

State Policy for Rural Development

Interview with Hon. Bandula Gunawardena,
Minister of Rural Economy and Deputy Minister of Finance

Every Government that came into power after Independence, has invested massively on Developmental programmes oriented towards the fulfilment of the basic needs of all people. About 39% of the current expenditure in the Budget has been so expended, and about 8.5% of this amount has been invested on the task of alleviating poverty. But 3/5 of the rural population still live under dire indigent circumstances. What is your opinion about this situation ?

This situation is factual. About 60-70% of the Gross National Product of Sri Lanka is generated in the Western Province. There is a rural sector even in the Western Province. But, the share of contribution to the GNP, by all the other rural areas lies at a very low level. From this it becomes very clear that the Rural Economy of Sri Lanka does not contribute sufficiently to the GNP on account of a considerable downturn in the Rural Economy of Sri Lanka. This situation has a historical background. It was created after Sri Lanka became a colony of Great Britain. Because, with the commencement of a Plantation Agriculture, the self-sufficient agricultural pattern was shattered, and large scale plantations and related facilities such as Banks, Insurance Companies, and Transport came to being, creating a developed Plantation Agricultural Sector and an undeveloped Rural Subsistence Agricultural Sector, in its wake. Consequently, the Sri Lankan economy was rendered to be a dual faceted economy. In other words it was a double economy. In addition to this, Colombo was transformed into a commercial city, by virtue of the fact that all the productions of the whole country were concentrated into the Colombo City, thereby creating an economy of its own, not observed superficially. Because of this a separate black economy developed within the Colombo City. In fact, what I think is that the economy of Sri Lanka is three-faceted, or there is a treble economy in Sri Lanka, Namely:

1. Economy, with the principal city of Co-

lombo as the centre.

2. Economy based on the Plantation Agriculture
3. Economy based on traditional Rural Dependent Agriculture

The black economy mentioned earlier, is operative within the Colombo Economy listed at (1) above. Accordingly, on examining the aspects of, distribution of resources within the three economies, spreading pattern of the population, and the nature of the problems that have cropped up, it is observed that the sector which should be given priority in economic development, is the Rural Economy Sector. The main reason is the unemployment issue, and the fact that a highly distressed populace undergoing immense hardships such as malnutrition, hunger, lack of houses, lack of infrastructural facilities, land problems and the like, live within the Rural Economy.

What are the functions of the Ministry of Rural Economy of which you are the Minister ?

There was no systematic National Economic Plan for the upliftment of the Rural Economy so far. For the first time in the history of Sri Lanka, after Independence, a Cabinet Ministry has been created for Rural Economy after the present Government came into power, and I am functioning as the Minister. The main objective and responsibility of this Ministry is the establishment of a co-ordination between the Ministries involved in the Rural Economy, planning and implementation of projects within the Rural Economy, and administration of same. These are statutory responsibilities too. Well planned developmental strategies have been incorporated in the "Regain Sri Lanka" programme which is envisaged to be a middle-term and long-term Plan. Hence, if anyone says that there is no plan at all for the upliftment of the Rural Economy, he would be sadly mistaken.

In considering the Developmental Plans, it is noticed that certain plans have been forwarded, through every Budget tabled in the

past. Although there wasn't a separate Ministry for rural matters, there was in fact, the Rural Development Department and a number of Rural Development Officers attached to it. But, not a single plan in the rural sector has been implemented as envisaged. Isn't it ?

That is why we see Rural Development as an urgent issue. Life of the rural folk is based on agriculture. But not only they don't receive any assistance or support for their productions, they also find it difficult to enter the market. I can see two actors in this. That is, as much as the producer does not receive a fair price for his products, the consumer too has to incur a heavy expenditure for his sustenance. It is because of the official and unofficial actions found in the process upto the consumer's receiving the goods, that there is such a price increase. This is a matter of practical experience. The closest example is the red onion production in Jaffna. The production is about 30,000 metric tons, and they are unable to sell it even at the rate of Rs. 13/= per kg. while the price in Colombo is Rs. 25/= per kg. which is about twice the price in Jaffna. We intend to solve this problem by establishing an Economic Centre in Jaffna too, like in Meegoda. That is the real problem. The wholesale price of all the food items is decreasing by about 40%, after we opened the Economic Centre. There are three main factors in the production procedure. One is the producer, another is the wholesale dealer, and the other is the retailer. The wholesale business within the market system in our country has not been operated efficiently. It has been operated as a monopoly or oligopoly. Every time this issue was taken up, it was a failure. The fear that the people had to threaten those traders who enjoyed monopoly, the insult humiliations and allegations they underwent while trying to threaten them, threw the people backward, from the colonial times, and the consumers have compensated for it for a long time. Today the prices have tumbled con-

siderably after having shifted the wholesale business away from Colombo to Meegoda. A variety of vegetables that could be bought for prices less than Rs. 20/= had been sold at very high prices in the Colombo Market. What we are trying to do is to establish Marketing Centres in the vicinity of production centres. For instance, one Economic Centre is to be opened in Jaffna. Because of this, it will be possible for the Jaffna producers themselves to bring their produce to this centre and get the prevailing price, without the involvement of the middlemen. We are planning to open twelve Economic Centres in places such as Vavuniya, Samanthurai, Thambuttegama, Bakamuna, Embilipitiya, Tissamaharamaya, Nuwara Eliya etc. and thereby to obtain a fair price. The farmers and producers of the Hambantota and Ratnapura Districts had to pay a fair-tax all along. How did this happen? The marketing plots for farm produce, were auctioned by the Pradeshiya Sabha. In this manner, each marketing plot fetched about 10 to 15 lakhs of rupees for the Pradeshiya Sabha. There was only one successful bidder, and this man had to make at least 40 lakhs of rupees during that particular year. Hence, a tax was levied from the producing farmer. If the commodity was bananas, the tax for each spike had been going up from Rs. 5/= to Rs. 10/= gradually. For the first time in the history of Sri Lanka, we set an example to the whole country, by opening an Economic Centre at Embilipitiya where any commodity could be sold without any fair-tax. Trading activities are being started there presently. Then, the producers can bring their bananas or other produce straight to the Economic Centre and sell them without a tax, and without having to keep their produce here and there on the way-side. There are 140 small-scale stalls in this centre. These days the price of a kilo of bananas is something between Rs. 12/= to Rs. 14/=.

But in Colombo it is Rs. 60/=, Yes. Rs. 45/=, Rs. 50/=, Rs. 60/=.

In small stalls away from Colombo, also it is Rs. 60/=.

Let the price be Rs. 24/= instead of Rs. 14/=, or let us say it goes up to Rs. 28/=.

If the price increases from Rs. 14/= to Rs. 28/= the profit is 100%. That is why we want to change this system. Now, all the banana productions around Embilipitiya are brought to the special Economic Centre in Embilipitiya. There, the retailers, itinerant vendors, tourist hotels, wholesale dealers have the opportunity of buying their requirements as they wish.

Hon. Minister, when we buy a kilo for Rs. 12/=, doesn't it mean a low price for the producer? Sometimes, the producer may not get even the production cost. Hence,

does the producer also get a fair price, in the same manner as the consumer gets his requirement for a low price?

It does not happen that way, because, the producer sells at a desired price. One important feature that should be available in a competitive market is a price communication system. That means, the price particulars of one market should be communicated throughout the country. At the moment it is a business secret. In fact, I did not know that it was not possible to sell a kilo of red onions for Rs. 13/50 in Jaffna. I am a person who takes some interest in these matters. I am a member of the Living Index Committee. Vegetables like thalana batu and brinjals are sold for Rs. 8/= to Rs. 10/= respectively in Thambuttegama. But the consumer is not aware of these particulars. If he knows it, he won't pay a higher price. The other thing I see is, that political influence has done a great deal of harm to both the producer and the consumer. The prices are going up every time, but only the crafty trader gets the relief. If the true status of the price is not revealed, the crafty trader will make use of the slogan "we have nothing to do, since the prices are going up because of the Government and the VAT". But he is the one who has jacked up the prices. So, this fraud has to be exterminated. If we want to get rid of this evil, the consumer as well as the farmer must be aware of the prices. For this purpose we have to make use of the Information Technology. We must link the network of these Economic Centres through the Internet. After that, wide publicity must be given about the true situation through the Central Bank, Commercial Banks, and mass media. Every market must exist. The Pettah market must exist. Dambulla market must exist. Meegoda market must exist. There must be some small differences in the prices of these markets. For example, the cost is less when a commodity is transported to Meegoda from Embilipitiya, Nuwara-Eliya and Anuradhapura, than when transported to Colombo. The various legal and non-legal obstacles on the way to Meegoda are less than to Colombo. Prices in Meegoda are necessarily less than those in Colombo. Then, prices in Dambulla must be less than in Meegoda, because transport charges are negligible. But the price differences must be small.

A large percentage of the rural produce go waste due to low quality transport methods, on account of getting pressed and damaged, in transit. Isn't it that some remedial measures have to be taken to minimize this loss?

Yes. That's correct. It affects even the price for the customer. For example when bananas are transported in spike form, a large quantity gets damaged. So, we have to discuss this matter with the

plastic goods manufacturers, and find a way of transporting banana carefully in the form of combs like in Thailand. We should do away with the present mode of transporting banana in the form of spikes. This is going to be advantageous to the consumer, because thereby, the cost of production would be reduced and therefore the price too will be reduced. A new value is added to this item, by transporting it in the form of combs packed in safe containers instead of transporting them in spike form, which method causes a lot of damage.

Then Hon. Minister, the problem of preserving it crops up, isn't it? It ripens quicker, isn't it? When combs are cut off without leaving them as spikes, then also there is waste, isn't it?

No. We have to resort to new methods of preserving them. For example, take the Red Eddie variety of papaw. You can keep it for about 10 days after picking without getting over-ripe. No damage is caused in transport. The seeds of this variety are expensive. The present price of a seed is about ten rupees, and a plant is about Rs. 20/= or Rs. 25/=.

So this situation has to be changed. Seeds must be made available at low prices. Research must be carried out. Must do things that increase productivity. Last week, a group of representatives from Thailand went to inspect the Economic Centre at Meegoda. They invited me to Thailand to have a sensible and realistic understanding about their packing systems, transport systems etc. and to exchange same with us. Hence, I'll go there at least for a short time, have a good understanding of their systems, and make possible substitutions in the domestic market. Likewise, I will be enthusiastic about getting the local farmers used to the Forward Exchange Entry System with the collaboration of the Central Bank and other Commercial Banks. At present, the farmer does not know how much the cost of production is according to the productivity of his production. Therefore, supposing the cost of production, for 01 kg. of some crop, after using fertilizer and other chemicals, and if the farmer's profit is 50%, then the value of a kilo is Rs. 9/=.

But an Exchange Agreement, according to the Sole Marketing System must be signed with the prospective buyer so that the price will not vary with the quantity of harvest. Such an Agreement is operative at the Central Bank. The Central Bank of Sri Lanka has sent the President of the Trade Association of Dambulla, to India for a seminar. I had a conference with the officials of the Central Bank, a few days ago to discuss matters related to the Forward Exchange Agreement.

We have to introduce a lot of new things like this into the Rural Economy, and thereby we must bring about a number of wide changes in the Rural Economy. We are going to start cultivation under this technology inside greenhouses. We are presently planning to invest a sum more than ten million rupees, through the Ministry of Rural Economy, under this project which is implemented with the co-operation of India. We are now training about 600 people for this purpose. In like manner, methods to improve productivity, methods to improve packing, and next, marketing facilities for marketing of production will be taken up. Similarly, the specific productions in the Rural Economy for export, are not only agricultural in nature. My Ministry in collaboration with the Export Development Board, is working on a specific Export Items Villages Scheme, and a small middle-scale products industries. Accordingly, there is a mushroom propagating project in Angunukolapeessa. A factory is being constructed for the purpose of exporting canned mushroom. An Export Village is being built up at the Godakara area, for coir fibre related products. These days construction work is going on in Galgamuwa in the Kurunegala District for a company which will dehydrate vegetables and fruits and export these products after processing them.

According to the Exchange Marketing System, you spoke of, the farmer will get the opportunity of obtaining a loan from the trader, for cultivation purposes, and to sell his produce to the very same trader.

No. It's not the way. If so, it will be the same old system. If the farmer obtains a loan from the trader who sells the supply-goods, and if he buys the fertilizer, chemicals and seeds, he will have to sell his paddy production to the same trader without a valuable price, or without a steadiness in price. That's not the difference in this system. The producer and the buyer comes to an agreement regarding a fixed price. Such an agreement could be got discounted through a Bank. Working capital requirements could be got fulfilled, through an Exchange Agreement, in an emergency. The Central Bank has published various publications about the Forward Agreement System. I hope that some sort of an awareness would be given through the People's Bank publications. The most difficult thing is to make the farmers understand this procedure. This Agreement is well put into practice in Countries like Thailand. Since we are not that organised, it's not quite easy for us to implement it here. We are presently working on a Market Organisation System. The organisation of the Market System

and the establishment of Export Villages would be of great help for Exchange Agreements.

Hon. Minister, there are some more problems in the Rural Sector, in addition to the marketing problem, such as the youth unemployment problem and the land problem. The land problem is the fragmentation problem. When the families become larger, the rural folk breakup the land they own and gift them to their children, mostly due to the non-availability of land in the rural areas. Due to this fragmentation, it won't be possible to get a satisfactory harvest from the paddy fields. Have you got any opinion about this issue ?

My idea about this matter is quite different from yours. What I feel is that the problem about productivity is more serious than the problem of fragmentation. When we consider the other countries in the world, I must say that, we are used to thinking in terms of intensive systems. By Intensive System is meant increase of output by means of division, like increasing the output of land. In countries like Japan, they get a high output by using less inputs. I think that, it is more important to utilise advanced technology for the purpose of obtaining a bigger harvest, and therefore a bigger income from smaller plots of land. The land fragmentation problem will be quite different in about 22 years. You would see a problem in Sri Lanka, which is not found anywhere in Asia. By 2025, a majority of the people in Sri Lanka, will be in the old age group, because of the policy followed for a long time. With the population falling into an old age situation, the present demand for large-scale land will not continue to be so. Fragmentation will not take place so easily. There's already an experience in the Sri Lankan Society. At the moment, the Primary Schools are getting closed. This happens because of the paucity of children for these schools. Some things in society are seen as problems, because the superficial economic problems are considered in terms of simple slogans, or not considering them analytically. There is a temporary unemployment problem. In fact, we will have to import labour by 2025. That's not a thing that anyone could stop. That is the real situation. Because of this, the problem of senility must be taken up very seriously by the Sri Lankan planners as well as the intelligentsia. Likewise, relevant knowledge must be disseminated in the political field especially among those politicians who lack such knowledge. Slogans find their birth in the political councils, or the Central Steering Committees of the Political Parties. These bodies comprise only a handful of politicians. It is very important, in the context of building up a country sans politics, to impart knowledge to this handful of politicians in every relevant discipline. We have to face this

problem of senility in 2025 whether we like it or not. It is not a thing that could be stalled by means of a poster. At this point, we will have to import labour. There will be less feminine participation. Caring the old will become a national issue. The State Budgetary Funds won't be sufficient to meet the Pension bill. Expenditure on health will increase tremendously. These are things that we have to subject to serious consideration. The difference in Singapore is that they plan for 2025 now itself. I am telling you, that we have not yet thought of these things as a nation. Therefore, it is necessary that the Economic Experts, Sociologists, University Professors and various other men of letters, should disseminate connected knowledge in the whole country. Some erudite people in the country who study the basic principles of some political parties, are in utter despair. They must communicate the nature of this disaster to the people.

Hon. Minister, there is a large rural section, other than the farmers, and the landed proprietors. These people are mentioned in economics, as those engaged in non-farm activities. Generally, these people have eventually become labourers in the farming aspect. Sometimes, they are engaged in other non-farm activities of the rural economy. Actually, this group contributes sufficiently to the rural economy. Is there any plan for the upliftment of the living standard of these people ?

There is a known unemployment aspect as well as a hidden unemployment aspect within the rural economy. We must create an agriculture-based industry within the rural economy, for each category of workers. Enterprises must come up. For example, industries and enterprises for vegetables and fruits must be established. Export villages must be organised. Just imagine the volume of canned "rambutan" exported by agriculture based Malaysia! We can derive another concept from that region, and incorporate it into our issue. That is, in Thailand there are people well versed in effective traditional methods, who contribute immensely to the development of productions of their villages. There are a lot of such villages in Sri Lanka. We have launched a programme through our Ministry to develop 100 such villages specially selected as Special Products Villages.

There is a high percentage of unemployment within the youth population. These people don't like to engage themselves in agriculture, because of the lethargic nature of our agricultural system. Do you

acknowledge the fact that some step has to be taken in this regard ?

That can be changed, especially if agriculture is based on Greenhouse system or drop irrigation technology. The difference will be that the farmer will be able to wear a pair of Denim pants, and visit the farm on a motorbike, instead of getting into the muddy field clad in a loincloth and with a mammy rested on his shoulder. Cultivation of ornamental flower plants, are an example. They don't call themselves farmers, and they don't identify their flowerbeds and nurseries as a farm. They say with pride that they have a farm. Such an attitudinal change is necessary. Ornamental flower plant cultivation is one example. That is quite different from the paddy cultivation concept. While such an attitudinal change is taking place within the youth, that change must necessarily take place. Why? This problematic situation will be dissolved, after leading the youth to a social stratum where they could be proud of their entrepreneurship and where they could enjoy a larger income than the white-collar worker in the city. There was no such thing as Beauty Salons about two decades ago. If at all there were, it was limited to the Colombo city. But now this has spread all over the country. Dressing of brides is another avenue. In the good old days people laughed at fashions. But today those who are engaged in such activities are living well. They don't look for Government jobs. That means an attitudinal change has taken place. That is how the income of the youth within the rural economy could be increased and the standard of living enhanced.

At the same time, what is the plan you have for the Small Industries in respect of rural development ?

Yes, It is good to establish Small and Middle Scale Industries. There are loan schemes too for this purpose. Although there are loan schemes, there is a problem related to capital in most instances. Both capital and weak capital give rise to marketing problems and a whole lot of such problems. The basic problem is the capital problem. They cannot enter the competitive market within this economy where the expendi-

ture is too high. Because of this, my firm belief is that the Interest Rate must come down to a one digit figure. Secondly, we must prepare the market for him. Thirdly, we must provide him the opportunity of improving his technical knowledge. I also see in this respect a major weakness in the Commercial Banks and Developmental Banks. This has happened in respect of small and middle scale loans so

far. This is how it happens here too. But the question remains whether the craftsman and the actual industrial worker in the village gets this money. Hence, we all have to discuss and open a dialogue on this matter and find ways and means of introducing this Loan Scheme fruitfully to the village. Such a course of action is of paramount importance.

Ministry of Rural Economy – Summary of Capital Expenditure

Development Activity	Rupees Hundred Thousand
1. Rural Economy Resuscitation Fund	100
2. Rural Export Promotion & Development of Agricultural Ventures	
Godakawela Export Processing Village	16
Rajanganaya Export Processing Village	20
Angunakolapelessa Export Processing Village	11
3. Rural Industrial Development	
Printing Industry Based Industrial Park, Panaluwa	169
4. Rural Productivity Development	
Agro-Technology and Community Services Centre - Weligama	11
5. Rural Handicrafts Promotion	
Sigiriya Handicrafts Park	195
Centre for Handicraft Products, Sales and Exhibition	
Folk Arts Centre, Battaramulla	25
6. Rural Market Promotion	
Meegoda Economic Centre	670
Embilipitiya Economic Centre	520
7. Rural Self-employment promotion "Thuru Sevana"	
Sales Promotion Centres Programme	275
8. Technology for Village	
* Watareka Computer Training Centre	35
* Kirigampamuwa Computer and Vocational Training Centre	25
9. Rural Sales Promotion	
Rural Products Sales Fairs Programme	24
10. Rural Education Development	
* Computer Unit for Primary Sections of Government Schools	35
11. Rural Community Services	
* Bus Halts and passenger Shelters	13
12. Rural Products Capacity Promotion	
Provision of Capital Products Free of Interest (1000 Four Wheel Tractors)	6000
Total :	8164
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* The grant allocated to Ministry of Rural Economy Approximate Estimate	