

ALLEVIATION AND REDUCTION OF POVERTY*

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Introduction

Since political independence in 1948, the successive governments have progressively attempted to transform the country into a 'social welfare state' and have made considerable investment in social and human development activities. Expenditure on social welfare has been maintained at a relatively high level to safeguard the basic needs of the low-income groups especially in relation to essential food supplies, education, health and other infrastructure support services. However, the cost to the economy in implementing the welfare policies and the continuous budgetary support for such welfare programmes over an indefinite period has been extremely high. Thus, during the late 1980s some targeting of resources has been done. In providing the safety net for the poor, the government is now committed to about 3.5 percent of the GDP annually.

During the early years of independence, when resource availability was sound, the government distributed social welfare benefits universally, thereby avoiding cumbersome procedures of resource targeting based on needs. However, as the population increased and resources depleted, the successive governments were compelled to curtail some of the universally targeted welfare programmes such as the provision of free and rationed food (rice) to a selected group of beneficiaries. However, the broad based social development expenditure such as free education at all levels, free medical care, remain unchanged to a greater extent. Target groups to receive food subsidies were selected on the basis of their needs. It has been observed that 'Sri Lanka's policy of giving free or subsidized rice to all those who need it, has contributed substantially to general standards of health and nutrition' (Sen 1994).

In the midst of worsening balance of payment, high unemployment and slow economic growth, the government introduced a set of adjustment policies, to move the economy to a recovery path. While introducing these policies, the government attempted to create an economic environment conducive to private sector participation in broader economic activities and reduce the government's involvement in the business activities.

In this process the government intervened wherever appropriate in the management of demand and/or supply sides of the economy. In an attempt to reduce the size of public expenditure, measures were taken to eliminate a number of subsidies notably those on wheat flour, rice and fertilizer, resulting in a budgetary saving of about 1 per cent of GDP. In the area of public enterprise reforms, several public enterprises were peoplised.

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Considerable progress was also made in reducing the budgetary commitment to the transport sector through the dismantling of the Ceylon Transport Board and forming privately-owned transport companies and through fare revisions. An attempt has been made to contain annual social welfare expenditure at 3 percent of GDP or less, through better targeting. Meanwhile, with a view to improve the business environment and to build the private sector confidence, the government lifted restrictions on foreign equity participation, except in certain specific areas, and eliminated the 100 per cent transfer tax on share transactions by foreigners. As a further step towards trade liberalization, the country's tariff system was simplified and the maximum nominal tariff rates were brought down to 50 per cent.

The government, while implementing the liberalization of trade and economic policies, introduced a set of programmes with a view to arresting the increasing problems of unemployment and poverty. While formulating poverty alleviation programmes of an 'indigenous' nature, the government has also taken adequate note of the two levels of macro-policy adjustments suggested by the World Bank (1990), *viz*;

- (a) policies to be adjusted so as to harness market incentives and develop existing social and political institutions, which promote the most abundantly possessed asset of the poor, namely labour,
- (b) government to focus on human resources development programmes in order to support poverty alleviation programmes in a meaningful way.

Despite the reasonable growth in production in the agricultural and non agricultural sectors over the last four decades, poverty remains pervasive. High incidence of poverty continues to be the greatest challenge to development faced by the country. In recent surveys it has been revealed that the poor are not necessarily unemployed, a segment of households are found to be employed, and yet considered to be poor. The majority of the poor who live in rural areas are marginal and landless farmers; in the absence of a comprehensive land reform, and given the rapid population growth, the number of marginal and landless farmers have increased significantly. This has resulted in growing inequality in the distribution of rural income and assets as well as increasing division and marginalization of land holdings. Furthermore, the removal of inward looking tariff policies and introduction of market mechanisms resulted in fluctuating commodity prices and worsening terms of trade have affected the agricultural sector. This has led to a further deterioration of the plight of the rural poor, especially the more vulnerable, landless and assetless groups.

In order to improve their living standards, the poor should have greater access to gainful employment, credit schemes, productive assets, social infrastructure facilities, such as education, health facilities, and other basic facilities. While greater availability of physical assets and employment opportunities will increase income in the short run, returns from improved social infrastructure for the poor involve a longer gestation period. If the poor possessed no productive

asset other than manpower, increasing wages and creation of off-farm employment appears to be the only means of improving their economic status in the short run.

The government's development strategy since 1988, recognized many of these problems and attempted to articulate, somewhat separately and in a fragmented manner, a two-pronged development strategy; the strategy to improve the general economic growth through encouraging more activities of an industrial nature. An attempt to improve the quality of life of more vulnerable segments of the population by adopting poverty reduction measures had been made. It also followed a more political approach to ensure that the poor benefited.

Definition and Demography of Poverty

Poverty, in a rather fundamental sense, is a relative and also a subjective phenomenon. Multi-faceted as it is, poverty may be perceived, defined and analyzed by diversent people on various criteria, material, cultural, spiritual and so on. Without devaluing the other aspects of poverty, the focus in the following is restricted to its material aspect, defining poverty as a condition of material deprivation. People in developing countries enjoying what would constitute the average living conditions of the poor of the advanced countries may however, be seen as non-poor in their own environment.

Poverty is seen as the failure of some basic capabilities to function - a person lacking the opportunity to achieve some minimally acceptable levels of these functions (Sen 1992). The functioning can vary from elementary physical ones as being well nourished, being adequately clothed and sheltered, avoiding preventable morbidity etc., to more complex social achievements such as taking part in the work in the community being able to appear in public without shame and so on. Poverty also reflects one's inability to participate successfully in the existing market conditions. Conceptually, poverty has been identified as a problem of establishing adequate access to a set of primary needs and social justice. Thus, it restricts a person from obtaining one or more elements of his/her basic needs. Poverty is a dynamic condition where except for a small number of families, others move above the poverty line at least for a limited period during their life cycle.

Poverty is more common among families who attempt to build up their own asset base at the very early stage of their family building or become poor during their old age. The poor, given the opportunities, will attempt to integrate with markets. This may be termed as terminal poverty. Others may be poor during all their life time and may be identified as 'chronically poor'. The second group may have individuals or families with disabled people i.e. blindness, mental deformation etc. . The third group who are acutely poor will remain so even if the best market conditions prevail. The two distinct forms of poverty are known as 'relative' and 'absolute'. 'Relative poverty' is a social condition associated with less consequences linked to 'distributive justice' while, 'absolute poverty' is a problem directly associated with 'social justice,' which needs immediate attention.

Hence, an attempt is made to define 'absolute poverty' on the basis of a minimum level of consumption that is essential for 'continued survival'. The biologically determined poverty level is linked to the minimum nutritional requirements of a person; although this is not precise, yet, it is more meaningful.

To determine the incidence of poverty, a poverty line derived by using a nutritional norm has been adopted. For the purpose of this study, the poverty line developed by Nanayakkara and Premaratne (1987) using Labour Force and Socio-Economic Survey (LFSE) data 1985/86, and updated by Datt and Gunawardena (1993) has been adopted.

An attempt has been made by Edirisinghe (1990) to construct a poverty line using a definition that the poor are those households spending more than 50 percent of their total household expenditure on food but whose adult equivalent monthly food expenditure level is less than the average per adult equivalent monthly food expenditure level observed for those households in the bottom two expenditure quintiles and having a per adult equivalent calorie consumption level between 2475 and 2750. The level of per capita food expenditure required to consume a minimum of 2000 k/cals which is considered to be the reasonable aware level of consumption required to maintain an active life for an individual, has been estimated to be around Rs. 420/-. As shown in Table 1 at this level, households allocate as much as 77% of their total expenditure on food. The per capita food poverty level therefore could be considered at Rs 420/- using 1991/92 Household Income and Expenditure Survey data (HIES).

The average adult equivalent calorie consumption observed for entire sample in 1990/91 HIES survey was 2577 Kcals. Considering an intra-individual variability of $\pm 20\%$ for the population, the lower limit of consumption, below which the functional impairments and chronic malnutrition may appear, would be 2061 Kcals. This equals the level of calorie adequacy observed at the second expenditure decile from the bottom, at an expenditure range of Rs. 385-466 (See Table 1).

Table 1: Per Capita Expenditure and Food Share of Poor Households

Expenditure Decile	Kcal	Percapita Expenditure	Food Share	Total Percapita Expenditure
1	1656	312.69	79.7	392.33
2	2025	423.86	77.4	547.62
3	2185	498.32	74.0	673.40
4	2222	565.84	68.6	824.83
ALL	1928	431.74	74.3	581.07

Source: *Income & Expenditure Survey 1990, 91*
 Department of Census & Statistics

Table 2: Incidence of Poverty by Sectors, Province and All-Island 1990/91

Sector / Province	Poor Households
Urban	18.2
Rural	34.7
Estate	20.5
Western	20.1
Central	33.5
Southern	32.6
North-East	33.6
North-Central	39.0
Uva	38.8
Sabaragamuwa	36.4
All	30.4

*Source: Household Income and Expenditure Survey 1990/91
Dept of Census and Statistics.*

As shown in Table 2 incidence of poverty appears to be high in the rural sector (34.7%) followed by estate (20.5%) and urban (18.2%) sectors. The geographical distribution of incidence of poverty varying from one province to another, highest being the North Central Province (39%) and lowest being the Western Province (20.1%) This distribution of incidence of poverty appear to suggest the poverty reduction policies were more effective in the urban sector where most of urban related activities are concentrated in the Western Province. The highest incidence of poverty has been in the provinces of North Central and Uva where the main activities in these areas are dominated by seasonal agriculture. However, Sabaragamuwa, which is in the wet zone has also shown a high incidence of poverty.

Poverty Policy and Interventions

The Government has adopted a three-pronged strategy to improve the quality of life of more vulnerable segments in the society viz: Poverty Prevention, Poverty Alleviation and comforting the poor.

Poverty alleviation involves two essential components: prevention and compensation (relief). Poverty must be prevented through economic growth, investments in human capital, and labour market operations which ensure the effective utilization of human capital. Households that do not benefit sufficiently from growth policy need to be compensated through efficient transfer schemes involving income support, credit, job creation and social services.

This paper attempts to study both a growth and an equity component in a poverty reduction strategy. In the first part of the study broad macro economic

forces and socio-economic determinants that affected the incidence of poverty will be discussed. The basic mapping of incidence of poverty in the country and its geographical/regional distribution will be documented in the second part of the paper. The effectiveness of poverty-alleviation efforts will be analyzed and discussed in the third part of the study.

Agricultural and Land Development Policy

Agriculture remains the single most important economic activity in the peasant sector, which has a considerable influence on the life style of more than 70 percent of the total population in the country. Therefore policies directed to improve the peasant agricultural sector can have considerable influence in changing the life style of a large number of people. Policies which attempted to improve the peasant agricultural sector concentrated on two broader issues;

- (a) improvement of productivity per unit of land, and,
- (b) expansion of the extent under cultivation.

The major objectives of the government's agricultural policy are:

- (a) achievement of self sufficiency in basic food -rice, milk, sugar, fish and pulses;
- (b) expansion of export capacity to increase the contribution of agriculture to the balance of payments;
- (c) enhancement of incomes and creation of new employment opportunities in the rural sector; and
- (d) improvement of nutritional status of the people. (Agricultural Strategy - 1983)

Agriculture policy in Sri Lanka before 1930s was biased heavily in favour of plantations. Later, when food scarcity and other problems such as landlessness and unemployment were encountered, colonial as well as successive Sri Lankan governments attempted to develop the peasant agricultural sector. Since 1977, the government in its agricultural policy has laid emphasis on the revitalization of the plantation sector, in addition to attaining self-sufficiency in rice. Besides this objective, increasing the efficiency of production, commercialization of agriculture and making it export-oriented are some of its other objectives. In order to achieve these objectives, the following components were included in the government's agricultural development strategy.

- (i) Investment in land, irrigation infrastructure and settlement;
- (ii) Rehabilitation of the exports of the tree crop sector (plantations and small holdings), including development subsidies for replanting and fertilizers;

- (iii) Liberalization of internal trade of farm products and changes in price policy, accordingly;
- (iv) Changes in land policy to enable the flow of private capital and enterprises into agriculture and agro - based industries geared to local and foreign markets;
- (v) Special incentives like tax holidays for non-traditional exports and processing of sugar, milk products, livestock product and fisheries;

In improving the agricultural sector, the government, among other things, used the pricing policy as a means of sending signals to producers and consumers to guide them in the allocation of scarce development resources. Post-1977 agricultural pricing policy has pivoted on an overall scheme of economic liberalization. In real terms, subsidies on fertilizer and consumption have been reduced. In 1984, a revenue collection system was established for irrigation water. At the same time, pricing or price interventions have been extended to a number of important commodities such as pulses and sugar. Direct intervention in the rice procurement and its distribution has formed the cornerstone of the government welfare policies for the past three decades. Since 1977, direct government participation in rice distribution, mainly through the Paddy Marketing Board, has been virtually eliminated. Purchases of paddy by the Paddy Marketing Board dropped from 42 percent of total production in 1972 to 4 percent of total production in 1982, a period in which the total rice output increased by nearly 70 percent.

Pricing support was extended to subsidiary food crops, following the decline in domestic production consequent to import liberalization. A floor price scheme exists, since 1979, for most of the subsidy food crops. The scheme has had a limited impact but only a very small quantity was procured.

The general ineffectiveness observed to exist in the delivery services for agricultural development resulted in inventing new mechanisms to improve the effectiveness of service delivery especially to the poor. One such programme accepted by the government to reach the poor has been the area specific development strategy known as the Integrated Rural Development Programme (IRDP).

Regional Development Policy & Programmes

The national development strategy since 1977 has come to rely heavily on 'lead projects':

- (a) The Mahaweli Project and its related irrigation, power and land settlement schemes,
- (b) Provision of modern industries in Greater Colombo Area, and
- (c) Urban Development and Housing.

The awareness among the policy makers that the lead projects leave out many backward rural districts, particularly in the areas not covered under the Mahaweli Schemes, has led to the introduction of area based development projects. The regional development programme has been developed and introduced as a strategy to neutralize the effect of capital intensive long gestation projects on the economy and also to compensate the backward rural areas not benefiting from lead projects to maintain the balance. The purpose of the programme are;

- (a) To widen opportunities and to enhance living standards in rural areas,
- (b) To focus development efforts, specially on local needs and local initiatives,
- (c) To channel resources in those districts which derive little or no benefit from the Mahaweli Projects or from other lead projects, but which have a high potential and relatively low development status,
- (d) To allocate resources to productive but low cost, short gestation, labour intensive investments, planned and implemented at the local level, thereby complementing the intensive long term Central Government Projects.
- (e) To release the full potential of district resources through the removal of critical bottlenecks and constraints, specially in plan implementation.
- (f) To co-ordinate and balance investment in sectors, and between areas, so as to improve efficiency and to accelerate growth.

IRDPs have been effective in executing a number of small and geographically dispersed high quality investments in both directly productive and infrastructure development activities. The IRDPs have also promoted the formation of consultative and coordinating groups of beneficiaries down to the village level. However, an almost exclusive emphasis on agricultural production primarily through intensification could lead to increased labour absorption. However, increasing mechanization, financed by subsidized credit, undermines this possibility. Both credit and extension services have focused on relatively large land owners. On the other hand, infrastructure development is able to provide employment of short duration to a very small proportion of the landless group. In many cases, contractors hire permanent labour from outside for rural works, to work at different sites. Most of the benefits have thus accrued to relatively large landowners, creating more disparities at the end. The traditional rural power structure has continued to dominate and to influence the allocation of resources favouring the better off.

IRD programmes concentrate primarily on the development of infrastructure in the rural areas- renovating and maintaining existing facilities and developing new physical assets. Therefore these programmes generate additional work opportunities for rural unemployed. Rural works are an important means of providing employment opportunities and improving incomes of the poor. Mobilizing the poor into labour-intensive activities for the construction,

rehabilitation and maintenance of infrastructural assets also contributes to the achievement of production and development goals. As a lasting solution to seasonal unemployment or underemployment, these programmes need to lay the ground for structural changes in resource utilization, so that substantial modifications, to administrative systems and procedures, and integration of the projects undertaken under rural works schemes and statewide plans are carried out to ensure maintenance and follow-up action.

The capacity for implementation, of rural works outside the IRDPs and the line agencies, is very much limited. This capacity needs to be strengthened at the AGA divisional level, and additional capacity needs to be created within the NGOs and grassroots organizations. Experience shows that people are very willing to participate in implementation, operation and maintenance of infrastructure works, if they are given the opportunity to influence the identification and formulation of projects at the very early stages. Local level organizations - particularly NGOs and Grass Root Organizations (GROs) - need support to become more effective in using specially those trained change agents to organize people for this purpose. There are promising models of community participation in and control of rural works contracts - largely in the urban sector - but changes in contracting procedures are imperative.

During the past ten years, the government has committed about US\$ 200 million or more to integrated Rural Development Programmes (IRDP) covering 12 of the 25 Districts as part of its strategy to decentralize development as a means for responding more effectively to the needs of the rural populations.

Welfare Policies

The government, while implementing the economic adjustment package, introduced an alternative set of policies which will cushion some of the hardships faced by the poor, arising from the implementation of adjustment policies. The government responding to the challenge of price increases and economic hardships experienced by the poor, committed about 3.5 percent of its GDP to programmes aiming at cushioning hardships and/or alleviating poverty. Among the welfare programmes supported by the government through the provision of budgetary resources are;

- (a) Food Stamp Programme,
- (b) Janasaviya Programme,
- (c) School Mid-day Meal Programme.

Food Stamp Programme

The Food Stamp Programme has been in operation since the second world war. This was introduced to minimize the hardships faced by the communities during that time when there was a severe food scarcity in the country. However,

the government of the day, realizing the fact that a sizable number of people in the country are living below the poverty line, has decided to continue with the free food ration system for an indefinite period.

For a long period of time, the generous food subsidy-policy of the successive governments covered the entire population. The fact that the majority of the country's population were non-income tax payers and hence were generally regarded as 'poor' might have been one reason for this policy. In such a context, the selection of eligible beneficiaries could have appeared to be an unfruitful, meaningless as well as an administratively cumbersome exercise.

Furthermore, given the relatively low international prices of food grains at that time, particularly of rice, such a comprehensive food subsidy did not cause an unbearable fiscal burden to the government. Hence, a mix of social, political and economic factors promoted the continuance of the policy until recent times.

As the population grew rapidly and world-price of rice rose exorbitantly, the built-in tendency of the universal free rice subsidy scheme of Sri Lanka continued to generate excessive pressure on the government budget - accounting for 20 percent, or one-fifth of the government current expenditure. The question of disincentives to the rice producers, resulting from the manipulation of rice prices through the subsidy scheme also emerged as a relevant issue in the context of realigning the country's food subsidy policy. Given a stagnating economic growth rate and a significantly high unemployment rate in the late nineteen seventies, Sri Lanka was undoubtedly confronted with the urgent need to strike an appropriate balance between welfare programmes and productive investments.

The policy of providing subsidized food commodities to the population, as a whole, underwent a significant change in 1972, when an income criterion was introduced to determine eligibility to benefit from the policy. Accordingly, the decision to withdraw the issue of the free rice ration from income tax payers and their dependents affected, approximately, 10 percent of the country's population. In 1978, however, a significant reduction in the number of beneficiaries was effected by limiting the free-food ration to such families whose income fell below a particular cut-off point. This exercise resulted in continuing the food-subsidy to only fifty percent of the total population who declared themselves as poor.

A substantial modification to the nature of the food subsidy programme was introduced by the Food Stamp Scheme in late 1979. The major fiscal advantage of the Food Stamp Scheme is that the size of the entitlement is set in nominal (i.e. rupee) terms so that, it is easier to maintain a 'stable' budget. However, the food stamp scheme is disadvantageous to the beneficiaries as the real value of this income supplement gets eroded with rising food prices, unless deliberate decisions are taken periodically to devise a mechanism to index or update the food stamp values, in order to off set the effect of inflation.

It must be noted that, with the introduction of the Food Stamp Scheme, the prevailing prices of imported rice, sugar and flour were permitted to reflect the actual import costs and the world market trends. This step, i.e. removal of the decades old subsidized pricing system, however could also be interpreted as an essential ingredient of a production-oriented strategy which could shift the internal terms of trade in favour of agricultural production.

However the fact that the impact of higher prices on the urban working class, makes it quite difficult to keep the wages unadjusted, need to be borne in mind in assessing the efficiency of such a policy. A well conceived food subsidy policy should aim at keeping the staple food prices at a tolerable level while maintaining a reasonably good price structure as an incentive to the producer.

Many studies conducted on the food stamp scheme and the socio-economic conditions of the country since 1978, indicate that the level of poverty has been much lower than the numbers that the food stamp programme suggest. The extent of poverty has been estimated to be around 30% of the total population, even if a higher income cut-off point (taking 1986/87 prices) of Rs. 1000 per month per family is considered. Therefore, it is in this context that one senses the urgency and importance of devising a means of pruning down the number of unintended beneficiaries of food subsidies and using the money saved through that process to enhance the value of food stamp benefits to the real needy segments of the population.

Recent surveys indicate that the nutritional and health status of the households in the bottom 20-30 percent of the income distribution scale have deteriorated in several districts of the country. In an inflationary situation, particularly when the price increases in food items tend to be both high and frequent, the low and fixed income groups strive to get by, through consumption adjustment pertaining to quantity, of food intake. The curtailment of real expenditure on food and health related items could worsen the nutritional status of such groups. This situation tends to call for food-based assistance rather than nominal monetary help. In other words, one way to reduce the vulnerability among the poor households during a period of high inflation resulting from the adjustments in the economy, is through implementing a properly targeted and administered food-subsidy programme.

At present about 50 percent of the population, i.e., 7.4 million individuals in 1.8 million households are entitled to receive food stamps. The criteria adopted to select beneficiaries has been that their monthly income must not exceed Rs.700. A beneficiary family under this programme may receive a maximum subsidy of Rs. 250 in food stamps monthly. In addition, those food stamp recipient households who do not have access to electricity may qualify for the monthly kerosene stamp worth Rs. 28. The annual cost of the programme is Rs. 3.8 billion.

Janasaviya Programme

The Poverty Alleviation Programme (PAP) named 'Janasaviya', has originated as a result of the emerging awareness of the aspirations of the poor, and the social tension which is partly attributed to it. In wider perspective, Janasaviya is a people - based programme. Therefore, it differs from the other development programmes in many ways. In essence, the Janasaviya programme:

- (a) intends to put people first,
- (b) considers human beings as the primary resource,
- (c) depends mainly on self-reliance and bottom-up concepts,
- (d) is culturally harmonious, and
- (e) can realize truly island-wide scale.

Janasaviya is a Sinhala word meaning 'strength of the people'. The programme was introduced in 1989 with a view to upgrading the quality of life of the poor by investing on them to improve their skills. Along with the skills development, the government also assists the beneficiary families by providing them with food to maintain a better quality of life during the two year period of the programme. The Janasaviya beneficiaries are selected from among the food stamp recipient families, and on the basis of their current levels of income. The criterion for one to become eligible to receive benefits under Janasaviya Programme has been that ones monthly family income at the time of selection must not exceed Rs. 700 per month.

The method suggested to improve quality of life of the poor has been through the enhancement of their 'exchange entitlement'. This means that those who are selected to benefit from the programme will be entitled to an enhanced monthly income of Rs. 2500 for a period of two years.

Janasaviya beneficiaries will have access to a pool of resources equivalent to Rs. 2500 per month during a fixed term of 24-month period. The Rs. 2500 divides itself into two components: one portion for saving and the other for consumption. The savings component is Rs. 1042 per month and entered in the name of both the husband and wife in a savings pass book. At the end of the two year period, the beneficiaries will have a minimum saving of Rs. 25,000 which will be a collateral to have access to special credit schemes from the State banks.

The consumption component of Rs.1,458 could be used for purchasing consumer goods from a Co-operative outlet in the village. It is directly linked to a training cum production programme where beneficiaries are required to work for 20 days in a month in productive activity or be in a place of training to qualify to receive the benefits. The activities would be (a) asset creation and (b) improving

the Human Capital through training activities that would help the beneficiary family to improve their quality of life. Where necessary, work would be organized to benefit groups or communities in the area. Those who do not participate in these activities on a regular basis will be removed from the programme.

The Janasaviya Programme is now operational in 57 administrative units (A.G.A. Divisions) out of 290, spread over the 25 districts in the country. The total number of beneficiaries of the programme has been 265,000 families. The Janasaviya beneficiaries are broadly grouped under one of the following two categories:

- (a) those households who are primarily assetless but have shown some interest in establishing their own enterprises,
- (b) those households who are assetless and are also not enterprising.

In the Janasaviya Programme, strategies for these two groups would vary depending on their entrepreneurial abilities. The group of families in category (a) would benefit from training programmes on entrepreneurship development. They will continue to retain the consumption component and may even require access to loan facilities before the end of the two year period. The households in the category (b) would not benefit from any of the wider programmes offered under the Janasaviya. Even after the two year period, they will continue to be assetless and would probably be engaged in casual employment. For this group of households additional work opportunities in rural areas have to be created to enable them to regulate their income in periods where rural works of any nature will not be available.

Mid-Day Meal Programme

The Government inaugurated a free mid-day meal programme for school children on 2nd May, 1989. Its objectives are:

- (1) to provide a wholesome mid-day meal of 600-88800 Kcals to every student so that it would contribute to the healthy personal, social, ethical, mental and civic development of each child and thereby build a healthy nation,
- (2) to actively involve the participation of the community in planning and implementing the scheme,
- (3) to generate self-employment in the immediate neighbourhood by motivating people to produce food items that would be used for the mid-day meal, thereby contributing to the development process of the country.

Nevertheless various problems have cropped up in supplying the mid-day meal. At the beginning, the schools were instructed to supply the meal. It was observed that some schools were not doing this properly.

The school mid day meal programme is being implemented in about 10,000 schools where 4 million school children are entitled to receive a stamp worth Rs. 3/-. To become entitled to receive benefits under the programme, a child is expected to bring a home prepared lunch to school.

The total expenditure under the programme for 1990 has been Rs. 1.5 billion.

Conclusions

The trade-off between growth and equity has been hotly debated in recent years. Growth is necessary but not a sufficient condition for the removal of social disparities and this diverted the attention of policy makers, at least temporarily, from the issue of this economic growth.

As a strategy, Sri Lanka selected welfarism in preference to growth, in the redistribution of wealth and in alleviating the poverty of the masses. Thus, over the years, little emphasis has been laid on growth-oriented strategies when poverty alleviation programmes were designed. The economic growth figures reflected the ill-effects of these policies for a number of years. For instance, GDP was at 1.5% in 1987, 2.7% in 1988, 2.3% in 1989 and 6.2% in 1990.

Considering a population growth rate of 1.4%, the economic growth rates observed are not impressive. The merits of these welfare policies have been mixed. However, Sen (1981) argued that 'Sri Lanka's policy, which was pursued for a long time, of giving some free or subsidised rice to all those who need it, has contributed substantially to general standards of health and nutrition'.

The programme designed to alleviate poverty have failed either to reduce the incidence of poverty appreciably or to make qualitative changes in the economy. With the increase in population, labour force too has increased, Whereas new employment opportunities outside the agricultural sector have become scanty: Consequently, about 1.2 million people out of a labour force of about 6.5 million are estimated to be unemployed. Of those, nearly 800,000 are youths. Nearly 35% of the unemployed have secondary education (GCE qualifications). The 1985-86 socio-economic data indicated that urban unemployment was 19.5% while 13.2% and 7.8% were unemployed in the rural and estate sectors respectively. Over two thirds of the overall unemployment is far more serious among women and youth than among other groups.

The backlog of the educated unemployed reached the level of about 350,000. About 125,000 are annually entering the labour force and looking for employment.

The World Bank's report on 'Employment and Poverty Alleviation Project' 1990, confirmed the prognosis and later restated the problem as follows: "Sri Lanka is confronted by serious socio-political and economic problems with rising unemployment and poverty. The country faces a difficult task in generating productive employment and income earning opportunities for a work-force

which will continue for some time to grow faster than the total population. Relatively high rates of unemployment among youth are seen as a major cause of youth unrest and civil strife observed in recent years. In addition both the population and absolute number of people living in poverty are substantial and appear to have been increasing over time. As a result, although per capita income has grown, the distribution of income has become increasingly skewed.¹

1 Employment and Poverty Alleviation project, Draft report, 1990, Ministry of Policy Planning & implementation.