

Human Development in a Knowledge-Based Society: Sri Lankan Scene, edited by A.D.V. de S. Indraratna, published by the Sri Lanka Economic Association (SLEA), pages 263, ISBN: 955-620-018-5, 2004

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The book is an outcome of the proceedings of the Annual Sessions of the SLEA in mid-2004 and includes 10 Chapters, which are divided into six Parts. Each Part links Human Development to a specific area of economic progress, *viz.*, poverty, growth, services (financial), education and health, technology and productivity, and competitiveness. Some Parts are accompanied by comments from discussants but some do not carry comments. After the Preface by the editor, the book begins with Chapter 1.

Chapter 1 by the editor is on Human Development and Poverty. After presenting a critique of the Human Development Index (HDI) (used by UN Human Development Reports), the author uses Sri Lankan data on HDI and poverty to show that high HDI does not necessarily mean that poverty has reduced. The author goes on to show that combating poverty needs specific policies such as rural development centred around agriculture, promotion of small and medium enterprises (SMEs), etc., and this is the most effective way to enhance human development, which in turn, will lead to greater employability and productivity.

In Chapter 2, Rehman Sobhan, shows that addressing poverty needs a totally different new approach from the conventional wisdom. He bases his argument on the failures of the Bretton Woods Institutions led structural adjustment packages (and later Poverty

Reduction Strategy Papers [PRSPs]) to effectively alleviate poverty. He argues that structural injustice in distributing productive assets, marketing, human development programmes, and governance remains the major source of poverty and exclusion. It is not by programmes that target the poor that poverty could be eradicated says the author, but by democratizing development by directly integrating the poor to the growth process. After providing a comprehensive critique of PRSPs, Sobhan presents a new programme to eradicate poverty and calls for a new-generation of pro-poor structural reforms.

In Chapter 3, Nimal Sanderatne examines the Growth-Human Development debate and argues that both are needed for enhancement of each other. High growth alone cannot enhance Human Development as shown in some Middle East Countries and during the early years of economic liberalization in Sri Lanka. Growth is only a means to achieve an end, *i.e.*, human development. The author argues that in Sri Lanka, high achievements in human development did not contribute to low growth, but it was wrong policies and external shocks that contributed to low growth. In any case, the author argues that growth has to be sustainable if it is to make a contribution to enhance human development and the quality of growth matters, as the 1996 UN Human Development Report has cogently articulated. Sri Lanka's recent pattern of growth with increasing inequality underscores the need for more broad-based and sustainable growth.

Thenuwara, in Chapter 4, addresses the importance of the delivery of financial services to alleviate poverty and enhance human development. While the shift of the resources from surplus sectors to deficit sectors could bring financial services closer to the poor, for them to reach grassroots levels some innovation in financial delivery is necessary.

This is because there is a low demand due to the low purchasing power of the poor and this discourages supply of financial services by the private sector. Moreover, the well known problems of moral hazards and adverse selection further discourage generous allocation of financial services to the poor. It is in this context that innovative schemes such as micro-credit programmes, Grameen Model based lending, etc., becomes important and the author argues that they have to go hand-in-hand with other pro-poor delivery services to make an effective impact on reducing poverty.

In Chapter 5, Swarna Jayaweera argues that the multi-dimensions of Human Development indicate that the inter-face of education with political, economic and socio-cultural environment is crucial to the success of education as an agent of total development process and presents a six-point programme on education reform. The challenge in the area of human development is to provide employment-oriented training in two tiers of vocational institutions distributed equitably in districts, i.e., (1) between general education and employment, and (2) between University education and employment. It is argued that career guidance counselors should work in close association with district training centres and national education bodies to meet the challenge.

Daya Samarasinghe, in Chapter 6, argues that the health sector reforms are necessary with emerging new problems and increase in demand for health service with technology, social, demographic and global changes. The post-1977 health reforms attempts of 1980, 1993, 1997, and 2003 have not been very successful due to inadequate consultation with stakeholders and inadequate public and parliamentary debates.

Samarasinghe argues that for reforms to be successful: (a) recommendations should be prioritized and implementation plans should be well developed; (b) timing of implementation should preferably be in the early years of a government in office; (c) reformists should be well organized and market the reforms through active public debate; and (d) the political leadership should strongly support reform. Samarasinghe concludes by stating that all is not lost. Some reforms appear to be successful to the extent of having a snowballing effect, others are being implemented but need close monitoring and fine-tuning while some others are in the drawing board subject to critical analysis.

Development of Information Communication Technology (ICT) to assist the poor is the theme of Chapter 7 by V.K. Samaranayake. The author highlights some of the existing ICT programmes such as JobNet, Cyber Trade, Sri Lanka Bureau for Foreign Employment Website, Govi Sahanaya Programme, Multi-Purpose Tele Centre (Sarvodaya), etc., to assist the lower-middle class and poor people. However, the author argues that these programmes function in an isolated manner and do not follow an integrated national effort and are therefore inadequate to meet the challenges of poverty. The author identifies governance, education, health, and agriculture, as the four areas where ICT can help poverty alleviation and some of the innovative international practices (based on the Petersburg Prize) in these areas are highlighted. The author argues that a number of ICT issues which fall within many Ministries have to be resolved before introducing an integrated approach where the provision of information and services could help people to overcome poverty.

Chapter 8 by Sunil Chandrasiri is the only paper in the book which uses an econometric model. Here, a simultaneous equation model is used to find the intra-link between technology and productivity in Sri Lanka. The model overcomes the shortcomings of the previous studies on the subject matter and uses the Structure-Conduct-Performance framework used in Industrial Organization theory. The findings do not show technology as a determinant of productivity (measured in relative terms), but industrial concentration is found to be an important determinant of productivity and this result clearly does not support the traditional Schumpeterian argument.

In Chapter 9 Mahendra Amarasuriya shows the inadequacy of the Porter's (1990) Competitive Diamond framework in determining the competitive advantage of a nation in the modern day world where Knowledge-Management techniques in firms have progressed to unprecedented levels. Competitive strength today depends on speed, agility, managing knowledge-flow and all large global companies have formal knowledge-management programmes. In Sri Lanka, only one or two corporates have such programmes and many companies are not 'Knowledge-Ready' to face competition in a knowledge-based global market. While highlighting the need for firm levels innovation, he points out that the government has to play a facilitating role for the private sector to exploit knowledge-based techniques for the advantage of Sri Lanka.

The final Chapter (10) by Anura Ekanayake is on Competition, Industry and Consumer. Ekanayake shows the advantages of trade liberalization, however, he cautions that if trade liberalization is not accompanied by corresponding liberalization of factor markets (land, labour, and capital), development of infrastructure and promoting a competitive

environment, the survival of domestic industries will be under threat and lead to job losses. Such a scenario can strengthen lobbies to reverse the trade liberalization process, thus it is important to sequence the trade liberalization to bring minimum disadvantage to domestic industry and maximum benefit to the consumer.

What has been elaborated above is an overview of the Chapters. The Chapters themselves have not been subjected to a critical analysis and this task is left to another subsequent reviewer. Moreover, the contents of the discussants have not been examined by the reviewer.

Based on the initial reading it is noted that the book lacks an overall introduction, however, the abstracts of each Chapter somewhat makes up for it. After the Human Resources Development Review 1992/93 (Human Resources Development Council, 1994) and the National Human Development Report: Sri Lanka (UNDP, 1998) there has not been a comprehensive report on Human Development in Sri Lanka. In addition to giving an up-to-date account on Human Development, the report brings in the new Knowledge-based dimension and in that sense it is an important contribution and fills in an existing void in the existing local literature on the subject. Most of the Chapters are backed by good research efforts and a number of references on the subject which may prove useful for a broad spectrum of scholars. The authors and editor must be applauded for their effort.

All in all, it is a timely publication when Sri Lanka is lagging behind in knowledge-based techniques compared to many of her competitors. The book gives a clear message, *i.e.*,

Sri Lanka can no longer sit on her laurels of achieving high HDIs to face the future challenges of the global economy. There is a long way to go for Sri Lanka to be Knowledge-Ready and the policy apparatus should be well geared to face the challenge. If not, it would be another case of “missed opportunities” for Sri Lanka. The contents of the volume could be of great interest and value for policy makers and administrators as well as students, teachers and researchers in economics.

(The review is based on the Introduction to the Book made at the launch of the publication organized by the Sri Lanka Economic Association, OPA Auditorium, 25 January 2005).

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