

The Budget and Janasaviya

The Minister of Finance emphasised in his Budget Speech that in preparing the Draft Estimates for 1989 he had given "the highest priority to adequately provide for the Poverty Alleviation Programme" (PAP). Among the features he emphasised in his programme were:

- * It will be a lead programme for the Government to raise the productivity and quality of the people in a short time;
- * The Multi-faceted nature of the programme is kept in view, requiring simultaneous action of many fronts, to alleviate the condition of the poorest of the poor.
- * Creating sustainable and productive employment opportunities will be an important part of this programme.
- * A number of steps are being taken to ensure that the entire public sector, including Corporations, adopt Poverty Alleviation as an important component of their operations and activities.
- * In providing new employment in the state sector, other things being equal, preference will be given to applicants covered by the Food Stamps Scheme and the Poverty Alleviation Programme.
- * The public sector will reserve at least 50 percent of its new semi-skilled and un-skilled jobs for this programme.
- * A substantial part of the new jobs in the State and Corporation sectors, numbering over 100,000 that become available in 1989, would be given to the poorest of the poor.
- * Preference for this segment of the poor will also be shown in the matter of selection of families for settlement under the Mahaweli Scheme and also in other major irrigation projects, as well as during alienation of lands elsewhere.
- * The numerous projects under the Reconstruction and Rehabilitation Programme, for which nearly Rs. 5,000 million has been provided in the 1989 Estimates, should also provide over 150,000 new employment opportunities to the unemployed.

- * The State banks have been directed to actively participate in the Poverty Alleviation Programme by making available the much needed credit facilities to the poor on affordable terms and with minimum paper work.
- * The private sector is invited to actively participate in this programme. Liberal incentives have been provided for additional employment generation, particularly in poverty stricken areas.

- * An initial allocation of Rs.10,000 million has been made for the nine months of 1989, for disbursement under the Poverty Alleviation Programme. These disbursements will be made in a phased manner as the beneficiaries are identified.
- * All donations to the Janasaviya Fund are to be made 100 percent tax deductible; and the Fund will accept donations to be used in a particular hamlet or village.

JANASAVIYA, PRODUCTION AND INFLATION

"Conditions have been created to bring about a new growth of small scale and large scale industries. In the next two years we should fully commit ourselves and direct our efforts, to transform half of our population who now live on Food-Stamps, into people with some means and capability. This population, if taken as consisting of families having five members each, would amount to 15 lakhs of families. Those 15 lakhs of families may comprise seventy lakhs or, may be, eighty lakhs of individuals who are now living in utter want. It is to meet this challenge that we should direct our efforts on all fronts - our science, technology and even administration. That is to strengthen our people. I believe that a family of five living on Food Stamps is not receiving more than Rs. 350/- inclusive of even the recent increase. How can that family live on that income? If they have one meal, they will have to skip the next. They do not have enough clothes to permit a change of clothes. Their children suffer from malnutrition. They do not have a piece of land or a house to call their own. What we are now trying to do, through Janasaviya, is to strengthen these people. Today, we are investing money on various projects. Hereafter, we are going to invest money on our people. I believe, the most fruitful investment is the investment on people. If it is the people who are going to benefit from our development activities, we should strengthen the people, so that they will be able to help themselves. We should get the people to participate in our development work. It is only through production that a country's wealth can be increased. What we need is people-based production.

This Janasaviya Programme is for that purpose."

President R. Premadasa

From a speech, to the High Level Official Conference, on "Policy Guidelines on Poverty Alleviation".

"Orthodox economists and others who think on traditional lines obviously would have fears about the prudence of this new strategy. Their fear is that if poor people are given opportunities of consuming more goods, there would be a shortage of goods and there would be severe inflation.

Already, such people and organisations are ringing the alarm bells of inflation. This is because they have not fully understood the final objectives of the new strategy contained in the poverty alleviation programme nor have they any hunch as to how the programme is going to be managed.

There is also a fear that much of the money for this programme would come through the creation of new money. There is also the view held that additional funds could only be found from expansionary sources.

Our task here is to see whether the fears that have been expressed have any meaning in regard to the argument that financing of direct consumption by the government is bad.

The answer is while it is true that all people must earn money, it is equally true that the poor who cannot earn due to no fault of their own should have access to purchasing power and this money should come from the savings of other people in the community.

On the other hand, even if some part of the expenditure has to come through newly created money, but if parallel arrangements are made to increase production both the producer and the consumer would benefit, prices will not increase and inflation cannot take place."

Dr. H.N.S. Karunatilake

Governor, Central Bank of Sri Lanka from an article in the Daily News of March 16, 1989.