsequent recurring costs and benefits.

Ensure effective return on capital invested, either actual or social benefits.

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Concentrate on cost of capital replacements and need therefore.
Concentrate on foreign exchange savings.
Reduce demurrage charges, overtime and similar payments.
Concentrate on reducing balances of stocks, work in progress debtors and cash.
Issue promptly all bills for taxes, goods or services supplied and insist on systematic collection and regular follow up of all arrears.

General

Review internal check and internal control arrangements. (Do we use Internal Control Questionnaires?)
Encourage creative thinking, initiative and innovation amongst colleagues.
Consider avenues for work and efficiency competitions, acknowledgment, reward and due publicity for achievements and successes.

Conclusion

18. Cost consciousness is not so much concerned with the way we spend our money, but rather with getting money's worth and using what we get in the best way possible. Waste and ineffective use implies inefficiency, and economy consists essentially in the elimination of waste. Time is also an important element in efficiency and has a money equivalent, so it plays a big part in success or failure in a cost conscious programme.

19. While we could probably fill many sheets of paper quoting examples of lack of cost consciousness, would it not be more useful if we listed and publicised the many successes and achievements in increasing efficiency and good uses of resources in order to provide examples and encouragement for others to follow. Perhaps the successful Food Production Programme is at least one example of this latter approach.

WORK STUDY AND SIMPLIFICATION

Dr. L. L. Barber
(*U.N. Expert in Public Administration*)

I Work Study

1:1 Productivity of work in the public service of Ceylon is often claimed to be very low. At the same time, public servants and their unions frequenly claim that pay levels are also too low. As in industrial arguments, the claim for higher pay runs directly into the question whether public servants are producing, or can be led to produce, enough work to warrant higher wages.

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This leads us directly to the fact that up to now Ceylon has not set effective standards to fix the amount of work that a public servant can properly be asked to produce, nor has there been specific measurement of the work which most public servants actually do turn out each day.

1:2 Thus work **study,** work **measurement,** and work **standards** are needed. From these, answers can be secured to the following questions:—

(*a*) What is each public servant actually doing?
(*b*) Is he doing enough work?
(*c*) Is its quality good enough?
(*d*) Is its speed adequate?
(*e*) Are there proper and agreed standards of the quantity and quality of work he should be producing?

Behind all this, work study may raise fundamental questions whether the work carried out by the public servant really is necessary at all, and even if it is necessary, whether his actions and procedures are as simple and efficient as possible.

1:3 The answering of all these questions is especially difficult because basic data is usually not available. There are no complete and up-to-date job descriptions setting out exactly what each official is expected to do. There are no complete records of what in fact he has been doing. Finally, there are no accepted standards to show what he ought to be doing if he were really efficient and productive.

2. Methods Study

2:1 The business of any public office involves the processing of a vast number of requests from the public or from other departments, and the production of answers in the form of date or services. Most of these transactions require action by a number of officials each of which does his part as one of the steps in the total process. The study of these "processes" or "methods" is essential to improvement of work and productivity. Many of the processes or methods used in government offices are very old. Over the years they tend to become longer, slower, and more complicated, More and more forms, checks, and safeguards tend to be added. Rarely, however, can methods become simpler or more efficient unless a special objective analysis is made of them.

2:2 Methods study should begin with a complete detailed descriptive listing of exactly what steps are carried out in a given process from beginning to end. Once this is done, it is helpful to indicate the nature of activity done in each step. The most important type of activity is that which performs an Operation, in which somehow the form or content of the item of business is changed and it becomes ready for further stages in the process. Another type is Inspection. In such a step the item is examined to make sure that all previous actions are correct and complete. Since most processes involve several persons, working at different desks, offices, buildings or even cities Transport of the item from one location to another is a frequent step before the process can move further, Delay while the item waits on a desk or at a work site until the next official can do his part in proceeding it, becomes all too frequent a real

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step in the process. Finally, when a piece of business is completed, or when it is held intentionally waiting for other data or actions, Storage takes place.

2:3 It requires little thought to realise that only the operational type activities are really productive in moving the process from beginning to end. Hence it is desirable to try to improve the process by eliminating as many as possible of the other, non-productive, steps. Analysis may also show that even many of the operational steps are unnecessary or badly paced.

2:4 Experience has shown that it is helpful to transform the initial description of any process into a diagram or chart. Many devices are used to do this. The simplest consists of a series of columns, either horizontal or vertical, one for each official involved in the process. The first step is noted in the column for the person who performs it, and is connected by a line with the second step, placed in the column for the person performing that second step, and so on. To help in pointing out the type of activity involved in each step, the following symbols are used:—

Operation ○ Inspection □ Transport ⟶
Delay D Storage ▽

If it is important to know the distance covered in each step of transport, or the length of time tied up in each step—especially in delay — columns can be added to show these.

2:5 Once the data has been collected and charted, the analysis, improvement, and simplification can take place. Although this may become rather detailed, it can be based upon a few very simple questions concerning each step:—

WHAT is being done?	WHY is it necessary?
WHO is doing it?	WHY that person?
WHEN is it being done?	WHY then?
WHERE is it being done?	WHY there?
HOW is it being done?	WHY that way?

3. Time and Motion Study

3:1 Clearly it is not enough to simplify the processes of government work, if the individual steps in those processes are left inefficient. Many years ago, when the assembly line became common in industry, efforts were begun to study each individual action to make sure that it was carried out with a minimum of motion and as smoothly and rapidly as possible. More and more of the repetitive operations of industry were studied; the work was streamlined and the human movements were smoothed and reduced. A few years ago experiments began to apply similar analysis and improvement to clerical work. Recently even intellectual activities such as reading, interviewing, and decision-making have been put through the same rational analysis. By now, virtually every activity of administration and management has been studied and physical and psychological principles applied to show how these activities can be carried out more efficiently.

3:2 The objectives of this study and improvement are multiple. Obviously if the motions and time required to perform an act are reduced,

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the worker will be abe to produce more actions in a given working time. Thus, he and others like him will be able to handle a larger work load. A second result will be that a given amount of work will be finished faster, and that it can be passed on sooner to the next stage in the process or to the waiting public. If public personnel on fixed wages or salaries are each able to turn out more work, the cost per work-unit will be less and the burden on the Treasury will be eased. Finally, it has been found that the simplest and most efficient way of performing an action is usually the easiest on the human body and mind. For any particular action, one or another of these various advantages may be most important to the State and its employees.

3:3 As with improvement of processes, a bit of thought and common sense can rapidly suggest substantial improvements in many work activities. However, most officials find it hard to study their work with a fresh and imaginative objectivity, or even to find the time to do so. A specialized expertise has developed, which not only has a systematic way of studying work but also uses a multitude of devices to record and picture the range and speed of movements used in performing work. Over many years, data has been secured on all the type of work most commonly performed in factories, offices, construction, etc., so that the normal and best ways of doing thousands of operations are established and recorded. Thus the old concept of the work study expert with a stopwatch and camera is gradually being replaced by a specialist who makes careful analysis of the individual job and then consults world-wide experience as to its physical performance.

3:4 The current attitude of work study specialists is rather cautious. They point out that detailed analysis of a job is itself costly and time-consuming. The average department does not have experts available to study all of its jobs, and for many jobs the slight improvements which mght result from work study would not be worth the bother and cost of the study. Hence emphasis in work study is being concentrated on jobs which are repeated over and over, where a tiny improvement each time will rapidly add upto sizeable savings; or on jobs frequently performed, where savings in time and personnel will be important in expediting processes; or on jobs which are so costly or crucial that their improvements even on one single occasion will be of outstanding value. Efforts are increasing to make all personnel efficiency-conscious and to encourage them to study their own jobs with imagination and common sense. Management is being reminded that often the employed who actually does a job can suggest desirable improvements in it. In all this the several questions listed above (What? Who? Why? etc.) are necessary.

Standards of Work Performance

4:1 It may appear reasonably simple to analyze a job or a process and cut it down to the simplest, speediest, easiest minimum. This is because the physical goals or standards applied are rather clear and simple. It is much more difficult to determine standards of how much work an employee should complete in one hour or one day, or how good its quality should be. This is largely because human beings, unlike machines, rarely operate at 100% speed or quality, at least throughout

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an entire day or week. Performance is affected by physical factors such as fatigue, lighting, climate. It also depends greatly on psychological factors such as motivation, interest, or willingness to "work hard". Social factors such as group attitudes or habits may tend to fix normal productivity well below the physically-possible 100%. Thus in fixing realistic standards of quantity or quality of output, management has to keep in mind what the employee feels he can or should achieve. Especially in public work, little attention has been paid either to the ideal standards revealed by careful work study, or even to practical standards which reduce the ideal to allow for fatigue, boredom, etc. Usually the result is a bargain-ing between management, which feels strongly—but with little specific data—that much more productivity is possible, and employees who argue equally strongly—but also without specific facts—that they are already producing as much as they ought to. Here again no effective improvement of productivity is possible unless adequate information is available and discussed. This should include data regarding time and motion study of the work in question, analysis of present idle time, comparative figures regarding productivity in that work among various workers, various departments, the public and private sectors, and even other countries. Once this is studied, negotiation, work organization, supervision and motivation can be focused on what is humanly possible, rather than on norms set by either mechanical analysis or human laziness.

4:2 However the standards are set, they should include quality as well as quantity. A badly-done job often is useless, because it later creates more work to correct its errors; or even has to be done over again. This is true whether it is a badly typed letter, an improperly repaired machine, or a poorly designed engineering project. Especially at the managerial level, public departments and corporations usually need to put emphasis on quality of production, since at this level the effects of mistakes or sloppy judgement are wide and costly.

5. The Economics of Work Study

5:1 All resources used in carrying out public work are costly. Personnel who are inefficiently used are uneconomical. Some of the money being paid to them is not bringing the return in output or services which it could and should. In addition to their basic wages, there are losses in allowances and in the furniture, equipment, space and supervision which their ineffectiveness ties up. All this personnel, money and physical plant is thus unavailable for other necessary or demanded governmental activities. The same economic logic applies to unproductive or inefficient use of scarce machinery or supplies, and a modification of work study is desirable to ensure their most effective use.

5:2 Increasingly, budget specialists have become dissatisfied with the traditional allocation of money to departments or to posts. The modern goal is to tie appropriation of money to specific programmes or goals which can be secured by using that money. This requires improved cost accounting of how money is spent and what its expenditure produces. It also requires analysis and standards of what it **should** be producing. This in turn requires work study to analyze what could

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be expected, work simplification to get the most possible from the expenditure, and work standards to allow assessment whether results are good enough.

5:3 Thus thoughtful rational study of processes and jobs is becoming necessary even at the stage of preliminary programming and budgeting. It becomes a tool of management in organizing and supervising the effective carrying out of projects and programmes. It is essential for use of modern inspection and audit which concentrates increasingly on results rather than regulations.

6. The Human Aspects of Work Study

6:1 At one time work study in industry was resisted by employees, who felt it was merely a device to make them work harder. Over the years it has become recognized that, properly used, work study will not only increase productivity but can also be of positive benefit to the employee. Little happiness is derived from doing work which seems unnecessary, or work which is set up so that it is harder than it needs to be, or which shows ineffective results. Work study can help to correct these defects. Perhaps it is too much to claim that the easiest way of doing a job is always the best way, but usually the best way turns out to be the easiest. A job or process which is properly studied, simplified, and engineered can give greater satisfaction to the employee at the same time that it gives greater productivity to the nation.

CONSTRUCTION, ANALYSIS AND INTERPRETATION OF BALANCE SHEETS AND INCOME AND EXPENDITURE STATEMENTS

V. V. Ramanadham

1. The Balance Sheet and the Income and Expenditure Statement

The balance sheet is a statement of assets and liabilities of an enterprise (or an individual) and is intended to give a fair and accurate view of not only the net financial worth of the enterprise but its composition in terms of the items of assets owned and the liabilities owned by the enterprise. It refers to a single date; hence it does not directly represent the exact configuration of the assets and the liabilities or the financial worth of the enterprise over a period of time preceding the date of the balance sheet.

The income and expenditure statement relates to a period and includes all items of income accruing to the enterprise and expenditure incurred by the enterprise, in relation to its business operations; naturally items of capital expenditure or receipts are excluded from this statement, whose purpose lies in the presentation of an accurate view of the current operations of the enterprise during the period to which it refers, from which it seeks to achieve its financial objectives of profit.

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In the construction of a balance sheet the emphasis is on the proper valuation of the assets and the liabilities. While the latter are generally fully provided for the valuation of assets is subject to complications. Different kinds of assets are valued in different cases. For example, stock is valued at cost or market price, whichever is lower. The work-in-progress may be valued with or without profit components relating to the stages of manufacture completed. The market value of investments may be fluctuating. Without a thorough review and credit information the extent of bad and doubtful debts under the head of debtors is difficult to determine. Fixed assets are shown at "gross" value minus depreciation. the latter being amendable to policy decisions. Finally, intangible items such as goodwill preliminary expenses and deferred revenue expenditures may be carried forward from balance sheet to balance sheet. The need for proper valuation arises from the fact that the balance sheet is intended to represent to every one concerned the exact state of the financial condition of the enterprise.

The income and expenditure statement is not the cash book, no is it a cash flow statement. It includes not only incomes received and expenditure incurred but incomes yet to be received and expenditure yet to be made, on the principle that they relate to the period and the transactions concerned. Hence the need for the meticulous inclusion of all relevant items of expense, even if not yet incurred. Special interest attaches to the category of "provisions" in respect of anticipated costs, depreciation and appropriations. These can be "administered" to suit the financial condition of the enterprise; however, every relevant cost provision has strictly to be made, depreciations scientifically calculated and provided for, and appropriations which are not the result of merely arbitrary distributions of net profits have to be judiciously determined, for example, bonus to workers and additions to gratuity funds. Finally, it is customary for many enterprises to adopt the conservative practice of charging minor capital works to the profit and loss account; and where loan capital is amortised from time to time, the enterprise may do so by raising internal resources—in other words, by charging to the profit and loss appropriation account, the repayments, which, in effect, are derived from current earnings.

A sample balance sheet and income and expenditure or profit and loss statement are shown in section 2. The assets, shown on the balance sheet, are of three kinds: fixed or block, current, and miscellaneous; and liabilities are of three kinds: long term, current and miscellaneous.

The income and expenditure statement may be in four parts: the manufacturing account, showing the cost of goods manufactured, the trading account, showing the gross results of the trading operations, the profit and loss account, showing the net results of the business operations, and the profit and loss appropriation account, which covers all items of appropriation, the balance being carried forward to the balance sheet; this represents the net change in the worth of business during the period to which the account relates.

2. Analysis and interpretation

(*a*) The simplest technique of analysis is to re-express the balance sheet or the income and expenditure statement in percentage terms.

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Known sometimes as "vertical analysis", this implies the calculation of each item as a percentage of the total of all the items on the same side of either the balance sheet or the income and expenditure account. The following is an example:

A SAMPLE BALANCE SHEET OF 'X' Co. Ltd.
as at March 1968

Liabilities	*Rs.* (*in lakhs*)	%	*Assets*	*Rs.* (*in lakhs*)		%
Share Capital	250	31.7	Fixed Assets:			
Debentures	100	12.7	Land	3		
Secured Loans	150	19.0	Factory Buildings	10		
General reserve	105	13.3	Residential Buildings	9		
Welfare fund	21	2.7	Railway siding	3		
Sundry Creditors	125	15.8	Plant	452		
Replacement reserves	25	3.2	Electrical installation	46		
P & L Account	13	1.6	Laboratory equipment	12		
			Furniture	10		
				545		
			Land Depreciation	125		
					420	53.2
			Current Assets:			
			Stock	160		
			Work-in-progress	50		
			Debtors	42		
			Loans and advances	12		
			Cash and Bank....	78		
			Investments	9		
					351	44.5
			Miscellaneous:			
			Goodwill	2		
			R and D	16		
					18	2.3
	789	100			789	100

A SAMPLE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 1968

Expenditure	*Rs.* (*in lakhs*)		%		*Rs.* (*in lakhs*)	%
Consumption of materials		215	30.6	Sales	698	99.3
Wages		186	26.5	Rents	5	0.7
Salaries to managerial staff		71	10.1			
P.F. Contribution		10	1.4			
General expenses:						
Repairs	28					
Rents	5					
Taxes	10					
Advertising	6					
Power	25					
Director's fees	8					
Audit fees	6					
		88	12.5			
Depreciation		37	5.3			
Interests on Loans		22	3.1			
Bonus		16	2.3			
Transfer to Reserves		6	0.9			
Provsion for Taxes		24	3.4			
Dividends		15	2.1			
Balance		13	1.8			
		703	100		703	100

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In the percentage form the statements reveal the relative importance of each item. For example, we can know what proportion the internal resources, e.g., reserves, constitute in the total resources used in the business, what proportion of the totality of the resources has been contributed by the equity shareholders, how heavy the intangible items happen to be in relation to the total assets of the enterprise, and so on. With reference to the income and expenditure statement, or profit and loss account, the information ranges over such issues as the relative importance of raw material or labour in the total cost, the heaviness or otherwise of specific items of overhead costs or advertising, and so on.

The percentage technique may be employed with great purpose with reference to the balance sheet or the income and expenditure statements for three or four or more years. Known as trend analysis, this helps in answering such questions as the following: have the inventories been going up or down over a period of years, has the enterprise had to increase its credit facilities to customers in course of time, have the current liabilities been rising, have wages as a proportion of total cost been on the increase, and have overheads and fixed interest charges been progressively economically spread over the business operations?

An incidental advantage of the percentage analysis is that it makes inter-firm comparisons possible, without information of absolutes leaking out.

(*b*) The other and recently more elaborate techniques of analysis and interpretation goes under the caption of financial ratios or accounting ratios. A financial ratio is a ratio between two figures taken from the financial statements of an enterprise—from the same side of a balance sheet or the income and expenditure account; or from both sides of either, or one from the balance sheet and the other from the income and expenditure statement. The usefulness of a ratio depends on what figures we choose to compare with each other, what meaning we attach to each of the figures compared and what items we actually include in setting up each of the figures for comparison. Apart from these problems, we have to choose a few highly significant ratios and use them properly, instead of getting lost in an unlimited number of ratios.

The choice of the ratio depends on the purpose we have in mind. Though all ratios are of use to the management, we can classify ratios under three heads accordingly as they are useful mainly to the creditors, the management or the Government. For example, the current ratio belongs to the first category; "wages per rupee of output" or "reserves as a percentage of total capital employed" is of direct purpose to the management; and the net return on capital is of use to the government in the context of its policies of price fixation and profit regulation; (similar is the "expense ratio" with reference to the insurance business).

Financial ratios may be used with reference to a unit of time; or trend analysis may be undertaken so as to get a picture of changes over time in the financial relationships revealed by the ratios.

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We shall select a few of the more important ratios which are directly useful in the interpretation of the balance sheet and the income and expenditure statements.

(i) *The current ratio:* This is the ratio between current assets and current liabilities and is of particular significance to banks and other short-term lenders, since it indicates the ability of the enterprise to meet the liabilities as and when they mature. We have to be careful about the coverage of both current assets and current liabilities. Some items such as advances to the customs department, and deposits with electricity boards may look "current" and are so listed; but they cannot be converted into cash at short notice. Even cash, if committed for a fixed asset, for example under a collaboration agreement, cannot be included in the current assets for the present purpose. As regards the liabilities, care has to be taken to include even those instalments of redeemable preference capital or debentures, which mature for repayment in the ensuing period.

(ii) *The ratio between quick assets and quick liabilities:* Known as the acid test, this compares the assets such as cash and marketable securities, which can be readily converted into cash, with the current liability obligation. Not even debtors and stock can be included in the quick assets. This ratio is highly purposeful for third parties.

(iii) *Ratio between capital and liabilities:* This indicates the relationship between owners' capital and the liabilities that the enterprise owes to outsiders. The higher the capital proportion, the greater the margin of safety for the creditors, for example, for those offering deposits to the enterprise.

(iv) *Ratio between capital and fixed assets:* This is of significance in that the fixed assets should ordinarily be financed from long term capital sources. It is even necessary to finance the recurring portion of working capital requirements out of long term sources; these may be termed as long term working capital. We may support this view by referring to the insistence of banks on a margin of 50% or more on the current assets pledged as securities.

(v) *Ratio between fixed assets and current assets:* Over a long period the ratio reveals any diversion of working capital towards fixed capital purposes. Further inter-firm comparisons of the ratio reveal the reasonableness or otherwise of the proportion of one category of assets to the other in a given enterprise.

(vi) *Return on capital employed:* This is a popular but highly abused ratio, for many people understand the concepts of capital employed and of return in different ways. The exact definition of either term depends on the purpose; though a generally acceptable method consists of taking capital, loans and reserves together under the term "capital employed", and the net profit after costs, depreciation and other cost provisions under the head of "return". This may be expressed under two heads; before tax and after tax.

(vii) *Ratio between sales and debtors:* This represents the average collection period. It is useful to an enterprise, particularly when a trend

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analysis is made, as well as when inter-firm comparisons are made. It suggests remedies which will have far reaching-effects on the working capital requirements.

(viii) *Gross-profit-sales ratio:* Commonly known as gross profit ratio, this indicates the trading efficiency of an enterprise, exclusive of various overhead costs, office costs, depreciation etc., all of which find place in the profit and loss statement.

In conclusion we may note that the analysis of the financial statements of an enterprise depends on the exact purpose of the analysis; and different interests such as the present shareholders, potential shareholders, long term creditors, short term creditors, suppliers of goods, the management, the trade unions, and the Government, find different ratios of particular use from their own point of view.

ANNEXURE—I

Assess the credit-worthiness of the enterprise whose balance sheet figures are cited below and draw all the relevant inferences

Liabilities (*In Rs.* 000's)	1961-62	1962-63	1963-64	*Assets* (*In Rs.* 000's)	1961-62	1962-63	1963-64
Share capital	100	100	100	Land and buildings	60	60	60
Debentures	50	50	50	Plant	55	65	70
Secured Loans	25	40	40	Work-in-progress	35	40	42
Creditors	12	24	16	Stock	20	23	26
Public Deposits....	10	25	30	Debtors	24	34	32
Reserves	30	32	34	Investments	12	12	13
Depreciation Fund	15	15	16	Good will	20	20	20
P and L Account	4	2	1	Preliminary Expenses	8	8	8
				R and D Account	12	14	16
	246	288	287		246	288	287

(From a working paper prepared for the Short Term Course in Plan Implementation and Project Analysis conducted by the Academy in January in association with the United Nations Asian Institute for Economic Development and Planning, Bangkok.)

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AN INTRODUCTION TO THE USE OF ACCOUNTING RATIOS IN THE INTERPRETATION OF ACCOUNTS

P. Sivasubramaniam

Body temperature, pulse, blood pressure, rate of breathing, etc. generally indicate the state of health of a human being. Similarly "Accounting Ratios" reflect the state of health of commercial undertakings whether they be public or private sector organisations. A physician is able to interpret the readings of the thermometer and other instruments because he knows the standard readings for a normal healthy person. The accountant too could interpret the accounting ratios only if he knows what the ratios ought to be. Since accounting ratios are the symptoms of underlying maladies the accountant should examine the inter-relationship between the various accounting ratios before he expresses his diagnosis, as certain ratios viewed in isolation may even be misleading—a person may be seriously ill with a heart ailment but his body temperature may still be normal. Accounting ratios are invaluable in—

(*a*) Assessing the financial stability of organisations;
(*b*) Assessing the efficiency of management in the economical and profitable use of resources at their disposal;
(*c*) Planning the future of the organisation by projecting trends; and
(*d*) Comparing the achievements of an organisation and the related costs with its own performance in the previous years and also with those of other organisations.

The more important accounting ratios may be grouped as follows:—

(*a*) The Primary Ratio i.e. Return on Capital Employed.
(*b*) The Secondary Ratios :
  (1) The ratio of net profit to sales;
  (2) The ratio of sales to Capital Employed.
(*c*) The Solvency Ratios or Liquidity Ratios or Working Capital Ratios:
  (1) The Current Ratio i.e. Current Assets to Current Liabilities;
  (2) The Quick Assets Ratio or Acid Test Ratio i.e. quick assets to current liabilities.
(*d*) The Capital Ratios :
  (1) The ratio of total indebtedness to capital employed;
  (2) The ratio of long term debt to net tangible assets;
  (3) The ratio of long term debt to net worth;
  (4) The ratio of fixed assets to capital employed;
  (5) The ratio of fixed assets to net worth;
  (6) The ratio of fixed assets to current assets;
  (7) The capital gearing ratio.
(*e*) Profitability Ratios :
  (1) Net profit to sales;
  (2) Gross profit to sales;
  (3) Profit to volume;

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(4) Contribution (or Profit) to limiting factor;
(5) Contribution (or Profit) to employees.

(*f*) Internal Control Ratios :
(1) The ratio of gross profit to sales;
(2) Average residence time for raw materials;
(3) Average production cycle for work-in-process;
(4) Average residence time for finished goods;
(5) Average collection period for debtors;
(6) Average payment period for creditors;
(7) The ratio of bad debts to sales.

(*g*) Operating ratios :
(1) Activity ratio;
(2) Capacity usage ratios—
(i) Standard capacity usage ratio;
(ii) Actual usage of possible capacity ratio;
(iii) Actual usage of budgeted capacity ratio;
(3) Efficiency ratio;
(4) Calendar ratio.

(*h*) Earnings Ratios or Investor's Ratios :
(1) Dividend cover;
(2) Earnings per ordinary share;
(3) Price/earnings ratio;
(4) Earnings yield;
(5) Dividend yield;
(6) Priority percentages.

(*i*) Ratios used in Interfirm Comparison :
(1) Profits before tax to assets employed;
(2) Profits before tax to sales;
(3) Sales to assets employed;
(4) Production cost of sales to sales—
(i) Cost of materials to sales;
(ii) Cost of direct labour to sales;
(iii) Production overheads to sales.
(5) Cost of selling & distribution to sales;
(6) Cost of administration to sales;
(7) Sales at cost to average stocks (at cost);
(8) Average of outstanding debts to average sales per day;
(9) Operating assets to average daily sales.
(10) Current assets to average daily sales;
(11) Fixed assets to average daily sales;
(12) Raw material stock to average daily sales;
(13) Work-in-progress to average daily sales;
(14) Finished goods stock to average daily sales.

The Primary Ratio i.e. ratio of net profit to capital employed :

This is the most important ratio of all and is also known as the return on net assets. It reveals the relative efficiency of management in utilising the funds at their disposal as compared with the return on capital—

(*a*) in other organisations in the same industry;
(*b*) in other industries;

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(*c*) by the same organisation in previous years.

Net profit excludes investment income other than from trade investments and is taken before tax and before charging debenture interest. Capital employed is the sum of the fixed assets (at current market values) plus current assets less current liabilities. Trade investments are included in the capital employed but all other investments are excluded.

The return on capital employed depends equally on—

(1) the net sales margin i.e. net profit on sales, (Net Profit÷Sales); and

(2) the number of times the capital employed (net assets) are turned into sales i.e. turnover of net assets. (Sale÷Net Assets). This relationship may be expressed as follows:—

$$\frac{\text{N P}}{\text{N A}} = \frac{\text{N P}}{\text{Sales}} \times \frac{\text{Sales}}{\text{N A}}$$

N P = Net Profit before Tax

N A = Net Assets at Current Market Value.

Thus the return on capital employed can be improved by selecting a net sales margin and its corresponding net assets turnover ratio, the product of which is the largest. This may sometimes involve reducing sales margins.

The Secondary Ratios:

(*a*) The ratio of net profit to sales.—This ratio reveals the profitability of sales and can be compared with the trade mark—up used for fixing selling prices. It can be improved by—

(1) reducing variable costs per unit;
(2) reducing fixed costs per year;
(3) Increasing the volume of sales which will result in reducing fixed costs per unit;
(4) increasing selling prices;
(5) improving the sales mix.

(*b*) The ratio of sales to capital employed.

This ratio is also known as the net assets turnover ratio. The more frequently capital is turned over the greater will be the profit if selling prices cover costs. Unless overtrading takes place, a high ratio will be a healthy sign. A low ratio indicates—

(1) The presence of obsolescent stocks
(2) unused capacity of fixed assets
(3) delays in debt collection
(4) over capitalisation

This ratio can be improved by—

(A) increasing production and sales without a corresponding increase in fixed assets i.e. working additional shifts or reducing idle capacity
(B) increasing trade creditors without prejudicing purchases.
(C) reducing stocks, trade debtors, cash and bank balances.
(D) reducing capital employed by withdrawing surplus assets i.e. rent out parts of premises.

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The Solvency Ratios or Liquidity Ratios or Working Capital Ratios:

(*a*) The ratio of current assets to current liabilities;
This ratio shows the extent to which current liabilities are covered by current assets and how much of the organisation's own funds are used to finance current assets as opposed to funds raised from current liabilities. As a general rule current assets (i.e. stocks debtors, prepayments, quoted investments, bills receivables, cash and bank balances) should be at least twice the current liabilities (trade creditors, accruals, bank overdraft, tax and dividend creditors). Short term lenders look for a 2 : 1 current ratio after making the loan. In most cases the loan goes into stocks or eliminates an existing liability.

(*b*) Acid test ratio or quick assets ratio: This is the ratio of all current assets except stocks to current liabilities. It is a more stringent test than the current ratio, and indicates the ability of the organisation to pay its creditors if they should all demand payment at the same time. As a rule the quick assets (i.e. all current assets except stocks) should at least be equal to the current liabilities.

The Capital Ratios:

(*a*) The ratio of total indebtednes to capital employed:
This ratio shows the proportion of total assets owned by debenture holders and creditors and hence their significance and strength as opposed to the shareholders. A ratio in excess of 1 : 3 is taken as a sign of weakness.

(*b*) The ratio of long term debt to net tangible assets (i.e. all assets other than goodwill patents and trademarks): This ratio shows the significance for the organisation of financial interests other than those of the ordinary shareholders. A 1 : 3 ratio is regarded as maximum in U.K. i.e. the long term debts should not be in excess of one third the value of the net tangible assets. The organisation has not only to pay interest on the loan but also make provision annually out of its profits to repay the loan on the due date. This would leave very little profit for distribution among the shareholders as dividends.

(*c*) The ratio of long term debt to net worth i.e. ratio of debt to permanent capital: If a 1 : 3 ratio is regarded as a maximum for the ratio of long term debt to net tangible assets, then a 1 : 2 ratio is regarded as a maximum for the ratio of long term debt to permanent capital (i.e. ordinary share capital plus non-redeemable preference share capital plus capital and revenue reserves other than reserves for future taxation).

(*d*) The ratio of fixed assets to net assets:
This ratio reveals the disposition of funds between fixed capital and working capital and the degree of flexibility of the organisation to changes in demand for its products. The higher this ratio the less flexible will the organisation be to changes as too much of its resources are invested in fixed assets. Manufacturing organisations tend to have a high proportion of fixed assets than trading organisations. This ratio varies

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according to whether an organisation owns its land, building, plant, vehicles or occupies rented premises and/or uses plant on hire.

(*c*) The ratio of fixed assets to net worth or permanent capital: This ratio shows the extent to which the fixed assets are covered by shareholders' funds. Where fixed assets are not fully owned by members, there is a risk that outsiders (i.e. debenture holders & creditors) will demand repayment and force the organisation into liquidation.

(*f*) The ratio of current assets to fixed assets:
The stronger the business the higher will be its ratio of current assets to fixed assets. This ratio also indicates whether the fixed assets are being utilised to their fullest capacity. (See also para 6 (*d*)).

(*g*) The capital gearing ratio:
This is the ratio of fixed interest bearing capital (i.e. preference shares, debentures etc.) to ordinary capital. The profits of an organisation after payment of tax, dividends on preference shares and interest on debentures belong to the ordinary shareholders. An upward fluctuation of profits will result in a more than proportional increase in the return to the ordinary shareholders, but if profits fall the fixed interest capital will receive a normal dividend while the dividend on the ordinary shares may be nil.
High-geared Capital:
The amount of preference shares and or debentures is unduly large in comparison with the amount of ordinary share capital. The effect of high gearing is that an increase or decrease in the amount of distributable profits will cause a disproportionate rise or fall in the rate of dividend on the ordinary shares.

Profitability Ratios:

(*a*) Ratio of net profit to sales :
This is one of the secondary ratios-vide para 4 (*a*)

(*b*) Ratio of gross profit to sales:
This is one of the internal control ratios–vide para 8 (*a*)

(*c*) Ratio of profit to volume or Profit/Volume Ratio:
This is a ratio used in marginal costing and is arrived at by
(1) dividing the difference between sales value and the variable costs by the sales value. or
(2) dividing profits plus fixed costs by the sales value.
It reveals the profitability of products when there is no limiting factor in the production function and helps management to rank the products according to profitability.

(*d*) Ratio of contribution to limiting factor:
This is the ratio of the difference between selling price and variable cost per unit of a product to the number of units of any factor in limited supply required to produce one unit of that product. This ratio helps management to rank the products it manufactures according to profitabiliy of the products in relation to the factor of production in limited supply.

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The organisation will maximise its profits by concentrating on the product with the highest ratio of contribution to limiting factor.

(*e*) The ratio of contribution to total employees:
This ratio shows the average contributions made by each employee towards the fixed costs and profits of the organisation and may be compared with the corresponding ratio for other organisations of similar structure.

Internal Control Ratios:

(*a*) The ratio of gross profit to sales:
This ratio should correspond closely with the trade mark up for fixing selling prices, and is a valuable check on the accuracy of the closing stock valuation. This is a valuable tool of audit.

(*b*) The stock turnover ratio or ratio of cost of sales to average stocks: This ratio indicates the number of times the monies tied up in raw materials, work-in process and finished goods have been turned over in a year. This ratio varies from industry to industry. A rate of less than 6 times a year would be considered unsatisfactory by most industries. The turnover ratio for raw materials equals the sum of the cost of raw materials issued to production, sold to outsiders and consumed by the organisation, divided by the cost of the average stocks of raw materials held in stock.
The turnover ratio for work-in process equals the value of work-in process transferred to finished goods A/C divided by the value of the average work in process.
The turnover ratio for finished goods equals the cost of sales divided by the value of the finished goods held in stock.

(*c*) Average residence time for raw materials, work-in process and finished goods: The average residence time in days for stocks is obtained by dividing the number of days in a year (i.e. 365) by the stock turnover ratio.
Similarly the average residence time in days for raw materials, work-in process and finished goods are obtained by dividing 365 by the respective turnover ratios.

(*d*) Debtors turnover ratio:
This is the ratio of annual credit sales to the average balances outstanding from debtors.
This ratio indicates the efficiency in credit control and debt collection. A high ratio indicates that the balances outstanding from customers are low.

(*e*) Average debt collection period:
365 divided by the debtors turnover ratio gives the average debt collection period in days i.e. the average debt collection period or the average period for debtors to settle their accounts. This could be compared with the credit terms given to customers.

(*f*) The ration of bad debts to sales:
This ratio reveals whether sales are being made to customers with good credit rating and the need for efficient methods

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of credit control, rating credit worthiness of new customers and credit collection.

(*g*) Average payment period for creditors:
The calculation of this ratio is similar to the "Average debt collection period".

(*h*) The average residence time for raw materials, work-in-process, finished goods, average debt collection period and average payment period for creditors serve as useful indicators of working capital requirements. These residence times (expressed in years) multiplied by the corresponding elements of the annual budget provide the working capital requirements which could be compared with the actual working capital employed from time to time.

Operating Ratios:

(*a*) Activity Ratio:
This is the ratio of actual output or production to the budgeted production. Where two or more products are manufactured in a workshop, the actual output converted into standard hours (by multiplying the number of units of each item produced by the standard hours required to produce each unit and aggregating these values) is expressed as a percentage of the budgeted standard hours. This ratio reveals the shortfall or excess in the realisation of the budgeted output.

(*b*) Efficiency Ratio:
This is the ratio of the actual output or production expressed in standard hours (i.e. the standard hours of work produced) to the clock hours actually spent in producing the output. This ratio reveals the efficiency of the workers.

(*c*) Capacity Usage Ratio:
Capacity Usage may be expressed by the following three ratios:

(1) Standard Capacity Usage Ratio:
This is the ratio of the budgeted number of working hours to the maximum possible number of working hours in a budget period. This ratio reveals the budgeted idle capacity of a plant or process or workshop etc. which may be due to lack of demand for the product of insufficient raw materials, skilled labour, etc. It enables management to identify possible bottlenecks, especially if production is to be stepped up.

(2) Actual Capacity Usage Ratio:
This is the ratio of the number of actual hours worked in a period to the maximum possible number of working hours in that period. It reveals the actual idle capacity of a plant, process or workshop during a given period and may be compared with the standard capacity usage ratio.

(3) Actual Usage of Budgeted Capacity Usage:
This is the ratio of the number of actual hours worked in a budget period to the number of hours of work budgeted for in that period. It can also be obtained by dividing

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the "Actual Capacity Usage Ratio" by the "Standard Capacity Usage Ratio". This ratio reveals the shortfall or excess in the *inputs* actually used compared with the budgeted *input*.

Note.—The activity ratio reveals the shortfall or excess in the *output* actually achieved compared with the budgeted *output*.

(*d*) Calendar Ratio:
This is the ratio of the actual number of days worked in a period to the number of working days budgeted for in that period.

(*e*) Relationship between the operating ratios:
AR=ER × AUBCR
where AR=Activity Ratio
ER=Efficiency Ratio
AUBCR=Actual Usage of Budgeted Capacity Usage Ratio.

Earnings Ratios or Investors' Ratios:

(*a*) The Pay Out Ratio or dividend cover:
This ratio illustrates the distribution and plough-back policies of the management. The ratio of retained earnings to net profits shows the potential of a share for capital growth. The margin of the profits after tax above the amount required to pay the dividends is an index of the security of the share so far as divided payments are concerned. The pay out ratio or divided cover may be worked out for each class of shares.

(1) Dividend cover for preference shares is the ratio of net profits after tax to the dividends payable on preference shares.

(2) Dividend cover for ordinary shares is the ratio of net profits after tax and gross preference dividends to the dividends expected (or paid and/or payable) on the ordinary shares. This ratio may also be obtained by dividing "earning yield" by "dividend yield". A dividend cover ratio of 2 : 1 on ordinary shares is considered prudent.

(*b*) Earning per ordinary shares:
This is the ratio of net profit after tax and gross preference dividend to ordinary shares.

(*c*) Price/Earning Ratio:
This is the ratio of the market price of one ordinary share to the earning per ordinary share.
It is also the ratio of the market price of all ordinary shares (price per share times the number of shares) to the net profits after tax and gross preference dividends (i.e. net profits available for distribution among the ordinary shareholders). This ratio is also expressed as so many years purchase of the profits.

(*d*) Earning Yield:
This is the ratio of earning per share to the market price per ordinary share. This ratio is the reciprocal of the price/earnings ratio ((*c*) above).

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Note.—An investor who purchased shares in the past at a certain price may prefer to use the price he paid to compute the yield on his investment.

(*e*) Dividend Yield:

This is the ratio of the gross dividend per share to the market price per share. It is usual to use the current dividend before dividend tax, but some investors prefer to use expected future dividends. This ratio should be distinguished from the ratio of dividend declared which is based on the nominal value of the issued shares and not on their market value.

(*f*) Priority percentages:

These are the percentages of the net profit (after tax but before debenture interest) allocated successively to debenture interest, preference dividends, dividends on ordinary shares and to reserves. The following example shows these percentages, for a firm which earned Rs. 200,000 after tax in a year:—

	Amounts payable	*Percentages*
	Rs.	
Debenture interest		
6% on Rs. 100,000	6,000	0- 3%
Preference Dividends		
7% on Rs. 200,000	14,000	4- 10%
8% on Rs. 300,000	24,000	11- 22%
Dividend on ordinary shares		
10% on Rs. 800,000	80,000	23- 62%
Retained earnings	76,000	63- 100%
	200,000	

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DISCOUNTED CASH FLOW AND COST/BENEFIT ANALYSIS: THEIR ROLE IN A DEVELOPING ECONOMY

A. H. M. Bennett

It is nowadays a commonplace that projects are the building blocks of the economy. As Hirschman says, they are "the privileged particles of the development process". Attention is focused on the procedures by which projects are identified, formulated, approved and implemented. In the skill with which these separate stages are carried out lie in the aggregate the growth rate of the economy, the balance of payments, the level of employment, and indeed the whole interrelated web of socio-economic development.

Intrinsically, projects are resource allocations. Physical resources are allocated to a project in the expectation that they will be converted to products or services of higher value. Discounted cash flow and cost/benefit analysis are the principal techniques for checking that produce outputs are more valuable than resource inputs. The purpose of this article is to outline these techniques, compare them, and indicate their appropriate use.

1. Discounted Cash Flow (DCF)

The main inputs are cash payments that are attributable to the project such as capital expenditure, operating costs and taxes. Any payments that would be made even without the project are excluded, for example, a share of unchanging overhead expenses. This is sometimes expressed by saying that only differential or incremental effects are included in the analysis.

Some inputs may already have been purchased (or hired) by the firm and so no incremental payment arises. For example office and factory space, personnel, machinery, even pre-existing stocks of raw materials may be used by the project. In principle, these should be brought into the analysis and count against the project only so far as cash receipts are foregone elsewhere, that is, they are brought in at their opportunity costs. This raises some of the trickiest problems of financial evaluation. What is the profit foregone by using the present labour force on a defined project? The answer depends on defining the best alternative use of labour. In principle nothing can be evaluated except against an alternative, though in practice it must be said that alternatives often remain undefined and opportunity costs are ignored.

One opportunity cost that is always considered in discounted cash flow, and indeed is the main distinguishing characteristic of DCF methods, is the cost of the capital resource. Money spent on machines, materials, manpower, etc. is not available to other investments of the firm until it is recovered in sales revenue. Therefore, profit is foregone elsewhere for this period of time and counts against the project. Naturally, after counting normal profits against the project, the criterion of acceptance is that total revenue from outputs should merely cover total costs (capital costs, operating costs, and "cost of capital") i.e. that the project should at least break even.

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Most of the supposed "difficulty" of DCF revolves around the questions (i) what rate of interest or discount to apply? (ii) why are cash receipts and payments discounted?, and (iii) what period of years should be considered?

Rate of discount

The first Gordian knot can of course be cut by administrative flat. For instance, so far as the Ministry of Planning is concerned projects must break even after counting in the cost of capital at 10% per annum. However, this is more than a convenient round figure. It represents in rough terms the profitability (and therefore the opportunity cost) of money in Ceylon today. Equity capital is typically paid a dividend of 6½ %-8½ % of the share price and a similar percentage is ploughed back, total cost say 13/14%. Debt capital is paid less, say 6%, but this is tax deductible, so the cost net of company tax is 3%. Assuming an average capital structure of one of debt to two of equity, this gives a weighted average cost of capital of 10% per annum, net of company tax.

A lot of controversy still surrounds the project that is financed from specially cheap (or dear) sources. Should a project financed by, say, overdraft at 5% per annum, net of tax, be charged only 5% p.a. on its use of this capital? The answer must be No, if the use of overdraft facilities on this project will preclude their use on other (equally eligible projects. Generally, all projects must toe the same line, irrespective) of financing arrangements. An exception is a project, such as a purchase of land and buildings on mortgage, which permanently changes the mix of capital sources, and so changes the weighted average cost of capital.

Discounting or compounding

The discounting of cash flows, still an arcane mystery for many, is the only procedure for taking into account the cost of capital. With fiendish ingenuity, economists and accountants have developed a procedure of reducing cash receipts and payments according to the years in which they occur, in such a way as to give precise effect to the interest cost of the expenditure outstanding.

A simple example will make this clear. It is proposed to spend 100, which is expected to generate receipts of 30 a year for 4 years. Cost of capital is 10%. A straightforward DCF calculation would be as follows:—

Initial expenditure	100
Cost of above for 1st year	10
	110
Less first receipt (assumed to be received at end of year)	30
Money outstanding at start of year 2	80
Cost of above for 2nd year	8
	88
Less second receipt	30
Money outstanding at start of year 3	58
Cost of above for 3rd year	6
	64

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Less third receipt	30
Money outstanding at start of year 4	34
Cost of above for 4th year	3
	37
Less fourth receipt	30
Money unrecovered at end of project	7

Summarising, costs are 127 and revenue only 120. If this project were accepted the firm would be 7 worse off at the end of 4 years. The terminal value, as it is called, is negative, therefore the project is rejected.

Note that interest is *compound* interest and is calculated above on the cumulative balance outstanding. It would instead have been calculated for each year's cash flow in turn, then aggregated, as follows:—

Initial expenditure : 100 at 10% compound interest for 4 years ($100\times1.10\times1.10\times1.10\times1.10$)			= 146
First receipt : 30 at 10% p.a. for 3 years ($30\times1.10\times1.10\times1.10$)	=	40	
Second receipt : 30 at 10% p.a. for 2 years ($30\times1.10\times1.10$)	=	36	
Third receipt 30 at 10% p.a. for 1 year (30×1.10)	=	33	
Fourth receipt	=	30	139
			7
Money unrecovered at end of project (terminal value)			

Now examine the usual calculation procedure:—

Year	*Cash flow*	*Discount*	*Factor*	*Present value*
0	— 100		1.000	— 100
1	+ 30	$\frac{1}{1.10}$ or	.909	+27
2	+ 30	$\frac{1}{1.10\times1.10}$ or	.826	+25
3	+ 30	$\frac{1}{1.10\times1.10\times1.10}$ or	.751	+23
4	+ 30	$\frac{1}{1.10\times1.10\times1.10\times1.10}$ or	.683	+20 + 95
		Net present value		— 5

Instead of *compounding* amounts forwards by multiplying by 1.10 for each year up to the end of the project, they are *discounted* backwards by dividing by 1.10 for each year back to the present. Each year's cash flow is separately discounted to its present value, the present values are aggregated, then compared with the present expenditure (which is already at its present value).

Comparison of the last 2 calculations shows that every figure differs by a factor of $(1.10\times1.10\times1.10\times1.10)$. This is also true of the net result: $-5\times(1.10)^4=-7$. The net present value and the terminal value, though not the same, are mathematically linked, and must always have the same sign. In the jargon of DCF, a project is accepted if its net present value is positive. In plain language, a project is accepted if the total receipts exceed total payments, including interest on capital.

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Internal rate of return and the World Bank

As a comparative measure of economic health the *internal rate of return* can also be calculated. This is the interest rate which is found, after trial and error, exactly to make the project break even (net present value=nil).

A high interest rate cuts down the present value of future receipts. The larger the receipts the higher the interest rate required to reduce them to the present expenditure. In the example above, the rate of return is evidently less than 10%.

This rate is a highly significant figure since it relates the project returns to the average capital outstanding. It is a measure not of absolute profit, but of relative profitability on capital and, while capital is the scarcest resource, projects with higher rates of return should be preferred to those with lower rates of return. This is the primary test of profitability used by the World Bank.

The *period* over which a project is evaluated should be the entire period over which any consequences attributable to the investment decision will be felt. Anything less is an omission, though in the case of far-distant cash flows, the omission may not be material as present values of distant cash flows are small. The Ministry of Planning suggests that for most manufacturing projects the benefits will accrue for up to 10 or 15 years after construction is complete. For hotels 20 years is assumed. If a project has to be evaluated over a period of less than the full life of the project assets, perhaps because sales projections are limited, the project can then be evaluated only on the assumption that the assets are sold at the end of this period. Their sale value may be estimated and credited to the project.

Why bother with DCF

One criticism of DCF is constantly heard—that it all rests on forecasts which are likely to be wrong, in fact, certain to be wrong, since no forecast was ever completely accurate. Why work out net present value to the last rupee when the sales forecast is quite possibly 50% wrong? Is such a sophisticated method worthwhile?

Before answering this, let us consider how DCF treats the possibility (or certainty) of forecast error, since so far the analysis has assumed that everything is certain and free of risks. Suppose that a project shows a healthy excess of receipts over payments and a high rate of return, say 25%. This implies that the true returns may be considerably less than stated, or the costs may be higher, without altering the decision. The cost of capital would be met by a 10% rate. The additional 15% is a margin of safety. Its adequacy of course depends on the degree of inherent risk. The forecast sources may be asked for three sets of forecasts based on the most pessimistic assumptions, the most likely assumptions, and the most optimistic. Three rates of return are calculated. The decision depends on their spread around the 10% cut-off rate.

Another approach coming into favour is *sensitivity analysis*. This consists in isolating key variables, such as sales volume, and calculating the effect on the rate of return of possible variations from the expected

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figure. It is often helpful to a decision-maker to know, for instance that a 20% shortfall in sales would reduce the rate of return from 15% to 3% while a 20% increase in the unit cost of production would reduce it only 2 points to 13%.

Does this answer the objection about uncertain forecasts? Uncertainty is a fact of life and cannot be *reduced* by any method of evaluation (though faulty methods of evaluation may *add* uncertainty). All that can be expected of an evaluation is that it shows the effects of forecast uncertainties.

Is DCF too elaborate or sophisticated? In some situations this may be true, as where a project is being roughly screened to justify more detailed research or where decisions have to be made on the spot without research. But capital is too scarce a resource in the developing economies to be treated in this cavalier fashion. Modern needs and scarcities demand modern methods.

2. Cost/Benefit Analysis (CBA)

Cost benefit analysis takes a wider view of projects than discounted cash flow. While DCF identifies the cash flows in and out of the *agency* responsible for the project. cost/benefit analysis identifies the cash (or value) flows accruing to or paid by the national *economy* as a whole.

The differences between agency cash flows and economy cash flows are as follows:—

(i) some agency costs, such as taxation, are not costs to the economy since they are *transfer payments* from the right hand to the left hand. These are omitted from the analysis.

(ii) some costs do not have to be met by the agency but must nevertheless be met by the economy. The traditional example is atmospheric pollution by a factory, this sets up additional medical, laundry and other maintenance costs which do not have to be paid by the factory responsible. Similarly, road hauliers are not charged with the costs of maintaining the road system, or coastal shipping with the cost of lighthouses. These external cost effects, sometimes called *diseconomies* are often difficult to estimate, but should evidently be considered in the economic evaluation of a factory, transport fleet, shipping line, etc.

(iii) costs paid by the agency do not always correspond with true economic costs especially in an economy with undeveloped factor markets. The economic cost is the price at which supply would equal demand if the market were free and competitive. This price is often called a *shadow price*. When used administratively it is called an *accounting price*. Examples will show the important difference between a paid-out cost and an economic cost:

Goods or services may be supplied at a monopolistic price. The monopoly profit on local supplies and services should be eliminated, since the true social burden is the cost of production including normal cost of capital. *Imported* goods and services of course, cost the full amount paid,

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excluding only transfer payments such as duty. In fact one may go further. In any local purchases, monopoly or not, the price is likely to be higher than their marginal or incremental cost since most industries get economies of scale. Therefore all local prices should be reduced to marginal costs. (The word "marginal" should be interpreted having regard to the size and time-scale of the project.)

Conversely, the agency may be in a position to force an artificially low price on the supplier, e.g. a Government department, sole purchaser of a local product. In rare cases, the economic cost may be higher than the paid out cost.

No labour market is free, since rates of pay are controlled more by social and institutional factors than economic supply and demand. Consequently, wages and salaries payable are substituted by the value of production lost elsewhere. For skilled workers, supervisors and managers, the production lost elsewhere is conventionally assumed to be equal to their salaries, so no substitution is necessary.

The correction applies more to *unskilled labour*, since in a developing economy this is likely to come from the pool of unemployed and/or underemployed. Unemployed labour costs the economy nothing since nothing is lost elsewhere by employing it on the project; wages paid to such labour are therefore simply omitted from the analysis. Underemployed labour drawn from over-manned industries often has an economic cost less than it is paid; urban wage rates are commonly reckoned to be higher than the marginal social product in peasant agriculture, for instance.

Where local currency is overvalued, *foreign exchange costs* converted at the official exchange rate will be undervalued, and will not properly reflect the scarcity of foreign exchange. It is understood that the Ministry of Planning uses a shadow price of twice the official exchange rate for the foreign exchange component of projects.

(iv) Some agency receipts such as government subsidies are transfer payments, not benefits to the economy, and are therefore omitted.

(v) Some benefits to the economy may not be received by the agency. The obvious case is where no direct charge is made to the beneficiaries, for instance, health and education services, or where the benefit is charged at a subsidised rate, such as transport. Though some pioneer studies have been carried out (and generally have indicated that such expenditures are very well worthwhile), it remains true that at present, benefits that are not sold are not quantifiable in money terms. (They can however be quantified in physical terms, and compared with costs; this is the field of cost effectiveness).

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Where an agency sells its products or services, the benefits are usually measured by the revenue received. However, just as some costs do not have to be paid by the agency, some benefits (called *external economies or "spillovers"*) may accrue for which the agency receives no revenue. A favourite example is an orchard planting project which should also benefit the bee-keeping industry. As with diseconomies, there are problems of estimation, but economists are becoming increasingly ingenious. In a U.K. motorway project for instance, one external economy successfully estimated was a reduction in hospital costs following a reduction in motor accidents. In industrial projects, forward and backward *linkages* are commonly claimed as external economies. A forward linkage is the manufacture of some intermediate product which can be profitably used by industries already existing. This advantage is credited to the project by counting the intermediate product at the price that would otherwise have to be paid by the user industries. A backward linkage occurs where a project is to use some intermediate product or by-product already manufactured. This is also an advantage, and is fully credited to the project by bringing the input in at its opportunity cost (nil, if it has no other use). The danger is that linkages may be seen as values in themselves, and cited in favour of a dud project even after they have been counted in to the analysis. The use of a material previously wasted seems to have a political attractiveness over and above the value of its product.

(vi) Revenues received by an agency do not always correspond with true economic benefits and shadow prices may have to be substituted. In theory, benefits are equal to the maximum that customers would willingly pay for the products or services provided, or the economic costs saved by substitution, whichever are higher. What customers would willingly pay, however, is a very difficult concept. The OECD Manual of Industrial Project Analysis recommends the use of world prices of goods and services which are exportable (whether or not they are actually exported). Goods and services which cannot be exported, such as construction work, electricity, local transport and in fact most services, should be valued at their cost to the economy. Benefits in foreign exchange should be converted at the same shadow rate for foreign exchange as used for costs.

(vii) The cost of capital to the economy may not be the same as the cost of capital to the agency, undertaking the project. Evidently, capital does have a cost, since no-one willingly postpones consumption for nothing. How many rupees would have to be offered in 1971 to induce the average persom to lend Rs. 100 in 1970, assuming no inflation or other risks attached? An answer of Rs. 110 implies a 10% social time preference rate and in fact, this is the rate used by the Ministry of Planning. Future output (potential con-

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sumption) is discounted at 10% per annum to equate it to present output and consumption.

A number of thorny problems have been glossed over, or by-passed altogether. Subject to such provisos, cost/benefit analysis aims to select projects which will increase national output in much the same way as discounted cash flow aims to increase the disposable wealth of the firm.

This is not quite the same as maximising the rate of growth. Just as the firm may either distribute its profits as dividends, or retain profits and plough them back for the greater growth of the firm, so an economy may consume its output, or save and invest it. Most developing economies attach a higher value to output that is saved than to output that is consumed.

This applies more to some projects than to others. For instance, a labour-intensive project will cause relatively more consumption than a capital intensive project, since the recipients of labour incomes have by and large, a higher propensity to consume than the recipients of rent, interest and dividends. The difference is allowed for in project comparisons by weighting the shadow price of labour accordingly.

Social Objectives

Cost-benefit analysis has been described above as *economic* cost-benefit analysis, though the more common term is *social* cost-benefit analysis. This was done deliberately so as to distinguish the purely economic ends and objectives above from social and political objectives such as redistribution of wealth, relief of unemployment, encouragement of arts and sciences, discouragement of various social evils, etc. any or all of which can be built in to the analysis by using suitable weights. Taking these one at a time:

(i) economic cost/benefit analysis values a rupee of income to a rich man the same as a rupee to a poor man. This can be corrected by determining who will get the benefits from a project, and weighting benefits to poorer groups more highly than benefits to richer groups. An irrigation project benefits mainly the farmers in the area irrigated, whereas a capital intensive private sector project benefits mainly the shareholders and creditors; other things being equal the irrigation project would be a better use of resources. These income ditsribution preferences are not always explicitly stated and weighted, even in central planning agencies; this runs the risk that projects will not be evaluated on consistent criteria.

The same approach can be used for regional re-distribution; benefits to a dry zone project for instance may be weighted more highly than benefits to a wet zone project.

(ii) it may be thought that bringing in unskilled labour, otherwise unemployed, at nil economic cost reflects the social policy of reducing unemployment. This is not quite true. It reflects only the economic policy of increasing output at minimum cost. If a value is placed on providing jobs

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for the sake of personal dignity, work satisfaction, reduction in crime, etc. then the shadow price of such labour should be taken as *negative*. This gives due preference to projects providing society with new jobs.

Job creation may be credited with a further advantage; it re-distributes income towards those who most need it. This also implies that such labour has a negative cost.

(iii) cost/benefit analysis values a rupee of educational publications the same as a rupee of arrack or a rupee of anything else. Additional weightage can be given to "merit wants".

The investment criteria with cost/benefit analysis are analogous to the investment criteria on discounted cash flow. A project is economically worthwhile if its benefits exceed its costs including the cost of capital, or to put it another way, if the discounted benefits exceed the discounted costs. The measure of *how* worthwhile it is, is given by the internal rate of return—the rate of discount at which discounted benefits equal discounted costs. An alternative comparative measure is the benefit/cost ratio found by dividing discounted benefits by discounted costs. Evidently this should be more than 1.0 for a project to be acceptable. (The recent Farmer Report shows how this was calculated for the Gal Oya project and found to be only 0.5).

3. Applicability of Discounted Cash Flow and Cost/Benefit Analysis

It is commonly thought that CBA applies only to the public sector and DCF only to the private sector. It would be more true to say that CBA applies to *any* project, in whatever sector and by whatever agency it is carried out, since it is a test of whether a project is worthwhile overall. DCF applies also if the project is carried out by a profit-seeking agency such as a private enterprise *or* a public corporation.

At present, of course, CBA is being gradually applied to public sector investments. Its use as a check on private sector investments has not been systematically developed though there is no reason to suppose that a project that meets profit criteria will also meet socio-economic criteria, since private costs and benefit diverge considerably from socio-economic costs and benefits, especially in developing economics. Hirschman, in "Strategy of Economic Development," refers especially to the external costs that fail to be considered in product substitution projects. Cases are known in Ceylon where imports have been substituted by local production at a cost higher than the foreign exchange saved, even when the latter is taken at its shadow price.

Socially conscious firms and financing institutions may make their own cost/benefit analysis and quietly drop projects that appear socially unprofitable, but the primary responsibility for the application of socio-economic criteria throughout the economy surely lies with the Government.

This responsibility has four sides:

(i) the definition and dissemination of general criteria and methodology of cost-benefit analysis; even if a government

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is unwilling to attach precise weights to different social and economic objectives, it is possible and desirable to determine shadow prices and a discount rate to be used consistently;

(ii) the adoption of fiscal, monetary and other policies which bring private costs and benefits closer to socio-economic costs and benefits.;

(iii) the veto of projects, both public and private, that do not meet these criteria, e.g., by using industrial licensing and foreign exchange controls for this purpose;

(iv) the promotion of projects that are socially profitable.

DCF may be regarded as the special form of CBA which applies to resource allocation decisions *decentralised* (whether by accident or design) to public corporations, private enterprises, households and individuals. From a socio-economic point of view the technique is sub-optimal, because private and social costs and benefits diverge. However the quality of such decisions (by reference to profit criteria) is likely to be high because the agencies mentioned are directly motivated. They are rewarded or penalised by the results of their own decisions. This is analogous to the "profit centre" concept applied in a growing number of large corporations in the advanced economies. A corporation is carved into a number of divisions each of which is more or less autonomous, and can buy from and sell to other divisions or outside agencies, as it decides best. Each divisional head is then in business for himself. The quality of his decisions is ensured by tying his earnings directly to the profits he achieves. Top management gets higher profits without the need for detailed control. This raises the interesting speculation whether a government could set socio-economic criteria and decentralise them throughout the economy, by suitably rewarding those firms that achieved high social profit (e.g., by reduced tax) and vice versa. This Utopian situation would depend *inter alia* on all firms keeping social accounts, recording social costs and benefits, as well as conventional enterprise accounts. Accountants would be aghast at the prospect.

For the present, it should be apparent that the attractiveness of a project varies with the vantage point from which it is viewed. The agency which formulates and hopes to manage the project has one viewpoint. the government planners have another. The planning process is likely to run more smoothly and efficiently when the two view-points are mutually appreciated and their applicability understood.

References:

Ministry of Planning references are from their recent "Manual for Project Preparation and Presentation". For fuller descriptions of DCF and CBA see the excellent and very readable "Manual of Industrial Project Analysis in Developing Countries" (Volumes 1 and 2 respectively) by OECD Development Centre.

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AN INTRODUCTION TO LINEAR PROGRAMMING

P. Sivasubramaniam

While some management theorists argue that the only function of a manager is to take decisions, others while granting the vital importance of the decision-making component in the manager's role, state that there are other ingredients too. Whatever the differing views, it may be assumed that taking a decision is of vital importance to a manager.

The essential prerequisite to taking a decision is to discover what the problem is. Having discovered the problem it would be necessary to marshall all the relevant data necessary to a decision. Unfortunately it always happens that the amount of data relevant to the issue is so overwhelming that the manager by an act of conscious will is forced to eliminate consideration of various bits of data as being of relatively little importance. The reason for this selective elimination is because the human brain however developed is unable to comprehend the totality of data. Therefore, every process which enables the comprehension of the totality of data would have a tremendous impact on management decision-making.

Linear Programming is one technique of taking into account all available data. This technique was discovered long ago but had limited applicability, because of the tediousness of repetitive calculations. The advent of the high speed computer has however eliminated this problem. Therefore data which earlier had perforce been rejected purely because of the difficulty of taking it into the mental ken of the manager could now be transferred into symbolic and mathematical language and the technique of linear programming be used to arrive at a unique decision.

While the computer is necessary to solve linear problems with many variables, there is a short hand manual method to solve the less complicated ones. This article would give an introduction of both the graphical and the short hand method of the solution of simple linear programming.

Problem No. 1 : Assignment of Resources to Minimise Cost

A certain job comprises of four separate tasks A, B, C & D. Each of the 4 engineers of a Government Corporation could attend to any of the tasks but the time taken by each and their hourly rates of pay would be as follows:—

Engineer	*Rate per hour*	*Time taken in Hours*			
		A	B	C	D
W	Rs. 6	20	25	10	17
X	Rs. 5	23	25	11	16
Y	Rs. 4	23	28	11	15
Z	Rs. 3	23	30	12	15

How would you assign the four tasks among the 4 engineers so as to get the work completed at minimum cost and at the earliest possible date?

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Solution to Problem No. 1

This problem can be solved by applying the following rules applicable to minimisation problems:—

Rule No. 1: Select the smallest element in each row and subtract this from each element in the row.

Rule No. 2: Select the smallest element in each column and subtract this from each element in the column.

Rule No. 3: With the minimum number of vertical and horizontal straight lines delete the rows and columns that contain zeros.

Rule No. 4: If the number of lines drawn are equal to the number of assignments to be made, optimum assignment is possible. Examine matrix from 1st row down and find the first row with only one zero. Assign at that zero, and delete the remaining zeros in the same column as that zero. Repeat the procedure until only 'n' zeros remain.
(n = the required number of assignments).

Rule No. 5: If the number of lines drawn are fewer than the number of assignments to be made, proceed as follows:—

Identify the smallest element not included in the lines; add it to the elements at the junctions of the lines; subtract it from the other excluded elements.
Repeat rules 3, 4 or 5 according to the requirements of the resulting situation.

Step 1 Determine the actual cost of each task and tabulate as follows:—

Engineer	*Cost of each task*			
	A	B	C	D
	Rs.	*Rs.*	*Rs.*	*Rs.*
W	120	150	60	102
X	115	125	55	80
Y	92	112	44	60
Z	69	90	36	45

Step 2 : Apply rule No. 1 and reduce each element in each *row* by the "least" cost for each row, i.e., the least cost in row 'W' is Rs. 60. Subtract Rs. 60 from Rs. 120, Rs. 150, Rs. 60 and Rs. 102. The least cost in row 'X' is Rs. 55 and therefore this amount will be subtracted from Rs. 115, Rs. 125, Rs. 55 and Rs. 80. The cost matrix will now be:—

Engineers	*Cost of each task*			
	A	B	C	D
W	60	90	0	42
X	60	70	0	25
Y	48	68	0	16
Z	33	54	0	9

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Step 3 : Apply rule No. 2 and reduce each element in each *Column* by the "least" cost for each column. The cost matrix will then be:

Engineers	*Tasks*			
	A	B	C	D
W	27	36	0	33
X	27	16	0	16
Y	15	14	0	7
Z	0	0	0	0

Step 4 : Apply rule No. 3 and draw the minimum number of vertical and horizomtal straight lines to include all the zeros in the matrix.

Step 5 : As the number of lines drawn are two and four assignments have to be made, apply rule No. 5. In this illustration, the smallest excluded element is 7 and the junction of the lines is in row Z and Column C.

The cost matrix will then be:

Engineers	*Tasks*			
	A	B	C	D
W	20	29	0	26
X	20	9	0	9
Y	8	7	0	0
Z	0	0	7	0

Step 6 : As there are only 3 lines and 4 assignments are required a feasible assignment at this stage is not possible. Therefore repeat rules 5 and 3 till the number of lines drawn through the zeros are equal to the number of assignments (4 in this case). The smallest excluded element is 9 and the cost matrix will then be:

Engineers	*Tasks*			
	A	B	C	D
W	11	20	0	17
X	11	0	0	0
Y	8	7	9	0
Z	0	0	16	0

Step 7 : Apply Rule No. 4 as the number of lines drawn are 4 and are equal to the number of assignments to be made.

The assignments will then be:—

Engineer	*Task*	*Cost Rs.*
W	C	60
Y	D	60
X	B	125
Z	A	69
	Total Cost ...	314

Maximum time for completion is taken by Engineer X on task B = 25 hours.

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Problem No. 2: Assignment of Resources to Maximise Output

A provincial Post Office has five separate Counters at which the public transact business. There are five clerks, A. B, C, D and E who have been trained at all the five counters and their average outputs per hour at each counter are as follows:—

Counter	*Output in units per hours*				
	A	B	C	D	E
1. Registration of letters	6	9	8	7	9
2. Savings Bank	2	5	4	9	8
3. Money orders	5	6	4	8	7
4. Telegrams	7	9	8	10	9
5. Stamps	5	6	6	8	8

During normal working hours there is always a queue of people waiting for service at each of the five counters.

How would you assign the clerks to the counters to achieve maximum output?

Solution to Problem No. 2

This problem requires the assignment of given resources to maximise output.

Problem No. 1 involved the determination of *minimum* values whereas problem No. 2 involves the determination of *maximum* values. Maximisation problems are solved by applying the same rules as for minimisation problems ***but after*** constructing a new matrix by subtracting all elements in the original matrix from the largest element therein.

Step 1 : Identify the largest element in the initial matrix (i.e the one given in the problem). Construct a new matrix by subtracting all elements in the initial matrix from the largest element.

The new matrix after subtracting all elements from the largest element (10) will be as follows:—

Counter	A	B	C	D	E
1	4	1	2	3	1
2	8	5	6	1	2
3	5	4	6	2	3
4	3	1	2	0	1
5	5	4	4	2	2

Step 2 : Now apply rule No. 1 for minimisation problems.

Matrix after reducing smallest element in each row will be—

Counter	A	B	C	D	E
1	3	0	1	2	0
2	7	4	5	0	1
3	3	2	4	0	1
4	3	1	2	0	1
5	3	2	2	0	0

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Step 3 : Apply Rule No. 2.

Matrix after reducing smallest element from each column:—

Counter	A	B	C	D	E
1	0	0	0	2	0
2	4	4	4	0	1
3	0	2	3	0	1
4	0	1	1	0	1
5	0	2	1	0	0

Step 4 : Apply Rule No. 5.

Matrix after (*a*) deducting smallest excluded element (i.e. 1 in this case) from the other excluded elements and (*b*) adding smallest excluded element to the junctions of the lines joining the zeros:—

Counter	A	B	C	D	E
1	1	0	0	3	0
2	4	3	3	0	0
3	0	1	2	0	0
4	0	0	0	0	0
5	1	2	1	1	0

Step 5 : Apply Rule No. 4 and assign as follows:—

Counter	*Clerk*	*Output*
5	E	8
2	D	9
3	A	5
1	B or C	9 or 8
4	C or B	8 or 9
	Total	39 Units

Problem No. 3 : Economic Routing of Transport Vehicles

A certain department owns 20 five-ton lorries which are attached as follows:—

Galle	... ...	5 Lorries
Kandy	... ...	7 Lorries
Colombo	... ...	8 Lorries

During a particular week requests for the following transport has been received:—

Destination D_1	...	6 Lorry loads
D_2	...	5 Lorry loads
D_3	...	9 Lorry loads

Solution to Problem No. 3

The problem is to determine the number of lorries to be sent from each source to each destination.

Step **1** *:* Allocate the lorries starting at the top left hand corner.

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TABLE A

Source "*m*"	*Lorries Available*	*Lorry Loads) Required)*	*Destinations* ("*n*") D_1	D_2	D_3
			6	5	9
Galle	5		5	—	—
Kandy	7		1	5	1
Colombo	8		—	—	8

Note.— (1) With "m" sources and 'n' destinations there should be m+n—1 cells filled;

(2) In this case m=3; n=3 and the five cells have been filled;

(3) If fewer than (m+n—1) cells are filled then sufficient No. of Cells should be filled with unknown quantities (i.e. *y*, *z*,) so that (m+n—1)=the number of cells filled.

Step **2** *:* Tabulate the costs for each occupied cell.

TABLE B

Source	D_1	D_2	D_3
Galle	50	—	—
Kandy	70	50	60
Colombo	—	—	50

Step **3** *:* Assume that for each occupied cell, its cost is the sum of "shadow costs" for its row and its column. Let shadow cost of row 1 be zero. Then for Cell "Galle—D1":

Real Cost = R. S. Cost+C. S. Cost
Where R. S. Cost = Row Shadow Cost
and C. S. Cost = Column Shadow Cost
i.e. 50 = 0+C.S. Cost
∴Column Shadow Cost = 50
For Cell "Kandy = D1":
Real Cost = R. S. C. + C. S. C.
70 = R. S. C. + 50
∴R. S. C. = 70 — 50 i.e. 20

Thus the table of Costs would be as follows:—

TABLE C

Source	D_1	D_2	D_3	*Row Shadow Cost*
Galle	50	(30)	(40)	0
Kandy	70	50	60	20
Colombo	(60)	(40)	50	10
Column Shadow Cost	50	30	40	—

Note.—The Costs imputed to unoccupied Cells are shown within brackets.

Step 4 : Compare Table C with the tables of Costs given in the problem and identify the unoccupied Cells which have an imputed cost higher than the real cost. Among them select the one with the largest difference between imputed and real Costs. It will be economical to fill this Cell. In this case Cell "Colombo—D_1" should be filled.

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Step 5 : By inspection allocate the maximum No. of lorries to Cell "Colombo—Di"

TABLE D

No. Required		6	5	9
Source	No. Available	D_1	D_2	D_3
Galle	5 ...	5 •		
Kandy	7	1 — 1 •	• 5	1 + 1
Colombo	8	+ 1		8 + 1

Step 6: Use shadow Costs as before (*Step* 3)

TABLE E

Source	D_1	D_2	D_3	*Row Shadow Cost*
Galle	50	(35)	(45)	0
Kandy	(65)	50	60	15
Colombo	55	(40)	50	5
Column Shadow Cost	50	35	45	

Step 7 : Repeat (*Step* 4)

Since the imputed costs of unoccupied Cells are lower or equal to real Costs the most economic deployment has been reached.

Allocate lorries as given in Table D. viz.

Source	*Destination*	*No. of lorries*		*Cost Rs.*
Galle	D1	5	@50—	250
Kandy	D2	5	@50—	250
Kandy	D2	2	@60—	120
Colombo	D1	1	@55—	55
Colombo	D3	7	@50—	350
Total		20		1,025

Problem No. 4 : Most Profitable Product Mix.

In a Government Corporation manufacturing bicycles, there are three types of workers: skilled, semi-skilled and unskilled. Two models of bicycles are made with the following man-hour requirements:—

	Unskilled	*Semi-Skilled*	*Skilled*
Standard ...	2	2	$\frac{1}{3}$
Deluxe ...	3	1	1

With the present work force, the available man-hours per week are:—

Unskilled	... ...	1,500 hours
Semi-skilled	... ...	1,200 hours
Skilled	... ...	400 hours

The profit on a standard model is Rs. 20/ and on a deluxe is Rs. 40/.

(a) What mix of production quantities will yield the maximum profit?

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(b) Due to scarcity of skilled labour it is decided to get the skilled workers to work 50 hours overtime per week. What is the maximum rate of overtime premia per hour the Corporation can offer to the skilled workers? (Assume that all other expenses are directly proportional to output).

Solution to Problem No. 4 (a)

Graphic Method.—With 1,500 hours of unskilled labour either 750 standard or 500 deluxe models may be manufactured. This is expressed as an equation.

$$2\,S + 3\,D = 1{,}500 \qquad (1)$$

Similarly the semi-skilled labour hours and skilled labour hours can be expressed as—

$$2\,S + 1\,D = 1{,}200 \qquad (2)$$
$$a\,S + 1\,D = 400 \qquad (3)$$

Three curves (Straight lines in this case) can be drawn on a graph peper to represent the above 3 equations. See graph on page 452. Each of the 3 curves give the boundaries of the respective limiting factors and thereby define the region of feasible solutions. This region is O E X Y B and any point on the boundary of this region will give the most favourable utilisation of the given resources. As profit 'P' is to be maximised another curve is drawn on the same graph to represent—

$$P = 20\,S + 40\,D$$

Where 20 is the profit on the standard and 40 on the deluxe.
Profit curves are now drawn through the points E, X, Y, and B parallel to the Curve $P = 20\,S + 40\,D$.

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AB : $\frac{1}{2}$ S + D = 400 (Skilled Labour Hours)

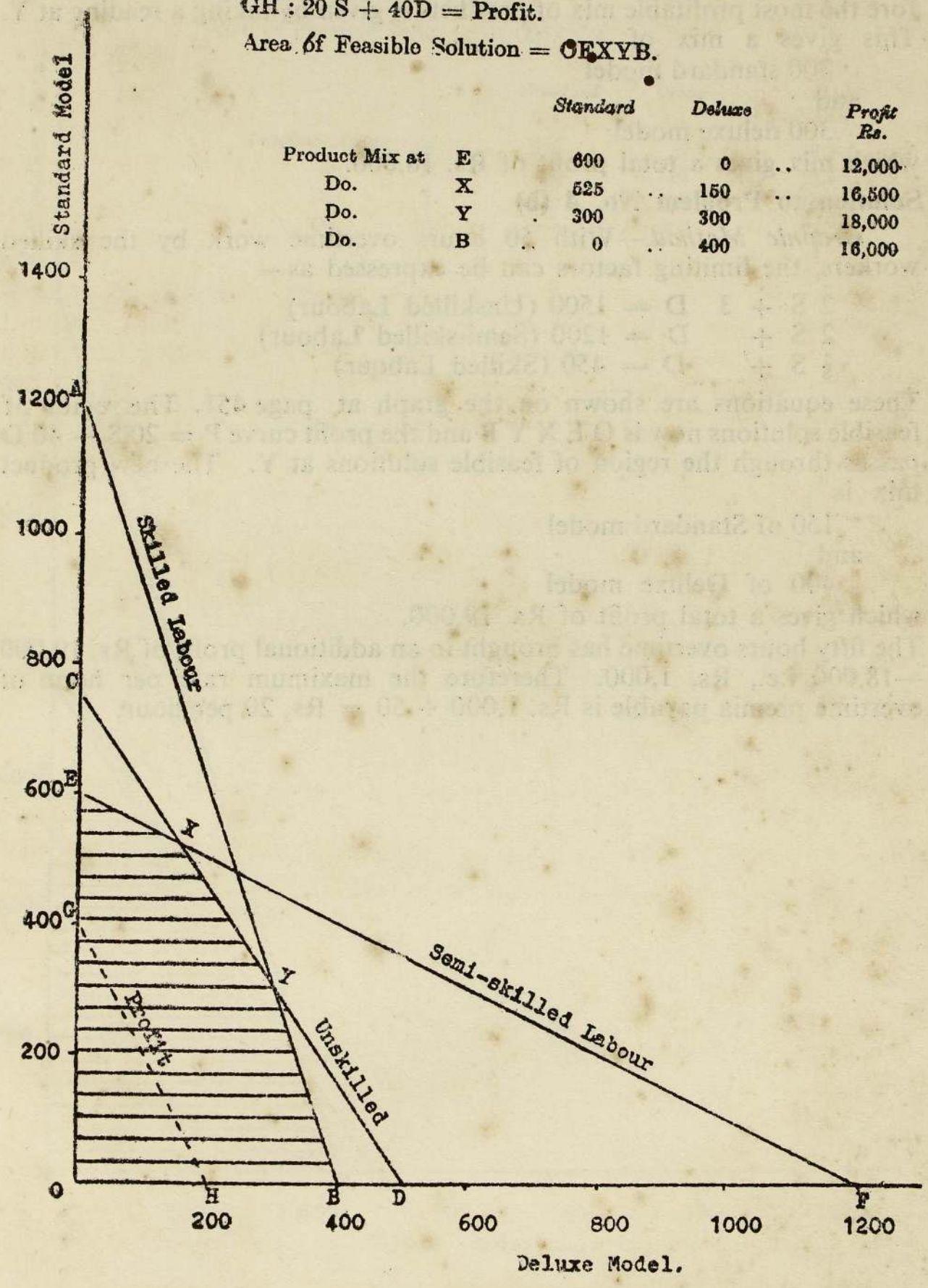
CD : 2 S + 3D = 1500 (Unskilled Labour Hours)

EF : 2 S + D = 1200 (Semi-skilled Labour Hours).

GH : 20 S + 40D = Profit.

Area of Feasible Solution = OEXYB.

		Standard	*Deluxe*	*Profit Rs.*
Product Mix at	E	600	0 ..	12,000
Do.	X	525 ..	150 ..	16,500
Do.	Y	300	300	18,000
Do.	B	0 ..	400	16,000



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The reading taken on the Profit curve that lies furthest to the right (from the origin 'O') at the point where it touches the outer boundary of feasible solutions gives the most profitable mix of products. In this problem, such a profit curve

$$P = 20\ S + 40\ D$$

touches the boundary of the region of feasible solutions at Y and therefore the most profitable mix of products is given by taking a reading at Y. This gives a mix of

300 standard model

and

300 deluxe model

which mix gives a total profit of Rs. 18,000.

Solution to Problem No. 4 (b)

Graphic Method.—With 50 hours overtime work by the skilled workers, the limiting factors can be expressed as—

$$2\ S + 3\ D = 1500 \text{ (Unskilled Labour)}$$
$$2\ S + \quad D = 1200 \text{ (Semi-skilled Labour)}$$
$$\tfrac{1}{3}\ S + \quad D = 450 \text{ (Skilled Labour)}$$

These equations are shown on the graph at page 451. The region of feasible solutions now is O E X Y B and the profit curve $P = 20\ S + 40\ D$ passes through the region of feasible solutions at Y. The new product mix is

150 of Standard model

and

400 of Deluxe model

which gives a total profit of Rs. 19,000.

The fifty hours overtime has brought in an additional profit of Rs. 19,000 —18,000 i.e., Rs. 1,000. Therefore the maximum rate per hour of overtime premia payable is Rs. 1,000 ÷ 50 = Rs, 20 per hour.

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AB : $\frac{1}{3}$ S + D = 450 (Skilled Labour Horus)

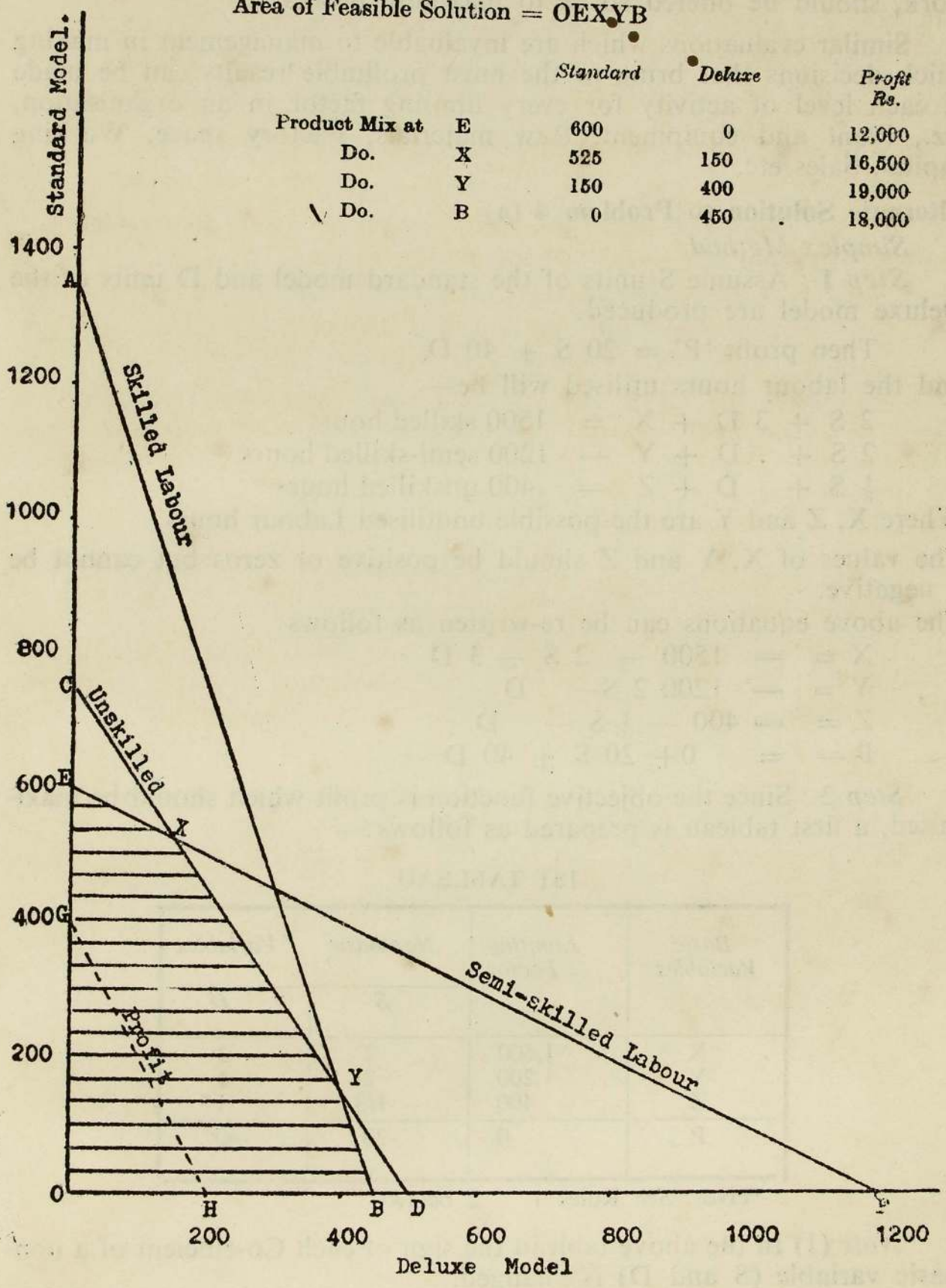
CD : 2 S + 3 D = 1500 (Unksilled Labour Horus)

EF : 2 S + D = 1200 (Semi-skilled Labour Hours)

GH : 20 S + 40 D = Profit.

Area of Feasible Solution = OEXYB

		Standard	*Deluxe*	*Profit Rs.*
Product Mix at	E	600	0	12,000
Do.	X	525	150	16,500
Do.	Y	150	400	19,000
Do.	B	0	450	18,000



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Thus at this level of activity each hour of overtime work by the skilled workers has a net worth of Rs. 20 which may be shared by the Corporation with the worker concerned.

Evaluations can also be calculated for the semi-skilled and unskilled workers which will enable decisions to be made as to the quantum of overtime and to which category or categories of workers overtime work, should be offered so as to maximise profits.

Similar evaluations which are invaluable to management in making quick decisions that bring in the most profitable results can be made at each level of activity for every limiting factor in an organisation, viz., Plant and equipment, Raw materials, Factory space, Working capital, Sales etc.

Alternate Solution to Problem 4 (a)

Simplex Method

Step **1** *:* Assume S units of the standard model and D units of the Deluxe model are produced.

Then profit 'P' = 20 S + 40 D

and the labour hours utilised will be—

$2S + 3D + X = 1500$ skilled hours
$2S + D + Y = 1200$ semi-skilled hours
$\frac{1}{3}S + D + Z = 400$ unskilled hours

Where X, Z and Y are the possible unutilised Labour hours.

The values of X, Y and Z should be positive or zeros but cannot be negative.

The above equations can be re-written as follows:

$X = 1500 - 2S - 3D$
$Y = 1200\ 2S - D$
$Z = 400 - \frac{1}{3}S - D$
$P = 0 + 20S + 40D$

Step 2 *:* Since the objective function is profit which should be maximised, a first tableau is prepared as follows:—

1ST TABLEAU

Basic Variables	*Limiting Factor*	*Non-basic Variables*	
		S	*D*
X	1,500	2	3
Y	1,200	2	1
Z	400	1/3	1*
P	0	-20	-40

*Pivot: *See* Rules 1 2 below

Note (1) In the above tableau the sign of each Co-efficient of a non-basic variable (S and D) is changed.

(2) The optimum will be reached when the Co-efficients in 'P' row are all positive.

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Rule 1 : Choose the column with the largest negative value in the 'P' row and call it the pivot column. (- 40 in the above example)

Rule 2 : Choose the row with the smallest positive ratio of:

$$\frac{\text{Value in Limiting Factor column}}{\text{Co-efficient in pivot column}}$$

and call it the pivot row.

In the above example—

X row = 1,500 ÷ 3 = 500
Y row = 1,250 ÷ 1 = 1,200
Z row = 400 ÷ 1 = 400

The smallest positive ratio is 400. This becomes the first constraint because not more than 400 of the deluxe model can be manufactured with the available labour. Therefore choose row Z, as the 'pivot row'. The pivot cell is therefore row Z, column D and the value of the pivot is 1. The pivot is marked with an asterick on the Tableau.

Rule 3 : Exchange the basic and non-basic variables. (In this case Z and D).

Rule 4 : Replace the pivot by its reciprocal; in this case 1/1, i.e., 1.

Rule 5 : Divide the other values in the pivot row by the pivot:

400÷1; and 1/3÷1.

Rule 6 : Divide the other values in the pivot column by the pivot and change their signs:

3÷1 ; - 1÷1 ; +40÷1

Rule 7 : Substract from each of the remaining values in the Tableau the value of:

value in same column and pivotal row × value in same row and pivotal column

pivot

In the example, the values in X row will be—

1500 × 400 × 3 ÷ 1 = 300
2 - 1/3 × 3 ÷ 1 = 1

Values in Y row will be—

1200 = 400 × 1 ÷ 1 = 800
2 = 1/3 × 1 ÷ 1 = 3/5

Values in P row will be—

0 — 400 × (-40) ÷ 1 = + 16,000
-20 - 1/3 × (-40) ÷ 1 = 20/3

Rule 8 : Post the above results in the 2nd Tableau.

Rule 9 : Repeat Rules 2 to 8 until all the values in P row are positive.

Step 3 : Apply rules 2 to 7 to the 1st Tableau, the 2nd Tableau will then be as follows:—

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2ND TABLEAU

		S	Z
X	300	.... 1*	... —3
Y	800	.... 5/3	... —1
D	400	.... 1/3	... 1
P	+16,000	.... —20/3	... +40

The new pivot column is 'S', pivot row is X, and the pivot is marked with an asterick.

Step 4 : Apply the rules again to tableau 2 to produce the 3rd tableau which will be as follows:—

3RD TABLEAU

			X	Z
S	....	300	1	—3
Y	....	300	—5/3	4
D	....	300	—1/3	2
P	....	18,000	20/3	20

At this stage the coefficients of P row are all positive and the optimum product mix will therefore be—

300 units of S yielding a profit of	6,000
and	
300 units of D yielding a profit of	12,000
giving a maximum profit of	18,000

At this level of production the unutilized labour hours is given by Y — 300, i.e., 300 hours of semi-skilled labour.

Alternate Solution to Problem 4 (b) : Simplex Method

Step 1 :

THE FIRST TABLEAU

Basic Variable	*Limiting Factor*	*Non-basic Variable*	
		S	D
X	1,500	2	3
Y	1,200	2	1
Z	450	1/3	1*
P	0	—20	—40

Note : Pivot Column is 'D'
Pivot Row is 'Z'
*Pivot

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Step 2 :

THE SECOND TABLEAU

Basic Variable	*Limiting Factor*	*Non-basic Variable*	
		S	*Z*
X	150	1*	-3
Y	750	5/3	-1
D	450	1/3	1
P	-18,000	20/3	40

Note : Pivot Column now is 'S'
Pivot Row now is 'X'
*Pivot

Step 3 :

THE THIRD TABLEAU

Basic Variable	*Limiting Factor*	*Non-basic Variable*	
		X	Z
S	150	1	3
Y	500	5/3	4
D	400	1/3	2
P	19,000	+20/3	+20

Note (1) *:* The coefficients of P row are now positive and therefore the optimum solution has been reached. The most profitable product mix is:—

Standard = 150 units
Deluxe = 400 units

Unused capacity 500 hours of semi-skilled labour.

Profit on Standard :	150 × 20 =	3,000
Profit on Deluxe :	400 × 40 =	16,000
	Total	19,000

The fifty hours of overtime work has increased the profit from Rs. 18,000 to Rs. 19,000, i.e. by Rs. 1,000. Therefore the maximum rate per hour of overtime premia payable is:—

Rs. 1,000÷50 = Rs. 20 per hour.

If there are more than 2 products the graphic method is unsuitable as only two products can be represented on a graph. The simplex method on the other hand does not suffer from any such limitation of either the number of products or limiting factors. The simplex method uses only arithmetic and can therefore be used by a wider range of staff. Problems involving several products and limiting factors can be solved with the the aid of a computer within a few seconds.

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ALGORITHMS AND TABULAR REPRESENTATIONS FOR RULES AND PROCEDURES

Raja G. Gomez

One of the features of today's world which makes it quite different from the world of fifteen or twenty years ago, is the remarkable expansion in Governmental activities and the correspondingly remarkable expansion in size of the Public Services. This is true not only of Ceylon and its companions in the Third World but of every other country too.

The reasons for these expansions may differ according to the geography and the politics of each area, but the problems created for the Public Service, for its Managers, and for the public itself, are the same all over. That is, one finds increasingly that more and more Public Servants have to be trained in new duties, that the decisions they have to take and the duties they have to perform are becoming increasingly complex, and that most of all, the public (quite naturally) wants these decisions taken faster and these duties performed better. And one other factor too must be borne in mind: the rules that govern the performance of public service duties and the making of public service decisions keep growing in sophistication with the growth of the society that generates them.

To a large extent, many of our rules are necessarily so worded that they are beyond the easy understanding of one unused to legal or technical presentation of material. The large number of Income Tax and Labour Relations Consultants whose services are regularly availed of by firms and the public is sufficient proof of this statement. Public Servants themselves find it difficult to understand the rules made by their confreres. The Minutes on Pensions is a good example: this is not to criticise the Pensions Division but to recognise the degree of sophistication that must of necessity be ingrained in such a document.

It becomes necessary, therefore, apart from the acceptance of the need for training, the public servants be given every device available to assist them in so arranging their work as to treat all members of the public conscientiously, rapidly, properly and helpfully.

Many such devices are now available and what follows is a discussion of the derivation, qualities and uses of some of them.

The common denominator of the methods to be discussed is the recognition that instructions for most procedural activities or rules governing legal decisions and the like can be broken down into a sequenced set of instructions that would cover all possible cases that could arise.

This is a basic method of approach in Mathematics and the Sciences and is nothing new to anyone with a secondary school education in these disciplines. For instance, if one wishes to solve the unknown and is nothing new to anyone with a secondary school education in these disciplines. For instance, if one wishes to solve the unknown quantity 'x' (with 'a', 'b', 'c', 'd' being constants) an equation of the type—

$$ax\text{-}b\text{—}\ c\quad dx,$$

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the following general instructions could be given:

"1. Collect all terms in 'x' on one side and all pure consonants on the other.

2. Divide both sides by the coefficient of the resulting term in 'x'" (This gives the answer).

If we perform these operations, we obtain, first,

$$(a-d)x - b + c,$$

and then,

$$x = \frac{x - \frac{b}{c}}{a - d}$$

as the answer.

Similar instructions can be devised for operations such as a purely arithmetical derivation of square roots, or, more interesting, for the computation of an electricity bill under the following conditions:—

"A unit is sold at Rs. 0.15. However, if more than 30 units are used, the number of units in excess of 30 is sold at Rs. 0.10 per unit".

The statement of instructions could be as follows:—

"1. Is the number of units ('y') 30 or less? If so, the bill is Rs. $0.15y$".

(*e.g.*, if $y = 10$, the total is Rs. $0.15 \times 10 =$ Rs. 1.50)

"2. If not, the bill is

Rs. 0.15×30 plus Rs. $0.10 (y - 30)$,

that is, Rs. $4.50 + 0.10y$."

(*e.g.*, if $y = 40$, the total is Rs. 5.50)

Different variations of these instructions could be possible as reflection will show.1

We have moved in this second case to a set of instructions involving a choice of the type encountered by a clerk or junior executivein as Government Department or a member of the public facing him across a table, (a simple case, no doubt, but yet typical). But it is necessary to observe and recognise that the principle underlying the choice is the same, namely, the person is asked to work under a sequence of instructions which generates a guaranteed final result.

1e.g. Instruction 2 could read—
"2. If not, let the units in excess of 30 be z. Then the bill is Rs. 4.50 plus $0.10z$".

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The need for the decision taken in the second example and consequences of it can be pinpointed in several other ways:

Tables 1 and 2 express two of the possibilities.

TABLE 1

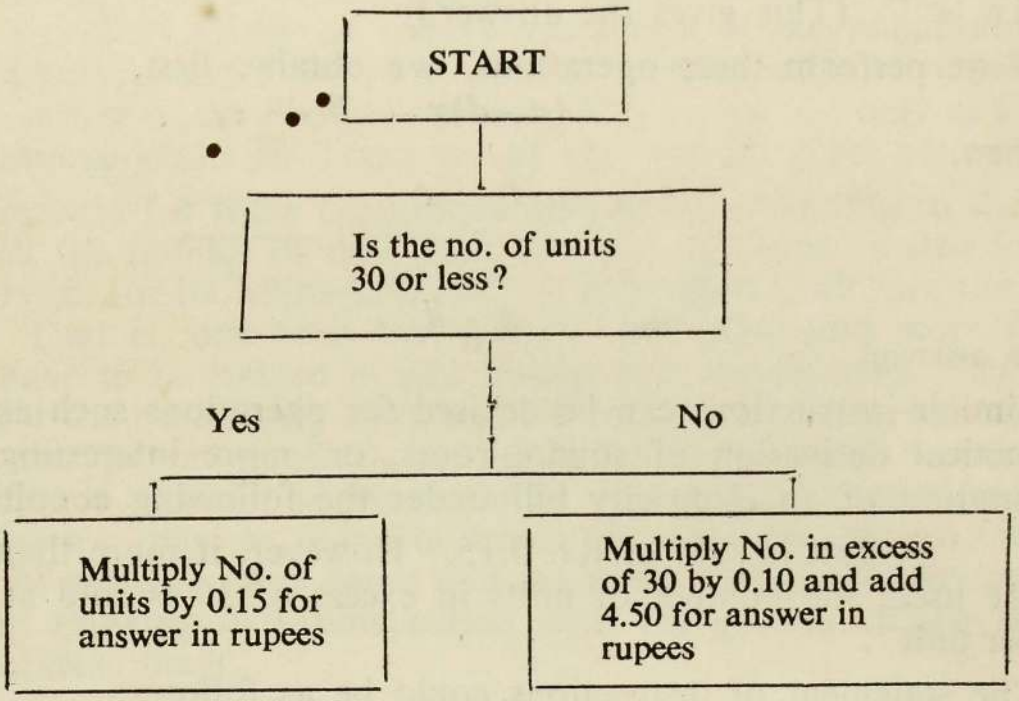

TABLE 2

1. Is No. of units 30 or less?
   If *Yes*, go to 2.
   If *No*, go to 3.
2. Multiply number by 0.15 for answer in rupees.
3. Multiply number in excess of 10 by 0.10 and add 4.50 for answer in rupees.

A representation such as Table 1 is called a flow chart (or in certain circumstances a logical tree) and is now widely used in Britain and other countries in public service manuals and codes of instruction. Its wide use has been even further accented by its accentuated utilisation in computer work where a statement in this form is an invaluable adjunct to the formulation of a programme.

A representation such as Table 2 would be familiar to anyone who has studied some matter on a programmed learning system. Such representations are called "list structures" or "branched programmes".

The example discussed so far is of course of a very simple type involving only one branching condition. Now that the principle is recognised, a further example may be cited.

Some months ago, the writer was in charge of a scheme for recruitment of clerical officers by an impersonalised (computerised) scheme. There being over 51,000 applicants all of whose applications were index numbered and acknowledged, it was only to be expected that a few hundred complaints would occur of non-receipt of acknowledgement. A system of registering had been installed to ensure tracing of an application fairly easily. Applicants had been informed in the published

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regulations that they should wait till two weeks after the closing date (that is, till January 21, 1971) before complaining of non-receipt of an acknowledgement.

It would clearly have been meaningless for the writer to look into each individual complaint. On the other hand, to give detailed instructions in conventional office-instruction prose on the type of difficulty that would face the clerk investigating the complaint would have been almost as difficult. The solution adopted was to devise a flow-chart: the chart itself suggested another time and labour saving device, namely the preparation of a few stereotyped letters, because it now became possible to anticipate and identify easily the types of decision necessary. This flow chart is reproduced as Appendix I on page 22 and it may interest the reader to know that several hundred complaints were handled by clerks without any further reference to the writer and that, in every single case it was possible to trace the application, to re-assure the applicant and to convey the index number to him.

This too is very simple example from the point of view of decision-making: the main advantage here was the ordering of work and the reduction of its volume. The inevitable office minutes (*e.g.*, "Please see folio (5)." "Application not traceable." "Forwarded for orders.") and the giving of orders on individual cases were completely eliminated.

The most complex level of regulation or instruction is the legal statement. An example may now be considered of what might be called the second level of complexity and this represents the type often encountered in administrative work. Here real decisions are involved and administrative judgement is required, but within the framework of the policy laid down, the decisions, judgements and work involved can even here be broken down into an easily understood chart.

The example chosen is a recent Circular (Public Administration Circular No. 35) dealing with an important Establishments matter, namely, the most recent Government policy decisions covering the conditions of service of New Entrants who have not acquired proficiency in the Official Language.

The Circular is comparatively short and is reproduced as Appendix 2 on page 23. The Circular is also quite clear in its statement, but one feature stands out to the person who considers it from the analyitical view we are attempting to develop. This is the presence of a Section (No. 5) which cuts across several of the other sections: this is a necessary complication of the use of normal prose and the reader will find it instructive and interesting, it is hoped, to see how such a problem is handled in the flow chart.

It will be noticed that the flow chart as reproduced in Appendix 3 on page 25 does not contain some of the annotations originally in the Circular. Such annotations can be introduced, of course, if the material is considered essential. On the other hand, such warning notes as are dealt with in Section 4 : 6 do not appear at all since the flow chart by its nature will not allow that situation to arise: here, too, of course, there is no bar to introducing this as an annotation. The more annotaitons there are, however, the more they distract from the content of the

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chart. It appears best if annotations are introduced only as conditional statements within the chart if their presence is essential, but this would be a matter for discretion when preparing the flow chart.

When there are different sets of conditions that require different actions, it may often be convenient to use another method of representation as illustrated in Table 3. This simple example is based on Government Financial Regulations (Part II).

TABLE 3

Rules Governing Release on Overseas Study Leave

Probationer?	Yes	Yes	Yes	Yes	No	No
Training relevant to confirmation?	No	Yes	Yes	No	—	—
Willing to sign bond	No	No	Yes	Yes	No	Yes
Cannot be released	✓	✓	✓	✓	✓	✓
May be released on full-pay leave			✓			
May be released either on full-pay or on no-pay leave					✓	

Such a device, known as a Decision Table, is another powerful method of representation of a conglomeration of conditions and of the different actions demanded by the conditions. This too, is a device with which the computer programmer is familiar as a useful auxiliary in his work. It is easy to understand why: the result of the matching (or mismatching) of the various conditions determines the action to be performed, i.e., the programme branches as dictated by the logic of the situation and produces the result exactly as in a computer. The same instructions could have been put in the form of a flow chart and it will be found fruitful to consider in what circumstances these different representations would be of greater comparative use.

It has been suggested that it is better, where possible, not to state regulations of the sort considered in prose, but to prepare the chart or other device first 3. There is much to be said for this view, for, as any of us who have been involved in this type of work know from experience, we prepare jottings before departure into prose. These jottings themselves are a 'chart' for our guidance and to prepare a flow chart directly from them would be easier that to proceed to statements in prose.

The generic name 'algorithm' (which means a generalised orderly sequence of instructions for solving a problem) has been suggested by the same authors for the flow chart and list structure type of representation. To this family could also be added the decision table (which is

3 Lewis, B. N., I. S. Horabin and C. P. Gane, "Flow Charts, Logical Trees and Algorithm for Rules and Regulations". London: HMSO, 1967.

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of course more of a spot-check than a sequence) and mastery of the art of preparing and using these devices could help considerably to reduce the volume of repetitious work which administrators in Ceylon are called upon to handle.

Is not too much to forecast that these and related devices will be used in public service work more and more in the period ahead. The advantages are obvious:

(i) the person affected by the role can work out for himself, even if he is a layman, the manner in which he is affected.

(ii) for the policy maker, clarity of thinking is enhanced and for the operator, clarity of action is assured.

(iii) discussion of policy is aided,

(iv) assimilation of instructions by the operator is expedited and assisted: his understanding is improved and he plays a fuller part,

(v) the difficulties involved in understanding complex language are smoothened out (this is important in the particular context of Ceylon where more than one language is spoken),

(vi) terminological inexactitudes and repetitions of provisos which cloud the decision are prevented,

(vii) emphasis is correctly placed on the more important or parent conditions, rather than on those less important or subsidiary,

(viii) there is an inherent check in the system that no relevant factor is left out and that no extraneous factor comes in,

(ix) an indication is given of where and when further action is necessary, and no step of the process can be left out.

(x) management by exception is made more feasible.

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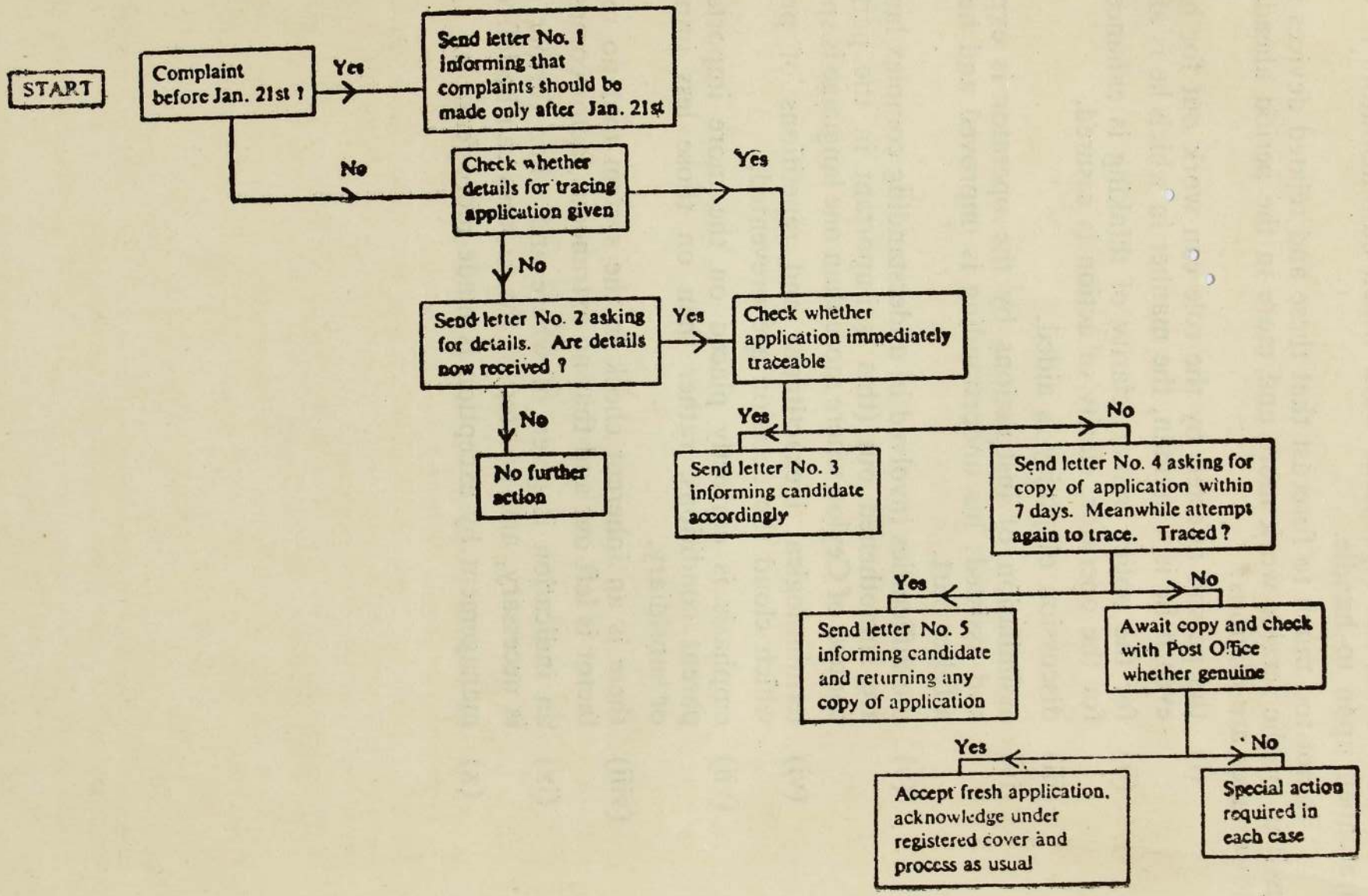
CLERICAL SERVICE RECRUITMENT, 1971—HANDLING OF COMPLAINTS REGARDING NON-RECEIPT OF LETTERS OF ACKNOWLEDGMENT



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APPENDIX 2

Public Administration Circular No. 35

NEW-ENTRANTS AND THE OFFICIAL LANGUAGE— CONDITIONS OF SERVICE

1. Those who have completed the prescribed proficiency tests in Sinhala before the date of this Circular.

1 : 1 Reference is invited to Treasury Circular No. 701 of September 4, 1966, and TresuryCircular Letters No. "G" 214 of March 22, 1969, No. "G" 234 of December 15, 1969 and No. "G" 244 of May 25, 1970. The Government has made the following decisions,

1 : 2 New Entrant officers, who have passed the prescribed proficiency tests in Sinhala but who have not been confirmed in their appointments solely for the reason that they have failed to acquire proficiency in Sinhala within the period allowed, should now be confirmed, provided they have passed the tests on or before the date of this Circular.

1: 3 Their confirmation is subject to their having qualified for confirmation in all other respects.

1 : 4 The period of probation/trial of an officer confirmed under Treasury Circular Letters No. "G" 214, No. "G" 234 or No. "G" 244, or who is now confirmed under sub-section 1 : 2 of this Circular should be treated as having been extended under proviso (2) of Administrative Regulation 121 (*with stoppage of increments and not deferment*) up to the date on which he passed the highest test prescribed for him.

1 : 5 The increments of an officer which have been stopped for failure to pass the prescribed proficiency tests in Sinhala should be restored with effect from the date of his passing the highest test prescribed for him, provided that these increments have otherwise been earned. (The restoration of increments which have been stopped would mean that the officer will be placed on the salary point he would have reached had those increments been paid, but he will not be paid arrears of increments withheld in respect of any period prior to the date of passing that test).

1 : 6 The seniority of these officers will be determined on the basis set out in Treasury Circular No. 769 of September 6, 1969.

2. Those who have completed their normal period of probation/trial and sat the proficiency tests in Sinhala but have failed to pass them

2 : 1 Heads of Department should, *within two months from the date of this Circular*, call upon New-Entrant officers, whose normal period of probation/trial has expired and who have not passed all the prescribed proficiency tests in Sinhala up to the date of this Circular but who have sat any of them, to furnish an explanation for their failure to pass the tests.

2 : 2 Officers should furnish their explanations *within a month.* In their explanations they should state the full details of the tests they have sat, e.g., the grades they sat, the dates of the tests, the results achieved.

2 : 3 These explanations should, immediately on receipt, be forwarded to the Public Service Commission for a direction as to whether their period of probation/ trial should be extended under Administrative Regulation 121 or whether their probationary/trial appointments should be terminated.

3. Those who have completed their normal period of probation/trial but have not sat any proficency tests in Sinhala.

3 : 1 Those whose normal period of probation/trial has expired but who, up to the date of this circular, have not sat any of the proficiency tests in Sinhala should have their probationary/trial appointments terminated with a calendar month's notice to be given immediately.

3 : 2 Such officers may, *within a month from the date of receipt of the notice* of termination of their appointments, appeal to the Public Service Commission against the termination of their appointments. Their appeals should be transmitted through the respective Heads of Departments/Appointing Authorities, who shoud forward

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the appeals with their observations to the Public Service Commission without delay. The officers concerned should forward a copy of their appeal direct to the Secretary, Public Service Commission.

3 : 3 Any appeals made after the period prescribed above will not be considered.

4. Those who have not yet completed their period of probation/trial

4 : 1 New-Entrant officers who have not yet completed their normal period of probation/trial and who, on the date of expiry of this period, have not sat any of the prescribed proficiency tests in Sinhala should have their probationary/trial appointments terminated with a calendar month's notice on completion of their period of probation/trial.

4 : 2 Such officers may, *within a month from the date of receipt of the notice* of termination of their appointments, appeal to the Public Service Commission against in the termination of their appointments.

4 : 3 The procedure set out in sub-section 3 : 2 and 3 : 3 should be followed in regard to such appeals.

4 : 4 Those who complete their normal period of probation/trial after the date of this Circular and who, on the date of expiry of the period of probation/trial, have not passed all the prescribed proficiency tests in Sinhala but have sat any of them, should, soon after they complete their normal period of probation/trial, be required to furnish an explanation for their failure to pass the tests. Officers should furnish their explanations *within a month*. In their explanation they should state the full details of the tests they sat, e.g., the grades they sat, the date of the tests, the results achieved.

4 : 5 These explanations should, immediately on receipt, be forwarded to the Public Servce Commission for a direction as to whether the period of probation/trial should be extended under Administrative Regulation 121 or whether their probationary/ trial appointments should be terminated.

4 : 6 Heads of Departments should not exercise their discretion to extend the period of probation/trial of the category of officers referred to in sub-section 4 : 4.

5. Those recruited to the Public Service at the age of 45 years or after

5 : 1 Those recruited to the Public Service on or after their 45th birthday, who have not been confirmed in their appointments solely due to their failure to pass the prescribed proficiency tests in Sinhala, should notwithstanding their failure to fulfil this condition, be confirmed in their appointments immediately prior to their final termination of service so as to enable them to be eligible to receive a pension or gratuity. Increments withheld should be restored to them, provided such increments have otherwise been earned. (This means that they will be placed on the salary point they would have reached had those increments been paid but they will not be paid any arrears of increments).

6. General

6 : 1 For the purpose of this Circular the "date of passing a test" will be the date on which that test was held.

"Prescribed proficiency tests" means the tests prescribed in Treasury Circular No. 701 of September 4, 1966.

6 : 2 This Circular is issued with the concurrence of the Public Service Commission.

6 : 3 Permanent Secretaries are requested to bring the contents of this Circular to the notice of all New-Entrant officers in the Public Service and in Corporations, Boards and other Institutions under their Ministries.

Sgs. B. MAHADEVA,
Permanent Secretary to the Ministry
of Public Administration, Local Government and Home Affairs

Ministry of Public Administration, Local Government and Home Affairs,
Torrington Square,
Colombo 7, July 9, 1971.
No.2/9/156/41 (H).

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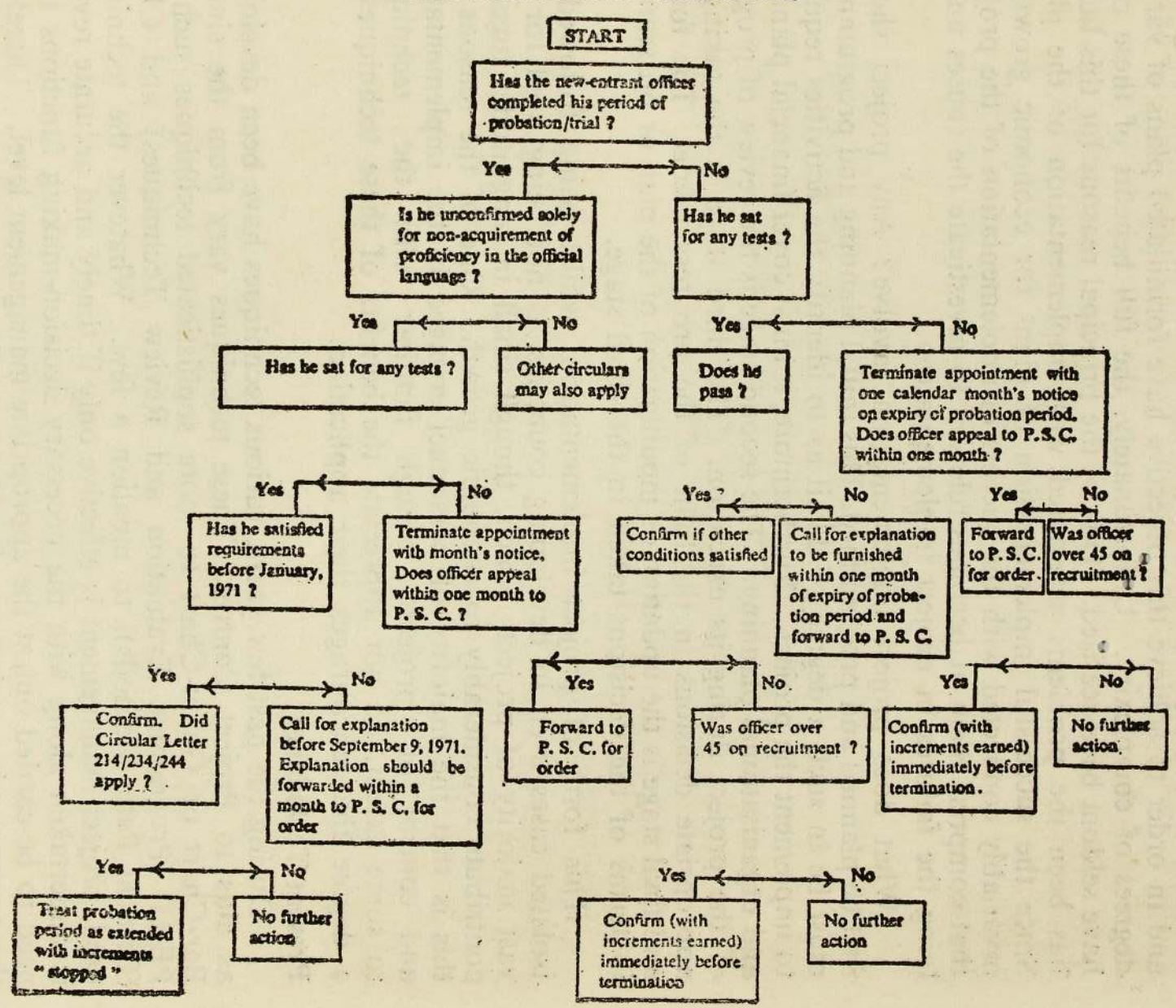
PUBLIC ADMINISTRATION CIRCULAR No. 35



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A SIMPLIFIED CRITICAL PATH METHOD APPLICABLE TO DEVELOPING COUNTRIES*

N. S. Ladduwahetty

Introduction

All developing countries aspire towards rapid economic growth, and in order to achieve this objective have formulated plans of varying degrees of complexity. Unfortunately, the full benefits of these plans have seldom been realised. One of the principal reasons for this failure has been the problems associated with implementation of the plans. Since the successful implementation of plans for economic growth is invariably connected with the successful implementation of the projects that comprise them, it becomes relevant to investigate the causes underlying the failures in project implementation.

What does project implementation involve? Any project should first be planned and programmed. This initial planning and programming must be in such a degree of detail as to identify the activities required to implement the project. Furthermore, it must cover financial planning and organisational planning. The second stage is the review of progress of the project during its execution. The third stage is the taking of appropriate decisions in the light of the progress made. The fourth and final stage is the updating or modification of the plan or programme in terms of the decisions taken in the third stage.

This form of project implementation, whilst being followed in isolated cases even in developing countries, is not being used for the vast majority of projects which, though small in magnitude, together contribute considerably to economic growth. One of the reasons for this is that the majority of personnel engaged in the implementation and control of projects, though familiar with the techniques to some extent, do not appreciate the benefits of these techniques to a degree that encourages their application.

Present Techniques

During the past few years, various techniques have been developed as aids to Project Control. These techniques vary from the simple Bar-Chart or Ghant-Chart to more sophisticated techniques such as PERT (Programme Evaluation and Review Techniques) and CPM (Critical Path Methods), to mention a few. Whatever the technique used, project management is effective only if timely and accurate review is undertaken along with the necessary decision-making functions that need to be carried out at the appropriate management level. Therefore the programming technique should be readily understood by management, and it should also lend itself to quick review. With this in mind,

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* The author has developed this technique independently. While the simplicity of the method has left him convinced that 'someone must have thought of it before", he has not been able to locate such a method in the books and journals that he has read. He would be grateful to any reader who would communicate with him the details of any identical method that has been published earlier·

The author would also like to express his gratitude to Mr. J. R. Diskin, U.N Advisor on Systems Analysis, who by constructive criticism of earlier drafts of this article, has assisted in moulding it into its present form.

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let us consider whether the existing techniques are suitable for application to developing countries.

The simplest form of project control is by means of the Bar-Chart. This technique can be appreciated and understood by most managers. It has the further advantage that up-dating the programme in the light of actual physical progress is within the ability of most technical and administrative personnel. This technique has one major drawback, in that it does not convey the interdependencies between activities. For instance, if water is required to commission a plant, it will not be possible to indicate what bearing any delay in the water supply scheme would have on the commissioning date. Another drawback is that, when up-dating a Bar-Chart, one only records the work completed up to the date of review and does not forecast the time for completion as in CPM and PERT.

Both PERT and CPM overcome both these drawbacks, namely that interdependence of activities can be indicated clearly and, at any time, forecasts of completion dates are based on the current levels of performance. These techniques therefore make it possible for a Project Manager to assess what impact the level of performance, at any given time, has on the overall project. Furthermore, these techniques enable the 'float' on an activity to be determined.

There are drawbacks, however, in the application of these techniques in developing countries. All stages of planning, programming and evaluation using these techniques need trained personnel. Even the drawing of the original network requires trained personnel. This training must be comprehensive enough to enable the determination of the earliest start time, earliest finish time, latest start time and latest finish time of an activity. The Project Manager responsible for the execution of the project should also have an understanding of the technique, if the information conveyed by the network is to be appreciated. This implies that either an effective training programme must be organised, or trained personnel must be obtained from some specialist organisation. It becomes necessary therefore to look for a technique which could incorporate the simplicity of the Bar-Chart with the advantages of PERT and CPM. If such a technique could be developed, Project Control could be effected without incurring much expenses and without the need for highly trained personnel and it could be of particular importance in developing countries. The technique presented below, which was applied successfully to the construction of the Lanka Porcelain Factory at Rattota, Sri Lanka, combines the advantages discussed.

Description of Techniques

The technique suggested consists fundamentally of drawing a Bar-Chart representing the various activities and indicating the interdependencies by vertical lines. This simple method draws on the simplicity of the Bar-Chart and the advantages of PERT or CPM.

Let us consider construction of a simple building. A Bar-Chart could be drawn for the foundations, walls, roof, doors & windows floors, and finishes as separate activities. Even in this simple example, all the activities are interdependent. For instance, the construction of the walls cannot be completed without completing the foundations.

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Therefore a vertical line is drawn, indicating this interdependency where the foundations are completed at least one week ahead, which may be the curing time (Fig. 1). This implies that any delay in the completion of the foundations beyond the latest finish time would affect the completion of the wall construction and hence would affect the total project.

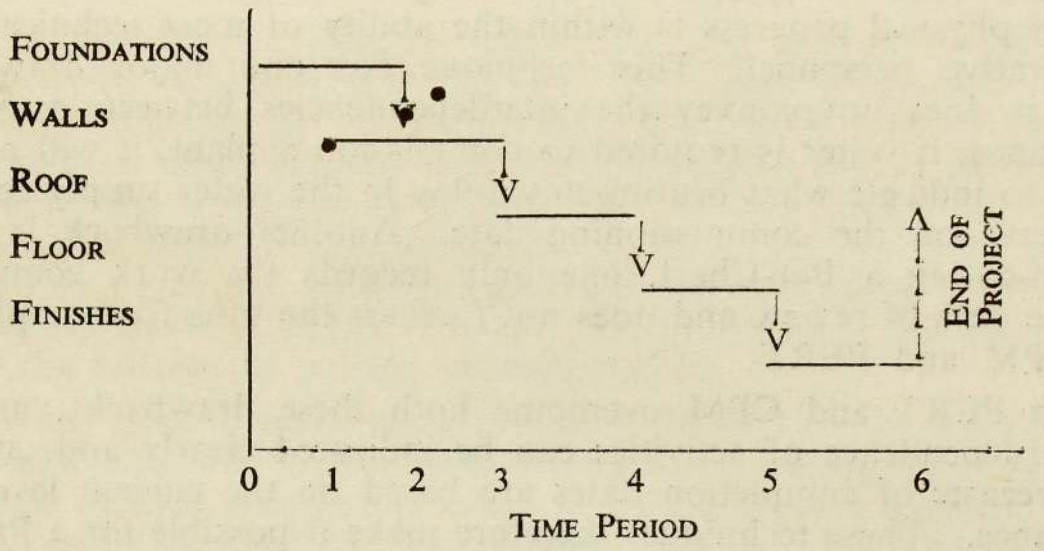

FIG. 1

While interdependencies are denoted by the vertical bars, the horizontal bars can be used to show the earliest start time of an activity and the Latest Finish date of that activity. If, for instance, a particular activity cannot start on the date the related activity finishes, the difference in time periods could be shown by a dotted line which indicates the float on the activity (Fig. 2).

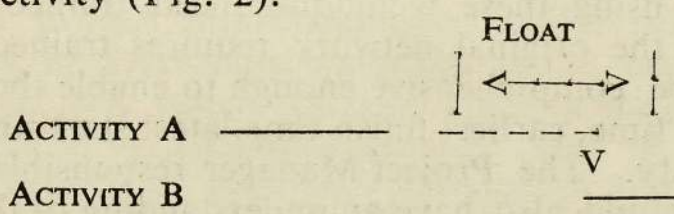

FIG. 2

What is the level of detail possible with this technique? Let us assume that the major activities needed to execute a project have been identified and the time duration estimated (which is a necessary requirement for any technique). The Bar-Chart can then be drawn showing the interdependencies, as described above.

This macro level of programming could then be extended to any level of detail required to monitor an activity. Let us consider one of the activities considered in Fig. 1, e.g. Roof (Fig. 3).

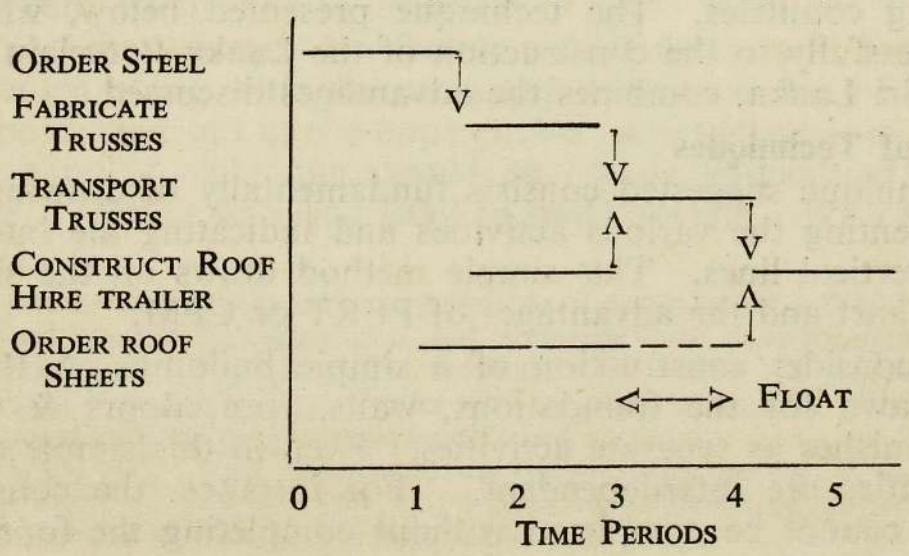

FIG. 3

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If this degree of detail is applied to all the activities considered in Fig. 1, we would have to control about 30 activities. If services such as water, electricity, roads, etc. are considered one could easily end up with about 45 to 50 activities. The technique enables the program to be up-dated very quickly merely by drawing to scale the time for completion of each activity based on the current level of performance at a given time against each activity, and the shift of the vertical interdependencies will indicate whether the Project is on schedule, behind schedule or ahead of schedule (Fig. 4).

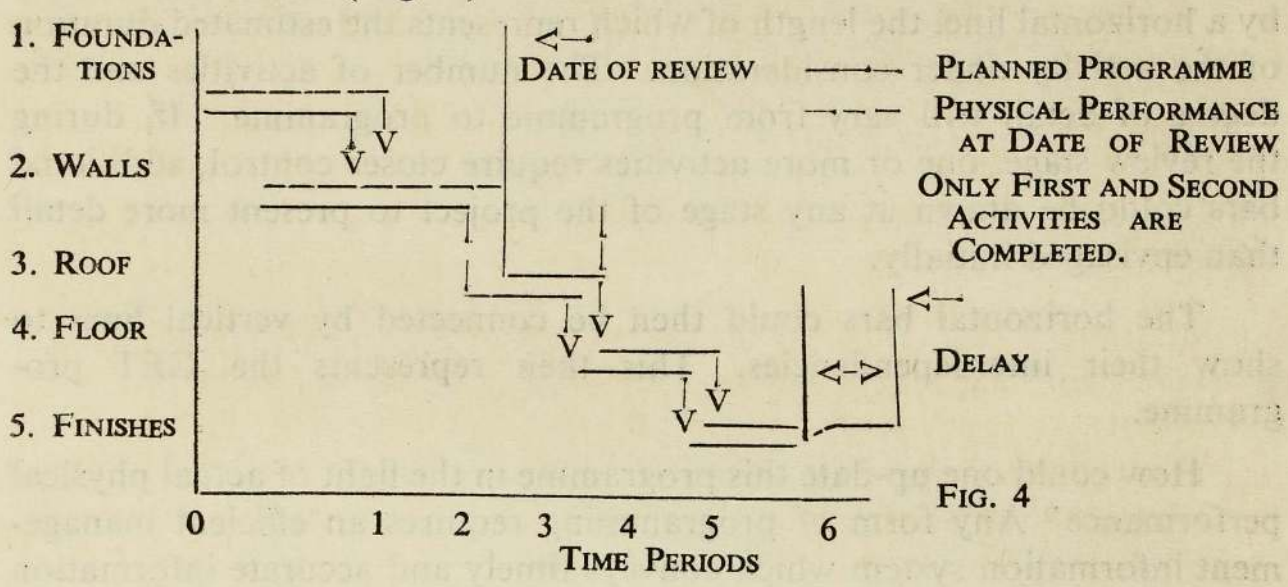

FIG. 4

If, at the date of review, only part of an activity is executed, an estimate is made of the time for completion of that activity. A projection is then made of the final completion date of the Project assuming the estimated duration of the activities that have not started.

ADVANTAGES OF THE TECHNIQUE

(1) The only requirement is to estimate the duration of each activity and the logical relationship between each activity.

(2) No specialist skills are required.

(3) None of the special nomenclature necessary in CPM is required. The description of the activity is written along the bar.

(4) The entire process is manual.

(5) Once the times for completion of those activities under execution are estimated, the up-dating of the Program could be completed in a very short time entirely manually without too much management involvement.

(6) The planned program and the up-dated program could be understood readily by top management and the implications of the present level of performance could therefore be easily appreciated, thereby enabling decision making to be more effective.

(7) In simple terms, this technique has the simplicity of the bar-chart and the breadth of information of CPM, without the need for special skills and at a minimal cost.

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(8) The technique is so simple that, even at the supervisory level, the technique could be used to plan work at the shop level. Since this technique uses a graphical method when evaluating progress, it is called GRAPHICAL EVALUATION TECHNIQUE (GET).

Application of GET to Project Control on Time Basis

How could GET be applied to time analyse a programme. The first task is to draw a programme where each activity is represented by a horizontal line, the length of which represents the estimated duration of the activity under consideration. The number of activities and the degree of detail will vary from programme to programme. If, during the review stage, one or more activities require closer control, additional bars could be drawn at any stage of the project to present more detail than envisaged initially.

The horizontal bars could then be connected by vertical lines to show their interdependencies. This then represents the GET programme.

How could one up-date this programme in the light of actual physical performance? Any form of programming requires an efficient management information system which conveys timely and accurate information regarding the actual physical performance of each activity. The objective of the information system is to assess rapidly the extent of work performed on each activity, and to ascertain the time required to complete the activity.

The information gathered from the information system is used to up-date the programme. The manner of up-dating is merely to draw a horizontal bar from the date of commencement of the activity, up to the date of review and extending to a point beyond the date of review, indicating the time for completion of the activity under review. After completing this task, the appropriate vertical lines are drawn connecting the related activities. The position of the vertical line at the end of the last activity will convey the status of the Project as at the date of review (Fig. 4). The process of up-dating the planned programme is extremely simple. The task can be performed by a draughtsman with only a minimum of training in the technique.

Up-dating GET programme could be done accurately if the following recommendations are followed. Firstly, along the length of the bar representing the duration of the activity one could fix markers indicating the number of work units planned to be completed in certain time periods. The units of work could be based on a system that enables one to ascertain the quantum of work done very readily. This helps the programmer to assess the work done and estimate the time for completion of the activity (Fig. 6).

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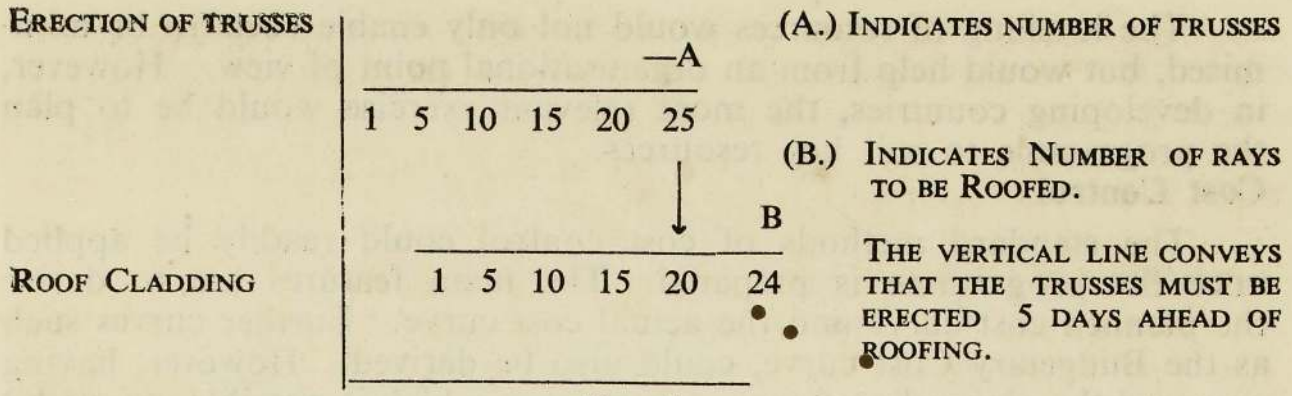

FIG. 5

The second recommendation is concerned with the grouping of activities for the GET programme. Experience has shown that it is best to group the activities in terms of objectives. For example, if one is drawing a programme for a chemical plant it is best to identify the final products and by-products of the process and to determine all the activities needed to achieve this objective.

This principle could be extended where GET programmes are drawn for each organisation engaged in the execution of projects. Each of these programmes could be manually controlled and a clear indication of the entire project at MACRO level could be followed by the reviewing authority.

Resource Analysis

There are two basic objectives when scheduling resources:

(1) To level the demand on resources with a constraint on the total project duration.

(2) To minimise project time with a constraint on the availability of key resources.

Could these two objectives be achieved by a manual process? If one were to consider the multitude of small and medium scale project that have to be implemented in order to achieve economic growth the number of resources that restrict a project are few in number. Considering only those resources, scheduling of resources can often be done by a manual process.

In the case of small and medium scale projects to be implemented in developing countries, the resources that influence a project are invariably skilled technical personnel, materials, or key equipment. Money is seldom a constraint because, if the project is budgeted for, money provision is available. Skilled and unskilled labour is seldom a constraint on project implementation. Therefore, if the resources that restrict a project are sufficiently few, then the two primary objectives could be achieved by a manual process.

The actual process of resource scheduling is explained in many text-books. If, for instance, a histogram of the usage of a specific resource is prepared, it is quite a simple process to carry out a levelling exercise, but this is no longer true if a multiplicity of resources are considered. It is therefore suggested here that the planned programme should be modified to suit the availability of only one or two key resources.

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The levelling of resources would not only enable costs to be minimised, but would help from an organisational point of view. However, in developing countries, the more relevant exercise would be to plan the programme to suit key resources.

Cost Control

The standard methods of cost control could readily be applied once the programme is prepared. The main features are to derive the planned cost curve and the actual cost curve. Further curves such as the Budgetary Cost curve, could also be derived. However, having prepared the planned cost curve (an exercise which is possible manually) the important item is to collect accurate data to obtain the Actual Cost curve.

In developing countries, the type of costing is not sophisticated. At any time, it is possible to ascertain the total money spent on labour, materials, plant and salaries. With this information, one could calculate the amount spent in any period. This information is sufficient to derive the Actual Cost curve. It is adequate, in a developing country, if the project can be executed within the money allocated (estimate). Therefore the relevant and pertinent aspects of cost control could readily be calculated manually, if the planning technique is simple.

Application of Graphical Evaluation Technique to Lanka Porcelain Factory at Rattota in Sri Lanka

Description of Project

The Government of Sri Lanka decided to establish a factory to produce high quality porcelain in collaboration with Messrs. Noritake Ltd. of Japan. The plant was to have a capacity of 1,000 tons of porcelain annually.

At the preliminary discussions with Messrs Noritake Ltd. it was decided to programme for commercial production to start in one year. The civil works alone consisted of the construction of approximately 100,000 sq. ft. of industrial buildings including machine foundations, the construction of a water supply scheme to deliver 50,000 gallons per day, the construction of offices, canteen, locker room, housing and other associated works such as effluent disposal, roadways and fencing. Installation of process machinery was to commence in February 1973. Since the installation of machinery was to be carried out under the supervision of Messrs. Noritake Ltd., it was realised at the outset that the success of the scheme would depend on the progress made on the civil works.

Progress Control

In order to ensure that the civil works would be executed according to the planned schedule, approval was obtained to prepare a critical path network, against which progress could be monitored using the ICL PERT package.

The network shown in Appendix I indicates the activities at a macro-level. However, each of the activities shown in the network was broken down into further detail in order to ensure accurate progress evaluation. The construction of each separate building is shown as one macro activity Most of these activities had time durations of three to four months.

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In view of the short time available for the execution of the civil works, it was agreed that progress on the project would be reviewed weekly. This meant that each activity had to be broken down into a great degree of detail if effective control of the progress was to be maintained. With this end in view, each of the activities in the main network was further detailed into activities such as foundations, precast columns, erection of columns, erection of trusses, roof cladding, machine foundations, side cladding and finishes.

The network was up-dated at regular intervals using the ICL PERT programme. Since the machinery installation could not be delayed, specific completion dates regarding the civil works were established and this information was used to calculate the float. The average computer time required to run each up-date was about one hour.

Up-dating Using GET Method

In order to do a comparative study between the CPM technique and the GET method, a GET programme was drawn. This meant the drawing of each activity to scale so that the length of the bar denoted the duration, as in the case of a normal bar-chart. The respective interdependencies were also indicated,as in the case of the CPM net-work.

When up-dating the GET programme, all that was required was to estimate the time for completion of each activity, as in the case of the CPM technique, and marking these on the programme. If the activity was ahead of schedule, the length of the bar would be shorter than that given in the programme, and if the activity was delayed, the length of the bar would be longer than the original bar by a corresponding degree. The interdependencies which are indicated vertically in this method were then used to re-position the remaining bars, and the final positions of the last vertical line then indicated the state of the project as at the date of review.

Conclusion

Rapid economic growth depends largely on the successful implementation of numerous small and medium scale projects, and to a lesser degree on a few large projects. The technique described above is simple and straight forward, thus enabling field staff and project managers, with the minimum of training in project planning and evaluation techniques, to plan, evaluate progress and take the necessary decisions for the successful implementation for the successful implementation of small and medium scale projects. In this respect it is particularly useful to developing countries.

Since the implementation of Civil Engineering projects are of particular significance to developing countries, this technique is best suited for Civil Engineering projects. For instance, in the examples referred to earlier, the start time of an activity is flexible in Civil Engineering. whereas in Production Engineering start times and finish times are more precisely determined. Therefore, the vertical dependencies are connected with the start time of activities only if there is a physical constraint.

Further, the main problem in developing countries is the implementation of project on schedule. In this respect a simple time-based technique that can be easily applied is particularly relevant.

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The main intention in developing countries is to achieve project implementation within the scheduled time and within the budgeted allocation. As evident from the foregoing, these two objectives could be achieved if the planning and programming technique is simple enough to permit resource scheduling and cost control. GET is a programming technique which is simple enough, in terms of skills necessary, yet sufficiently comprehensive to enable effective project implementation.

The up-dating of the CPM technique required the following stages—

(1) Time for completion of each activity had to be established.

(2) The appropriate forms for the punch-card operator had to be filled in by a trained person.

(3) The punched cards for the computer were then punched and fed in the computer. The computer time for each up-date was about one hour.

Up-dating the programme prepared by the GET Method involved the following :—

(1) Here, too, the time for completion of each activity was established on the level of performances as at the date of review. This stage was identical to stage I in the CPM technique.

(2) This information was given to a draughtsman who drew the up-dated programme with the vertical interdependencies manually. The entire process took about one hour.

The comparative costs of the two techniques, per up-date are estimated as:

CPM	...	...	...Rs.	510
GET	...	...	...Rs.	8

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AN INTRODUCTION TO MULTIPLE VARIABLE CHARTING

P. Sivasubramaniam

We are all familiar with two dimensional charts in which as the name implies two variables are charted. The procedure for charting three or more variables is known as "Multi Variable" or "Multiple Variable" or "Complex Variable" charting. In this article an attempt is made to explain a simple procedure to chart up to five variables.

If a fruit vendor sells mangoes at 20 cents each, he may avoid the necessity to calculate the value of each sale by using the following Table to read off the price chargeable to each customer.

TABLE 1

No. of Mangoes	*Price Rs.*
1	20
2	40
3	60
4	80
5	100

If the fruit vendor starts selling papaws at 60 cents each in addition to mangoes, he will require the two dimensional chart given in Table 2 to read off the prices chargeable to each customer.

TABLE 2

		Papaws @—/60 each					
		0	1	2	3	4	5
Mangoes at -/20 each	0	0	60	1 20	1 80	2 40	3 00
	1	20	80	1 40	2 00	2 60	3 20
	2	40	1 00	1 60	2 20	2 80	3 40
	3	60	1 20	1 80	2 40	3 00	3 60
	4	80	1 40	2 00	2 60	3 20	3 80
	5	1 00	1 60	2 20	2 80	3 40	4 00

If the fruit vendor extends his trade by selling oranges at 40 cents each in addition to mangoes and papaws, he will require a 3 dimensional chart to read off the prices of any given combination of the 3 fruits a customer may buy. But it is difficult to draw a 3 dimensional chart on two dimensional sheets of paper. Therefore the effect of a 3 dimensional chart is achieved by changing the format of Table 2. This chart with the changed format commences with the heading for Papaws at 60 cents each and with a new column added in which all the price values in Table 2 are listed in ascending order of values. This is shown in Table 3.

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TABLE 3

Mangoes at /20 cents each	Papaws at—/60 each						Total price
	0	1	2	3	4	5	
							60
							20
							40
							60
							80
							1 00
							1 20
							1 40
							1 60
							1 80
							2 00

The number of mangoes is now entered in the appropriate square in the body of the chart so that the sales value of the papaws sold and the mangoes sold equals the value in the "Total Price" column. The completed chart is given in Table 4.

TABLE 4

Mangoes at 20 cents each	Papaws at—/60 each				....	....	Total price
	0	1	2	3			
	0						0
	1						20
	2						40
	3	0					60
	4	1					80
	5	2					1 00
	6	3	0				1 20
	7	4	1				1 40
	8	5	2				1 60
	9	6	3	0			1 80
	10	7	4	1			2 00

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Table 4 would be read as follows :

Step 1 : Select the column representing the quantity of papaws the customer wants to buy.

Step 2 : Read down the column selected in step 1 till you reach the quantity of mangoes that customer wants.

Step 2 : Read the value given in the total price column against the quantity of mangoes.

Now it is quite easy to add the third variable oranges at 40 cents each. Table 5 exhibits part of the chart from which the sales value of any given combination of mangoes, papaws and oranges a customer may buy.

TABLE 5

(A)— (C)—

(B) — v Mangoes A -/20 cents each	*Papaws at —/60 cents each*					*Oranges at —/40 cents each*			
	0	1	2	3	4	0	1	2	3
0						0	40	80	1 20
1						20	60	1 00	1 40
2						40	80	1 20	1 60
3	0					60	1 00	1 40	1 80
4	1					80	1 20	1 60	2 00
5	2					1 00	1 40	1 80	2 20
6	3	0				1 20	1 60	2 00	2 40
7	4	1				1 40	1 80	2 20	2 60
8	5	2				1 60	2 00	2 40	2 80
9	6	3	0			1 80	2 20	2 60	3 00
10	7	4	1			2 00	2 40	2 80	3 20
11	8	5	2			2 20	2 60	3 00	3 40
12	9	6	3	0		2 40	2 80	3 20	3 60

At this stage it is desirable to introduce certain symbols that will help the reading of these charts. Since Table 5 has been drawn with papaws as the first item and the quantities are shown from left to right the symbol (A) → may be used to indicate that the first item to be read is papaw and the quantities should be read from left to right. The next item on the chart is mangoes and its quantities are shown from top to bottom. Therefore the symbol (B) can be used to indicate the sequence and direction in which the Table should be read. Thus the symbol for oranges will be (C).—

↓

Suppose the fruit vendor extends his trade to pineapples as well. A fresh chart as shown in Table 6 has to be prepared. In this chart the portion of Table 5 relating the papaws and mangoes will be repeated

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without any change. But the sales value figures under the columns for oranges will be shifted to a new row. This row is shown in Table 6 against the zero cage for pineapples.

The number of oranges is now entered in the appropriate squares in the body of the chart so that the sales value of papaws, mangoes and oranges sold equals the value in the row against the sale of zero number of pineapples.

It is now easy to add the fourth variable pineapples at 80 cents each. Table 6 exhibits a chart for 4 variables.

The above principles can be applied to chart any number of variables and it is the size of the chart that limits the number of variables to be included in any one chart. Table 7 exhibits a chart for 5 variables.

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TABLE 6

(A)— Papaws at -/60 cents each

0	1	2	3

(B)— Mangoes at -/20 cents each

0			
1			
2			
3	0		
4	1		
5	2		
6	3	0	
7	4	1	
8	5	2	
9	6	3	0
10	7	4	1
11	8	5	2
12	9	6	3
13	10	7	4
14	11	8	5

(C)— Oranges at -/60 cents each

0	1	2	3	4	5	6	7	8	9
0	1	2	3	4	5	6	7	8	
	0	1	2	3	4	5	6	7	8
		0	1	2	3	4	5	6	7
			0	1	2	3	4	5	6
				0	1	2	3	4	5
					0	1	2	3	4
						0	1	2	3
							0	1	2
								0	1

(D)— Pineapples at -/80 cents each

0	00	.20	.40	.60	.80	1.00	1.20	1.40	1.60	1.80	2.00	2.20	2.40	2.60	2.80	3.00	3.20	3.40	3.60
1	.80	1.00	1.20	1.40	1.60	1.80	2.00	2.20	2.40	2.60	2.80	3.00	3.20	3.40	3.60	3.80	4.00	4.20	4.40
2	1.00	1.80	2.00	2.20	2.40	2.60	2.80	3.00	3.20	3.40	3.60	3.80	4.00	4.20	4.40	4.60	4.80	5.00	5.20
3	2.40	2.00	2.60	3.00	3.20	3.40	3.60	3.80	4.00	4.20	4.40	4.60	4.80	5.00	5.20	5.40	5.60	5.50	6.00
4	3.20	3.40	3.60	3.80	4.00	4.20	4.40	4·60	4.80	5.00	5.20	5.40	5.60	5.80	6.00	6.20	6.40	6.60	6.80
5	4.00	4.20	4.40	4.60	4.80	5.00	5.20	5.40	5.60	5.80	6.00	6.20	6.40	6.60	6.80	7.00	7.20	7.40	7.60

Table 6 would be read as follows :

Suppose a customer wants to buy: 2 Papaws, 4 Mangoes, 3 Oranges, 5 Pineapples—

Step 1 : Select the column representing the quantity of papaws, i.e., column marked 2 in the papaw section.

Step 2 : Read down column 2 till you reach the row containng the figure 4, i.e., the quantity of mangoes wanted by the customer.

Step 3 : Read to the right along row selected in step 2 till you reach the column containing the figure 3 in the oranges section, i.e., quantity of oranges required.

Step 4 : Read down the column in the oranges section selected in step 3, till you reach the row representing the quantity of pineapples wanted by the customer.

The value of Rs. 7.20 given in this column against pineapple row 5 is the total cost of the 2 papaws at 60 cents each, 4 mangoes at 20 cents each, 3 oranges at 40 cents each and 5 pineapples at 80 cents each.

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TABLE 7

(*A*)— (*C*)—

(*B*) Mangoes at -/20 cents each	Papaws at -/60				Oranges at -/40 cents each																			
	0	1	2	3																				
0							0		1		2		3		4		5		6		7			
1								0		1		2		3		4		5		6				
2									0		1		2		3		4		5		6			
3	0									0		1		2		3		4		5				
4	1										0		1		2		3		4		5			
5	2											0		1		2		3		4				
6	3	0											0		1		2		3		4			
7	4	1												0		1		2		3				
8	5	2													0		1		2		3			
9	6	3	0													0		1		2				
10	7	4	1														0		1		2			
11	8	5	2															0		1				
12	9	6	3																0		1			

(*E*)—

Areas in which the multiple variable chart could be used with advantage are numerous. For example in the timber industry prices are quoted per cubic foot of timber and by class of timber. Since timber comes in odd sizes the arithmetic involved in the calculation of the cubic content and the money value of each leg could be avoided by setting up a multi variable chart.

In such a chart the variables would be

(*a*) Girth
(*b*) Width
(*c*) Thickness
(*d*) Length
(*e*) Class of Timber.

and the cubic content for stock control purposes and the money value for sales purposes could be lead off from the table.

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Apples at Re 1/- each				*Pineapples at -/60 cents each*															*(D)*
0	1	2	3																
.00	1.00	2.00	3.00	0															
.20	1.20	2.20	3.20		0														
.40	1.40	2.40	3.40			0													
.60	1.60	2.60	3·60				0												
.80	1.80	2.80	3.80	1					0										
1.00	2.00	3.00	4.00		1					0									
1.20	2.20	3.20	4.20			1					0								
1.40	2.40	3.40	4.40				1					0							
1.60	2.60	3.60	4.60	2				1					0						
1.80	2.80	3.80	4.80		2				1					0					
2.00	3.00	4.00	5.00			2				1					0				
2.20	3.20	4.20	5.20				2				1					0			
2.40	3.40	4.40	5.40	3				2				1					0		
2.60	3.60	4.60	5.60			3			2				1					0	
2.80	3.80	4.80	5.80				3			2				1					
3.00	40.0	5.00	6.00					3			2				1				
3.20	4.20	5.20	6.20	4					3			2				1			
3.40	4.40	5.40	6.40		4					3			2				1		
3.60	4.60	5.60	6.60				4				3			2				1	
3.80	4.80	5.80	6.80					4				3			2				
4.00	5.00	6.00	7.00	5					4				3			2			
4.20	5.20	6.20	7.20			5				4				3			2		
4.40	5.40	6.40	7.40				5				4				3			2	
4.60	5.60	6.60	7.60					5				4				3			
4.80	5.80	6.80	7.80	6					5				4				3		
5.00	6.00	7.00	8.00			6				5				4				3	

Pineapples at -/80 cents each

(D)

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