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ECONOMIC REVIEW

JUNE
1988



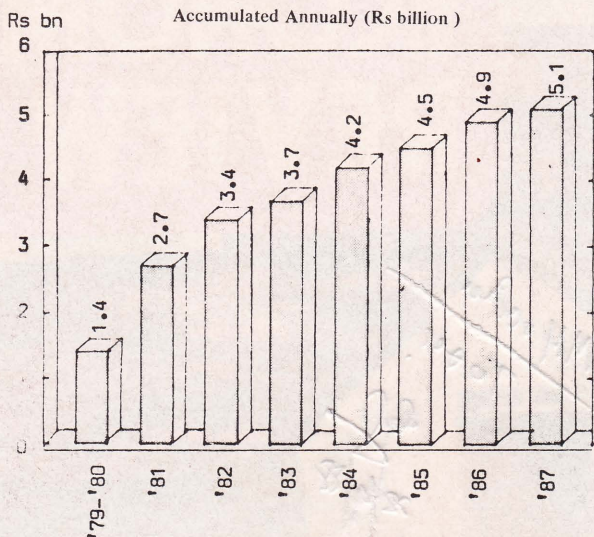
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HOUSING CONSTRUCTION

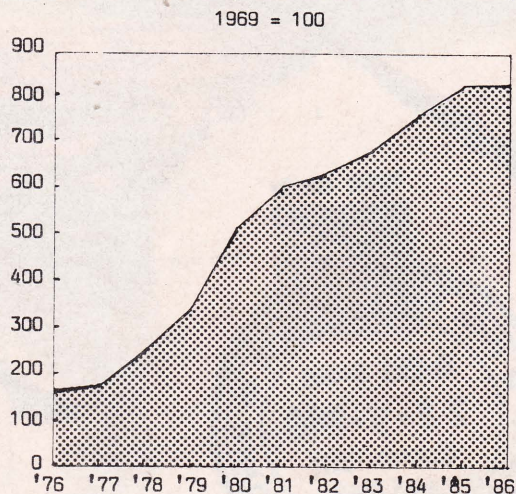
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Investment on Housing Construction(1979-1987)



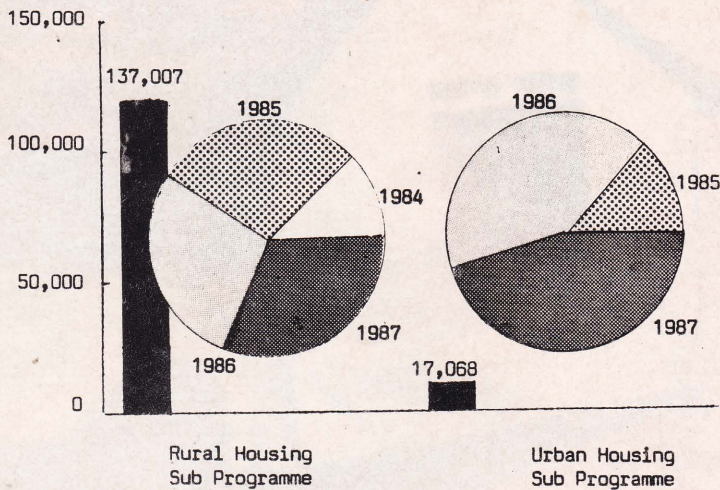
Cost Indices-Housing Construction (1976-1986)



Houses completed under the Million Houses Programme utilising Housing Loans

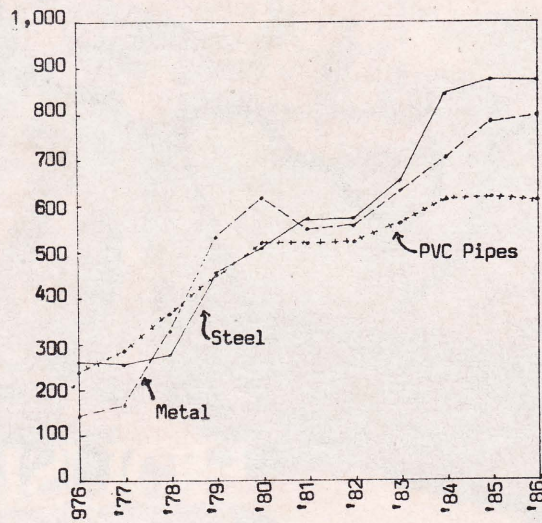
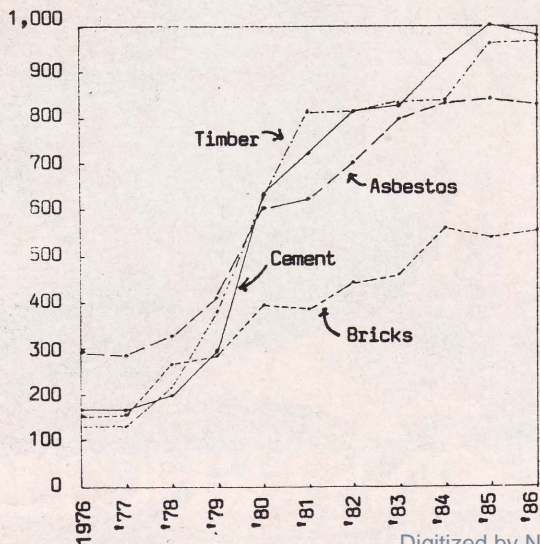
HOUSING INDICATORS

Based on National Housing Development Authority and Central Bank statistics.



Cost Indices - Selected Building Materials (1976 - 1986)

1969 = 100



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- * Inventions and developing countries
- * The Geuda trade — assessing recent trends
- * Sri Lanka's traditional exports suffer competition

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

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DIARY OF EVENTS

June

- 1 The Colombo Consumers Cost of Living Index for June 1988 was 741.6 the Department of Census and Statistics announced. In May 1988 it was 732.2 while in June 1987 it was 650.2. The average rate for the last 12 months was 695.3 as against 627.0 in the previous 12 months period, indicating a 68.3 point increase in the index over the last 12 months.

Government approved a proposal by Minister of Lands and Land Development, to authorise the ministry secretary to sign an agreement with the International Union for Conservation of Nature and Natural Resources (IUCN), for assistance in the preparation and implementation of the Conservation Plans for the Singharaja forest and the Knuckles Range. Sri Lanka is a state member of the IUCN and the IUCN has already allocated a sum of Rs.7 million for the Singharaja Forest and a sum of Rs.5 million for the Knuckles Range.

- 10 A three year program has been drawn up costing Rs.2.3 billion to rehabilitate the Trincomalee District where thousands of persons were displaced due to terrorist violence. The World Bank has agreed to finance this program which will give priority to resettlement of displaced families, and rehabilitation of services such as housing, irrigation, health, education, water, telecommunications, electricity and road development, according to official sources in Trincomalee.

- 15 An agreement has been signed in Stockholm between Sweden and Sri Lanka, for continued bilateral development co-operation, under which Rs.500 million (SEK 100 million) will be allocated mainly for rural development and education, a Swedish Embassy release in Colombo said.

Government approved a proposal by Minister of Trade and Shipping, to present the amended Bill of the Merchant Shipping Act No 52 for approval by Parliament. This Bill extends to companies which register foreign vessels in Sri Lanka, under the parallel registration scheme, the same tax exemptions granted foreign owners who register vessels under the Flag of Opportunity scheme.

Government approved a proposal by the Minister of Finance, to present for approval in Parliament, the draft Bill of the Institute of Policy Studies of Sri Lanka. Some of the aims and objectives of the institute will be to initiate, promote and conduct studies in relation to national development plans and policies, to establish and

maintain liaison with government institutions, universities and research institutions concerned with development studies, and to undertake and conduct socio-economic research requested by government, government institutions or by any international institutions.

- 22 Government approved proposal of the Minister of Finance to enter into three agreements with the Overseas Economic co-operation Fund (OECF) of Japan. The first is for a project loan of Yen 8392 million (approximately Rs.2072 million) for the implementation of the system B Right Bank Project of the Mahaweli Development Scheme. This project will provide facilities for new irrigation and settlement of about 14000 h.a. lying on the right bank of the Maduru Oya and also enhanced irrigation for about 18000 h.a. of the existing cultivated area, non irrigated conservation forests, fuelwood and cashew plantations and artisanal fisheries development.

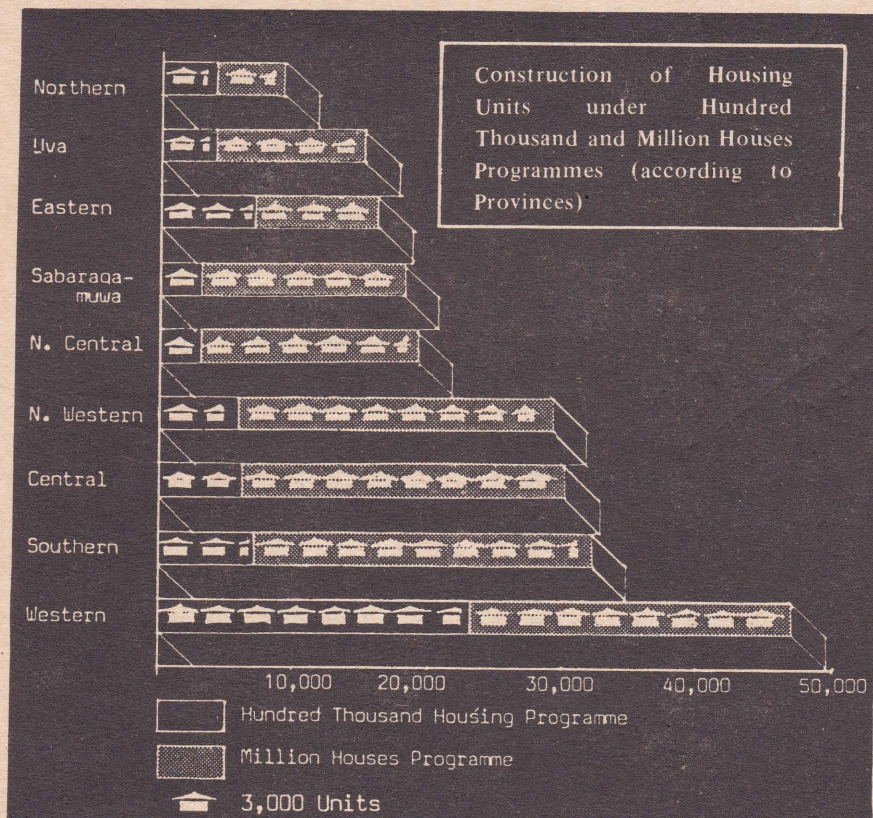
The second agreement is for a project loan of Yen 12314 million (approximately Rs.3041 million) for a maintenance and rehabilitation project which will be undertaken by the Ministry of Highways. This project has been designed to improve the road structure by introducing mechanically intensive methods in road maintenance and rehabilitation and enhance the financial institutional and technical capabilities of organizations thus engaged in Sri Lanka.

The third agreement is for a project of Yen 1850 million (approximately Rs.457 million) for the Minipe and Nagadeepa irrigation rehabilitation project.

Government approved a proposal by the Finance Minister to enter into agreements with the IDA the ADB for a credit of SDR 31.7 million and a loan of SDR 28.962 million respectively. These loans will be used for financing industries and the provision of credit which will assist the government's programme of industrial development. It would also improve the support services available to industry by strengthening the institutions dealing with tariff reform, export development, capital market development, as well as the participating credit institutions.

- 24 The Asian Development Bank (ADB) approved a US\$ 15 million loan to Sri Lanka and a direct equity investment of US\$ 300000 in a private Sri Lankan insurance company. The loan is to finance the foreign exchange costs of the US\$ 183 million project, and will have a 40 year repayment term including a 10 year grace period and an annual service charge of one percent.

- 29 The Government of Sri Lanka and the US Agency for International Development (USAID) of the United States Government signed four project amendments during the last month totaling US\$ 13.5 million. The assistance on going projects under implementation by the government of Sri Lanka and USAID. Over US\$ 8.6 million of the assistance is in grant funds with the remainder in concessional loans, a USIS new release said.



HOUSING CONSTRUCTION

Housing and shelter, one of the people's basic needs, is the subject of this special report. We are returning to this topic after 12 years having covered the housing situation in 1976.

The various government induced housing programmes have been the subject of much media attention over the last few years. This media attention has been of two kinds, one of a virtual propaganda blitz of selling the various programmes to the public, and another a more informed analytical one.

Because of this high profile of the housing programme, it has been difficult to obtain objective data and analysis based on independent research outside those issued by the very organisations that are responsible for the housing programmes. In fact, we have not been able to answer adequately

some of the basic questions regarding the stock of housing, its growth and its relationship to need. The close relationship of those who have written on the topic with those who implement the programmes apparently has prevented the emergence of independent analysis. In the following pages, we hope within the limits of the data available, to assess the various programmes, specially those carried out over the last ten years.

In the period of the 1950s and 1960s, housing construction induced by the government, largely through loans given by the Housing Department, was targeted at the middle class. Limited housing loans were channelled through either the Housing Department or institutions such as the State Mortgage Bank. In the 1970s,

this pattern of housing construction support continued accompanied by a major social orientated policy towards housing. This social orientation resulted in the break up of the hold of landlord on the housing sector and made available a significant number of houses to those who had lived in them for a considerable number of years as tenants. However, the actual encouragement of building during the period was not particularly high, (see box p.4), the government inducing development largely in flats to replace urban slums as well as for some self-help housing. Private building, except for a few individual houses, was at a comparatively low level as with the new ceiling on the ownership of houses, private sector development did not take place. Some of these restrictions on landlords were to be relaxed from the late 1970s.

A major thrust in the late 1970s and 1980s, however, was the two housing programmes, the first "Hundred Thousand Houses" Programme and then followed the "Million Houses" Programme. It should be emphasised that these names are largely to be viewed as slogans to mobilise support for the programmes and not necessarily depicting the construction of one hundred thousand houses or one million houses.

In its 1981 study on Sri Lanka's housing sector, the U.S. Agency for International Development pointed out that Sri Lanka's housing requirements were 150,000 housing units per year, with a need for 50,000 new units in urban areas and 100,000 new units in rural areas annually until the year 2000. The existing housing stock according to the Census of 1981 was three million. We have calculated the total housing units that were added to the housing stock under the Hundred Thousand Houses Programme as well as the Million Houses Programme, over the last nine year period and this indicates that on average every year only 26,000

The United States Agency for International Development (USAID) which conducted a study on Housing in 1981 stated in its reported titled "Sri Lanka Shelter Sector Assessment" that "during the period 1963-71, only 16,000 units per year on the average were constructed in urban areas by both the public and private sector. The comparable figure for rural areas was about 80,000. From 1971-77, only a total of 4,800 units were constructed by the public sector. An additional 20,000 housing loans were made by the National Housing Fund during this period, but this included home improvement loans. Private sector figures are not available but fall short of needs particularly among the poor.

housing units were added to the total housing stock. This meant a shortfall of over 120,000 housing units per year i.e. the new housing programme was able to reach on the average about 20 percent of the new housing requirements every year, a major short fall. This situation has improved over the last few years with approximately 50,000 houses coming in through the officially induced programmes.

This stock of 26,000 housing units per year, being 20 percent of the housing requirements on average has been under the two major public sector programmes, the Hundred Thousand Houses Programme and the Million Houses Programme. The two programmes are based on two different concepts. The Hundred Thousand Houses Programme commenced in 1978 and comprised mainly major housing schemes such as Raddolugama (2,020 houses), Mattegoda (1,100 houses) as well as smaller ones. These latter were housing programmes based at an electoral level, the so-called 'Mathiwerana Niwasa'; while additional rural housing projects were implemented under the 'Gam Udawa' Programme within a 'Village' unit.

The Hundred Thousand Houses Programme ceased in 1986 and over the eight year period it had completed 82,720 units which was 83 percent of the 100,000 target. These houses were constructed directly by private contractors and the total investment was Rs 5,092.5 million. Of this sum, Rs 3,313.1 million (65%) was invested in major schemes which constituted a total of 12,233 units, according to the Central Bank's Review of the Economy 1986. The average cost per housing unit in one of these major schemes was about Rs 200,000. This figure is not very different, as an order of magnitude, from the sale price of houses of private property developers. The advertised cost of houses of this size of private developers are somewhat higher than these figures, but they have the added advantage of being better equipped with say better fittings, better finishes etc. The private sector houses also have the advantage of largely being bungalow type with a small garden and not largely flat type housing schemes.

After much internal discussion and debate combined with external criticism of the programme, there was major rethinking on the "Hundred Thousand" Houses Programme, and the "Million Houses" Programme did not envisage construction by the State but a scheme of self-help houses. The self help housing concept although not as extensively practised as in the "Million Houses" Programme, had its origins in some of the programmes of the 1970s. The "Million Houses" Programme returned to this concept, having expanded, intensified and publicised it in many different ways.

Under this "Million Houses" scheme, a small sum of Rs. 7500/- is channelled to beneficiaries through the Thrift Societies or direct from the National Housing Development Authority. The recipients are expected to use this money to buy some minimal construction material, as well as where necessary, some minimal

labour. They are expected to use as much as possible their local skills, easily available local materials, sometimes the recipients making their own bricks on the site. The stated aim of the Programme was to tap local skills and local material, developing a countrywide programme.

The programme was started in 1984 and extends over the six year period upto 1989, covering rural, urban, Mahaweli, other settlement schemes and estate housing sub-programmes, as well as a private housing sub-programme through property developers. The sub programme under private property developers sells ready-made houses, which cost more than the minimal Rs 7500/- given to the others. Three years after launching, at the end of 1987, there were according to official figures, 154,000 housing units which works out to roughly an average of 50,000 housing units per year. On this basis, it will take approximately 20 years for a million houses to be built.

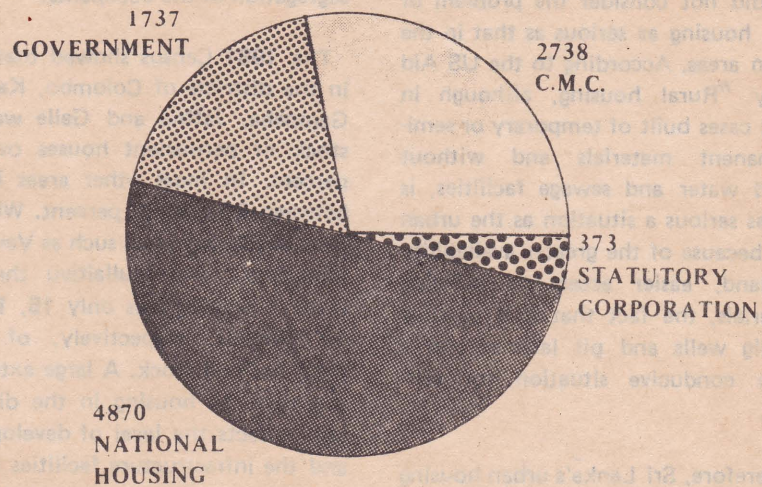
However, in the meantime, a housing stock of at least 150,000 units would be required each year, which amount would increase with the rise of population. Assuming the conservative figure of 150,000, one could assume that there is at least a shortfall of 100,000 units a year not filled by the official programme. This shortfall would have to be met by individual efforts at construction, on the basis of either individual finance or financing from commercial banks. There are no figures from the commercial banks on the number of housing units financed. However, the total financial outlay in the form of banking advances to the housing sector is known. This works out at roughly Rs 1200/- million per year. We have estimated that financing a housing unit through a commercial bank costs approximately Rs 200,000/-. On this basis there are about 6,000 housing units being financed by the Banks

every year. It is noted that of the two major banks, the Bank of Ceylon discontinued the grant of loans for housing from June 1981. Referring to this aspect of bank financing a key official commented "it is known that commercial banks in general do not wish to commit any significant part of their resources in longer term lending for considerations of liquidity, and, particularly in a time of high and volatile interest rates, a 15 or 20 year commitment would not be appealing to them." (See box below).

In the following pages, we explore some other facets of housing in Sri Lanka. The last Census of Population and Housing was held only in 1981 and only upto that year do we have hard figures on actual housing stock on the ground. Therefore we should once again emphasise that in the absence of comprehensive data and studies, by independent sources, we have to depend on official data, some of it being tinged with the high degree of enthusiasm that accompanies it.

In 1981 there was a total of 2,925,639 housing units in terms of

COLOMBO CITY HOUSING STOCK C.M.C. AND GOVERNMENT 1987



Source: Colombo Municipal Council Assessor's Report 1987. P 15

From the above diagram it can be seen that about 50 percent of Colombo's total housing stock was sub-standard. The sub-standard housing consisted of slums and shanties. Slums are defined as inner-city neighbourhood characterized by high density housing units that are deteriorated permanent structures.

The shanties on the other hand are overcrowded urban or semi-urban squatter neighbourhoods characterized mainly by small housing units made from non-durable materials including recycled materials. These occupants generally did not possess any legal title to the land.

The Government's financial problems that emerged in the early 1980s causing a serious imbalance in the Government budget, had adverse effects on the public sector housing programme. In October 1982, the then Secretary to the Ministry of Finance in a paper entitled "Looking at Sri Lanka Housing Finance" drew attention to this problem when he stated "the Government had not only to scale down Government expenditure as a whole but also to rethink its priorities in terms of public sector investment, in order to meet the emerging problems of inflation and balance of payments. The axe had, therefore, fallen heavily on Government investment in the area of housing. The rapid escalation of construction costs and the high cost

of borrowing seems to have caused a marked slowdown in housing activity in the private sector too." (An Index of the Cost of Construction of Houses, prepared by the Central Bank, with October 1979 as the base month (100) has shown an increase of nearly 150 points upto March 1988.)

Referring to housing finance from the banking sector the Finance Ministry Secretary stated that "it is known that commercial banks in general do not wish to commit any significant part of their resources in longer term lending for considerations of liquidity, and, particularly in a time of high and volatile interest rates, a 15 or 20 year commitment would not be appealing to them."

the official Census of Population and Housing. Of this total housing stock only about 40% were permanent houses; the other housing units in the country being either semi-permanent or improvised structures. This is the last available count of the country's housing stock and according to data available on additional housing construction since 1981 an estimated 300,000 units (new and renovated) have been added.

In 1981 the US Aid Agency in a study drew attention to the severe current deficit existing in the supply of housing affordable by most income groups in Sri Lanka. It took a particularly bleak view of the housing for the poor when it commented "Most housing for the poor is inadequate: high room and house occupancies, high per acre densities in urban areas,

poor construction in terms of materials and foundations and lack of such basic services as water and sanitary facilities."

It did not consider the problem of rural housing as serious as that in the urban areas. According to the US Aid study "Rural housing, although in most cases built of temporary or semi-permanent materials and without piped water and sewage facilities, is not as serious a situation as the urban one because of the greater availability of land, easier access to building materials, the fact that it is possible to dig wells and pit latrines and a more conducive situation for self-help.

Therefore, Sri Lanka's urban housing problem is increasingly serious as demonstrated most vividly by the large

and growing slum and shanty areas of Colombo which contain nearly 50 percent of Colombo's people and which result in an economic and social segregation of the occupants."

The 1981 Census showed that only in the districts of Colombo, Kalutara Gampaha, Jaffna and Galle was the stock of permanent houses over 50 percent. In most other areas it was between 20 and 30 percent. While in least developed areas such as Vavuniya Moneragala and Mullaitivu the permanent housing was only 15, 17 and 19 percent, respectively, of their total housing stock. A large extent of the type of housing in the districts also reflects the level of development and the infrastructure facilities within each area. Accordingly, the highest level of permanent housing was in the

Colombo district, amounting to as much as 69 percent of its total housing stock (See table).

Within the city of Colombo where the most developed facilities are available the Colombo Municipal Council's Assessor reports that by the end of 1978 less than 50 percent (48.8%) of the Colombo city's housing stock could be regarded as "satisfactory" dwellings; while 27.4 percent were upgraded settlements and 23.9 percent were shanties or squatter settlements. (Seediagramp.5) The total number of housing units within Colombo city was 82,370 while there were also a further 19,500 dwellings listed under the commercial category and 575 others were listed as places of worship. Of 82,370 units 40,861 was regarded as good housing of which about 24% was public sector housing.

Districtwise Distribution of Housing Units By Type of Housing

Districts	Permanent Housing Units	Percentage	Other Housing Units*	Percentage	Total Housing Units
All Districts	1,188,194	40.6	1,737,445	59.4	2,925,639
Colombo	194,429	69.3	86,168	30.7	280,597
Gampaha	148,588	54.6	123,785	45.4	272,373
Kalutara	94,312	56.4	73,023	43.6	167,335
Kandy	83,220	41.2	118,692	58.8	201,912
Matale	19,172	27.0	51,803	73.0	70,975
N.Eliya	33,852	30.0	78,900	70.0	112,752
Galle	82,280	53.2	72,515	46.8	154,795
Matara	59,191	45.3	71,527	44.7	130,718
Hambantota	22,165	27.1	59,760	72.9	81,925
Jaffna	86,245	53.5	75,094	46.5	161,339
Mannar	5,994	32.4	12,486	67.6	18,480
Vavuniya	2,653	15.2	14,833	84.8	17,486
Mulativu	2,689	19.4	11,198	80.6	13,887
Batticaloa	17,883	24.8	54,100	75.2	71,983
Amparai	29,606	37.5	69,359	62.5	98,965
Trincomalee	16,473	33.6	32,507	66.4	49,000
Kurunegala	56,614	20.3	222,014	79.7	278,628
Anuradhapura	26,800	24.3	83,268	75.7	110,068
Pollannaruwa	15,518	31.4	33,832	68.6	49,350
Badulla	40,789	32.2	85,910	67.8	126,699
Monaragala	9,080	17.1	44,097	82.9	53,177
Ratnapura	58,358	34.7	109,608	65.3	167,966
Kegalle	52,342	35.6	94,987	64.4	147,329

* Includes Semi Permanent Improvised and not-classified Housing Units.

Source: Census of Population and Housing, 1981

A PROFILE OF SRI LANKA'S HOUSING

The census data indicates that the increase in housing stock has exceeded the growth of population. While the population increased by 17.0 percent between the Census of 1971 and 1981 the number of occupied housing units increased by 26.8 percent (see table 1).

The urban sector showed a much higher increase in housing stock (21.0%) compared to the population increase of 12.2 percent. In the rural sector the increase in occupied housing units was 33.7 percent compared to a population increase of (23.1%).

The improvement in housing stock position is also reflected in the increase in the proportion of units occupied by just one household without any sharing and the decline in the proportion of units shared by 2 or 3 households. This improvement is evident in all sectors but is greatest in the estate sector and least in the urban sector.

Housing units have been classified into three broad types viz. (1) Permanent type (2) Semi-Permanent type and (3) Improvised type on the basis of the principal materials used in the

units (mostly with mud walls and cadjan roofs) constitute 56.1 percent of the units compared to 61.0 percent in 1971 while 37.2 percent were of the permanent type compared to 31.6 percent in 1971. In the estate sector, the semi-permanent type predominated with 75.8 percent compared to 85.3 percent in 1971. Although most of the units in the estate sector have walls of brick, cabook or cement and roofs of metal sheets they have floors of mud and hence have been classified as semi-permanent.

It is observed that in urban and rural areas the percentage of units having access to piped water of any sort had

TABLE I GROWTH OF POPULATION AND HOUSING BY SECTORS 1971 & 1981

Sectors	Population			Occupied Housing Units		
	1971	1981	% Increase	1971	1981	% Increase
All Sectors	12,689,897	14,850,001	17.0	2,217,478	2,811,406	26.8
Urban Sector	2,848,116	3,194,879	12.2	421,155	509,459	21.0
Rural Sector	8,707,455	10,721,671	23.1	1,558,765	2,084,496	33.7
Estate Sector	1,134,326	933,451	-17.7	237,558	217,451	-8.5

Source: Department of Census and Statistics.

TABLE II DISTRIBUTION OF OCCUPIED HOUSING UNITS BY TYPE 8% BY SECTORS

Sectors	Types of Housing	1971		1981	
		Number	%	Number	%
All Sectors	Total	2,217,478	100.0	2,811,406	100.0
	Permanent	785,949	35.4	1,173,995	41.8
	Semi-Permanent	1,271,232	57.3	1,457,329	51.8
	Improvised	160,297	7.2	180,078	6.4
Urban Sector	Total	421,155	100.0	509,459	100.0
	Permanent	284,787	62.9	346,623	68.0
	Semi Permanent	118,388	28.1	124,013	24.3
	Improvised	38,000	9.0	38,820	7.6
Rural Sector	Total	1,558,765	100.0	2,084,496	100.0
	Permanent	492,700	31.6	776,450	37.2
	Semi Permanent	950,252	61.8	1,168,549	56.1
	Improvised	115,813	7.4	139,496	6.7
Estate Sector	Total	237,558	100.0	217,451	100.0
	Permanent	28,462	12.0	50,922	23.4
	Semi-Permanent	202,612	85.3	164,767	75.8
	Improvised	6,484	2.7	1,782	0.8

In the estate sector, however, the population declined by 17.7 percent while the number of occupied housing units declined by 8.5 percent. Hence, an improvement in the housing stock position in relation to population has taken place between 1971 and 1981 in all the sectors.

construction of the walls, roof and floor. Table II shows the distribution of occupied housing units by type in each sector in both 1971 and 1981. In urban areas the permanent type of housing units amounts to 68.0 percent of all units (compared to 62.9% in 1971). In the rural sector semi-perma-

risen slightly in 1981 but the estate sector shows a drop from 74.7 percent in 1971 to 65.6 percent in 1981. As a result the percentage of units with piped water had declined for the country as a whole. The majority of the housing units (73.1%) obtain their water from wells. The percentage of units using well water has risen between 1971 and 1981. Seven percent of all units (compared to 8.9% in 1971) depend on other sources such as rivers, streams, tanks, etc. for their drinking water.

The position with regard to toilet facilities shows an improvement with 53.0 percent of all units having toilets for exclusive use in 1981 compared to 45.5 percent in 1971. The urban and rural sectors also show improvements in this respect while the estate sector shows a slight decline in the percentages of units with toilets for exclusive use from 20.5 percent in 1971 to 18.4 percent in 1981.

Extract from 'Housing Tables, based on a ten percent sample' by the Department of Census and Statistics.

Rising Problems in Construction

Following the economic reforms in late 1977 and the removal of import and price controls there was a sudden upsurge in the demand for construction activity. The pent up demand for housing had to be met; and there was an unprecedented level of construction activity both for housing and commercial buildings. Mahaweli construction activity was also accelerated. No sector showed as great a turnaround in performance as did the construction sector between 1978-80. This sector's real output had recorded a decline in growth at an average annual rate of 2 percent per annum during 1970-77; but between 1978-80 growth accelerated to an annual average of 19.9 percent. Growth may have been higher but for the limited capacity in this sector, and this resulted in construction costs more than tripling between 1977 and 1981. The sudden shortage that appeared in the capacity of the domestic construction industry resulted not only in an acceleration of costs and a sharp increase in building material imports but also led to an influx of foreign contractors. These factors tended to both increase the import content of construction and push up construction costs. These rising costs compelled the Government to adopt deflationary measures, and resulted in 1981 in the decline in aggregate demand for the construction industry which experienced a 3 percent decline in output; after rising by an estimated 28.3 percent in 1978; 20.9 percent in 1979; and 11.0 percent in 1980. To aggravate the situation this sudden contraction in the high growth rate of the construction sector came at a time when increased domestic capacity was coming on stream in response to the price increases and apparent attractiveness of the sector.

The Government's "Public Investment Programme" was revised downwards after 1979 as it was noted at this stage that the construction programme (Housing and Mahaweli) was putting a severe strain on locally

available resources. The rapid increase in construction costs between 1978-80 had been largely due primarily to material and manpower shortages and the industry's low capacity; although inadequate planning and poor management of construction works were also considered causes for cost increases.

The shortage of materials and skilled labour were estimated to add about 25 percent to normal construction time. For instance, it was pointed out that the output of trained construction workers at that time from the various training centres amounted to only 6,000 trained workers a year and this low output was hardly sufficient to improve the situation over the next few years. Therefore, in 1981, the World Bank initiated a Construction Industry Training Project (CITP) to train construction industry skills and at that stage estimated that construction employment which was about 140,000 persons in 1979 would double to 280,000 persons by 1984 and increase further to 340,000 by 1985. At this stage the value added in the construction industry (at 1979 prices) was expected to rise from Rs 960 mn in 1979 to Rs 2,220 mn by 1985. The anticipated expansion in the building construction sector did not take place and subsequently these estimates of training requirements in this sector had to be heavily scaled down. For instance, in the foreign funded Construction Industry Training Project a foreign expert team's appraisal of the situation led to an estimate of 57,130 persons being resquired to be trained in the construction sector between 1981-85. This estimate was revised downwards by a team of local consultants from the NIBM to 21,810, but still the number did not come up to the revised estimate as demand for skilled construction workers began to lag. The anticipated employment was not available nor was the new work expected by local contractors forthcoming.

Contraction in Construction Activity

By about 1986 local contractors

were firmly of the view that there was a heavy underutilization of capacities in the construction industry due to a shortage of work. The disturbed civil conditions and resultant uncertain investment climate were major causes for the contraction in construction activity, particularly with regard to commercial and business premises and tourism related buildings. Representations were made by the contractors to a Committee appointed by the Government to study their problems. A typical submission from a contractor stated "The local Construction Industry is in a precarious position and unless early remedial action is taken serious repercussions will affect not only the Industry but the national economy. "

A regular complaint was that foreign contractors were being given preference over their local counterparts. Contractors in their submissions to the Committee requested that there be no discrimination against local contractors competing with foreign contractors and that concessions should not be granted to the foreign contractors. Specifically, they pointed out that foreign contractors were able to obtain loans at approximately 8 percent in their countries while local contractors had to obtain finance at significantly disadvantageous rates as high as 22 percent. Also, foreign contractors enjoyed various concessions by way of duty free facilities and bilateral tax benefits, not available locally, thus reducing profit margins of local contractors. (This aspect is more fully dealt with on pages 6 to 18 from an architects perspective).

The Institute of Construction Training and Development (ICTAD) compiled a report on the written submissions of the construction contractors when it noted "The basic problem is a lack of defined long term policy for the development of the local industry. In fact, it is not even treated as an Industry in policy formation. The state should formulate a strategy for the long term development of the industry". Emphasising the importance of the entire sector the report

noted that the Construction Sector accounted for 42 percent of the total investment of the local economy.

As regards employment, the report stated that the construction sector accounts for nearly 5 percent of the total labour force. The corresponding figures for agriculture and manufacturing industries are 45 percent and 12 percent, respectively. When salaries and wages are separated from the total value added in all economic activities, construction sector salaries and wages account for 69 percent whereas the manufacturing, agriculture, transport and hotels sectors account for 43 percent, 41 percent 38 percent and 25 percent respectively. Hence the Construction Sector is comparatively important in terms of employment generation and income distribution.

The report indicated that the current problems affecting Construction Contractors have been studied by the Consultative Committee for the Construction Industry Development (CCCID), consisting of members associated with the Construction Industry from both the Public and Private sector Organisations, and some of the more pressing problems were identified as:

- a) Insufficient workload and lack in continuity of work;
- b) Delays in payments to Contractors;
- c) Inadequate systems for financing Contractors;
- d) The need for the Association of Construction Contractors to expand its membership and its activities and establish an identity if it is to more effectively protect and advance the interests of the Industry.

Proposals were made to the Government on remedial measures for each of the above issues and these proposals have now been accepted.

It is generally accepted, however, that the problems of the construction industry were closely allied to the problems facing the economy as a whole; and the difficulties building contractors and other sectors of the industry had to contend with were symptoms of this situation.

LAND VALUES IN THE CITY OF COLOMBO AND SUBURBS

Jinadasa Medagedara

Land and property values especially in the city and suburbs recorded an unprecedented increase after 1978. This trend of increasing prices of land and property created numerous problems related to the construction of dwelling houses as well as other buildings such as commercial premises and offices. The increase in the prices of land also had a direct impact on the low-income and middle income groups who live in the city and in the suburbs. The slum and shanty dwellers could not afford to purchase land at the prevailing prices and they continue to live in the unhygienic areas in the city. However, the Government has taken several steps to solve the problems of slum and shanty dwellers under the Slum and Shanty Upgrading Scheme;

The Urban Housing Sub Programme of the Million Houses Programme has also been launched to meet the housing needs of this category of the population. The establishment of a land bank under the purview of the UDA and the Navagamgoda concept of the Urban Housing Sub Programme are intended to supply residential blocks to the low income groups in the city, most of whom are slum and shanty dwellers.

There are two factors which contributed to the increase in the prices of land and property in the city and the suburbs. One was the general economic conditions prevailing in the country after 1977 and the other was the increased housing activities during the same period. The economy witnessed a five fold increase in the money supply with the introduction of an open market economic policy, a floating of the rupee against other currencies, various incentives offered for savings, increased employment opportunities in the Middle East, the expansion of the gem trade and the services sectors and a higher level of business activity. These factors appear to have either directly or indirectly contributed to the rise in land and property values.

The faster growth of housing activities after 1978 created a higher demand for residential and building blocks in the city of Colombo and in the suburbs. In addition to the public sector housing programmes, viz.

Hundred Thousand Houses Programme and Million Houses Programme, the government adopted several measures to promote housing activities. These included the provision of incentives and tax relief to property developers. However, the property developers became involved in housing construction mainly after 1983. Prior to that they were mainly engaged in the activities of real estate and land sub divisions. The land and property market in the city and suburbs has been operated largely by real estate agents. But mushroom real estate agencies around the city have ventured into construction of dwelling houses for their clients on easy payment terms. The heavy involvement of the private sector in land sales and property development and their high pressure marketing strategies created a spiralling increase in the prices of land and property in the city of Colombo as well as in the suburban areas of Ratmalana, Dehiwala, Maharagama, Kotte, Battaramulla, Homagama and Kiribathgoda.

The land use pattern in the city of Colombo is significantly different from that of other urban centres in Sri Lanka. As the main city of the island, Colombo is also the centre of government activities. All the Government Ministries and Departments and major wholesale business establishments are located in the city of Colombo. The location of the main harbour in the country, warehouses and container yards, the airport etc., also considerably influenced the land use pattern in the city. Due to the higher level of Commercial and Industrial activity in the city and the functioning of public administration services and other public activities the land use pattern of the CMC areas are higher than those of the CMC areas are higher than those of other urban sectors in Sri Lanka.

A Survey revealed that the prices per perch in the business zones of Colombo Municipality in 1986, had risen phenomenally from Rs 25,000/- to Rs 250,000/-.* The present prices of the land in Colombo have increased by about 20-25 percent over the prices prevailing in 1986, according to the information obtained from the

* price per perch

principal real estate agents in the city. Within the city of Colombo also, there are price differences with the price of land in the Central Business District (CBD) of Colombo, 2, 11, 12, 10, new business areas of Colombo 4 (Bambalapitiya) Colombo 3 (Kollupitiya) and prestigious residential areas of Colombo 7, Havelock Town etc. being higher than that of the other areas in the city.

Thus the prices of the land around the city of Colombo have witnessed a steep increase after 1978. An examination of the land prices on the outskirts of the city over a ten year period of 1978-1987, shows a continuous trend of increasing land prices around the city with price fluctuations. The lowest price recorded (Rs 600 per perch) was in Battaramulla and the highest price recorded (Rs 4,500/-) was in Nawala, in the year 1978. In 1979 the lowest minimum price (Rs 1,000/-) was recorded in Battaramulla, Kiribathgoda and Kotte, while the highest price (Rs 8,000 per perch) was recorded in Nawala and Dehiwala. The increase in those two years was gradual but from 1980 there appeared to be a rapidly increasing tendency in land and property values. In 1980 minimum prices still remained (around Rs 1,500/- per perch) in Kiribathgoda and an extra ordinary maximum price (Rs 20,000/- per perch) has been recorded in Nugegoda. In the year 1981 land and property values show an increase when compared with the previous years. From 1981 onward this trend continued with the lowest minimum price (Rs 2,000/- per perch), recorded in Kiribathgoda and highest maximum price (Rs 25,000/- per perch) being recorded in Nugegoda.

From 1986 again there seems to be an increasing trend of land and property values in and around the city of Colombo. In 1987 the lowest minimum price (Rs 5,000 per perch) was recorded in Kiribathgoda and highest maximum price (Rs 47,000) was recorded in Nugegoda.

The percentage variations reveals some important indicators regarding the pattern of the fluctuations of the land values in the outskirts of the city of Colombo during the ten year period of 1978-1987. In the year 1979

the highest increase in the minimum price of land was recorded in Ratmalana, which amounted to 150 percent compared to the previous year. The increase in the maximum price of land recorded in Dehiwala amounted to 100 percent. In other areas increase in land values was gradual. The most significant year in regard to the increase of land prices was 1980 when compared to the previous year and the following year. A 33.3 percent increase was recorded for the minimum price and a 185.7 percent increase was recorded in maximum prices, both in the Nugegoda area. The other notable feature was the increase of prices in Kotte area, where in that year (1980) the increase in minimum price was 100 percent and the increase in maximum price recorded was 400 percent when compared to the previous year. This was the highest increase of prices recorded over the ten year period of 1978-1987. The steady increase in land prices from the year 1981 and onwards to 1986 seems to be a regular occurrence in the pattern of price fluctuation. However, from 1982 to 1986 there was a slowing down in fluctuation of prices with the increase or decrease in land prices being rather slight. But from the year 1984 there is a significant increasing trend with an increase observed in minimum price of land values in all areas. From 1986 again there appeared to be an increasing trend both in minimum prices and the maximum prices of the land. In 1986 the highest minimum increase of land prices (37.5 percent) was recorded in Battaramulla and the highest maximum prices (100 percent) was also recorded in Battaramulla. In 1987 the highest minimum price increase (9 percent) was recorded in Battaramulla and the minimum price in other areas had not changed significantly when compared to the previous year.

However, the maximum prices of the land values have been changing considerably in 1987 and the highest increase was recorded (40 percent) in Dehiwala. The price increase after 1986 reveals a new demand for the land in Battaramulla area. Another important feature is that the land prices in the Southern and South Eastern areas are comparatively higher than that of the other suburban areas of the city of Colombo.

PRIVATE SECTOR PROPERTY

Jinadasa Medagedara.

Property development was one of the major inter-related activities in Sri Lanka's housing development program over the last decade. The concept of property development covers a wide range of activities varying from real-estate transactions to land sub-division for residential, commercial or industrial purposes, housing development and development of office buildings and commercial premises. This concept first came into use in post war Europe at time of the restoration of the war damage. In Sri Lanka property development was introduced in the late 1950's, but the total number of property developers remained unchanged until 1977. Sri Lanka's first generation of property development was from 1950-1965. Private sector formal property developers started their activities in Colombo in the late 1950's, with land agents and land sub-dividers being the most active. Capital invested in the first land development schemes originated from trade and commerce or agricultural units. The common feature of the first generation of private sector property developers was the multitude of diversification strategies and the sub-division of agricultural land into building blocks. In this period there were small scale land sales and land auctions in Colombo. In 1959 the first limited liability company was formed and in 1960 and 1962 another three companies were established. These companies had the advantages of a virtual monopoly of the formal property market, especially in the city of Colombo and its suburbs. In the early 1960's the property market proved to be a preferred sector for capital accumulation.

Private sector property development activities increased in the late 1960's due to state support through tax relief measures etc. The heavy inflow of foreign aid following the liberalization in 1965 increased economic activities and led to the creation of a rich and middle class social strata. This was specially so in the city. Investment in the property market was also a form of diversification for a group of companies which had accumulated capital

DEVELOPMENT IN SRI LANKA

in sectors other than property development. The majority of these companies were involved in financing and the import trade. However, during the boom period of 1979-1984, the property developers who entered the market in anticipation of higher profits in this sector rather than in others, were beginners in property development. Their activities were reflected in the increase of land sales and building blocks, leading subsequently to an increase in the market prices of land. In the early 1970s state intervention in the private sector's property development depressed activities in this sector. However, private property developers recovered briefly, and increased their activities until 1972. After 1972, the number of transactions of land and property sales recorded a sharp decline due to such interrelated factors, as the enactment of the Land Reform Act, Rent Act 1972, and Ceiling on Housing Property Law 1972. Some argued that the Land Reform Act enacted in 1972, gave property developers access to land at low prices, but the legal measures tended to reduce the demand for residential land from the upper and middle income groups. However, there was no apparent shift of investment from one sector to another, during this period. Usually, the shifting of capital investment from property development to other economic sectors takes place in a liberal economic system.

1978-1984 was a boom period for the property development sector. There were several important features in private sector property development activities during this period. One was the rapid increase in the number of property developers specially in the city of Colombo, and its suburban areas; such as Maharagama, Homagama, Dehiwala, Ratmalana, in Kiribathgoda etc. They were either public or private companies, limited partnerships or individuals. The other characteristic was the increase of land subdivision schemes and sales of building and residential blocks in Colombo and the suburbs. Some of the companies

incorporated during this period and who were largely involved in land subdivision schemes, turned to housing development activities.

Until 1983 the private sector formal property market was controlled by the first generation of property developers who were incorporated during the 1959-1973 period. The boom in the property market during the period 1978-84 resulted in the creation of a new generation of property developers who concentrated on housing development in contrast to land development. Rising inflation during this period gave a boost to the property market. Tax incentives in the construction and sales were offered for houses. Encouraged from these incentives, since 1983, the housing sector has become a significant sector of capital investment. To promote housing development activities through the property developers, the government granted tax holidays and gave incentives for housing development. The Budget proposals for 1988, amended the provisions of the Inland Revenue Act Section 21 with regard to the construction and sale of houses and flats. It exempted from the sale of houses and flats by persons (both individuals and companies) to provide for a flat rate of exemption of 75 percent of the profits on the sale. The floor area of 3,000 sq.ft. was reduced to 2,000 sq.ft. This proposal was to be effective from April 1988. The type of economic functions attributed to urban and suburban land accelerated the spiraling increase of land values and increased the demand for building and residential blocks. The general improvement in urban development during this period mostly benefitted the property developers. The establishment of the Urban Development Authority and development of urban areas together with the development of the urban transport system through the areas of property development were important measures which benefitted property developers. A change during this period was in the shifting of land development activities to housing activities. Several

tax relief measures and the granting of incentives to property developers resulted in the promotion of housing development.

However, property developers were faced with the problem of finding adequate finance for investment. The private sector property developers need short term finance for the purchase of land, for payment of professional fees for initial expenses and building; and long term finance to repay their short term borrowings. The necessity for the establishment of a system of mortgage finance existed which led to the establishment of the State Mortgage and Investment Bank. This was formed by amalgamating the Ceylon Mortgage Bank (founded in 1931) and Agricultural and Industrial Credit Corporation of Ceylon (founded in 1943). The establishment of SMIB was a significant landmark in housing finance in Sri Lanka. SMIB is the leading housing finance institution in Sri Lanka, and now provides finance for housing to property developers and to individuals. Housing finance provided by the Bank is mainly for the following purposes.

1. Construction of dwelling houses/flats or purchase of new houses/flats
2. Purchase of house and property which is not new
3. Extension to dwelling houses
4. Purchase of building sites, provided the construction of a dwelling house is commenced within a year from date of granting the loan
5. Loans for property developers for construction of dwelling houses/flats for sale
6. Repair and renovation of dwelling houses

As compared to other financing agencies SMIB provides credit facilities for housing at low rates of interest which varies from 8 percent to 20 percent. In addition a scheme of bridging finance was commenced by the SMIB, specially for financing property developers to meet their short term financial requirements. Private sector investment in housing received an impetus after the introduction of the bridging finance scheme by the SMIB and approximately 70 percent of the investment of property development companies benefitted by this scheme. The beginning of the bridging finance in 1983 was a landmark in providing finance for housing as well as for pri-

vate sector property development in Sri Lanka.

The financial plans of the private sector property development projects at present follow the common characteristics of a down payment of 25 percent, or 50 percent of the cost of construction of the housing unit made by the customer or the reservator. The balance is paid on completion of the unit. This amount is arranged to be paid through a long term mortgage loan either from the SMIB or the property developer. The developer meets the cost of construction through a short term bridging loan from the SMIB. The long term mortgage loan is approved for the buyer after the conclusion of the unit and the developer recovers his share from the proceeds of the loan. From the write offs what is due to be paid to the SMIB under the construction loan and the balance remaining is his profit.

The Government encouraged the property developers as part of the private sector sub-programme of the M.H.P. However, the activities of the property developers in the country, appear to have seriously affected the housing sector as well as the economy as a whole, despite the development that is seen on the surface. There appears to be a hidden speculation involving large sums of money in the economy due to these property development activities. The property developer while acting as a mediator in the construction of houses for the dwellers also makes a profit utilising the short term lending facilities provided by the SMIB; through the real benefit of property development activities should go to the dweller and not to the mediator of house construction. Further, property development is not only a field for the maximisation of profits but also a concept connected with the social obligations and ethics. Many Sri Lankan property developers' activities during the past few years have not proved to be that of a real property developers within the meaning of this broad concept; but has been motivated mostly by the desire for a profit maximisation while acting as a mediator in the housing construction sector.

PROVIDING HOUSING FINANCE TO LOW INCOME GROUPS IN SRI LANKA

K.L.J.B.Perera

Sri Lanka Institute of Development Administration

A study on some aspects of housing finance for low and middle income groups conducted in 1984 by K.L.G.B. Perera has observed that a majority of families in the low income groups (other than those who have been fortunate enough to obtain a unit in a Government Sponsored Housing Scheme) are living in 'temporary' dwellings. This study attempted to assess the demand for housing among urban low income groups and also the extent to which existing credit schemes provided housing finance to meet their needs adequately.

This paper is based mainly on the findings of the survey carried out in 1984. During the period after this survey much progress has been made in the housing finance sector of the country, and many changes have also taken place in the policy and institutional structure related to housing. In spite of this progress and change, it is felt that some of the findings of this study still hold valid and will thus be useful at least as reference material for those who wish to do further studies in this area.

The objectives of the study were threefold: i.e., to assess the demand structure for housing finance from the low income group, to assess the existing institutional arrangements for housing finance available to the low income group and determine their limitations; and to propose methods for improving resource mobilization and institutional arrangements in order to meet the needs of the target group. For the purpose of the study the low income group was defined as

the group of households receiving a total income of Rs. 1,000 or less per month, following the Urban Development Authority definition.

The field survey of the study covered three government sponsored housing schemes occupied by middle and low income families, (i.e., Raddolugama and Thunmullawatta schemes in the Katana Electorate and Sahana-gama Scheme in the Wennappuwa electorate) and a sub-urban squatter settlement (i.e., Jayabima in Katana electorate). In all, about 325 households in these schemes were studied through responses to questionnaires and interviews. Data on family income, expenditure, savings, and housing loan repayments etc. were collected and analysed to estimate the amount of resources allocated for housing by the target group. Furthermore, data obtained from about 25 institutions engaged in providing housing finance, property development, and property trading were also analysed to assess the institutional set up that was available for the provision of housing finance to the target group.

The survey revealed some important facts about the demand for housing. The majority of families in the low income group (other than those who had been fortunate enough to obtain a unit in a government sponsored housing scheme) were living in temporary dwellings. Here the definition of 'temporary dwelling' was defined the same as that adopted by the Department of Census and Statistics in its housing surveys: dwelling with walls made of cadjan, palmyrah and other non durable materials. However, low income families showed a keen desire to improve their dwelling conditions. Those who had initiated some improvements in their housing had raised the required funds by one or more of several methods: personal savings, money or material obtained

as loans from friends, relatives and/or employers, and donations from parents etc.

Low income families rarely obtained funds from banks or any other formal financial institution. They preferred small loans of about Rs. 1,000 to Rs. 5,000 with comparatively short maturities of three to five years each one following the amortization of the preceding loan as opposed to larger 'one shot' loans with 10 or 15 years maturities. This is because they improve their housing in several stages depending on their ability to finance such improvements. This type of loan is usually not provided by formal financial institutions.

Information was also collected in respect of the affordability of these families for housing. Affordability was defined for purposes of this study as the amount of money a family would save monthly for the payment of interest plus the instalments of housing loans obtained from banks or Government sources.

The actual amount of money that a family would save for housing does not depend only on affordability. Another major factor which affects it is the degree of priority a family would give for housing in its scale of preferences. If a family would have a greater preference for another item such as fancy clothes, a motor cycle or a radio set rather than housing the savings it has would be used for satisfying those needs rather than housing.

Even when a family gives first priority to housing, it has no access to sufficient financing facilities that would match its affordability, then along with the passing of time its savings would get diverted to satisfying other needs. Thus actual amounts of savings may be different from the affordability as defined above.

'Affordability for housing' is really an illusive notion in the context of low income groups. Earlier the government implemented Aided Self Help Schemes for the low income group. On the basis of the affordability estimates made by the Shelter Task Force

in 1983, it was believed that these families would save at least Rs 50 a month for the payment of the monthly instalment to the National Housing Development Authority due on a rent purchase agreement. However, subsequent surveys revealed that the actual 'money' savings of these families after they were given housing units was far below the anticipated affordability.

It appears that the disparity between the affordability and the actual savings for housing of the beneficiaries of public sector housing programmes is attributable to two major factors: one, the change in priority. The urge to save for repayment of the housing loan weakens once a satisfactory housing unit has been received and the dwellers feel the security of tenure. As a result, their priority shifts to other items such as furniture, household electrical goods, clothes etc. which are needed to maintain a social level suited to the improved housing conditions. The other factor is the increase in the cost of living due to the change of neighbourhood. Usually a low income family gets a significant portion of its daily consumables such as firewood, coconuts, green vegetable etc. from its neighbourhood almost free of charge. Once such a family is moved into a new housing scheme, it loses this invisible income and as a result has to incur an additional expense to obtain those items from the new neighbourhood. These seem to be the reasons for high rate of defaults prevailing in government sponsored low income housing schemes.

The survey data revealed that none of the institutions or establishments in the public or private sectors had sponsored special schemes to suit the requirements/affordability of the target group. Low income borrowers in general could not satisfy the income qualifications: an adequate level of income, regular stable employment, a verifiable income and satisfactory collateral required by the state sector and private sector commercial banks. There were also the limitations of loan terms: minimum size of loans that was too large, high down payment in absolute terms, very long maturities requirements for fixed and regular amortization payments etc.

If any of the commercial banks were to grant loans to low income families, the credit norms that were prevailing at the time had to be violated. Thus low income families could rarely obtain loans from these institutions. On the other hand the credit facilities extended by Housing Development Finance Corporation and State Mortgage & Investment Bank which were the major housing finance institutions in the public sector, also did not reach the target group. There was sufficient evidence to conclude that there was a considerable gap between the need and supply of housing finance for the target group at the time of this study. Evaluation of the situation resulted in a number of suggestions to bridge this gap.

One suggestion was that in the case of low income families NHDA should pay more attention to the training and extension functions than the direct provision of shelter to these families. It could form Housing Development Committees consisting of Development Officers attached to Asst. Government Agent's offices, Technical Officers and Divisional Officers attached to its district offices, and Loan Officers of the area commercial banks etc. These committees could organize members of low income families in the localities into mutual help shelter groups, train and educate them to formulate and implement low cost housing projects either through organized cooperative housing credit societies or trusted community organizations such as rural development societies etc.

An integrated programme of action to mobilize resources for financing low cost housing by NHDA, HDFC, SMIB and state sector commercial banks was also suggested. In general these institutions would use the contract saving schemes for this purpose. Close supervision and guidance by area officers of the related organizations and community leaders, and the actual and continuous participation by the would be beneficiaries of these housing projects, were high lighted as most important elements of these low income housing programmes.

SRI LANKA'S HOUSING PROGRAMME THE CONCEPT AND PERFORMANCE

1987—International Year of Shelter for the Homeless

This year, 1987, is the International Year of Shelter for the Homeless. It marks the culmination of a process. It is the process of the provision of shelter for the homeless both nationally and internationally. In Sri Lanka, the process started with the launching of the Hundred Thousand Houses Programme (HTHP) in 1978. So, the internal process is ten years old. Internationally, the process started in 1980, with my proposal for an International Year devoted to the problem of the homeless to the 35th Session of the United Nations General Assembly.

It is said that, as much as 20 per cent of the people in the developing countries are seriously under-nourished, while about 50 per cent do not have safe water; 60 per cent do not have proper health care. 20 per cent of the babies are reported to die before they reach the age of five. There are equally disturbing figures for unemployment, education and other basic needs. Each of us, in our own way, are attempting to tackle these formidable problems.

It is my belief that, housing provides a key to the solution of several of these disabilities. Lack of proper shelter has been a major challenge of the post-war period. What has this challenge produced? In Sri Lanka, it has produced the Million Houses Programme (MHP) and its innovative methodology, as a new organizing principle of development of poor majorities. Through this experience, we have learnt so much about a different framework of development—a framework based on the human being and the human family.

Elimination of Poverty Malnutrition and Unemployment

Housing is not an isolated theme. It is pivotal to all development. Housing, in our thinking, does not mean only a roof over the head. It also means the contentment of the heart. With housing, comes a whole package which includes improved roads, better home-gardens, rural electricity, safe drinking water, pre-schools, technical and leadership training, greater facilities for community participation and recreation. This is how we address our minds to the problem of poverty. While we can draw satisfaction from the achievements in the field of housing development, there are three (3) fundamental issues which must be resolved, namely, poverty, malnutrition and unemployment.

Why should we emphasize shelter and other

anti-poverty strategies? I will quote a few statistics. Unemployment in Sri Lanka as a percentage of the labour force stood at 24 per cent in 1970. That is, in 1973 the unemployment percentage was 24. We brought it down to 14 per cent in 1979 and 11 per cent in 1982. From 1983, the rate of unemployment has gone up to the present level of 18 per cent. Since 1983, national resources had to be diverted from development to defence.

The present position is that, *of a total work-force of 6 million, 18 per cent or 1,080,000 are unemployed. Of this number, 75 per cent are youths under 30 years. Therefore, of the 1,080,000 unemployed about 810,000 are youths.* In nine (9) districts, from Kurunegala to Hambantota in the Western and Southern belt, unemployment ranges from 15 per cent to 28 per cent. In the North and the East the situation is much worse.

The nutrition situation is also equally disturbing. 37.5 per cent of pre-school children up to 5 years of age suffer from chronic malnutrition. 13 per cent are actually malnourished or wasted. Over 50 per cent of the pre-school children are affected by nutritional anaemia.

About half the population of Sri Lanka live in abject poverty and misery. These are the food-stamp-holders—some 1.5 million families or 7 1/2 million people. They have no regular source of income. They are not sure of the next meal. They have no change of clothing. They are the most vulnerable to social degradation and disease and have no hope of a stake in society. Therefore, what is needed is a *comprehensive people-based programme* with emphasis on the *development and optimum utilization of human resources, which are found in abundance in Sri Lanka.* Our Million Houses Programme is an effective response to this need.

Shelter Strategies

It was very clear to us where the priority lay. In 1986, one year before the International Year itself, we set up our own IYSH National Action Programme with the approval of the Cabinet. It was an Inter-Ministerial Programme which started with 16 Ministries and has now grown to include 21 Ministries. The National Action Programme has produced an extremely broad-based human settlements programme. Its beneficiaries have been the rural, the plantation and the urban poor. I wish to thank the whole Cabinet of Ministers and the officials of the 21 Ministries in particular, for their responsiveness and interest. I urge them to sustain it in the coming years too.

Perhaps, next to learning about development from the base or the common man and the poor family, the most important experience has been the scale of mobilization of the broad masses around a basic need like the home and the house. The islandwide home-gardens programme, the Sevana Marches of 1986 and 5 July 1987, the 1987 World Habitat Day programme of cleaning the environment and the tremendous enthusiasm and interest generated in housing, especially by children and the young, are permanent and countrywide investments for positive, social and economic change.

National Housing Development Authority

The Million Houses Programme which has achieved universal acclaim has expanded its activities. In addition to the Rural Housing Sub-Programme and the Urban Housing Sub-Programme, which are directly implemented by the National Housing Development Authority, it embraces the Plantation Housing Sub-Programme, the Mahaweli Housing Sub-Programme, the Major Settlements Schemes Housing Sub-Programme and the Private Sector Housing Sub-Programme.

The Rural Housing Sub-Programme, which was launched in 1984, is numerically the most extensive of the Million Houses Programme. The total number of families reached during 1987 alone is about 34,527. The loans granted during this year totals Rs. 160 million. The Urban Housing Sub-Programme consists of Sites and Services Projects as well as Slum and Shanty Improvement Projects. It was targeted to spend a sum of Rs. 83.8 million under this Sub-Programme and the number of families reached was over 14,000.

This year has seen a major innovation in plantation worker housing policy. The new policy enunciates a single process of development for both estate workers and landless villagers. Housing is central to this effort. Real integration, social and economic, will result. A programme of pilot projects under this policy is now being implemented by the Sri Lanka State Plantation Corporation and the Janatha Estates Development Board.

The Million Houses Programme is a co-operative effort of all sectors—public and private; rich and poor; traditional and new settlements. The overall performance of the Million Houses Programme to date is very encouraging and gives every promise of being fulfilled.

Mr. Chairman, here I must also mention that we have not neglected the poorest of the poor. As I stated during the Second Reading Debate the poorest of the poor who

From a statement by the Hon. Prime Minister R. Premadasa as Minister in charge of Housing, Construction Highways and Local Government at the Committee Stage discussions of his Ministry's Votes in Parliament on December 10, 1987.

cannot afford to repay even the small Million Houses Programme loan have been served through the Sevana Programme. Sevana Houses were also provided as grants to those who were victims of sudden disasters as in the Kantalai Tank breach and of floods in the Kalutara District.

The National Housing Development Authority carried out a special development programme in the Districts of Hambantota and Moneragala to commemorate the 9th Anniversary of the Village Re-awakening Movement—Gam Udawa 87. A total of 9,100 houses were constructed in the Hambantota District with an investment of Rs. 52 million in housing loans. The corresponding programme carried out in the Moneragala District resulted in the construction of a total of 7,620 houses with an investment of Rs. 37 million as housing loans. Apart from this, we constructed over 300 houses and rehabilitated almost all the families who were living in shanties in the Kataragama Sacred City.

The Gam Udawa experience in the Moneragala and Hambantota Districts clearly indicated that other than materials such as cement and steel, most building materials could be produced in the locality. During a period of about one year leading to Gam Udawa 1987, the income that was generated by the production of local building materials and also the employment generated during this period have been unprecedented. At least 70 per cent of the money spent on these projects reached the poor people of the two (2) Districts in the form of payments for wages and for construction materials.

The Model Villages Programme continued successfully during the year. Fourteen (14) new Model Villages and thirty-nine (39) new Re-awakened Villages with a total of 4,859 housing units were opened during 1987. This brings the total number of Model Villages and Re-awakened Villages formally opened from the inception of the programme to 504 villages. Apart from this almost every village has been benefited by the Million Houses Programme.

An expansion programme in association with the Ministry of Co-operatives and the Federation of Thrift and Credit Co-operative Societies was formulated to enhance the activities carried out by the Thrift and Credit Co-operative Societies. This programme linked the low-income housing programme in the rural and urban areas with the Thrift Society Movement in the Island. This policy decision has resulted in strengthening and enhancing the decentralized implementation structure. It has won the praise of many international institutions as a model in housing finance.

Low income housing in Colombo City

H.L.Hemachandra *Research Department, People's Bank*

Housing of the low income families in the city of Colombo in the houses situated in the disadvantaged residential areas of the city is commonly termed slums and shanties. Colombo is a city with a high ratio of slums and shanties within its total housing stock. According to the various surveys conducted, of the total population in the city 45 to 55 percent are living in slums and shanties. Though there are slums and shanties in some other cities within the country they are comparatively at a very much lower level as a percentage total housing stock of these cities compared to that of the city of Colombo.

The slums are mainly of two types - slum tenements and slum old houses. Slum tenements are again of two sub types - tenement houses and tenement gardens. The slum tenement houses generally have two rooms built one behind other. These houses are close to each other and face parallel narrow ways. These houses generally have their own toilet and water facilities and are occupied by one family. The garden type tenements are single roomed units occupied by one family. These were built in rows occasionally with an open verandah. Each row consists of about 10 rooms and has common water and toilet facilities. They are usually situated in a block of land generally called a "garden" and hence they have a common garden. Tenement gardens vary widely in size, containing anything between five and hundred tenements. Both these types of private owned slum tenements were built to house the city labour force during the growth of the plantation sector and when labour requirements were increased with the expansion of processing, packing, storing and shipping activities of plantation products, in Colombo. Building of these houses had taken place before the introduction of Rent Control legislation and

the Municipality Building by-laws and when this housing construction for the city labour force was a profitable investment. These tenements are situated very often in close vicinity to the places like the harbour, factories and stores where major trading, commercial and industrial activities were centered. With the introduction of the Rent Control Act landlords found it was no longer profitable to maintain these houses. Over-crowding of the tenement, overuse of the limited facilities and neglect of the buildings led to a rapid deterioration of those tenements in the years that followed. The slum old houses are the once residential houses of the middle class people and the elite of the city. With the expansion of commercial and trading activities into these residential areas, in the late 19th century, house owners shifted to the less congested areas of the city, and consequently part of these old range houses, which were not used as stores and offices, have now been sub-divided into slum units and occupied by low income earning workers of the city. The over crowding of the building and the absence of maintenance and repairs soon reduced these houses to the conditions of the slum tenement.

The large majority of shanties are in temporary structures built hastily of non durable materials such as cadjan, cheap wood and plank, tin and old zinc sheets, while a few of them are in semi-permanent structures built of a mix of temporary and permanent materials. They have been built by squatters many coming from the suburbs and rural areas in search of city facilities mainly on private, government and municipal land; though their occupants had no legal right to build houses on these lands and live there. Generally these lands are low lying marsh land which are in most cases not economically viable to

utilise or not marketable, and also occasionally on road reservations. For obtaining water and ease of disposing sewerage generally shanties were constructed near river or canal banks, public baths and latrines, and water logged areas where temporary wells could be built. In some instances shanties also may be seen as clusters or "shanty gardens" and also as rows of shanties but with separate entrances. Some clusters or gardens are really a mix of both slum and shanty type of houses. This is partly due to some of the married children of families having moved into the newly created shanties in the same tenement garden. Shanties were put up originally by people who lost their houses by floods etc. but later over about the last four decades shanty houses have been increasing rapidly in the city. This high increase is partly because of an increase in shanty population over the years and migration from the rural areas to the main city, (although at a lower rate compared to other developing countries) on the one hand; and on the other hand inadequate investment on housing by both the private sector consequent to the Rent Control Act, and also by the government.

Slum and shanty type houses can be seen in almost all the wards of the Colombo Municipal Council, though at different levels. The main municipal wards with slum dwellings are around Pettah and Fort - the centre of commercial and trading activities of the city; and the Panchikawatta, Aluthkade-west, Masangasweediya, Kehelwatta, Wekanda, Hunupitiya, Kochchikade-North and South wards. The wards with a majority of shanty houses are located on the North and Eastern fringes of the city; and the Mahawatta, Mattakkuliya, Bloemendhal, Dematagoda and Lunupokuna wards.

Studies on slum and shanty settlements have revealed that these are the most unfavourable housing sections in the housing stock of the city and conditions of these houses and the environment of these housing settlements are not suitable to a large extent

for a healthy and decent living in terms of both physical and mental well-being. Generally both these types of houses-slums and shanties are over crowded, congested and even lack necessary ventilation due to the inadequacy of a number of rooms and the floor area of the houses, occupancy of more than one family in a house which is hardly enough for a single family, the inadequacy of doors and windows etc. Most of the slums and almost all the shanties are single roomed dwellings. Normally a shanty house is a single room with about a 150 square feet floor area and one door without windows. They have very poor sanitary facilities and also do not have sufficient water and toilet facilities. In the case of slum houses generally one watertap serves up to about 10 family units, one public bath room serves for about 20 family units, and one toilet serves for about 8 family units; whereas in case of shanty houses generally one road tap and one toilet serves for about 50 family units. In some instances one toilet serves for as many as 50 slum units and there is not even a single toilet for the entire shanty community. Although some shanty communities were provided in a later period with some facilities such as stand pipes, public baths and toilets by the CMC and some other institutions, even in these communities such facilities were not enough to meet their total requirements. The environment of the slum and shanty communities are unclean, troublesome and noisy. Where the toilet facilities are not available or not enough, particularly in some shanty communities, they use the closest open vicinity for this purpose. What is more damaging is that they use unclean water collected from the same vicinity for drinking purpose. Since most of the shanties were built on canal or river banks or low lying areas they always live on the damp floor and are frequently subject to floods. Among these communities diseases, particularly water-borne diseases, infant mortality and malnutrition are comparatively high as a consequence of their poor housing conditions.

Since nearly half of the city housing stock comprises sub standard houses which are unfavourable for living and part of these houses - shanty houses - have been increasing fast, beyond the general increase of the total housing stock of the city, and private sector investment on housing for low income families is minimal, government sector intervention on that problem has become vital. However, successful government intervention on the problem has been limited not only because of the resource limitations but also due to the complex nature of the problem.

A large majority of the working force in slum and shanty houses engage in various types of occupations in the trade, commerce and service sectors in the vicinity of their settlements or at short distances from places they could reach quickly using easy transport facilities. In areas, which are predominantly slum and shanty areas, informal sector economic activities are high and women and children of these areas also engage in these activities as means of livelihood. Once these people are moved from their present settlement, and moved to new locations their means of earnings would be interrupted and they could be economically affected. But on the other hand construction of new permanent houses for them is not possible, particularly on most of the lands of present shanty settlements, due to the nature of the lands occupied by them. For instance, marshy lands are not technically suitable for permanent buildings; rather than areas used for dumping garbage and the low lying areas frequently go under floods and are therefore unsuitable for housing. Housing construction is also generally prohibited on river or canal banks

as these are reservations for other specific purposes. The cultural behaviour patterns experienced and developed by these dwellers over a period of time at slum and shanty communities prevent them from inhabiting and maintaining new houses in habitable and accepted ways. They could sooner reduce these houses to the standards of their slum houses. If they are unable to develop positive attitudes towards these new housing settlements and an appreciation of them the maintenance of new houses would be neglected and a deterioration of such houses to the level of their slum houses would be the result. Such failures, are evident in some of the flat type of housing provided for them.

Economically more backward families living in slum and shanty houses are generally not in a position to pay for new houses on developed sites. Living in shanty houses without any payment for these lands is really a net earning for the shanty dwellers. Some of them are reluctant to move to the new houses built on other sites since they would lose this benefit.

Due to the complex nature of the housing problem of the urban poor any housing programme for them should be designed strategically and selectively to benefit both the givers and receivers. These are deep considerations necessary in looking at this problem. Attempts at improving the housing conditions of these low income sections and their impact is not limited to the improvement of housing, it also influences positively their set of socio economic conditions; for instance, better housing conditions could lead to far better school enrolment, less infant mortality, less malnutrition, less crime and illegal activities etc. among them.

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HOUSING FINANCE IN SRI LANKA

During the period 1972-1976 public and private sector investment in housing amounted to approximately Rs 800 million or 5 percent of the Gross Domestic Production (GDP) per year. This policy on housing changed after 1978 and funds invested in the housing sector covered different types of programmes such as the Hundred Thousand Houses Programme and the Million Houses Programme under the purview of NHDA, as the following table shows.

STATE FINANCING IN HOUSING (1978-1986)	
Programme	Rs. (Mn)
Director Construction	3,313.1
Rural Housing (A)	805.4
Electoral Housing (B)	610.8
Public Sector Servants Quarters	88.2
National Housing Loan Fund	275.0
Total	5,092.5

Owing to resource constraints and competing demands from other sectors of the economy it was difficult to sustain and increase the level of resource allocation to an amount exceeding 5 percent of total public investment for housing purposes.

A total sum of Rs 5,092.5 million was invested by the public sector during the period of 1978-1987 under the HTHP and a sum of Rs 1,069.2 under MHP. Accordingly the public sector total investment in housing during the period 1978-1987 was Rs 6,161.7 million, at an annual average of Rs 616.2 million.

A study of Housing Finance in Sri Lanka, with particular reference to the Government's "Million Houses Programme", by Alan Knight indicates that to meet the present demand for housing finance, the required investment would need to be about 10 times the sum now provided through the formal housing finance institutions and it has also emphasised that it is not possible to provide the entire investment through the state budget.

THE FOREIGN ELEMENT IN CONSTRUCTION A REVIEW 1978 - 1988

P.G.K. Fernando

Gemunu Fernando is the immediate past President of the Sri Lanka Institute of Architects at which forum major discussions on the role respectively of local and foreign contracts and expertise has taken place. In this article Mr Fernando presents some of the views that have been expressed in this professional forum.

The privileged position of the foreign element in the construction scene has been a matter of concern for the Local Industry almost from the onset of increased construction activity in the post 1977 period. The theme has been a recurrent one at all meetings of the various groups of the Industry - Engineers, Architects and Contractors. They have voiced their concern at their respective professional and trade bodies and in memoranda and submissions to the Government, particularly to the Ministry of Housing and Construction whose special subject is the well-being of the Construction Sector. These concerns have been also aired in scientific forums and seminars orientated to project activities. The Government and more particularly, the Ministry, has been impervious to these views.

The Industry was an early responder to the lump sum depreciation scheme introduced by the Minister of Finance Mr. Ronnine de Mel and was quick to invest in plant and equipment related to the Industry, eager to play its part in the promised development programme. However, many of the traditional Construction Sector people and organisations were soon to discover that the available work load was to be channelled to others. Though the traditional Contracting and Consultancy Sector had acquired much increased capacities and in fact was the means to the initial phase of activity in the Government's programmes,

they were soon to be out of favour for major projects and relegated to work as Sub Contractors, under heavy competition of new, and sometimes fly by night organisations, (who were welcomed with open arms in the first on-rush of the open economy). Many established concerns with a long association with the Industry found access to work restricted. Professionals who had left the country returned, but were to leave again, as no secure prospects became visible in the climate that began to unfold.

The Industry at large has never been parochial about its interests - vis-a-vis the foreign element. It has always looked forward to such inputs and methods. The concern began to grow when it was realised that the Government intended to implement its programme through foreign personnel and organisations in lead roles and not as equal partners with the Local Industry. With the Government's policy that all economic activity including construction be open to world inputs, the Industry sought immediately to seek partners from abroad, to be competitive in such an open market place. They were to be again disappointed, when slow realisation dawned that such an open market was not to be available to them but only to selected foreign elements. They found all doors closed, with only prospects to be Sub-Contractors and in subordinate roles. Many local organisations that had chosen to expand and invest in their

own businesses were soon in difficulty, with no prospects of a growing workload to support such expansion.

The policies of the Government required that international access be maintained, as a pre-requisite to an image of an open economy. As such development funds tied to foreign contractor and consultant activity became the norm, top administrators and politicians placated the Local Industry by stating that it was not possible to negotiate such funds without such tie-ups. Even credits from the World Bank and ADB, which had no such specific pre-conditions, were made available to the foreign element, to further enhance the image of an international market place.

This process was soon to see all major works hydro power and power distribution, roads, harbours, water supply and drainage works, telecommunication and buildings being let to foreign elements. Even state construction agencies, which had a distinguished track record were dismantled and disembodied and relegated to a secondary role. The State Engineering Corporation signed joint venture agreements with foreign contractors and consultants and this enabled the foreign partner to secure work locally without the need to compete. Colombo was to see many expatriate personnel with privileged access to Government work and personnel.

Grossly exaggerated rates to foreign contractors were paid. Concrete poured in Colombo reached Rs 10,000 per cube.

A charge made by the Ministry of Housing and Construction against local contractors was that they lacked management and organisation skills - a charge that was never sustained, as all foreign contractors who benefitted by the policy soon used the

local industry as Sub-Contractors.

The second charge against local contractors was that their quality of work was not adequate. However, the foreign contractor utilised the local expertise. More importantly, where appropriate opportunities were available local contractors were to complete excellent work which contrasted strongly against the shoddy workmanship of sponsored foreign contractors in many cases.

It soon appeared to the Sri Lankan contracting sector that the official attitudes were largely hostile to the Industry at large and that its interests largely lay with the foreign element.

To rectify supposed lapses of the local contractor, the Ministry pursued a programme of Construction Industry Training as its industry development priority. Many within the industry suspected that the programme was essentially arranged for the supply of trained labour for expatriate contractor organisations. The Industry, in the intervening years continued within its traditional role and methods and supported the realisation of a large volume of work undertaken by the Private Sector and some part of the public sector. Minimal impact was made upon local contracting methods by the Construction Ministry training objectives, largely as the Industry had no specific incentives to further expand and modernise. The role of the local industry vis-a-vis the Public Sector work declined.

The Consultancy Sector fared no better. Though a large volume of work was initiated for the Government through local consultants and completed, the avenues available to local consultants to participate in major projects became closed and restricted.

A charge made by the Ministry against the local consultants was that

they did not possess the expertise and experience to undertake work of the "type of sophistication" required and therefore the employment of foreign consultants were considered essential. The policy generated did not concern itself with the development of an increasing capability and experience within the local consultancy sector. Within the Ministry itself, it preferred to engage mediocre professional services via foreign contractors, in preference to experienced local consultancy on important public buildings.

The second charge against the local consultant was that the regulated fee was too excessive and that foreign consultants charge less. Though challenged to make public the rates contracted and terms and conditions attached to these contracts with foreign consultants, nothing materialised. However, on this false premise the Ministry was able to persuade the Government to effectively overthrow the regulated traditional "fees" structure of the consultancy sector which had effectively delivered the goods for a considerable period of time in Sri Lanka and put in its stead the infamous Treasury Circular 850 which enabled consultancy fees to be manipulated and negotiated to suit the purposes of individual vested interests. There were in fact instances where the services of unqualified persons were engaged to provide services under the terms of this Circular. The Ministry also resisted and thereafter delayed by administrative means, proposed legislation for the regulation of practice of Architecture by unqualified persons. Under the guise of fundamental rights and the right of the Government and others to hire anyone of their choice for any project in the interests of the open market policies, the free access to qualified as well as unqualified foreign elements to participate in the construction process was ensured.

Local Consultants became unpopular

with the Ministry when their respective professional bodies chose to call attention to these internal contradictions by taking independent action to brief the country and the Government of these irreparable trends. New allegations came to be made against local consultants, the principal among which were that local consultants had designed faulty buildings with escalating costs. An official of the Ministry went on record making more specific unsubstantiated allegations but no opportunities were afforded to reply these charges.

Though local consultants were engaged using laboriously onesided consultancy agreements, the Ministry failed to take any of them to court to recover losses on account of faulty design. When specific cases within the Ministry's work load were cited, the professional sector always replied these charges and pointed to the real cause of such defects, which were mainly the Ministry's own disinclination, to follow professional advice. By and large the Ministry failed in their attempt to hoist the blame for their own misadventures upon the local Consultancy sector.

A system of monopolistic decision making within the Ministry and its agencies tended to make the Ministry Technical Committee, a mere rubber stamp. There have been instances where locations of buildings, construction methods, designs and costs were decided upon on criteria other than good practice and or technical considerations. Top administrators were advised by consultants, largely drawn from retired technical officers, and their recommendations superseded those of consultants responsible through consultancy agreements.

The charge made against local consultants that they have been responsible for cost increases was to boomerang, when the Ministry was not able to explain variations in costs between contracted prices and final payments.

The disinformation had taken firm root. Though special care had been taken in contract documents to anticipate cost changes arising from structural changes in the economy. All contracts had provision for reimbursement of escalations, due to changes in material prices and in labour rates, the Ministry of Construction could not or failed to argue the case effectively and soon found its own purse strings cut. The government at large had been made to believe that cost increases were the outcome of a lack of professional competence among the local consultants. However, the Ministry paid up promptly all escalations claimed by the foreign elements whilst still continuing to fight claims of local parties for their contractual dues.

With the purse strings cut, major developments planned through the Ministry for Urban development came to a halt, and the programme became adapted to the lottery - economy that was to follow. The industry had looked forward to Private Sector developer activity as a way out but was to be soon disappointed again.

The Ministry convinced both the Government and Parliament to amend the UDA Act in 1982 to enable a planning and development authority to itself become a speculator. Empowered by this amendment, the UDA formed a joint venture company with a selected Singapore developer and became a junior partner in equity and afforded this essentially private venture the privilege of selling for profit leasehold state land. The joint venture company became the beneficiary of acres of prime Colombo land. The foreign partners' very modest investment in Dollar terms grew to rupees millions several times over, when bonus shares were issued through recourse to a public issue.

With the comprehensive powers over both state and private land of the UDA becoming available for the bene-

fit of a single developer, all prime urban land became monopolised and prospects of other developer activity also came to an end. Many prospective developers who were used to dealing with independent development promotion agencies became wary of this new role of the UDA and the UDA was never able to attract both foreign and local capital for urban development and the expected take off never materialised. Many prospective foreign developers were to pack their bags and leave.

In contrast to the Ministry in charge of construction, the Ministry of Mahaweli Development set its policy on firm ground from the very beginning. The local industry was to fully appreciate these policy objectives and therefore rarely brought out issues connected with these projects at industry meetings. The Ministry had set up its own State Sector consultancy organisation which brought effective participation of local professional expertise into this major project. In this way local professional aspirations were met, local contractors without protest accepted their secondary role as Sub-contractors, as it was fully understood by them that the funds for this gigantic development exercise were obtained through tied assistance.

Whilst the Ministry of Construction was lecturing and posturing to the Local Industry, another major development effort was systematically led to success with the effective participation of local skills. The industrial processing zone was built at the same time as the debate continued extensively through local consultancy and contractors expertise, and in this case all investment ironically came from foreign sources!

Looked upon from within, the decade under review appeared to be a period of lost opportunity for the Local Industry.

Export Earnings Improve in first five months of 1988

Sri Lanka's external trade picture showed improvement over the first five months of this year. The country's adverse balance of trade came down from -SDR 260 mn in the first five months of 1987 to -SDR 240 mn in the first five months of 1988.

EXPORTS

While export earnings moved up from SDR 384 million (Rs. 14,120 mn) in the 1987 period to SDR 423 mn (Rs.17,942 mn) in the first five months of this year (a 10% increase), the value of imports moved up from SDR 654 mn to only SDR 670 mn (a 2.5% increase). Largely responsible for the improving external trade position was the increasing value of exports particularly of gems, minor agricultural products, readymade garments and other manufactured and miscellaneous products. The largest increase in the value of exports over the five month period was in gems, which went up from SDR 14 mn in 1987 to SDR 33 mn in the 1988 period and accounting for nearly 8 percent of the country's total export earnings in the 1988 period as against less than 4 percent during that of 1987. Tea recorded an increase of only SDR 2 mn in the 1988 period; while rubber earnings increased by SDR 7.5 mn. Coconut kernal export earnings recorded a drastic fall from SDR 17.1 mn to SDR 3.5 mn in the 1988 period.

IMPORTS

The major item of imports continued to be petroleum, but as a percentage of total import values had come down to 9.6 percent (Rs. 740 mn) as against 15.1 percent in the 1987 period. The other major items of import were boilers, machinery, mechanical appliances and parts, accounting for 8.9 percent of total import values; and cereals (mainly wheat and rice) accounting for 8.7 percent of total import values. Other major items of imports were motor vehicles; cotton;

electrical machinery and equipment; sugar and confectionary; and fertilizer.

BUYERS

Sri Lanka's biggest market was the United States which bought products to the value of Rs. 4,652 mn from Sri Lanka, taking nearly 26 percent of the total exports. Sri Lanka's second largest market for its exports during the first five months of 1988

this year; while the twelve main buyer countries took nearly 70 percent of all Sri Lanka's exports.

SUPPLIERS

The biggest exporter to Sri Lanka continued to be Japan and by the end of May had accounted for 14.5 percent or Rs 4,111 of the country's total import bill. The second largest supplier of Sri Lanka's imports was United Kingdom which provided Rs. 1,718 mn or 6.0 percent of the country's imports; followed by China 5.5 percent; Hong Kong 5.4 percent;

EXPORTS BY GROUP OF COMMODITIES

	5 Months ended May			
	1987		1988	
	Value Rs.Mn.	% to total	Value Rs.Mn.	% to total
Major Products				
Tea	3,955.1	28.0	4,646.0	25.9
Rubber	1,179.2	8.4	1,678.7	9.4
Coconut Kernal Products	630.1	4.4	131.4	0.7
Coconut by-Products	264.6	1.9	238.0	1.3
	6,028.9	42.7	6,694.1	37.3
Minor Products				
Gems	514.7	3.6	1,401.5	7.8
Other Agricultural Products	488.8	3.5	925.3	5.2
Garments	4,458.0	31.6	5,343.1	29.8
Marine Products	263.0	1.8	347.0	1.9
Manufactured and others	1,765.5	12.5	2,471.7	13.8
Miscellaneous Products	1,765.5	12.5	2,471.7	13.8
Total	7,490.0	52.9	10,488.6	58.5
Ship Stores & Bunkers	601.2	4.3	799.5	4.2
Grand Total	14,120.1	100.0	17,942.2	100.0

Source: Sri Lanka Customs Returns

TWELVE MAIN MARKETS FOR SRI LANKA'S EXPORTS IN JAN-MAY 1988

Country	Value Rs.Mn	Percentage
1. U.S.A.	4,652.3	25.9
2. Germany F.A.	1,250.2	7.0
3. U.K.	1,045.8	5.8
4. Japan	986.3	5.5
5. North Africa	787.9	4.4
6. Pakistan	725.4	4.0
7. Egypt	722.8	4.0
8. Netherlands	584.1	3.3
9. Saudi Arabia	485.3	2.7
10. Singapore	464.1	2.6
11. Iraq	452.5	2.5
12. Iran	378.1	2.1
Sub Total	12,534.8	69.8
Others	5,407.4	30.2
Grand Total	17,942.2	100.0

Source: Statistics Division, Dept. of Census; Sri Lanka Customs

TWELVE MAIN SOURCES OF IMPORTS INTO SRI LANKA IN JAN-MAY 1988

Country	Value Rs.Mn	Percentage
1. Japan	4,110.9	14.5
2. U.K.	1,718.2	6.0
3. China	1,566.0	5.5
4. Hong Kong	1,520.1	5.4
5. U.S.A.	1,484.5	5.2
6. Iran	1,454.3	5.1
7. Germany F.R.	1,274.7	4.5
8. Singapore	1,245.6	4.7
9. Pakistan	1,238.8	4.4
10. Taiwan	1,234.8	4.3
11. India	1,106.2	3.9
12. South Korea	1,033.8	3.6
Sub Total	18,987.9	66.8
Others	9,417.8	33.2
Grand Total	28,405.7	100.0

Source: Statistics Division, Dept. of Census; Sri Lanka Customs

has been West Germany which took Rs. 1,250 mn or 7 percent of the country's total exports. The third largest buyer was the United Kingdom which took 5.8 percent of Sri Lanka's exports; followed by Japan 5.5 percent, Pakistan and Egypt 4.0 percent each. Together these six countries have accounted for over 50 percent of total exports

USA 5.2 percent; Iran 5.1 percent; West Germany 4.5 percent; Singapore and Pakistan 4.4 percent each; Taiwan 4.3 percent; India 3.9 percent and South Korea 3.6 percent. Over 50 percent of the country's imports came from the first eight suppliers; while these 12 countries accounted for over two-thirds of the country's total imports.

ECONOMICS OF POULTRY FARMING: A CASE OF STUDY

Upali Vidanapathirane

S.L.Tilakasiri

Research Department, Peoples Bank

Poultry farming encompasses activities related to poultry keeping for the purpose of producing eggs and meat. The scale of operation within this sector, varies quite remarkably. Although the economic potential of this industry is not unlimited its real and potential contribution to income generation, employment creation, and improvement of nutritional standards of the people is very high. However, the poultry industry has its own share of problems. The most pronounced amongst them had been the volatility in profit margins resulting from unfavourable price variations of inputs and particularly due to variations in the prices of poultry products. This has been quite noticeable particularly during the year 1987. During this year the prices of eggs and meat have shown an increase over that of the last few years.

The variations of prices within these years have been erratic in the meantime the prices of feed, medicine, building material and labour also have shown a slow but a steady growth over the same period. The net result of this pattern has been twofold. Firstly it tends to reduce the profit margins, particularly during the lean periods undermining the viability of this industry. Secondly, the investment and entrepreneurial risks particularly in the case of small scale poultry industry has been enhanced. This study was confined to Colombo and its suburbs as the production and marketing of poultry products are mostly concentrated in these areas. This study has been primarily based on data obtained from published sources, supplemented with information collected through observations and interviews. This study identifies four systems of poultry farms (produ-

cing eggs and poultry meat). They are:

- * Large scale farms with a bird population of over 10,000 birds.
- * Medium scale farms with a bird population ranging between 1,000 to 10,000 birds.
- * Small scale farms with a bird population below 1000 birds.
- * Backyard, non-intensive operators of farms with a small number of birds.

This classification is neither exhaustive nor scientific. For instance, state farms have been totally excluded from this list. However, it serves a useful purpose particularly in the context of the difference in the degree of adapta-

felt by the small timers rather than the relatively bigger ones.

This does not necessarily mean that the farms of less than 1000 birds are economically non-viable. It only means, that in statistical terms, the small farms are more vulnerable to market and price changes. Similarly during the boom years the small scale farms mushroom to reap benefits from the increased prices which sometimes lead to over production.

During lean periods the majority of these farms succumb, giving rise to a relatively shorter span of life (as they are incapable of managing price risks). In contrast, large and medium scale farm exercise at least some control over input and output prices, enabling them to absorb a greater degree of risk resulting from price slumps.

The table below, presents information on farm distribution by size (this table is compiled for the year 1984).

TABLE 1

NUMBER OF COMMERCIAL POULTRY FARMS & DISTRIBUTION OF BIRD POPULATION

BIRD POPULATION	NO.OF FARMS	ESTIMATED NO. OF BIRDS	% DISTRIBUTION
Over 10,000 birds	22	220,000	10.3
4,000 to 10,000 birds	51	357,000	16.8
500 to 4,000 birds	468	1,053,000	49.5
200 to 500 birds	1,420	497,000	23.4

Source: *Ministry of Finance & Planning.*

bility of these systems to changing market situations and incidence of pests and periodic hazards. The variations in the adaptability stated above could partly be explained in terms of the scale of production and partly in terms of the related managerial, technical and marketing expertise acquired by the entrepreneurs of the different systems. For instance, a majority of the poultry farmers that crashed during the 1987 slump had been small scale producers. In other words the effects of such hazards were greatly

Although the classification in this computation is different to the earlier one, it provides a useful insight into the structure of the system of poultry farming in the country. For instance, as much as 30% of the total bird population of the commercial farms have been concentrated in the category of farms having 500-4000 birds.

As a source of animal protein, eggs have certain inherent characteristics which affect and determine the nature of demand, price levels, and their variations over space and time.

These characteristics include the relatively high protein content, and longer shelf life, and food value of eggs as a source of low-cost animal protein. Hence the uses of eggs vary as a primary, intermediary and final product in the market (based on different consumption levels and purposes). Consequently, the price of eggs seem to have been relatively stable, particularly when compared with prices of some of its substitutes such as fish, dried fish, and even meat.

For instance, price variations of eggs in markets in Pettah and Nugegoda range between 5 to 10 cents per egg on an average, while price variations stemming from size and/or colour, range between 5 to 15 cents on an average in different areas. Thus, price variations of a kilo of eggs (22 to 28 eggs) usually revolve around Rs.38 as between markets, at a rate of approximately Rs.1/50 per egg. The variation as between the wholesale and retail price ranges between 5 to 10 cents per egg on an average. In contrast, the price variations as between the farm-gate and consumer levels, and within the year resulting from seasonal factors appear to have been rather high.

April and September followed by subsequent troughs (a price range of about Rs.0.50). In addition to these seasonal variations, there has been some evidence to suggest that there exists a 4 to 5 yearly cycle of production booms followed by a drastic downturn of price levels.

On the whole the price of eggs has shown a continuous increase over the last 8 year period. Starting from 0.72 cents per egg in 1978 the price of eggs rose to Rs.1.47 in 1986. Thus on the average eggs appear to have enjoyed a relatively stable market particularly when compared with the price fluctuations of other animal protein sources.

The price changes in eggs are influenced by supply and demand. Of them, factors influencing demand are based on the seasonal nature of demand for eggs, which causes prices to escalate during the festive seasons. These price hikes are immediately followed by substantial drops leaving egg producers in difficulties. Thus, during times of Sinhala/Tamil new year the demand for eggs/poultry meat increases sharply causing an increase of price levels. Apart from these changing

consumer on the other. As a result, both the total demand for eggs as well as the per capita consumption of eggs have increased over the years.

These changes in turn are linked with the increase in population, rising standard of living of the population, general changes in attitudes towards food items and nutrition, price variations of other animal protein sources, and changes in demand for eggs for industrial uses (catering and tourist industry). The pattern of variation of the factors outlined above indicate a greater demand for eggs in the coming years. The extent of increase of demand, however, depends on many factors. For instance, the present per capita egg consumption of 15.9 eggs per annum is much lower than the recommended MRI standard of (180 eggs per capita per annum) based on nutritional requirements of an average Sri Lankan.

Similarly the production behaviour of other animal protein sources (substitutes) has shown shortages in supply giving rise to steep jacking up of prices of these substitutes and in turn creating an additional demand for eggs. With the growth of population and the

TABLE 2
PRODUCTION TRENDS AND PROJECTION FOR 1988-91 PERIOD

YEAR	1982	1983	1984	1985	1986	1987**	1988**	1989*	1990*	1991*
Population (mn)	15.20	15.40	15.60	15.80	16.10	16.50	16.80	17.00	17.20	17.50
Egg production (mn)	521.00	564.00	561.00	618.00	667.00	814.00	754.00	796.00	839.00	889.00
Egg production per capita	34.20	36.60	35.90	39.10	41.40	49.30	44.90	46.80	48.70	50.82
Price levels***	1.20	1.30	1.38	1.43	1.47	1.23	1.59	1.67	1.75	1.84

* Projection based on population growth, per capita income growth, nutritional increases and no change in price/production levels of other animal protein sources.

** 1987 has been a catastrophic year, because of over production.

*** Price levels are expected to grow at a rate of more than 4.5% if production increases at a rate close to 5%.

For instance, the difference between farm gate price in Piliyandala area, and the retail price in Pettah market in May 1988 has been Rs.0.40 per egg while price fluctuations within the years 1984, 1985, 1986 and 1987 show discernible peaks in December,

consumption patterns during festive seasons the demand for eggs over the years had shown an increasing trend. The reasons for this increase are two-fold; namely, the increase in egg-eating (consuming) population on the one hand and the increase of egg-intake per

per capita GNP of the country remaining on the average of 1.5 and 3.2 respectively during the last 05 year period, an appreciable increase in the demand for eggs could be anticipated during the next few years.

The reasons influencing price of

eggs determined by supply conditions are twofold. They can be enumerated as the cost of production and the cost of marketing (sorting, stock keeping and delivery).

tively less vulnerable to periodic changes in the market price. The cost of production, and figures indicating producer margin in respect of different types of farms are given below. They

played by different individuals at each of these stages determine the volume of marketing cost. For example see the table below.

The average cost of marketing ranges between Rs.0.20 to Rs.0.27 per egg. This makes an average retail price of Rs.1.60 per egg, and the present cost of marketing constitutes roughly 13% to 18% of the price of an egg. Those producers, who could integrate part of the marketing with those functions of production are capable of retaining a part of the cost of marketing and thereby increase their total margin. In the case of poultry meat, the cost of marketing ranges between 30 to 33 per cent of the retail price of poultry meat.

The average producer's margin from poultry farming ranges between 17 to 27 per cent in the case of eggs and 20 to 65 per cent in the case of poultry meat. In real terms, poultry producers retain a margin of Rs.0.27 to 0.43 per egg on an average. The higher margins of Rs.0.43 (27%) represent those farm owners who could manipulate at least part of the marketing arrangements, and technology, input combinations and expertise in their favour. These farms seemed to have been less vulnerable to periodic variations in the demand for and prices of eggs.

TABLE 3

COST OF PRODUCTION/FARM GATE PRICES AND PRODUCER MARGINS

FARM SIZE	NO. OF LAYERS	COST OF PRODUCTION	FARM GATE PRICE	COST OF MARKETING	PRODUCER MARGIN	RETAIL PRICE
1. 25,000	12,000	0.95	1.40	0.20	0.45	1.60
2. 20,000	10,000	1.00	1.40	0.15	0.40	1.55
3. 9,000	4,000	1.05	1.35	0.25	0.30	1.60
4. 1,000	500	1.10	1.35	0.25	0.25	1.60

The variations in the cost of production of eggs/poultry meat reflect the cost behaviour of different direct inputs such as poultry feed, labour, medicine and overheads. Of them, poultry feed constitutes about 80 per cent of cost of eggs. During the past six year period cost of poultry feed items such as growers, mash, and broiler finishers etc. has shown a steep increase in prices. For instance, growers mash which stood at Rs3,500 per mt, in September 1980, has increased to Rs.5,226 by February 1988. Similarly price of broiler finishes has increased from Rs.3,900 per mt to Rs.6,535 per mt during the corresponding period. The prices of other feed varieties also have indicated a similar pattern of variation. In the meantime cost of medicine, labour, electricity and rent (in some instances) has increased at a much faster rate.

However, price increases of these cost items, in the poultry industry have not uniformly affected all farms or producers. The scale of operation of farms, technology used, presence of family labour /feed substitutes etc. determine the extent of the effect on poultry production. This makes some operators more vulnerable to market forces while others are rela-

depict how prices and costs vary over different sizes of farms.

The cost of production figures given above show some association between the scale of production and the cost of production. However, what is more important is not the number of layers or the size of the farm but the management efficiency of the farm. The cost seemed to vary with the technology used, and the extent of chicken feed substitutes made available within the farm. It has been estimated that the cost of feed alone accounts for about 80 per cent of the cost of production of eggs. Given the present average price of Rs.1.60 per egg the cost of production accounts for about 60 per cent of the cost of an egg to the consumer.

The cost of production of poultry meat varies depending on the type of bird i.e., broilers or culled birds. The cost of production of broilers ranges between Rs.25 to 35 per kg, while in the case of culled birds the marginal cost of meat is almost negligible.

The cost of marketing includes costs involved in collection, sorting, transportation, information handling, stock maintenance, and profits to the dealers. The number of stages in the marketing channel and different roles

TABLE 4

TYPE OF MARKET, INDIVIDUALS INVOLVED, AND THE COSTS/PRICE

TYPES OF MARKET	INDIVIDUALS INVOLVED	COSTS/PRICE
Farm Gate Whole-sale dealer	Producer	1.33
	Collector	
	Bulk handler	
	Transporter	1.38
	Stock Keeper	
Retailer Final Consumer	Information and risk manipulator	
	Seller	1.50
	Buyer	1.60

In the case of poultry meat, the producer margins from broilers range between 20-25% of the retail price,

while in the case of culled birds, the negligible cost of production gives rise to a producer margin close to 65-70% of the retail price of poultry meat of Rs.45 per kg. In real terms, poultry breeders retain about Rs.13/ Rs. 32/- from broilers and culled birds respectively.

In the case of backyard or non-intensive poultry farms, the farms are made up of basically indigenous stock of birds in which rice bran and other domestically available substitutes are used to feed them.

These backyard farms show a very high producer margin per egg, because of their relatively lower cost of production. However, the income generating capacity of these farms are lower because of the poor breeding capacity of layers, and the resultant low turnover.

The size of producer margin and the level of turnover are the main factors determining the profitability of the poultry industry. In the case of the level of turnover, the shorter life cycle in meat and egg production by nature enhances the level of turnover of poultry farming. Secondly, the higher feed conversion rate of poultry vis-a-vis dairy or other livestock substitutes, makes the potential turnover to be relatively high. It also makes the industry relatively more manoeuvrable and therefore responsive to market conditions. Consequently, the profit margins also should be more adjustable.

On the basis of the May 1988 price levels the producer margins from eggs range between Rs.0.50 to Rs.0.60 per egg while producer margins from poultry meat range between Rs.25/- to Rs.35/- in the case of broiler and culled birds respectively. However the April/May 1988 market situation has been extremely favourable to the producers. The future market of the poultry industry depends basically on the demand and supply positions. If the rate of growth of poultry production does not exceed its permissible level of 6% per annum, (which com-



pare with present rate of increase of demand), the price levels may stabilize at a relatively higher point exceeding the present rates of Rs. 1.50 per egg and Rs 45 per kg of meat. Hence, profitability of poultry in the future could be maintained by placing a brake on over production.

The price slump of poultry products in 1987 gave rise to a severe setback in the poultry industry. Over production of eggs/poultry meat and the production surplus of other animal protein sources created this situation.

Consequent on the downward trend of egg and poultry meat prices in 1987, the poultry industry as a whole and the small producers in particular suffered severe hardships. The price slump of 1987 has been an outcome of the production surpluses due mainly to nearly 22% increase in the bird population in the poultry industry. This study reveals that apart from the seasonal and cyclical changes in the pro-

duction and price levels, the market for eggs and poultry meat had been relatively steady with an annual growth rate of about 6 percent. However any significant imbalance in the production/consumption levels of poultry products (as was in 1987) would be reflected in the price levels, sometimes causing serious hardships to the producers/consumers.

The demand and price levels of poultry products being relatively steady, the main factor that influences the producer margins was found to be the feed. On the average the producer margins as well as the business turnover of poultry farms remain at relatively higher levels which enhances profitability of the industry in general. However, the degree of profitability of poultry farms of different types depends on the scale of production, level of substitutability of inputs within the farm, technology used etc. which often operate in favour of large scale farms.

THE SWEDISH PUBLIC SECTOR HOW DO THEY MANAGE

In Sweden the State Sector industries under the Ministry of Industry operate through a holding company fully owned by the State and in this instance the Ministry of Industry. The Holding Company is called PROCORDIA which in turn has a number of Subsidiary Companies which are the operating companies.

As stated earlier PROCRODIA AB does not engage in business on its own account. The holding Company has a 100% shareholding in 33 Companies and less than 50% share holding in 6 Companies. The group profit was Skr. 733 M. Group Sales Skr. 12,214 M. Employment 24,349. Return on capital employed 13.4% for the year 1985.

The Ministry of Industry is the only shareholder of the Holding Company. The Members of the Board of Directors are elected at the annual general meeting. There are two places on the Board of Directors for representatives of Trade Unions. Normally the directors appointed to the Board are Professional Managers from the Private Sector who have a proven track record. The Directors of the subsidiary companies are appointed by the Board of Directors of Procordia AB. All decision making is carried out by the Board of Directors of the Holding and Subsidiary Companies, while the Ministry of Industry is responsible for laying down the policy guidelines and does not interfere in the management. The Board of Directors who are responsible for the appointment of managers could fix salary scales similar to or better than in the Private Sector.

It would be useful to look at the policy adopted in running these companies.

a) Overall Goals—

Procordia's philosophy is one of profitable long term commitment to manufacturing industry.

b) Business Fields—

Procordia concentrates its operations in a small number of profitable and expanding sectors - both domestic and international adopting a dynamic investment strategy that recognises the need for a balance of risks.

c) Management Philosophy—

Procordia is directed towards agreed targets by a decentralized management organisation which is based on common values.

d) Objectives —

The Return on Capital must reach a minimum of 13 percent per annum or other reasonable return determined.

In 1982 the Parliament laid down a policy that all government owned undertakings should be profitable, efficient and competitive. In order to achieve these objectives a number of companies were restructured and this resulted in the sale of some companies and also closure of several unprofitable areas. A final restructuring of all the companies was also carried out.

In 1984 a study of companies were carried out to determine their strengths and weaknesses and some of the main deficiencies that were outlined were as follows.

- 1) Too diversified Group
- 2) Low Profitability
- 3) Bad public image
- 4) Low self respect

It was also found that other companies were growing faster and the return on capital employed was much higher.

Thereafter the Company adopted the Seven S model which concentrated on the following:

Staff, Style, Systems, Strategy, Structure, Skills, Shared Values.

Two types of administration termed Hard and Soft strategies were adopted. The Hard line was pursued in the case of Strategy, Struc-

SWEDEN — An Economic Paradox

"Sweden is an economic paradox. It has the biggest public sector of any industrial economy, the highest taxes, the most generous welfare state, the narrowest wage differentials, and powerful trade unions. According to prevailing economic wisdom, it ought to be suffering from an acute bout of 'Eurosclerosis,' with rigid labour markets and arthritic industry. Instead, Sweden has many large and vigorous companies and one of the lowest unemployment rates in Europe".

THE ECONOMIST March 7, 1987

ture and Systems and the Soft line for Skills, Staff and Style.

It was also considered that a common philosophy and corporate culture which constituted shared values should be pursued.

With this new policy being followed it was found that the Group concentrated within fewer, strategically selected business Sectors. Forward looking investments were made in vital activities possessing the potential for long term development. Sources of loss were eliminated by internal action, sale or closure. Far reaching changes were carried out in many companies affecting both production and market structure and involving closure and new acquisitions. In certain sectors rationalizing operations had resulted in heavy extraordinary expenditure. An important acquisition by the Group was the acquisition of Svenska Tobaks of the Pinkerton Tobacco Co. which is one of the largest acquisitions ever made by a Swedish Firm in U.S.A.

The Group has realised that persistent long term losses cannot be tolerated and would have adverse effects on group companies. Realistic targets and a decentralized organisation will help the progress of the group. The demands and goals towards which each unit is working should harmonize with the overall goal of

The organisation structure of the Group could be summarised as follows:-

- | | |
|---|---|
| <ul style="list-style-type: none"> a) Board of Directors –
 Holding Company b) Corporate Staff – Finance
 Holding Co. – Personnel
 – Legal
 – Projects c) Subsidiary Companies – | <ul style="list-style-type: none"> Chairman Deputy Chairman Deputy Group Chief Executive Vice President
 Seperate Board of Directors and
Managerial Staff |
|---|---|

the group. It has also been stated that it was also crucial to the success of the group for the need to ensure that the conditions underlying the Group Reconstruction and its opportunity to develop are not changed. It is only through being consistent in word and action through harmony between strategic planning and action that the Group can gain credibility both internally and among a public outside the group.

Swedish Steel Company

The Swedish Steel Company which was owned 50 percent by the state is another Company that was restructured and the state ownership increased to 75 percent during the restructuring exercise. The structural plan was designed by management in consultation with union leaders. Some of the significant steps adopted in the restructuring exercise were as follows:-

- 1) The Company was engaged in the mining of iron ore and was operating 8 mines. Since most of these mines were running at a loss they were closed down except two mines which are now operational.
- 2) The yield of hot rolled products obtained from ingots was improved from 73% to 90%.
- 3) The productivity within the Steel Sector was increased. There was a decrease in the Man Hour/Ton of Steel from 10.3 Man Hours to 6 Man Hours.
- 4) The energy consumption was reduced.
- 5) The number of employees were gradually reduced from around 18,200 in 1980 to 14,200 in 1985.

6) The Turnover was increased from 4000 M SEK in 1979 to 13,000 M SEK in 1985. The production was around 3 million tons of steel products.

7) Use of modern technology in manufacturing activities automated production in manufacturing, improved quality of products.

8) The Company incurred losses from 1978-81. Thereafter from 1982 onwards the Company has been making profits.

9) Expansion in the export market has now been restored due to protectionist policies of importing countries such as USA which has imposed a quota system.

10) Financing was an important consideration and this resulted in the Equity Capital to be increased to 4300 M SEK, Conditional Reconstruction loans 1991 M SEK, and Structural loans 1408 M SEK.

Examples for Sri Lanka

From both these examples it is clear that the state could totally or partially own industries or business undertakings, but they should not be involved in the management, but only be responsible for laying down policy. Hence if we are to run State corporations efficiently and profitably then the following guidelines of the Swedish examples could be followed:-

- 1) Following the Swedish example, of having a Holding Company and subsidiary Companies for each of the operating undertakings.
- 2) Appoint qualified, experienced professional directors to the Board of Directors.

3) The Board of Directors to be responsible for recruitment of managers and salary scales would depend on each organisation and would be on par with the private sector organisations.

4) A restructuring exercise of all organisations to be carried out for unprofitable activities and to improve profitable areas. This may even result in retrenchment and if so compensation will have to be paid.

5) Where necessary government should be prepared to invest to modernise plant and machinery and provide funds for restructuring the organisation.

In addition the National Development Bank, CDIF and Employees Trust Fund should assist in loan and additional share capital that would be required for the restructuring exercise.

6) The relevant ministries should only be responsible for laying down policy and should not get involved in the management.

7) In an economy where the capital market is not very well developed, the raising of capital for privatising the ownership of a number of State Corporations will be extremely difficult.

Therefore the more important aspect of improving of management and efficiency should be given priority. In this respect the example of the Swedish Public Sector either wholly or partly owned by the state but operating as Public Companies with greater flexibility is worthy of consideration. However this should be coupled with the appointment of qualified and experienced Boards of Directors with competent well paid managers. Also the Government or Ministries concerned should be only responsible for laying down policy and not engage in the management. It would also be essential to restructure all Corporations so that the new management could deliver the goods and make these organisations viable.

OPPORTUNITIES IN URBAN FOOD MARKETING: "STRING HOPPER" TAKE - AWAY OUTLETS

W.G. Somaratne

*Research and Training Officer,
Marketing & Food Policy Division,
Agrarian Research and Training
Institute.*

Increased attention has been paid in recent years to how employed urban house-wives allocate their time among their occupations, household activities and leisure. Since food preparation activities in the household takes up much time, any change in this pattern should have a direct effect on the modes of food preparation and consumption. It appears that most urban housewives in Sri Lanka still make the decisions on raw-food selection, buying and preparation activities. Despite these considered decisions, as a result of various circumstances household demand and expenditure on prepared food has become increasingly heavy for the urban dwellers in recent years.

From the 1950s, "take-away" or the "fast-food" restaurants grew in popularity in the Western World to meet changing social needs and cater to the convenience of city dwellers in those countries. The 'Finger and Fries' operation of McDonalds, Wimpy, Berger-King and Kentucky chicken were an essential part of these popular fast food restaurants. After several decades, these have become a part and parcel of western food habits and traditions. As a result of such innovation of serving the consumers, these restaurants have a very special place in those societies.

The diversification of economic activities and urbanization in Sri Lanka also have resulted in more employment opportunities for women, particularly in urban areas. As a result the time allocated for various household activities has become critical for the employed housewife. This has led to

new developments such as popularising instant food preparations and outlets for "take-away" food parcels in Sri Lanka.

Structure of the Industry

The new emerging trends in food habits and household activities of urban housewives is noticeable in the increasing number of mobile restaurants, and take-away outlets particularly in Colombo and its suburbs over the past few years. These cater essentially to Sri Lanka's food tastes, habits, preparations and traditions. Rajagiriya, Nugegoda, Wellawatte, Mount Lavinia, Kalubowila, Ratmalana, Dalugama and Fort and Pettah appear to be the most popular market places for such restaurants. The most popular food items at these places is rice-flour string hoppers and other regular accompaniments such as packeted *Seeni Sambol*, chicken curry and dhal curry. Furthermore, these "take-away" and mobile restaurant keepers are also keen on diversifying their line of business by having 'short eats', hoppers and *Pittu* as well as lunch and dinner packets on their

menus. In this regard too, these "take-away" restaurants are becoming increasingly popular.

The string hopper industry has been concentrated in the Rajagiriya area from about 1982. There are five large scale producers who turn out 50,000 to 60,000 string hoppers per day. Their sales activities start around 4 p.m. at different sales points, and go on till about 9.00 p.m. Several "take-away" string hopper outlets for this produce have 'mushroomed' within the city and its outskirts during the last two years or so.

Some of these restaurant keepers or outlets produce string hoppers at their own producing points, while others purchase them from producers at Rajagiriya or elsewhere. Generally the large scale Rajagiriya producers supply string hoppers to restaurants, and hotels in the Colombo city, including 'tourist' hotels.

Cost of Production and Profit Margins

From data gathered in the investigation the following breakdown of production costs and profit margins was worked out.

These figures below show that 67% of the consumer price is the cost of pro-

Estimated Cost of Production and Profit Margin for
String Hoppers

Item	Unit	Cost 100 Strings	
		Rs	%
Raw Rice (White)	1.25KG	8.50	34.0
Grinding charges	1.25KG	3.75	15.0
Cost of labour for making string hoppers		2.00	8.0
Cost of fire-wood and saw-dust		0.75	3.0
Packing material costs (Polythene and paper)		0.45	1.8
Transport cost (from producing point up to 15 Km.)		0.75	3.0
Miscellaneous		0.50	2.0
Profit Margin		8.30	33.2
		----	----
Selling price to consumer		25.00	100.0
		====	=====

duction; while the profit margin of producers/retailers is around 33 per cent. Among the cost of production components, grinding and processing costs are about 23 percent of the consumer price. In this context, at the rate of 0.25 cts. one string-hopper brings the producer a profit margin of 09 cents.

Emerging Trends and Issues

The preparation of string hoppers is carried out manually, employing traditional employment techniques. However, there is potential for the use of simple machinery which could contribute towards greater operational efficiency and improved quality.

Most of these large scale producers use imported Raw (White) rice varieties to maintain a special quality. As explained by the leading string hopper producer, use of local Raw (White) rice varieties brings down the quality and colour of the product. It was observed that the unhygienic conditions at the level of production is very unsatisfactory, and could result in a contamination of the product. Therefore at the production stage regular inspection by the Municipal Authorities and the pertinent state officials is very necessary.

Packing is done with polythene, and paper bags or card board boxes are used for the outer cover. Many 'take-away' restaurant owners use glass cupboards to display and to retain the quality and purity of food. But, a few restaurant owners use open tables where they keep string hoppers before selling. Inevitably it leads to deterioration in the quality of string hoppers resulting in shrinking and drying. Some of these places are infested with flies.

As identified during the investigation, the retail price of string hoppers varies from 0.25 - 0.30 cents each. The 'take-away' shops within the city provide string hoppers at 0.30 cents each while in the outskirts it is 0.25 cents each. The daily sales volume of a restaurant depends upon the area where

the "take-away" restaurant is established. The sales at an average outlet is around 2,000 - 7,000 string hoppers per day. Some of these use telephone facilities to receive orders. However advance orders are necessary for bulk orders in excess of 500 string hoppers.

In the present situation in and around the city consumers go to the "take-aways" due to their convenience. Busy employed house-wives with schooling children could save much time for household activities if such "take-aways" functioning in their areas. These take-aways are therefore becoming a necessity for urban employed house-wives.

Perhaps producers and retailers could be induced to pay strict attention to packing and labelling. During investigations not a single restaurant was observed to distribute string hoppers with an appropriate packet and a label. Labelling with a brand can be used for advertising. It may lead to an increase in the number of consumers and upgrade awareness among the urban people for a particular brand. It is advisable to popularise airtight glass cupboards to maintain hygienic standards of the product. These could also help to prevent infusion of dust and flies.

Conclusion

- (a) The people in the new 'take-away' restaurant business are mainly youth, and such new business opportunities in the city generates self-employment for the unemployed youth and school leavers. In this context the National Youth Service Council may take a clue from this development as a new source of employment in urban areas. The persons involved should be properly trained in management and food preparation.
- (b) With the anticipated self-sufficiency in rice in the country, any surplus could be successfully diverted to rice based products such as instant string hoppers, *pittu*, hoppers etc.

"Take-away" restaurants can play a vital role in popularising rice based food items which would help to increase rice consumption, and thereby find a solution to the problem of any excess in rice production. The diffusion of this consumption pattern into semi-urban and rural areas is desirable.

- (c) A vertical integration could also be seen in the string hopper industry. Most string hopper producers have opened their "take-aways" in different parts of the city, and these have developed as a chain of string hopper "take-aways". For example, some of Rajagiriya producers have their own "take-aways" in Dalugama, and some have their "take-aways" in Mount Lavinia and the Town Hall area. There are therefore signs of developing "take-away" chains as a vertically integrated business.
- (d) Some positive steps could be taken by the government or private sector bankers to upgrade this infant "take-away" industry by granting low interest loans, in order to expand and modernize the industry.
- (e) The peak business days of the week are Fridays, Saturdays and Sundays. People usually come to the "take-aways" after 4.00p.m. in their vehicles. Therefore, these restaurants and outlets need some parking space during their business hours.
- (f) It is advisable to pay greater attention to maintenance of proper hygienic conditions during the process of production, and to formulate specifications for standard weight /size for string hoppers.

With growing women employment in urban areas, and rising family incomes these "take-away" restaurants and allied activities are becoming increasingly important for the development of the urban economy.

COMPUTERS IN BUSINESS A changing landscape

Alan Cane

Strong forces are sweeping through the volatile computer industry, stimulated by rapid advances in hardware and software technology. Furthermore, the customer, rather than the vendor, is beginning to call the tune, as Alan Cane discusses in this "Financial Times" survey.

The Computer Industry is going through a period of transition more drastic than anything it has experienced since the advent of the mini-computer in the 1960s.

The process is being driven by a series of developments each one of which would be sufficient by itself to change significantly the direction of the data processing business.

Together, their effect will be to alter profoundly and irrevocably the computing landscape. Traditional landmarks are being swept away. The computer industry today is already markedly different from the industry of only five years ago.

By the mid-1990s, the transformation will be complete and few if any of today's major suppliers can be certain of surviving unscathed.

It will also involve changes in corporate management structures as the responsibilities of the data processing manager are progressively taken over by the information technology director, a board-level executive with total or partial responsibility for all computing activities within the company.

Today's data-processing managers will have either to grow into this new role or find themselves relegated to less influential more technically orientated positions. Among the most important technical developments will be the emergence of a new structure for corporate computing involving only two fundamental kinds of computer - mainframes giving access to company data and substantial calcula-

ting power and high powered workstations on executive desks. A high speed data communications network will link the two into a flexible, cost-effective system.

The minicomputer, conventionally the source of departmental computer power, will disappear, and with it those minicomputer companies which cannot adapt quickly enough to the new regime. The forces behind these changes include:

- * The emergence of new "architectures" (Computer designs) which promise substantial improvements in computing performance at greatly reduced cost and which are being exploited most enthusiastically by comparatively new manufacturers.

- * A new understanding of the importance of software in developing successful computer systems.

- * An increased awareness of the significance of international computing standards in securing progress.

- * The emergence of networking as the successor to stand-alone computer systems.

- * And, perhaps most important, the fact that the customer rather than the vendor is now beginning to call the tune.

Overlaid on this technological background is a fast-developing pattern of mergers, acquisitions, marketing and research and development agreements of which have brought a new level of complexity to the industry.

Among the sub-themes underlying these major industry changes are:

†Rationalisation has continued apace with mixed results. The merger in 1986 between Burroughs and Sperry, for example, resulting in Unisys seems to have been a success despite the fact the merged company is still marketing two incompatible systems ranges. Its chairman Mr Michael Blumenthal put his finger on a key trend when he observed: "Our customers are demanding solutions, not boxes."

The joint venture between Honeywell of the US, Groupe Bull of France and NEC of Japan, however, has yet to demonstrate convincingly that it can hold onto existing customers and find new ones.

†IBM improved its revenues and profitability after a tough 1986 as the industry as a whole shook off the market softness of the past few years. It seems unlikely that even the Stock Market crash last October can seriously dent the industry's recovery this year.

† Among the industry's customers, however, there is nevertheless a heavy emphasis on costs as senior managers pay close attention to their data processing and information technology budgets, asking if their systems are both efficient, that is, giving value for money, and effectively meeting the company's commercial needs.

A principal force for change is without doubt the emergence of new and very powerful silicon chips which make possible computer designs offering high performance at prices which are ridiculously low by traditional standards. They will make it increasingly difficult for the traditional mainframe manufacturers to maintain their pricing structures.

Mr William Zachmann, a senior vice-president at International Data Corporation pointed out earlier this year: "Down-sizing - meeting an

organisation's information processing requirements with relatively smaller, less expensive alternatives, is getting easier with each round of new product announcements."

"Users who continue to try to meet their information processing needs - with systems costing over £ 100,000 per million instructions per seconds (MIPS - a well-known if arbitrary measure of computer power) will rapidly find themselves faced with competitors in their own industry making use of systems priced as low as Dollars 1,000 per MIPS".

The leading manufacturers of these new designs include Hewlett Packard, Sun Microsystems, Apollo Computer, Sequent, Mips and Pyramid. With the exception of Hewlett Packard, these companies were virtually unknown before 1980. The question is whether the better-established computer suppliers can adapt quickly enough to the new regime.

The power of these new machines depends on a range of forms of "parallel processing" - ways of carrying out more than one computation at once using an array of microprocessors - and "reduced instructions set computing (RISC)" chips, micro-processors of a novel design which trade off simplicity in silicon engineering against complexity in the operating software to give an easily manufactured chip which can run at a very high speed.

Perhaps the best-known RISC chip is the SPARC, developed by Sun Microsystems and already licensed to AT&T, Unisys, Xerox and the UK company, ICL, to use in future products. The SPARC chip runs at 10 MIPS, a speed which IBM's largest commercial mainframe could not reach a decade ago.

The fastest of the RISC chips is the Motorola 88000, rated at about 15MIPS. The semiconductor manufacturer is collaborating with a leading minicomputer manufacturer, Data General, to develop a chip that will run at 100 MIPS.

To date, these very powerful chips have been used chiefly to power engineering workstations, highly sophisticated systems used by scientists and engineers for advanced computation and computer-aided design.

With their high power and high quality graphics, however, they have the potential to be used as executive workstations and, indeed, financial services companies are already making use of them in dealing systems.

The distinction between high end personal computers and engineering workstations is beginning to blur. Earlier this year, Digital Equipment (DEC) of the US, the world's largest minicomputer manufacturer, and Apple, which makes the Macintosh, an easy-to-use computer quickly gaining favour among corporate customers, announced plans to work together to make it simpler to link DEC super-minicomputers and Macintoshes together in networks.

The announcement gave added momentum to the drive towards "connectability" in today's computer systems - in other words, the ability simply to connect any piece of computer equipment to any other.

As Mr Blumenthal observed, customers are increasingly aware that computer suppliers often have a poor understanding of their business needs and are anxious to mix and match equipment from a number of

suppliers to solve their business problems. This trend has become accentuated with the increasing emphasis on computing for competitive advantage as well as accounting and payroll.

It means a significant boost for potential international standards like Open Systems Interconnect (OSI) which is now very close to completion, and for industry standard operating systems such as Unix which promise customers the ability to shift their software applications easily from one machine to another.

The outcome of the volatility in the industry today will be a retreat from proprietary designs and the adoption of a limited number of standards - in micro-processor architectures, operating systems, networking and software development.

It has taken a long time but suppliers and customers alike are finally convinced that standardisation is the only way that both can make progress while keeping costs within bounds.

There will, of course, be a series of battles over whose standard takes top slot, characterised by, for example, the way many of the world's computer suppliers are championing OSI and Unix as a way of beating off IBM with its proprietary SNA interconnection system and OS/2 micro-computer operating system.

Apple has resorted to law to defend its graphical interface - the bit that makes the Macintosh easy to use - against what it claims is plagiarism by Microsoft and Hewlett Packard.

Whatever the outcome of these quarrels, it seems certain that a computing Rip van Winkle who fell asleep at his terminal in the 1980s will find his world changed beyond recognition on waking in the 1990s.

Courtesy: Financial Times

BOOKS

A FATE WORSE THAN DEBT: A radical new analysis of the Third World debt crisis. (Or, the World financial crisis and the poor), by Susan George. A Pelican Book paperback - Economics and Current Events Series, Penguin Books, London, 1988, 290 pp (And Food First Books, Grove Press, New York, 1988, 292 pp.)

Claudio Schuftan MD IPS Project Nairobi, Kenya.

"Unlike most writings about debt this one is fun to read." This, which Susan George says about one of her own references, certainly also applies to her newest book. That is why connoisseurs of good rhetoric will most probably like the book, primarily for its style and certainly for its wit.

Here's a book that looks at the important international debt problem with erudition and to me, with even a sometimes premonitory tone. At the same time, you will find a good dose of sarcasm, a modicum of a feminist touch and plenty of juicy anecdotes that add the needed pep and spice to this otherwise serious topic. Neat vignettes or even many a surprise fact are told with a fresh "chutzpah" making the book really enjoyable.

The script is packed and the text takes us by the hand, step by step, to unravel the intricacies of the main topic. The language is personal and at the same time adorned with colorful adjectives. I particularly enjoyed Susan George's direct dialogue with the reader and, as said, wit and sarcasm await you at the turn of many a page. I suggest you savour the book slowly; it goes down better if for no other reason than to better retain all the important information in it.

Although I am not a native English speaker, my English vocabulary is quite good. Nevertheless, Susan George always tries to expand my lexicon. I found 56 unfamiliar words or expressions in the text for a rate of one such word or expression every 4.7 pages. I also have to confess that, more than occasionally, her sentence structure is such that I actually found myself having to re-read sentences of unusual syntax.

As many of those of you who have read her before know, Susan George is the queen of the fitting metaphors

and one-liners in our trade. These are often humorous and related to a vast universal literature from Churchill: "never before have so few been so wrong with such a devastating effect on so many" (referring to foreign debt) to Hemingway: "never send to know for whom the debt tolls; it tolls for thee". But this is not all; you will also find references to Prophet Mohamed, Hamlet, Hammurabi, Ricardo, Auden and Dante.

On page 154, the author writes "words fail me" - commenting on some events in the Dominican Republic. This is the last thing I will believe about Susan George... and to give you a flavor of what I mean, I have appended a sampler of my favorite lines at the end of this review.

In the Introduction, Susan George gives us an insight into the human dimension and tribulations of writing a book like this. Then, the book is divided into three parts - each preceded by a convenient one page overview - and a Philosophical Afterword which, due to my personal inclinations and interest I found myself reading first. I found the author's major original input to the debt problem mostly in Parts II ("The People and the Planet") and III ("Now What?"). In Part I ("The Players and the Problem") the stage is set. We are exposed to a good many of the intricacies and the details of a debt situation many of us may already be familiar with.

A question I found unanswered though - and I think would have been of help to readers - is: why does the World Bank make huge yearly profits on soft loans below the commercial rates when any other lending institution cannot make it lending below the latter rates?

Chapter 10 ("Debt and the Environment") shows us convincingly how environmental issues become

totally marginal when governments face huge debts. As a result, a process of ecocide often follows with absolutely no sense of solidarity with the future.

There is also a chapter on "The view from the South" (of the debt crisis). The chapter bears number 13. One wonders if this is a coincidence or - a bad omen? This chapter, to my big surprise, misses reviewing the marxist viewpoint(s) on the debt crisis which I think would have been indispensable to show the full spectrum of approaches to the problem.

What I think is implicit as a challenging corollary to the book is the need to provide political and economic counselling (along the lines of what is discussed and proposed in the book) to Third World countries and governments negotiating with the World Bank or the IMF. How to set up such an international consulting body or firm (something that the World Food Assembly, to whom the book is dedicated, had proposed two years ago) still remains an untackled challenge to radicalized development professionals that agree with the book's theses.

In my opinion, the book softly endorses or is too condescending with the "human face antipoverty adjustment" movement which I think can be accused of delaying the more lasting, structural changes needed to revert the ongoing further pauperization of the poor in the world. But do not take it from me; read it for yourself before you pass judgement.

In the introduction to Chapter 14 on Susan George's "3-D Solution" to the debt crisis (read all about it on your own) we are given an excellent geopolitical overview of the various themes of US policy towards debt that I thought was very enlightening. By the way, Chapter 14 on the 3-D Solution is written and constructed with a very effective and mounting suspense. You are left waiting to read about this new solution proposed by the author, yet she gives it to you in small instalments.

Susan George also effectively introduces a new optic on the debt problem namely that indebted countries have actually two major problems: to pay back and to obtain new money. She

does otherwise not believe debt should be cancelled. Unconditional write-offs would reward the Mobutus and the Pinochets penalizing the more prudent countries and leaders, we are told. It would also give the West a perfect excuse to cut-off all aid (would that really be so bad...?), (1). Total debt forgiveness would drop creditworthiness of debtor countries to zero, we are further told, thus being a poisoned gift.

On grassroot movements, the author tells us that Third World social and political creativity is the big unwritten story of this decade. We are given numerous examples and great hope is placed on this encouraging development. The real centerpiece behind this development is that debt could be used to promote democracy and real development if the cards are played right.

We are then appropriately reminded that no crisis - not even one of debt - is a crisis for everyone. Elites of debtor countries still profit from IMF adjustment programs. The unemployment these programs create also allows local employers to pay their workers less, especially when privatization is part of the deal. Opression and injustice, then, lie behind debt-induced poverty. The upper classes are sheltered from Fund-generated misery. In short, debtors are governed by people who benefit from the present arrangements.

Our author also introduces the concept of "Creative Reimbursement" in cash and in kind. The question is whether the applicability of this concept is utopic or realistic. You be the judge.

In resolving the debt crisis we are also reminded that what matters is not just the money that can be saved by not servicing the debt. What matters is how and what for the money saved is used.

But there is yet another new con- presented: 'pre-1980 (discounted) commodity dollars', a new "special currency" to be used to pay back foreign loans to the IMF and the World

Bank. Again, I do not want to give away the plot through which the book leads us to this concept. Discover it for yourself.

Although it may sound presumptuous, Susan George also proposes a possible set of solutions to what to do with the flight of capital problem in the Third World.

The closing remarks to the book before the Philosophical Afterword have surprisingly, no subtitle and the author again dialogues with the reader in a very personal style.

A note on the afterword: The Philosophical Afterword which I had the privilege to read before publication of the book through the courtesy of the author was undoubtedly better than the one I now find in the book. I think the present version lost debt. It suffered by the hand of the Editor. Nevertheless, I still think this last portion of the book is very fitting. It distills the intellectual message underlying our often indifferent behavior towards the issues of underdevelopment. It is like the book's Alter Ego looking into issues such as scientific paradigms and their present relevance and limitations, into the ideology of development theories and models, into the politics and the power structures behind the more global issues in the real world, into revolutionary and cosmetic changes towards real development, into the futility of hammering on closed minds, into our accountability to the people who suffer. In short, it asks questions we cannot continue to brush aside if we are to be consequent and honest with ourselves. All these issues are very pertinent to all development workers and need to be more widely discussed in the open. It is thus fully appropriate that Susan George closes this multidimensional book that offers a 3-D solution with a resounding call for rejecting inertia and an ostrich's attitude by all of us when it comes to facing this international problem that for sure affects us all and will bear on what our children will have to worry about in the 21st century.

Sampler:

My favourite subtitles:

The military model: guns:si, butter:no. Pity poor Zambia.

Exportomania. You are what you don't eat
IMF: International Menace to Food; Increasing MisFortunes; International Ministry of Finance.

Can the Fund adjust to a human face?

The form of the informal economy.

The Garcia (Alan) formula - with a twist.

My favorite one-liners and metaphors:

The guy with the most toys when he dies wins.

The hit squads of the IMF. The gallery of Latin American extremes.

Democratic elections as rare as unicorns.

Commodity prices are going, going, gone.

A heads I win, tails you lose situation.

Development models made out of rotten plans whose debris are strewn across the landscape.

One needs haute couture blinkers to avoid seeing...

Zaire, a country that holds championship boondoggling honors.

Whoever said money is the root of all evil must have had a job.

The tribe of the WABENZIS - when a Mercedes Benz is the ultimate goal of life (those who've got their Mercedes by fair means or foul).

Debtor countries are like patients hooked to life-support systems.

Reagan is not a "teflon president" (this material is of too recent invention), but rather a "bakelite or celluloid president." It is like prescribing cyanide as an antidote to arsenic.

Business, high finance and other pursuits of happiness.

Hammering on closed doors and closed minds.

My favourite adjectives and adverbs:

Agressive, bright, but hopelessly inexperienced lenders. Crony-capitalism network. Adam Smithian views. IMF's punctilious regulators. Cascading defaults. Non-metaphysical murder. Rentier mentality. To die affordably. Monumentally wasteful. Sado-monetarists. Blood money. Pin-striped doctors of the IMF. Ostrich economics. Cliff-hanger negotiations. Financially sadistic demands. Pharaonic projects. Perverse elegance.

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THE

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