

Strategies and Programmes for Reducing Rural Poverty in Sri Lanka

General Overview

Sri Lanka is a country of 19.0 million people, 74 percent of whom find their livelihoods in the rural districts. Sri Lanka is primarily an agricultural country, where the total utilized land area of 2.0 million ha., nearly 40% is occupied by the plantation crops, letting the smallholder sector to dominate in agricultural land use. The predominance of the smallholder sector in agriculture is reflected from the fact that of 1.8 million agriculture holdings about 1.76 million holdings or 99.4% are smallholdings. The average size of agricultural holding is about 0.8ha. and about 64% the small farms are below 0.8 ha. in size. In Sri Lanka approximately 72% (about 12.6 million persons in around 2.5 million households) live on the land and rely on agriculture and allied occupations for their daily survival. Full-time and part-time work in agriculture and related occupations provides the mainstay of livelihood for at least three fourths of the rural populace.

Despite the attention it has received from policy makers and development researchers since independence, the 'problem of poverty is still a considerable one in Sri Lanka. There have been significant achievements in economic and social progress, but poverty continues to characterize the landscape. This situation will not change without wider participation by the poorer sections of the population in socio economic activities that raise their productivity. How this can be done is the critical challenge that must be met.

Objectives

An attempt is made in this paper to review the strategies and programmes implemented for reducing poverty in Sri Lanka. More specifically, the objectives are as follows:

- (1), To study the poverty situations in the country giving emphasis on poverty targeting regimes, *i.e.* scope, extent, characteristic, dimension, patterns, and trends of rural poverty;
- (2) Assessment of effects and impact of rural poverty on the overall national development; and

(3) Investigation in to the overall/general policy measures adopted policy and revisions, issues, special problem areas, difficulties encountered in rural poverty alleviation.

Rural Poverty Situation in Sri Lanka

Poverty Trends in Sri Lanka

Poverty is not a new phenomenon and unique to the modern economic system in Sri Lanka. Poverty has not suddenly appeared with the search for modernity and technical progress. Authoritative reports from 18th and 19th century writers indicate that Ceylonese rural life, especially in the most remote districts, was characterized by endemic poverty: *i.e.*, rural people suffered from chronic lack of food, generally poor sanitary facilities, soil and water born diseases and regular disruptions from both man-made and natural di-

Dr. D. Tennakoon

Head, Agricultural Resource Management Division, HARTI

sasters. (Wickramasinghe 1924; Woolf 1926). The primary causes of poverty in Sri Lanka in the period prior to 1950 are controversial. Woolf (1926) and Das Gupta (1949) have revealed that rural poverty existed in Ceylon because the majority of rural people were exploited by land owners, rural officials and merchants. (Woolf 1926; Das Gupta 1949, - cited in Fernando 1988).

Sri Lanka's continuing dependence on food aid receipts is reflective of the relative vulnerability of the poor. This situation has become all the more serious because Sri Lanka has failed to maintain past levels of per capita food production. From a base of 100 in 1979-81, the index declined to only 87 a decade later. Hence, food security is an increasingly important issue in Sri Lanka, and will continue to be so if agricultural productivity is not improved significantly or the economy successfully diversified in ways that will enable consumers to purchase increasing amounts of imported staple cereals and basic food-stuffs. Trends in some indicators of poverty and social progress shown in some particular human development indicators in Sri Lanka during the past three development decades, 1970s, 1980s and 1990s.

The Poverty Alleviation Programmes and Strategies in Sri Lanka

Institutional Framework

The Government institutions and departments play major role in economic policy design economic incentives and social welfare. In the manner of policy direction, it seems concentration of power at the Central Government controlled institutions and departments, but implementation has been decentralized at the "Provincial Councils", through their own institutions and departments. The maintenance of fundamental components of the activities and services, *i.e.*, education, health, transport, food security, irrigation, agriculture, housing etc. are the main responsibilities of the Central Government, which could greatly affect the lives of the poor. The impact of welfare policy and rural development that attempted by the governments over a half century in Sri Lanka has been encouraging that, in terms of the basic socio-economic indicators Sri Lanka, shows some what progress among Asian nations. The newly added two institutions in Sri Lanka for poverty alleviation are (i) "Janasaviya (1989-1994) Movement, and (ii) "Samurdhi (1995-2000) Movement, both are operated in a national coverage, and a centralized administrative bureaucracy. The both programmes are blamed to be highly politicized by nature and burdened welfare and consumption costs compared to less attention paid for re-investment and employment generation.

Janasaviya - The National Poverty Alleviation Project

The Janasaviya - National Poverty Alleviation Project (NPAP) was initiated in 1989 under the Janasaviya Act No. 4 of 1989, and become the first target oriented poverty alleviation movement in Sri Lanka. The programme involved in two-way strategy, the firstly on target oriented welfare programme, and secondly on the target oriented income generation programme. The beneficiaries of the programme were poor, those who identified according to the income criteria. The families earning less

than Rs.700 per month (the poverty line) were qualified to be included in the beneficiary groups of hamlet basis. (the lowest unit of the implementation). The income criteria adopted lead to register about 1.5 million familiar or approximately 50% of the population in Sri Lanka who were below the accepted official poverty line. The programme included the objectives and goals as:

- i. Alleviation of poverty through people-based development,
- ii. Reduction of unemployment among population in poverty,
- iii. Reduction of rural and urban malnutrition and assurance of a healthy population and,
- iv. Promotion of social stability restoration of economic freedom, and security.

The implementation procedures were so systematic to ensure all the recipients are covered in a scheduled time-span. At the initial step of the programme - the human development component - "Janasaviya Entitlement Certificates" (JEC) were issued the beneficiary families for disposal of consumption-relief-benefits through food stamps. The programmes were coordinated by District Secretaries at the Divisional level. The beneficiaries income levels, on which basis there were four categories entitled for the benefits, determined the provisions of benefits.

- i. Very poor families (those who received an income below Rs.700 per month)
- ii. Less poor families (those who received an income between Rs.700 - Rs.1500 per month)
- iii. Poor youth - First group (youth from very poor families)
- iv. Poor youth - Second group (youth of less poor families)
- v. Old and disabled families (with no earning capacity at all)

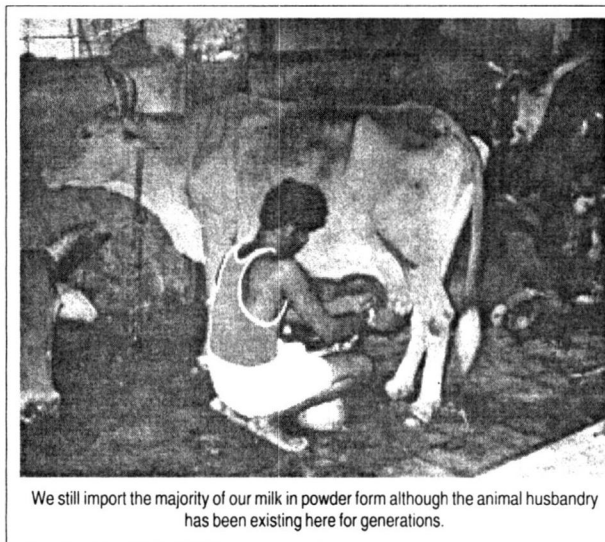
The beneficiary groups categorized under "very poor" were entitled to receive full benefits of the programme. The others were entitled to receive wealth creation benefits such as credit, skill development and initiation of self-employment for income generation. The "Janasaviya" (1989-1994), meaning of People's strength, has had several kinds of concepts and strategies focussed on poverty:

- i. Strategies, methodologies and instruments that have focused on strengthening the

institutions of civil society and empower the poor,

- ii. Wealth creationist approach, with efforts for training, skill development financial strength, credit, financial inter-mediations, etc.,
- iii. Assistance for basic needs and consumption relief programmes,
- iv. Rural infrastructure development and environmental conservation.

In terms of the strategies, "Janasaviya" operated based on a hamlet (organic village) - a smallest micro spatial entity, which used as a "implementation frame". The poor were identified through a "community identification process". The Divisional Administrative Division (a part of a District) was the important operational unit. The programmes were totally poor centered, involved with mobilizational strategies, and conceived on a bottom-up approach. "It is a programme which cause the whole macro-micro spectrum. At macro level, it is a national strategy of poverty alleviation enun-



We still import the majority of our milk in powder form although the animal husbandry has been existing here for generations.

ciated by the government.—all space in between from the macro to the micro. At the micro level, at the level of the hamlet, at the level of the poor community, it is all the poor centred actions which enable and facilitate the poor to stand upon their own feet and over come their problems and poverty" (Siriwardena, 1992).

"Janasaviya" was emerged in a condition, which rooted deeply to a national crisis-the worst internal crisis of youth insurgencies, that brought the country's economy and civil defence almost collapsed in 1988-1990. This programme can be considered as direct political response to the crisis. On the other hand it was a strong safety net to the adverse impacts that brought about the low-income segments in both urban and rural communities. This led the programmes to be biased in first round implementation to "income relief" rather than income generation, the latter strategy seemed

to be most challenging that involves in self-sustaining of market forces.

In the implementation process it has had three kinds of instrumentalities, empower, encourage and support. There were two stream of support, that were conceived to be enough to motivate, to make strengths, and empower beneficiaries for self-help:

1. Human Development Component - Which was operational for 24-month period of direct financial support. But process continued beyond this limit of support. This programme made available Rs. 1458 worth of goods per month per family and continued for 24 months. The goods included food and other basic need. On the consent of the beneficiary family, Rs. 458 can be saved by them in their saving accounts,

2. Support Component - The second stream was support for access to credit. The credit is provided by the banking system during the 24 months support period if the poor family is ready with a viable project or an income generation activity. At the end of the programme 400,000 poor families were reported to be "Janasaviya" recipients in 1994. It is said that the saving programme and the credit programme was not so successful due mainly to the nature that existed to perpetuate the gap between the micro-entrepreneurs and the macro economic orientation.

The "Samurdhi" - Poverty Alleviation Programme

A Renewed Poverty Alleviation Strategy

In spite of the various poverty focused development programmes implemented during nearly five decades, the problem of poverty was not reduced. With the political change in 1994, a new poverty alleviation programme, named "Samurdhi" (meaning prosperity) was introduced in 1995.

Objectives of the "Samurdhi" Programme

The objectives of the Samurdhi programme were stated in the "Samurdhi Act of 1995" as follows:

- i. To integrate youth, women and disadvantaged groups in to economic and social development activities, and
- ii. To promote social stability and alleviate poverty.

The official statement of the Samurdhi – poverty alleviation programme clearly indicates that the weakness of the previous programmes demonstrated in the employment and income generation are identified and included in the present strategies.

Strategies and Implementation Procedures

The strategies and implementation procedures of the present Samurdhi programme indicate their origination from the grounds of past experience. The programme is being implemented under the lines of three strategic procedures:

- i. A welfare component - maintaining a household consumption relief programme to support poor people to fulfil their consumption practices, and to protect nutritional level;
- ii. Saving and credit programme – focused on creation of resources to provide credit, allocation or assets to the beneficiaries to make them viable and confident to contribute in the economic process; and
- iii. Self-help work programme – initiation of community based work programmes to develop rural infrastructure facilities and to develop community cooperation and self-reliance among the beneficiaries. In addition to the benefits of this programme – the poor – the programme beneficiaries have access to other welfare services of the government, such as free medical facility, free education, disabled payments, subsidized public transport, access to land grants for the landless families, low interest housing loans, etc. In the pace of present level macroeconomic adjustments, the government has realized the responsibility of protecting the low income groups, specially the poorer segments of the population.

The Samurdhi is current poverty alleviation project being implemented since 1995. The programme has given higher emphasis on employment and income generation. Its experience over almost six years is encouraging (Ramani Gunathilake, et al, 1997).

Poverty Focused Programmes Implemented in 1995-1998

1. Cash grants provided for 147,497 beneficiary families for consumption relief and income generation (cost Rs. Million 10,024),
2. Interest payment for 412,257 'Janasaviya' families for their saving deposits,
3. For provision of dry rations (food items) to 182,000 families in the North and Eastern provinces,
4. Completion of 11,640 small scale rural infrastructure development projects,
5. Established 20,884 micro-enterprises in 43

Divisional Secretariat Divisions with the financial assistance from the National Development Trust Fund,

6. Provided employment for about 25,000 educated youths as Samurdhi Managers, and Samurdhi Niyamakas,
7. Initiated about 478 middle level self-employment and credit based income generation programmes in 14 Districts of the country, and
8. Granted 10,000 sewing machines among the female members of the low-income families to generate additional incomes (Jayasena, 1998).

Self-Employment Programmes for the Youth: 1995-1998

The Samurdhi Project used a different strategy to include young unemployed members of the poor beneficiary families for specific poverty focused programmes. It has provided different level assistance to young people from the poor families for business and self employment, under the provisions of Samurdhi sub-programmes and collaboration with the commercial banks. The programmes include:

1. Samurdhi Naya Niyamaka Scheme provided 26,450 loans to youth initiate self employment, with a ceiling of Rs. 5000 per person,
2. About 43,000 loans disbursed among entrepreneurial youth of the poor families to initiate small business, under the Sanwardhana Naya programme, with ceiling of Rs. 10,000 per person,
3. Around 12,000 loans were provided to youth entrepreneurs, under the Samurdhi Surathura Credit Scheme, with a ceiling of Rs. 50,000 per person,
4. The Samurdhi Compulsory and Voluntary Saving Scheme saved about Rs. million 1,998, which would use for self employment programmes,
5. Samurdhi Bank Societies were established in 130 Divisional Secretariat Divisions, to encourage savings among the rural poor,
6. A special Insurance Scheme was initiated under the Samurdhi programme to help beneficiaries in the case of emergencies and distress,
7. Established a lottery programme to generate additional funds to reallocate among the Samurdhi development schemes and programmes (Samurdhi Secretariat, 1998).

A Review of the Samurdhi Project Implementation 1995-1998

The achievements and failures of the Samurdhi Poverty Alleviation project cannot be properly assessed unless a well-planned benefit monitoring and evaluation effort is employed. However, a recent evaluation work has been undertaken in

some administrative districts, i.e., Badulla, Moneragala and Anuradhapura in the most remote agriculturally predominant provinces in Sri Lanka. The major weakness and the constraints of the implementation of Samurdhi Poverty Alleviation Project are identified as follows:

1. Heavy costs involved with subsistence assistance programme: approximately 60% of the households in the country are entitled to receive benefits which costs about Rs. 8.0 billion annually;
2. Political bias in selection of beneficiaries, that has ceased the selection of genuine poor households;
3. Weakness in local level project identification and inadequate technical supervision;
4. Creation of a vast bureaucracy in the management of the project, unclear line of commands and higher level politicization of activities at local level; and
5. Less attention paid to critical causes of poverty in many rural areas in Sri Lanka such as lack of water for cultivation, irrigation, cultivation techniques suitable to cope with the most physical constraints, environmental degradation, poor rural access roads, public transport in the rural areas, poor educational facilities, and lack of facilities for technical education in the remotest rural areas (Ramani Gunathilake, et al, 1998, and Jayasena, 1998).

Review of "Samurdhi" and "Janasaviya" Projects

Following observations, in general, can be made from the efforts taken for poverty focused development in Sri Lanka:

- (1) The impact of macro economic interventions on poverty alleviation in Sri Lanka has not made positive effects on income of the poor. The economic growth does not seem to be effective in mitigating the constraints faced by poor in their effort to enroll in the economic process.
- (2) The main poverty alleviation programmes: (i) Janasaviya (1989) and (ii) Samurdhi (1995) have focussed on provision of food relief benefits – food stamps, as a safety net to mitigate the adverse effect of the SAP on the poor.
- (3) The major anti-poverty programmes mentioned above made investment components for technical training and skill building. The programmes remain largely unsuccessful in participation on such programmes and in terms of micro-enterprise development. The micro-enterprises are faced with constraints of quality improvements and marketing as they are not properly linked with the major industries or eco-

conomic sectors, which are operated in a limited scope. The availability of cheap imported goods has seriously constrained the establishment and expansion of micro-enterprises.

(4) The large-scale industries were confined to the apparel industries garment industries, and primary processing and manufacturing industries, and they usually depend on the imported raw materials or inputs, which gained only local cheap labour. The other areas, *i.e.* services and trade was restricted to areas with developed infrastructures and rarely could provide work opportunities for the rural poor. The economy in rural areas has not enough diversified to absorb educated youth in rural areas thus, unemployment in rural areas is on the increase.

(5) The smallholder sector agriculture is becoming less remunerative and the profit they had before three decades ago has been severely eroded. The implementation of SAP programs has resulted in increase of prices of imported inputs (chemicals) and machinery, has made cost burdens on small farmers. This was exaggerated with removal of input subsidies. The liberalization of trade, and free import of food commodities (such as dry chilies, big onions, potatoes and pulses) have negatively affected to lower the prices of local food products. On the other hand, due mainly to heavy transport and overhead costs, the low-level farm-gate prices did not make any effect to reduce the usual prices of the consumer. This situation has badly affected living conditions of both agricultural producers and the consumers.

(6) There are many other facets of the farming community which constraint the penetration of benefits of the policy initiatives. One of the major issues is disorganized nature of farming communities. This has been resulted in lack of people's participation in local development activities. The peasant community is characterized by multiple social divisions, physical dispersion, diverse interests, and the low state of social differentiation, which appear as constraints of development. Effective local institutions are needed to strengthen the organizational capacities of farmer communities, and thereby to enhance their conscientization in self-interest and self-reliance on combating their state of poverty. On these circumstances integration of the poverty focused development approach with the macro-economic policy formula is emerging as a challenge, which remains to be accepted in the new millennium.

(7) Therefore, the adequacy of the policy framework for mass poverty alleviation is to be reconsidered. The fundamental issue is that macro-economic policy has to be readjusted and development initiatives have to be undertaken in the context of alleviation of general poverty, and government has to ensure demo-

cratic freedom for all which in turn would affect the assurance of economic freedom. The general approach to development is controlled by market forces, unless government involves in control, reinvestment and resource redistribution. The specific poverty alleviation projects are centered on the only poverty groups. There appear to be a need that mixed of inter-dependence between the two approaches. Therefore, following measures are to be applied in future formulations of poverty targeting:

- i. It is the non-poor decides on everything for the poor. It is need to reverse this approach letting poor to decide on the affairs of their own development, and
- ii. The poverty targeting usually concerns more on the effects, less on the causes of poverty. The programs should have to focus on overcoming the causes of poverty.

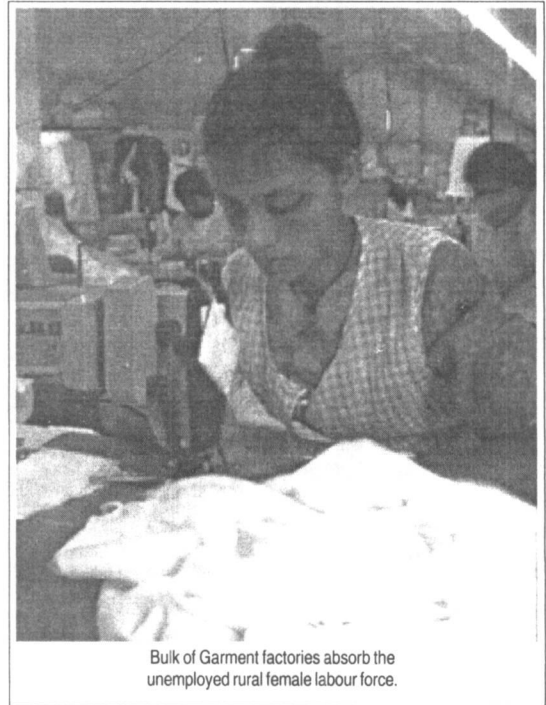
(8) As it has been evident in the overall economic development policy, strategies for accelerated economic growth and a policy framework of poverty focused projects (*i.e.*, **Janasaviya** and **Samurdhi**) were insulated in a system of the approach of twin-strategy; on the one hand assurance of consumption relief benefits, and on the other hand strategies for wealth creation, which can only be acceptable in a severe social/civil crisis. "However, as experience revealed, in the absence of an organic link with the industrial policies, such an idea is not enable in terms of poverty alleviation" (*ibid*, 1997).

(9) Suggestions for improving policy framework appear to be another challenge. In the wealth of experience gained over half a century of poverty focused development, the fundamental requisite is appreciated by the top-level policy makers. The complexity of the task of poverty targeting in general, genuine interest on the poor. Poverty is not merely a rural phenomenon in Sri Lanka. The proportions of the urban poor are too on the increase. Therefore, two-way strategies may require to be formulated. For the rural poor, the development programmes will have to be formulated in such a way that in terms of encouraging value addition to what would they produce, and increase their productivity. The income generation activities (IGPs) of the poor should be opened to the economy, and the access by them to conglomerate with the other sectors of the economy should be encouraged by new policy orientations.

Emerging Issues, Challenges and Future Directions in Poverty Alleviation

Macro-Economic Policy & Impacts on Poverty

It is evident that since 1977, with economic liberalization policies, Government adopted a series of structural adjustment policies and micro-economic reforms as remedies to overcome barriers to free trade. This reform has adversely affected on the income distribution, income inequality, increase in cost of living, specially on the middle class wage earners and the lower income groups, as universal food subsidies were removed, and investment for welfare facilities were considerably reduced. Meanwhile, the Government included the national programmes for poverty alleviation, as a priority objective of the development agenda. The



Bulk of Garment factories absorb the unemployed rural female labour force.

initial stages of these programmes focused on relieves for elimination of household food deficit, and as a remedy for increasing malnutrition. At the initial year programme seriously suffered from burdened cost of food subsidies. The landmark of the macroeconomic policy change of 1977 was the shift from inward-looking economy in which international trade was controlled, and the government directly involved in production and trade, to a outward-looking economy which lets the price mechanism to allocate resources in terms of comparative advantages. The policy primarily envisaged re-orientation of the economy towards strengthening the export sector. This export-led growth

strategy led the economy more opened to international trade and it has had the positive impacts on economy. Re-allocation of resources from welfare and consumption for re-investment in productive sector, increase production and employment was one of the strategies followed for recovering the economy. "These new economic policies aimed at gradually moving the country away from a heavily state dependent universal welfare system to a reduced and more targeted – redistribution of welfare which is oriented to production and employment for the purpose of accelerated growth of the economy" (Wickramasinghe (1977).

Meanwhile the government implemented SAP strategy, a package of income relief programmes too were introduced as a safety net to provide selected food items on a "food stamp scheme" (1978-1989) to poor families. In 1989 government introduced a "National poverty Alleviation" movement called "Janasaviya" (meaning, people's strength) which was implemented until 1994 political change. This programme too ensured the provision of selected food items for poor families (to contribute to their consumption needs) through food stamps to purchase essential food items at the local co-operative stores. The Janasaviya movement allocated some funds to be distributed monthly among beneficiaries-which funds deposited in their saving accounts, and encouraged them to organize their own investment funds to initiate income generation activities that suit to their skill and locally available resources. In 1995, Government introduced "Samurdhi Programme" (meaning, Prosperity) as a "National Poverty Alleviation Movement" in Sri Lanka. This programme also accepted redistribution of resources, resource creation, skill building, encouraging savings, re-investment in income generation activities (IGPs), and ensuring the beneficiaries to meet considerable proportion of their food needs from "food relief stamp". These two "National Poverty Alleviation Movements" bear similar significance in concepts and strategies. The most common significance was that the both movements attempted to seek strategies of integrating the disadvantaged and marginalized (population in poverty) category of the population into the formal

economic order. The most striking feature was that, whilst the government attempted to re-distribute funds, savings and low interest credit for beneficiaries to create their own funds to initiate IGPs, more funds have spent for maintaining relief to consumption needs. The experience gained from approximately ten years of implementation of directly focused poverty targeting strategies and programmes suggest that the efforts geared for welfare-cum-food relief have bypassed the em-



More and more rural young girls prefer factory work with modest wages to the rather low paid strenuous agricultural work.

ployment and income generation components, thus in terms of eradication of poverty those strategies have not been effective as envisaged.

Issues and Challenges

The macroeconomic and structural adjustments, which have been taken place since 1977, directly or indirectly have made adverse effects on the poverty focused development programmes. The macroeconomic policies aimed at market stabilization in the short and medium terms. The policies involved with budget accounts and the local and foreign indebtedness. The aim was rapid restoration of macroeconomic balance with policies to reduce level and composition of aggregate demand. In contrast, the structural adjustments focused on long term adjustment towards to the

opening of the market. The SAP has the long-term goals of improving the efficiency and the growth rate of the economy. It envisaged a rapid change in increasing the economic flexibility and adaptability through trade liberalization and regulating domestic pricing policies, combined with thorough institutional reforms through the structural adjustment and sectional adjustment loans. Amidst all these efforts, government introduced poverty alleviation special programmes, included with hunger and nutrition as priority targets, with the concept of sustainable growth. The programmes included for employment and income generation were not effective in action, as the macroeconomic policy failed to ensure the sustainability of micro-enterprises and inter-link them with the macro-entrepreneurs.

The agriculture policy was not enough revised to cope with the poverty centered development. Policy was reflected, from the priority for self-sufficiency of rice, that farmers were encouraged to produce as much as possible and use new technology and inputs, but deteriorating nature of both productivity and profits of the small farmer with increasing cost imbalances were not taken in to consideration.

Concluding Remarks of Poverty Targeting

Dimensions of the Problem

In spite of the economic achievements of many developing countries, the number of poor in the world increases and the levels of degradation of their lives tend to deepen with every passing year. There are two facets: on the one hand, the benefits of economic growth have not been equitably distributed and, on the other, the poor have been unable to adequately participate in the economic progress that the statistics of development indicate has taken place. Poverty in Sri Lanka is on the upward trend with the progress of economic growth.

The implication is that the solution to national poverty trends must involve wider participation of poor households in the foundations of economic growth in the country. The poor can only participate in economic growth if they have access to the means and ways of raising their 'economic' productivity, thereby improving their

incomes and the command they have over those things that determine their standards of consumption and conditions of living. The issue how to improve the productivity of poor households is the most urgent concern for policy planners responsible for poverty alleviation in countries like Sri Lanka. Increasing productivity both of small farming and rural industries deserve priority concern of policy planners if poverty alleviation to be realized.

Approach to Poverty Alleviation

In the context of Sri Lanka, rural poverty is indicative of the failure by policy makers to find the unique balance between redistribution and wealth creation that is required for sustained poverty alleviation. The efforts made on economic development in Sri Lanka has not had the impact on poverty that one could expect if the institutional reforms needed for wealth creation with greater equity are properly designed and implemented.

A higher emphasis was given to welfare based approaches to poverty alleviation, but even these have been implemented in ways that have been more beneficial for non-poor than the poor. Programme structures seem to be excessively politicized and people's aspirations bypassed by political interests. The structure of the Poverty Pyramids described for the study locations leads me to conclude that the poor need institutional backing to enable them to stand by themselves. The institutional support that they most need cannot be determined outside a framework of a participatory approach to self-help. Poverty alleviation needs considerable provision of subsistence relief assistance to be included in the income generation and saving enhancement programmes.

An effort was made to test the practicability of poverty pyramid approach both in poverty targeting and monitoring purposes in Sri Lanka (see Tennakoon, 1996). The poverty pyramid approach to poverty analysis examined in this presentation has confirmed the critical importance of raising the productivity of the survival activities of the poor. More specifically, poverty focused development programmes are necessarily aimed at: (i) creating access to productivity enhancing assets by the poor (in Sri Lanka this often translated into access to irrigation facilities); (ii) increasing the value of household production through more effective use of the skills and assets in poor households; and (iii) increasing the employment opportunities that poor households can take up. However, the processes by which these goals can be achieved are not simple. There are no hard and fast measures, shortcuts, for the design of

sustained poverty alleviation projects. Themselves can only base success on an adequate understanding of the constraints that are preventing more successful realization of the wants and the needs of the poor.

The use of Poverty Pyramid Framework

The Poverty Pyramids identified for the sample sites studied are an adaptation of that first presented in Remenyi, 1991 (see Tennakoon, 1996). In the test of this hypothesis, study identified five strata below the poverty line, beginning with the vulnerable poor at the bottom, followed by the labouring poor. Contrary to my expectation, smallholder farmers come above the labouring poor. As many smallholder farmers are subsistence households, it is expected them to be second to the vulnerable poor, trapped in their poverty and unable to escapes even to the world of the itinerant and opportunistic households of the labouring poor. In fact the smallholder poor come from households that are economically more robust than those in strata below them because of the asset base that their land provides, although in poor cropping seasons their poverty can be more intense than it is for members of labouring poor or other landless households.

The Self-employed Poor are the fourth sub-group of the Poverty Pyramid. This group of households comprises those who produce non-farm wage goods for the market using family labour. Many of the self-employed are part-timers, who share many of the same features as members of the smallholder and labouring poor, especially during their slack seasons of activity. During these times they compete for work in the market place, but the total value of the income they earn from their self-employment remains the primary and most important source of their overall household income. These households are typically well placed to progress up through the poverty pyramid and above the poverty line, if only the constraints that they face in expanding the income they can earn from their self employment can be relieved. Often these constraints have little or nothing to do with rural development strategies intended to improve agricultural productivity in their district.

The Entrepreneurial Poor are the employers in the poverty pyramid. Some small plantation owner/operators find a place in this strata of households poverty, but typically entrepreneurial households are those self-employed whose non-agricultural (manufacturing, small industries, commercial or services) income generation activities are successful enough to require at least on full-time waged employee. As with the self-employed poor immediately below them in the income hierarchy, the constraints that keep these households below the

poverty line are those that effect the success of rural diversification beyond agriculture and the growth of non-farm employment opportunities.

A close study of the strata making up the poverty pyramid presents the user with a guide to the questions that one must ask if one is to identify measures needed to increase household productivity in each layer of the poverty pyramid. Some of the critical questions are: (a) What policy measures need to be adopted to improve the productivity of the Vulnerable Poor?; (b) What sort of wealth creation strategies would be most appropriate to increase the productivity of Labouring Poor households?; (c) Which infrastructure investments should be given priority in order to improve the productivity of the Smallholder Poor stratum?; (d) What can be done to improve the productivity of the 'Self-employed Poor'?; (d) What can be done to improve the productivity of the 'Self-employed Poor'?; (e) What are the most important policy changes needed to nurture the business expansion opportunities available to the Entrepreneurial Poor? It is beyond the scope of this thesis to answer these questions in any comprehensive way, but I have attempted to offer some suggestions based on the outcome of the survey responses. The suggestions made are consistent with the conclusion that poverty targeting requires the tailoring of poverty alleviation measures to each class of household in poverty, in addition to the macroeconomic measures that contribute to the creation of a prosperous environment in which the self-help efforts of the poor are more likely to succeed.

The Poverty Pyramid approach to poverty analysis not only aid in poverty targeting. It also provides signs of success, including structural changes, which should be observable in relation to internal movements of households across the layers of the Poverty Pyramid. If poverty targeting is appropriately designed and if the macroeconomic environment is favourable, a considerable proportion of poor households in the top three layers of the Poverty Pyramid (i.e., Smallholder Poor, Self-employed Poor and Entrepreneurial Poor) will be seen to be the early beneficiaries as they either traverse over the poverty line or move upward in the income rankings to a better position in the Poverty Pyramid. Investments that expand labour intensive manufacturing or small industries will benefit the labouring poor, enabling a greater number to raise their incomes through more regular work or access to permanent wage employment. Similarly, the benefits of increased economic activity in the poverty pyramid should spread to households at all levels of

Contd. on Page 31

the income scale below the poverty line. In time the structure of the poverty pyramid will change as more and more households migrate up and then above the poverty line. In time the poverty pyramid will appear to have been inverted. In upward trends the shape of the top starter can be enlarged, while in downward trends bottom strata can be enlarged more than the usual shape.

It is worthwhile to investigate in to the dimensions and interrelationships of the Poverty Pyramid in the context of poverty monitoring. There are two categories of interrelationships between communities of poor people that make up the Poverty Pyramid: (i) geographic or spatial dimensions of poverty; and (ii) internal or vertical dimensions of poverty. Spatial dimensions of poverty are reflective of regional or spatial characteristics of poverty that can also be seen as 'horizontal dimensions of poverty relations' in the Poverty Pyramid. Typically, these dimensions of poverty are based in an anthropological and geographic analysis of resources management in developing economies. The internal or vertical dimensions of poverty are based on the mechanisms, which identify migrations into, or up through and out of the poverty pyramid (Baker and Grosh 1994; Remenyi 1995).

The task of 'operationalising' a poverty audit based on the Poverty Pyramid framework is deceptively simple. Remenyi, 1994, has reduced the issues to which one must attend to a

series of six Guidelines' that he summarised as follows:

Guideline 1: poverty alleviation projects must directly involve the in the target population in the design, implementation and monitoring phases of the poverty targeted projects.

Guideline 2: poverty alleviation projects should have an immediate and discernible positive impact on the productivity of the poor households as a result of any one or more of five basic processes:

- i. increased cash flow into poor households;
- ii. increased total value of output from the microenterprises or survival activities of the poor;
- iii. decrease in resource under employment in poor households,
- iv. an increase in the real income of poor households as a result of a fall in the cost of 'wages goods'; or
- v. an increases in the asset base of poor households.

Guidelines 3 to 6 refer to the importance of deliberate and systematic planning for the distribution of access to resource endowments, investment in technical education and human resource endowment, the creation of procedures for the protection of justice and equity issues, (especially those relating to gender), raised in the course of project implementation, and provisions of basic needs (*ibid.*, 1994, pp. 285-292).

In the interest of poverty focused and employment

and income centred development, following issues need to be studied, *i.e.* (i) adequacy of policy framework for poverty alleviation, and (ii) improving policy framework adequately to provide facilities for total beneficiaries with equity. The programmes need to be centred on employment and income generation, solving the constraints that faced by poor by the lack of investment capacity. Therefore, assistance to poor should have to be involved in creation of well running economic process, which would help to improve the value-added attributable to economic survival of the poor. This process would reduce poverty and enhance the well being of the poor as follows:

1. Average output per person can be increased in a decline in unemployment and under employment, which in turn would increase labour productivity,
2. Use of new technology and implements will increase production efficiency, productivity and output per person,
3. Introduction of new products can increase productivity and allows economic resources to be shifted to profitable and advantage products,
4. Expansion into new markets can secure prices and profit margins increasing productivity, and
5. Linking micro entrepreneurs with the macro economic performance and expansion of technical education and vocational training can increase management skills of the poor and their productivity.