



ECONOMIC REVIEW

June
1985

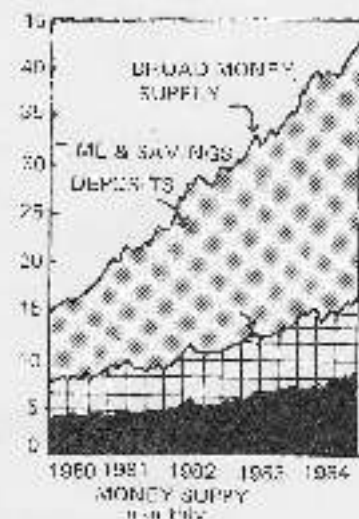
1986
49.6

1985
44.1
IN BILLIONS

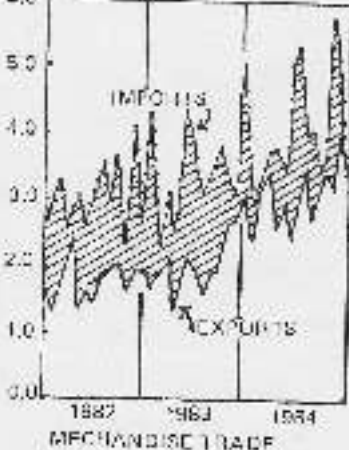
**PUBLIC
INVESTMENT
1985-89**

ECONOMIC INDICATORS

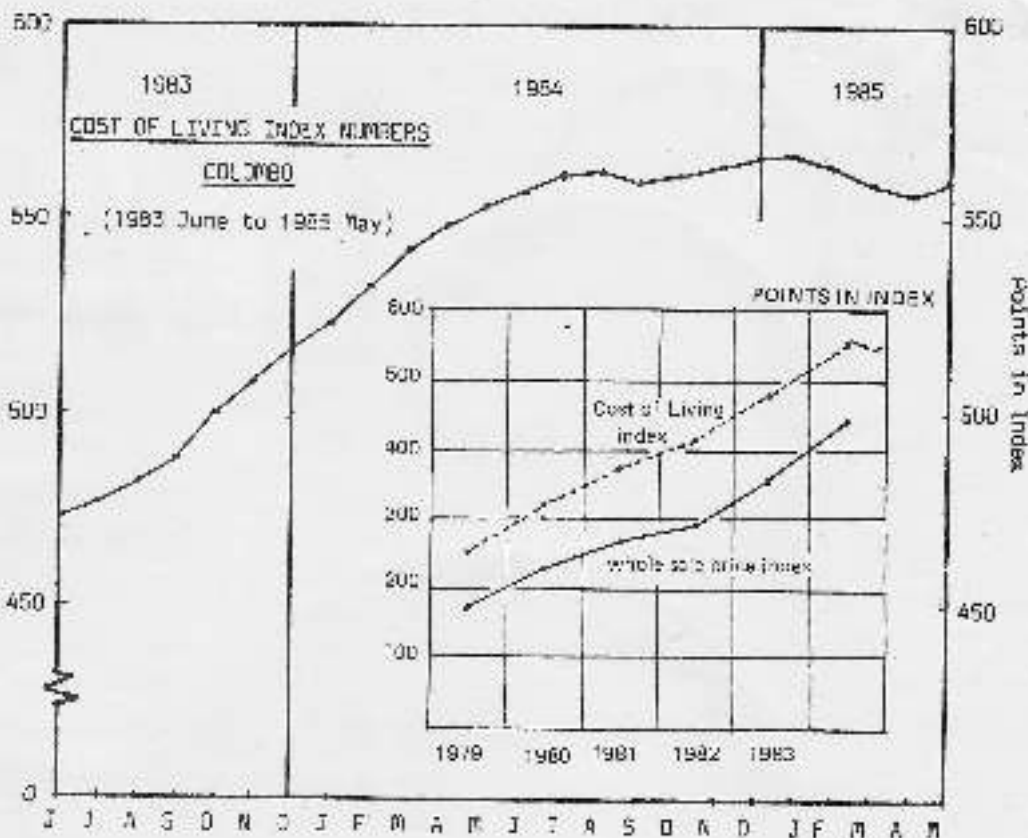
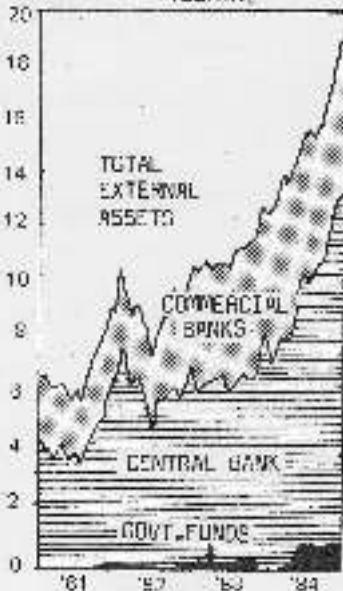
RUPEES 100 MILLION



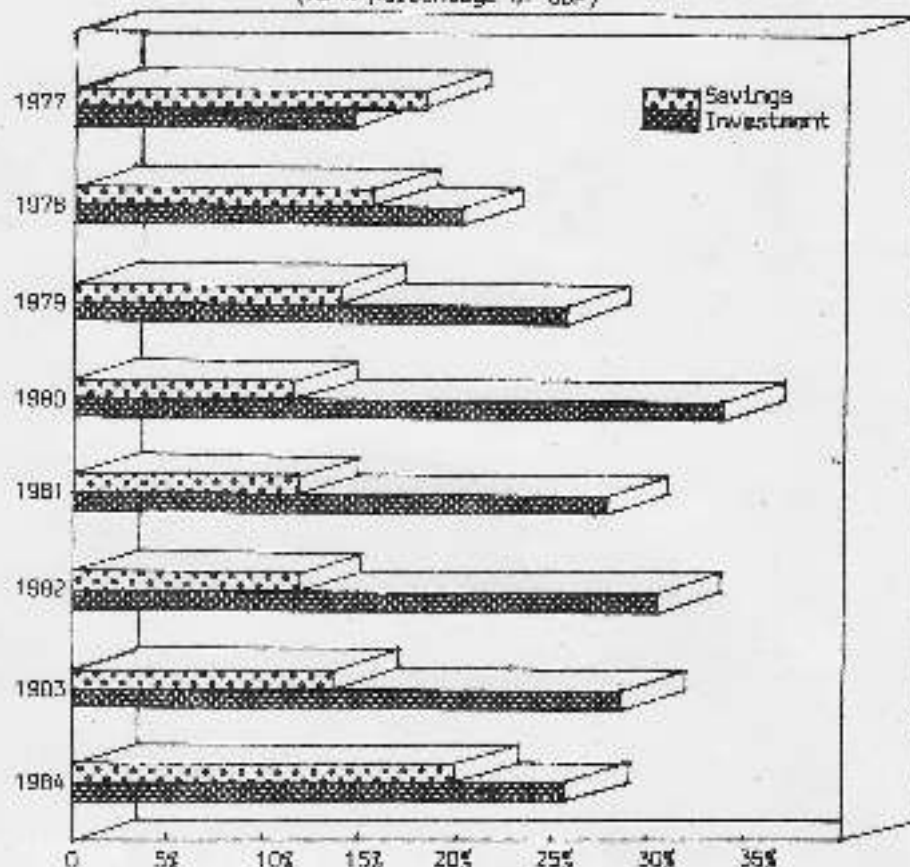
RUPEES 100 MILLION



RUPEES 100 MILLION



Investment and National Savings
(As a percentage of GDP)



Published by the People's Bank,
Research Department,
Head Office,
Sir Chittampalam A. Gardinar Mawatha,
Colombo 2,
Sri Lanka.

CONTENTS

COLUMNS

The Economy	1	The economy in 1984
Agriculture	13	Recent changes in the retail market for rice
Development Issues	15	Demographic transition and family planning techniques
Fisheries	18	Surveillance zone and consumer fish prices in Colombo
Trade	20	Drop in imports of TV sets
Tourism	21	Partial recovery in tourist arrivals

SPECIAL REPORT

3 SRI LANKA'S 'INVESTMENT PROGRAMME

4	Public Investment 1985-1989
7	National Agriculture, Food and Nutrition Strategy

Lloyd Fernando	10	The Planning Process in Sri Lanka
----------------	----	-----------------------------------

FEATURES

A Plan Implementation Ministry Study	22	Foreign Employment-the Sri Lanka experience
Lionel Siriwardena	31	Hanguranketha's Vegetable Economy - A note on some basic implications of the existing marketing system

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

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

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

NEXT ISSUE

- * Mahaweli Construction-how a 30 year project was telescoped into less than quarter the period
- * Sri Lanka as a Welfare State-an economist's overview
- * The tuition class, social class and educational disparities
- * Sri Lanka's import market : Bicycles and Cassette Tapes
- * Tank fish farming in the dry zone
- * Foreign Employment-the Sri Lanka experience Part II
- * Government intervention in rice marketing

THE ECONOMY

The Economy in 1984

The Central Bank has in its Annual Report for 1984 warned that despite favourable results 1984 showed the underlying weaknesses of the economy. Although the 1984 economic performance has been very encouraging, activities in some of the major outstanding expectations for 1984, the Outer Domestic Product (GDP) is estimated to have increased by 4.1 percent in 1984 compared with the 3.5 percent increase in 1983. The Gross National Product (GNP) at constant 1982 prices increased by 3.5 percent as compared with a growth rate of 4.1 percent in 1983. The higher economic growth rate has the economy from prolonged stagnation and the recovery caused by the difficult situation in 1983 and 1984 has been a result of the improved terms of trade. A significant indicator of the economy, that is, the agricultural sector, has been responsible for the nation of the economy and growth in improved output of payments and which has been emphasized that because of the underlying weaknesses in the economy the growth will increase balance of payments which showed in 1984 may not continue.

Other areas highlighted in the Central Bank's Annual Report are that:

"The performance of the various subsectors in the GDP and GNP shows very significant growth rates over the last few years. This has been reflected in the existing growth rate levels in the production sectors. The poor performance of the subsectors in 1984 was mainly due to the fact that growth in the services and manufacturing sectors.

"The economic impact of the decline in prices and demand was more than offset by the increase in the use of raw materials and services in other agricultural subsectors and of fish.

"The growth in the services sector was largely due to the increase in the number of the services and retail trade. High levels of activity in the imports and exports trade helped to increase the growth rate of the services.

"Growth in the non services subsectors was also due to the increase in the number of the services and retail trade. High levels of activity in the imports and exports trade helped to increase the growth rate of the services.

"The slower expansion of the construction sector was mainly due to the reduction of investments in the major projects, while the other sectors showed a steady increase. However, the construction sector, mainly in the services and retail trade.

"The most expanding development of the agricultural sector was the increase in the 1984 industry. The increase in the 1984 industry was mainly due to the increase in the 1984 industry. The increase in the 1984 industry was mainly due to the increase in the 1984 industry.

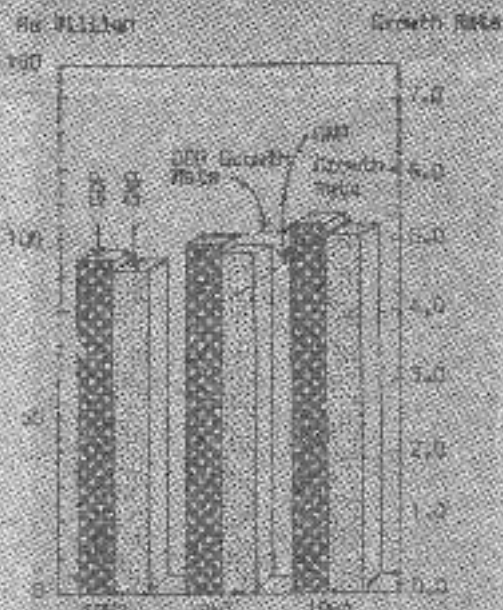
"Agricultural production, which is the main source of production in the economy, has been increased in the last few years. The increase in the 1984 industry was mainly due to the increase in the 1984 industry. The increase in the 1984 industry was mainly due to the increase in the 1984 industry.

"However, in some cases, the increase in the 1984 industry was mainly due to the increase in the 1984 industry. The increase in the 1984 industry was mainly due to the increase in the 1984 industry.

"Thus, at the same time, the increase in the 1984 industry was mainly due to the increase in the 1984 industry. The increase in the 1984 industry was mainly due to the increase in the 1984 industry.

production and services in the public sector. The increase in the 1984 industry was mainly due to the increase in the 1984 industry.

"The performance of the various subsectors in the GDP and GNP shows very significant growth rates over the last few years. This has been reflected in the existing growth rate levels in the production sectors. The poor performance of the subsectors in 1984 was mainly due to the fact that growth in the services and manufacturing sectors.

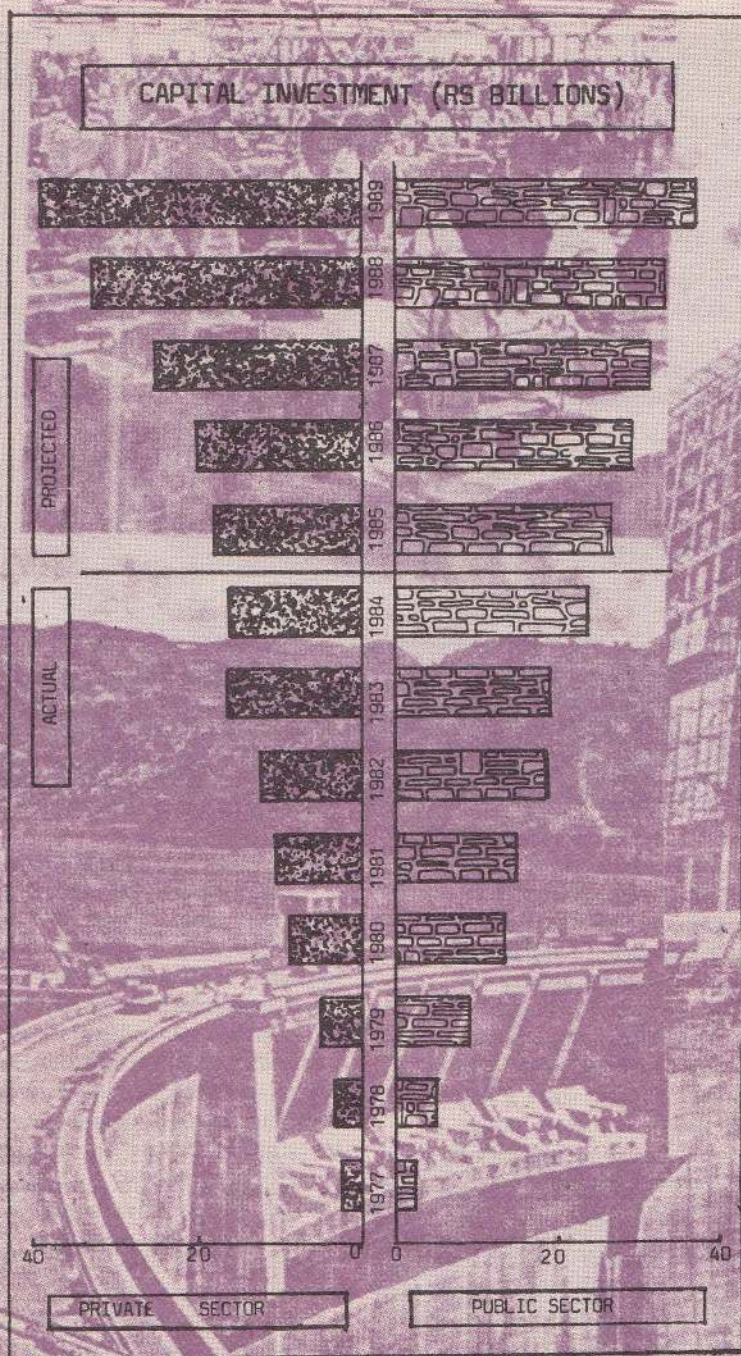


GDP AND GNP IN US\$ MILLION AND GROWTH RATE, 1982-1984

"The main and important weakness of the economy during the last few years was the increase in the 1984 industry. The increase in the 1984 industry was mainly due to the increase in the 1984 industry.

"However, in some cases, the increase in the 1984 industry was mainly due to the increase in the 1984 industry. The increase in the 1984 industry was mainly due to the increase in the 1984 industry.

Continued on page 7



SRI LANKA'S INVESTMENT PROGRAMME

The total value of investment from both public and private sectors in Sri Lanka over the next five years is estimated to reach Rs. 291 billion. Total investment is expected to move up from Rs. 44 billion in 1985 and Rs. 50 billion in 1986 to Rs. 75

billion in 1989. This is the magnitude of investment estimated in the five year "rolling plan" of public investment prepared each year by the National Planning Division of the Ministry of Plan Implementation. This "rolling plan" method with its flexibility of approach from years of

planning experience has been found to be best suited for an economy such as that of Sri Lanka. This programme is revised each year taking into account the new resources position and economic developments both locally and internationally. Thus, the total investment for the five year period 1982 - 1986 was estimated at Rs. 209.6 billion; this was revised to Rs. 218.6 billion for the period 1983-87; and the following year it was revised downwards to Rs. 202.9 billion for the five years 1984 - 88. As seen from these estimates it is called a rolling plan because total investment keeps moving with each 5 year period, just as priorities are changed for projects and programmes. For instance, the current programme covers public investment for the period 1985-89.

Each year after the budget is presented in November the situation for the coming year is assessed and investment estimated for the next 5 year period on the basis of current information regarding production, consumption and savings. Allocations for each Ministry, in the budget are also based on the capital expenditure estimates of the public investment programme; while all public sector projects accepted for implementation and financial provision also need to be listed first in the Public Investment Programme.

The Public Investment Programme or "rolling plan" also provides guidelines for the private sector, as seen in the following extracts from the plan; and those high priority areas where private sector investment is considered essential are indicated in this programme. This form of indicative planning differs from planning of the government sector where actual financial provision needs to be made. In the case of the private sector only estimates are made of expected investment. A more detailed discussion of the entire planning process in Sri Lanka and the basis for formulating the Public Investment Programme are discussed more fully by Dr Lloyd Fernando, Director of National Planning on pages 11 and 12.

PUBLIC INVESTMENT 1985-1989

Sri Lanka's level of capital investment is expected to increase sharply over the next five years. The Government's Public Investment Programme 1985-1989, drawn up by the Finance Ministry's National Planning Division, has projected total investment in the next five years to reach Rs. 291 billion, of which public investment is expected to be Rs. 155 billion and the balance Rs. 136 billion is due to come in through private investment. The anticipated public investment of Rs. 155 billion for the next five years contrasts with a Rs. 82 billion public capital investment that materialised in the previous seven years, namely 1978 to 1984, when a major part of the Mahaweli construction, GCEC and urban areas infrastructure and building activity took place.

In the first few years of its new policies the government's objective was to give a new orientation and dynamism to an economy that had limited growth prospects. The evidence quoted of the success of the new development strategy are the increased growth in real terms and the resilience that the economy has displayed in recent years in the face of adverse external and internal circumstances. The official records show that all sectors of the economy have recorded increased levels of activity during this period, and the acceleration of economic activities also created a significant demand for services. The result was that the demand for basic infrastructure facilities both by the business and household sectors have expanded at unprecedented rates over the last 7 years.

But the trends in public finance also reflect the stresses and strains of the new economic policy adopted by the government since 1977. The public sector took on a leading role and its share of the GDP increased from an average of 7.7 percent between 1970-1977 to 16.6 percent in the 1978-1984 period. By 1984 the share of the public sector in total investment was over 60 percent. The increased public expenditure at the end of

Table 1

Total Resources and their Utilization (Rs Billion)

	1984	1985	1986	1989	Total 1985-89
1. Total Resources	160.7 (106)	187.3 (107)	214.5 (108)	320.4 (108)	1250.3 (108)
(a) GDP at market prices	151.5 (100)	174.9 (100)	197.9 (100)	295.8 (100)	1155.7 (100)
(b) Net imports of goods and non-factor services	9.2 (6)	12.4 (7)	16.6 (8)	24.6 (8)	94.6 (8)
2. Total Utilization	160.8	187.3	214.5	320.4	1250.3
(a) Consumption	121.0	143.2	165.0	241.9	959.0
of which	(80)	(82)	(83)	(83)	(83)
Private	107.0	129.7	143.2	220.6	864.5
	(71)	(74)	(75)	(75)	(75)
Public	13.3	13.5	16.2	24.3	94.4
	(9)	(8)	(8)	(8)	(8)
(b) Investment	39.8	44.1	49.5	75.5	291.3
of which	(26)	(25)	(25)	(26)	(25)
Private	15.9	18.0	20.2	38.3	136.0
	(10)	(10)	(10)	(13)	(12)
Public	23.9	26.1	29.3	36.2	155.3
	(16)	(15)	(15)	(12)	(13)
3. Financing of Investment					
(a) National Savings	34.3 (23)	35.6 (20)	37.0 (19)	54.7 (18)	216.0 (19)
(b) Foreign Savings	5.5 (4)	8.5 (5)	12.5 (6)	20.8 (7)	75.3 (7)

Note: Figures in brackets indicate percentages of GDP

the 1970's also resulted in creating a serious threat to budgetary management and by 1981 the government was compelled to introduce measures for curbing growth of public sector investment. This need to persist with strict public investment control has been stressed in all government budgets since 1981, particularly as the inflow of foreign aid was due to slow down owing to the global recessionary conditions of the early 1980s.

These fears of external conditions affecting Sri Lanka's budgetary position has also brought into focus the extent to which foreign financing has facilitated the public investment effort and helped in recent years to bridge the overall budgetary deficit. Between 1978 and 1984 over 40 percent of the deficit has been covered by foreign financing. Finance Ministry projections for the next five years make provision for a major part of investment expenditure to be financed from domestic sources rather than foreign resources.

In recent years there has been a conscious policy of cutting down on the public investment GDP ratio and this declining trend is expected to continue over the next 5 years. The intention here is to induce the private sector to undertake a greater share of investment in the country, thereby reducing the need to step up public investment. Private investment is therefore, ultimately expected to take on a more prominent role and public investment including extra budgetary investment is estimated to decline from 15 percent to about 12 percent of the GDP by 1989. Meanwhile, private investment is expected to reach a level of 13 percent of GDP from its present level of 10 percent.

As seen in the table above, private investment which is due to be nearly Rs. 10 billion less than public investment in 1986 is expected to move up to Rs. 39 billion by 1989, while at this stage public investment is due to amount to Rs. 36 billion.

In 1984, net foreign financing in the budget amounted to 8.5 percent of the GDP. During the period 1986 - 89 this dependence on foreign financing is expected to be reduced heavily and by 1989 to amount for only 5 percent of GDP. A significant implication of the greater reliance on national resources to finance investment is that the national savings ratio will have to go up. As seen in the table above, it is expected to reach a level of 19 percent for the next 5 year period. This compares with an average ratio for the period 1978 - 1983 of 15 percent. The higher targets for increased marginal savings ratio are based on the assumption that there will be significant improvements in the government budget and in the financial management of public sector corporations and agencies. If the expected improvements in national savings materialises planned total investment from foreign savings is expected to come down to about 6 percent of GDP. (See Table 1)

The restructuring of the investment pattern of the country is a key element in the government medium term development strategy. The main intention is the reduction of public investment in the overall share of the country's investment programme. With a view to achieving this objective the government has adopted special measures for screening of projects to be included in the public investment programme. One of the basic criteria is that in the public investment programme between 1986 and 1989 attempts will be made to move as far as possible away from import substitution projects. Another policy objective over this period is that of trying to achieve an improved budgetary position and so reducing dependence on the monetary system for financing the budget deficits.

Another important area expected to influence the medium term

strategy will be the future balance of payments position. The main contribution to the growth of foreign earnings are due to some food merchandise exports. These earnings were projected to increase at an average rate of 8 percent annually (in constant prices) over the period 1983 - 1989; in view of the import substitution programme in rice, sugar and several other agricultural products and the changing emphasis in the investment programme itself. The projections for foreign earnings are based on the assumption that a special effort will be made to promote merchandise exports in the coming years. At the same time it is assumed that the earnings in invisible and private transfers which were very dynamic elements in the previous seven years are not likely to continue to be so. The net receipts on invisibles which turned negative in 1982 are expected to continue to be so mainly because of the increase in payment of interest and dividends to foreigners and slowing down of tourist arrivals. Similarly the growth of private transfers (remittances made by Sri Lankans working abroad, mainly in the Middle Eastern

countries) are anticipated to slow down in the next five year period. The burden of adjustment will therefore fall on exports and to a large extent on import substitution. Imports are expected to grow at a slower annual rate of 4.1 percent in constant prices. The balance of payments situation becomes a significant factor in this regard. Even in 1983 and 1984 when Sri Lanka's payment difficulties eased, a considerable amount of long term and short term foreign borrowings were resorted to. In the next 5 years a similar inflow of capital expenditure is envisaged including borrowing on commercial terms. These borrowings, however, will be restricted only to projects that can generate sufficient foreign exchange earnings to finance the servicing of debts that arise. Borrowing on commercial terms in the coming years has been roughly estimated at US Dollars 185 million per year; the corresponding net borrowing (i.e. net of repayment) being about US Dollars 90 million per annum.

The increased external debt servicing obligations that have arisen as a result of the heavy reliance on

Table 2 Domestic Resources and Resource Gap (Rs. Billions)

	1984	1985	1986	1989	Average annual
1. Total Gross Domestic Product	138.7 (81)	155.5 (89)	167.9 (100)	283 (168)	13.8
2. Total indirect taxes (less subsidies)	12.5 (9)	18.2 (11)	21.1 (11)	82.7 (51)	19.6
3. Total GDP at factor prices	151.6 (100)	174.9 (100)	197.9 (100)	365.8 (100)	14.3
4. Exports of goods and non-factor services	44.8 (29)	46.6 (27)	51.0 (26)	175.0 (48)	13.0
5. Imports of goods and non-factor services	59.7 (40)	58.1 (33)	67.9 (34)	132.1 (36)	13.1
6. Resource gap	57.2 (38)	70.2 (40)	103.8 (52)	242.8 (66)	21.7

(Percentages of GDP are given within brackets)

foreign aid and other forms of foreign borrowings has influenced the strategy of aiming at a comparatively moderate growth of investment. As indicated earlier, there is expected to be an increased reliance on domestic savings and this is guided largely by the desire to arrest the growth of external debt. The total disbursed external debt, excluding debt owed to the IMF and short term debt, stood at 41 percent of GDP at the end of 1984. But despite restraints on expenditure this percentage is expected to increase further, reaching a peak between 1987 and 1990. Debt service payments are also expected to cause a strain on the country's balance of payments situation in the coming years, especially as the period of heavy external borrowings on commercial terms has coincided with a period of high international interest rates. The projections of debt servicing payments and export earnings, shown in the table below, indicate how it is hoped the position would change over the next 15 years.

The main focus of the development strategy over the next five

years is expected to centre around issues connected with the structural transformation of the country's productive capacity. During the 7 year period, 1978 - 1984, the Gross Domestic Product (GDP) grew at an estimated average rate of 6 percent per annum. It is apparent that in order to sustain this growth momentum, which the country has got accustomed to, far more needs to be done. Primarily structural adjustments of the economy have to be achieved and the problems of short term stabilisation dealt with. By the end of 1984 short term stabilization was helped much by a more comfortable balance of payments position, mainly through favourable tea prices. This wind-fall situation also helped to boost government revenues and maintain surpluses in the government's current budgets for 1983 and 1984. This situation also helped to reduce the budget's dependence on the banking system, which had been a major cause of inflationary pressures in earlier years. But it is necessary to plan alternate strategies as the country could not expect these high commodity prices to continue indefinitely.

The government budget has become a key element in the structural adjustment process and the medium term investment programme provides basic direction in preparation of the budget. In the period from 1978 to 1984 the Public Investment Programme had less flexibility due to the heavy concentration of investment on projects such as the Mahaweli; but now that such expenditures are tapering off a new set of priorities can be decided on for the medium term programme. In agriculture for instance the National Agriculture, Food and Nutrition Strategy is expected to lay down the priorities for selection of projects. (See Box)

As in the last 7 years the upgrading of communications, transport and other infrastructure facilities is also expected to be given due priority. The development of major economic infrastructure facilities over the last seven years greatly reduced the constraints affecting the achievement of high growth rates in production. But the uncertainty of the economic and political climate had deterred planners from setting higher growth targets than what was achieved during the previous 7 year period. Among the main factors have been the deterioration of the security position of the country, the relatively long gestation character of some of the more important investment projects and the persistence of problems relating to price stability. Making projections for even the next few years can be hazardous exercise in the context of the increased uncertainties. However, the major assumptions considered in drafting of the 1985 - 89 investment programme are that:

- * The present security problem in the country will ease;
- * Normal weather conditions will prevail during most of the period;

Table 3
Projected Debt Service Payments on External Debt 1985-1989
(US\$ Million)

	1985	1987	1990	1995	1999
1. Debt servicing on debts incurred upto the end of 1983					
(a) Amortization	131	136	113	81	79
(b) Interest	111	97	56	36	29
2. Debt servicing on debt incurred during 1984-1989					
(a) Amortization	6	72	106	24	29
(b) Interest	16	53	83	20	24
3. Total debt servicing on debts incurred upto end of 1989					
(a) Amortization	137	258	299	105	128
(b) Interest	129	155	139	86	53
4. Projected earnings on exports goods and services	1779	2691	2923	6507	9189
5. Debt service ratio percent	15.0	19.8	15.0	3.1	2.0

NOTE: Covers only the medium and long term debt excluding debts owed to IMF.

NATIONAL AGRICULTURE, FOOD AND NUTRITION STRATEGY

As part of the overall management programme and as an essential part of the strategy, a new level of national agricultural policy is being drawn up. The National Strategy for Agriculture has been formulated with a view to increasing the income, productivity and food intake and nutritional knowledge for those in the countryside. The primary responsibility for the national strategy formulation has been with agricultural extension services for the past 10 years. The head office has also taken a number of initiatives. Therefore, the national strategy will be developed, and it is necessary to think of a strategy for a responsible approach to the overall management of the country.

in the agricultural sector of the country, the role of the state in production and trade in the cotton, rice, and wheat. The author concludes that the state's role in the cotton sector is to provide a market for the cotton, and in the rice sector to provide a market for the rice. The author also discusses the role of the state in the wheat sector, and the role of the state in the cotton sector.

Decisions regarding these two factors are by the "decision-makers" and will be one of the two components of the strategy. The main objective of public relations of the strategy is based on the achievement of its objectives. In order to improve a company's reputation, the improvement of individual status is an essential factor with the main aim of the company. In order to avoid the deterioration of the reputation of the company, the company must be able to avoid the negative impact.

[illegible]

an important step in the development of a new product. The first step is to identify the market need. This is done by conducting a market survey. The second step is to develop a product concept. This is done by brainstorming ideas and selecting the most promising one. The third step is to develop a business plan. This is done by estimating the costs and revenues of the product. The fourth step is to develop a prototype. This is done by building a small-scale model of the product. The fifth step is to conduct a pilot test. This is done by selling the product to a small group of customers. The sixth step is to conduct a full-scale test. This is done by selling the product to a large group of customers. The seventh step is to launch the product. This is done by selling the product to the general public. The eighth step is to monitor the product's performance. This is done by tracking sales and customer feedback. The ninth step is to make improvements. This is done by incorporating customer feedback into the product design. The tenth step is to discontinue the product. This is done when the product is no longer profitable or when a better product is developed.

[illegible]

The main trend of the European Strategy is to maintain the price of energy relatively high, progressively and either indirectly or through international treaties that appear to limit oil use and the future growth of coal, gas, and nuclear power and other alternative energy sources.

Time of Partur (h)	1990	1991	1992	1993	1994
Mean (s.d.)	11.3 (1.3)	11.3 (1.3)	11.3 (1.3)	11.3 (1.3)	11.3 (1.3)
Range (s.d.)	9.0 (1.3)	9.0 (1.3)	9.0 (1.3)	9.0 (1.3)	9.0 (1.3)

results have shown that about 50% of the children with a severe and chronic disorder perceive no effect on their ability to do school work. The majority of children with moderate and mild disorders perceive a negative effect on their ability to do school work. The majority of children with mild disorders perceive a moderate negative effect on their ability to do school work.



The dietary record adds that these factors, who own relatively large parcels of land appear to be somewhat more efficient managers than those with less land and less stock. Moreover, the total output of the farmers in an income class rises as the size of the land and stock increases, but at a decreasing rate. Consequently, income elasticity of the smaller the stock and land size, the lower the income elasticity of output and the higher the return to external economy. It is clear that it is a question of investment and technology with increasing returns, irrespective of the type of land, the type of the crop and stock, and the area of the land. The higher rate of area marginal returns is more noticeable in small

The nature of the early life experience in the family and the characteristics of the affected population can be useful in the design of targeted interventions to deal with the problem. It is important to understand the developmental and life course factors that are related to the problem in order to design the most effective interventions.

* World trade conditions will show a gradual but moderate improvement and will not be subject to major crises;

* Inflation and currency fluctuation rates in the industrialised countries will gradually stabilize.

It is the view of the planners that it may not be realistic to expect an average growth rate of anything more than what was achieved during the last 7 years. The emphasis in their view will have to shift to the development of the export sector; although the major part of the "demand pull" necessary to achieve a projected growth of 5.8 percent during the next 5 years is expected to come from the domestic market. The areas highlighted for significant production developments are paddy, sugar, livestock and fisheries for the domestic market; and for the export market industrial products, based mainly on labour intensive technologies, and also minor agricultural products. Paddy output is expected to increase from the relatively modest level of 115 million bushels in 1984 to about 136 million bushels in 1989 a level that is adequate to meet local demand on the present consumption pattern. Among the three major traditional products coconut is expected to have far better potential for production increases than tea and rubber.

In considering the development of a viable manufacturing sector, the programme has anticipated that all remaining avenues for efficient import substitution will be exhausted soon and that export-oriented manufacturing closely related to the country's resource endowments will have to be built up.

The development of a viable manufacturing sector, based on a realistic assessment of the country's comparative advantage is regarded as crucial to the achievement of her employment, income and export development objectives. At

present, about one-fifth of the value added in manufacturing arises in the processing of tea, rubber and coconuts. The prospects for growth in this area are constrained by the relatively slow growth in the tree crops. Greater potential has been found to exist in the 'other industries' category which includes factory industries, small scale and cottage industries. The policy here according to the programme would be to rely more on private entrepreneurship and initiative, while government action would be directed towards the provision of basic infrastructure and maintaining an appropriate system of incentives.

In the context of these policy initiatives, the sector of 'other industries' i.e. manufacturing other than tea, rubber and coconut processing, is expected to attain higher growth rates under assumptions of moderately favourable external demand. As Table 4 shows, the average growth target set for the next five years is 8.6 percent per annum.

In construction it is expected that the high growth rates of the pre-1981 period are unlikely to continue. The capacity of the sector has already expanded to cope with the demands that may arise. The growth in investment is expected to occur at a more moderate rate while the character of the investment programme itself will probably be less construction-intensive. Therefore, in the 1984-1989 period a growth rate of 7.3 percent per annum has been assumed for the construction sector.

Taking into account the increased expenditure on defence, the capacity expansion in electricity and water supply, the development of services in the newly settled areas under the Mahaweli Programme and rapid expansion of housing, the overall growth rate for services has been set at 6 percent per annum.

In projecting the likely budgetary outturn for the next 5 years the programme expects cur-

Table 4

Gross Domestic Product by Industrial Origin
1984, 1985, 1986 and 1989
(Rs. Million at constant 1983 prices)

		1984	1985	1986	1989	Average Annual growth rate
						1984-1989
1.	Tea growing	3,750	3,823	3,859	3,967	1.1
2.	Rubber growing	997	997	1,011	1,031	1.6
3.	Coconut growing	3,147	3,535	3,706	3,935	4.6
4.	Paddy inclusive of processing	6,822	6,910	7,140	7,831	2.4
5.	Other agriculture	16,247	17,127	17,913	20,741	5
6.	Total agriculture	30,763	32,461	33,629	37,556	4.1
7.	Mining & Quarrying	3,674	3,764	3,993	5,044	6.5
8.	Tea, Rubber and Coconut processing	3,705	3,790	3,830	3,967	1.4
9.	Other industries	13,488	14,572	15,776	20,353	8.6
10.	Construction	9,797	10,297	10,820	13,976	7.3
11.	Services	57,004	61,308	63,995	76,363	6
12.	GDP at constant factor cost price	118,422	126,220	132,108	157,208	5.8

rent expenditures to decline from Rs.26.9 billion in 1985 to Rs.42.6 billion in 1989 and current revenue to go up from Rs.34.2 billion in 1985 to Rs.57.1 billion in 1989. (See Table 5).

Past experience has shown the high dependence of budgetary revenues on trade-based taxes. Export duties are very much influenced by the country's performance in traditional plantation crops, which in turn depends largely on factors outside Sri Lanka's control. It is expected that the share of export duties will decline gradually from a level of 1.2 percent of GDP in 1985 to about 1 percent of GDP by 1989.

The share of export duties in total current receipts in 1989, however, will amount to about 5 percent. On the other hand, import duties are expected to account for little less than 3 percent of GDP right through the period, that is, about 15 percent of total receipts by 1989. Already, some import duty adjustments have been made and further changes are envisaged in the near future to provide the necessary incentives for industrial exports.

The recent Budget shows that over 50 percent of the current receipts are obtained through selective sales taxes and business turnover taxes. In projecting government revenues for the period 1986-89, it has been assumed that this heavy dependence on indirect taxes will continue. With an extended coverage and improved collections, it is expected that revenue from BTT could reach a level of 6.3 percent of GDP (i.e. almost 33 percent of total receipts) as against 6 percent of GDP (i.e. 31 percent of total receipts) in 1985. Selective sales taxes are expected to remain around 20 percent of total receipts throughout the period.

Table 5
Budgetary Current Receipts and Expenditure 1985-1989
(Rs.Million)

	1985	1986	1987	1988	1989
1. Current gross current receipts	1989	19222	19870	19012	20425
2. Interest on public debt	5360	5868	6122	6224	6790
3. Subsidies	1580	1685	1676	1987	2122
4. Current transfers to private sector	2524	3600	6463	7120	1202
5. Government savings	110	1275	1405	1647	1971
6. Total gross current receipts	26064	31170	33436	36090	42510
7. Total current receipts	24180	30388	31240	34263	40125
7.1 Income tax	5723	6110	765	8901	8388
7.2 BTT	6004	12184	11078	10547	14740
7.3 Selective sales taxes	5703	7663	8709	9473	11251
7.4 Excise duty	2755	2094	2570	2727	2960
7.5 Import duty	500	4931	3640	1621	6054
7.6 Other	3804	4862	3817	5545	6716
7.7 Additional mobilization	0	0	0	0	0
8. Budgetary deficit	2212	8882	1224	1527	1157
9. Current current receipts	21968	29497	29216	34536	40968
As percentage of GDP					
1. Current gross current receipts	6.08	6.57	6.6	6.9	6.81
2. Interest on public debt	4.37	5.81	4.83	4.88	5.37
3. Subsidies	.69	.85	.76	.75	.62
4. Current transfers to private sector	2.11	3.85	2.80	2.86	2.80
5. Government savings	.85	.92	.51	.88	.90
6. Total gross current receipts	15.73	19.08	18.48	19.44	19.68
7. Total current receipts	14.70	18.45	18.40	18.24	18.80
7.1 Income tax	2.37	2.35	2.39	2.60	2.54
7.2 BTT	6.34	12.17	6.13	6.15	8.20
7.3 Selective sales taxes	3.36	4.93	5.31	5.12	5.57
7.4 Excise duty	1.76	1.43	1.69	1.62	.96
7.5 Import duty	.60	2.62	2.84	2.65	2.85
7.6 Other	2.41	2.77	2.70	2.79	2.56
7.7 Additional mobilization	.00	.00	.00	.00	.00
8. Budgetary deficit	4.25	1.34	0.63	1.61	1.21

In 1984, direct taxes accounted for 17 percent of total revenue. These taxes include individual and corporate income taxes, wealth tax, estate duty and taxes on transfer of assets. Efforts are also underway to improve tax administration in the country. In the view of the planners, considerations of revenue effort dictate caution in granting additional tax holidays and other such incentives which have a direct bearing on government revenue. Nevertheless it is expected that direct tax collections will not exceed 17 percent of total receipts by 1989.

Current expenditures are projected to decline marginally during the period to a level of about 14.4 percent of GDP. Government consumption, however, will remain at a level little less than 7 percent of GDP. In these projections consideration has been given to the likely increases in salaries, wages and other expenditures required to maintain at least the present levels of remuneration and services in real terms. Interest on public debt, both domestic and foreign, is projected to decline from a level of nearly 4 percent of GDP in 1985 to about 3.4 percent of GDP by 1989.

THE PLANNING PROCESS IN SRI LANKA

Lloyd Fernando

*Director National Planning,
Ministry of Finance and Planning.*

National Planning in Sri Lanka has undergone a radical change since 1977. From the practice of writing medium-term plans embracing the entire economy, the emphasis has shifted to planning as a continuous process, confined mainly to the Public Sector. The Public Investment Programme prepared on a "rolling plan" basis has thus emerged as the centrepiece to the planning process.

This method of planning reflects a cautious pragmatic approach based on past experience. Attempts to plan for the entire economy without adequate provision for implementation was a major weakness of planning in the past. Commencing with the Ten year plan published in 1959, Sri Lanka displayed a veritable ingenuity and technical capacity for preparing plans. The plans put out in later years such as the three year implementation programme published in 1962 and the Five Year Plan 1972 - 76 were technically impressive documents. Nonetheless, they had very little impact on the economy due to a lack of adequate machinery for translating them into action.

The massive investments on long gestating projects undertaken by the government such as the Accelerated Mahaweli, Urban and Housing Development, as well as the Free Trade Zone, necessitated a planned phased programme of allocation of resources. Further, the Public Sector had expanded its role in the economy because of these heavy investments. During 1978 - 84 public investment as a percentage of GDP increased to 16.6 from 7.7 in 1970 - 77.

The "rolling plan" technique is eminently suited for economies such as that of Sri Lanka, which are heavily based on agriculture and tightly linked to the international economy. This is because this methodology allows greater flexibility to accommodate fluctuations in

resource flows. It is almost impossible to estimate resource flows over a long time span in countries which are dependent on agriculture because of the vagaries of weather affecting production and therefore incomes. Similarly, inter-national trade effects are difficult to predict, particularly when a country is dependent on primary commodities whose prices fluctuate more rapidly.

Thus, the Public investment Programme which covers a five year period is revised every year, taking into account the new resource position and economic challenges facing the government. It is called a "rolling plan" because it keeps moving up five year periods. For instance the present Public Investment Programme is set for 1985-89 while the last year's one was for 1984-88. Every year after the budget is presented in November for the forthcoming year, the total resources expected to be available in the economy for investment during the next five years are estimated on the basis of current information with regard to production consumption and savings. Total investment is disaggregated into investment by the Public Sector and the Private Sector. The Public Investment Programme is thereafter formulated in consultation with the line Ministries, taking the Budget estimates as the base. It is then submitted to the Committee of Development Secretaries for approval.

Every year when the government Budget is formulated the capital expenditure estimates given in the Public Investment Programme are used for allocations to each Ministry, depending on the resource position. If the latter has changed during the course of the year, it would be reflected in the allocation of resources. This way there is a very close link and interaction between the Budget and the Public Investment Programme. No project is taken up for implementation

through budgetary allocations, unless it has first been included in the Public Investment Programme; in which lies the strength of the principal planning document since 1979. This was, in fact, rendered possible by the merger of the former Ministry of Planning with the Ministry of Finance. The two functions of financing and planning no longer operate independently.

A considerable amount of technical work lies behind the Public Investment Programme. First of all, the macro-economic framework detailing sector-wise production, consumption and savings has to be formulated. This is done by the Macro unit of the National Planning Division using Central Bank National Accounts statistics for the base year. The five year forecast is done taking into account a number of government policy guidelines in regard to public and private investment, budgetary and balance of payments objectives, sectoral strategies intra-sectoral priorities etc.

The government took a very important decision regarding investment priorities in February 1984. This decision reflects its goals of economic and social development, which in a broad sense have been expressed as the achievement of rapid rates of economic growth, employment creation, improvement in living standards and better income distribution while maintaining financial and economic stability.

It was decided by government that before embarking on new projects in the future, adequate resources must be first allocated for the operation and maintenance of existing capital assets. They include, inter alia, repair and maintenance of existing roads, buildings, irrigation channels, water supply, sewerage, education, health, electricity and telecommunication services. Operation and maintenance of existing assets has been neglected to a very great extent in

the past in favour of new projects. This has resulted in the decline in the some of the services and unless this aspect is adequately looked after, massive capital investments will be required to simply replace worn out existing assets. It was therefore decided by government, that highest priority should be given to operation and maintenance of existing assets in the period ahead.

It was also decided by government that in the admission of new projects into the Public Investment Programme the first basic rule to be followed should be to leave out activities which could be more easily and efficiently handled by the private sector. There are only a very few areas, which for social or security reasons, that cannot be allowed to the private sector on the basis of this decision. Even in the case of these areas which the private sector cannot undertake on its own, due to lack of capital or technology, public investment will in principle be directed towards filling those gaps.

Thus it has been decided that in the medium term ahead, public investment will concentrate on the following areas:

(a) Quick-yielding production oriented projects which would reduce the balance of payments problem either through export expansion or efficient import substitution and which the private sector cannot undertake on its own;

(b) essential infrastructure needs in power, irrigation, transport and communication; and

(c) urgent needs in health, education, housing and nutritional standards of the people.

The government decision of February 1984 also covered the procedures to be followed with regard to the admission of new projects into the Public Investment Programme. Accordingly, once a project is

identified, based on the economic and social objectives of the government and accepted investment priorities, a broad outline of it, with at least a tentative estimate of the costs and benefits, would be submitted to the Committee of Development Secretaries for approval in principle before proceeding to the next stage of project development. This Committee which is chaired by the Cabinet Secretary and meets every week to discuss planning and policy issues is serviced by the National Planning Division.

Appraisal of the project is done by the Committee of Development Secretaries after initial screening by the National Planning Division. It is then submitted to Cabinet for final approval. Final negotiations with the appropriate Aid Agency are conducted by the External Resources Department after approval by Cabinet. The project is thereafter included in the Public Investment Programme for annual resource allocation and implementation.

Technical improvements to upgrade the level of planning are being constantly effected through training, interaction with international economic institutions, including Universities and research organisations and particularly through technical dialogue with the Central Bank and line Ministries and departments. The National Planning Division has also benefited immensely from the technical base created for planning by the Perspective Planning Division of the former Ministry of Planning. The system of National Accounts and the Macro-frame developed by the Perspective Planning Division are the foundations on which further refinements were carried out to formulate the Public Investment Programme.

It is, however, recognized that Planning in Sri Lanka cannot be confined to the Public Sector. Particularly in a situation where the government is looking to the Private Sector for investment in productive activity, there is a need to provide the necessary incentives for the private sector

to take up the right type of activity. That is, the private sector should be motivated to invest in high priority areas which are considered socially desirable by the government. This is the aim of "Incentive planning" which is different to the planning done in the government sector through budgetary allocations and centralisation etc.

Some form of incentive planning is being already practised today. The sector strategies outlined in the Public Investment Programme indicate the areas which are being promoted and the policy measures that are being adopted for this purpose. However, no targets are being set product wise or even sector-wise for implementation by the private sector. Such detailed planning requires not only enormous technical skills both at the national and sectoral/industrial level but also arrangements for effective participation through dialogue and technical work by the private sector.

It has been decided as a matter of policy to develop a system of incentive planning and the initial steps are being taken in this regard. The Agriculture, Food & Nutrition Strategy work which has been very nearly completed, the Medium Term Investment Programme for the private sector estates and the Industrial Policy exercise undertaken in collaboration with the private sector are some of the important preliminary steps. Further work depends to a large extent on the amount of technical competence in planning that could be generated. The National Planning Division is organising a number of training programmes with technical assistance from the UNDP, UNICEF and Bradford University. Training courses are being held in Colombo and in the Districts, the latter with the cooperation of the Ministry of Plan Implementation. High level policy dialogues, at the level of Minister Secretaries and Senior Private Sector representatives are arranged through Seminars and Workshops, one of the most important of which was the one held in Abeygalle in August last year. At this Workshop, Senior Private Sector representatives and government officials got together to discuss industrial development issues. It was consequent on this workshop that the high level Industrial Policy Committee was set up by government.

Actual inflows of foreign savings exceeded the shortfall between the gross national savings and the gross domestic investment. The excess foreign savings was reflected in the overall surplus of the balance of payments. In 1984 consumption expenditure increased only by 15 percent as against 18 percent growth in 1983. The outcome of this development was the remarkable increase in domestic savings. The need to maintain this high level of domestic savings is emphasised.

*Growth of Gross Domestic Capital Formation (GDCF) slowed down further in 1984 when it increased by only 9 percent compared with 21 percent in 1983. Completion of a major part of the construction work under Mahaweli Development Programme and the cut-back in new capital expenditure by the government were mainly responsible for slower growth in GDCF.

*It is a matter for concern that despite the generous incentives available, private sector investment in a number of key areas had lagged behind.

*The developments in the monetary sector during 1984 were characterised by a deceleration in the rate of money and credit growth, enhancement of liquidity in the financial system and downward movement in interest rates, particularly on deposits. These developments were further augmented by a considerable deceleration in the rate of inflation.

*The Government reduced its reliance on the banking system as increased revenue from duties and taxes substantially enhanced the resources available to the Government. The flow of foreign aid and increased subscription to treasury bills and Government securities by non-bank sources further enhanced government resources.

*Credit to the private sector, including government corporations and co-operatives rose by 11 percent when compared with 26 percent in 1983, reflecting the improved position of certain corporations particularly the two plantation corporations and the reduc-

tion in demand for non-priority credit as a result of credit restrictions imposed by the Central Bank.

*Efforts in promoting rural credit in the country have by and large concentrated for too long on cultivation activities requiring bank finance for development.

*Despite the prevalence of excess liquidity in the money market, transactions in the capital market were not impressive. This highlighted the limited availability of instruments and the lack of an institutional framework for transferring resources from the money market to the capital market.

*The sharp increase in revenue collection and the slower growth in public expenditure reduced the budget deficit substantially. The budget deficit in relation to GDP declined from 18 percent in 1983 to 11 percent in 1984. In financing the budget deficit the Government utilized a substantial magnitude of foreign resources. Total foreign financing of the deficit increased from 51 percent in 1983 to 71 percent in 1984.

*In the past the burden of demand management fell more on monetary policy while the major inflationary pressure emanated from the Government Budget. Improvements in budgetary policy have reversed this trend after 1983 and have effectively complemented the monetary policy measures in 1984. Further strengthening of efforts to reduce the fiscal imbalance needs to be stressed in order to reduce the overhang of liquidity through cumulative budget deficits and promote productive investments consistent with a high level of savings.

*Sri Lanka's balance of payments performance in 1984 was very favourable; this reflected mainly the improved merchandise trade performance. The major impact on balance of payments came from

tea exports, which increased by 83 percent, in SDR terms, and accounted for 42 percent of the total value of exports. A more encouraging feature of the trade performance was the large increase in export of textiles and garments and other industrial goods.

Efforts will have to be made to maintain the favourable balance of payments position, particularly because, with the phasing out of Mahaweli related aid, foreign aid flows are expected to level off while at the same time foreign debt service payments will increase.

*The change in the debt profile and the improved export performance resulted in a reduction in the ratio of debt service payments to exports from 22 percent in 1983 to 17 percent in 1984.

*Concentration on agriculture alone will not place the economy on a sustainable growth path for the future. Whilst appreciating the contributions made by high agricultural output in expanding income, employment, foreign reserves and expansion of the base for industrial growth, steps will have to be taken to achieve a high rate of economic growth through outward looking export oriented non-traditional industries.

A viable and dynamic industrial policy is still lacking. After initiating a dialogue among all concerned parties on the present industrial situation the Government has appointed a Committee of senior officials to examine constraints and weaknesses in the industrial sector and to formulate an industrial strategy for the country. This is a welcome development. It is becoming increasingly obvious that the industrial sector has become the leading sector in view of the limits to growth in the agricultural sector.

AGRICULTURE

RECENT CHANGES IN THE RETAIL MARKET FOR RICE

Paddy production in the 1983/84 Maha season came down to 85 million bushels, the lowest level of production recorded for a Maha season since 1971, due to the adverse weather conditions that prevailed in the early part of 1984. The decline in production was as much as 20.4 million bushels or nearly one quarter less than that of the pre-

vious Maha season. Although increased production in the ensuing Yala season helped to bridge part of the 1984 production shortfall, the adverse effects of the crop damage, estimated at 15 percent in Maha 1983/84, was hard to recover from. A significant feature of this trend was the almost 50 per cent decrease in the purchases of paddy under the Guaranteed Price Scheme by the Paddy Marketing Board (PMB) during 1984. See table

Apart from the smaller quantities available for purchase the PMB was also unable to carry out its normal purchasing operations due to the unsettled situation in the Northern Districts. Furthermore the open market price for paddy continued to be higher than PMB's guaranteed price of Rs.62/50 per bushel (Rs.2/99 per kg) throughout 1984, when the monthly average open market price worked out to as much as Rs.78/- per bushel (Rs.3/73 per kg). The gap between the open market price and the guaranteed price rose from Rs.16/- per

Table I

Paddy Production and Purchases, 1983 and 1984

Items	Units	1983			1984		
		Maha	Yala	Total	Maha	Yala	Total
Crop under harrow	1000 hectares	143	241	384	109	204	313
Fertilizer used (kg)	2500 tons	110	42	152	112	48	160
Yield (bushels)	1000 bu.	128	98	226	115	48	163
Crop under harrow	1000 hectares	143	241	384	109	204	313
Yield per acre (bushels)	1000 bu.	128	98	226	115	48	163
Yield per acre (kg)	1000 kg	110	42	152	112	48	160
Yield per acre (kg)	1000 kg	110	42	152	112	48	160
Yield per acre (kg)	1000 kg	110	42	152	112	48	160
Purchases under G.P.S.	1000 tons	110	42	152	112	48	160
Purchases under G.P.S.	1000 tons	110	42	152	112	48	160
Purchases under G.P.S.	1000 tons	110	42	152	112	48	160
Purchases under G.P.S.	1000 tons	110	42	152	112	48	160

(a) Provisional

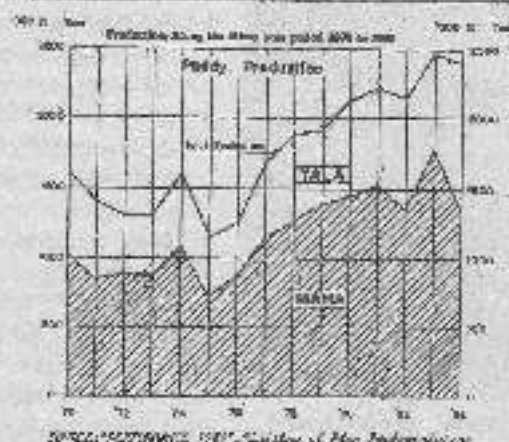
(b) The fertilizer issues during cultivation year and calendar year are inseparably different.

Cultivation year comprises Maha (September/October - March/April) and Yala (April/May - August/September).

(c) Yields per acre for Maha and Yala are calculated using data from the Department of Census and Statistics which are based on seven milting surveys while total yield is calculated by dividing total production by the net sown area.

(d) Maha paddy harvest is purchased during the period from January to July while Yala harvest is purchased during the period from August to December.

Source: Central Bank Annual Report 1984



bushel in the first half of 1984 to Rs.16/50 per bushel in the latter half. Even though the open market price improved over 1984 the rising cost of production (an increase of about 15% in major producing districts) eroded producer margins. This situation has highlighted the need for an upward revision of the guaranteed price for paddy which has remained constant at Rs.62/50 a bushel since March 1983. It also focuses on the increasing diffi-

ties of the Paddy Marketing Board to compete with private sector paddy purchasers.

Agrarian Service Centres only, in accordance with a Government directive.

nearly 80 percent of the total purchases of paddy by the Paddy Marketing Board. These areas have

Table 2 Purchase and Distribution of Rice by the Food Commissioner and the Paddy Marketing Board

Year	Purchased by the Food Commissioner (in 1000 cwt)	Received by the Food Commissioner (in 1000 cwt)	Received by the Paddy Marketing Board (in 1000 cwt)	Received by the State Bank (in 1000 cwt)	Received by the Paddy Marketing Board (in 1000 cwt)	Received by the Paddy Marketing Board (in 1000 cwt)
1983	147	25	94	15	15	15
1973	13	250	13	13	13	13
1979	212	250	41	13	13	13
1982	133	87	14	13	13	13
1981	152	15	13	13	13	13
1982	115	13	13	13	13	13
1983	133	13	13	13	13	13

Table 3 Market Price of Paddy and Rice

Year	Paddy (per 100 cwt)	Rice (per 100 cwt)		Year	Paddy (per 100 cwt)	Rice (per 100 cwt)	
		Seeds	Parboiled			Seeds	Parboiled
		100 cwt	100 cwt			100 cwt	100 cwt
1980-81	52.00	5.00	10.00	1981-82	52.00	5.00	10.00
1981-82	50.75	4.00	8.00	1982-83	50.75	4.00	8.00
1982-83	50.00	4.00	8.00	1983-84	50.00	4.00	8.00
1983-84	50.00	4.00	8.00	1984-85	50.00	4.00	8.00

It is clear that a major reason for the low procurement of paddy during last year's Maha season was the crop damage arising from floods in some of the major paddy producing areas; though another significant factor was the restriction of the paddy procurement agents of the PMB to Co-operatives and

The floods that occurred in mid February 1984 resulted in extensive damage to the crop of the 1983/84 Maha season. The areas that suffered this disaster, namely, Amparai, Trincomalee, Anuradhapura, Polonnaruwa, Batticaloa, Mannar, Vavuniya and Mullativu districts account for

sustained significant damage in respect to their rice milling activities run as a result of the floods. With the drop in total production of paddy during the 1983/84 Maha season and heavy demand for whatever paddy was available, and also due to the obstacles in the way of efficient market activities the signs of an increase in the retail prices of rice, particularly in the latter part of 1984, was clear. The extent of this increase was, however, influenced by factors such as the level of efficiency of the Food Commissioner's Department and the PMB when rice stocks are issued in the wholesale market and also the efficiency of the Co-operative and PMB outlets which carry out the function of retailing rice in competition with the private sector. The PMB depend heavily for its smooth functioning on the operations of the Food Commissioner; but since the Food Commissioner had to maintain a regular trading stock of rice, particularly to meet the requirements of the Food Stamp Scheme, it has to be assured of a stable supply from the PMB. There has to be very close coordination of the activities of these two institutions, especially paddy procurement and rice marketing, and in this context the Central Bank has even suggested that by amalgamating these functions into one institution more efficient operations could be ensured.

H.L.H.

Table 4 Retail Prices of Rice at the Co-operative Societies

Period	Rice (per 100 cwt)		Rice (per 100 cwt)		Rice (per 100 cwt)		Rice (per 100 cwt)	
	Price	% Increase during year	Price	% Increase during year	Price	% Increase during year	Price	% Increase during year
1980-81	50.00	0	50.00	0	50.00	0	50.00	0
81-01-82	50.00	0	50.00	0	50.00	0	50.00	0
82-02-83	50.00	0	50.00	0	50.00	0	50.00	0
83-03-84	50.00	0	50.00	0	50.00	0	50.00	0
84-04-85	50.00	0	50.00	0	50.00	0	50.00	0
85-05-86	50.00	0	50.00	0	50.00	0	50.00	0
86-06-87	50.00	0	50.00	0	50.00	0	50.00	0
87-07-88	50.00	0	50.00	0	50.00	0	50.00	0
88-08-89	50.00	0	50.00	0	50.00	0	50.00	0
89-09-90	50.00	0	50.00	0	50.00	0	50.00	0
90-10-91	50.00	0	50.00	0	50.00	0	50.00	0
91-11-92	50.00	0	50.00	0	50.00	0	50.00	0
92-12-93	50.00	0	50.00	0	50.00	0	50.00	0
93-01-94	50.00	0	50.00	0	50.00	0	50.00	0
94-02-95	50.00	0	50.00	0	50.00	0	50.00	0
95-03-96	50.00	0	50.00	0	50.00	0	50.00	0
96-04-97	50.00	0	50.00	0	50.00	0	50.00	0
97-05-98	50.00	0	50.00	0	50.00	0	50.00	0
98-06-99	50.00	0	50.00	0	50.00	0	50.00	0
99-07-00	50.00	0	50.00	0	50.00	0	50.00	0
00-08-01	50.00	0	50.00	0	50.00	0	50.00	0
01-09-02	50.00	0	50.00	0	50.00	0	50.00	0
02-10-03	50.00	0	50.00	0	50.00	0	50.00	0
03-11-04	50.00	0	50.00	0	50.00	0	50.00	0
04-12-05	50.00	0	50.00	0	50.00	0	50.00	0
05-01-06	50.00	0	50.00	0	50.00	0	50.00	0
06-02-07	50.00	0	50.00	0	50.00	0	50.00	0
07-03-08	50.00	0	50.00	0	50.00	0	50.00	0
08-04-09	50.00	0	50.00	0	50.00	0	50.00	0
09-05-10	50.00	0	50.00	0	50.00	0	50.00	0
10-06-11	50.00	0	50.00	0	50.00	0	50.00	0
11-07-12	50.00	0	50.00	0	50.00	0	50.00	0
12-08-13	50.00	0	50.00	0	50.00	0	50.00	0
13-09-14	50.00	0	50.00	0	50.00	0	50.00	0
14-10-15	50.00	0	50.00	0	50.00	0	50.00	0
15-11-16	50.00	0	50.00	0	50.00	0	50.00	0
16-12-17	50.00	0	50.00	0	50.00	0	50.00	0
17-01-18	50.00	0	50.00	0	50.00	0	50.00	0
18-02-19	50.00	0	50.00	0	50.00	0	50.00	0
19-03-20	50.00	0	50.00	0	50.00	0	50.00	0
20-04-21	50.00	0	50.00	0	50.00	0	50.00	0
21-05-22	50.00	0	50.00	0	50.00	0	50.00	0
22-06-23	50.00	0	50.00	0	50.00	0	50.00	0
23-07-24	50.00	0	50.00	0	50.00	0	50.00	0
24-08-25	50.00	0	50.00	0	50.00	0	50.00	0
25-09-26	50.00	0	50.00	0	50.00	0	50.00	0
26-10-27	50.00	0	50.00	0	50.00	0	50.00	0
27-11-28	50.00	0	50.00	0	50.00	0	50.00	0
28-12-29	50.00	0	50.00	0	50.00	0	50.00	0
29-01-30	50.00	0	50.00	0	50.00	0	50.00	0
30-02-31	50.00	0	50.00	0	50.00	0	50.00	0

Source: Paddy Commissioner's Department

DEVELOPMENT ISSUES

DEMOGRAPHIC TRANSITION AND FAMILY PLANNING TECHNIQUES

The population of any country depends mainly on three demographic variables: fertility, mortality, and international migration. Sri Lanka has undergone three classical demographic transitional phases as revealed by the country's fertility and mortality rates (crude birth rates and crude death rates). The first phase covers the period from 1871 to 1946, the second from 1946 to 1963, and the third covers the period since 1963.

The first transitional phase is characterized by high death rates. The average crude birth rate (C.B.R.) was 34.9 and the average annual population growth rate at this time varied from 0.9% to 1.7%. In the second phase the population increased from 6.7 million to 8.1 million. During this period fertility levels remained high while mortality rates registered a sharp decline. For instance, in this second transitional period the CBR and CDR (Crude Death Rate) were 37.4 and 11.3 respectively. During the third tran-

sitional phase the CBR declined from 34.4 in 1963 to approximately 26.2 in 1983. The CDR has varied from 8.5 in 1963 to 6.1 in 1983. As shown by the above rates there was a remarkable decline in fertility as well as mortality during the third transitional phase when compared to first and second phases.

Decline of C.B.R. is associated with a number of broader socio-economic factors and also more specific reasons such as the adoption of contraceptives. The changes in CDR was mainly dependent on the anti-malaria campaign in the immediate post-war years, improvement of the health care services and medical facilities, better nutrition and economic conditions. Among the economic factors that influenced the rapid decline in fertility, were higher educational attainment, greater labour force participation (especially among females) and a high degree of urbanization and commercialisation in more recent decades. It is apparent that there was a trend towards a postponement and delaying in marriage and these factors were largely responsible. For example, the percentage of married women in the critical child bearing age group of 20-24 and 25-29 has dropped in the period from 1953 to 1971 and 1971 to 1981, while the proportion of unmarried has kept increasing (see table below). The literacy rate which is defined as the percentage of the population

These indicators show the relationship between socio-economic factors and fertility changes; but it is very difficult to single out particular factors because they are all highly inter-related. For instance, the total fertility rate (TFR) for Sri Lanka has also been estimated, this is regarded a more refined measure of fertility as it interprets the total number of births a woman would have during her reproductive years under the existing fertility regime. One such analysis of fertility trends for the 1960 to 1976 period, shows that during the ten year period from 1963 to 1974 the TFR dropped from 5.3 to 3.6.

Period	TFR
1963-64	5.30
1965-66	5.24
1966-67	4.77
1968-69	4.41
1972-73	3.68
1974-75	3.68

Source: *Plans & Policies 1981*

In the case of Sri Lanka the interesting question is whether the downward trend in fertility can be explained fully or partly by increased contraceptive usage. Organised family planning activities were started in 1953, with the setting up of the Family Planning Association of Ceylon (FPA) as a voluntary organisation. A number of clinics were established by the FPA during the period 1953 to 1966 with indirect support from the Government. The period of direct participation of the Government in the family planning programme began in 1966 with the Ministry of Health integrating family planning activities in its existing maternal and child care services. However, the declining fertility trend is observed from an earlier period, before the launching of a national family planning programme in 1966. (See the CBR figures during the transitional period).

Percentage of Unmarried Women in 1953, 1971 and 1981

Age Group	1953	1971	1981
20-24	54.2	54.1	56.2
25-29	45.8	25.8	31.8

Source: Census Data

At 10 years and over who were able to read and write at least one language, rose from 69 in 1953 to 78.5 in 1971, and 86.5 in 1981, for both male and female. The female labour force participation rate was 18.0 in 1953. It increased from 16.4 in 1971 to 17.1 in 1981. The percentage of the total urban population in 1953 was 19 and rose to 22.4 in 1971, (though it came down in 1981 to 21.5%).

* The first Census of Population, in the modern meaning of the term, was taken in 1871.

Total Population and Family Planning New Acceptors

	Total Population (1000)	New Acceptors	%
1971	12,608	49,323	0.4
1972	12,861	71,042	0.6
1973	12,091	95,931	0.7
1974	13,284	107,851	0.8
1975	13,486	109,639	0.8
1976	13,717	88,215	0.6
1977	13,942	67,890	0.5
1978	14,180	76,180	0.5
1979	14,471	92,156	0.6
1980	14,738	153,553	1.0
1981	14,988	121,797	0.8
1982 *	15,189	111,683	0.7
1983 *	15,416	168,735	1.1

*Provisional

Source: Central Bank's Review of the Economy, 1983.
Family Health Bureau.

One possible measure of the relative impact of contraceptive usage may be the percentage of new acceptors of contraception.

As indicated in the table at left the percentage of family planning new acceptors was comparatively very low during the period. On the other hand the number of people who accepted family planning methods had increased only 22 percent between 1971 to 1983. It has therefore been argued that although family planning practices had a definite impact on fertility levels, when compared with other social and economic factors it is negligible.

Percent Decline in Duration Specific Marital Fertility Rates Cumulated to 20 years for Sub-Groups of Population 1960 - 65 to 1970 - 75

Sub-Group Region of Residence	Percent Decline
* Zone 1	28
Zone 2	23
Zone 3	21
Zone 4	10
Zone 5	8
Zone 6	22
Type of Residence	
Urban	23
Rural	20
Estate	22
Race/Religion	
Sinhalese Buddhists	24
Tamil Hindus	8
Moor Muslims	10
Christians & Others	19
Education	
Both less than 6 years	18
Husband 6+ years Wife less than 6 years	12
Husband less than 6 yrs Wife 6+ years	18
Both 6+ years	28
Occupation	
White Collar	33
Sales & Service	19
Self Employed Agriculture	13
Agricultural Employee	16
Skilled Manual	23
Unskilled Manual & Household	19

Sri Lanka's fertility decline pattern has been found to be similar to that of most other Asian countries during this period, where rising age at marriage initiated the trend in declining fertility rates. Thus, over the period 1963 - 77 the main contribution to the decline in TFR (59%) was found to be as a result of the changes in the age of marriage.

* NOTE

Zone i	Colombo City
Zone ii	Rest of Colombo, Galle, Kalutara, Galle and Matara districts
Zone iii	Anuradhapura, Polonnaruwa, part of Ampara district, Monaragala, Hambantota, Puttalam and part of Kurunegala district.
Zone iv	Trincomalee, Batticaloa and part of Ampara district.
Zone v	Jaffna, Mannar, Vavuniya and Mullaitivu districts.
Zone vi	Kandy, Matale, Nuwara-Eliya, Badulla, Kegalle, Ratnapura and part of Kurunegala district.

In attempting to ascertain the reasons for this much a popular notion is that there is a direct relationship between contraceptive use and fertility levels. But here too it is not easy to generalise for Sri Lanka as fertility levels have been found to differ between women of various occupational categories, and ethnic and religious groupings. For instance, the Sri Lanka Contraceptive Prevalence Survey of 1982, 70 percent of Lanka Contraceptive Prevalence Survey of 1982 has shown in a table a clear decline in specific marital fertility rates between 1960 - 65 and 1970 - 75. These findings, the report states, indicate that the cultural factors associated with ethnic group and religion and also region of residence have played a more important role than the socio-economic factors such as type and place of residence, education and occupation in determining the fertility differentials in the country.

However, in recent years the population has gradually been more exposed to modern contraceptive methods with a resultant increase in the total number of family planning new acceptors. As indicated from a Family Health Bureau Survey held in 1982, 70 percent of married women had practised at least one modern contraceptive

Age	Traditional Methods	Modern Methods	Average of both Methods
20-24	28.5	13.9	21.2
25-29	35.0	27.6	31.3
30-34	41.4	39.8	40.6
35-39	47.1	48.7	47.9
40-44	52.5	55.2	53.8
45-49	58.7	59.7	59.2
50+	63.5	59.4	61.4

method, though this survey also found that only 34 percent of the respondents were using modern contraceptive methods. The momentum in the family planning programme was revitalized after 1977, mainly through an increase in the number of sterilizations. Use of the modern methods of vasectomies and tubectomies show a rapid increase during the first half of the 1980's due to the financial incentives being offered.

Among these new techniques the use of vasectomies and pills have increased more than 50 percent during the period 1981 to 1983. Tubectomies and injections show a moderate level of increase where as the I.U.D. appears to be a contraceptive method that has hardly gained in popularity.

The Sri Lanka Contraceptive Prevalence Survey of 1982 has shown that traditional methods of contraception are still more popular among married women. Almost 55 percent of women who were married used contraceptives of which 43.5 percent use traditional methods. (See table above).

This survey also shows that the practice of contraception among couples has increased remarkably from 1975 to 1982. Ever-use increased from 43.2 percent to 65.9 percent and current-use from 32 percent to 54.9 percent. The increase was relatively higher for traditional methods than for modern methods.

Also there were indications of an emerging trend to use contraception for spacing of births and the majority were those women of low family size and younger ages.

This survey report concludes that low levels of use of modern methods cannot be attributed to lack of knowledge because knowledge of traditional and modern methods are equally high and universal. This has posed the important question of why the traditional methods are preferred to modern methods, particularly by younger women or women of low policies.

K.G.

Family Planning New Acceptors by Methods
(New Techniques)

Methods	1981	1982	1983	% of increase (81-83)
Vasectomy	30,333	13,264	48,001	57.2%
Tubectomy	11,300	46,874	62,412	44.6%
I.U.D.	1,838	15,122	16,635	8.4%
Pills	22,189	25,722	36,748	65.9%
Injections	5,142	10,081	15,089	19.3%
Total	70,702	111,043	170,885	

Source: Family Health Bureau, Review of the Economic Central Bank, 1984.

FISHERIES

SURVEILLANCE ZONE AND COLOMBO CONSUMER FISH PRICES

The declaration of a surveillance zone in the Northern region in late November 1984 directly affected fishing activities from Mullaitivu on the North Eastern coast to Mannar on the North Western Coast (Map 1). The zone is parallel to the coast line. This is an area in which marine fishermen were very active and the declaration of the surveillance zone has resulted in a decrease in the activities of these

densely populated areas such as Colombo where there is a high demand which cannot be met by the production in these areas alone.

The man-landed fish ratio in Jaffna, Mullaitivu and Mannar region was 1:141 pounds per year in 1982 while it was 1:7 in the Colombo and Kalutara districts. The areas of demand and supply are very clear from these figures. Therefore, undoubtedly with these DFEO Divisions being doubtfully within the

Table 1 SEAFISH LANDINGS BY REGIONS (1982)

Areas of Production DFEO Division	Production (tons)	Percentage contributed to total
Jaffna, Mullaitivu, Mannar	63,000	35.8
Puttalam, Chilaw, Negombo	48,000	27.0
Trincomalee, Batticaloa, Kalmunai	32,000	17.9
Galle, Matara, Hambantota	26,300	14.7
Colombo, Kalutara	8,200	4.6
Total	178,400	100.0

people. Three major fishing areas (Divisional Fisheries Extension Officers areas) namely, Mullaitivu, Jaffna and Mannar, which are within this zone have always contributed a large proportion of fish to the total national fish production. According to the Ministry of Fisheries, nearly 35.6 percent of the country's production or 63,000 tons in 1982 came from these areas. In the following years activity and maintenance of proper records has been disrupted. . . (Table 1) These areas are thinly populated and therefore the excess production is delivered to the

surveillance zone there has been a significant impact on the total national fish production and on consumers living in densely populated areas. According to rough assessments, prepared by the Ministry of Fisheries the drop in fish production that has occurred due to the declaration of the surveillance zone in the North is in the region of 25 to 30 percent of the country. This situation was seen immediately after the zone was declared in December 1984 and early January 1985. But in February and March some of the fishermen who earlier operated their fishing fleets in the

surveillance zone migrated for fishing down to the areas where they have contact adjacent to the zone. For example, to areas like Trincomalee, Batticaloa, Kalmunai in the East Coast and Puttalam on the West Coast. Further, the relaxation of restrictions imposed on operating in the surveillance zone enabled the Northern fishermen to restart fishing in Northern seas from March 1985. Hence, the production drop may not have been as steep as estimated.

The records reveal that the drop in fish production in the North had not seriously affected the market prices of fish at Pettah in December 1984; the fish prices at Pettah market in November and December 1984 were lower than those of June and July in the same year. But in 1985 fish prices had gone up slightly with the seasonal shortage of fish supplied from all parts of the island; and this trend is not closely connected with the unsettled conditions in the North and East. (see Table II) Further, in recent times the falling value of the Sri Lanka Rupee has also gradually affected the increase of all prices, including the prices in the Colombo fish market. Available sources show that the Pettah Fish market annually handled about 60,000 to 65,000 tons of fish before the recent disturbances. Also, they show that soon after the disturbances supply was 50 percent of earlier supply and had dropped by about 80 tons per day. Although supplies dropped steeply the increase in prices was not as drastic (Table II). Moreover when

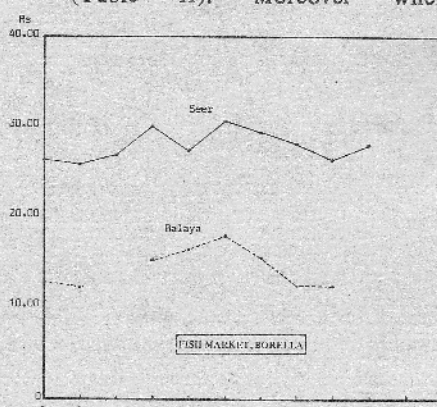
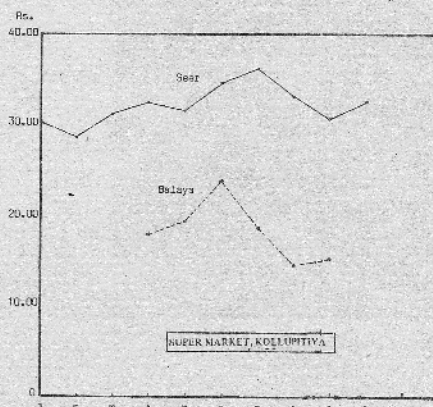
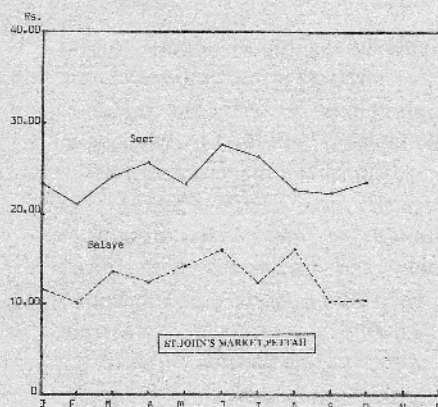


Table 11

MONTHLY AVERAGE FRESH FISH PRICES AT ST. JOHN'S FISH MARKET, DETROIT - 1964

18A (8x 5401 gms)

MONTHLY AVERAGE FRESH FISH SALES AT ST. JOHN'S FISH MARKET (MAY 1984)												Tons (45,360 gms)
Species	January	February	March	April	May	June	July	August	September	October	November	December
Salmon	13.25	21.75	24.00	16.99	18.61	27.45	30.25	22.02	22.40	23.54	25.00	21.50
Halibut	17.40	20.95	22.00	18.35	19.17	20.45	20.39	18.55	19.30	17.75	13.88	16.55
Atlantic Scorpaenidae	14.50	12.60	15.20	10.24	15.00	16.21	14.60	11.53	12.10	10.85	12.00	12.50
Atlantic Sturgeon	2.38	10.75	15.32	12.00	14.38	16.20	17.50	16.56	19.23	12.51	10.58	10.71
Theragra	12.94	19.10	14.10	15.53	9.81	18.50	25.00	10.00	16.51	14.55	13.00	16.80
Charr	10.27	3.00	2.42	11.04	0.75	11.20	11.85	10.21	05.70	11.20	0.64	12.34
Red Sea Bream	11.62	0.55	11.20	1.70	11.10	12.50	12.10	10.98	09.50	11.00	10.46	12.80
Charr/Morone	0.00	0.00	22.50	12.00	0.00	0.00	0.00	0.00	0.00	17.00	0.00	0.00
Atlantic Mackerel	10.14	10.50	10.00	10.00	12.00	14.75	11.95	10.00	10.50	10.24	9.00	12.00
Atlantic Striped Bass	27.83	21.00	11.50	19.11	18.32	18.60	18.00	0.00	07.30	10.40	0.00	0.00
Atlantic Mackerel	0.00	10.95	09.50	0.00	05.15	00.00	00.44	00.00	05.00	06.00	0.00	1.44
Atlantic Herring	1.50	0.00	11.75	0.00	10.00	0.00	11.00	10.00	0.00	0.00	0.00	0.00

Source: Ministry of Fisheries.

compared with the trend in fish prices in the Colombo fish market over the past few years, and the trends in national fish production, the price trends of the past few months do not reflect any dramatic depletion in production of fish during the reconstruction. As seen in the data in table III, there appears to be a unapologetically steady upward trend in prices.

Generally, prices of fish at Borella and Kallappally markets have been much higher than the prices at the Pettah fish market. But this is not influenced by fish production in the North, as these satellite markets do not deal directly with the fish producing areas. They normally purchase their stocks of fish from the Pettah market. Since Pettah was

the main fish dealer and the country's distribution centre, fish prices here were lower than in the surrounding fish market. The Pettah fish market dealt mostly on a wholesale basis with producers right round the country and also with the fish middlemen and vendors in the surrounding areas. But the markets in the satellite area, namely, Baralia and Kallupriya, deal mostly with direct consumers. Although the drop of fish production in the North should have directly affected the quantity and prices of fish in the Pettah market this is not clearly reflected in the prices of fish in the market. Though the satellite markets depend on the fish supplies of Pettah market, their prices are fixed on a different basis, which is not directly influenced by Pettah; their prices are based on direct characteristics referred to in the market areas, that is, socio-economic conditions of the consumers, the chain of transactions that occur in the course of fish supply, etc. It thus appears that whether fishing is possible or not in the surveillance zone the ultimate outcome would be higher fish prices at the consumer end for the city folk, which fact has been proved by price trends in 1984.

Lic A.

Article 100

ANNUAL AVERAGE FRESH FISH PRICES FROM 1960 to 1984 and MONTHLY AVERAGE

[illegible]

Section 4: History of Polymer

TRADE

Drop in Imports of TV Sets

In 1979, the year that television was first introduced to Sri Lanka a total of 2,766 licences for TV sets were issued by the Department of Posts and Telecommunications. In 1980 the figure rose to 27,618 but by the end of 1984 as many as 415,308 TV receivers were licenced by the Department of Posts and Telecommunications in Sri Lanka; the average number of licences issued annually over the six years being nearly 70,000 per year.

The demand for TV sets has plummeted in 1984 to less than one third that of the previous two years, if import figures are an indication of the situation. From a mere 2000 sets in 1978, imports reached a peak of 146,544 by 1983. Import figures the previous year, amounting to 144,850 sets, were not far behind and had created a record upto that time. According to importers a large share of the demand came from Indian buyers who visited the Duty Free Complex; but after 1983 the number of Indian buyers dwindled rapidly. The result was that in 1984, according to Customs

records, only 46,033 sets were imported.

Unlike in India where the demand was only for black and white sets for over 20 years, from 1950 upto 1982, when colour TV was introduced; in the case of Sri Lanka there has been a demand for both black and white and colour

B/W receivers as against 38 percent colour sets. However, a marked change in this trend takes place in 1984, where the import content of the colour sets has overtaken the B/W receivers, the percentage figures being 61 percent for colour and 39 percent for B/W. In terms of value it was 78 percent of imports on colour sets and 22 percent on B/W.

The composition of the source of supply of TV sets has also changed

Table 3 SRI LANKA'S 7 MAIN SUPPLIERS OF TELEVISION RECEIVERS

	1982	%	1983	%	1984	%
Japan	84,823	59.6	101,664	69.4	22,605	48.9
Korea South	29,182	20.2	8,035	5.5	9,743	21.2
German F.R.	2,853	2.0	1,113	.8	2,412	5.2
Singapore	14,512	10.0	18,787	12.8	5,382	12.0
Taiwan	6,397	4.4	4,524	3.1	1,788	3.9
Hong Kong	1,195	1.0	9,715	6.6	1,102	2.4
United Kingdom	13	.0	473	0.3	105	0.2
Others	5,985	4.0	2,233	1.5	2,985	6.5
Total	144,850	100.0	146,544	100.0	46,033	100.0

sets from the start. (See tables 1 and 2.)

A closer look at the import data in these tables shows that the preference shifted from black and white to colour sets by 1981, but again in 1982 65 percent of the imports comprised B/W receivers with only 35 percent in the colour category. In 1983 too it was 62 percent

Source: Sri Lanka Customs during this period. Japan always had a commanding lead as the major exporter of TV sets to Sri Lanka but by 1984 its share had come down to less than 50 percent, while South Korea had moved up as the second largest exporter to Sri Lanka in 1984 (21.2%) and Singapore occupied third place with a share of 12 percent. The

Table 1

SRI LANKA'S 7 MAIN SUPPLIERS OF TELEVISION RECEIVERS (In numbers)

	1978			1979			1980			1981		
	Black	White	Total	Black	White	Total	Black	White	Total	Black	White	Total
Japan	408	10	418	8,348	9,223	17,571	6,452	5,568	12,020	27,141	12,873	40,014
Korea South	-	-	-	387	3,199	3,586	83	3,662	3,745	609	4,276	4,885
German F.R.	1	1	2	1,086	32	1,118	932	4,698	5,631	50	-	50
Singapore	58	757	815	3,279	2,748	6,027	1,372	777	2,149	50	4,143	4,193
Taiwan	-	1	1	1,354	1,947	3,001	1,588	148	1,736	131	1,793	1,929
Hong Kong	3	600	603	27	-	27	-	2	2	3	154	157
United Kingdom	24	321	345	774	48	823	368	19	387	3,068	-	3,068
Others	16	2	18	143	16	158	957	79	1,036	4,701	88	4,792
Total	510	1,852	2,202	15,434	16,913	32,347	11,752	14,954	26,706	35,758	23,332	59,088

Source: Sri Lanka Customs

Table 2 IMPORTS OF TELEVISION RECEIVERS 1982 - 1984

	Quantity (Nos)						Value (Rs. 000)					
	1982	%	1983	%	1984	%	1982	%	1983	%	1984	%
Colour	50,626	35.0	56,229	38.0	28,121	61.0	236,191	59.0	182,340	60.0	126,463	73.0
Black & White	94,224	65.0	91,316	62.0	17,912	39.0	161,671	41.0	108,648	40.0	34,711	22.0
TOTAL	144,850	100.0	146,544	100.0	64,033	100.0	397,862	100.0	270,988	100.0	161,174	100.0

Source: Sri Lanka Customs

preceding year (1982) saw Japan well in the lead with a share of 60 percent of our TV receiver imports; while Singapore accounted for 12 percent and Taiwan 6 percent (See Table 3).

The total value of imports on TV sets which initially amounted to a comparatively meagre Rs 1 million in 1978 peaked to Rs 398 million in 1982. Since then, this figure has been on the decline amounting to Rs 271 million and Rs 161 million in 1983 and 1984 respectively. Out of the total expenditure on imports of TV sets, in the years 1982, 1983 and 1984, between 60 to 70 percent has been expended on import of colour systems. The reasons for this could be attributed to the higher unit prices for the colour category.

According to the statistics of the Department of Posts and Telecommunications, which is the Licensing Authority for TV and Radio receivers, the number of sets licensed at the end of 1984 was 415,308. The Department suspects however that a fair number have yet to obtain licence. But exact estimates of the number of sets unlicensed are not possible as there is yet no accurate record of the number of sets in the country. According to the import data between 1978 and 1984 as many as 137,770 sets were imported by the trade in this seven year period. The trade also estimates that in addition at least another 10 percent or about 45,000 sets have been brought in personally by Sri Lankans and others coming into the country. The quantity of these items are not recorded in the Customs Returns. So too with the number of sets purchased at the Duty Free Complex and taken out of the country, where estimates vary from 15 to 25 percent of total imports. Another source of supply is local assembly where about 20,000 sets have been put out on the local market in recent years.

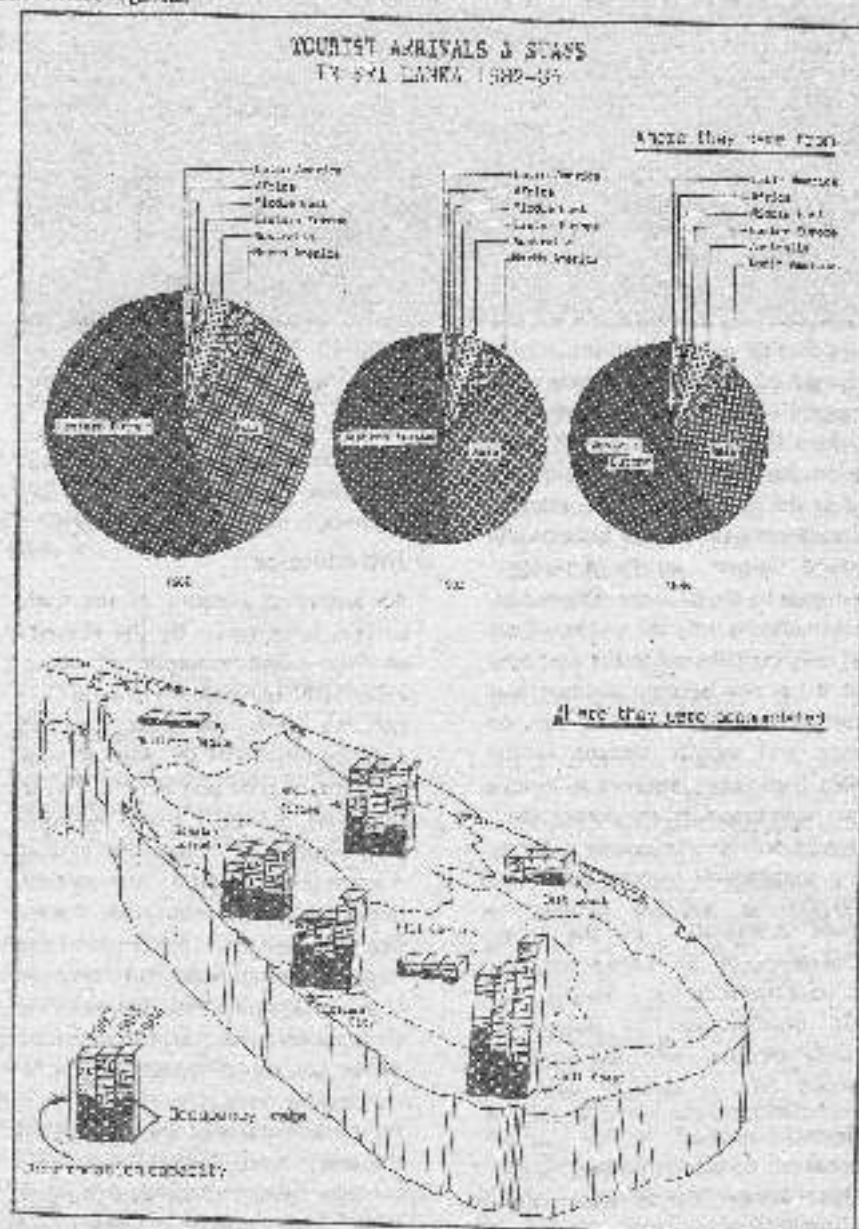
TOURISM

PARTIAL RECOVERY IN ARRIVALS

There were signs of a partial recovery in the tourism sector in 1984, though activity was yet below the levels of 1982 and 1983. The main indicators such as tourist arrivals, room occupancy and earnings showed that activity in the industry was picking up last year. In 1984 there was a revival from the West European region with the signs of economic recovery and a major Tourist Board promotional campaign in these countries. However, there was a 32 percent drop in arrivals of Indian tourists.

Foreign exchange earnings from tourism was estimated at Rs 2,738 million in 1984, about 5.5 percent lower than earnings in 1983.

Occupancy rates in graded hotels showed a drop in the Greater Colombo and South Coast regions.



M.J.

FOREIGN EMPLOYMENT- Sri Lanka Experience Part 1

(A Ministry of Plan Implementation, Employment and Manpower Planning Division Study)

This report is a product of 3 surveys carried out by the Employment and Manpower Planning Division of the Ministry of Plan Implementation during 1984. In the first survey a stratified random sample of 50 licensed employment agencies engaged in the placement of migrant workers were selected and information collected on the activities and services of these agencies. A second survey was structured to interview migrants leaving the country from the Colombo Airport Katunayake. It was intended to interview only 200 migrants but programming of the survey enabled a very much larger sample, of over 900 migrants to be interviewed. The third survey was undertaken to interview randomly selected returned migrants to obtain comprehensive information on the process and impact of labour migration and 424 respondents were interviewed through this survey. In addition to these surveys, information was also obtained by interviewing officials in concerned public sector establishments.

Part II will deal with the Reasons, Costs and Duration of Migration; Occupational Mobility; Earnings in Foreign Employment; Migrant Remittances; Household Expenditure of Migrants and Investment by Migrants.

Part III concludes the study with an assessment of the Social Impact of Migration.

Considerable public interest has been focussed on the subject of migration in recent years. Today the outflow of workers from a wide range of occupations has become a prominent feature of the Sri Lankan labour market. Migrant remittances has become the second largest source of foreign exchange to the country. The remittances made by migrant workers have not only contributed to the economy but it has also become an important source of income support for the lower and middle income households. Significant numbers of females have been accepting temporary employment outside the country. According to available information, about 250,000 to 300,000 families or about one-tenth of the total population of Sri Lanka appears to have been directly involved in this phenomenon of having a family member who has worked abroad or is working abroad. Thus the socio-economic impact of migration appears to be widespread on consumption and investment, family bonds and socio-cultural values.

Although, migration has had an increasing impact on the life of the community, it is not a subject which has been well researched and adequately documented. Hardly any reliable data is available on returned migrants.

Introduction

An analytical account of the three surveys undertaken by the Ministry of Plan Implementation's Employment and Manpower Planning Division to study the subject of Sri Lankan migration for foreign employment is provided here. Information was collected from sampled employment agencies that placed migrants in foreign employment, migrant workers who were leaving the country for employment, and migrant workers who had returned after working abroad. The need for the survey was identified much earlier but was delayed for want of resources.

At the beginning of the last decade the loss of academically and professionally qualified persons through migration became an important issue

as a result of the acute shortage of medical doctors, engineers, university teachers and other highly qualified personnel. There has been much public interest on how to contain 'brain drain' losses through migration, and on policies and programmes that should be adopted to improve conditions for their return. While these brain drain outflows were continuing, migration of skilled and unskilled workers to the Middle East commenced around 1975. A number of factors which were favourable to the growth of this migratory flow have encouraged the large scale migration of Sri Lankan workers. The exodus of skilled workers which resulted in manpower scarcities had its deleterious effects on industry but unlike in the case of the 'brain drain' the economic advantages have been generally considered to outweigh the adverse consequences. Further, the migration of married and unmarried females in large numbers for domestic and other unskilled work with its many implications had not been an unmixed blessing. While income accruing through migrant remittances has become the second most important source of foreign exchange to the country (Rs.6,915 million in 1983) private transfers made by the migrants to their families and individuals, while contributing to income support and improvement of living standards had caused noteworthy changes in consumption and investment patterns and values.

Migration has had an important bearing on unemployment, and on income distribution. It is necessary to have reliable information on the dimensions of current migratory flows and on the economic, social and demographic implications of such migration. Migration opportunities have diversified recently and migrants are proceeding to many countries and regions outside the Middle East. The opportunities in the Middle East could remain open to Sri Lankan migrants till about the end of this century. Un-

employment, low incomes, ethnic issues together with rising aspiration could fuel these flows. In this context programmes and policies directed to this sector will have to be regularly reviewed and for this a strong and reliable data base is a prerequisite.

Foreign Employment Agencies

The role played by private foreign employment agencies engaged in the task of placing Sri Lankan migration is an important one which determines the size, composition and growth of Sri Lankan migration for foreign employment. Consequently to the employment boom in the Middle East a number of fee seeking private employment agencies were established in the country after 1975. The Foreign Employment Division of the Department of Labour which was established in 1976 was entrusted with the functions of supervising and regulating the work of these agencies.

Foreign employment agencies were registered under the provisions of the Fee Charging Employment Agency Act No. 37 of 1956 and by the end of 1978 the number of fee seeking private foreign employment agencies registered with Department of Labour had increased to 125. With increasing demand for Sri Lankan labour in the Middle East this number exceeded 525 by the end of 1980. Simultaneously due to the heavy demand for foreign employment from prospective migrants on the one side and the financial attraction of the business on the other, a number of unregistered employment agencies mushroomed throughout the country. With the emergence of unregistered agencies and the mal practices committed by them, it was necessary to make provision to safeguard the rights of job seekers and prospective migrants. Even the business of the licensed employment agencies suffered due to the activities

of these unregistered agencies, and they too had to be provided with protection. This resulted in the enactment of the Foreign Employment Agency Act No. 37 of 1980 where the foreign employment agencies were required to register their business with the Department of Labour. The number of agencies registered under this Act reached 400 at the beginning of 1981.

Table 1

Distribution of Licensed Employment Agencies	
District	Number of Agencies Registered
Columbo	330
Gampaha	15
Kalutara	8
Kandy	8
Matale	5
Galle	5
Jaffna	10
Batticaloa	1
Ampara	1
Kurunegala	2
Puttalam	1
Badulla	2
	388

Inside of the Foreign Employment Agency Act of 1980 a large number of unregistered foreign employment agencies have continued to operate throughout the country. According to available information, the number of migrants who secure employment through these unlicensed agencies is significantly higher than the numbers placed by the licensed employment agencies. These unregulated agencies are generally activated when they secure job orders to supply labour and they carry out their activities clandestinely. It is difficult to compile information on them though the number of these small agencies would be much more than the number licensed by the authorities.

Only the licensed employment agencies registered with the Department of Labour amounted to 388. The distribution of these agencies by district is given in Table 1.

Preliminary Survey

A preliminary survey revealed that the responding agencies from the commencement of their business had placed 81,974 migrants in foreign employment. 5 large agencies, all within the Colombo Municipal limit, had placed more than 6,000 persons each from the inception of their business; and the highest number placed by a single agency was 14,000.

The break down of number of placements made by the responding agencies for 1983 is given in Table 2.

The 5 big agencies, all located within the Colombo area, have contributed largely to this total by placing 2976, 2750, 1936, 1547 and 1286 a total of 10495.

It is noteworthy that 3 of the agencies which placed 2750, 1736, and 1286 respectively had made placements for the first time in 1983.

District Distribution

The district distribution of registered employment agencies appears in Table 1. It shows that the concentration of agencies is acute, 85% being located within the district of Colombo, a considerable number as much as 269 (69.3%) of the 330 agencies in the Colombo district being located within the Colombo Municipal area. Outside Colombo, the districts of Gampaha, Jaffna, Kalutara and Kandy are represented by a number of agencies. The prevalence of a number of small unregistered agencies at the district level appear to have prevented the kind of vacuum that

Table 2

Number of Placements made by Registered Employment Agencies		
Manpower Level	No. of Placements	%
Professional	403	1.7
Middle Level	2,171	9.0
Skilled	3,994	16.5
Unskilled	4,289	17.7
Housemaids	13,328	55.1
Total	24,185	100.0

would have arisen due to the absence of registered employment agencies. The very fact of their existence would have denied or at least restricted the opportunities for licensed agencies functioning within the rules to operate profitably. It is necessary to state that some licensed and unlicensed agencies reached the districts through their agents functioning in the regional level.

Services Undertaken by Employment Agencies

The existence of employment agencies and their readiness to assist job seekers has been an important determinant of migration. Their intervention in a very competitive job market has been an important means of employment promotion. The main services provided by the employment agencies are

- (iii) to assist foreign employers and their agents to select suitably qualified personnel.
- (iv) to process documents of migrants selected for employment.
- (v) to arrange orientation programmes for selected workers
- (vi) to intervene in problems and disputes such as violation of conditions of contracts by the employer abroad and to provide redress to migrants.
- (vii) to undertake repatriation of Sri Lankan workers.
- (viii) to assist migrant workers to obtain compensation from employers abroad.

The intervention of State Authorities, specifically by agencies such as the Department of Labour, Ministry of Foreign Affairs and the Police make it possible to oversee the work undertaken by the agencies and assist migrant workers. The larger agencies generally provided most of the services described at a satisfactory level. It is generally the agencies which infrequently process job orders, and where the scale of busi-

ness is small, that did not meet the minimum standard expected by their users.

Acquisition of Job Orders and Employment Promotion

There are no government to government agreements that Sri Lanka has entered in to with foreign countries which regulate the process of recruitment of Sri Lankans for work abroad. In the situation the activities undertaken by these agencies for all practical purposes determine the type of jobs available, remuneration and other working conditions and perquisites. Acquisition of job orders have become increasingly competitive due to a number of factors which include

- (i) restrictions imposed by labour importing countries due to diminishing employment opportunities and the policy of Arabization taking place in the Middle East.
- (ii) prevailing competition among labour exporting countries such as India, Pakistan, Bangladesh, Thailand and Philippines.
- (iii) competition from unregulated agencies who undercut the registered agencies in job procurement.

The survey revealed that the agencies utilize several methods to canvas for job orders. The percentage that had advertised in the countries of recruitment amounted to 37.8%. The majority of firms resorted to the least cost method of employment promotion, that of writing to selected firms abroad which may require expatriate workers. However representatives of 48.9% of the agencies had visited the countries of recruitment to canvas for job orders. This method

appears to be beyond the capacity of many agencies engaged in this business. Of the sampled agencies 22 had sent their officials to the countries of recruitment for employment promotion purposes.

The survey data disclosed that a given agency had been concentrating on a particular country in which it had secured business, and several trips had been made to secure job orders. Other than for a few visits to Bombay and Delhi in India and Bangkok and Singapore all other business visits had been to Middle Eastern countries. Apart from the countries listed, the reporting agencies had visited Jordan, Lebanon, Oman and Qatar. Only a senior member of the firm undertook the visit generally the proprietor or the principal manager of the firm. It is observed from the data that the cost of a visit had ranged from Rs.23,333 to Rs.100,000.

Processing Job Orders

The time taken to process the job order is an important element which determines the success of the agency. The employment agents have reported that in some instances they have to be able to process the job order and the recruit in a matter of days. The time taken to process the job orders in respect of which placements have been effected by the sampled agencies is given in Table 3. It shows that on an average the agencies have taken 2-4 weeks to process the job orders they had received. The size of these job orders had varied from 1-600 placements. The time taken to process depends on several factors, the size of the job order, the number of occupations for which recruitment is made, the availability of adequately qualified manpower supply and time taken to obtain the approval of the authorities. Of the sampled agencies 10 agencies (22.2%) had declared that they were given very short notice by their principals and that the time was inadequate to effi-

ciently process the job orders. About half the sampled agencies who operate their business efficiently were satisfied that they were given adequate time to process the job orders by their clients abroad.

Placement by Industry Sector

The breakdown of placements by industry was furnished by only

Commissions Earned

The income earned by foreign employment agencies is mainly through commissions paid by their principals abroad who could either be employers themselves or an employment agent in the host

Table 3

Time Taken to Process Job Orders				
Duration	No. of Agencies	No. of Job Orders	Size of Job Orders Minimum	Maximum
0- 7 Days	03	04	103	600
0- 14 Days	02	03	50	250
15- 21 Days	04	26	01	375
21- Days - 1 month	06	18	03	600
1- 2 months	03	03	112	32
2- 3 months	01	01	170	
More than 3 months	03	03	16	1,320

20 agencies. Table 4 shows that almost 80 percent of the job placements that agencies had contracted were in the service sector occupations. The construction sector jobs had amounted to 15 percent. It was known that a number of workers had also obtained employment in Financial Institutions and in Agriculture, though not shown in the table.

country. It is the attractiveness of the commission in rupee terms that led to large numbers of agencies to enter this business. The information on the commissions paid by their principals and clients abroad in 1963 was obtained from the sampled agencies. The data was obtained on the maximum and minimum commissions received by them by occupation and country. This information

Table 4

Distribution of Placements by Industry Sector			
Sector	No. of Agencies	No. Placed	%
Agriculture	-	-	-
Mining and Quarrying	01	59	0.9
Manufacturing	03	240	3.8
Electricity, Gas and Water	01	06	0.1
Construction	08	947	15.0
Wholesale & Retail Trade	01	01	
Transport	03	40	0.6
Insurance	-	-	-
Finance & Business Services	-	-	-
Services	13	5024	79.6
Not Stated	26	-	-
All Sectors		6317	100.0

was supplied by 26 agencies. Although the agencies were informed that the information supplied would be treated in confidence there appears to have been an under-declaration of commissions received. Table 5 presents the minimum and maximum amounts received by agencies categorised by occupation and country.

According to this information commission received had varied from US Dollars 25 for housemaids and unskilled workers to about US Dollars 300 per person for engineers. The commissions for supplying skilled workers and technicians had been above US Dollars 100 per person. The table shows that some agencies have negotiated to supply the entire package of services including recruitment and transporting of migrants to the host country. The commissions paid had depended on a number of

factors: the size and the nature of the organisation recruiting labour, country of recruitment, the category of labour supplied and its scarcity, size of job order and the services provided by recruiting agents in Sri Lanka in processing the job orders.

The agents or the principals frequently visited the country to participate in the recruitment process and the assistance rendered by the local agents to these missions have been taken into account when commissions are paid. As disclosed in the data the commissions received varied widely even for supplying the same category of workers to the same country.

The surveyed employment agencies had reported that there had been a strong tendency towards reducing the commissions recently. The stiff competition from labour supplying agencies in the neighbouring countries, particularly

Pakistan and Bangladesh, have lowered the commission payable. Internationally, the existence of a large number of unregistered agencies whose overheads are relatively low and sometimes negligible have lowered the commissions payable specially in the case of occupations such as skilled and unskilled labour, and for housemaids. Some of these unregistered agencies had in some instances supplied labour without charging any commission from their principals abroad, recovering the entire cost of recruitment from the migrant. When there is a supply of readily available labour desperately looking for these opportunities it is to be expected that the wages received by them would be low, the working conditions poor and in addition the workers themselves would have to bear the burden of meeting the costs of recruitment.

Table 5
Commissions Received by Foreign Employment Agencies

Occupation	Minimum Commission		Maximum Commission	
	Amount US Dollars	Country	Amount US Dollars	Country
Engineers	250	Saudi Arabia	300	Soudi Arabia
Professionals	100	Saud Arabia	-	-
Technicians	100	U.A.E.	-	-
Heavy Vehicle Drivers	150	Saudi Arabia	-	-
Cooks	150	Saudi Arabia	-	-
Drivers	60	Qatar	-	-
Room Boys	125	Saudi Arabia	-	-
House Boys	50	Saudi Arabia	75	-
General Helpers	25	Lebanon	50	Saudi Arabia
Housemaids	25	Kuwait	200	Saudi Arabia, Oman, Kuwait, Bahrain
Housemaids (without air passage)	350	Kuwait	500	Bahrain, U.A.E.
All Categories	25	All Middle Eastern Countries	125	U.A.E., Saudi Arabia
All Categories	60 + visa fees diem & travel cost Singapore to obtain visa		125 + visa per diem & travel cost Singapore to obtain visa	

DEMOGRAPHIC CHARACTERISTICS OF MIGRANTS

The analysis and observation in the sections appearing below has been made after combining the information available from the 3 surveys undertaken for this study in 1984.

Age Distribution

The data shows that 86% of the male migrants fall within the age range of 20 - 40 years. Professionals and sub professionals in the age groups beyond 40 years and upto around 55 - 60 years, with long experiences too have had opportunities for migration and this is reflected in the data which includes a small percentage at the upper end of the age scale.

The age range of the professional and sub professional categories is between 25 - 55 years, while in the case of skilled workers it had fallen to between 22 - 50 years. In the case of females for domestic employment the age was generally between 17 - 45 years. Thus these migration opportunities have mainly attracted persons who are in their most economically active period in their working lives. The relatively harsher climatic conditions and the need to work from temporary accommodation and campus sites, and the necessity to be on call for 12 - 15 hours a day as in the case of housemaids have determined the age pattern. Thus ability to adjust to a new environment and physical fitness have been considerations that have been given priority by recruitment agencies, to avoid the risk of repatriation in case of premature termination of contracts. These conditions have had an important bearing on the age pattern of the migrant population.

The age distribution of the migrant population is likely to show an upward trend in the years ahead as the percentage of remigrants increase. This trend will be further buttressed

with filtering down of information on the attractive economic conditions and when workers from older age groups too become acceptable to employment agencies.

Distribution by Sex

The available data on migration has confirmed that the number of female migrants for foreign employment has continued to increase over the years. In 1979 females comprised 47.3% of total migration and this increased to 50.8% in 1980, and then to 52.5% in 1981.² The survey of migrants of employment disclosed this percentage to be 57%.

A comparison of the data for the period 1979 - 1981 shows that the number of females migrating from professional, sub-professional and skilled categories have either remained static or has marginally declined. The occupational profile of female employment in Sri Lanka, where female employment is concentrated in unskilled or in teaching, clerical, nursing and few other office employment grades, with very little female participation in technical and supervisory occupations, and engineering and construction trades have determined the pattern of outflows. Preference for males in shops and office employment in the Middle East and the few opportunities for Sri Lankan teachers in this region, because of the lack of a knowledge of Arabic have restricted the opportunities to openings in nursing, stenography and typing and hotel industry occupations. The rapid growth of female migration for domestic employment is reflected in the data. It is unlikely that there will be a significant change in the occupational profile of migration of females. It is likely that more opportunities for females in health sector occupations and clerical and other office employment in the Middle East

will occur in the years ahead with the further development of health sector facilities and other social infrastructure. The slow rate of entry of females to technical and skilled employment will not allow for a significant increase in the migration of females from these occupations. Thus female migration would be largely determined by the volume of opportunities that will be available for domestic employment and other unskilled work in service sector occupations, in hotels and restaurants and the catering services.

Ethnic Distribution

Preference for Muslims in the recruitment of labour to the Middle East is clearly reflected in the ethnic distribution of the migrants. Labour contractors in the Middle East have in many instances stipulated that higher quotas of Muslims should be recruited and local employment agents indicate this preference when placements are advertised. Some Middle Eastern countries have further influenced the ethnic distribution of migration by giving preference to Muslims when granting visas to contract labour recruiting agents. The Sri Lanka Moors who comprise only 7.1% of the population have received 22% of foreign employment. The disproportionate share received by the Sri Lanka Moors has lowered the relative proportion of the Sinhalese and Indian Tamils in total migration.

The survey of Migrants for Employment conducted at the Colombo International Airport also revealed that significant numbers of Sri Lanka Tamil, mainly youths both males and females have been

² Ministry of Plan Implementation, Employment and Manpower Planning, *National Examination of Emigration Cards 1979-1981*.

leaving the country to Western Europe and North America. Immigration records do not indicate that their migration is for a long period of residence with the object of securing employment. Frequently the purpose of travel has been stated as on holiday or 'visiting relatives'. These Tamil youths have been migrating to West Germany, Australia, Switzerland, Italy, France, Spain, Canada and U. S. A. and when interviewed stated that they were not proceeding abroad for employment. This migration has been going on for some time since the ethnic problem and the annual outflows are large and the majority of them have sought refugee status on arrival in the host country. It is difficult to compile data on this clandestine migration as the persons themselves and the employment agencies engaged in transferring these persons will not disclose their intentions on immigration and other records.

Educational Attainment

Data on the educational attainments of the migrant population have not been collected in the earlier surveys and therefore, it was not

possible to make comparative assessment of trends. However, it might be said that statistics on outflows which classified migrants by detailed occupational breakdown provides information on this condition, because of the high correlation between occupation and educational attainments. The educational attainments of the migrant population elicited through the surveys on migrants for employment and returned migrants and relative proportions in the labour force as revealed in the Census 1981 are given in Table 6.

The educational attainment of male migrants are significantly higher than those of females as the latter are mainly migrating for domestic employment, while the former contain professionals, sub-professionals and skilled workers. The survey samples were not adequate to examine the educational distribution within occupations to see whether they correspond to the educational distribution of the parent population from which it was drawn.

The available evidence indicates that on the average migrants who possessed better work experience

and also had the opportunity for working in urban centres in recognized firms and with large contractors, which enable them to produce reference from their employers, had an advantage over others in the matter of selection for jobs.

Marital Status

The age distribution of the migrant population which is biased in favour of young workers explains the marital status distribution of the migrant population. The data from two sub surveys is given in Table 7.

The bias towards young adult age groups in the migrant population has closely corresponded with the marital status distribution elicited in the census of population 1981. Unemployment, under employment and more particularly low incomes have led to young adults seeking jobs abroad in the hope of quickly improving their economic condition. High participation of married females in migration has arisen due to a number of factors including those for reducing family burdens, acquiring independent incomes and improving economic and social status of the family. As the demand for unskilled females in domestic employment could continue because of the improving living standards in the Middle East and in some of the fast developing countries in the region more and more families are likely to seek these opportunities in the years ahead.

Geographical Distribution

Information on the geographical distribution of the migrants was collected by utilising the addresses declared in the embarkation cards and this information is available in respect of 1979, 1980 and 1981. The data from the Survey of Migrants for employment corres-

Table 6 Distribution of Migrants Leaving for and Returning after Foreign Employment by Educational Attainment and Sex

(Census 1981, Labour Force Survey)

Educational Attainment	Migrants Leaving for Employment		Migrants Returned after Employment	
	Male %	Female %	Male %	Female %
No Schooling	8.1	17.4	8.1	17.4
Passed Grades (1 - 4)	22.6	17.0	22.6	17.0
Passed Grades (5 - 7)	28.4	16.5	28.4	16.5
Passed Grades (8 - 9)	29.4	28.2	29.4	26.2
Passed G.C.E. (O/L)	8.1	13.6	8.1	13.6
Passed G.C.E. (A/L)	1.5	3.8	1.5	3.8
Degree & Above	1.2	1.8	1.2	1.8
Not Stated	0.7	1.7	0.7	1.7
Total	100.0	100.0	100.0	100.0

* Passed Grades 8 - 9 and G.C.E.(O/L) in less than 6 subjects.

pools well with the data collected previously from the immigration records, and this is evident from the data presented in Table 8.

The location of employment agencies which are mainly concentrated in the Colombo district and in a few other urbanised districts may

have also contributed to the present pattern of distribution. Colombo district had 349 employment agencies (85%) while Gampaha had 18 and Kalutara, Kandy and Jaffna contained 7, 15, and 9 agencies respectively. In the case of some of the agencies however, they had appointed sub-agents and representatives in the districts which enable them to effect recruitment of scarce categories from the districts. In addition to the registered employment agencies, a large number of unlicensed agencies have been functioning through out the country, almost every town having the services of one or more unlicensed employment agent which enabled persons in peripheral areas to directly come into contact with them. It should be noted that only around 1/3 of the migrants have been placed by registered employment agencies*.

Table 7

Distribution of Migrants by Marital Status and Sex

Marital Status	Survey of Migrants for Foreign Employment				Survey of Returned Migrants			
	Male		Female		Male		Female	
	No.	%	No.	%	No.	%	No.	%
Never Married	20	42.5	76	30.0	37	29.0	36	32.5
Married	227	56.8	236	35.0	183	59.1	126	27.5
Widowed	00	0.0	01	0.0	01	0.4	00	0.0
Divorced	01	0.2	05	1.1	01	0.4	03	1.9
Separated	01	0.2	01	0.2	00	0.0	00	0.0
Not Stated	00	0.2	00	0.2	00	0.0	00	0.0
Total	248	100.0	319	100.0	223	100.0	165	100.0

Table 8 District Distribution of Migrants for Employment 1981 and 1984

Administrative District	1981 (1)	1984 (2)	1981 (3)	1984 (4)
	Number	%	Number	%
1. Colombo	24433	45.1	1810	3.7
2. Galle	1344	14.2	511	5.0
3. Kandy	723	4.4	305	3.1
4. Kurunegala	2131	6.6	315	3.0
5. Matara	761	1.8	128	0.7
6. Monaragala	241	0.7	47	0.3
7. Nawaia	213	0.5	30	0.1
8. Nuwara-Eliya	114	0.3	12	0.0
9. Ratnapura	190	1.2	147	1.5
10. Sri Lanka	1535	2.9	111	1.2
11. Trincomalee	20	0.0	10	0.0
12. Vavuniya	26	0.0	25	0.0
13. Battaramulla	21	0.0	42	0.0
14. Kalutara	23	0.0	110	0.0
15. Ampara	154	0.2	41	0.4
16. Trincomalee	210	0.4	3	0.0
17. Battaramulla	130	0.0	15	0.0
18. Battaramulla	130	0.0	15	0.0
19. Battaramulla	130	0.0	15	0.0
20. Battaramulla	130	0.0	15	0.0
21. Battaramulla	130	0.0	15	0.0
22. Battaramulla	130	0.0	15	0.0
23. Battaramulla	130	0.0	15	0.0
24. Battaramulla	130	0.0	15	0.0
25. Battaramulla	130	0.0	15	0.0
26. Battaramulla	130	0.0	15	0.0
27. Battaramulla	130	0.0	15	0.0
28. Battaramulla	130	0.0	15	0.0
29. Battaramulla	130	0.0	15	0.0
30. Battaramulla	130	0.0	15	0.0
31. Battaramulla	130	0.0	15	0.0
32. Battaramulla	130	0.0	15	0.0
33. Battaramulla	130	0.0	15	0.0
34. Battaramulla	130	0.0	15	0.0
35. Battaramulla	130	0.0	15	0.0
36. Battaramulla	130	0.0	15	0.0
37. Battaramulla	130	0.0	15	0.0
38. Battaramulla	130	0.0	15	0.0
39. Battaramulla	130	0.0	15	0.0
40. Battaramulla	130	0.0	15	0.0
41. Battaramulla	130	0.0	15	0.0
42. Battaramulla	130	0.0	15	0.0
43. Battaramulla	130	0.0	15	0.0
44. Battaramulla	130	0.0	15	0.0
45. Battaramulla	130	0.0	15	0.0
46. Battaramulla	130	0.0	15	0.0
47. Battaramulla	130	0.0	15	0.0
48. Battaramulla	130	0.0	15	0.0
49. Battaramulla	130	0.0	15	0.0
50. Battaramulla	130	0.0	15	0.0
51. Battaramulla	130	0.0	15	0.0
52. Battaramulla	130	0.0	15	0.0
53. Battaramulla	130	0.0	15	0.0
54. Battaramulla	130	0.0	15	0.0
55. Battaramulla	130	0.0	15	0.0
56. Battaramulla	130	0.0	15	0.0
57. Battaramulla	130	0.0	15	0.0
58. Battaramulla	130	0.0	15	0.0
59. Battaramulla	130	0.0	15	0.0
60. Battaramulla	130	0.0	15	0.0
61. Battaramulla	130	0.0	15	0.0
62. Battaramulla	130	0.0	15	0.0
63. Battaramulla	130	0.0	15	0.0
64. Battaramulla	130	0.0	15	0.0
65. Battaramulla	130	0.0	15	0.0
66. Battaramulla	130	0.0	15	0.0
67. Battaramulla	130	0.0	15	0.0
68. Battaramulla	130	0.0	15	0.0
69. Battaramulla	130	0.0	15	0.0
70. Battaramulla	130	0.0	15	0.0
71. Battaramulla	130	0.0	15	0.0
72. Battaramulla	130	0.0	15	0.0
73. Battaramulla	130	0.0	15	0.0
74. Battaramulla	130	0.0	15	0.0
75. Battaramulla	130	0.0	15	0.0
76. Battaramulla	130	0.0	15	0.0
77. Battaramulla	130	0.0	15	0.0
78. Battaramulla	130	0.0	15	0.0
79. Battaramulla	130	0.0	15	0.0
80. Battaramulla	130	0.0	15	0.0
81. Battaramulla	130	0.0	15	0.0
82. Battaramulla	130	0.0	15	0.0
83. Battaramulla	130	0.0	15	0.0
84. Battaramulla	130	0.0	15	0.0
85. Battaramulla	130	0.0	15	0.0
86. Battaramulla	130	0.0	15	0.0
87. Battaramulla	130	0.0	15	0.0
88. Battaramulla	130	0.0	15	0.0
89. Battaramulla	130	0.0	15	0.0
90. Battaramulla	130	0.0	15	0.0
91. Battaramulla	130	0.0	15	0.0
92. Battaramulla	130	0.0	15	0.0
93. Battaramulla	130	0.0	15	0.0
94. Battaramulla	130	0.0	15	0.0
95. Battaramulla	130	0.0	15	0.0
96. Battaramulla	130	0.0	15	0.0
97. Battaramulla	130	0.0	15	0.0
98. Battaramulla	130	0.0	15	0.0
99. Battaramulla	130	0.0	15	0.0
100. Battaramulla	130	0.0	15	0.0

The household size of the migrants families is higher than the island average. The average size of the migrants household in the survey of migrants for foreign employment was 6.4 and that of the survey of returned migrants was 5.7. The Labour Force and Socio Economic Survey 1980 - 1981 estimated the average household size at 5.5. The higher contribution of Muslims to the migration for employment was responsible to a great extent to create a comparatively larger average household size. This higher average size of household has contributed to a higher household income. The household size itself could have been a determinant which influenced migration arising from efforts to reduce family burdens.

*Ministry of Plan Implementation, Employment and Manpower Planning Division, Unpublished Records.

Table 9 Distribution of Migrants for Employment by Parenthood Sex and Number of Children

Age of Children	Mother			Father		
	No. of Children	%	No. of Migrants	No. of Children	%	No. of Migrants
0 - 1	33	4.1	25	39	8.6	39
2 - 4	127	15.9	112	109	24.1	88
5 - 9	256	32.1	178	164	36.3	115
10 - 14	249	31.3	147	100	22.1	66
15 - 19	132	16.6	78	48	8.9	22
Marital Status	Number of Migrants					
	Female		Male	Both Sexes		
Unmarried	176		170	346		
(With children)	313		191	504		
Married						
(Without children)	36		38	74		
Not Stated	01		01	02		
All Status	526		400	926		

Data on parents having children below 20 years who have migrated for foreign employment is provided in Table 9.

The percentage of married female migrants without children who had migrated amounts to 6.8% and the percentage of married males who were without children who migrated was 9.5%. Infants below 1 year had been left behind by 7.1% of married females and similarly the data shows that 36.4% of the married females had left behind children between the ages 2 - 5 years.

12.8% of the married migrants for employment did not have children at the time of migration. The data shows that 1/3 of the migrant population did not have more than 1 child while slightly over 1/4 of all male migrants had 3 children.

Incomes of Migrants before Migration

Incomes is an important variable which determined the migration decision of most migrants. In view

of the importance of this variable, the survey of migrants for foreign employment attempted to obtain information in respect of personal income, and migrant's household income. It should be noted that these incomes would be biased downwards, since under-declaration of incomes is a phenomenon which has been observed in all surveys undertaken recently in Sri Lanka. The operation of social subsidy programmes by the government where eligibility criteria for assistance depends on household and personal income levels have contributed to this under-declaration. The inclusion of the migrants who returned on holiday who had been receiving foreign employment incomes and who were going back to their employment abroad had the opposite effect of raising the proportions at the upper end of the income scales.

The fact that the sample contained migrants who were employed abroad earlier, and the higher than

average sized families have contributed in raising the household incomes at the upper end. A comparison of the data received from these surveys with that of the Economic Survey 1980 -1981 and the Consumer Finances Survey 1981-1982 shows that the average income of the migrants household is higher than that disclosed from the latter.

The average household income amounted to Rs.2096.48 in the survey of migrants for employment while the corresponding statistic in the Socio-Economic Survey 1980 -1981 was Rs. 891/- and in the Consumer Finances Survey 1981 -1982 it was Rs.712.18. It should also be noted that the variability of the household income was also high. It is to be expected that this variability would remain high for the reasons already stated above.

The survey of migrants for employment shows that a large proportion of migrants had reported that they were in receipt of low incomes before migration. The inclusion of a high percentage of females who were engaged in household duties had contributed to this position. The percentage of females who were not in receipt on any income amounted to 40%. It also shows that a percentage as high as 18% males were also without a regular income before migration. According to the survey 43.7% males and 61.9% females were receiving incomes less than Rs.800 per mensem which is about the monthly average for unskilled workers in Sri Lanka. It should be noted that females who were migrating for domestic work were strictly speaking outside the labour force, the majority having been engaged in household duties.

(To be continued)

HANGURANKETHA'S VEGETABLE ECONOMY.

Implications of the existing marketing system

Lionel Stewardson.

Research Department, People's Bank

Hanguranketha is located just 12 miles away from Kandy with comparatively good transport, infra-structure facilities and other services. This is the largest mixed vegetable (both up-country and low-country vegetables) producing area in the country. Between 1,500 metric tons to 2,000 metric tons of various kinds of vegetables, such as brinjals, golden millers, tomatoes, ladies fingers, cabbage, beans, chillies, radish etc. are transported from here to the main distributing towns of the country during a satisfactory season.

Hanguranketha is the closest vegetable producing area to the main distributing towns such as Colombo and Kandy when compared to far distance up-country vegetable producing areas such as Nuwara Eliya and Welimada. The cost and time required for transporting vegetables from Hanguranketha to Colombo is less than 50 percent that of similar transport costs between Colombo and Nuwara Eliya. This means that theoretically vegetable producers at Hanguranketha have the advantage of about a 15-20 percent higher return on sale of their vegetables than the vegetable producers of Nuwara Eliya or Welimada.

Unlike the other vegetable growing areas, Hanguranketha specialises in growing over 10 varieties of vegetable during both Yala and Maha seasons. Vegetable farmers in this area are at a greater advantage than farmers in other

vegetable growing areas because of the high level of diversification in the crop pattern. The land utilization and cropping system in the area may be seen in Table 1 below.

for irrigated paddy cultivation during the Maha season. About 80 percent of the farmers in this area own less than 1 acre of paddy land. The dominant size of a paddy holding is $\frac{1}{4}$ acre. Leasing out of paddy land during the Maha season is negligible because the owners need to grow paddy mainly for their own subsistence.

Therefore during the Maha season the cultivation of vegetable

Table 1

Land Utilization for Vegetable Production in the Maha and Yala Seasons				
Season	Low land cultivation	Acres	High land cultivation	Acres
Maha	Paddy	80	Paddy	78
	Tomatoes	12	Tomatoes	12
	Others		Others	10
	Total	100	Total	100
Yala	Vegetables		Vegetables	68
	Tomatoes	18	Tomatoes	12
	Paddy	6	Vegetables	8
	Others	4	Others	12
	Total	100	Total	100

Source: Agrarian Service Centre, Gannudayamandalam

During the Maha season the low lands are cultivated mainly with paddy while the high land is utilized for low country vegetable farming. In the Yala season due to lack of water for high land cultivation, the low lands are used to grow up-country vegetables, such as beans, cabbages and radish.

In addition to both paddy and vegetable cultivation, tobacco cultivation is encouraged and many incentives are offered by the Ceylon Tobacco Company at Hanguranketha.

Fragmentation and Consolidation of Land

The majority of the producers use very small plots of land

tables is concentrated on high-lands. However, cultivation of these lands with low country vegetables is largely dependent on the financial capacity of the ordinary village farmers. The cultivation of paddy is given more priority by the land owning subsistence farmers, and the time and labour available for them to grow their high lands with vegetables limited. Secondly, they require cash for cultivation of paddy as well as vegetables which is a difficult task. Usually they lease out their high land and use this money for paddy cultivation.

They are able to lease out an acre of high land for vegetable farming at a rate of Rs.5,000 to

Rs.6,000 which provides them the necessary capital to be invested on paddy cultivation in the Maha season. Thirdly, Hanguranketha area is closely incorporated into the market economy since its location is so close to Kandy. Large numbers of commission agents and entrepreneurs lease high land for vegetable cultivation from the villagers in this area. These simple villagers have given up their high land and remain subsistence paddy farmers and agricultural labourers; while the high lands cultivated with vegetables are consolidating the position of richer agricultural entrepreneurs. However, during the Yala season owner cultivators shift from their subsistence paddy farming to up-country vegetable growing in their low lands. But here once again the cultivators are heavily financed by the same type of rich entrepreneurs from outside and the villagers continue to work under them as agricultural workers rather than the owners of production.

Unantenna Village

To have a clear picture of the complex issues involved in vegetable production, Unantenna village was selected as a representative sample for a case study. This village is about 3 miles away from Hanguranketha - Kandy main road which is connected by a minor road to the main road. About 420 families live in this village. They own 340 acres of paddy land and 780 acres of high land. About 82 percent of the high lands belonging to villagers were either leased out or mortgaged. About 18 percent of the paddy land was cultivated under a share basis. The average size of a family is about 4 members. They live as land owning agri-

cultural labourers or as poor paddy farmers.

A minimum of approximately 15 metric tons of vegetables can be produced from an acre of land at Unantenna. This village sends about 20-30 lorries of vegetables to Colombo, Kandy, Panadura and Galle per season. However, as stated by the Chairman of the Village Society Mr. P.B. Unantenna, they cannot get out from the clutches of the enterprising market agents; those who keep buyers apart from the village producers. When buyers come with lorries they are not allowed to drive their lorries directly to the village, and these agents make deals at the junctions of the main road. They discuss the quality, type of vegetables, prices etc. and it is not the buyers, but instead those agents who come to the village and bargain for lower prices. Since those agents know the economic difficulties and lack of bargaining power of the villagers, vegetables are purchased at a very low price by the agents and they deliver it to the buyers. The following table shows the prices of the vegetables at each point of the marketing channel through those agents.

Marketing System

The marketing system associated mainly with marketing of vege-

tables in Sri Lanka is broadly categorised into three groupings: the private sector marketing system, the co-operative marketing and marketing through the Department of Marketing. Those groups in turn operate at three broad levels in the marketing chain: farm level, wholesale level and retail level. Each group however operates through different links of the marketing chain depending on the locations in which they operate. Hanguranketha is a classic example where the usual marketing operation at the producer level is different from the common system *pola*. Those differences are summarised in table 3 on the next page.

Producers as Marketing Agents

Since enterprising village producers act as marketing agents the entire vegetable marketing system is under their control. There are outside buyers at their gates even before they go into the villages. Both buyers and producers are helpless and badly effected because of the economic, political and social power at the village level of these agents.

Financing Vegetable Production

The level of financing vegetable farming activities in the area is very high. Total investment on low land up country vegetable farming is about Rs.25,000/- per

Table 2 Vegetables Prices per Kilogramme

Levels	Producers Price (Rs)	Agents Price	Buyers Price (Rs)	Wholesale Market Price	Consumer Price (Rs)
Beans	1.75	2.25	3.00	5.00	7.00
Knoothol	1.50	2.00	2.25	4.00	5.00
Cabbage	1.00	1.50	1.75	3.25	5.00
Chillies	4.00	4.75	5.00	7.00	10.00
Brinjals	3.00	3.75	4.00	6.00	8.00

ECONOMIC REVIEW

The Economic Review in its ten years of publication has produced several issues that are still in high demand. For the benefit of the several members of the reading public who have made repeated inquiries, we give below a list of some of the issues of which few copies are still available.

YEAR	MONTH	COVER STORY (The Main Feature)
1976	September October	Women & Development Health
1977	February April July August September October	The Economics of Marriage The City The 1977 General Elections Fisheries Gems Transfer of Technology
1978	April May/June July/August Sep/Oct. Nov./Dec.	IMF Changes Co-operatives Sri Lanka's Economy The World Bank Accelerated Mahaweli Programme
1979	Jan./Feb. March April/May Oct./Nov.	The Economy Children (IYC) Rural Credit Television in Sri Lanka
1980	December	Rubber
1981	June/July August	Coconut Industry Inland Waterways
1982	July August Sept. Oct./Nov. Dec.	Rupavahini Fertilizer Presidential polls Merchant Banks National Elections

1983	Jan. Feb./Mar. April May June July/Aug. Sept. Oct. Nov. Dec.	Pesticides Budget 1983 Higher Education Global Economic Recession Fisheries II Tourism II Foreign Aid Towards Machine Intelligence (Computers) Budget '84 Rural Banks
1984	Jan./Mar. April	Sri Lanka's Economy Mineral Resources

ANNUAL SUBSCRIPTION RATES

SRI LANKA	Rs. 60/-
SOUTH ASIA	US\$ 16/-
SOUTH EAST ASIA	US\$ 18/-
AFRICA	US\$ 18/-
JAPAN	US\$ 20/-
MIDDLE EAST	US\$ 20/-
REST OF THE WORLD	US\$ 22/-

PRICE PER COPY

LOCAL	Rs. 5/-
INTERNATIONAL	US\$ 2/-

The contents of Economic Review may be quoted or reproduced with due acknowledgement.

**A Publication of the
People's Bank
Research Department.**