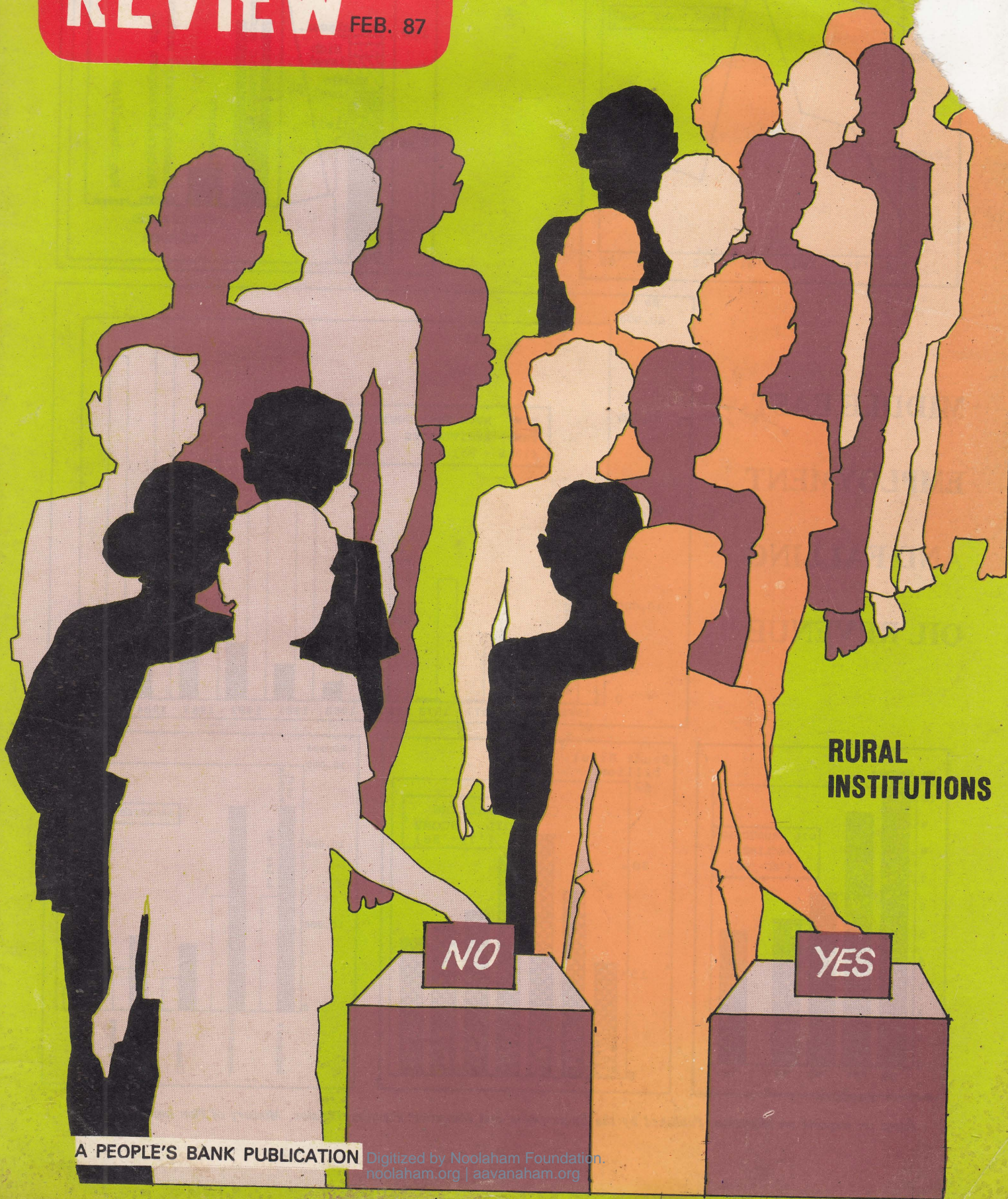


# ECONOMIC REVIEW

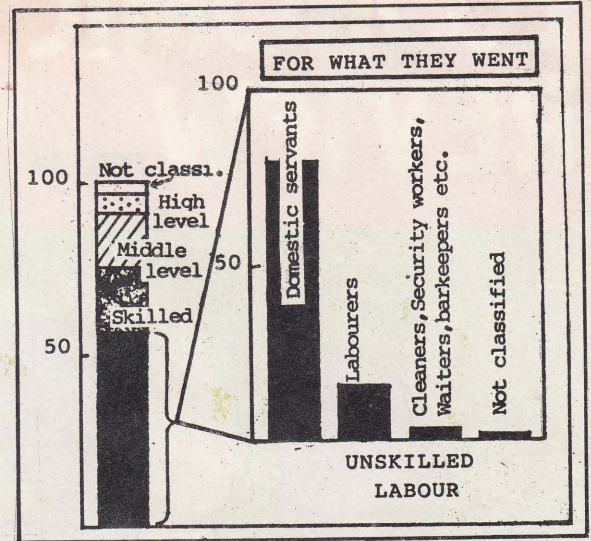
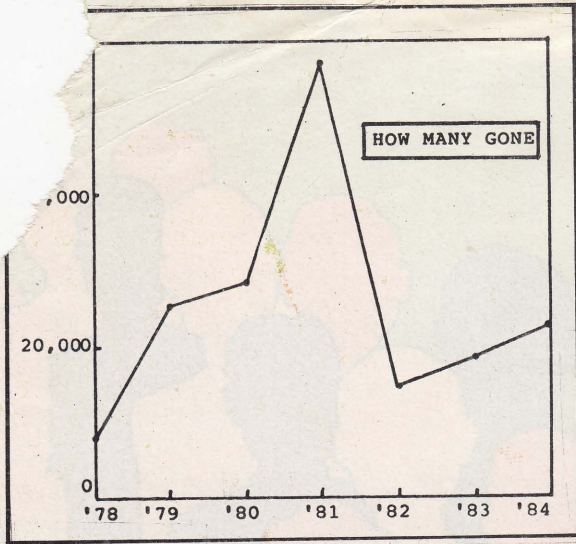
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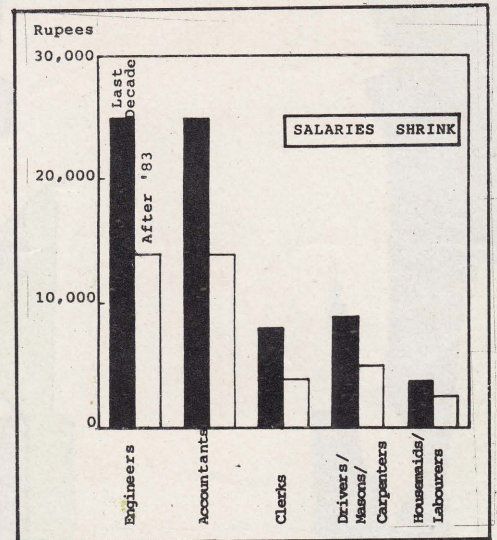
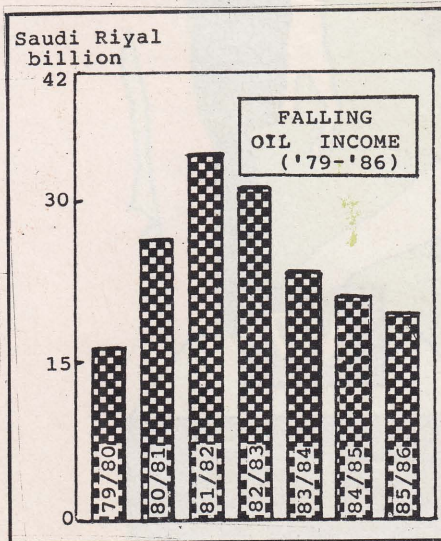
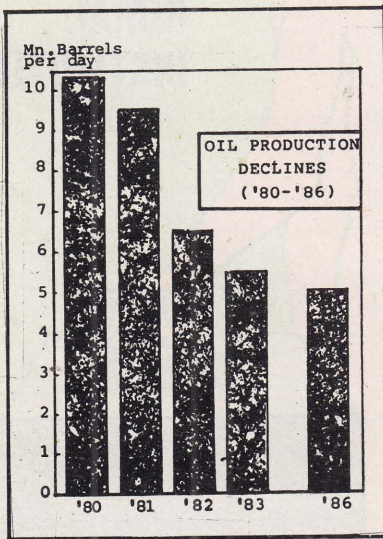
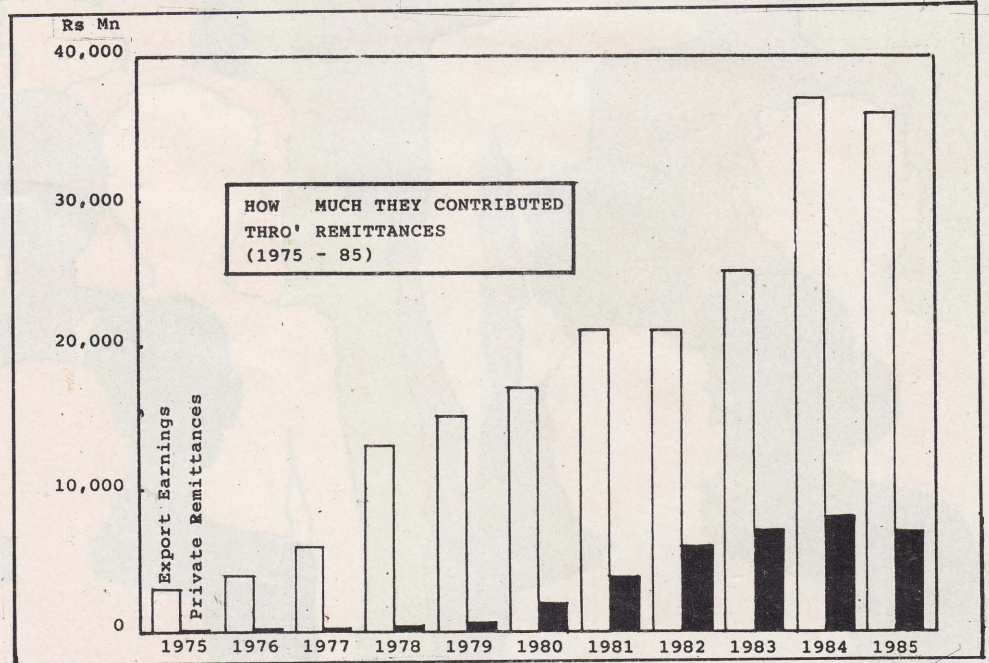
**RURAL  
INSTITUTIONS**

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# MIDDLE EAST EMPLOYMENT AND FALLING OIL REVENUE



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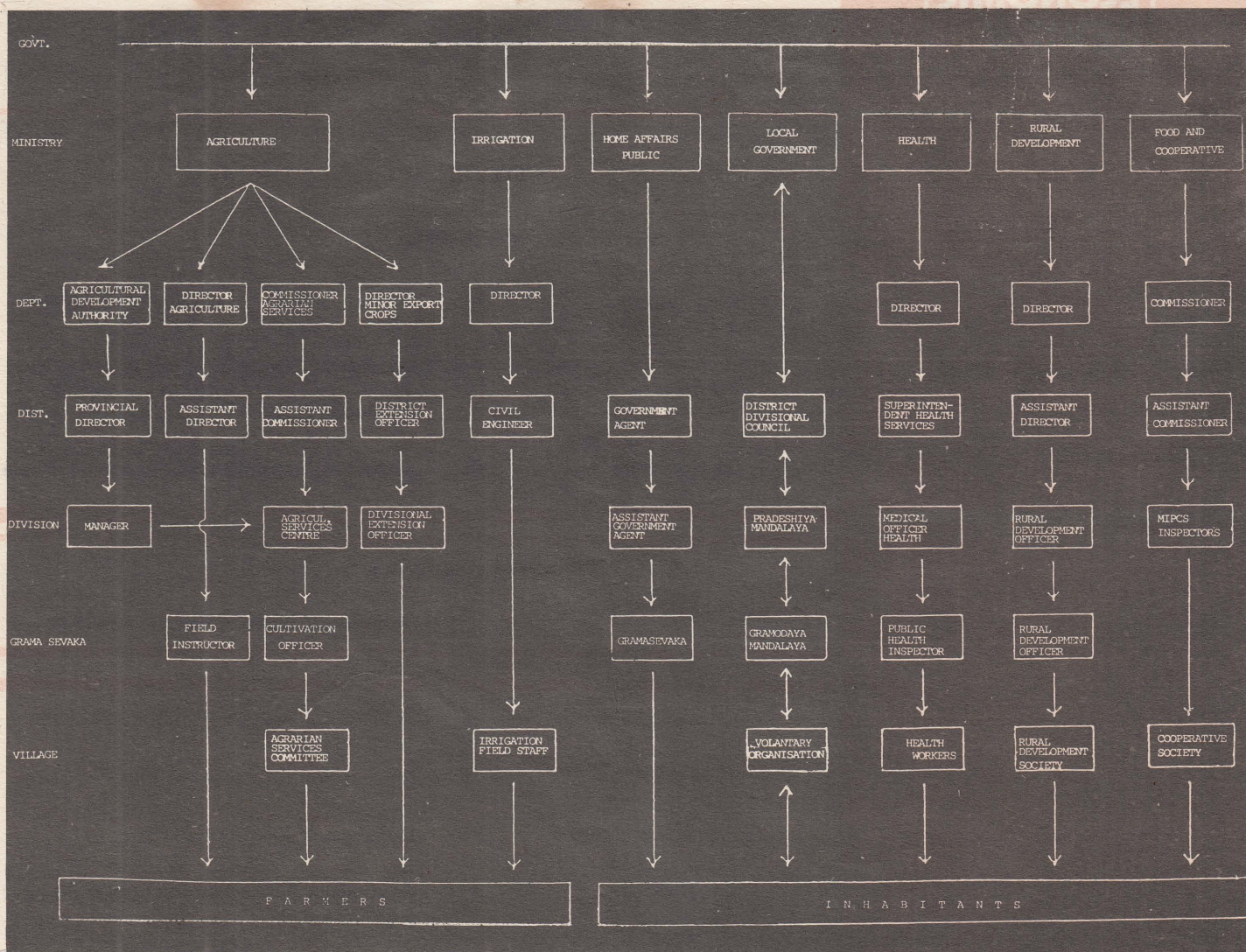
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COVER Piyaratne Hewabettage

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S.S.A.L. Siriwardene of the Research Department.



## GOVERNMENT INITIATED RURAL INSTITUTIONS

During the colonial era the Government's involvement in rural development activities at the village level was restricted. The colonial structure of administration was operated largely for the enforcement of law and order, revenue collection and a few welfare services. The village headman who was the only powerful grass-root level agent of the formal administrative machinery could not play the role of a people's representative or transfer any power to villages. He was closely tied to a rigid and highly centralized management which was under the control

of provincial level Government Agents. Thus the rural population was by and large left out of the policy making and implementation of whatever government sponsored activities were initiated in rural areas.

During the 1930s certain changes regarding allocation of public resources for rural development had taken place when the Sri Lankan members of the State Council began to be heard and influence the colonial government regarding measures for rural development on behalf of a neglected

rural population. One of the key achievements during this period was the allocation of a considerable proportion of Government funds for construction of irrigation works and agricultural development in the rural sector.

Although these changes continued to occur at the level of the state legislature, upto independence in 1948, it did not mean that similar changes were taking place at the village level. The lot of the hapless rural peasant remained basically unchanged. In effect a few urban elites took over the power being transferred using the neglected rural masses as a strong weapon against the colonial administration for the establishment of their own power base. But

they had little awareness of the real problems of rural development. However, following independence Sri Lanka's national governments, in response to several deeper level social and political changes, began to concentrate more on rural development and allocated more and more public funds to implement programmes for the purported goal of upliftment of poor people in rural areas.

The role of the village headman became less and less important with the increase of delivery services and disbursement of public funds in the rural sector through government agencies controlled from the centre in Colombo. After independence Rural development became an important strategy for the political parties vying for power. It was therefore natural that post-independent governments focussed greater attention on the rural sector. This resulted in an intensification in the delivering of welfare facilities and public investment through an extension of the public services and government subsidies to the rural population. This trend strengthened the departmentalisation of formal functions related to rural development. Some of these departments were linked directly to the existing central government's administrative machinery; while others functioned as departments of various ministries in the provinces. This situation led to a certain degree of overlap and conflict of interests among these government agencies whose objective was to deliver the patronage of the government in power, while they lacked a proper understanding and direction covering the real needs of the rural people. This situation has in some ways continued right up to the present where the demarcation of functions and the efficient functioning of various government led rural institutions is difficult with their objectives and activities not clearly defined, lack of coordination duplication of work and conflicts of interests. The Chart above shows the main institutions and

ministries involved in rural development.

### Administrative System Changes after Independence

There is no doubt that the administrative structures of the country have undergone significant changes since independence and that these changes have had a deep impact on the rural sector. As we observed, before independence the administrative structures were designed to serve the colonial presence and its objectives of maintaining law and order and a revenue collecting bureaucracy while extracting and transporting the surplus of the colonised country to the 'mother' country. The highest echelons of the administration were controlled by 'loyal' Civil Servants, most of them European; but in order to keep a check on the lower ranking non-European officers, highly codified regulations in the form of administrative and financial regulations were introduced. This situation resulted in restricting local initiative and led to a formal tightness in the bureaucracy, and it was this bureaucratic apparatus that the newly independent country inherited in 1948.

Independence in Sri Lanka had been achieved without either mass mobilisation or armed struggle, and the inheritors of independence were those who had not seriously challenged the British and were in a sense a creation of the colonial presence. But after independence internal changes began to surface strongly, which challenged the local elites. As is well recognised, one significant change was the General Election of 1956, when forces purporting to represent the peasants, workers, monks, school teachers and ayurvedic physicians obtained a sweeping electoral victory. The significance of this landmark is that, ever since, all major political parties in the country were compelled to mould their images and strategies taking close account of these social forces. Viewing

these changes in retrospect, in 1976 Susantha Goonatilake, maintained in a paper in the SLIDA journal 'Administrator' that "although the changes in 1956 and subsequently can be seen as a shift of power from those allied to the plantation sector and associated activities to a more broader based group, one should differentiate the propaganda of the victors of 1956, from the actual mechanics of social change. Thus, although the "Five-fold Forces" would indicate that the peasantry was represented in the shift, in actual fact, it was the richer and more powerful elements in the rural areas that formed support for the changes in 1956 and continue to provide support for the major parties since then. It is necessary to look more closely at some aspects of the five-fold coalition". It became apparent that in the rural sector the four leading social and economic elements were the monks, school teachers, ayurvedic physicians and the more affluent farmers. These members of the rural middle class together with the traders in these areas were largely part of the middle-rung land-lord class and often had control over the means of (largely petty) production in the rural sector. Therefore the changes in 1956 are to be seen as a partial shift of power from a class tied to (and created by) the colonial presence to one closely allied with the village based petty bourgeoisie.

The shift of power to these groups after 1956 also led to a redistribution of income from the urban to the rural areas and though the main beneficiaries of the shift has been the rural middle classes, those lower down have also benefitted, though not to the same degree. Over the years, as a result of these shifts of power, we witness a trend where many from these new groups whose social origins were with the petiti bourgeoisie kept rising to prominence in the country and reaching big bourgeoisie status. Another significant trend was that the learned professions and the higher administra-

tive positions which were hitherto manned by those whose families were associated with the plantation industry were having to let in increasing numbers of entrants from the new strata. Over the next twenty years, after these changes were initiated, whether it was the administrative service or the professions like engineering and medicine, or the teaching profession the sons and daughters of this rural petit bourgeoisie moved into a dominant position.

While these shifts occurred at the national level, there were also deep changes occurring at the village level. The rapid spread of education and expansion of mass communications and the social services and the greater access to these facilities at rural level meant that rural aspirations and consciousness were being raised to the level of those in the towns. At the village level itself, the traditional village overlordship of richer peasants and traders in association with government officials tended to change somewhat. It is seen that politicisation of the village - specially since the 1960 - has resulted often in various village level entrepreneurial groups using politics as a form of advancement and entry into the village ruling groups.

These changes that kept occurring over the 1950's and 60's no doubt made a deep impression on the administrative structures as well. The bureaucracy, especially its upper rungs, were subject to constant attack, even on public platforms by the new MPs soon after the changes in 1956. A major charge in these attacks was that the bureaucracy was not responsive to the changes that were taking place. From the late 1950's there was therefore a gradual intrusion of political factors into the bureaucracy. By early 1961 the lower rung members of the bureaucracy were being appointed under political pressure and by the late 1960's political appointees had en-

tered the middle rung positions. The spate of political appointments from top to bottom were regarded as horizontal pressures being exerted by society on the bureaucracy and the bureaucratic structure. Meanwhile, the bureaucratic structure itself changed due to other pressures from within the bureaucracy itself, particularly from the lower cadres, and these were described as vertical pressures. The introduction of the 'political authority' system in district administration in 1973 was the high point of the political pressures. The political authority, was generally a leading M.P of the government in power. This politicisation soon extended to intermediate and village level appointments such as the governing boards of Cooperatives, Cultivation Committees, Agricultural Productivity Committees etc.

The emergence of the 'decentralised budget' resulted in a degree of responsiveness to local development demands and facilitated work in the provinces; while to some extent popular participation in decision making in development increased. But, it was observed that political participation even in its limited form was being restricted to those closely allied to the government in power, and left out large sections of the population from the participation process.

Examining the inter-relationships between peasants and officials, in 1976 Susila Ranaweera in a paper in the "Economic Review" indicated that at the rural level there existed a coalition of interests between the dominant groups in the village, the government officials and the political appointees. Ranaweera's study found that perceptions of village level personnel fitted well into this coalition. For example generally government officials, political appointees and the dominant groups were viewed by sections of the dominated as being good to each

other, at the expense of the dominated. Social interaction among these three groups, Ranaweera has shown, tended to view each other favourably in contrast to those with the larger population. Thus at the village level, there was a tendency for the official bureaucracy, the dominant economic groups and the political appointees to have preemptive access to inputs to the village. Consumption items like hard-to-get maldivè fish, milk powder etc., which were distributed by the Cooperatives were often shared out by this group through informal networks of distribution. Likewise access to farm inputs including credit was disproportionately shared among these groups.

The village continued to be at the end of the administrative 'delivery system' and at the village level were best seen the main features of the socio-economic changes that took place over the last 30 years. The changes in the formal administrative system, as we saw, were brought about through specific pressure groups. These new groups had earlier been without power because of the alliance between the traditional rural elite and the colonial bureaucracy, but with the changes they entered the political arena and their influence in the rural areas kept increasing. The MP's gained more and more formal power in the district administration at the expense of the officials. More benefits from the state began to be channelled to rural areas through various agencies and the new groups and people in these areas increasingly identified themselves with the ruling political party in order to obtain access to these benefits and also personal favours of political leaders. The village institutions which served as intermediaries between the government services and the people in these areas also came under this political influence. A good example was the village cooperative.

## Co-operative Movement

The co-operatives have been long standing formal organisations, established in Sri Lanka in the early 20th century to promote participatory development at the rural level as well as service the needs of the rural sector. In this country the Movement appears to have grown out of the need to alleviate the problems of rural indebtedness at the turn of this century. Its beginnings could be traced back to 1911 when Co-operative Agricultural and Production Societies and the Credit Societies began to gain ground. The next phase of this Movement began with the onset of the Second World War, when the original functions of these societies were extended to food production and retail distribution and were eclipsed by the consumer Co-operative Societies. In 1957, following a government policy decision, these were replaced by the Multi Purpose Co-operative Societies and were intended to become powerful rural development institutions. But over the years it was realised that the very basis of co-operation, popular participation, was lacking in many of these societies. Various measures were taken to revive the participatory aspect and in 1971 a major re-organisation was attempted with a view to creating more viable co-operative organisations by a process of amalgamation. The popular participatory element was effected when the government decided to have a nominated majority on the Board of Directors of each MPCS. The rationale behind the appointment of 9 of the 15 members was that government policy could thereby be better implemented, particularly as economic activities in a developing community like Sri Lanka had to be induced by the government. This particular composition of the board led to conflicting objectives and allegiances among Board members. Many of the members of these Co-operatives did not possess the necessary

leadership to distinguish between the corporate objectives and the Society and parochial demands. It was apparent that ultimately the government, which started through necessity as a trustee and guardian of the Co-operatives had ended up in firm control over what was intended to be a voluntary movement, with co-operative societies becoming virtually agencies for carrying out government policies. Active participation of members so essential for co-operation was therefore not freely forthcoming. Latterly they have tended to emphasise the trading aspects of their organisations and become distributory outlets for essential food items at the cost of the active participation of their members.

## Rural Development Societies

The Rural Development Societies (RDS) were the main rural institutions initiated by the government after 1947 and these (set up in nearly every village) were expected to organise the rural people and build a self reliant society. The RDS were also expected to bring rural people into closer contact and coordinate the delivery systems of the various other institutions in the village. From the early stages of their functioning there were conflicts with departments which wanted to maintain their own identity rather than work together with the RDS. These societies became even less effective with the establishment of new institutions such as the Divisional Development Councils (DDC) and the political authorities which exerted strong influence over these same activities. The scope of the RDS was therefore limited and could produce results only when its leadership was very strong. Generally, however, these societies became heavily dependent on government support and since their responsibilities were not clearly demarcated they were not able to fulfil their original objectives.

## Cultivation Committees

Cultivation Committees were another rural institution that played an important role in rural development, particularly in the 1960's with the urgent need to increase food production. However, there was an overlap in some of the functions of these committees with those of the Rural Development Societies. By 1972 these Cultivation Committees were replaced by Agricultural Productivity Committees (APC) and new Cultivation Committees. Although these committees were entrusted with wide powers the popular element was lacking in them as the farmer representatives were nominated by the Minister. Along with the APCs came the Agricultural Services Centres which were established countrywide to provide farm inputs to the rural people.

## Gramodaya Mandalas

After 1977 new institutions replaced the Agricultural Production Committees, the Cultivation Committee and the Development Divisional Councils (DDCs). A recent village level organisation of note is the Gramodaya Mandalaya set up in 1981 as an institution to promote rural development. These are linked to Pradesheeya Sabhas at the Divisional level and District Development Councils at the District level. Their membership consists of all recognised village level representatives. Here once again the principle of co-ordinating the work of the various village level institutions is being attempted. (See Box on page 13).

There is no doubt that there is a large amount of overlap among the responsibilities of the rural institutions. Furthermore, although the function of Rural Development has been assigned to a specific Ministry its role has remained marginal while numerous

other agencies and government initiated institutions performed the role of rural development. Also, increasing departmentalisation and the expansion of bureaucratic functions in rural institutions has reduced the level of enthusiasm of rural people in the work of such institutions. Another notable feature is that parochial politics plays an important role in these institutions, while the tendency for politicians to treat village level institutions as part of their base has also reduced the effectiveness of these organisations.

These examples clearly illustrate that involvement and active participation of the rural people in the institutions intended to serve them is fundamental to the success of rural development. The importance of this principle is well established, but instances of where rural people have been able to effectively participate in these institutions ostensibly set up for their benefit are relatively rare.

It does not mean, however, that there have been only negative tendencies in these attempts at development through government initiated rural institutions. Over the last decade many new projects have been initiated by government on a planned basis, with a view to developing the rural areas. Among such major schemes, coordinated as projects at various levels, are the Mahaweli Development Project, the Rural Housing, Health and Education Programmes, the Integrated Rural Development Programme and other Marketing, Credit and Extension Programmes. These have invariably involved people both at rural and urban level with specific government institutions. Apart from these more prominent projects there have also been various approaches to popular participation which has involved re-organisation of traditional institutional structures. The evolution and development of such village level institutions and the issues that have arisen in this process are discussed in the papers that follow.

S.S.A.L.Siriwardene

**I.K.Weerawardena**

*Additonal Secretary Ministry of Mahaweli Development,  
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The role of rural institutions in Sri Lanka has had a long history. Both formal and informal institutions played a major role in rural development, and the people participated in the establishment of law and order and day-to-day administration. The Gamsabhas, the Kanna meetings, the Dayaka Sabhas and the role of the priest can be cited as examples.

The first kind of rural institution that was established during the time of colonial rule was the Village Committee. The Village Committees were actually the successors to the Gamsabhas that existed during early times. The Irrigation Ordinance of 1856 also institutionalized the role of the cultivators in order to get together the decide on the cultivation calendar and the management of cultivation.

The 1924 Village Committee Ordinance provided for elected members to participate in rural development through the construction of village roads, markets, fairs, wells and sanitary facilities.

In 1948, the Rural Development Movement was started with the following two objectives:

- (i) To harness the enthusiasm and the efforts of rural people for the improvement of their social, economic and cultural conditions; and
- (ii) To bring the rural people into close contact and to coordinate through institutions the various governmental services available in the rural sector.

The Rural Development Societies which were established in every village were expected to organise the rural people and build a society of self-reliance. However, in the implementation of this programme the emphasis was more on government-sponsored rural development programmes like the building of roads, schools, playgrounds etc. This movement had very limited scope in the sense that it thrived only in areas where good leadership succeeded.

The Cooperative Movement is another movement which could be

traced back to 1911 and which played an important role in rural development. The early Cooperative Agricultural and Production Societies and the Credit Societies played an important role. But during World War II these societies were eclipsed as a result of the establishment of consumer cooperative societies for the purpose of food distribution.

In 1958, the Multi-Purpose Cooperative Movement replaced most of the above mentioned societies, and they became very powerful rural level institutions aimed at development. However, they have now ended up as mere trading organisations devoid of mass participation.

The production-oriented programme launched by the Ministry of Food and Agriculture resulted in the establishment of another rural-based institution, namely: the Cultivation Committees established under the Paddy Lands Act of 1958.

These Committees replaced the famous Vel Vidane system and were meant to be farmer organizations elected by the farmers themselves for the management of paddy lands in their area of operation. Nearly 5,000 Committees were set up and were given wide statutory powers which included the protection of tenants, agricultural labour, management of land and water, and the supply of inputs. As rural development change agents some of the functions of these new Committees overlapped with the responsibilities hitherto entrusted to Village Committees and Rural Development Societies. The urgent need to increase food production made the role of Cultivation Committees more important and by the 1960s with the emphasis to mobilize the farmers for food production these Committees came to be involved in an exercise of village level agricultural planning. The annual agricultural implementation programme of the Ministry of Agriculture, which was started in 1964, made use of the Cultivation Committees to prepare a Na-



tional Programme and this planning activity was carried out with much enthusiasm up to 1970.

In the year 1972, the country witnessed another change with the dissolution of the Cultivation Committees and the establishment of the Agricultural Productivity Committees (APC) and the new Cultivation Committees (CC). With the increased emphasis on agricultural productivity, land use and livestock development, it became necessary to establish, at divisional level, a farmer organisation with greater powers to tackle the problems of agriculture and to participate in agricultural planning. The Agricultural Productivity Committees thus formed had one major defect, that is, the farmer representatives were not elected but nominated by the Minister in charge. This drawback resulted in its failure as a people's organisation. However, these Committees were entrusted with enormous powers such as laying down minimum standards for productivity, protection of tenancy, writing of the Agricultural Lands Register and the development of capital works.

The concept of Agricultural Service Centres, which went along with the Agricultural Productivity Committees, should be considered an important landmark in the history of rural institutions. There were 500 such Centres established all over the country, and for the first time the farmer was assured of not only inputs but also the convenience of meeting the government officials engaged in Agriculture at those Centres.

The Divisional Development Council (DDC) which also came into being about this time was another institution aimed at the utilisation of resources, skills and knowledge for the economic development of the rural areas. Although some of these institutions were aimed at enlisting popular participation, they were unable to produce much impact and achieve their objectives.

With the political changes in 1977, the above mentioned institutions, that is, the A.P.Cs, C.Cs and DDCs were dissolved and new institutions were formulated for the purpose of rural development. 5,000 officers called Cultivation Officers, replaced the Village Cultivation Committees at the Divisional level, and the Agrarian Service Committees came to be establish-

ed under the Agrarian Services Act, No. 58 of 1979. The latter Committees had a greater number of government officers as ex-officio representatives of the Agrarian Service Committees. Their objective was to provide services to farmers. These Committees continued to be the focal point for the distribution of fertilizer, agro-chemicals and agricultural implements.

Another experiment was conducted as an FAO Project in Kurunegala District with the establishment of the Small Farmer Organisations. These were small farmer groups at Yaya level and were meant to solve the day-to-day problems of farmers without much assistance from the Centre. An attempt is being made to establish these small farmer groups throughout the country. The Gal Oya Water Management experiment gave rise to a new concept that Water Management should be brought about through a catalyst approach, i.e. through farmer representatives at Yaya level. These Yaya leaders, grouped together as farmer representatives, were entrusted to manage their own irrigation water for cultivation. This principle has been further developed by the integrated management of major irrigation systems and programmes.

A management framework for this project consisting of farmer organisations at 3-tiers had been established. They are:-

- (a) Field channel committees elected from amongst the beneficiary settlers;
- (b) Sub-Committees at the distributory channel level and the Field Channel Committees; and
- (c) Project Committees functioning under the Project Manager.

These Committees have been established and function as action-oriented groups with farmer participation.

Another village level organisation, the Gramodaya Mandalas was set up for rural development by 1978. The membership of these Mandalas, consisting of representatives of all recognized village level societies, have been given sufficient authority to associate themselves in village development and forms a link with the Pradesheeya Sabha at the Divisional level and the District Development Committees at the District level.

One could, thus, see that the principle of harnessing a multiplicity of

village level institutions for rural development has been the pattern in the rural sector during the last few decades. The reasons for the existence of a multiplicity of rural institutions, and their successes and failures may be attributed to the following:

- (a) Lack of integration between the different agencies engaged in rural development has left the rural institutions in a confused state. The portfolios of Food, Agriculture, Irrigation, Land and Forestry have been divided right down the decades in such a manner that no one programme was possible of implementation; and there was no clear-cut policy for rural development until recent times;
- (b) No one has looked into the totality of the institutional base leading to lopsided development of the Paddy Sector as against the other agricultural sectors;
- (c) There was considerable overlapping amongst various responsibilities given to rural institutions. It is common knowledge that the same people participated in one or more institutions at the village level;
- (d) In spite of the fact that there was a Ministry in charge of Rural Development, the actual implementation of rural development was performed by a number of agencies while the Rural Development Movement was kept away without powers and funds.
- (e) The tendency of the politicians to treat village level institutions as a part of their power base has led to these organisations being manipulated to suit different ends;
- (f) The latest definition of rural institutions being concerned with only one input, that is: water management, has left the other interests to be handled by other institutions and organisations. This has, no doubt, added to the confusion at the village level. Efforts for rural development have been sporadic and unplanned till recent times and this had led to the wastage of resources.
- (g) The Government officials working at the village level have failed to bring in the desired changes. Their contact with the people has been poor, and they have failed to identify the most important needs of the people

We have yet to wait for a strong rural institutional movement because we have still failed to determine the real role the people have to play in the sphere of rural development.

# CONTROL OVER RURAL ORGANISATIONS

Jayanath Perera

Deputy Director, Agrarian Research & Training Institute

The post-1956 period in Sri Lanka witnessed two processes of government integration of traditional village communities into one political system. The first is the proliferation of rural organisations through which the government distributed various benefits to the villagers. The second is the politicisation which altered the criteria by which the government decides who should be in charge of the distribution of such benefits and who should receive them.

The second process, although apparent even in the 1950s became more prominent in the 1970s.

Both of these processes were mainly an outcome of the economic and social development plans carried out by the national political leaders in their nation-building exercises. The integration of village communities with the national socio-economic and political systems has brought many changes to the village power structure. The transformation of the "natural village" into a divisional, electoral or district-level administrative systems has changed its internal organisation. The villagers who make up a numerical majority in such units, sometimes irrespective of their lower economic and social status in the traditional "natural village", have managed to elect leaders in various rural organisations. A good example is the election of the non-goigama poor villagers of Nuwaragama as the office-bearers of the CC in the 1960s. They manipulated their numerical strength in the area to obtain the maximum advantage from the principle of election of the leaders by popular vote.

Such changes of leadership did not at first challenge the traditional power structure as many of the rural organisations brought hardly any benefits to the villages until the 1970s. Furthermore, only a part of agricultural inputs needed for cultivation came from the rural organisations, which left the land-based village leaders in a comfortable position, as they could obtain their requirements from the private sector.

- But,
- (a) the political appointment of office bearers of rural organisations,
  - (b) the nomination of such organisa-

tions as the sole channels for distributing scarce resources such as fertiliser, agro-chemicals, agricultural equipment and credit, and,

- (c) the increasingly open use of political loyalty as a criterion for allocating benefits through these rural organisations,

have increased the importance of such organisations as new power bases in rural areas.

One of the outcomes of the politicisation of rural leadership is the emergence of local leaders from various previously under-privileged economic and social groups. They come from landowners as well as from landless groups and from high caste goigama as well as from low-caste groups. Their base of power and authority mainly depends on their ability to mobilise votes for the MP or their links with the outside influentials such as government officials or both. These changes have affected the social and economic hierarchies in Wewagama and Nuwaragama in different ways. In Wewagama, political power is now occupied by the 'outsiders' from the LDO schemes because of their ability to mobilise voters for elections and their urban links. Thus the purana villagers have now become a secondary group in receiving benefits from the rural organisations controlled by the 'outsiders'. But in Nuwaragama, although the traditional land-based leaders lost their political power, their primordial links with divisional political patrons still allow them to channel at least some of the state benefits towards themselves. Many of the goigama as well as vahumpura families deliberately divided their loyalties between the main political parties—some joined the UNP and some the SLFP. Thus when both factional loyalty and kinship loyalty operate, families which deliberately divide loyalties gain continuously irrespective of the political party in power.

In the 1950s and to some extent in the 1960s, party affiliations generally followed the pre-existing village cleavages. For example, the purana settlements of Wewagama supported the SLFP while the 'outsiders' supported the UNP. But at present, such relationships between a political party and social groups in a village is a dynamic

one, subject to change over a short period of time. This is especially true of the political leaders. Jayaratne's political power and popularity for example, became eroded in his own purana village, allowing room to the emergence of Sugath, although he was an outsider. In Nuwaragama, Wije now identifies himself more with the non-goigama than with his own rich goigama relatives.

The gradual disappearance of village identity as an 'organic' whole is one of the major outcomes of politicisation. The history of the Nuwaragama village-road is a good example of this process. Between 1940 and 1970, the road was a common concern of the whole village, irrespective of caste, wealth or residential differences among the villagers. Although decision-making powers vested in the hands of the rich goigama households, the whole village stood as a group vis-a-vis the state in demanding various forms of aid. As the RDS records show, the discussions of the RDS always concentrated on village development and on how to obtain outside help. Shramadanas, the donation of land and the satisfactory participation of villagers in the RDS's activities show their identity as one group. But with the division of the villagers between the UNP and the SLFP, village development work has become a political group affair, which always draws opposition and sabotage from the rival political groups. Such activities became ground for prestige battles between rival political leaders. Both getting things done and stopping opponents from getting something done have become equally important in the competition for power.

The new political leaders are radically different from the traditional village leaders. The new leaders are younger, more educated and poorer than the traditional leaders. Furthermore, many of them are notorious for thuggery in their villages. They are short-lived leaders who are vulnerable to their own colleagues intrigues, and at best, their tenure of leadership is limited to the period in which the political party they support holds power. Therefore, they do their best to gain maximum advantage through their power and sometimes engage in corrupt practices. But the lingering values of human decency, bureaucratic ethos and legal rules still set limits to such attempts. *"New Dimensions of Social Stratification in Rural Sri Lanka"*.

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# DYNAMICS OF LOCAL LEVEL POWER

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## Introduction

This study is based on fieldwork carried out in two villages- Menikgama and Kurundugama (pseudonyms). In this paper I propose to analyse the nature of the power structure in two villages in the Wet Zone of Sri Lanka. My concern is essentially with the dynamics of power distribution. In such a study, it is necessary to consider the relation between each village and the wider social system of which it forms a part. As the wider social system (Sri Lankan society) is undergoing rapid change this will have its impact on the leadership of village life.

I am therefore concerned with the changes in five main areas:-

1. The resources which support local power;
2. The number of individuals who can compete for power;
3. The nature of the leader/follower relationship;
4. The role played by leaders;
5. The implications of these findings for the likely effectiveness of government policies (working through these structures) to promote development.

Regarding the resources of power, I would like to examine the following specific questions:-

1. Are landownership and wealth necessary criteria to get power?
2. Are they sufficient to retain power?
3. How far do political affiliations help to gain powerful positions in the village?

## Setting

The above questions are explored in the light of anthropological field data from two villages in the Wet Zone of Sri Lanka. Menikgama is situated in the Western province in the district of Kalutara. It is about six miles from Kalutara, half way between Kalutara and Horana and about 28 miles from Colombo. Menikgama has a population of 3,322 and 643 households (Householder's List 1971). Menikgama villa-

gers are exclusively Sinhalese Buddhist and the majority belong to Goigama caste. Badahala is the other distinct caste group.

Kurundugama is in the adjoining district of Galle in the Southern province. It is about 12 miles from Ambalangoda which is the closest town to the village. Although Menikgama is closer to a town, Kurundugama villagers have better transport networks. There are several buses plying via the centre of the village towards different towns. Kurundugama has 379 households and a population of 1,759 (Householder's List 1971), and all are Sinhalese Buddhist. But there is a population of Indian Tamil labourers living in the State owned estates; they are Hindu by religion. Although they have been living in the estate for many years, they are not integrated with village life. They do not figure in the Householder's List and they do not belong to any local organization or to any society. Therefore I have excluded this group from my study. The majority of the villagers are of the Karawa caste. The other main caste groups are Goigama and Vahumpura.

## Definition of Power

The concept of power has been defined by many social Scientists. In this context Max Weber's definition would be particularly useful. He defines power as-

"the probability that one actor within a social relationship will be in a position to carry out his own will despite resistance regardless of the basis on which this probability rests" (1947: 152).

## Traditional Power Structure

In analysing the power structure of the past, it is useful to refer to Marguerite Robinson's work in Morapitiya village. Robinson in her study says, "when asked, "who are the important people in this village? A Mora-

pitiya usually replies, The village Headman (Aracci), the Priest (Hamuduru) and the School Master (Iskole mahatea). That these people should be considered leaders is a classical Sinhalese norm".

Accordingly, the traditional leaders were deferred to mainly because of three reasons: first they were respected because of the particular role they played in the society. The Headman had considerable power both in external and internal affairs. Therefore through his office he was able to exercise power over villagers. Secondly, traditional leaders were deferred to for their personal qualities, the Priest being a good example. Thirdly, traditional leaders were respected for their economic power. In the case of the Village Headman and School Teacher, although they had achieved positions, wealth was a precondition for achieving them.

Regarding these traditional leaders the following factors are clear:

First, these leaders generally had high economic and caste status. They also represented the dominant lineage (ge) groups in the village; secondly, the alliances formed between leader and the follower were stable. Threats to their powers were few and inconsequential since only a few could become leaders. Consequently because of a stable power base, it was possible to identify leaders in the village as Village Headman, School Teacher and Priest.

However, within the last 20 years or so, Sri Lankan Villages have undergone several changes. The most relevant of these are the expansion of educational opportunities, the expansion of outside avenues for deriving income and changes in the bureaucracy with the process of democratization and decentralization. Also, a high level of politicization has occurred in the countryside. At the same time the image of a leader has changed, as some villagers comments suggest. For example when asked about the qualities one looks for in a leader (nayakaya), meaning a person whom people will listen to and respect, and who can lead them to success; one informant of Menikgama, a 20 year old G.C.E.O'Level educated, emphasised the following criteria:

"It is not necessary for a nayakaya to own land or be a government officer; but he should be educated, have good contacts with outside officers, and be in a position to provide jobs for others and work for the welfare of the village".

This was a common definition given by the villagers about a leader. Thus it is clear that the criteria looked for in a leader has changed from wealth to access to outside jobs.

### Present Power Structure

One can categorize leaders into two main groups "Official" and "unofficial". By "Official" I mean, people who exert power by virtue of their office in a village institution or organization. "Unofficial" leaders are individuals who can influence others without holding office. Below, I shall mainly discuss official leaders.

There are many village-level organizations, controlled by the centre which are involved in implementing government policies. Local political party organizations also tend to be controlled from the centre.

Thus the question arises as to who holds these offices. Are today's office holders selected by the same criteria as the village Headman in the past? As I pointed out, wealth formerly was a key instrument for gaining power. Therefore one obvious question arises in this context. Is landownership still necessary to gain office or are there other criteria, other resources which can be tapped?

Before answering these questions it is necessary to say that in Menikgama we still find traditional landowning families with a considerable influence over village affairs. They are respected and subordination to them is accepted. But this may not be for very long, and may apply only to the present adult generation. Furthermore, like many other villages in Sri Lanka, Menikgama is exposed to urban influence and more important, to centrally controlled bureaucratic penetration.

There are several reasons why such land-owning families continue to command respect from villagers. Their present wealth, no doubt is an important one: several villagers depend on them for their basic survival. They

maintain a clientele through dependency relationships. But more than anything, their family backgrounds are responsible for the deference they receive. Inherited wealth helps in many ways to gain prestige and office. First, it gives power to create dependents. Secondly, there is a tendency for traditional landowners to create benevolent images of themselves in the villages by making substantial donations to keep others in subordinate positions. Having wealth also means better access to education which gives respect and the ability to dominate over others.

However, the extensive penetration of the centre into the village has complicated the power structure. More people aspire to leadership roles and the alliances formed between leaders and followers become unstable because they do not rely on a caste, kinship or 'stable' socio-economic relations, but rather on political ties. There is more vertical competition for power. Political allegiances float to the man who seems to offer the best opportunities.

Thus, the study of factional divisions is inseparable from a study of local level power. Political parties differ from political factions as the former are institutionalised with their membership functioning under one ideology. Furthermore, parties influence political life mainly from outside. However at the local level, very often these political parties tend to acquire a local colour, bringing different factional rivalries to the surface.

Two kinds of political factions are to be seen in the village: they are either formed around rivalry within the same political party, or around rivalry between members of different parties. In either case, a bond of the same type seems to operate, the followers are mainly attracted to their factions by the benefits they expect from the factional leader.

### Non-office Holders

Apart from office holders there are leaders "behind the scenes" who do not themselves hold office but enjoy respect and exercise influence.

Many researchers have tried to clas-

sify leaders into different categories such as formal, informal, official, unofficial, opinion leaders and so on. Ganewatte (1974) talks about two levels of leaders, namely the "surface level" leadership composed of the traditional leaders, official leaders and sometimes the opinion leaders, and, secondly, the "de facto" leadership who are people with the largest following. The latter are respected for their honesty, integrity, and moral character and above all for their modesty and loyalty to their followers. According to Ganewatte they control the tempo of village life and activity and are the final decision makers and arbiters of community conflicts (1974:4-6).

In view of my findings Ganewatte's observations appear to be rather questionable. He says that the second level leaders control village life, but he also says that the first level leaders get elected for different societies. Evidence, however shows that the officers in societies like political organizations, Rural Development Societies (RDS), Agricultural Productivity Committees (APC), and Cultivation Committees (CC) do enjoy considerable power. They are responsible for village activities and are the real decision-makers.

In both villages, landowners with direct influence through their economic power, have taken office in different societies including even the village priest who takes an interest in village societies.

Interest in holding office is based on several factors. One might say that a landowner with overwhelming power by virtue of wealth and/or personality might prefer, instead of holding office directly, to have the offices occupied by clients who will do nothing without consulting him. But now, nobody enjoys that amount of dominance in the village. Furthermore, diversity of income sources, and the range of external ties which create a multiplicity of the (external) sources of benefits to be distributed as patronage have increased in recent times. Hence, taking office is a way of breeding further power by distribution of some outside benefits to political supporters.

One might therefore conclude, that, today, there is little point in a distinction between official and unofficial

or formal and informal leaders. It may however be said that the penetration of the state bureaucracy has led to a formalization of power. In the new, formalized structure the traditionally powerful are still dominant, but less secure.

### Concentration and Diffusion of Local Power

Many of the earlier writings show that village power rested with a few wealthy families, e.g. Wriggins (1960: 42), Yalman (1967:31), and Wanigaratne (1976:24-25).

Today, leadership is more diffuse because of the expansion of leadership opportunities. Power is not consolidated in the hands of a few families and more people aspire for leadership roles.

The expansion of leadership opportunities is closely connected with the deep penetration of the bureaucracy and of party politics into local life. As a result, one finds more local organizations with an elected or a nominated leadership. In both cases, politics has an important role to play. Also, the role of forceful persuasion and intimidation in elections (post-election arson and attacks of houses of leading losers are not uncommon) provides a new basis for gaining power.

Leadership opportunities were also enlarged by the alternation in brokerage roles. A change in power at the centre results in corresponding changes in the local power structure. This was clearly evident in both villages.

### Specificity of Leadership Functions

The penetration of the centre into the village has its effect not only in reducing the concentration of leadership roles, but also making these roles more specific.

In the past, the leaders played three important functions:-

- (a) settling village disputes or acting as mediators in these disputes.
- (b) mobilizing internal resources for collective village purposes.
- (c) representing the village to the outside.

With regard to the first function, namely, that of settling disputes, the present leaders play an insignificant role. If the villagers are unable to settle their disputes among themselves, then the Grama Seveka is informed. Being a government officer he obviously will tackle the matter in a bureaucratic manner by reporting to the Police who will ask the disputants to take the matter before a court of law. At this stage the leaders may be approached for relief, first in getting bail if a disputant has been placed in police custody and then at the court case.

The second function of mobilising internal resources has been taken over by formal organization such as RDS. For example organising Sharmadanas, supposedly based on self-help and self-realization, have become the main activity of the RDS which is part of the state framework. Therefore even activities such as clearing irrigation canals, graveyards and roads, falls within the purview of these organizations.

Even spontaneous activities (i.e. those not dependent on orders from the centre, such as, temple and cultural activities) involve to some extent a reliance on external forces. These social events are used by the local power holders to strengthen their patron-client relationships at a higher level, e.g. with the MP and Government Officers.

Partly as a result of these patron-client networks, the present leaders have assumed the role of brokers. Whereas a traditional leader such as the Village Headman when dealing with the colonial bureaucracy had used only his persuasive power, his sincerity and his strength of personality as weapons in gaining benefits for his village; whereas new leaders are brokers offering a trade in votes. The centre provides jobs, subsidies, aid etc, which the local leaders extract and distribute among the villagers, in exchange for votes at the time of elections.

The villagers support a certain party with the hope of getting benefits from its leaders. Leaders who are able to provide these benefits to the villagers are the local patrons. At this stage, the local patrons become brokers as they in turn act as clients to the national poli-

ticians and bureaucrats.

Therefore, the brokers, rather than closing the gap between the village and the outer world, polarize the two by seeing that they command the road across the gap. In both villages the brokers gave less chances for the clients to make acquaintances with outsiders. This was evident at Menikgama, at the time of the visit of the MP and the Officials of the Department of Education who came to inaugurate the new school building. This was the MP's first visit to the village and it was a great day for the villagers, who worked hard to make the occasion a success. But when the MP and Officers arrived the local patrons took command over the situation.

In Kurundugama too, when ever the MP or AGA and other bureaucrats visit the village they are entertained by the local politicians and they compete to show deference.

### Leadership and Development

The new patterns of brokerage grow out of welfare and development schemes ostensibly designed to improve living conditions and productivity in the villages. I have indicated how these schemes affect leadership patterns. An equally interesting question is how the power structure affects welfare and development schemes?

The range of rural development measures designed to raise the level of productivity and welfare is very wide: the distribution of seeds, fertilizers, pesticides through cooperative societies, the provision of crop insurance and loan facilities, extension services offering advice on new technology etc. There are also consumer subsidies, health and educational facilities, land provided for the landless etc.

However, it appears that the implementation of these policies must be and sometimes ostensibly is affected by the brokerage system. Many respondents expressed dissatisfaction about the distribution of land under the village expansion scheme, since most recipients of land were clients of the local leaders.

Besides their manifest function of promoting development, these schemes also have a latent function of consolidating the power base of leaders. At times the two types of functions get in each other's way. Although the desire to take development initiatives is not wholly absent, it is combined with political ambitions which are dominant enough to thwart the good intentions.

But the question arises whether these leaders are completely indifferent to the need to keep their clients happy. Since leaders do have to think about mobilizing votes at elections, they cannot completely ignore the welfare of villagers. As a result they try to render benefits to the villagers, if they do not hinder their own vested interests.

Providing personal benefits such as giving jobs and distributing land has become the prime function of the leader. When the political leaders were questioned about their commitments to village development, they gave more importance to this particular task of providing jobs than any more general benefits which the whole community can enjoy.

### Conclusions

This study has discussed the dynamics of local level power in two Sri Lankan villages. In traditional Sinhalese society, power was concentrated among a few wealthy families of the dominant lineage group. The traditional leaders enjoyed a stable power base for generations. Today, leadership is more diffuse and not concentrated among a few families. This diffusion is due to two main factors:-

- (a) emergence of goal specificity in leadership roles, and
- (b) recruitment of leaders from a variety of social strata of the village.

The present leaders are the office

The present village leaders are the office holders of rural organizations. The qualification necessary to gain office is the right political affiliation. Political alliances with national-level politicians are created by the ability to muster village support which can be

used by politicians at times of elections. Village support can be achieved through several means-

- (a) by creating or maintaining economic dependencies;
- (b) by preserving powers of influence derived from ascribed status;
- (c) by strong personality;
- (d) through force or thuggery;
- (e) through promising benefits by the virtue of having outside connections. Thus, ownership of land is not sufficient to gain power.

The functions of the leaders have also changed. Today a village leader does not have the authority to settle village disputes. But the present leaders have a more significant part to play in village development. Since Government policies are implemented through rural organizations, their success depends on the leader- their commitment and efficiency.

One can see many dysfunctions in this new system. First, many leakages

are evident in the brokerage system. Therefore, it is not wrong to say that the brokerage system does not promote modernization but thwarts modern forms of rational and equitable distribution of goods and services. Thus if patron-clientelism continues, its particularistic and personalistic values will continue to take precedence over universalistic interests. Secondly, very often these leaders become mere instruments in the hands of the national politicians and bureaucrats because of their vested interest in sustaining their positions. Thirdly, political competition sometimes leads to disruptions in village development. This can be seen when there is a change in the political power base in the village.

In fine, although in the traditional system, village development depended entirely on the genuine interest of the village leaders, in the present system, the leaders cannot completely ignore the welfare of the villagers, because of the need to get votes at elections.

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## GRAMODAYA MANDALAYA: The newest village organisation

S.L. Tilakasiri

In Sri Lanka several attempts have been made with the hope of decentralizing the administration and eliciting a greater degree of local participation in the administration. Among such recent attempts of note were the Divisional Development Council (1971), District Political Authority and Decentralized Budget (1974), District Minister System (1978), District Development Council (1980). The 'Gramodaya Mandalaya Scheme which was established in October 1981 was another attempt to harness village institutions in trying to achieve this objective.

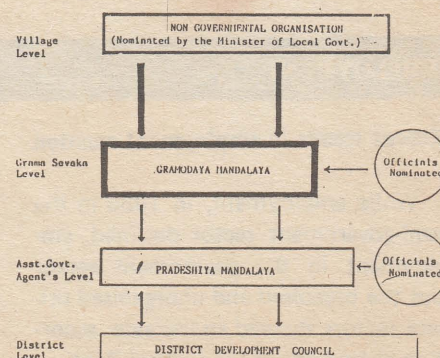
The term 'Gramodaya' means the awakening of the village; Gramodaya Mandalaya as a whole implies an organisation which brings light to the village and this concept rests on the principles of self-help, self-reliance, popular participation and local decision making. The objective of the Gramodaya programme is to mobilise the existing local organisations, so that they can participate in local development and administrative activities. They are also expected to create a cleaner environment; ensure basic health needs, facilities for education and housing.

One 'Gramodaya Mandalaya' is formed in each village headman's (Grama Sevaka's)

Division which is the lowest level in the government administrative system. Sri Lanka is divided into twenty four administrative districts, which are sub-divided in two hundred and forty four Assistant Government Agent's (AGA) Divisions. These are further sub-divided into 4457 village headmen's (Grama Sevaka's - GS) divisions. On this basis there should be 4457 Gramodaya Mandalas and according to the Gramodaya Information Centre about 3500 Gramodaya Mandalas are in operation (See table for numbers established).

The Gramodaya Mandalaya may consist of the heads of all non-political organisations in the area covered by it. Only the organisations functioning in the Grama Sevaka Divisions and engaged in social services and other activities contributing to public welfare are recognised for representation at the Gramodaya Mandalaya. The final decision to include an organisation in a Gramodaya Mandalaya rests with the Minister in charge. Thirty six such organisations (eg. Rural Development Societies, Community Centres, Women's Societies, Sport Societies, School Development Societies, Religious and Cultural Societies) have so far been recognized.

In addition a certain number of government and public corporations' officers eg. special service officers, cultivation officers, heads of schools, family health workers working in



the Grama Sevaka division may also be nominated by the Minister for membership of a Gramodaya Mandalaya.

The Gramodaya Mandalaya is entrusted with the responsibility of identifying and servicing the development needs and priorities of the area it represents. It is also expected to submit its recommendations concerning development activities of the area to the higher level organisation, Pradeshiya Mandalaya Divisional Council of the AGA's Division.

A Pradeshiya Mandalaya is formed in each Assistant Government Agent's Division and consists of representatives from all Gramodaya Mandalayas. Also, selected government and semi-government officials of the division are included in the Council. Some of the plans prepared at Gramodaya Mandalaya level are submitted to Pradeshiya Mandalaya, while others are directly implemented. The Pradeshiya Mandalaya considers all these and forwards its programmes of development of the division to the respective Development Council of the District for incorporation in the Annual Development Plan.

The fundamental idea of establishing a Gramodaya Mandalaya at the village level is to create opportunities for the local people to get actively involved in the development of their localities by using their knowledge and the resources available to them.

Guidelines given in the Gramodaya Mandalaya handbook describe the expected role and provide instructions for realising this role. These go on to indicate that most of a village community's needs remain unattended due to lack of funds. Therefore, in developing a village, mere consideration of needs is not sufficient. It is equally important to consider the availability of resources. Since needs can be unlimited, planning should be done in small phases, depending on the funds available. Thus, village development plans should identify priorities. Money is only one

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GRAMODAYA MANDALAS ESTABLISHED 1981-1986

District	No. of GS Div.	1981	1982	1983	1984	1985	1986
Colombo	195	185	185	189	189	193	194
Gampaha	444	419	419	420	442	444	444
Kalutara	253	246	247	249	249	252	252
Matale	175	174	173	170	170	175	174
Nuwara Eliya	142	139	139	139	139	139	139
Galle	318	267	272	272	272	318	318
Matara	225	143	223	225	225	225	225
Hambantota	174	150	162	158	158	167	167
Batticaloa	101	39	101	101	101	88	101
Amparai	122	118	118	122	122	120	120
Trincomalee	60	44	60	46	59	59	59
Kuruneagala	515	485	509	509	512	515	515
Puttalam	184	184	184	184	184	182	182
Anuradhapura	188	188	188	186	188	188	188
Badulla	159	152	159	159	159	156	153
Moneragala	88	80	82	83	83	88	88
Ratnapura	182	165	175	179	179	179	179
Kegalle	201	200	197	197	197	201	200
Polonnaruwa	63	63	63	63	63	63	63
Kandy	408	371	395	395	407	407	378
Jaffna	176	----	141	167	167	-----	-----
Mannar	34	----	-----	35	35	34	34
Vavuniya	24	----	-----	24	24	24	24
Mullativu	28	----	-----	24	24	12	12
Sri Lanka	4457	3812	4130	4296	4348	4229	4206

Source: Dept. of Local Government

## EMPLOYMENT

### Recent trends in employment creation

While employment, in 1985 in the semi-government sector declined, employment in the government sector and the organised and unorganised private sectors showed an increase, according to findings of the Central Bank.

### Government Sector

Provisional estimates showed that employment in the government sector had increased by 7,597 persons or 1.5% in 1985 over that of the previous year (the increase in 1984 was 5,874 persons or 1.2%). The main areas in which this new employment occurred was in sectors such as education, agriculture and animal production, health, irrigation, auditing, district administration, labour and prison services. On the other hand there was a significant drop in employment in land settlement, and also machinery and equipment and highway development services.

Employment in the government sector could have been much higher but for the fact that there were procedural delays and also suitable candidates to fill existing vacancies were not available. A survey conducted by the Statistics Department of the Central Bank has revealed that there were over 23,600 unfilled job vacancies in the government sector and over 21,700 job vacancies in the semi-government institutions in 1985 compared to job vacancies of about 13,500 and 18,000 respectively in 1984.

In the government sector, the largest proportion of vacancies was for teachers (37 per cent) and minor employees (30 per cent). Of the total vacancies, about 18 per cent were in subordinate grades and, about 10 per cent in executive grades. The major reason for not filling these vacancies was procedural delays. About 7 per cent of the vacancies have not been filled due to non-availability of suitable candi-

dates, while about 5 per cent of vacancies were not filled in view of intended closure or contraction of staff to reduce costs in government establishments.

### Semi Government Institutions

The largest proportion of vacancies in semi-government institutions was among minor employee grades (70 per cent). The proportion of vacancies was also significant for subordinate grades (18 per cent). The main reason for not filling these vacancies was non-availability of suitable candidates (29 per cent). Among other reasons were that nearly 13 per cent of vacancies had not been filled due to a decision not to fill the vacancies and 5 per cent of vacancies were not filled due to procedural delays.

In the semi-government sector the declining trend in employment seen in 1984 continued into 1985. The major reasons for this were the discontinuation from work of casual workers in the state plantations consequent on reorganization of the work force in the plantations; a decrease in employment in semi-government institutions engaged in river valley development, pro-

duction of hardware, cement, paper products, iron and steel and supply of common amenities. In contrast, employment increased significantly in institutions connected with production of petroleum products, building materials, tyres and tubes, textiles, housing development and transport.

### Private Sector

In the private sector there is no definite indication of changes in the employment situation and the Central Bank had drawn attention to the lack of an annual series of data on employment in this sector. However, a survey of Business Activities and Planned Investment of the public and private sector limited liability companies, conducted by the Central Bank estimated that the increase in employment in these companies was 8.6 per cent in 1984/85 over that of the previous year; while a 10.8 per cent increase in company employment was expected in 1985/86.

Another indicator of employment creation in the private sector is the records of the investments approved by the Greater Colombo Economic Commission (GCEC), the Foreign Investment Advisory Committee (FIAC)

EMPLOYMENT POTENTIAL IN GCEC, FIAC and LIAC projects 1978-86

Year	GCEC Actual Employment No. at end of year Cumulative Total	FIAC No. for each year	LIAC Potential Employment No. for each year	LIAC Potential Employment No. for each year
1978	261	-	3,887	43,313
1979	5,876	5,615	15,606	32,617
1980	10,538	4,662	14,060	15,371
1981	19,727	9,189	14,415	11,026
1982	24,926	5,199	12,717	8,429
1983	28,705	3,779	15,715	10,038
1984	32,725	4,020	10,040	21,524
1985	35,786	3,061	4,339	12,850
1986 Jan-Nov.	45,047	9,261	936	n.a.
Total	45,047	44,786	91,715	155,118

Source: *Central Bank Monthly Bulletin*



## AGRICULTURE

and the Local Investment Advisory Committee (LIAC). See Table above. LIAC labour absorption potential has been on the decline over the last two years. In 1984 the employment potential in LIAC projects approved was 21,524 persons. This dropped to 12,850 in 1985 and in 1986 it is expected to drop further to about 7,500. The labour absorption potential in projects approved by the FIAC declined from 10,040 in 1984 to 4,339 in 1985; although in 1986 it is expected to be around 7,000. Meanwhile, the labour potential in enterprises coming under the GCEC went up from 32,725 in 1984 to 35,786 in 1985, an increase of 3,061 in 1985; while in 1986 the number had exceeded 45,000, an increase of nearly 9,000 for the year. The number of units in commercial production in the GCEC went up from 67 in 1983 to 81 in 1985 and to 89 by November 1986. The commissioning of these GCEC enterprises would also have created indirect employment opportunities although its magnitude is difficult to assess due to the lack of data.

Tourist arrivals continued their decline from 402,349 in 1982. In 1983 the number of arrivals were 317,734 and in 1985 it came down to 257,456; while in 1986 Jan.-November it was only 204,926. The result was that employment in this sector has ceased to grow and in certain areas many persons lost their source of employment. However, in the transport sector and in import-export trading there were signs of growth, which also could have helped to increase employment in these sectors.

A review of the employment situation, in 1985, according to the estimates based on the above data, indicates that in the formal sector (government, semi government and private) around 50,000 were placed in employment. In the informal sector the figure would have been over twice this exceeding 100,000, with total op-

### Farm Mechanization and Cost of Paddy Production

Paddy cultivation in Sri Lanka witnessed a few notable changes during the past few years. The opening up of a vast extent of new and irrigable land together with the intensified exposure of this sector to High Yielding Varieties (HYV) technology, accounted for the bulk of these changes. Consequently, both, all island paddy production and productivity levels demonstrated an almost persistent growth over the years. Although emphasis on farm mechanization may not be totally rational in the context of the present factor combinations of production available for the country, it constituted an integral component of this overall package of changes.

ted by these schemes, indicated the need for strong water related management discipline in the spheres of timing, scheduling and also performance of farm operations, in order to obtain the optimum benefits from the scarce water resources. Therefore farm operations pertaining to land preparation, cultivation, harvesting and removal of residues, have all to be performed in accordance with the time tables agreed upon by the farmers (to some extent) and the irrigation officials. The capacity of the small farmers to adhere to a busy time table, particularly during peak seasons has been constrained by the paucity of family labour and draught power. It is in this broad context, that mecha-

#### PRICE INDEX OF AGRICULTURAL MACHINERY

Year	2 Wheel Tractors	Ploughs	Water Pumps.	Threshers	Sprayers
1980	100.0				
1981	119.4	100.0			100.0
1982	129.3	101.8	100.0	100.0	101.6
1983	144.1	108.0	107.2	104.2	103.2
1984	166.7	122.4	114.9	106.7	107.7
1985	179.5	115.1	117.9	11.6	118.6
1986	231.5	167.6	143.3	124.9	118.1

Based on 'Retail Prices of Agricultural Inputs in Sri Lanka, Rural Credit Dept. Central Bank'.

The growth potential witnessed in the Paddy sector, has been derived to a greater extent from those newly opened up lands in the major irrigation schemes. The family farm model adop-

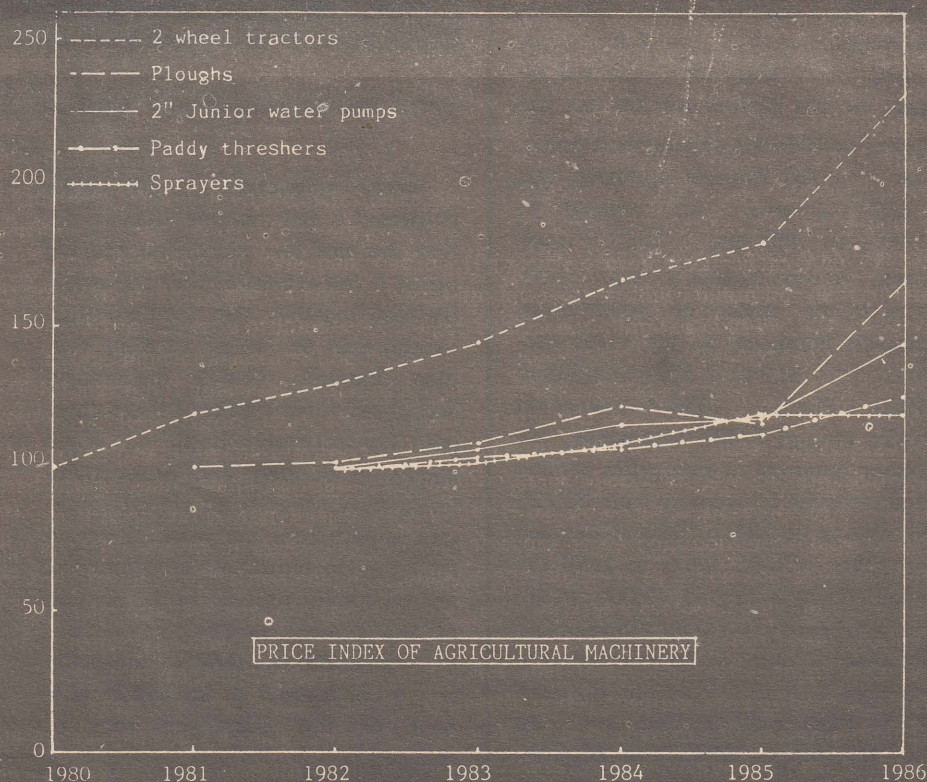
nization to some degree, has become pertinent, in the new settlement schemes.

nings amounting to about 150,000. Estimates of those coming into the labour market can be made from the approximate 500,000 in grades 10, 11 and 12 of the schooling system in 1985. Of this number there were about 300,000 school leavers. C.G.

The types of mechanical inputs most commonly used by farmers include two wheel tractors and related implements, power driven threshers, and sprayers which have been used at various stages of farm operations. However, the two wheel tractor seems to have been the most popular machinery in use because of its capacity to perform a variety of functions at a relatively affordable price. However,

this does not mean that all paddy farmers in Sri Lanka in general or settler farmers in particular, could afford to purchase two wheel tractors and other implements. Observations in the Mahaweli area have revealed that only a handful of settlers own two wheelers, and a still more negligible number own four wheelers. The ratio between those who own factors and related implements to those who do not varies from 1 to 39 households in some of the hamlets surveyed by the People's Bank in 1983. Also, most of these tractors have been bought in the latter part of the 1970's or early part of the 1980's during which period tractor costs and prices of other implements have been relatively cheap and affordable. Above all there had been a few attractive schemes offered by the state and the commercial banks to assist settler farmers to purchase such implements. This assistance included cheap finances and heavily subsidized prices.

But the price levels of most of the machinery and implements used for agricultural operations have increased at an alarming rate during the last 7 year period (see figure). In the case of two wheel tractors the composite index of 1980=100 has reached 231.5 by the end of 1986. For instance, the prices of two wheel tractors of 7 HP category which ranged, between Rs.19,750m and Rs.33,330 in March 1983, had reached Rs.87,000 by the end of 1986. Although the prices of other implements did not rise as steeply, they show a similar upward trend. The combined effect of these upward trends in prices of this agricultural machinery and other implements has seriously restrained the affordability and accessibility of paddy producers to these inputs. On the one hand the real income levels of the paddy growers continued to remain at a low level because of the depressed price levels available for their output. On the other hand the cost of machinery has almost doubled, making their capacity



Source: Retail Prices of Agricultural Inputs in Sri Lanka, Department of Rural Credit, Central Bank of Sri Lanka

to purchase such machinery even more remote than before. As a result, those who own tractors have been placed in an advantageous position, partly because they could perform farm operations of their plots relatively faster and thereby on time, and partly because they are in a position to hire out their machinery to the majority who do not own such inputs. The cost of mechanical inputs that comes in the form of tractor, sprayer and thresher charges has shown a considerable variation both over time and place. The spatial variations of such charges depend on the degree of scarcity of inputs as well as on the mode of payment, while the variations, over time depend on the periodic fluctuations in demand as well as the price variation of the machinery itself.

Of course the spatial and periodic variations are linked with the exploitative elements and processes involved,

which often operate in favour of the input suppliers vis-a-vis input users. For instance, in Maha 1985/86, tractor charges for land preparation in the Meegalewa are varied from Rs.1,750/- to Rs.1,850/- per plot per season. The corresponding rates for the cultivation season of Maha 1983/84 had been Rs 1,000/- to Rs.1,300/- per plot per season. Estimates made in 1984 showed that in the Mahaweli areas the expenditure on mechanical inputs had constituted almost 36 per cent of the total cost of production of the paddy growers. Given the present rate of increase in the costs of machinery (such as tractors, threshers, sprayers etc.), this cost ratio could show a definite shift against the other inputs, like biochemical inputs (such as fertilizer, seeds and pesticides) and labour, and eventually erode the limited producer margins enjoyed by the paddy producers.

U.V.

## TEA

## Crop Declines While Exports Increase

Sri Lanka's tea crop in 1986 had fallen by 2.8 million kilogrammes (kgs) compared to the crop of the previous year. The annual harvest in 1986 was 211.3 million kgs as against 214.1 million kgs in 1985. Crop figures of most major tea producers in the world indicated a downward trend in 1986. The North Indian crop particularly declined by 37 per cent in 1986 over that of the previous year. The decline of Sri Lanka's crop was mainly the result of adverse weather condition through most part of the year. The crop in the first quarter of 1986, showed a 5 percent or 2.4 million kgs decline as a result of inconsistent weather conditions in January and February. In the second quarter the harvest increased by 2.2 million kgs over that of previous year's second quarter and the deficit was only marginal. In the 1986 third quarter, particularly the last two months, crop failure was again recorded. The lowest recorded monthly crop figure was 11.7 million kgs in August 1986 indicating a 32 per cent drop compared to the figure of August 1985. The deficit at the end of the third quarter of 1986 was 5.6 million kgs, though in the last quarter there were slight increases.

In terms of elevation the tea crop from High and Medium grown had fallen in 1986 compared to the previous year's figures. On the other hand, a noteworthy feature in the crop from Low grown is that there has been a continuous increasing trend since 1960 in this elevational category, with it ultimately overtaking the High and Medium grown crop. In 1986 the Low grown crop amounted to 80.9 million kgs which was nearly doubled the 45 million kgs produced in 1960. In 1986

the High grown crop declined to 77 million kgs against 78.8 million kgs in 1985 and 79.4 million kgs in 1984.

The Medium grown declined to 53.3 million kgs in 1986 from 55.2 million kgs in 1985 and 54.6 million kgs in 1984. A significant feature of this category is its continuously declining trend since 1975 when the Medium grown crop was 73 million kgs. The major reason for this drastic decline was that large tracts of planted land area under Medium grown was lost as a result of diversification from tea to various other development projects after 1975.

The production of a variety of C.T.C. and L.T.P. teas increased considerably in 1986 recording a 1.1 million and 4.1 million kgs increase, respectively, over the 0.7 million kgs of C.T.C. and 2.9 million kgs of L.T.P. in 1985. However, the orthodox variety of tea produced in Sri Lanka maintained its overwhelming share, representing 97.6 per cent of total production in 1986. (See Table 1).

Table 1

TEA PRODUCTION (In Million Kilograms)

Year	C.T.C.	L.T.P.	Orthodox	Total
1985	.7	2.9	210.5	214.1
1986	1.1	4.1	206.0	211.2

Source: *Broker's Reports*.

## Exports

Sri Lanka's tea exports increased by

nearly 10 million kgs in 1986 recording about 208 million kgs as against 198 million kgs in 1985. Exports in 1986 were about 3 million kgs more than that of 1985. Meanwhile, tea export earnings dropped by 23 per cent in 1986, compared with the previous year, as a result of depressed market conditions.

Bulk tea exports have kept coming down gradually to 138 million kgs in 1986, from 157 million kgs in 1985. On the other hand, packeted tea exports have shown an upward trend, as seen in the table, going up to 66 million kgs in 1986 from 56 million kgs in 1985 and 46 million kgs in 1984. But the volume of tea exports in bags has remained virtually unchanged amounting to 2.1 million kgs in 1986. Tea exports in other forms such as instant teas and green tea were not very significant, remaining below 3 million kgs in 1986. The drop in volume of instant teas, in 1986, is worthy of note.

The demand for Sri Lanka tea from the countries of the Middle East continued at a comparatively high level, representing a 56 per cent share of total exports in 1986. In absolute terms exports to this region increased to 116.4 million kgs in 1986 from 111.9 million kgs in 1985. Egypt maintained its position for a second

year as the leading tea importer from Sri Lanka, purchasing 40 million kgs in 1986 and accounting for almost 20

percent of the country's total tea exports. Iraq, which held position of leading buyer in 1984 imported 34 million kilograms that year. Both in 1986 Iraq moved into second position among the leading importers of Sri Lanka tea, with purchases of 23 million kgs and 29 million kgs in 1986 and 1985 respectively. Brokers have made a note of the fact that in 1986 Iraq has given Sri Lanka's tea market unstinted support throughout the year.

Saudi Arabia's share dropped to 13 million kgs in 1986 against 14 million in the previous year. Syria also reduced its purchases slightly compared to the previous year.

Table 2

SRI LANKA TEA EXPORTS (Thousand Kilograms)

	1984	1985	1986
Bulk	156,958	139,024	137,597
Packeted	45,602	56,132	66,334
Tea Bags	1,122	2,126	2,055
Instant teas	252	409	262
Green tea	253	253	8
Teas imported & Re-exported	244	33	---
Others	39	41	1,574
<b>Total</b>	<b>204,471</b>	<b>198,017</b>	<b>207,829</b>

Total purchases by the E.E.C. countries including United Kingdom,

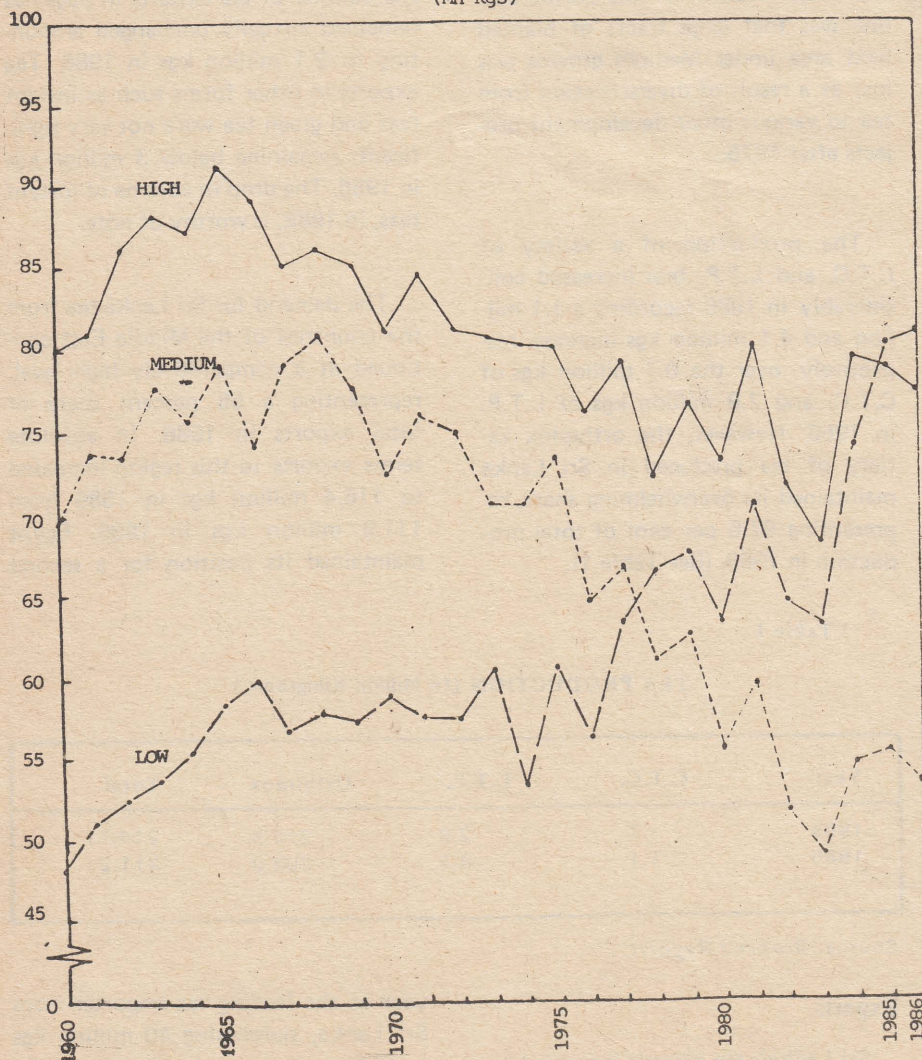
Netherlands, Germany F.R. increased from 10 percent in 1985 to 12 percent in 1986 or from 19 million kgs in 1985 to 25 million kgs in 1986. The United Kingdom's purchases increased to 15.7 million kgs in 1986, more than 2 million kgs over that of 1985. The overall purchases of the Western industrialised countries, however, declined in volume. Their share was 11 percent in 1986 as against 9 percent in 1985; while volume imported was 17.9 million kgs in 1986 as against 22.2 million kgs in 1985. Among industrialised countries purchases of USA and Australia were reduced while Japan's demand increased in 1986, and Canada accounted for 4.6 million kgs. in 1986.

Among the other buyers of Sri Lanka's tea was Pakistan whose demand had increased significantly in 1986 amounting to 14 million kgs against 8 million kgs in 1985.

USSR purchases dropped drastically amounting to 9.6 million kgs in 1984, 8.6 million kgs in 1985 and 2.2 million kgs in 1986. Here brokers have noted that in 1986 "exports to USSR were a mere 2.1 million kgs, and sellers most surely hope that this Buyer, who purchased a phenomenal 100 million kgs from India will increase her purchases from Colombo".

G.J.

TEA PRODUCTION 1960 - 1986 (Mn Kgs)



## FEATURES

### Employment Policies in Sri Lanka in the post-independence era

Indrajit Coomaraswamy

*Deputy Director, Economic Affairs Division, Ministry of Finance and Planning*

Indrajit Coomaraswamy maintains in this analysis of Sri Lanka's employment policies that sufficient weighting must be given to employment generation when evolving an appropriate framework for sound macro-economic management. He argues that employment must be clearly specified as an objective when designing policies and programmes. Failure to do this will render it impossible to absorb the backlog of the unemployed and to provide employment for the 135,000 new entrants to the labour force each year. This paper is extracted from his doctoral thesis.

#### Poverty and Open Unemployment

Poverty and open unemployment are arguably the most striking symptoms of inadequate development in many Third World countries. These countries experience alarming rates of open unemployment in the urban sector, and widespread poverty. In the context of the Third World, poverty and open unemployment are related but separately identifiable concepts. While many of the unemployed are confronted with conditions of poverty, a significant proportion of the unemployed tend to originate from relatively secure economic backgrounds and undergo a period of unemployment while searching for 'suitable' jobs. The former phenomenon may largely be explained in terms of an imbalance between the demand for and supply of labour, while the latter is more a result of inappropriate signals being transmitted through distorted differentials in the labour market. These differentials encourage 'over-searching' for certain types of employment. Both these factors operate in the Sri Lankan context.

#### Conceptual Framework

It is generally recognised that the conventional theoretical framework formulated to examine employment problem in the developed countries is inadequate when applied to the less-developed countries (LDCs) because it is relatively weak in the context of undeveloped labour market structures. There is a fundamental conceptual difficulty. In the traditional sector of

the Third World much of the economic activity is organised in family production units within which the sort of rigid demarcations between work and leisure, common in more developed labour markets, which help to differentiate employment and unemployment are not observed. In this sector it is common for the "share alike" ethic to apply to work as well as to income. Hence work may be sporadic and partial and income generating activities can involve all except the very youngest children to some degree.

The labour force is usually defined as the sum of the number of people employed (for pay, on their own account or as unpaid family workers) and unemployed; the latter in turn being commonly defined as people who are not at work but are seeking work or are available for work. Two factors determine the rate of growth of the labour force: the rate of growth of the population of working age and the participation rates. As mentioned above, one of the methodological problems faced in the context of the Third World is that it is often not easy to distinguish between members of the labour force and non-active groups. This problem is most acute in the rural sector where men, women and children above a relatively young age may all devote part of their time to economic activities. For instance, there is likely to be a significant group, mainly female, whose commercial activities are essentially sporadic, but whose domestic activities often include provision of services which in more advanced communities are purchased (e.g. dressmaking and basic processing of food).

### Growth, Employment and Distribution

Until recently, economists and policy-makers in both developed and developing countries assumed that economic growth would solve the problems of poverty and unemployment. In the context of the Third World it has become increasingly apparent that economic growth alone is not enough.

Even today there is a strong pro-GNP lobby which argues that only criteria associated with growth should govern decision making regarding resource allocation. It is argued that growth oriented capital intensive methods of production should be adopted. Such methods are said to lead to a higher rate of growth of income (i.e. a larger cake) the benefits of which are said to percolate/trickle down to all members of the population. From the employment point of view it is argued that though such resource allocation provides fewer jobs in the short run, in the long run higher rates of growth lead to more capital accumulation and thus more employment opportunities. Such an argument entails the sacrifice of present employment for the sake of more employment in the future. This thesis is based on the assumption that capital-intensive techniques are more productive, that "capitalists" (private or state) will reinvest the profits or the surplus and that this reinvestment will be sufficient in amount to absorb eventually more labour than would otherwise be employed by the continual use of labour-intensive techniques. The pro-GNP lobby deals with the question of income distribution by suggesting that aggregate income should be increased as much as possible and then fiscal measures used to redistribute this income.

This argument has a number of inherent weaknesses. One can argue that conditions in many Third World countries are such that there is an overwhelming argument in favour of advocating more employment for its own sake from the point of view of not only social justice but also political

stability. In addition, there need not be a trade-off between more employment and more growth "now". It is possible to obtain higher rates of both employment and output if "appropriate" policies are evolved. Furthermore, even if the governments in the Third World incline towards income redistributive fiscal policies they usually do not have the capacity to implement them. It is also the case that in many Third World countries the surplus generated is squandered by the peripheral elites on conspicuous consumption with a high import content.

The notion of viewing employment as a by-product of economic growth must be discredited. The belief that the employment problem would gradually solve itself if the rate of economic growth was accelerated is not borne out by reality. There is no automatic mechanism linking increase in production to increase in employment. In many countries where economic growth rates have been satisfactory, progress judged by other indicators such as levels of employment, literacy, life expectancy, infant mortality, nutrition, housing etc., has been very poor. Economic growth has merely increased inequalities between the "haves" and "have nots". Furthermore, it has raised expectations which it has not been able to satisfy. Growth has usually occurred in the relatively small modern sectors of developing economies. Such economies are highly compartmentalised (non-integrated). This means that the large traditional sectors remain unaffected. The fruits of growth accrue to a small selection of the population who are already wealthy. The large mass of the population remains virtually untouched by the economic progress made. The population explosion, increasing pressure on land in many countries, and the unfavourable "backwash" effects of industrialisation on traditional handicraft activities combine to keep vast numbers of people in abject poverty, deprived of any share in the benefits of a rising average income per head.

The objective of achieving growth must not be abandoned. Instead one must recognize that development depends on factors other than growth of GNP. Economic growth is not in itself the cure for many of the prob-

lems facing the Third World. There are other criteria of performance and progress which must be taken into account by planners and policy makers if economic growth is to result in higher standards of living for the dispossessed masses. Employment must be made a major goal and a criterion of development. Development can no longer be considered to be synonymous with economic growth. Specifically pro-poor policies must be evolved. Creation of more livelihoods which generate a regular and decent level of income must be emphasised in development policy. National plans should concentrate on those sectors and those technologies which offer the greatest scope for labour absorption while providing a reasonable rate of increase in output per head so that decent levels of earning can be obtained without rampant inflation. This line of thinking contrasts sharply with the approach which aims at a certain rate of growth while taking no account of the employment creating and distributive effects of the measures taken to attain that growth. However, one must reiterate that it is necessary to guard against choosing measures to promote employment or distribution without taking into account the impact on growth. Employment creation without growth tends to be self-defeating. If development is to lead to higher living standards for the poor, weightage must be given to all three objectives.

### **Trade-off between Employment and Output Objectives**

Much discussion has been centred on the costs of employment-promotion. The cost that has received most attention has been the possible slowing down of economic growth. If there is no conflict between maximising growth and employment simultaneously there would be no problem.

However, one can demonstrate that in certain circumstances there is likely to be conflict between these two objectives. Conditions in the Third World are such that an increase in investment and output does not automatically lead to a reduction in unemployment. Contrary to what one would expect from Keynesian economics, capital accumulation and growth

in GNP have not brought poor countries closer to full employment. Instead there has been an increase in the level of unemployment. The employment problem in the Third World is related to the lack of cooperant factors that might be utilised productively with surplus labour. It is possible to argue that in such circumstances it can be worthwhile to sacrifice some growth in order to achieve additional employment, particularly as employment is not just an end in itself but is also a means to other important ends besides production. One must, however, recognise that there has to be a limit to the amount of growth that it would be worthwhile to sacrifice for fuller employment. If the economic growth achieved falls short of population growth, stagnation sets in, and poverty will be perpetuated. While there is no doubt that ill-chosen measures of employment promotion will reduce economic growth there is, however, considerable scope in Third World countries for policy measures that will promote employment and growth simultaneously.

The attitude of economists to the relationship between output and employment is subject to controversy. Neo-classicists contend that factor proportions are variable and that any amount of capital can be associated with any level of employment. In this Neoclassical world the limit to employment is set by real wages. Hence there can be no conflict between employment and output. This is not a realistic assumption. Though some variation in employment is possible with any given machine there comes a point when the machine is operating at maximum capacity and additional workers will not increase output.

Therefore only a limited range of employment opportunities can be associated with any given machine. This raises the possibility of conflict between employment and output.

It has also been claimed that conflict between output and employment is inevitable. Capital intensive methods of production are said to always involve lower capital cost per unit of output (and higher cost per job) than labour intensive techniques. This position is as extreme as the Neo-classical one. There is much evidence that in

many industries and many processes the most labour intensive methods also save capital per unit of output.<sup>(1)</sup> In these cases the maximisation of employment and output are consistent. There is no doubt, however, that conflict between output and employment objectives can arise given the scarce nature of complementary factors of production in LDCs. From a policy point of view it is necessary to determine how much scope there is for employment policies that do not run into such conflict. As mentioned above, there are areas where more labour intensive methods do save capital per unit of output. It is important R & D efforts concentrate on improving the efficiency of labour intensive methods so that more and more of them become efficient vis-a-vis capital intensive methods. Hitherto, almost all research and development has been concentrated in the developed world where labour has been relatively scarce. The labour intensive methods currently available tend to be the products of earlier and less sophisticated science and technology. This tends to lead to a trade-off between employment and output.

If there is conflict between maximising current output and employment, there are a number of reasons for preferring employment to output. (a) Employment creation and the consequent opportunities for earning an income are a potent mechanism for redistributing income to those who would otherwise remain unemployed (and often very poor). This is particularly so in the context of the Third World where few countries possess the capacity or the will to implement progressive fiscal policies. As the creation of employment can be a crucial element in a redistributive strategy one can argue that in some contexts production should be sacrificed for greater employment. It is however, insufficient to merely increase opportunities for work. There is a need for incomes as much as for work. Policy must be designed to create employment opportunities that provide a decent level of income. The trade-off involved may often be between the income of the better off and the income of the poor rather than between output and employment.

(b) Unemployment can be very demoralising.

(c) Widespread unemployment can be politically destabilising.

One must give priority to employment problems because the political instability they cause will eventually threaten levels of output and growth anyway.

If one has established the priority of employment considerations and one does not simply wish to maximise output by plumping for the capital intensive techniques, there are three possible courses of action when confronted with alternative techniques<sup>(2)</sup> in a situation where there is a conflict between employment and output.

(a) One can adopt the Gandhian solution and maximise employment and sacrifice output. It can be argued that this will lead to stagnation and perpetuation of poverty; (b) There is the Nkrumah solution of installing modern capital-intensive techniques and employing the number of additional workers, who would have received employment under more labour-intensive techniques, in some minor and possibly useless capacity. This alternative does not provide the compromise it seeks to achieve. Extra workers might reduce output by getting in the way and by diverting administrative personnel. Furthermore, as modern factories pay relatively high wages, such a policy can lead to an exorbitant wage bill. This can reduce the profitability of the firm which in turn will affect the level of savings and eventually future investment. This will have adverse repercussions on future employment.

(c) A third solution is to adopt modern techniques and to use some of the extra output to employ the non-employed on public works, etc. This option can lead to a dilemma. If any capital is involved in the public works then one is back to the initial problem. None of these alternatives satisfactorily resolve the trade-off between employment and output. Stewart and Streeter<sup>(3)</sup> however, argue that certain widespread characteristics of the economies of Third World countries provide fairly wide scope for measures of employment promotion that do not conflict with growth objectives. Attention should be focused on identifying the nature and extent of possible con-

licts between output and employment, on evolving practical ways of avoiding these conflicts and promoting both objectives simultaneously. This will also have positive distributive effects.

It is important to recognise that both employment and output occur over time. Current levels of output and employment influence future levels. Hence weighting of objectives both inter and intra-temporally becomes crucial. One may conclude that planners must know their time preferences between the present and future and evolve an appropriate set of weights when attempting to resolve conflicts between employment and output objectives. It was argued earlier that there is considerable scope for measures that promote employment without conflicting with growth objectives. The nature of technical progress influences the terms of any conflict between employment and output objectives. However, under the existing international order, technical developments are likely to be confined to a significant extent to techniques of high and increasing capital intensity. Labour-intensive techniques tend not to be affected by technical progress. Consequently such techniques tend to become inferior over time and their adoption may involve a sacrifice of output when compared with the adoption of more capital-intensive technology. However, more widespread adoption of labour intensive techniques would lead to a fall in their costs as a result of economies of scale in their production. Hence current relative costs and efficiency of different techniques may not reflect potential relative costs. The present picture is often further clouded by distorted factor prices and over-valued exchange rates. One can conclude that current possibilities understate the impact that utilisation of labour-intensive techniques

(1) Sen has suggested that in cotton weaving the capital output ratio is lowest for the most labour-intensive technique, the fly-shuttle handloom, and highest for the automatic power loom. See Sen, A.K., *Choice of Techniques: An Aspect of the Theory of Planned Economic Development*, (Blackwell, Oxford, 1975), Appendix C., pp. 93-110.

(2) Stewart, F. and Streeter, P., 'Conflict Between Output and Employment Objectives', *Oxford Economic Papers*, Vol. 23, No. 2 (July 1971), pp. 145-168.

(3) *Ibid.*

have on output. Therefore, the areas of conflict between employment and output may be less than it appears at present.

One may conclude that in a rationally planned economy where due weightage is given to the local resource endowment, conflict between employment and output objectives can be minimised.

### Employment and Income Distribution

It must be recognised that more employment constitutes an important means of redistributing income.<sup>4</sup> It is the most crucial element in a policy for ensuring widespread sharing in the fruits of economic growth.

This is particularly applicable in the Third World because few countries have the capacity to afford or administer extensive fiscal schemes to redistribute incomes. However, in all Third World countries it is possible to create more extensive opportunities for those able to work to do so productively.

In addition to making for a more equitable distribution of income, more employment can satisfy the human being's psychic needs for useful and creative activity. It also provides more opportunities for people to acquire skills and the habit of work, thus enabling them to participate both in the tasks as well as benefits of economic development. Furthermore, employment serves to reduce social and political tension.

One may argue that there is a two-way relationship between employment and income distribution. Not only does the level of employment affect income distribution but in addition, changes in income distribution may affect the level of employment. Redistribution of income leads to a pattern of consumption which has significantly lower import content. The result is an increase in the aggregate demand for local goods. This means that a greater percentage of the value added accrues to the domestic economy. This has a positive impact on the subsequent growth of GNP and the level of employment. The increase in employment may be attributed to the fact that the production of such goods tends to be labour-intensive. This leads

to an increase in the labour absorptive capacity of the output mix. This new consumption basket arising from more even distribution of income will also be more heavily weighted in favour of agricultural products (lower income groups spend a greater proportion of their disposable income on food items). This will increase aggregate demand for such products. This should have a positive impact on overall development given the sectoral distribution of the economy. (The gains are likely to outweigh any losses sustained by reductions in services consumed by the rich).

The conventional argument against redistributive measures contends that the level of consumption is likely to increase, leading to decreased savings and investment which in turn will have a negative impact on employment. This argument is highly questionable in the context of the Third World. Even if one accepted the debatable assumption that an uneven distribution of income does induce a higher rate of personal saving, much of it is likely to be siphoned out of the country either through direct outward remittances to foreign bank accounts or through conspicuous consumption with a high import component. Provided that appropriate measures are undertaken there need not be any significant trade-off between distribution and output (equity and efficiency).

### Concluding Remarks

One may conclude that it is possible to evolve a policy framework which gives due weighting to the growth, employment and distribution objectives. In the Sri Lankan context such a policy package would have to concentrate on increasing the incomes of the rural poor. This would also serve to increase the labour absorptive capacity of the economy.

### Employment Oriented Policies In Sri Lanka.

The objective of this section will be firstly to examine briefly how the employment issue has affected economic planning during the post-Independence era.

## The employment input into economic planning

### The 1948-56 period

This period was characterised by an essentially ad hoc approach to economic policy. The so-called Plans which were drawn up before the Ten Year Plan were either just a compilation of public projects or instruments designed for the specific purpose of obtaining foreign aid for particular projects or programmes. One could conclude that during this period there was some "project planning" related to certain public projects. The documents were only concerned with investments. However, these were not implementation-oriented and there was no administrative apparatus for continuous planning and reviewing. The employment objective did not feature in any of the documents because this period was characterised by relatively full employment. Open unemployment had not reached the alarming levels of the sixties and seventies. No attempt was made to distinguish between the objectives of combating underemployment<sup>5</sup> and the expansion of production. It was assumed that under-employment was to be found chiefly among agriculturists, who failed to use their land and time to best advantage.<sup>7</sup> The possible existence of structural imbalances was not considered.

The Six Year Plan for Ceylon covering the period 1st October, 1947-30th September, 1953 was published in 1948. This document was confined only to the public sector and consisted of the Budget Speeches made by the Minister of Finance before the beginning of the financial years 1947-48 and 1948-49, in which he discussed the future with a six year perspective.<sup>8</sup>

(4) Mouly, J. and Costa, E., *Employment Policies in Developing Countries*. (George Allen and Unwin, 1974), P. 19.

(5) Work on the Ten Year Plan (1959-69) was begun in 1956.

(6) Under-employment can be defined in terms of various criteria: hours worked, productivity or income.

(7) IBRD, "The Economic Development of Ceylon", (Report of a Mission organised by the IBRD at the request of the Government of Ceylon), John Hopkins Press, Baltimore, 1953.

(8) B. Moller, "Employment Approaches to Economic Planning in Developing Countries", Scandinavian Institute of Asian Studies, Monograph Series, No. 9, Stockholm, 1972, P. 126.



Hence it does not constitute a fully worked out plan even for the public sector.

The same may be said of the World Bank Report<sup>9</sup> which assessed various projects which had already been carried out or were being contemplated. The creation of new employment opportunities was not one of the World Bank Mission's concerns. The growth of production was the main objective. It is interesting to note that though the existing situation did not involve significant unemployment, the Report of the Mission issued an important warning of the future.

"For some generations past Ceylon's productivity has maintained a lead in its race with population. Now the odds in the race are shifting. There is a grave doubt whether increasing production in the old patterns can any longer keep up with a greatly accelerated population growth..... an annual population increase of about 2.4%, is to be assumed as a basic factor for the coming decade..... There hangs over the island the serious threat of over-population .....Up to now the development of new land has kept pace with the increase in population. It is very doubtful whether it can do so much longer."<sup>10</sup>

This argument was used to make a strong plea for family planning. However, no recommendation was made to consider the possibility of structural transformation of the economy to achieve diversification which would increase the labour absorptive capacity of the economy. The World Bank Report was not a fully worked out long or medium term economic plan. The Mission, however, recognised the need for such planning and proposed that an Economic Planning Secretariat should be established.

An embryonic planning secretariat was established in 1953. It drew up the Six Year Programme of investment to cover the financial years 1954/55 to 1959/60.<sup>11</sup> This document was again limited to the government sector. However, it was a more coherent document because a greater effort was made to synchronise the various projects to be carried out by the different ministries. It is also significant that the document pointed out the possibility of future unemployment which would be qualitatively different from the cyclical un-

employment experienced by the developed countries.<sup>12</sup> It recognised the structural nature of the problem in Third World countries and pointed out the constraints posed by capital scarcity. This document was rejected at an early stage when a new government was elected to office in April 1956, only nine months after its publication.

In addition to the documents mentioned above, the first Colombo Plan also gave some indications of the aims of the policy makers. In September 1951, the Colombo Plan for Co-operative Economic Development in South and Southeast Asia was drawn up. The Plan sought to improve conditions prevailing in Asian Commonwealth countries. Sri Lanka was one of the original members of the Colombo Plan. Its proposals contained various projects which required governmental financing. The Colombo Plan cannot be described as an economic plan in the modern sense of the word. It was more a borrowing/foreign aid oriented document which concentrated on special projects in the public sector. However, it did make an important contribution in the early post-colonial years, when Sri Lanka did not possess any planning machinery. It made it necessary to consider more thoroughly various public sector investments.

The pre-Ten Year Plan period was characterised by some measure of "project planning", related to various public sector operations. The so-called Plans of the period were essentially collections of projects from different Ministries. They lacked coherence and internal consistency. In addition they were pre-occupied with production. Though some of the later documents displayed an awareness about the "employment problem", very little was done in concrete terms to give the employment objective its due weightage.

### The Ten Year Plan (1959-68)

The objectives of the Ten Year Plan fall into two main categories: high employment and a high rate of income growth.<sup>13</sup> The employment objective was given significant weightage. Employment considerations were granted an independent status as one of the aims of the Plan. Not only was employment creation one of the objectives, it also influenced working me-

thods used at the formulation stage and there were employment-related adjustments at the implementation stage.

It was Professor Joan Robinson's visit to the country at the time the Plan was being prepared, which caused employment to be given greater importance. Employment effects became a central factor in the calculations on which the Plan was based. It came to be placed among the most important factors in determining the methods of coordinating and adjusting the different sectoral studies. When the Plan was almost completed it became apparent that it would generate an insufficient number of jobs. As a result the allocations for small industries were increased and investments in other areas had to be pared down. This provides a clear indication of how employment as an objective was able to influence the Plan. Despite these positive aspects the Ten Year Plan was inherently weak from an operational point of view.

The Plan does not examine in detail the "means" of realising the objectives set out. Though the requisite amount of savings for the proposed investments are worked out, operational means such as changes in credit conditions, savings stimuli, tax rates, etc., necessary to achieve an adequate level of savings, are not discussed. In addition, means for achieving set targets regarding family planning are not enquired into.

Another such shortcoming was the lack of a budget of skilled manpower. This may be attributed to the fact that there was little physical planning in the document. The Plan was essentially concerned with the allocation of sums of money.<sup>14</sup> Another weakness, from an implementation point of view was the lack of alternative (contingency) planning. This was particularly important as the Plan made optimistic assumptions in such high risk areas as the savings level, rice subsidies, and the terms of trade.

(9) IBRD, op.cit.

(10) IBRD op. cit., cited in Moller, op. cit., p. 133

(11) The document was not published until July 1955

(12) Here one must recognise that "post-industrial societies" may be faced with another set of problems

(13) Moller, op.cit., p.146

(14) Ibid, p. 155.

One of the most glaring weaknesses in the Ten Year Plan was the proposed level of governmental saving. The figure was unrealistically high. This meant that the investment programme was not likely to be realised. If the programme was forced through there would inevitably have been a currency crisis. The unrealistically high levels of savings required also meant that the targetted increase in employment would not be achieved. The Plan envisaged providing sufficient livelihoods to absorb the increase in the labour force during the Plan period and to reduce the number of unemployed by 65,000.<sup>15</sup> In order to do this, the planners assumed that 1,390,000 new employment opportunities would be created. From the outset it was extremely unlikely that this target would be met, given the shortfall in capital accumulation (investment).

The implementation of the Plan was also set back by the foreign exchange situation. The terms of trade deteriorated significantly, after 1960. The favourable trends in the 1958-60 phase were offset by negative trends on the consumption side. Regular deficits in the balance of payments on current account led to the rapid drawing down of the currency reserve. In 1962 reserves dwindled to the equivalent of only two months' imports. The acute currency problem led to the curtailment, delay, or abandonment of several programmes. In addition to the adverse trends on current account, the outflow of private capital continued. This process was speeded up by the nationalisation measures undertaken. In sum, from the outset severe resource constraints made the full implementation of the Ten Year Plan impossible.

Another negative factor was the increase in rice subsidies. They increased from Rs. 112 million in 1957/58 to Rs. 248 million in 1960/61. These figures completely overturned assumptions made in the Plan. Such increases in consumption expenditure had a significant negative impact on public capital expenditure.

There was no doubt that the Ten Year Plan had a number of shortcomings, which made its realisation very difficult. However, the Plan constituted an important watershed in

three senses. Firstly, it marked the first economic plan for the country which covered all sectors of the economy. Furthermore, it was based on a far higher level of planning techniques.<sup>16</sup> Secondly, it propagated the notion that it was necessary to attempt to insulate the Sri Lankan economy from the negative effects of the International Economic Order. It was the first document to recognise the need to reconsider the way in which the Sri Lankan economy was articulated into the international capitalist economy. The strategy recommended was import substitution industrialisation.<sup>17</sup> Finally, it marked a breakthrough in Sri Lanka for an employment approach to economic planning. Though the Plan became obsolete as early as the beginning of the 1960s, it was a very important pioneering document.

### The Short-term Implementation Programme

The Short-term Implementation Programme (STIP) was initially designed to operationalise the Ten Year Plan for the financial years 1961/2, 62/3 and 63/4. However, it marked a qualitative shift in emphasis. It will be argued below that the employment input into planning was significantly less than in the Ten Year Plan.

The Programme sets out five objectives: to increase the welfare of the people, to eliminate unemployment and under-employment "as rapidly as possible", to diversify the economy, to keep the price level relatively stable and to aim at an equitable distribution of national income. The STIP continued the emphasis on industrialisation. However, within this overall strategy there was a significant shift in emphasis towards capital intensive projects. Hence the programme was less employment oriented than the Ten Year Plan.

The STIP was also much vaguer than the Ten Year Plan. There were deficiencies in consistency, often production figures were not presented, the private sector received little attention, and total figures for employment creation were lacking. It must also be pointed out that calculations were not made in shadow prices. In addition la-

bour intensive methods were not enquired into, make-work attitudes were not discussed, and no manpower budget for sub-groups was drawn up. The general technical standard of the STIP is perceptibly lower than in the Ten Year Plan.

From the point of view of implementation, the STIP faced the same problems as the Ten Year Plan. In this respect, the deterioration of the foreign exchange position was particularly important.

The Department of Labour, with the help of the ILO, conducted a study in 1959/60, which estimated that 340,000 persons were unemployed and 550,000 were under-employed and were "available for additional work".<sup>18</sup> There was every indication that the employment situation was worsening rapidly.

"It is actual a paradox that the interest of the country's policy-makers in employment creating measures diminished as soon as unemployment was believed to have risen steeply. The reaction can be summed up by saying that the greater the degree of unemployment that existed or was known about the less important it became for economic planning."<sup>19</sup>

### The Development Programme 1964-65

In early 1964 the Department of National Planning began work on a three year plan. However, no such plan was presented. Instead the government wanted a plan produced in time for the measures to come into effect before the next General Election in 1965. Hence a one-year "plan" covering the budget year 1964-65 was produced.

The employment issue was given only peripheral attention. This marked a complete retreat from the hopes of the Ten Year Plan. Employment creation was a working method in the lat-

(15) The Plan assumed the total unemployment figure to be 113,000. This was unrealistically low

(16) It was prepared by a relatively well-developed planning secretariat

(17) The Plan did not take into account the severe drawbacks associated with such a strategy especially in a dependent small country.

(18) These figures are subject to various reservations due to the conceptual and methodological problems involved in estimating the under-utilisation of labour

(19) Moller op cit p. 281.

ter, and it was hoped that sufficient employment would be generated to absorb all new entrants into the labour force, during the Plan period, and also to reduce existing unemployment. By 1964, despite increased knowledge about the worsening unemployment situation, the employment input into economic planning became very marginal.

### Planning in Ceylon 1965-70

With the change of government in 1965, several new features of economic planning were introduced. The country's planning apparatus was reinforced both politically and organisationally. The Prime Minister himself took the Ministerial portfolio. A new orientation was adopted to the actual planning process itself. It became more oriented towards current economic decisions. It was felt that earlier development plans had been too aggregate and had not been followed up by detailed programmes and projects which were ready for execution. Emphasis was placed on producing practical programmes for the "critical sectors" of the economy rather than on preparing a new long-term plan. Attention was focussed on project oriented work, which was capable of being implemented quickly. The first document of this nature was the Development Programme 1966-67.

In the main planners during this period concentrated on government projects and their implementation and the possibilities of securing foreign aid. Generally projects were compared only within the relevant sector, inter-sectoral balancing was haphazard. Greater emphasis was given to agricultural development, particularly the paddy sector. This was due to the rapid rise in the price of imported rice. Attention was focussed on the growth of production and strict economy with foreign exchange. These were the main objectives which preoccupied the planners. Employment generation, as an explicit aim in the short run was very much in the background. The failure to give sufficient weighting to the employment objective over the years had disastrous political implica-

tions. It was probably the most significant underlying causal factor for the Insurrection (1971).

### The Five Year Plan (1972-76)

The Five Year Plan (1972-76) was presented at a time of grave social and economic crisis. The Insurrection (1971) had threatened the political stability of the country. The foreign exchange situation was critical.

There was a radical shift in the ideological underpinnings of the Plan.

"While the Five Year Plan attempts to formulate programmes and policies designed to achieve the maximum development of resources, it must do so within a social framework consistent with the country's commitment to a rapid advance towards a socialist society."<sup>20</sup>

The Plan set out to achieve "redistribution with growth"

The objectives and strategy of the Plan were also qualitatively different from the goals emphasised in the preceding years. The employment issue was brought very much into the forefront (in the aftermath of the Insurrection). In addition, urgent attention was still paid to the Balance of Payments problem. Less emphasis was placed on capital-intensive industrialisation<sup>21</sup> while the importance of agricultural development in any economic strategy for the country was recognised. While recognising the importance of import-substitution, particularly in agriculture, the Plan called for an export drive. In general, the programme constituted a move towards a more directed economy.

During the '60s, the country had, on average, been spending about 88% of its annual income on consumption. During the period 1959-69 domestic savings averaged about 12% of Gross Domestic Product, while investment averaged about 17% of Gross Domestic Product. The need was recognised for budgeting policies which generated savings and mobilised resources for investment.

The inadequacy of resources for investment was due not only to the low

rate of saving but also to the serious shortage of foreign exchange.

Exchange and import controls were introduced. A strategy of export diversification and promotion was also recommended.

The social and economic objectives of the Plan were as follows:

- (1) to carry through the structural changes in the economy necessary for long-term growth. This means investment in basic industries which can provide the inputs for other industries, the growing of new types of crops and the creation of entirely new sectors in industry and agriculture based on non-traditional commodities. It is necessary to understand that this transformation is not only an investment operation but also involves modernisation of small-holding agriculture, attracting the young to agriculture, training highly skilled personnel to man the new industrial plants, and building the infrastructure and skills necessary to support a major export drive;
- (2) to implement the short-term measures necessary to correct the growing imbalances in the economy - in particular the widening gap in the Balance of Payments and the increasing number of the unemployed;
- (3) to reduce social tensions by the elimination of wasteful consumption and by redistributive measures;
- (4) to raise the living standards of the low income groups by improving housing and sanitary facilities. Also to raise the nutrition levels of these groups, especially by increasing the production of essential food items such as fish, milk, eggs and fruits and by gearing the production of consumer goods to the needs of the masses;
- (5) to take measures to regenerate rural society and to make it more attractive to the young by modernising agriculture and by siting agro-based industries in rural areas.<sup>22</sup>

The inadequacy of the financial system was also highlighted, and the need to gear the structure of credit to the developmental needs of the coun-

(20) Ministry of Planning and Employment. "The Five Year Plan" (1972-76), Colombo, Nov. 1971.

(21) There was, however, recognition of the need to develop such small industry and crafts.

(22) Ministry of Planning and Employment, op.cit pp. 11 and 12.

try was recognised. A strong case was also made for the adoption of labour-intensive techniques of production, based on domestic inputs.

The basic strategy of the Five Year Plan was to be composed of the following essential elements:

- (a) the maximum use of labour which is the resource available in abundance;
- (b) an investment policy which makes the best use of the limited foreign exchange which is available;
- (c) the reduction of food imports by the immediate development and diversification of agriculture;
- (d) full and efficient utilisation of existing industrial plant expansion of selected industries and investments in new industrial projects on the basis of national priorities;
- (e) development of a new export sector; and
- (f) the involvement of the people in the formulation and execution of development projects at the local level.

It was recognised that while the Plan provided a framework of national policies and targets, the implementation required more specific and detailed short-term programmes. It was intended that detailed annual plans would be prepared for this purpose. The annual plan was also to contain overall targets for public and private expenditure and a foreign exchange budget.

It was anticipated that the total employment generated by the stream of investment proposed in the Plan would amount to 810,000. The sectoral distribution was to be as follows:

#### Employment created during the Plan Period

Agriculture	300,000
Industry	165,000
Construction	60,000
Services	285,000
Total:	810,000

Source: The Five Year Plan(1972-76)

It was estimated that 1.1 million new livelihoods would have to be created to absorb both the backlog of unemployment and the additions to the labour force during the Plan period. Hence there was a shortfall of 290,000 employment opportunities. An effort was to be made to mop up this surplus through special works programmes, financed from the government budget. It was hoped that these projects would strengthen both the infrastructure and productive base of the rural areas. The recommended activities included: Minor Irrigation Works, Restoration and Desilting of Village Tanks, Land Development, Land Reclamation, Reforestation, Soil Conservation, Construction of Roads, Construction of Community Wells, Construction of Community Buildings, Rural Housing and Animal Husbandry, etc. There was no doubt that employment was one of the crucial issues which influenced the planners at the formulation stage.

The investment programme was based on a savings rate of 17% of the GDP. This constitutes a significant increase from the average of 12% that persisted during the previous decade. The magnitude of the task becomes more evident when one considers that the marginal rate of saving<sup>23</sup> worked out to 26%. There is an inevitable lag between the initial increase in the rates of savings and investment and the returns that eventually accrue in the form of higher incomes. Hence during the initial stage of the Plan period, the country was required to accept the burdens of short-term restraints on consumption and additional taxation. Given the open political system, relatively well-developed welfarism and the strength of the organised sectors of the labour force, it was always extremely unlikely that the investment, and therefore employment targets set out in the Plan would be reached. However, this question became purely academic when a number of exogenous and endogenous factors combined to render the Plan obsolete, at the outset of the Plan period.

The important exogenous factors were: (1) the rapid increase in world

inflation arising from synchronised expansion in the developed countries; (2) the energy crisis and the resulting explosion in fuel prices; (3) the food crisis brought about by the grain shortages due to a very bad international harvest. As a result the price of imported fuel and food soared. The government could not pass on price increases of such magnitude to the consumer. Consumption expenditure could not be dampened. Furthermore, the worsening foreign exchange position meant that public and private enterprises could not import essential machinery, spares and raw materials. This meant that they were forced to operate at very low capacity levels. The resulting fall in profitability had a negative effect on savings. This tendency was reinforced by relatively poor performance in the agricultural sector (domestic and export) as well.<sup>24</sup> In fact, the savings and investment targets of the Plan were quickly in disarray. However, not all the blame can be apportioned to external factors.

There were a number of endogenous factors which hampered implementation of the Plan. Considerable mismanagement and corruption led to a wastage and misallocation of resources.<sup>25</sup>

The radical transformation of society outlined in the Plan was not achieved. A number of innovative measures were undertaken. The Land Reform Laws were passed, the compulsory savings scheme (ceiling on incomes) was introduced, fiscal measures were taken to redistribute wealth, restrictions were placed on house ownership. Divisional Development Councils were set up as catalysts for participatory development, a network of rural institutions were set up to provide easier access to inputs, credit and coverage of the banking system were extended to increase coverage in the

(23) This is the proportion that has to be saved out of the additional income accruing during the Plan period.

(24) This may be attributed to a combination of factors: adverse weather conditions, shortages of inputs and mismanagement of land, water and other resources

(25) Though economic performance was poor during this period there were some bright spots. A degree of export diversification took place, e.g. Precious Stones (Gems) and Garments. In addition, some local entrepreneurs took advantage of the highly protected domestic market. A new more indigenised breed of businessmen (mudalalis) came to the fore during this period.

rural sector. (It was hoped that this could both provide easier credit and mobilise savings).<sup>26</sup> However, none of these measures achieved the impact they should have had. This was partly due to resource constraints brought about by external factors and partly due to negative internal factors born out of the socio-economic matrix into which these measures were introduced. Nothing was done to strengthen the countervailing power of the weaker groups in society.

The Five Year Plan (1972-76) is the most employment-oriented planning document drawn up in Sri Lanka. However, as mentioned above, a series of factors combined to make the Plan a dead letter at the very outset. The employment situation in fact worsened during the Plan period. This was inevitable, given the economic stagnation experienced during these years. The economic paralysis, combined with the failure of the redistributive measures designed to have a significant impact on the quality of life of the weakest economic groups, served to bring about widespread public disaffection. 1977 saw a change in government and the introduction of a completely different economic strategy. One may, however, contend that the Five Year Plan contained much that was laudable. Its failure was due to an unfortunate conjuncture of international events, lack of commitment and mismanagement internally.

### The post 1977 period

The new government elected to office in 1977 undertook a dramatic shift in economic strategy. It was assumed that despite the impressive performance of Sri Lanka's social indicators (the relatively equitable distribution of income, containment of population growth and the maintenance of a quality of life not matched by many other countries with higher per capita incomes), the country's capacity to maintain these living standards

(26) In addition the Convertible Rupee Account (CRA) scheme was introduced to promote non-traditional exports and attractive incentives were provided to encourage savings

had been eroded by economic stagnation in the middle '70s. The new policy was based on the premise that a continued allocation of a large volume of resources to consumption was inimical to economic growth and the generation of employment, it was assumed that the rigid control system that had been built up over the years had seriously distorted relative prices and had reduced private sector incentives. In addition the public sector which had expanded rapidly, had become wasteful and inefficient. In accordance with such an analysis of the situation, the government embarked on far reaching policy of reform. Government subsidy programmes were significantly reduced and better targeted in an effort to divert resources from consumption to investment while protecting the most vulnerable. Rigid trade and payments controls which were merely maintaining an overvalued currency were dismantled. This also served to remove various disincentives in the private sector. Measures attempting to make the public sector more efficient were introduced. Various state trading monopolies were to be eliminated and an atmosphere of public and private sector competition was introduced. In summary, one may contend that the new package of policies adopted was designed to channel more resources to investment and to free the economy from some distortionary controls, so as to allow market forces a greater play in the allocation of resources.

Attention has been focussed on a number of development projects within a rolling plan framework. Three large projects initially formed the corner stone of the government's development strategy. They were the Mahaweli Development Project, the Free Trade Zone and the Greater Colombo Area Urban Development Programme. The unemployment problem has continued to be in the forefront of the minds of the policy makers. The employment objective has been given significant weightage in the formulation of the major development projects.

The investment and production oriented strategy pursued over the last decade or so has had favourable employment effects. The Consumer Finances Survey (1981/12) of the Central Bank recorded an unemployment rate of 11.8 percent. This compares very favourably with the 24.0 percent recorded in the 1973 Consumer Finances Survey and the 25.8 percent estimated in 1977. Unemployment fell in all three sectors of the economy. The reduction of the incidence of unemployment in all three sectors indicates increased labour absorption in many areas of the economy. This may be attributed to the increased tempo of economic activity evidenced during the 1978-82 period. In addition, significant emigration, particularly to the Middle East, would also have served to ease the unemployment problem. Thus both demand and supply side factors seem to have contributed to the dramatic improvement in the employment picture.

The more liberal economic environment combined with a more realistic exchange rate and substantial investment incentives have attracted unprecedented flows of both foreign aid and foreign investment which have helped to generate new employment opportunities. Private investment, both local and foreign, has been attracted into such labour intensive areas as textiles and garments, tourism, transportation, construction and the retail trade.

The Public Investment Programmes, supported by considerably higher levels of foreign aid, much of it in the form of grants and very concessional Official Development Assistance, has been the major source of locomotion in the economy. Much of the private sector economic activity and employment creation has also been linked to the Public Investment Programme.

Considerable progress was made on the employment front during the period 1978-82. The unemployment rate was halved and this was largely due to the new economic policies introduced in the Budget in 1977. The

economic reforms initiated at that time created an environment which fostered innovation and entrepreneurship.

Since 1982, the momentum in employment generation has slowed down. Some of the major development schemes are nearing completion. The construction and trading sectors are less buoyant. As a result additional employment opportunities have become more scarce. The prospects for foreign employment have also deteriorated. The effects of these negative trends have been compounded by the uncertain security situation.

The impressive gains made on the employment front since 1977 need to be consolidated and improved upon. This requires two sets of policy initiatives. At the macro level, it is essential that the economic fundamentals are maintained in sound order. Fiscal, monetary and exchange rate policies must all be in line. Employment generation cannot be sustained in the absence of sound economic and financial management. Above all the Finance Minister's efforts to contain the Budget deficit, in the face of escalating defence expenditure and greatly reduced revenue from export taxes, must be supported. A large budget deficit pre-empts resources from productive private sector investment with high employment potential. In addition, it fuels inflation thereby necessitating high interest rates. In a context where the cost of funds is high, it is difficult to generate the investment necessary to increase the labour absorptive capacity of the economy. It is, therefore, of paramount importance that the Budget deficit is contained and that sound macro-economic management is pursued.

When evolving the appropriate macro economic framework, sufficient weighting must be given to employment generation. Employment must be clearly specified as an objective when designing policies and programmes. Failure to do this will render it impossible to absorb the backlog of the unemployed and to provide employment for the 135,000 new entrants to the labour force each year.

## PUBLIC SECTOR PROGRAMMES FOR RURAL DEVELOPMENT

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Rural Development is a term widely used by many persons throughout the world. The meaning of the term differs from country to country depending on its socio-economic situation. In Sri Lanka, the rural sector comprises of about 70-80 per cent of its economy. The non-urban areas mainly depending on traditional agriculture, excluding the plantation sector can be demarcated as the rural sector. "Rural Development is therefore, an attempt to raise output, income and the well-being of the people of this sector". (Hiran Dias and W.P.J. Silva - 1981). Some main characteristics identified in the rural sector of Sri Lanka are given below:

- a) Many rural people are living below the poverty line
- b) Malnutrition
- c) Inadequate Health and Education services
- d) Inadequate infra-structure
- e) Traditional technology of production
- f) Illiteracy and ignorance
- g) Greater level of dependency on Government and other external services

Any attempt to eradicate these undesirable characteristics and provide opportunities for improvement of quality of life of rural people can be defined as "Rural Development"

The consecutive Governments that came into power since independence have launched numerous and different programmes towards development of rural people in Sri Lanka. Although the programmes have been labelled in different ways the main objective was "Rural Development". Therefore, in this discussion the main programmes are divided into the following six major categories:

1. Poverty-Reduction Programmes
2. Infra-structure Development
3. Welfare-Oriented Services
4. Agricultural Productivity Raising Programmes
5. Education Programmes for Rural People
6. Institution Building Programmes

Although there are some special development programmes aimed at specific geographical areas such as Mahaweli, District Integrated Rural Deve-

lopment, Export Development Villages etc., they are not discussed here as Public Sector development programmes. These special programmes may be dealt with in a separate issue of this journal.

### 1. Poverty-Reduction Programme (a) Food Stamp Scheme

Sri Lanka has been cited for its remarkable social progress and thus described as a welfare state; "This progress appears to be at least in part the result of a series of social policies that have been followed in the country since and in some cases prior to independence. Among these are the food distribution programmes. A comprehensive public rice distribution system has operated since World War II." (Gavan & Chadrakeera - 1979). The entire population of the country irrespective of their income level were enjoying this "food subsidy" until 1978. "There was no target group approach in the welfare services up to 1978, and the present regime introduced 'growth oriented', approach to replace welfare-oriented programmes". (Wickramasekera P-1985).

The food subsidy was limited only to low income households from 1978, and the Food Stamp Scheme was introduced in 1979. This new scheme also provided a cash subsidy in contrast to earlier commodity specific services. The income ceiling for a family of five members for entitlement of food stamps was Rs.300/= and Rs.60/= per additional member at the time when it was introduced. In 1979, there were 7.72 million persons who claimed to be below this income level.

The percentage of food subsidies as a total government ex-

penditure which was 16 in 1977 has declined to 7 in 1980. Later, this income ceiling was changed and the present scheme is as follows:

Income Category	No. of persons entitled for food stamps in a family
Below Rs. 300/-	All
Rs. 301/- - 400/-	4
Rs. 401/- - 600/-	3
Rs. 601/- - 700/-	2

Although the government wanted to increase the income ceiling and issue food stamps only to about 50 per cent of the people, the number of people who are eligible for food stamps remained the same. There were 6.9 million persons receiving food stamps in 1986. The other problem is that while some persons such as monthly paid labourers lost their food stamps, people with substantial income from self employment sources could enjoy this subsidy. Some critics point out that government officers who recommend the issue of food stamps at local level such as Grama Sevaka Officers are subject to local political pressure and most of them are new or outsiders who do not know much about the people and their income. While there was no effective mechanism to monitor the programme, the receivers of this cash subsidy were affected by the inflationary trends of the price of essential food items.

### (b) Public Assistance Programme

This is a monthly dole given to the helpless persons especially the disabled, aged and orphans. The programme has been administered by the Department of Social Services for over four decades. There are three main types of monthly assistance given to people, such as Public Assistance/Charitable allowance, special allowances for T.B. and leprosy patients. Very few cases are

being selected among receivers of public assistance for the 'rehabilitation' programme, which helped them to start as self-employment.

The amounts of money spent for Public Assistance and other special programmes are given below.

#### Public Assistance Programme

Year	Maximum amount paid to a single person	Maximum amount paid to a person with dependent	Number of families received	Total amount paid (Rs)
1981	Rs. 20/-	Rs. 75/-	194850	41989660.00
1982	Rs. 20/-	Rs. 75/-	201463	43934192.00
1983	Rs. 40/-	Rs. 150/-	195442	66305910.00
1984	Rs. 40/-	Rs. 150/-	199009	93651352.00

#### T.B. Allowance and Leprosy Allowance

Year	Number of Families		Total Amount Paid	
	T.B.	Leprosy	T.B. Rs.	Leprosy Rs.
1981	5702	733	3,494,296.00	552,680.00
1982	6337	908	4,196,873.00	638,845.00
1983	9706	1,077	4,630,225.00	998,991.00
1984	5729	1,015	7,229,083.00	1,388,264.00

Source : Administration Report - 1984 of Director Social Services (in print)

These programmes are routinely administered by an Assistant Director at District level, Assistant Government Agent at Divisional level and Grama Sevaka Officers at Village Level. Since there are limitations of funds allocated for these purposes, it is difficult to say that there is a considerable impact on income level of the people in the country. On the one hand the amounts paid were hardly sufficient and on the other hand there can be many more people in rural areas who are eligible but not receiving any assistance. This

programme, therefore needs to be evaluated and revised on a regular basis.

## 2. Rural Infra-Structure Development

Development of basic infra-structure facilities in rural areas is one of the most important public pro-

grammes. Sri Lanka's progress in basic amenities is remarkable when compared with any other developing country. Even in the remotest village, there is a public school and almost all the villages are interconnected with a comprehensive road network.

### (a) Decentralized Budget

Since independence, the consecutive governments have been concerned with allocating funds for basic requirements. This

concern has become more important since the 1970s with the introduction of the Decentralized Budget (DCB)

There has been considerable progress during the past decade in the areas of school buildings, irrigation, other public buildings, rural roads, rural housing and electrification programmes as a result of the DCB system.

The Government, at present allocates Rs. 5 million for each electorate under the DCB, and out of this amount, Rs. 2.5 million is spent through District Development Councils while the other half is utilized on the basis of the electorate or Member of Parliament.

The following table depicts the amounts spent under DCB on some selected items during the year of 1984.

In (Rs. '000)					
	Irrigation	Highways	Education	Health	CEB
New Works	9,769	47,516	58,523	2,658	71,566
Continuation Works	3,764	18,571	19,802	388	1,220

Total amount spent in 1984 has been Rs. 378,545,000 for new works and Rs. 89,554,000 for continuation works.

electricity for domestic purposes. The funds allocated for this purpose came either from the Ceylon Electricity Board or from the Decentralized Budget. However, the Ceylon Electricity Board has extended the services tremendously into rural areas during the recent past.

The supply of electricity to rural areas has had a great impact on the social standards and quality of life of rural people. Although, the provision of this service has been broad-based, there are a large number of people still waiting to get electricity for their houses, and thus action should be taken to serve all those applicants. The other aspect is that a large number of rural people who live in wattle and daub and cadjan/hay roofed houses are not eligible to obtain electricity because of the poor conditions of their houses.

garten to University level has been provided entirely free of charge since the 1940s. There is a Government School in any corner of the country. In 1980, the Government also introduced distribution of free school text books to the school children from year/grade 1 to year grade 11.

There was a total of 9914 schools of different categories in the country, by the end of 1984. This has been increased to 10,051 in 1985. The total number of teachers who work in Government Schools was 143,314 and the number of pupils was 3,638,257 in 1985. The Government expenditure on education in the same year was as follows:

Current Expenditure (Rs. Mn.)	2,835.6
Capital Expenditure "	189.9
Total "	3,025.5

It is a remarkable feature in Sri Lanka that a high rate of literacy (85%) has been achieved. This rate is very close to that of developed countries, and for above many among South Asian countries.

This achievement can be mainly attributed to the education policies of Sri Lanka. However, some shortcomings of the education policies have been observed by some experts. First, there is a great disparity of educational levels and facilities available in urban and rural areas. Urban schools with many facilities and qualified teachers offer an irresistible attraction throughout the country. Secondly, it has also been verified that enrolment rates and progression rates are linked with income levels of the parents. The Mahapola Scholarship Scheme has helped poor children at University levels. But there is no such Scheme for the secondary and primary levels. The third factor is that the system of education does not produce the skilled persons required by the country today. "The education system was basically oriented towards academic skills and little related to development needs of the country". (Piyasiri Wickremasekera - 1986). Therefore well planned education policies

### 3. Welfare-Oriented Services

#### (b) Rural Electrification Programme

Until the 1970s the use of electricity was limited to industrial and commercial projects mostly located in urban areas and to domestic consumption of urban and a handful of rural affluent families. As the generation of hydro-electricity in the Mahaweli and other projects increased the supply of electricity was extended to rural areas, with a view to promote the growth of small scale industries and use of

Social Welfare Oriented services reaching the entire population have been in operation since the 1940s. The two main services are education and health for all the people. Although, there are some private sector agencies providing both these services on payment of fees they are limited to urban areas and the entire responsibility and cost of such services in rural areas have to be borne by the Government.

#### (a) Education Programmes

The formal education from kinder-



should be introduced with the consent of all leading political parties without allowing it to be changed according to the whims and fancies of a few people

**(b) Health Services**

There has been a considerable improvement in health and medical services since the 1940s. Like education, the health services also

vides free health services, the situation in rural areas is not so 'healthy' as in urban areas. Lack of medical and para-medical personnel, lack of equipment, drugs and transport facilities are major constraints in rural areas. The other factor is that there is still less emphasis on preventive services than on the curative services.

tent of pioneering an International Year of Shelter for Houseless, by the United Nations. There is evidently a greater level of improvement in housing during the 1980 decade.

The following table shows the progress of Rural Housing Programmes from 1978-1982.

So many poor people in rural areas have been fortunate enough to own a permanent house as a result of the One Million Housing Programme. However, it is important to consider some way of living for most of those who have received houses as they find it difficult to find employment in their immediate environment. The model village programme has been more beneficial since a model village has other basic facilities such as a Civic Centre, Employment Generation project etc.

Per 1000

Year	Birth rate	Death rate	Increase rate	Maternal Mortality	Infant Mortality
1945	36.5	21.9	14.7	16.5	140
1965	33.1	8.2	24.9	2.4	53.2
1975	27.7	8.5	19.2	1.0	45.1
1980	28.4	6.2	22.2	0.6	34.4
1985	24.3	6.2	18.1	-	-

The Life Expectancy rate at birth has also increased during the last few decades in the following manner.

Year -	1920	1946	1953	1062	1067	1071	1979
Male -	32.7	43.9	58.8	61.9	64.8	64.2	66.0
Female-	30.7	41.6	57.5	61.4	66.9	67.1	70.2

have been provided free of charge at all levels to people in the country. The systematically organized network of medical and health service systems has achieved tremendous success - especially after independence in 1984. The social indicators given in the following table prove this success.

The contribution of the Government to health services is very large and the amount spent in 1984 was Rs. 1,751 million. There were 490 Government Hospitals (Western Medicine), 338 Central Dispensaries with a total of 43,877 beds in the country during the year 1985. The number of Government medical officers was 3,108, and Registered Medical Practitioners was 984.

Although, the Government pro-

**(c) Rural Housing Programme**

Sri Lanka has been very fortunate in the field of housing development, which has gone to the ex-

**4. Agricultural Productivity Raising Programme**

Agriculture occupies an eminent position in the economy of Sri Lanka. The geography of the country enables supply of water from rivers starting in the central hilly region and flowing down to the flat terrain of lands in the maritime and dry zone regions providing tremendous opportunities for irrigated agricultural development. The rural areas comprise about 70-80 per cent of the country and in most

	Total estimated cost Es.m.	No. of Units completed	No. of units under construction
ASH Housing	(100.0)	19,230	8,833
Model Villages		10,638	4,826
Electoral Housing Schemes		7,447	n.a.
Total		26,677	13,844

part of it a rural agriculture-based economy. (Plantation areas are not taken into consideration here).

The agricultural sector plays a vital role and thus agricultural production as a percentage of GDP was 35 and percentage of labour force employed in agriculture was 54 in 1978.

The public policies even before Independence have encouraged domestic agriculture, with restoration of tanks and irrigation schemes and land settlement programmes in the dry zone. All the Governments that have come into power since Independence have launched many programmes to improve agricultural production. Among them land alienation and settlement, improvement of irrigation facilities, agricultural extension services, credit and insurance for agriculture, use of modern technology, use of improved mechanical equipment, and livestock and fisheries development are the major programmes which have affected productivity. The following figures show that there has been a notable increase of land alienation during the past decades.

	1953	1966	1980
Number of Allottees	16,532	59,672	97,000 (excluding Mahaweli)
Extent (in acres)	118,438	284,111	-

Season	Harvested area (Hectares)	Production in '000 Metric tons	Average Yield kg per Net Hectare	
1977 - 78	Maha	552,731	1,286	2,734
	Yala	286,694	605	2,405
1983 - 84	Maha	508,933	1,353	3,031
	Yala	375,874	1,060	3,146

Source : Department of Census and Statistics

The public sector programmes have been carried out throughout the country with the assistance of many Ministries and Departments, District Administrative Systems and other Agencies. The following data substantiates the increasing trend in this sector.

There were 426,443 hectares of land under major schemes and 231,916 hectares under minor schemes irri-

gated for paddy cultivation in the year of 1984. The Government also has helped livestock and fisheries development through the respective Ministries under various specific programmes.

Sri Lanka today has achieved the level of self-sufficiency in rice and considerable improvement in other fields. However, some have observed that although national targets in agricultural production have been achieved, the quality of life of people in rural areas, who are engaged in agriculture has not been increased accordingly. The production as well as price of paddy and other commodities have gone up and at the same time, the cost of production also has increased. With the withdrawal of subsidies on fertilizer and other inputs, the net outcome of farmers have remained unchanged. There are also many others still without land and other facilities for agriculture living in rural areas.

#### 5. Education Programmes for Rural People

The formal education provided through the public schools is not discussed here while various programmes launched by some Govern-

ment Agencies on informal education and training of rural people are discussed here. Some of the major programmes in this respect are listed below:

In addition to the above training programmes, various other Government Agencies also conduct training programmes for rural people on different topics.

Although, much effort has been made on this subject, still the rural masses remain ignorant about many things, including the types of public delivery systems which affect their lives.

#### 6. Institutional Building Programmes

It is accepted and unquestionable that 'people' who benefit from different programmes should be actively involved in planning, implementing and evaluating such activities. Therefore, people's participation in the true and objective sense should be obtained in any rural development effort. There should be active people's organizations, which provide opportunities for active mobilization of people. There had been many people's institutions in rural areas which prevailed over many decades. Among them are the Rural Development Society, DEATH Donation Society, Cooperative Con-

Programme	Agency
a) Adult Education	Ministry of Education
b) Training on Nutrition and Family Planning	Ministry of Plan Implementation
c) Agriculture Training	Department of Agriculture
d) Health Training	Ministry of Health
e) Village Level Training	Sri Lanka Institute of Development Administration
f) Training of Target Groups of rural communities	Rural Development Training & Research Institute
g) Village Level Leaders Training	International Institute of Training Village Leaders (Embilipitiya)

In addition to the above training programmes, various other Government Agencies also conduct training programmes for rural people on different topics.

sumer and Credit Society, Religious Societies, Recreation Clubs, Farmer Organizations and many other voluntary organizations.

Although, these 'Peoples organizations' work in many rural areas, their impact on institutional building capacity of the people has not been very effective. Still many rural people depend on the Government bureaucracy and external assistance rather than building up their own strength.

The other point is that the activities of many such organizations seem to be overlapping while a smaller proportion of rural people have enrolled in them.

### Conclusions/Recommendations

Although there had been numerous public programmes for rural development over the last few decades, there is still a larger proportion of poor, illiterate people, living in rural areas even without 'basic human needs'. Some have observed that the urban-rural gap has been widened over the past. Basic problems of landlessness, unemployment, illiteracy, inadequate infrastructure, ineffective education programmes and peoples' participation are getting aggravated in rural areas. (Wickremasekera - 1985).

Therefore some clear-cut public policy on rural development with total commitment of the national leadership is essential for an effective rural development effort. It is also important to change the approach of the bureaucracy with a proper re-orientation of Government. Officers at all levels, so that they would manage development 'not for the people, but with the people'. Proper coordination of activities aimed at rural development at national, regional and rural levels is a very important aspect that the authorities should look into. Attempts should be made to provide at least basic needs for rural people with their

effective participation while bridging the urban-rural gap.

Government may consider providing more attractive facilities in rural areas to discourage the migration to urban areas. Action may be taken to appoint qualified and dedicated officers (including Government School Teachers) to rural areas

and induce them to remain by introducing various incentive schemes. Proper credit and marketing facilities should be made available in rural areas. The people in rural areas should be assisted to achieve at least the minimum level of socio economic and rural development based on their self-respect and self-reliance.

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### Gramodaya Mandalaya.....

of the resources needed. Manpower, however, is considered more important.

Since non governmental organisations are the main agent in the Gramodaya Mandalaya programme, its success depends mainly on the availability of such organisations and their ability to work effectively.

A paper by T. Abeyrama, a Research Associate in the Human Settlements Development Division and K. Saeed Associate Professor of System Science and Management, of the Asian Institute of Technology, Bangkok, Thailand, reviewing the Gramodaya Mandalaya concept concludes that "in principle the Gramodaya Mandalaya scheme seems to be a sound way of improving the people's participation in development. But this can be done only if proper attention is paid to overcoming barriers which may hinder the proper utilisation of existing voluntary organisations in harnessing the people's participation in development. This may require the reform of the existing voluntary organisations as well as the provision of

opportunities for the training of their members. Furthermore, social development inculcating values of self-reliance, self-help, self-sufficiency and mutual co-existence is to be undertaken, and technical knowhow and management training is to be provided.

Organising the masses is not an easy task. Since different people and groups of people have different interests, conflicts of interest will develop. Also, the administrators and politicians may see mobilisation of the masses as a threat and may implicitly or explicitly discourage programmes attempting such mobilisation.

Thus, even though participatory development schemes are conceptually very appealing, their implementation is quite problematic. The Gramodaya Mandalaya scheme attempts to increase the people's participation but if it is implemented without paying attention to the social environment of the scheme, the chances of its success will be low".

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