

Research Studies: Poverty & Income Distribution Series No. 4

December 1999

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## The Integrated Rural Development Programme in Sri Lanka: Lessons of Experience for Poverty Reduction

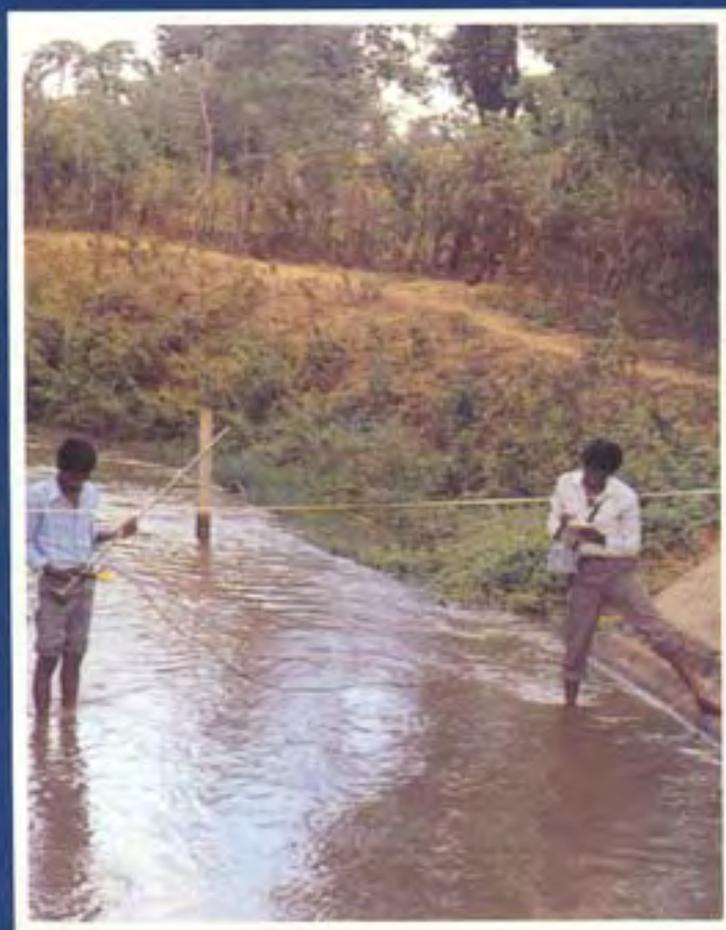


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**THE INTEGRATED RURAL DEVELOPMENT  
PROGRAMME IN SRI LANKA:  
LESSONS OF EXPERIENCE FOR POVERTY  
REDUCTION**

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This paper is based on a report prepared by Ramani Gunatilaka and Tushara Williams of the Institute of Policy Studies for the Formulation of Policy Framework for Poverty Alleviation Project funded by the World Bank and the UNDP.

## CONTENTS

List of Tables.....	i
Abstract.....	ii
Acknowledgements.....	ii
Executive Summary.....	iii
1. INTRODUCTION.....	1
1.1 STARTING POINTS .....	1
1.2 WELFARE POLICY IN SRI LANKA .....	2
1.3 THE INTEGRATED RURAL DEVELOPMENT PROGRAMME .....	6
2. INCREASING THE PRODUCTIVITY OF LAND, LABOUR AND CAPITAL IN RURAL AREAS.....	8
2.1 INTRODUCTION .....	8
2.2 IMPACT ON PRODUCTIVITY, INCOMES AND EMPLOYMENT .....	9
2.3 PROGRAMME-SPECIFIC CONSTRAINTS .....	15
2.3.1 Design weaknesses .....	15
2.3.2 Seemingly endemic, approach-specific problems.....	16
2.4 EXOGENOUS CONSTRAINTS .....	20
2.4.1 Initial Conditions .....	20
2.4.2 Market Conditions .....	23
2.4.3 Contradictory Government Objectives .....	24
2.5 SUMMARY CONCLUSIONS.....	25
3. IRDP INTERVENTIONS IN SOCIAL WELFARE INFRASTRUCTURE.....	27
3.1 INTRODUCTION .....	27
3.2 THE IMPACT OF IRDP SOCIAL WELFARE INTERVENTIONS.....	29
3.3 PROBLEMS ENCOUNTERED.....	30
3.3.1 Programme-specific Constraints.....	30
3.3.2 External Constraints .....	32
3.4 SUMMARY CONCLUSIONS.....	34
4. PROGRAMME MANAGEMENT AND IMPLEMENTATION.....	35

4.1 INTRODUCTION .....35

4.2 CHARACTERISTICS OF SRI LANKA’S INSTITUTIONAL FRAMEWORK.....36

    4.2.1 Structural Deficiencies.....36

    4.2.2 The Political Economy of Development Institutions at Local Government Level .....36

4.3 THE IRDP’S COPING STRATEGY.....41

    4.3.1 District-centred Planning and Implementation .....42

    4.3.2 The Impact of Devolution and Decentralization .....44

    4.3.3 Regional Rural Development .....45

4.4 CONCLUDING REMARKS .....47

5. CONCLUSIONS AND POLICY IMPLICATIONS.....48

REFERENCES.....52

**LIST OF TABLES**

Table 1.1	:	Welfare Expenditure as % of Total Government Expenditure and GDP (1994-1998)	4
Table 1.2	:	Composition of Total Welfare Expenditure 1997	5
Table 1.3	:	Expenditure on the Integrated Rural Development Programme by District	7
Table 2.1	:	IRDP Projects in Agriculture	12
Table 2.2	:	IRDP Interventions in Agriculture	13
Table 2.3	:	IRDP Interventions in the Non-Farm Sector	14
Table A1	:	Social Expenditures of Potential Benefit to the Poor (SLR Million)	56

## **Abstract**

This paper aims to extract the lessons of experience from the Integrated Rural Development Programme that have a direct bearing on the current policy initiative to reformulate macroeconomic and sectoral policies to include a pro-poor bias. Thus, the present paper analyses the IRDP process in terms of increasing productivity, incomes and employment among the poor, improving access to social welfare services, and programme implementation and management at district-level.

The study finds that although programme interventions certainly made life a little more bearable for the poor, the gains were short-lived. This was because of project specific constraints, and logistical problems, problems endemic to this type of approach, the lack of maintenance of infrastructure assets, the absence of economic dynamism in the rural hinterland, and continued segmentation of markets. Outcomes fell short of expectations also because of inherent structural and other weaknesses in the public institutional apparatus that made co-ordination, planning, programming and implementation difficult.

Policy directions that emerge from the study are as follows. First, a strong investment push is needed to link the rural economy with the expanding urban economy and so generate a growth dynamic in rural areas. Secondly, raising incomes and employment among the poor requires a differentiated strategy. The first-prong should include micro-level interventions focused on households that help reduce the vulnerability of poor people. The second prong should concentrate on building up a qualitatively dynamic entrepreneurial class among those poor who already have the necessary skills. Thirdly, more attention needs to be given to maintaining infrastructure. Finally, the capacity of the public service to manage and implement such programmes should be enhanced through institutional reform.

## **Acknowledgments**

This study is part of the Formulation of Policy Framework for Poverty Alleviation Project that aims to formulate macroeconomic and sectoral policies to include a pro-poor bias. It is funded jointly by the World Bank and the UNDP, and co-ordinated by the Department of External Resources, Ministry of Finance and Planning. The present study on the Integrated Rural Development Programme was financed by the UNDP, whose assistance the authors gratefully acknowledge. Initial drafts of the report benefited from the insightful comments of Harsha Aturupane (Team Leader), Sunil Chandrasiri, M.U.A. Tennakoon and other members of the Technical Team of the Poverty Alleviation Project. The authors also gratefully acknowledge comments from Pat Alailima (Department of National Planning, Ministry of Finance and Planning), S. Amerasekera (Rural Development Division, Ministry of Plan Implementation), Wimal Hettiarachchi (IPS), S.A. Karunaratne (IPS), Faiz Mohideen (Department of External Resources, Ministry of Finance and Planning), Dixon Nilaweera (Ministry of Finance and Planning) and Shelton Wanasinghe (IPS). Asoka Kasturiarachchi (UNDP) read the final draft with even more enthusiasm than he read any of its predecessors, and was a constant source of encouragement. Officials of the Regional Development Division, Ministry of Plan Implementation, in particular Chintha Chethiyawardene, were characteristically generous with data, documentation, advice and critical comments. Premala de Mel's (Ministry of Finance and Planning) constant reminders about deadlines kept this study firmly on track, and Anoja Jayasuriya (IPS) skillfully formatted the original document into publishable form. However, none of these persons is responsible for any errors or omissions or the views expressed which remain the authors'.

## EXECUTIVE SUMMARY

The objective of the study is to extract the lessons of experience offered by the Integrated Rural Development Programme (IRDP) that have a direct bearing on the current policy initiative of reformulating macroeconomic and sectoral policies to include a pro-poor bias. Thus, the present paper analyses the IRDP process in terms of increasing productivity, incomes and employment among the poor, improving access to social welfare services, and programme implementation and management at district-level.

### Increasing Productivity, Incomes and Employment

- 1) The available evidence indicates that the IRD Programmes have had positive impacts on raising productivity, incomes and employment, and have certainly made life more bearable for many poor people in the short term. But few of these gains have been sustained beyond the life of the programme. Even so, the experience has yielded some useful lessons that should be kept in mind for any subsequent rural development efforts.
- 2) While several project-specific design faults may have resulted in the level-effects falling short of expectations, the limitations of participatory credit programmes and supply-driven training programmes have constrained their ability to catalyse change.
- 3) Other obstacles, external to the programme have worked against the generation of a growth dynamic. The initial endowment of resources that a household has access to, both in terms of its own assets, as well in terms of the agro-climatic, infrastructure conditions of its environment is fundamental to success. Betting on the weak, as such programmes have done, is unlikely to generate any growth dynamic. This indicates that a dual strategy may be needed.
  - Continue with interventions which revolve around own account activities based on individual or household initiatives, and reduce the vulnerability of the poor. Key areas for interventions are finance and markets.
  - Build up a qualitatively dynamic entrepreneurial class from among those with greater resources, skills and aptitudes. This would require a package of measures to promote small and medium enterprises. These should include finance and marketing, production technology, accounting practices for small businesses, management and labour training.

- 4) Effective arrangements for maintaining the infrastructure facilities created and making sure that beneficiaries continue with new management practices have yet to be found. The programme needs to be followed up with re-training efforts, but line agencies have indicated that it will be difficult to maintain support services at the same level after the project closes.
- 5) A large investment push is also needed to integrate the rural economy with the more dynamic urban sector and so launch it on to a dynamic growth path, else the gains achieved are quickly eroded through inflation and changing terms of trade.
- 6) Current attempts to re-orient the programme on a regional development framework, with both micro and meso level interventions appear to be timely. But a fundamental determinant of how effective they are going to be, will be the amount of resources that the government will be able to commandeer to implement them. Until the macroeconomic constraints on creating the envisaged push of productive investment are eased, policy makers, not to mention the poor, may have to reconcile themselves to holding operations that concentrate on micro-level interventions.

#### The Contribution of the IRDPs to Develop Social Welfare Infrastructure

The study finds that although programme-specific objectives such as increasing poor people's access to welfare facilities have been achieved, at least during the life of the programme, it has fallen short of achieving its overall goal of reducing urban-rural disparities.

- 7) Outcomes fell short of expectations partly because many of the interventions were planned without the participation of end users. Meanwhile, technical deficiencies affected the final quality of the assets created.
- 8) Other reasons for sub-optimal outcomes were the lack of ownership and supporting inputs from government line agencies. Thus, although class rooms and teachers' quarters were constructed, there was a shortage of teacher cadres, particularly in science, to make use of them.
- 9) The local governments' lack of ownership and of financial and other resources to maintain the infrastructure assets affected the long-term viability of the projects.
- 10) Issues related to maintenance and long-term sustainability indicate that it is difficult to sustain any gains achieved by such programmes beyond their life, without a substantial generation of surplus. The generation of a growth dynamic, as well as a thorough revamping

of the supportive administrative system are essential to achieve the objective of reducing rural-urban disparities in the long term.

#### Programme Management and Implementation

Development programmes such as the IRDPs that aim to increase the productivity of poor people need the support of key public services to be effective. The quality of the administrative service and the efficiency of line agencies are key determinants of programme success. But the study indicates that the IRDP strategy has had to cope with a series of challenges posed by a dysfunctional institutional framework, as well as with the upheavals associated with periodic changes made to it.

- 10) Centralisation and the proliferation of institutions has made participatory planning difficult on the one hand, and given rise to endemic problems in co-ordination, planning, programming and implementation on the other. Remedial measures such as inter-organisational committees or 'one-stop service centres', have only aggravated the problem. Ad hoc efforts at devolution and decentralisation have made them worse.
- 11) The political culture of patronage and revenge is an underlying theme in the dysfunctional nature of the public institutional system and development policy and planning at grassroots level. The political tribalism that has been generated in an otherwise loosely structured society has made the political party a centralising force in a devolved structure of government.
- 12) The political economy problems are likely to be more complex in the proposed regional approach. Political factionalism and problems related to the pooling of resources and the co-ordination of planning and implementation are likely to be magnified at regional level.
- 13) There now appears to be a need to go beyond the immediate causes of the dysfunctional nature of Sri Lanka's institutional apparatus and inquire into the political economic origins of the prevailing malaise. Such an analysis is likely to re-define the parameters of an administrative reform strategy that may have more chances of success. This is an area for future research.
- 14) A concerted effort at reducing the total size of government, strengthening civil society and, stimulating the growth of an independent and dynamic private sector, may be the first steps to tackling the problem.

## 1. INTRODUCTION

### 1.1 STARTING POINTS

Over the last decade, a broad consensus has emerged about the policy approach needed to reduce poverty. Its main elements are as follows: (a) market-oriented, growth-inducing policies, particularly those that expand opportunities for production and remunerative employment among the poor; (b) widespread access to social services such as health, education and fertility control; and, (c) targeted transfer schemes such as food stamps, subsidised food distribution and nutrition programmes [World Bank (1990); UNDP (1996), (1997); Bardhan (1995); Fishlow (1995); Killick (1995)]. Analysts are also agreed that effective poverty reduction at the grassroots level requires the mobilisation and participation of the poor themselves.

None of these strategies is new to Sri Lanka. Public provision of health and education services and subsidised food distribution programmes, have been in place since before the Second World War. And, while the economy was highly regulated and inward looking for much of the post-independence period, policy makers have been committed to a market-oriented, growth-inducing policy framework since the 1977 liberalisation. However, at the same time, the cutting back of welfare services was limited to replacing the free rice ration scheme with a targeted food stamps programme in 1977 and allowing its real value to erode. Programmes to increase productivity, incomes, and employment among the poor through micro-finance credit and rural infrastructure provision have also been implemented, particularly during the last two decades. The Integrated Rural Development Programme (IRDP), the subject of this paper, belongs to this category. Two major income transfer programmes - the Janasaviya and Samurdhi Programmes - have also been in operation since 1989. But all these initiatives have, at best, had mixed results. Even though Sri Lanka's social development indicators such as life expectancy at birth and literacy rates are more in line with those of high middle-income countries such as South Korea and Malaysia, nearly a fifth of households remain below the poverty line.

The focus of policy makers has now shifted to reformulating macroeconomic and sectoral policies to include a pro-poor bias, and this review of the IRDP is aimed at extracting the lessons of experience that have a direct bearing on the current policy initiative. Thus, the present paper will analyse the IRDP process in terms of increasing productivity, incomes and employment among the poor, improving access to social welfare services, and building up the development planning and project implementation capacity of government agencies. Although these have not always been the objectives of the programme (for example, the first phase was not explicitly

aimed at reducing poverty), the IRDP experience still provides useful lessons because of the range of rural development initiatives that it has experimented with over the last two decades.

However, this paper is not an evaluation of the IRDP process. Since it is one of the best-documented rural development initiatives implemented in Sri Lanka, yet another evaluation would serve little purpose. But the fact that the IRDP has been the best-monitored and evaluated programme of its kind makes it the most suitable candidate for a review aimed at the current poverty policy agenda. Hence this study surveys a number of key evaluations and interprets the available evidence in this light. The literature, however, will provide the empirical bases for this exercise.

The paper is organised as follows. The rest of this chapter sets out the Sri Lankan welfare policy background to place the IRDP in its context. This is followed by an introduction of the IRDP itself in terms of the objectives and methodologies adopted at different stages of the process. Chapter 2 looks at the IRDP experience in creating the necessary conditions to increase productivity, income and employment among the poor, while Chapter 3 assesses IRDP interventions in creating social welfare infrastructure. Chapter 4 examines the institutional milieu of the programme, as well as its planning and administrative mechanisms. Chapter 5 concludes.

## **1.2 WELFARE POLICY IN SRI LANKA**

Sri Lanka's historical policy bias towards welfare is the result of a combination of socio-political forces. The most significant among them was the grant of universal franchise as early as 1931. Also catalytic were the early rise of the labour movement, the challenge of Marxist politics and the sectarian distributional conflicts<sup>1</sup> endemic to an ethnically and religiously diverse society (Jayawardene 1972; de Silva 1981). Meanwhile, the first-past-the-post electoral system, the demarcation and delimitation of electorates in favour of the rural voter in the hinterland, and the patron-client networks that formed the basis of electoral allegiance (Jayantha 1992), also forced the Sri Lankan State to be highly responsive to issues of poverty, inequality and welfare. These tendencies have been reinforced by arch rivalry between the two main political parties and a highly literate and politically mobilised electorate. Thus, competitive populism has long been a decisive factor in electoral politics.

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<sup>1</sup> For example, the colonial government was drawn into providing education as a result of nineteenth-century Buddhist-Christian confrontations over equal access to Western-style education: at that time Christians were in a position of advantage because of the proselytising educational activities of Christian evangelical missions. Similarly, public provision in health care began with the government undertaking to provide certain basic services to Indian migrant workers in the plantations and indigenous working classes agitating for similar benefits (de Silva 1981).

Contrary to the views prevalent in the mid-1980s (for example, see Bhalla and Glewwe 1986), the extensive welfare state has survived the 1977 turnaround in economic policy, when the highly regulated, inward-looking policy framework gave way to a market-oriented, growth-centred approach. Certainly, the costly rice subsidy was replaced by the targeted, food stamps programme, its real value allowed to erode, and coverage frozen, with some deleterious effects on the nutrition of certain vulnerable groups. But there was little significant change in the outlay on education and health. The wheat subsidy remained until the late 1980s, and several other programmes were added to the welfare basket. For example, beginning in the early 1980s, the government provided free text books to all school-going children. A decade later it was providing free mid-day meals and school uniforms. At the same time, a number of relatively low profile rural development programmes were implemented in areas that were not covered by the government's ambitious infrastructure development drive that included the Accelerated Mahaweli Development Programme. Donors largely drove these programmes. They included the Integrated Rural Development Programme, which began as a rural infrastructure gap-filling programme with a strong focus on production-related activities, and the Change Agent Programme, which introduced participatory methodologies and social mobilisation techniques to rural development.

The most significant change in welfare policy during the post-liberalisation period was the change in emphasis from universal subsidies to targeted income transfer programmes with development components. Beginning with the Janasaviya Programme (1989-94) there has been a marked shift, at least in rhetoric, of the image projected by the government on the poverty issue. Instead of being the universal provider, the government now projects itself as the facilitator of economic growth among the poor. The Janasaviya Programme was replaced by the Samurdhi Programme in 1995, following the change over to the People's Alliance' (PA) government at the 1994 General Elections. The Samurdhi Programme was a key plank in the new government's professed objective of introducing a human dimension to the open economic policy framework begun by the previous regime, which the PA pledged to continue. The programme consists of a kaleidoscopic rearrangement of the Janasaviya concept, but on a much larger scale. It has a large income transfer component (consuming at least 80 per cent of the total programme budget), a series of pro-poor credit programmes to help develop microenterprises and self-employment projects among the poor, and a much smaller rural infrastructure component.

Table 1.1: Welfare Expenditure as % of Total Government Expenditure and GDP 1994-1998

	1994	1995	1996	1997P	1998E
1. Social Welfare Expenditure as % of	29.9	34.3	35.4	32.7	32.7
2. Social Welfare Expenditure as % of Total Government Expenditure	23.1	24.7	27.8	27.8	24.7
3. Social Welfare Expenditure as % of GDP	7.4	8.3	8.5	7.3	6.7
4. Social Welfare Expenditure (excl. health and education) as % of Government Current Expenditure	9.1	13.6	16.1	13.6	10.0
5. Social Welfare Expenditure (excl. health and education) as % of Total Government Expenditure	7.0	9.8	12.7	11.5	7.6
6. Social Welfare Expenditure (excl. health and education) as % of GDP	2.3	3.3	3.9	3.0	2.0

Notes: P= Provisional; E= Estimated.

Source: Calculated from data from Government of Sri Lanka, Revenue and Expenditure Estimates (various years) and the Central Bank of Sri Lanka.

The government continues to implement a range of welfare schemes in addition to free health, free education and Samurdhi. Table A1 in the Appendix sets out the expenditure incurred under 14 of these schemes (including health and education) during the last four years. However, the programmes set out in Table A1 do not comprise all the support services available for the poor. For example, the government is also involved in distributing free roof tiles, and in giving housing loans at subsidised rates of interest. There are, in addition, a myriad of production-related support services such as training with a stipend for handloom workers carried out by the Provincial Departments of Textile Industries, credit for minor export crop development by the relevant statutory board, and projects to subsidise and upgrade fishing equipment implemented by the Ministry of Fisheries and Aquatic Resources. But reliable data on such measures are hard to extract.

It can be seen from Table 1.1 that social welfare expenditure has accounted for roughly 32 per cent of the government's current expenditure, nearly a quarter of total government expenditure, and nearly 8 per cent of GDP, between 1994-1998. The bulk of social expenditures is consumed by the health and education budgets. For example, if expenditure on health and education is excluded, the total welfare bill has consumed on average 13 per cent of current expenditure, and 3

per cent of GDP during the same period. The relative importance of the different welfare schemes in the welfare budget is evident in Table 1.2 which sets out the composition of total welfare expenditure for 1997. Education consumes nearly 40 per cent of the total budget. Health accounts for a fifth, and Samurdhi accounts for 15 per cent.

Compared with the majority of welfare programmes (excluding health and education) set out in Table A1 in the Appendix, the IRDP consumes relatively little of total welfare expenditure. And, as Table 1.3 reveals, the cumulative expenditure on the programme after twenty years in operation is nearly equivalent to what Samurdhi spends in a single year. But whereas most of the other programmes have been ad hoc and politically driven, the IRDP has withstood the vicissitudes of time and political change. Its strong emphasis on production and infrastructure development further distinguishes it from the rest.

Table 1.2: Composition of Total Welfare Expenditure 1997

Type of Assistance	1997 (Provisional) %
1. Free Public Education	37.9
2. Free Public Health Services	20.6
3. Samurdhi	14.9
4. Public Assistance (indigents and invalids)	7.3
5. NDTF Poverty Alleviation Project	5.7
6. Emergency Food (for Internally Displaced Persons)	5.0
7. Fertiliser Subsidy	3.2
8. IRDP Programmes (a)	2.5
9. Wheat Flour Subsidy	1.7
10. Janasaviya	0.9
11. Infant Milk Subsidy	0.2
12. Triposha	0.1
<b>TOTAL</b>	<b>100.0</b>
Notes: (a) = Includes Southern Development Project. By 1997, the Samurdhi Programme had completely replaced the Janasaviya Programme. However, the government continued to incur some residual administrative costs under the earlier programme.	
Source: Calculated from data from Government of Sri Lanka, Revenue and Expenditure Estimates (various years) and the Central Bank of Sri Lanka.	

### 1.3 THE INTEGRATED RURAL DEVELOPMENT PROGRAMME

The IRDP was first launched in 1978 to bring about multi-sectoral regional development in areas not covered by large, high priority projects such as the Accelerated Mahaweli Development Programme, the Urban Development Programme, the Free Trade Zones and the National Housing Development Programme. And although not explicitly stated in the relevant project documents, the programme was also the first-ever systematic attempt to plan and implement multi-sectoral programmes at sub-national level to address the problem of regional disparities in income and standards of living.

Its overarching objective has been to improve the living standards of the rural poor in the districts where it is implemented. The process began with the Kurunegala (District) Integrated Rural Development Project financed by the World Bank. Encouraged by continuing donor support, the programme has since gone on to cover at least 15 districts, although programmes in the Northern and Eastern Provinces were soon suspended due to the deteriorating security situation. Table 1.3 sets out the cumulative expenditure incurred under each programme up to 1997. A general cause for concern has been the under-utilisation of allocated funds, particularly since the donor funds consist of grants rather than loans. The relatively slow movement of funds probably reflects the low absorptive capacity of the implementing machinery.

The first generation of IRDPs analysed the resources and needs of each district on a sectoral and sub-sectoral basis, and identified projects to deal with identified constraints. But within four or five years the focus moved from implementing simply minor rural infrastructure projects to area-based and target group-oriented poverty alleviation strategies. Programme design changed from District level sectoral programmes to target group-oriented interventions that concentrated on the poorest in the poorest geographical regions. Thus, whereas the earlier IRDPs concentrated on investment in minor rural infrastructure, since 1989 microcredit schemes and income generating activities have received more attention.

Re-orientation of programme objectives was paralleled by a change in the planning approach adopted. Programme planning in the first generation of IRDPs was fairly rigid and carried out by technocrats and donors based in Colombo and abroad. The executing agencies provided little input to the planning process, and merely implemented the programmes. However, bi-lateral donors such as SIDA, NORAD and the Royal Government of the Netherlands adopted a more flexible approach that sought the participation of beneficiaries as well as of executing agencies. They also introduced more participatory rural development concepts and models that included

social mobilisation methodologies which had become the dominant paradigm in rural development work by then.

Table 1.3: Expenditure on the Integrated Rural Development Programme by District

Districts/Projects	Source of Foreign Aid	Estimated Investment Cost			Cumulative Expenditure At end 1997
		Rs. Million			
		Foreign Aid	Local	Total	
1. Matara (1979)	SIDA	599	73	672	625
2. Hambantota (1979)	NORAD	1330	50	1380	1112
3. Nuwara Eliya (1979)	NETHERLANDS	826	26	852	657
4. Badulla (1981)	IFAD/SIDA/UNDP	1116	297	1413	757
5. Ratnapura (1984)	NETHERLANDS	627	64	691	425
6. Moneragala (1984)	NORAD	1156	57	1213	767
7. Kegalle (1986)	IFAD	408	228	636	608
8. Kalutara (1987)	FINNIDA	397	120	517	476
9. Kandy (1987)	GTZ	494	41	535	186
10. Gampaha (1989)	JICA	1971	204	2175	1755
11. Southern Province Rural Development Project (1991)	ADB	1920	480	2400	1662
12. Integrated Basic Services Project - Puttalam (1992)	UNICEF	106	53	159	117
13. Human Resources and Institutional Development Project (1992)	SIDA/NORAD	91	3	93	68
14. North Western Province Dry Zone Participatory Development Project (1993)	IFAD/GTZ	629	235	864	261
15. Irrigation and Community Development Project (1994)	EC	376	81	457	41
16. North Central Province Participatory Rural Development Project (1996)	IFAD/SIDA/WFP	948	395	1344	59
17. North Central Province Rural Development Project (1997)	ADB	1060	584	1644	166
18. Regional Economic Advancement Programme (1997)		n.a.	n.a.	n.a.	13
<b>TOTAL</b>		<b>14053</b>	<b>2991</b>	<b>17044</b>	<b>9754</b>

Source: Central Bank of Sri Lanka, Annual Report 1997.

Notes: Date of commencement in parentheses.

Thus, the IRDPs have constituted a constantly evolving approach to rural development, not only adapting to area-specific needs, but also developing to accommodate changing government and donor priorities. Flexibility has also meant that the objectives of the programme have been general rather than specific. Thus, raising income levels, reaching the poorest, paying special attention to women and marginalised groups, maintaining the ecological balance, and stimulating bottom-up planning approaches have been key objectives of the programme. Projects have included primary health, education, water supply and sanitation, rural roads, support for agriculture (by providing irrigation, extension services, credit, input supply, crop development subsidies, etc.), reforestation and soil conservation, and support for microenterprise development (entrepreneurship training, credit, service facilities, etc.). Data on total programme expenditure under each of these heads are not available as expenditure has not been classified uniformly across the programmes.

Since 1997, there has been a further re-orientation of the IRD process, brought about by perceptions of persistent inter and intra-regional disparities and poverty. As earlier efforts were seen to have failed to bring about dynamic change in regional and village economic structures, the focus has shifted to generating regional growth and the generation of income and employment opportunities. The spatial unit for planning is no longer the district but the region, based on agro-ecological conditions and the functionality of systems such as transport and marketing rather than on administrative boundaries. This is in addition to micro-level interventions such as self-employment generation and self-help credit schemes that have been a feature of the IRDPs. The new approach is also expected to strengthen regional authorities such as the Province, District, Division and Pradeshiya Sabha (local government authority) (MPIEANI 1997).

The latest re-orientation is too recent to be included in the present review. Even so, its proposed objectives and methodologies are assessed in the light of the previous experience, where appropriate.

## **2. INCREASING THE PRODUCTIVITY OF LAND, LABOUR AND CAPITAL IN RURAL AREAS**

### **2.1 INTRODUCTION**

IRDP interventions aimed at increasing productivity, income and employment focused on both the farm and non-farm sectors. In later programmes, these interventions have been backed by social mobilisation efforts to introduce participatory processes in programme design and implementation and initiatives to build capacity at grassroots level. In agriculture, interventions

have focused on six sectors: paddy, small-holder tea, rubber and coconut development, minor export crop development (pepper, cloves and cardomoms), animal husbandry, fisheries and agro-forestry. Along with the introduction of soil conservation techniques, the latter also featured in strategies to arrest environmental degradation and shore up the productivity of land. Interventions ranged from constructing, rehabilitating and restoring irrigation works, granting credit, subsidies and planting materials, to providing training and extension services. In the non-farm sector, the emphasis was on providing assistance for self-employment generation and microenterprise development. Interventions ranged from providing capital grants, loans and technical and management training, to constructing demonstration units and service centres for rural industries.

The objective of this chapter is to review the IRDP experience in creating the necessary conditions to increase productivity and income, and generate employment. It is not intended to focus on individual IRDP Programmes. Instead, the analysis will take a fresh look at the process in order to extract lessons for future government and non-government interventions that have similar objectives. It will try to find answers to the following questions: (a) To what extent have interventions been successful in raising productivity, income and employment?; (b) What factors influenced project outcomes?; (c) What are the lessons for the future?

The chapter is organised as follows. Section 2.2 gives a brief overview of the impact of the IRDP process on raising productivity, incomes, and employment in rural areas. Section 2.3 looks at project or approach-specific constraints that have been encountered, while Section 2.4 looks at some exogenous constraints that constrained the growth objectives of the programme. Section 2.5 concludes.

## 2.2 IMPACT ON PRODUCTIVITY, INCOMES AND EMPLOYMENT

On the whole, evaluations of the IRD Programmes state that interventions to increase productivity, employment and incomes in the agricultural and non-farm sectors had a favourable impact on beneficiaries. However, it is difficult to determine to what extent the positive results can be attributed to the programme alone. Other factors, notably exogenous factors such as weather conditions are likely to have played a significant part. Moreover, IRDP interventions in these sectors were undertaken alongside parallel interventions carried out by other government and non-government agencies. Relative to the programmes carried out by the former, IRD projects are likely to have been relatively small, particularly as total IRD expenditure rarely exceeded an average of Rs. 1 billion each year.

Even so, project evaluations maintain that IRDP interventions in agriculture have been associated with increasing output and land use efficiency, improved crop management practices and, to some extent, greater agricultural diversification. For example, paddy output per acre in Hambantota increased from 30-40 tonnes in 1979 to 60-80 tonnes ten years later, and Jerve et al. (1996) attribute these achievements to IRDP interventions in irrigation. They also attribute the dramatic increase in fish production (from 5,500 tonnes in 1978 to 11,000 tonnes in 1988), to the Hambantota IRDP's strong involvement in the fisheries sector, but this may be debatable.

The promotion of non-farm activities also appear to have seen some incremental gains to household incomes, although data is hard to come by because book keeping standards are low. Nevertheless, Aturupane et al. (1996) estimate according to their survey data that beneficiaries of the Kegalle IRDP enjoyed earnings gains of Rs. 2000-3000 per month (1996:153). This represents a significant improvement to the household budget. At the same time, Jerve et al. note that the Hambantota IRDP has seen major increases in beneficiaries' possession of consumer durables (1992:93). Lakshman (1994) notes that the self-employment projects encouraged by the social mobilisation component of the Matara IRDP had a positive impact on married women: they provided opportunities for social interaction and personal development, and for earning extra household income.

Road construction projects carried out by the IRDPs helped integrate markets and improved the quality of life of rural residents. For example, road construction and rehabilitation in the Kurunegala, Matale and Puttalam IRDPs improved the flow of supplies and services by allowing buses and trucks to ply along these routes. Women found that improved access facilitated prospective employers to reach villages with offers of employment, even in West Asia. Small shops (at an average of two per village) opened providing new sources of employment. Buses and trucks provided farmers with easy access to markets for agricultural produce. Fisherfolk in Puttalam could take their fish to market, and improved access to markets encouraged farmers to cultivate red onions that the Department of Agriculture had introduced independently (World Bank 1997). In Ratnapura, people were able to improve their houses, as they were better able to transport the necessary building materials (IRDP-Ratnapura 1997). Aturupane et al. (1996) found that road projects improved access to schools and medical facilities by reducing travel time on average by 25 minutes.

As far as employment generation is concerned, if permanent employment in IRDP offices and temporary employment in construction work is excluded (in the Hambantota IRDP this amounted to 335 jobs and 8700 person years of employment respectively), direct creation of new

employment was limited. In the Hambantota IRDP, induced employment did not exceed an estimate of 2500 jobs (Jerve et al. 1992). Aturupane et al. (1996) estimate the total employment generation in agriculture as a result of the Kegalle project as 2000 jobs, although seasonal (1996:93). In the non-farm sector, the authors found that there was relatively little underemployment among beneficiaries as they worked high mean values of person days a month (ibid.:23). Aturupane et al. (1996) also note that roughly a fifth of their sample of beneficiaries of the Kegalle IRDP claimed that they had got jobs as a result of IRDP assistance, and a similar proportion stated that their occupational status improved during the project.

Thus, the evidence points to the programmes as having had generally positive impacts on productivity, incomes and employment in both the agricultural and non-farm sectors. The problem is that these gains appear to have been level effects rather than growth effects. In other words, they appear to have led to one-off increases in productivity, incomes and employment, but failed to help generate a growth dynamic that may have set the rural poor on an autonomous income growth path. This implies that the gains were likely to have been relatively short term, as real gains in income could have easily been eroded because of inflation. Moreover, as noted by Jerve et al. (1992:95), there was no structural change in the primary sectors of the rural economy towards diversification and surplus generation.

A more pessimistic view would argue as Lakshman (1994) does, that the remarkable growth in self-employment projects,<sup>2</sup> particularly under the IRDPs does not indicate the beginnings of a burgeoning small business sector. For example, Lakshman points out that in Matara, the new activities raised earnings and living conditions only slightly above the levels of abject poverty they were in prior to the IRDP programme (1994:92). He takes this as evidence of the diversification of poor people's survival strategies. Thus, the more pessimistic view would hold that the gains in terms of productivity, incomes, and employment were not even level effects, but were the results of households trying to maintain their consumption levels in the face of rising living costs, generated by structural reforms such as the elimination of universal subsidies and high interest rates. Even so, it is evident that by enabling the diversification of survival strategies, the IRDP's self-employment projects had a cushioning effect on the poor. And, the IRDPs may have assisted the poor to exploit the petty trading opportunities created through trade liberalisation, which Lakshman (1994) himself notes.<sup>3</sup>

<sup>2</sup> Lakshman (1994:68) estimates that 63 per cent of self-employment projects surveyed in Matara have commenced after the IRDP, but 32 per cent pre-date the project. However, it is questionable as to how much of this expansion could be attributed to the IRDP Programme.

<sup>3</sup> Lakshman (1994) notes that this sector recorded a growth rate of 526 per cent due to trade liberalisation.

Why did IRDP self-employment projects fail to generate sustained gains in income? A review of programme experiences reveals both exogenous and endogenous constraints. These are summarised project-wise in Tables 2.1, 2.2 and 2.3. While there have been a number of design failures, some of which were rectified in subsequent programmes, exogenous constraints tended to be insurmountable obstacles. These are discussed in the following sections.

Table 2.1: IRDP Projects in Agriculture

Agricultural Projects	Problems Encountered
1. Paddy	Mainly tied to irrigation, see Table 2.2 below.
2. Smallholder tea, rubber, coconut development	<ul style="list-style-type: none"> <li>• Reluctance to uproot old plants</li> <li>• Lack of maintenance</li> <li>• High demand made on family labour, escalating labour costs</li> <li>• Delays in payment of subsidy</li> <li>• Fertiliser subsidy less successful than expected because of high price relative to farm-gate price of output</li> <li>• Tedious procedures for obtaining credit, fears about loan repayment.</li> <li>• Improved management practices not sustained beyond life of project.</li> <li>• Collapse in international market prices for important export crops.</li> <li>• Many farmers reluctant to give up wage labour to experiment with new farming techniques.</li> <li>• Poor planting materials</li> <li>• Drought</li> </ul>
3. Minor export and non-traditional crops	<ul style="list-style-type: none"> <li>• Reluctance to abandon mixed cropping systems and monocrop with tea.</li> <li>• Unsuitable holdings</li> <li>• Planting subsidy too small relative to total costs of planting.</li> <li>• Marketing of products unsuccessful</li> <li>• Quality control inadequate</li> <li>• Gender bias in training programmes</li> </ul>
4. Animal husbandry and fisheries	<ul style="list-style-type: none"> <li>• Poor veterinary services</li> <li>• Stud animals provided were not productive</li> <li>• Marketing of products unsuccessful</li> <li>• Inadequate training</li> <li>• Insufficient fodder to sustain increasing herds</li> </ul>
5. Re afforestation and soil conservation	<ul style="list-style-type: none"> <li>• Difficulties in evolving co-ordinated strategy for highland farming, forestry, environmental conservation.</li> <li>• Standard advice and programmes for soil conservation provided by the Department of Agriculture were economically infeasible in many cases. More effective technical solutions are available.</li> </ul>

Table 2.2: IRDP Interventions in Agriculture

Agricultural Interventions	Problems Encountered
<p>1. Irrigation</p>	<ul style="list-style-type: none"> <li>• Lack of maintenance</li> <li>• Insufficient hydrological data for estimating flood discharge</li> <li>• Shortfalls in head-works and downstream-works</li> <li>• Approach of Irrigation Department to small tank rehabilitation in cascade systems technically flawed, encouraging inundation of paddy fields</li> <li>• Selection criteria for micro-irrigation work led to more projects with few beneficiaries to be undertaken</li> <li>• Inadequate quality control</li> <li>• Dearth of experienced contractors</li> <li>• Lack of participation by beneficiaries, so poor 'ownership'</li> <li>• Poor water management</li> <li>• Over-optimistic estimates of expected output growth</li> <li>• Intensity of cropping on land less than expected</li> <li>• Original estimates of incremental yield over-optimistic</li> </ul>
<p>Agrowells</p>	<ul style="list-style-type: none"> <li>• Lack of capital and difficulties in obtaining credit to buy water pumps</li> <li>• Farmers lacked knowledge about lift irrigation farming techniques</li> <li>• Inadequate extension</li> </ul>
<p>2. Providing plant materials</p>	<ul style="list-style-type: none"> <li>• Production and distribution of planting material did not take into account the need to make good plant mortality.</li> <li>• Poor timing of distribution</li> <li>• Pest attacks by porcupine and wild boar (wild boar encouraged by pinus re afforestation programme implemented by Department of Forestry).</li> </ul>
<p>3. Extension services</p>	<ul style="list-style-type: none"> <li>• Difficult to maintain extension services once project is closed.</li> <li>• Shortage in cadres due to delayed approval from Treasury</li> <li>• Lack of co-ordination between government agencies involved, e.g. Department of Agriculture and Department of Animal Husbandry.</li> </ul>
<p>4. Constructing nurseries, collecting centres, etc.</p>	<ul style="list-style-type: none"> <li>• Quarters built for field staff not occupied because basic amenities - educational services, electricity, medical services - lacking.</li> <li>• Buildings for fertiliser stores, cold storage for vegetables etc. constructed, but without the facilities.</li> </ul>

Table 2.3: IRDP Interventions in the Non-farm Sector

Projects	Problems Encountered
1. General	<ul style="list-style-type: none"> <li>• Initially unfavourable economic and infrastructure conditions in district - agricultural bias, lack of infrastructure and marketing facilities.</li> <li>• Liberal policy environment has raised aspirations of youth beyond microenterprises. Those who resort to self-employment are satisfied with survival level activities.</li> <li>• Patterns of consumption aspirations have changed; they can no longer be catered to by small scale producers.</li> <li>• Competition from imports</li> <li>• Underlying problems of inadequate demand</li> <li>• High costs of raw materials and transport</li> <li>• No clear district-level strategy for industrial development</li> <li>• Problems of marketing.</li> <li>• Lack of investible funds</li> <li>• High prices of machinery and equipment and extremely low level of capitalisation</li> <li>• Poor technological know-how.</li> <li>• Poor accounting and book keeping practices.</li> <li>• Fallacies of composition when market is small and too many people start producing the same things.</li> <li>• Non-entrepreneurial, housewife-bias of groups formed.</li> </ul>
2. Credit	<ul style="list-style-type: none"> <li>• Loan size inadequate for all but minimal development activities.</li> <li>• Poorest of poor unable to augment these funds with own resources.</li> <li>• Interest rates too high.</li> <li>• Follow up and monitoring of loans inadequate.</li> <li>• Weaknesses in propaganda and awareness programmes.</li> <li>• Unplanned, untargeted, ad hoc project identification and selection.</li> <li>• Identification not according to viability and market.</li> <li>• Skills and aptitudes not identified properly.</li> </ul>
3. Technical and management training	<ul style="list-style-type: none"> <li>• Supply driven, not needs based.</li> <li>• Short in duration, course content light and inadequate to satisfy complex requirements of modern market competition.</li> <li>• Did not provide individuals with an adequate understanding of dynamics of industries and markets</li> <li>• Women, who provide most of the labour for minor crop diversification programmes, did not benefit from the training programmes: they could not spare the time to attend, and agricultural extension officers being mainly males, constrained opportunities for interaction further.</li> </ul>
4. Construction of training centres, demonstration units, service centres, etc.	<ul style="list-style-type: none"> <li>• Lack of participation in decision-making about need for and siting of infrastructure service facilities.</li> </ul>

## 2.3 PROGRAMME-SPECIFIC CONSTRAINTS

Two types of programme-specific problems were encountered in IRDP Programmes. The first of these were design weaknesses in the overall approach, some of which gave rise to innovative solutions. The programme also encountered project-specific, mainly logistical defects. Resolving some of these problems was part of the learning process of the IRDP. However, there were also perennial problems that defied any programme-specific solution.

### 2.3.1 Design weaknesses

As far as design-related problems go, a key drawback of the initial IRD Programmes was that the area-based targeting techniques used tended to benefit only the non-poor. So the focus shifted to generating income growth among the poorest in subsequent projects. Accordingly, selection methods in later programmes were based on targeting specifically vulnerable groups such as small and marginal farmers and rural women. Later this changed to a combination of the area-based and target-group approach, as in the Badulla IRDP.

However, in some cases, efforts to target the poorest have been self-defeating. For example, RDC (1997) notes that selection criteria for irrigation rehabilitation and road development projects in the Second Badulla IRDP insisted that the proposed project had to benefit at least half of the small group members. As a result, projects were confined to small utility items - such as flights of steps - proposed by group members. Projects such as larger roads providing access to 'A' or 'B' Grade roads that were more useful were not identified as small groups identified and proposed their immediate needs. As the authors point out, 'Small activities make life a little more bearable, but do not improve access to markets' (1997:3-29). Likewise, only very small tanks and irrigation schemes were proposed, whereas larger schemes benefiting more people in absolute numbers were overlooked.

Another serious design weakness in the first generation of IRD Programmes was beneficiaries failing to participate in making decisions about the projects. The 'blueprint' approach left little room for flexibility and there were few opportunities to adapt the programme according to the articulated needs of the target group. For example, decisions on siting irrigation works under the Kurunegala IRDP were taken without consulting the potential beneficiaries. It would also have been easier to control quality in construction work carried out by private contractors if beneficiaries had been more involved. As a result, many of the projects achieved only sub-optimal results, as they failed to meet the needs of beneficiaries (World Bank 1996). Moore et al. (1995:3-4) and Aturupane et al. (1996) detect the same weaknesses in the Moneragala and

Kegalle IRDPs. However, subsequent projects tried to rectify this problem by introducing substantial social mobilisation components based on small group activities to increase participation.

Small group approaches were also used to make the credit programmes more effective. For example, cumbersome loan procedures that restricted the take up of credit in the Kurunegala IRDP were eased by introducing innovative mechanisms in subsequent projects which adopted many techniques such as peer group pressure popularised by the Grameen Bank.

Other project-specific problems were also encountered. For example, the poor timing of the distribution of planting material, and the lack of enough planting material to make good plant mortality and maintain plant density dampened the positive effects of the agricultural diversification programme in Kegalle (Aturupane et al. 1996). Meanwhile, the Second Badulla IRDP's minor export crop development project sponsored only pepper cultivation, which was highly vulnerable to drought during the dry Yala, whereas there were other suitable crops which could have been sponsored (RDC 1997). While some of these problems were resolved by adopting a flexible planning approach as in the later IRDPs, (in fact, ensuring flexibility in programme design was another useful lesson to emerge from the IRDP experience), others stemmed from the weaknesses of the public institutional system. These are discussed in Chapter 4 below.

### 2.3.2 Seemingly endemic, approach-specific problems

The IRDP process has also encountered some hardy perennials in the list of challenges that it has had to face. These have been experienced not only in IRD Programmes, but also in other pro-poor, credit-based programmes carried out by both the government and non-government sectors (Gunatilaka 1997). They are as follows:

#### (a) Problems endemic to pro-poor credit programmes

Loan size has been inadequate for all but minimal development activities. There were two reasons for this. First, the credit institutions established by the programme did not have the capacity to handle large loans without increasing their exposure to default to dangerous levels. Second, there was also a lack of expertise in handling loans. Many of the loan ceilings tend to be fixed arbitrarily, with little relation to the cost of financing a project. But as noted in Gunatilaka (1997:36), as loan size increases without collateral, so does the vulnerability to default of credit institutions such as Consolidated Group Funds set up by the programme. The credit institutions

had yet to negotiate the knife-edge of financial sustainability, and were therefore still unable to lend for larger projects. However, the Second Badulla IRDP adopted the innovative approach of linking up with a formal financial institution to provide larger loans to a few microentrepreneurs. Small group savings were deposited with the financial institution and this provided collateral for larger loans (Gunatilaka 1997).

A common problem that such microfinance programmes encounter is that the loan officers attached to the credit institutions frequently lack project identification, formulation, evaluation and monitoring skills. This problem continues to confound every programme aiming to lend to the poor, not only the IRDPs. Factors such as viability and potential market are overlooked. The exception to this general rule is the Hatton National Bank's Gami Pubudu Programme. Loan officers are trained rigorously for at least six months. Programme viability is ensured by restricting the outreach of the programme to within 20 kilometres of each Gami Pubudu Unit; by maintaining savings balances commensurate with the risk attached to its liabilities; and, by restricting the number of projects that each loan officer has to handle to no more than 150.

(b) Weaknesses in training programmes

IRDP training programmes have shown the perennial weaknesses that have characterised other projects of this nature (see Gunatilaka 1997:43-45). Aturupane et al. (1996)'s findings regarding the Kegalle IRDP's training components stand for all such projects. Supply driven and not needs-based, courses have been short in duration and fairly light in content. They have not been able to provide beneficiaries with an adequate understanding of the dynamics of industries and markets. RDC (1997) notes that skills development programmes in the Second Badulla IRDP have been confined to more stereotyped, but popular activities such as dress-making and carpentry, but that there have been no courses in more sophisticated technical fields such as television and refrigerator repairs (1997:3-27). The report also states that trainees have lacked the minimum educational qualifications needed to participate in the courses provided.

Van der Laan (1996) found that training courses in land use upgrading in the Walapane area offered by the Nuwara Eliya IRDP were badly targeted. Although women provided more than half the labour required in the home gardens, men had greater access to the training programmes. Agricultural instructors generally invited male farmers to attend meetings and training programmes, and the majority of them being males, spent little time instructing women farmers (1996:33). RDC (1997) notes that agricultural training programmes in the Second Badulla IRDP failed to reach women farmers as they were reluctant to leave home (1997:3-6). There has also

been a general breakdown in the agricultural extension service carried out by the Department of Agriculture. This is discussed further in Section 2.4.3 below.

Weak training programmes are part of a larger, country-wide problem. Existing training institutions, particularly state-run vocational training institutions are under-funded, poorly-resourced, offer a type-set of limited skills-development courses, and, not surprisingly, are under-utilised as well. Abysmal standards in such institutions have permitted the mushrooming of various dubious training institutions whose course quality standards and relevance to the market are only marginally better. Without a major revamping of the state-run institutions in line with market needs, weak training programmes will continue to frustrate the employability of participants.

(c) Quality control, maintenance and sustainability of infrastructure projects after the life of programme

Quality control has been a serious constraint in IRDP-funded projects. Shoddy construction, insufficient attention paid to surface drainage, culverts located in the wrong place were common problems in almost all the IRDPs' road construction projects (Moore et al. 1995; World Bank 1995; Aturupane et. al 1996). Frequently, the Divisional Engineering Office has not had the technical capacity to provide a high level of supervision. On the other hand, both Moore et al. (1995) and World Bank (1997), strongly criticise the Irrigation Department's approach to tank rehabilitation. The Department rehabilitates just one tank in a cascade, and this inundates paddy fields lying upstream.<sup>4</sup>

Meanwhile, the difficulty in maintaining community-based infrastructure projects continues to bedevil the sustainability of all such endeavours. A key issue is ownership and responsibility. The World Bank's (1997) evaluation of the Kurunegala IRDP notes that as the irrigation projects were designed and implemented without consulting the ultimate beneficiaries, there was a lack of 'ownership', and farmers felt that it was the government's responsibility to repair them. In any case, the government had been assuming such responsibilities since colonial times, and crowding out the traditional, *vel vidane* system of water management. So the people could hardly be blamed for expecting the government to maintain and repair such facilities. But today, the government is hardly in a position to carry out this function because of the following reasons.

First, fiscal constraints have gradually whittled down public expenditure allocations on infrastructure in general and its maintenance in particular. In any case, the public sector as a

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<sup>4</sup> Also see Tennakoon (1986).

whole is geared towards constructing new projects with whatever resources are available rather than maintaining existing ones. New projects represent tangible political goods that politicians can clearly be identified with. As Moore et al. (1995:3-4) note, the diversion of public resources into private pockets is also easier on new construction projects rather than on maintenance projects. Similar considerations drive a tendency in the public sector to concentrate very scarce maintenance resources on occasional maintenance rather than on recurrent preventative maintenance.

Second, with so many government agencies and institutions involved in the same area of activity, there is confusion about which agency is responsible for what task. This has also created problems of co-ordinating the activities of the agencies involved. This chaotic state of affairs has been aggravated by several ad hoc efforts at decentralising and devolving power from the centre.<sup>5</sup> For example, the operation and maintenance of major irrigation schemes has been the responsibility of the Irrigation Department for more than a century. But operations and maintenance work in minor schemes was the responsibility of the Department of Agrarian Services. But an evaluation of the Kurunegala IRDP found that the Department of Agrarian Services was reluctant to assume responsibility for tanks that were poorly maintained and needed rehabilitation. It also lacked sufficient technical cadres to carry out its functions. With the setting up of Provincial Councils in 1990, the responsibility for maintaining minor schemes became the responsibility of the Provincial Engineering Departments, which lacked both the necessary finances as well as the technical cadres to carry out effective repairs (World Bank 1997:64).

Several evaluations of IRDPs recommend that the programmes de-emphasise large scale undertaking of new infrastructure projects in the future and focus more on improving, rehabilitating and maintaining existing stock (see Jerve et al. 1992, Moore et al. 1995). They also argue for greater participation and ownership by beneficiaries. However, a crucial question that has yet to be addressed is how to finance maintenance costs. If the community itself is to bear the cost of maintenance, then the project must yield tangible economic benefits, and launch the community on a new growth path of accumulation. But this has proved elusive. And the larger the infrastructure project, then the more difficult it would be to raise the necessary funds to maintain and repair it. Community-based maintenance of smaller projects such as tube wells should be relatively more feasible, and a project to maintain tube wells in the Hambantota IRDP involving consumer societies, Pradeshiya Sabhas and the National Water Supply and Drainage Board has been operational since 1992. But the available evidence indicates that it continues to

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<sup>5</sup> These issues are analysed more fully in Chapter 4 to follow.

be difficult to find the necessary funds (HIRDP 1997). Until the rural economy enters a sustainable path of surplus accumulation, maintenance will continue to depend on the extent and vagaries of Central and Provincial Governments' budgetary transfers.

## 2.4 EXOGENOUS CONSTRAINTS

### 2.4.1 Initial Conditions

The first of the exogenous constraints is obvious, but is overlooked so often that it is worth taking a closer look here. Initial conditions matter. They define the parameters of success, or of failure. Therefore, they also ensure that those who have, are in a better position to get more. The initial endowment of resource access, as well as the stock of economic infrastructure to which the poor have access, determine the extent to which programme beneficiaries are able to make use of programme interventions to increase productivity, incomes and employment.

#### (a) Reaching the poor or adverse selection?

Take the case of agricultural development. Farmers with larger holdings with more fertile soil, less vulnerable to soil erosion, and situated in potentially irrigable areas were able to benefit more from programme interventions. Those with larger reserves of family labour gained more from a labour-intensive crop diversification project. In microenterprise development programmes, beneficiaries able to augment credit provided by the programme with their own funds were able to increase the rate of capitalisation and were in a stronger position to succeed. Likewise, those with access to better infrastructure, for example, electricity, pipe borne water and transport facilities linking them with urban markets, were at a decided advantage. They were able to upgrade their technology and improve product quality, obtain their inputs more cheaply, and market their products more easily (Lakshman 1992). Aturupane et al. (1996) note that better infrastructure in the northern parts of Kegalle District saw the location of rural industries there, whereas people were confined to agriculture in the south. At the same time, people with pre-existing skills and knowledge of business and market avenues displayed higher levels of entrepreneurship and their chances of developing viable microenterprises were greater. In contrast, there has been a tendency to establish type-sets of unsuitable enterprises in relatively immobile and less entrepreneurial agrarian subsistence populations areas such as the North Central Province as Wanigaratne found in an evaluation of the Janasaviya Programme (1996:27). Meanwhile, Lakshman (1994) notes that if the majority of aspiring microentrepreneurs are operating on their own small plots of land (as 75 per cent of IRDP beneficiaries in Matara were

estimated to be doing), then although investment requirements are reduced, so too is the scale and resilience of the enterprise.

These factors give rise to a contradiction between the objectives of an IRDP-type approach. On the one hand, the chances of success (in increasing productivity and incomes) are greater when one bets on the strong. But if the objective of targeting interventions is to enable the poorest of the poor to participate in a growth process, then the chances of success are much less if one bets on the weak. As noted in Gunatilaka (1997:66), the poorest are the least able in terms of skills, aptitudes and attitudes towards risk, to set up and carry on viable microenterprise projects or experiment with new high yielding but more risky crop varieties. For example, the effectiveness of coconut replanting subsidies in the Kegalle IRDP ran up against farmers' reluctance to uproot old trees (Aturupane et al. 1996). Further, risk averse behaviour among the poorest was evident in IRDP efforts to promote agricultural diversification into crops yielding higher returns. While farmers who were mono-cropping with small rubber or coconut holdings could introduce cocoa, coffee or pepper under-planting with no loss of income, farmers were more reluctant to adopt crops such as tea, which would bias the cropping system towards monocropping where mixed cropping is prevalent. Although monocropping yields high average returns, variance is high, whereas mixed cropping, though yielding low average returns, carries lower risks (Aturupane et al. 1996:78).

Lakshman (1994) points out that beneficiaries looked to self-employment projects more as a means of supplementing the income of the principal breadwinner, rather than as a source of principal subsistence. Thus, their aspirations and expectations were low, and few had any clear perceptions about what they needed to do for further accumulation and business growth (1994:89). Lakshman (1994) also found women to predominate in self-employment activities in the Matara IRDP, and noted that the 'non-entrepreneurial housewife-bias' of the groups formed meant that few of the aspirants had either the time or the inclination to raise income generating activities beyond subsistence level. Meanwhile, youth who were engaged in projects associated with the Matara IRDP looked on them as a means of marking time while they searched for wage employment in the formal sector. The majority of project holders too (80 per cent of the sample), did not employ their children in the projects, but preferred to let them continue their education to increase their chances in formal sector employment (Lakshman 1994:111).

At the same time, the rural economy has also begun to display the characteristics of a 'remittance transfer economy' (Dunham and Edwards 1997). While agriculture has remained stagnant or has declined (average landholdings have shrunk and paddy prices have recorded a real decline), the

poor depend on a portfolio of survival strategies, of which one may be paddy farming or working as casual agricultural workers. In addition, they also rely on remittances from family members employed either in West Asia, in the Army, in the public sector, or in garment factories. Households further augment these incomes by intermittent earnings from casual labour in the non-farm sector and household-level microenterprises such as making beedies or paper bags. Occasional participation in the informal, even illegal economy, such as felling timber in state-owned forest reserves, gem mining on state land, distilling liquor, smuggling, and as a last resort, commercial sex work, also provide opportunities to diversify risk. Meanwhile, traditions of pooling family income from a variety of subsistence activities carried out by various members of the family enable people to achieve higher levels of consumption than they would if each were to be solely dependent on income raised only by him or her.

But the need to maintain a portfolio of survival strategies has probably skewed incentive structures in such a way that resources are spread thinly across these activities, and each is carried out only at levels of very low productivity. Microenterprises born in this kind of environment have only very limited capacity to raise incomes, and are limited as mechanisms of sustainable rural accumulation.

Thus, the evidence suggests that to be successful, efforts to encourage microenterprises may need to focus on people who are better placed to succeed.

(b) The opportunity cost of poor people's labour time

This is a related problem, but is discussed separately for greater clarity. In Sri Lanka, the majority of poor are underemployed rather than unemployed. As consumption is at subsistence level, the opportunity cost of poor people's labour time is positive, though low. This works against success at microenterprise development efforts in two ways. First, projects that have long gestation periods and yield returns only after some time, do not satisfy the immediate consumption needs of the family. Hence bread-winners are forced to seek casual employment on a daily basis rather than invest that time on an activity that will generate higher income in the future (Gunatilaka et al. 1997:46). Second, if they were to devote time to their self-employment projects, they would not be able to maintain their micro-avenues of subsistence to which they had access before (for example, casual labour), and which were derived from patron-client relations with more affluent families, landed proprietors, etc. Thus if the new project should fail, they

would have nothing to fall back on.<sup>6</sup> Hence, it is not surprising that many farmers were reluctant to give up wage labour to experiment with new farming techniques in the Kegalle IRDP (Aturupane et al. 1996). Meanwhile, van der Laan (1996) notes that the land use upgrading programme of the Nuwara Eliya IRDP made heavy demands on the labour time of women, many of whom dropped out of the programme altogether because they could not afford the extra time.

#### 2.4.2 Market Conditions

##### (a) Limitations of the local market

Theoretically, microfinance interventions aim to provide entrepreneurs with access to capital in order that they may improve their technology and upgrade their products, and so be able to cater to a larger market. But the majority of microenterprises supported by the IRD Programme remained confined to the immediate local market. For example, Lakshman's survey (1994:102) found that own village sales comprised 53 per cent all sales in his sample of self-employment projects in the Matara District; 32 per cent was within the Divisional Secretary's Division. Not only was loan size inadequate, but imperfections in the market for technology meant that microentrepreneurs could not upgrade their products. In addition, producers could not reach a wider market due to the lack of transport and infrastructure facilities. They also did not know of market opportunities outside their own limited area.

Being limited to the local market brings with it its own constraints. Opportunities to expand sales, or produce and market higher value goods are severely curtailed by the small size of market and stagnant demand backed only by very low purchasing power. The range of goods for which there is a demand is also likely to be very limited, and demand for them inelastic. In such circumstances, if too many people started to produce the same kinds of goods, it can lead to a rapid collapse of the market.

##### (b) Greater market integration gives rise to both opportunities and threats

On the other hand, if infrastructure facilities and transport were to improve and lead to greater market integration, it would be possible to access a wider market. But the typical microentrepreneur is in the least favourable position to take advantage of the new opportunities. He or she generally produces goods that are of inferior quality to that demanded in the larger, more sophisticated market. This is because market expansion is a function of quality and

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<sup>6</sup> Wanigaratne (1996) found this to be the case with the Janasaviya Programme's community works component, where the income transfer was made on the condition that at least one household member provided 20 days of labour each month. The programme actually left people worse off once it ceased.

consistency of supply, both criteria which the typical microentrepreneur finds difficult to satisfy. In particular, upgrading quality would require better technology, in turn requiring a larger outlay on capital, skills and inputs such as electricity, all of which places him or her at a disadvantage. Meanwhile, patterns of consumption aspirations in the traditional village market are also likely to change and become more sophisticated and increasingly difficult to cater to. Moreover, single proprietor operations can only be successful when markets are small and segmented. This is ceasing to be the case in Sri Lanka.

#### (c) Vulnerability to price fluctuations

The very thin profit margins<sup>7</sup> of micro-level economic activities also make them highly vulnerable to being squeezed by fluctuating input prices and output prices. For example, export agriculture crop diversification projects under the Matale IRDP were constrained by increases in fertiliser prices and fluctuating prices for coconut and export agriculture crops (World Bank 1997:39).

#### 2.4.3 Contradictory Government Objectives

In many ways, the manner in which the government managed its finances had a negative impact on its approach to self-employment generation through programmes such as the IRDP. For example, the government's inability to restructure its expenditure effectively and control the fiscal deficit has exerted relentless upward pressure on interest rates which has made participation in credit programmes more costly and more risky for poor people.

Whatever efforts to control the fiscal deficit that were made mainly took the form of an axe on expenditure on public infrastructure. This has had negative implications for poverty alleviation and economic growth. For example, while programmes such as the IRD concentrate on building village roads, the maintenance of existing A and B Grade roads has declined. At the same time, projects to build highways and railways necessary for greater integration with the urban and export markets, and to generate a growth dynamic in the rural economy, have been shelved.

And although macroeconomic stability is essential to enable the economy to adapt to changing market conditions and move on to a higher growth path, stabilisation policies saw the government freezing certain cadres in the public sector with adverse effects on public services necessary for poverty reduction. For example, there are serious staff shortages in many technical grades such as maintenance engineers due to the freeze on recruitment. But political pressures continued to

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<sup>7</sup> Although profit is formally defined as the returns to enterprise, in the kind of tiny self-employment activities that have been generated by the IRDP Programmes, profit really consists of the returns to labour.

expand recruitment in other sectors, particularly in the non-technical grades. The fact that line agencies find it difficult to sustain extension and maintenance services beyond the life of the project as found in the Kegalle IRDP (Aturupane et al. 1996), reveals that in many ways the IRDPs have acted as stop gaps to prevent the complete breakdown of services. Agricultural extension services have also fallen victim to the government's political objectives. For example, village level agricultural extension agents coming under the Agriculture Department were converted to Grama Niladharis by the previous regime, absorbed into the decentralised administrative structure, and charged with promoting the Janasaviya Programme. This led to the virtual breakdown of the agricultural extension service (Wanigaratne 1996:15).

Moreover, state-sector employment has been a coveted means of disbursing political patronage in Sri Lanka. But this has skewed people's expectations and dampened their enthusiasm for finding their own employment. As the principal legitimiser of status for the majority of rural people (Hettige 1997), the State sector has encouraged queuing for government jobs. In this kind of environment, self-employment projects have become means by which young people mark time until political imperatives again force government to become employer of the last resort.

## 2.5 SUMMARY CONCLUSIONS

The available evidence indicates that the IRD Programmes have had positive impacts on raising productivity, incomes and employment, and have certainly made life more bearable for many poor people. In sum, they helped people to survive, established some enterprises in selected areas, developed assets such as roads, culverts and irrigation canals, and improved the mobility of poor people. However, the sustainability of these improvements is in doubt. One reason is that effective arrangements for maintaining the infrastructure facilities created and making sure that beneficiaries continue with new management practices have yet to be found. For example, Aturupane et. al (1996) argue that farmers' continued use of new agricultural practices encouraged by the Kegalle IRDP is likely to decline once the project is over. This indicates that the programme needs to be followed up with re-training efforts, but line agencies will not be able maintain support services at the same level after the project closes.

But the most critical determinant of the sustainability of these one-off improvements or level effects is the extent of dynamism in the rural economy. The rural economy has remained untouched by the economic dynamism that has been experienced in the urban sector, particularly in the urban metropolis during the last twenty years. This has constrained IRDP efforts at sustained income generation among the rural poor.

While several project-specific design faults may have resulted in the level-effects falling short of expectations, the analysis also identified several problems endemic to this type of programme that constrain its ability to catalyse change. These relate to the limitations of participatory credit programmes and supply-driven training programmes.

On the other hand, there have been other obstacles, external to the programme that have worked against the generation of a growth dynamic. A crucial one is the initial endowment of resources that a household has access to, both in terms of its own assets, as well in terms of the agro-climatic, infrastructure conditions of its environment. This raises the question of whether one should bet on the strong or bet on the weak. Although the objective of such programmes is to reach the poorest to alleviate poverty, the odds seem stacked against the generation of any growth effect through such an approach. Level effects are obtainable, but these improvements cannot be sustained. A strategy to generate dynamism in the rural economy must necessarily bet on the strong.

Such considerations have encouraged Lakshman (1994) to propose a dual strategy. Its first prong would be to more or less continue with interventions which revolve around own account activities based on individual or household initiatives and reduce the vulnerability of the poor. Key areas for interventions are finance and markets. Even though the available evidence indicates that this is basically all that the current IRD approach is ever going to achieve, it is still a necessary intervention to protect the poor and is admirably suited to carrying out the first prong of the new approach.

The second prong should seek to build up a qualitatively dynamic entrepreneurial class from among those with greater resources, skills and aptitudes. This would require a package of measures to promote small and medium enterprises. These should include finance and marketing, production technology, accounting practices for small businesses, management and labour training. However, Lakshman cautions against trying to achieve both these objectives in the same programme, which, he warns, is likely to lead to disappointment for both promoters and beneficiaries (1994:141).

From the analysis in the present paper, it would appear that a large investment push is also needed to kick-start the rural economy, jerk it out of stagnation and launch it on to a dynamic growth path. As argued in Gunatilaka (1997), the economic growth rate experienced in Sri Lanka during the last 10-15 years has not generated enough momentum to pull the less responsive rural sector in its wake. When large-scale investors hold back because of an unfavourable investment climate

(characterised by high political instability, inconsistent macroeconomic policy and infrastructure bottlenecks), can small businesses, let alone microenterprises, succeed in the same environment? In such a climate, strategies such as the IRDP are reduced to holding operations, and the gains achieved are quickly eroded through inflation and changing terms of trade.

In retrospect, it appears that implementing poverty alleviation projects that look to self-employment to raise productivity, incomes, and employment, and which are not accompanied by any significant investment push, amount to a rather cheese-paring way of trying to reduce poverty. Perhaps in realisation of these limitations, IRD Programme planners are currently attempting to re-orient the programme on a regional development framework, with both micro and meso level interventions. The micro-level interventions would continue to mobilise human and physical resources through participatory planning and implementation processes. At the regional level, interventions are to concentrate on market penetration and systems building. The emphasis is to be on sustainable development of the natural resource base, enterprise development and investment promotion, and developing an inter-connected hierarchy of towns and service centres (MPIEANI 1997).

The re-orientation of the IRD process is timely, and appears to address some key constraints that have prevented the generation of a growth dynamic in rural areas. However, a fundamental determinant of how effective it is going to be, will be the amount of resources that the government will be able to commandeer to implement it. Given the crisis in investor confidence, the drying up of concessional lending, and the fiscal bind that the government is caught up in, it may not be possible to implement the programme on as large a scale as originally envisaged. In such a scenario, a regional approach may see the available resources spread relatively thinly on the ground, and its growth impact may therefore be minimal. Until the macroeconomic constraints on creating the envisaged push of productive investment are eased, policy makers, not to mention the poor, may have to reconcile themselves to holding operations that concentrate on micro-level interventions.

### **3. IRDP INTERVENTIONS IN SOCIAL WELFARE INFRASTRUCTURE**

#### **3.1 INTRODUCTION**

An integral part of the IRDP strategy to enhance the development of low-income groups in rural areas has been to improve social welfare infrastructure. Thus, IRDP interventions have been geared towards increasing poor people's access to such facilities to improve the quality of rural

life. To what extent did project outcomes meet programme objectives? What was the impact on beneficiaries, and how sustainable were they?

IRDP commitment to social development has centred around three major sectors: education, health and sanitation. Projects carried out in these sectors can be categorised into five broad groups: buildings, equipment, water supply schemes, latrines and electrification schemes.

In education, the ultimate objective was to improve the quality of education and reduce intra-district disparities in educational opportunities. IRDP interventions generally focused on constructing new classrooms, science laboratories and vocational training centres or upgrading existing school buildings. Constructing science laboratories has been emphasised in keeping with the objective of upgrading science education in outlying areas. The teaching equipment provided, other than furniture, also tended to focus on science education. Agricultural units, home science rooms and other multi-purpose units were also constructed.

The IRDP strategy further aimed to develop infrastructure facilities to attract the staff to provide the services. Thus, residential quarters for teachers were constructed to attract more teachers to rural areas, and schools were further improved by upgrading water supply facilities and constructing toilets for students and teachers.

IRDP interventions in health ranged from upgrading the network of district, peripheral and rural hospitals, through constructing maternity wards and school dental clinics, to providing equipment and electricity for health facilities. Residential quarters were constructed to house doctors and nurse-midwives. Here again, the objective was to attract more doctors to rural areas and upgrade the services provided. Such interventions were thought necessary because medical personnel have been reluctant to serve in poor areas because of the lack of suitable housing and other amenities. Rural water supply schemes were also initiated in order to provide clean water. Such schemes consisted of built up dug wells, tube wells fitted with hand pumps, and piped water supply schemes.

Expenditure on social welfare development varied widely between projects with the highest expenditure thus far being recorded in Matara and Nuwara Eliya. In total, approximately 23% of IRDP expenditure, up to the end of 1993, was allocated to the development of this component. Costs generally tend to be less than those incurred to generate incomes and productivity growth in rural areas. Jayawardene (1997) observes that expenditure on social development was lower in World Bank and IFAD funded projects than in others.

This chapter assesses the impact of these programmes and attempts to identify the constraints encountered. It is organised as follows. Section 3.2 looks at the impact of social welfare interventions. Section 3.3 analyses the problems encountered when implementing social welfare interventions, and Section 3.4 concludes.

### 3.2 THE IMPACT OF IRDP SOCIAL WELFARE INTERVENTIONS

What has been the impact of IRDP social welfare interventions? The short answer is that, in general, the interventions improved the quality of rural life, although one should also bear in mind that improvements in welfare indicators need not be attributed to IRDPs alone. However, the sustainability of these projects remains an issue.

The education component of IRD Programmes has been one of the most successful in terms of completing physical targets. In fact some projects, for example, Kegalle IRDP, went beyond the prescribed targets (Aturupane et al. 1997). IRDP interventions in this sector were associated with better school buildings and equipment; improved student attendance; an increase in the number of teachers; and, an increase in the range of classes offered.

Several evaluations found that rural schools' buildings and equipment improved as a result of IRDP interventions. For instance, prior to the Ratnapura IRDP, some schools did not have enough furniture, and classes were often held under trees and temporary sheds (IRDP-Ratnapura 1997). Furthermore, teachers' quarters constructed by the programme had several spin-off benefits. Extra-curricular activities improved because teachers were able to provide access to schools after hours. The quarters were also used as sick rooms for students and provided storage space for some of the schools' equipment (Aturupane et al. 1996:64).

Attendance improved in Kurunegala, Matale and Puttalam, allegedly due to the improvement of educational facilities. The number of secondary school pupils increased proportionately more in these three districts than it did nation-wide (World Bank 1997:56). In Ratnapura, more children were able to go to school in their area/village due to similar reasons. Furthermore, the roads development programme also increased children's access to schools. Earlier, access had been only through muddy pathways. Improved school buildings attracted more teachers and, in many cases, the range of classes also increased. Schools which had only primary classes before the IRDP, were able to include classes up to Grade 9 (IRDP-Ratnapura 1997).

Health and sanitation infrastructure development improved health facilities and services and widened access. More people had access to better water supply services. Observers attribute

improved health conditions among the rural populace to these interventions. For example, Jerve et al. (1992) found that in Hambantota, health centres and drinking water supply schemes benefited large numbers as the coverage of communal facilities was formidable (Jerve et al. 1992:94). In Ratnapura, women and children from the poorest sections of society were able to access health centres. Conditions improved especially for pregnant mothers and children. A greater number of children were vaccinated and most upgraded Gramodaya Health Centres retained midwives on their premises. The number of home deliveries was reduced as a result (IRDP-Ratnapura 1997).

Rural households have also benefited from improved water supply conditions thanks to IRDP investments in wells and piped water supply schemes. In Kurunegala, prior to the projects, most villages were located 2-3 miles from the nearest water source. The interventions generally reduced that distance to 1 mile or less. Beneficiaries said that the construction of wells significantly reduced the time needed to fetch water and that the quality of water had improved (World Bank 1997:55). Less time spent fetching water especially benefited women who are generally expected to carry out this task. In addition, the quality of water improved, and diarrhoea and other water-borne diseases affected fewer children.

Other interventions were less successful. For example, in Ratnapura, most latrines that were supposed to be built were not built. This was because latrine construction was seen as a community effort but the people had little idea of how to construct them in poor soil conditions. They were not provided with the necessary technical support either (IRDP-Ratnapura, 1997:9).

Why did some interventions succeed and others fail? How sustainable were they? These issues are taken up in the following section.

### 3.3 PROBLEMS ENCOUNTERED

#### 3.3.1 Programme-specific Constraints

##### (a) Lack of Participation

Participation of beneficiaries in the projects and their sense of 'ownership' of the assets created is necessary to ensure that facilities are maintained and that benefits are sustainable beyond the life of the programme. Beneficiary participation in the design and implementation stages also maximises returns, as low returns are often associated with end-users not being consulted. However, as in other IRDP interventions (see Chapter 2), the lack of beneficiary participation has

been an issue in the area of social infrastructure, particularly in the first generation of IRD Programmes.

For example, in Kurunegala, although the wells were useful to some extent, achieving optimal results proved difficult as farmers were not adequately consulted in the planning and design stages (World Bank 1997:17). People cited the top-down approach as one of the main reasons why the tube well projects had design flaws.

Although the programme was later modified to enable beneficiaries to participate more in decision-making and implementation, this ran into some methodological problems that minimised programme impact. For instance, in the Badulla IRDP, small schemes such as dug wells, tube wells and gravity flow water supply schemes were proposed for small groups. As a result, larger schemes to cover the whole GN Division which could have benefited more poor, were not proposed and implemented (RDC 1997:3-31).

#### (b) Technical Problems

Technical deficiencies in project implementation were a major cause for sub-optimal returns. They stemmed from the lack of expertise and skilled supervisory staff. For example, the second Badulla IRDP was constrained by the shortage of technical officers at the Divisional Secretariats. Even mid-way into the programme, RDC (1997) found that a rural engineer to plan and supervise the quality of the projects had yet to be appointed. Rural poor who were unfamiliar with construction work were left to complete projects without supervision. Work was slow, quality was poor and designs often faulty (RDC 1997:3-31).

Weak design also affected the efficiency of projects and rendered them less useful than expected. Aturupane et al. (1996) note that some of the teachers' quarters were poorly designed and planned in the Kegalle IRDP. The windows had no bars, ventilation was poor, and lighting weak. In some lodgings the kitchen and toilet were located away from the house. Consequently, there was no sheltered access to these facilities on rainy days (Aturupane et al. 1996).

#### (c) Weak Planning

Social welfare infrastructure projects have also suffered from a lack of foresight in planning. For instance, poorly defined ownership rights have prevented people from making optimal use of the resources available to them, as in the case of the drinking wells in Ratnapura. Some wells were constructed on land that belonged to a particular family who refused to allow others to use the facility once it was built (IRDP-Ratnapura 1997). Such weaknesses are not unique to the IRDP

process but are visible in other poverty alleviation programmes such as the Samurdhi Programme as well. For example, Gunatilaka et al. (1997:63) found that the unauthorised and haphazard use of land and resources under the community projects component of the programme created conflict among beneficiaries.

Programme-specific problems set out above no doubt reduced the benefits expected from some of IRDPs' social infrastructure projects. Even so, many of them were capable of being resolved in the long run. For example, beneficiary participation was greatly improved in the bi-laterally-funded IRDPs. But external constraints proved more intractable, as discussed below.

### 3.3.2 External Constraints

#### (a) Lack of support from line agencies and other institutions

One of the advantages of IRDPs as envisaged by their designers was that the programmes were to work in tandem with local government. This was expected to ease the handing over of programme management once donors withdrew. But, contrary to expectations, the administrative and financial support that the programme received was inadequate. This made it harder to continue a project and maintain it as originally conceived. For example, in Kegalle, the Department of Education lacked the funds to help schools maintain assets generated by the project. There also appeared to be a lack of interest, and one reason given was that the Department had not been invited to participate in the IRDP development activities from the very beginning. As a result, the Department held back from getting involved subsequently (Aturupane et al., 1996:62).

The government also failed to provide the complementary services to sustain the capital expenditure incurred in social development. Despite efforts made to improve school buildings and equipment, there continued to be a shortage of teachers. In Kurunegala, for example, survey reports reveal that educational facilities for science education (especially in remote areas) were not used during the project because of a shortage of science teachers (World Bank 1997). This has been found to be a perennial problem. Parallel investments in the quality of education, such as the revision of syllabuses and teacher training methods, had also been overlooked. Hence, the overall level of education in rural areas remained lower in comparison to urban regions in the country, and the urban-rural gap continued.

Similar problems affected the health sector. The efficiency of health infrastructure provided by IRDPs was seriously compromised because of the scarcity of qualified medical personnel in rural

areas. The Badulla IRDP was especially affected by the acute shortage of professional staff in the region's hospitals (RDC 1997:14).

(b) Disruptions caused by decentralisation and devolution

The IRDPs have also been tossed around in a sea of administrative changes. As a result, the management of social welfare infrastructure components implemented through line agencies were subject to major upheavals. The changes in lines of authority following devolution, in particular, confused areas of responsibility between the provincial and local governments in areas coming under the IRDPs social infrastructure components. For example, Aturupane et al. (1996) note that when the Kegalle project to develop schools was first negotiated, there was a Department of Education in the district that was operating under the Ministry of Education. However, the devolution of power from the central government to the Provincial Councils saw a reduction in the size, power and resources available to the Department of Education in the Kegalle district. The transfer of decision-making powers to the provincial capital, Ratnapura, thereafter, further reduced the Department's capacity to assist the IRDP (Aturupane et al. 1996). Van Ufford et al. (1994) note that in Ratnapura, the day to day running of services in the health sector was disrupted when responsibility for maintaining facilities was devolved to the provincial administration. The authors attribute the mediocre state of health facilities partly to this administrative change (van Ufford et al, 1994:49).

### 3.3.3 Issues of Sustainability

Sustainability determines the long-term viability of IRDP projects. As in IRDP interventions to increase productivity and incomes (Chapter 2), an endemic problem affecting the long-term sustainability of social welfare projects was the quality of operations and maintenance of social welfare facilities. Invariably, there was a shortage of funds and commitment to continue with the project and replenish equipment once the project drew to a close. In Kurunegala, many wells constructed under the project deteriorated after the project was completed and required extensive renovation. Funds to renovate were made available only through projects funded by other foreign donors (World Bank, 1997:56). Similarly, although the toilets constructed under the Kegalle IRDP initially met the articulated needs of beneficiaries, they were poorly maintained. Hence, beneficiaries preferred not to use them.

Poor maintenance was primarily due to the lack of funds. The question that invariably arises in such programmes is, 'Who will absorb maintenance costs once donor support is withdrawn?' Although beneficiary participation was frequently expected to look after this problem, as argued

in Chapter 2, a substantial increase in beneficiary income would have to be forthcoming if they are to meet maintenance costs.

Beneficiaries seem to be clearly aware of these problems. They appear to view the interventions as 'one-off' projects and so tend to hoard equipment in order to prolong its use. This was found to be the case in the Kegalle IRDP's education component (Aturupane et al 1996). As a result, the equipment was under-utilised during the project period.

A more fundamental explanation of why programme outcomes fell short of expectations in many cases was that IRDP interventions were not accompanied by any significant growth in beneficiaries' incomes. This also made it difficult to sustain the gains. In the final count, there is a limit to what programmes such as the IRDP alone can achieve in improving health and education standards in rural areas. Thus, even though beneficiaries' health improved due to the investments in social welfare infrastructure, the incidence of wasting among children was found to have remained the same in Puttalam, increased slightly in Kurunegala and increased by a disturbing 15 per cent in Matale (World Bank, 1997:57).<sup>8</sup> This shows that an overall increase in income and employment is essential if social welfare infrastructure created by such programmes is to continue to benefit target groups.

#### 3.4 SUMMARY CONCLUSIONS

The analysis above shows that although most project-specific goals were achieved, the IRDPs have not made a significant dent in existing urban-rural disparities in social welfare infrastructure provision. True, education and health facilities have improved in rural areas and poor people's access to such facilities has increased. People have also seen an overall increase in the quality of rural life at least during the project period. But these interventions have not been sustainable for the most part, and hence, their impact has not been long lasting. Thus, the overall improvement in the quality of rural social welfare services has been marginal when compared with facilities in urban areas.

Certain programme-specific problems were partly responsible for objectives not being met. The limited participation of end-users in decision-making and project implementation was one problem. The lack of sound technical expertise was another factor that affected the quality of assets created.

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<sup>8</sup> These findings have been based on the results obtained from nutritional surveys of children carried out in 1980-82 and 1988-89 over 22 districts and portrays the situation during the intervening years.

Other problems arose from conditions beyond the control of IRDPs. The projects depended on line agencies for implementation, maintenance and the supply of complementary services and inputs. But the necessary support did not materialise. Then, local government, which was left with the responsibility of maintaining the assets, lacked the necessary finances. This was a key factor that affected the long-term viability of projects. Project implementation was further affected by upheavals stemming from frequent changes in areas of responsibility and authority within local government due to the devolution process. This made it difficult to sustain the initial momentum.

Finally, the IRDP experience shows that while interventions in social welfare infrastructure provide some short-term benefits, they are difficult to sustain in the long term without a substantial generation of surplus. Hence, regional economic growth and a corresponding increase in the incomes of the rural poor are necessary (even though not sufficient) if such projects are to yield optimal results.

## **4. PROGRAMME MANAGEMENT AND IMPLEMENTATION**

### **4.1 INTRODUCTION**

To be effective, development programmes such as the IRDPs that aim to increase the productivity of poor people need the support of key public services. Thus, as the analyses in the preceding chapters show, the quality of the administrative service and the efficiency of line agencies are key determinants of programme success. The objective of this chapter is not to focus narrowly on IRD Programme administration and management issues, but to analyse the institutional milieu in which the programme has had to function. It is hoped that such an analytical framework would be useful to assess the capacity of the system to support future such initiatives, and to flag the constraints and bottlenecks that they are likely to come up against.

The question of institutional reform has been dealt with extensively elsewhere.<sup>9</sup> It is not the aim of the present paper to go over this well-trodden ground. Key policy-makers are aware of the need for reform, but have shown little political will to do so as the short-term political costs have always outweighed the long-run benefits. Instead, this chapter aims to highlight the implications that dysfunctional public institutions hold for poverty reducing initiatives such as the IRDP. The IRDP experience provides many useful insights in this respect, as almost all IRD programmes have aimed at improving development planning capacity at district level, and, given their

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<sup>9</sup> See, in particular, the insightful reports of the Administrative Reforms Committee (1987-88), Sessional Papers, Parliament of Sri Lanka.

'integrative' nature, concentrated efforts on co-ordinating the activities of line agencies that were given the task of implementing IRD projects. To what extent have these efforts been successful?

The chapter is organised as follows. Section 4.2 reviews the problems of Sri Lanka's administrative system, while Section 4.3 analyses the manner in which IRD Programmes have responded to these challenges. Section 4.4 concludes.

## 4.2 CHARACTERISTICS OF SRI LANKA'S INSTITUTIONAL FRAMEWORK

Sri Lanka's vast and amorphous administration system is the cumulative residue of a series of ad hoc changes made in response to various socio-political forces (de Silva 1993a, 1993b; Amarasingha and Dale 1994; Wijesinghe 1997). Moore et al. (1995:5) argue that 'many of them have been radical and the majority of them ill-advised'. Key changes that have taken place over the last four decades are set out briefly in Box 4.1 below.

The only serious effort at reforming the system for its own sake and to enable it to meet the development challenges of a liberalised policy-framework, began with the insightful findings of the Administrative Reform Committee of 1987-88. In its wide-ranging investigation of the Sri Lankan public administration system, the Administrative Reform Committee identified three kinds of deficiencies: structural deficiencies, weaknesses in the personnel system, and procedural deficiencies. The latter related mainly to financial management and work systems. This section concentrates on the more fundamental and endemic problem of structural deficiencies and assesses their implications for rural development.

### 4.2.1 Structural Deficiencies

The structural inefficiencies the public institutional framework appears locked into, are the direct results of the haphazard and seemingly contradictory changes that it has been subject to. The pendulum of 'reform' has swung madly from de-concentration or departmentalisation, to decentralisation, to devolution, to centralisation and further devolution. Few of these initiatives made any serious effort to unravel the tangles created by the preceding wave. Instead, each exercise in reform slapped on its own plaster cure for the system's ills with little rigorous analysis, planning or forethought. The result is a jungle of administrative agencies and political bodies, incoherent, contradictory and chaotic.

The system has always been biased towards centralisation, due to both historical and cultural factors. This tendency has been reinforced by the economic policies that have been followed. The closed economy and the State-led import-substituting industrialisation strategy followed before 1977 encouraged a high level of government regulation and control and led to an

## Box 4.1: Key Changes in Sri Lanka's Administrative System

## 1960s

- Ceylon Civil Service gave way to a unified Administrative Service.
- Departments decentralised, co-ordinating role of the Government Agent (district administrator) at District level first diluted, and from 1965-1970 re-strengthened.
- Government Agent's position and authority increasingly challenged by Members of Parliament (MPs) representing one-member sub-district electorates.
- The long established Village Headman system replaced by the Grama Sevaka (servant of the village) system. The latter was selected through a competitive examination and transferable.

## 1970s

- The 1972 Constitution abolished the Public Service Commission. The entire administrative machinery was placed firmly under the Cabinet of Ministers to make it responsible to Parliament.
- The introduction of the Decentralised Capital Budget in 1974 over which they had full control strengthened the MPs' power in relation to the Government Agent.
- The Constitution of 1978 re-introduced a degree of separation of powers, and re-established the Public Service Commission. But the latter's agency status to Cabinet was carefully preserved.

## 1980s

- District Development Councils established in 1991 as an attempt to decentralise administration to District level. This effort petered out almost immediately thereafter due to a combination of budgetary inadequacies, the exigencies of the presidential elections of 1982, and the ethnic riots of 1983 (de Silva 1993b:114).
- Devolutionary structure introduced in 1987 under ethnic pressure and coercion by the Indian Government. The Thirteenth Amendment to the Constitution transformed 'an explicitly unitary state to an arguably elaborate federal set-up' (Wijesinghe 1997:20). Direct authority over a large number of subjects formally devolved to Provincial Councils. Powers over some subjects shared by Centre and Provincial Councils through the Concurrent List.
- A new local government body, the Pradeshiya Sabha (Divisional Council), was established at the level of the earlier Assistant Government Agent's (AGA) Division.

## 1990s

- In 1991, the administration was deconcentrated to the divisional level by establishing Divisional Secretariats in the former AGA Divisions. This marginalised the Government Agent even further, and undermined previous efforts at political devolution.
- Nomenclature of the grama sevakas changed to grama niladhari (village official), along with a large increase in their numbers.
- Following the election of the People's Alliance Government in 1994, the pendulum has swung once again towards devolving further power to the provinces (or 'regions'). Establishing an explicit federal structure in an arguably unitary framework (!), is currently on the constitutional reform agenda. These efforts have been undertaken primarily to reach a settlement to the secessionist conflict.

overwhelming State presence in production and distribution activities. On the other hand, the open economic framework encouraged further centralisation, as implementing structural reform measures required a high degree of decision-making mobility. As Dunham and Kelegama (1997) argue, in a country such as Sri Lanka where the State is weak and is 'neither sufficiently cohesive nor sufficiently disciplined to implement economic policy effectively', strong political leadership and a high degree of centralisation were essential to push through long overdue economic reform measures.

But while the administrative system has remained strongly centralised, it has been fragmented through the proliferation of ministries, departments, public corporations and statutory bodies. Many of them have outlived their original usefulness, but lurk in dusty corners of the system. New institutions, often the pet projects of their conceivers, then grab the limelight, until they too retire to the wings but claim their share of the public sector wage bill. Another driver has been the patronage-dominated political system. For example, Lakshman et al. (1994) argue that Sri Lanka's jungle of public institutions is due to the 'breaking up of activities in order to create posts for political patronage purposes' (1994:60).

The proliferation of institutions has given rise to endemic problems in co-ordination, planning, programming and implementation. Remedial measures such as inter-organisational committees or 'one-stop service centres', have only aggravated the problem. They have added to the number of institutions and made disproportionate demands on the time of senior officials. Meanwhile, sporadic efforts at decentralisation, delegation and the devolution of authority have only succeeded in worsening the situation by accelerating the proliferation of institutions,<sup>10</sup> fragmenting the public service, and politicising it even further. There are several reasons for this: not only have efforts to decentralise been half-hearted, but also, as the reforms never included a rationalisation of responsibilities and tasks within the existing system,<sup>11</sup> they have generated contradictory forces leading to even more chaos. For example, Moore et. al. (1995:5), point out that the introduction of the Provincial Council system in 1989, 'increased ambiguities in lines of responsibility through introducing a totally new tier of administrative, political and electoral organisation above the district level'. In addition, the system, 'led to great uncertainty about the

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<sup>10</sup> For example, in their study of the institutional framework for rural industrialisation in Kurunegala, Lakshman et al. wonder whether '...the enthusiasm of this (North Western) Provincial authority did not get the better of the necessary sense of rational planning ... the problems of the lack of linkages and the presence of overlaps among institutions of industrial promotion...have perhaps got worse by the establishment of this new series of institutions at the North Western Provincial Council level' (1994:69).

<sup>11</sup> Wijesinghe (1997:21) notes that the devolutionary exercise 'quite unimaginatively replicated the departmental structures of the Centre at the provincial level, without making any fundamental change in the style or content of public administration. The resultant duplication, overlapping and cost escalation are matters with which the country is still trying to grapple ... in 1994, the Provincial Councils ... spent 73.5 per cent of their revenue ... on salaries and wages!'

relative responsibilities of the national and provincial governments, since it was clear that the Provincial Council system was a response to political emergency and lacked widespread support' (ibid.). The resulting confusion has strengthened the hand of the Centre even further by necessitating its intervention to prevent a total collapse of the system.<sup>12</sup>

The decision taken in 1991 to make the Division, hitherto subsidiary to the District, the basic administrative unit, complicated the administrative system further. While the Government Agent lost control over the Divisional Secretaries, the latter became directly answerable to Colombo for all national government business and to the Provincial Councils for provincial business. The Divisional Secretary was also constituted as Assistant Commissioner for a few Central Government and Provincial Council functions (modelled after the earlier arrangement with the Government Agent). However, the Divisional Secretary is not much consulted about the utilisation of line agency money within his or her division, and is commonly not even informed about how it is spent (Amarasingha and Dale 1994:7). Moore et al. (1995) note that though the Divisional boundaries coinciding with those of the Pradeshiya Sabhas (the local government authorities that were introduced along with the Provincial Councils) was a potential advantage for development administration,<sup>13</sup> the Divisional Secretaries were soon 'divorced' from the Sabhas. This left them with only a rudimentary administrative apparatus. As a result, the Divisional Secretary is presently 'located at the intersection of numerous political and administrative forces with only marginal responsibility to influence the use of funds from various sources' (Amarasingha and Dale 1994:7).

Meanwhile, the Pradeshiya Sabha has become a marginalised institution with little clout either among other political bodies, the divisional authorities, or most of the local population (Amarasingha and Dale 1994). It carries the responsibility for many local facilities, including local roads and community wells, but most of them neglect the maintenance of these assets, mainly because they lack the necessary financial resources (ibid.). The Provincial Councils make small annual block allocations to the Pradeshiya Sabhas, but mobilisation of own resources is weak. The other possible source of finance, the Decentralised Capital Budget, continues to be allocated to individual Members of Parliament, who formally represent districts but in reality

<sup>12</sup> For example, health is a devolved subject under the Thirteenth Amendment. However, the Provincial Councils were unable to pay the Ministry of Health for the drugs that had been supplied through the State Pharmaceutical Corporation, as they had used their budgets to pay overtime for their staff. So while the State Pharmaceutical Corporation ran a deficit that had to be covered by funds from the General Treasury, the Central Government deducted the cost of drugs from the block grant to the Provincial Councils next time round.

<sup>13</sup> It has also been noted that the majority of Divisions are characterised by distinctive geographic and man-made conditions such as irrigation and fields, that are significant from economic and human geography points of view, unlike districts and provinces which were demarcated for the administrative and military considerations of colonial rulers (Hewavitharana 1997:157; Madduma Bandara 1991).

represent their old electorates, which are a collection of DS Divisions. As a result, there are 'orphaned' divisions that can make little effective claim on the Decentralised Capital Budget. Provincial Council Members too, receive money for development work on an individual basis. The allocations are made in the same manner as the Decentralised Capital Budget (Amarasingha and Dale 1994:6-7). Unwillingness to pool funds, unstructured decision-making and inadequate concern about sustainability constrain divisional and local level development work (ibid.19). But the problems with local government authorities run much deeper than financial ones, and are as equally rooted in Sri Lanka's political culture.

#### 4.2.2 The Political Economy of Development Institutions at Local Government Level

An underlying theme in the structural weakness of Sri Lanka's public institutional apparatus is the prevailing political culture of patronage, the basis of electoral allegiance (see Jayantha 1992). But while it could be argued that patronage is endemic to a democracy struggling to survive in an environment of economic scarcity, the flip side of the patronage coin - political revenge - is less apparent. Politics in Sri Lanka, particularly at the level of the grass-roots, is essentially of the 'ins' versus the 'outs' variety: the electoral fortunes of the party one supports determines one's prospects for advancement at any given time.<sup>14</sup> For example, it is common practice for an incumbent regime to divert infrastructure development funds to localities that supported them at the elections, and withhold them from localities that supported the opposition. Take the case of rural electrification. There are villages that remained islands of darkness in the later 1980s and early 1990s while their neighbours were supplied with electricity, because they supported the rival political party (Gunatilaka et. al. 1997). Meanwhile, the punitive use of the organs of State against one's political opponents, particularly where land is concerned, has a long tradition.<sup>15</sup> Access to such powers is one of the coveted privileges of an incumbent regime.

This has generated a kind of political tribalism that has made the political party a centralising force in an arguably 'devolved' structure of government. For example, Pradeshiya Sabha meetings are devoted to relaying political power plays taking place at the Centre rather than to discussing local issues (Hewavitharana 1997). Meanwhile, if the Centre, the Province and the local government are controlled by the same political party, politicians at the lower levels are

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<sup>14</sup> Poor people appear only too aware of this. For example, Gunatilaka et al. (1997) cite a case in Kekirawa where a married couple had decided that the husband be seen to support the UNP while the wife ostensibly supported the PA in order to maximise the benefits and diversify the risks associated with political affiliation.

<sup>15</sup> As far back as in 1969, Justice Samerawickrame observed that, '...it is remarkable how often over the years it has turned out by some extraordinary coincidence that the public interest appeared to require the acquisition of lands belonging to persons politically opposed to the party in power at the time' [Ratwatte v. Minister of Lands, (1969) S.C. 141/69, 72 N.L.R.60, 61, 63]

extremely reluctant to assert their independence from the Centre, particularly as their own long term political ambitions are located in the Centre rather than in the periphery.<sup>16</sup> The central administration also tends to regard local governments controlled by the same party as adjuncts to its party apparatus, and therefore as convenient instruments of political consolidation. But if controlled by the opposition, they are viewed as rival centres of power and treated with indifference, if not hostility (de Silva 1997). On the other hand, de Silva (1993a) argues that while devolution under the Thirteenth Amendment offered certain advantages (for example, serving as the means of co-ordinating functions among different public sector agencies and as a link between the people and officialdom at the 'local' or 'regional' level), in practice, there was 'no clear distinction between responsible involvement on the one hand and political control, electoral power manipulation and personal aggrandisement on the other' (1993a:91).

The prevailing political culture also explains the electoral violence that has become a pathological condition of the body politic. Local government elections are now the bloodiest, and this is an indication of how much is at stake at the level of the grassroots.<sup>17</sup> The quality of politicians at Pradeshiya Sabha level too, leaves a lot to be desired. Notoriously corrupt, there are weekly press reports of Pradeshiya Sabha members caught while illegally felling or transporting timber from forest reserves, brewing illicit liquor, or else growing and transporting cannabis.<sup>18</sup> They frequently comprise the thug element of local communities.

These factors imply that institutional reform in Sri Lanka is not just a matter of legislative, structural and procedural reform. They also partly explain why legislative and structural efforts at reform attempted thus far (for example, devolution), have failed to deliver.

#### 4.3 THE IRDP'S COPING STRATEGY

What has been the IRDP's experience in programme management and implementation in such an environment? The following sections trace the coping strategies adopted by the IRDP in the face of administrative and programme-specific constraints and policy changes.

<sup>16</sup> The Chief Minister of the North Western Provincial Council during the early 1990s was an exception. But Lakshman et al (1994) argue that even here, the fact that the North Western Provincial Council was controlled by the same party that controlled the Centre (the UNP), inhibited it from wresting power from the Centre.

<sup>17</sup> In the run up to the local government elections of March 1997, 2237 incidents of election violence were reported. There were five assassinations, 50 cases of arson, more than 500 cases of assault, and more than 700 cases of threat and intimidation (see CPA 1997).

<sup>18</sup> See the Divaina.

#### 4.3.1 District-centred Planning and Implementation

When the IRDP first began, the focus was on the District, and administration and project management basically consisted of two tasks: development planning and overseeing the implementation of the programme through line agencies.

The first generation of IRDPs led by the World Bank adopted the latter's customary 'blue-print' approach to programme planning. Accordingly, loan agreements specified a semi-rigid set of components or activities formulated on the basis of a medium term time frame. Understandably, the impact of these programmes on the planning capacity of line agencies was limited. The responsible agencies were confined to executing targets set by the Staff Appraisal Reports and monitored by supervisory missions by the donors. This approach left no space for review and adaptive planning, and there was little scope for flexible decision-making during implementation (World Bank 1997:74).

In contrast, the second-generation of bi-laterally-funded IRDPs led by the Hambantota IRDP, adopted a recurrent and annually revolving planning process. This became the dominant paradigm thereafter. In particular, NORAD, which funded the Hambantota IRDP, was concerned about the weak planning capacity of local agencies and a clear objective of the programme was to build it up while preparing a comprehensive district plan. Jerve et al. (1992:48) state that the flexible revolving planning model facilitated participation by virtually all government agencies. But how successful was the programme in developing indigenous planning capacity?

The evidence indicates that the efforts were successful, but only within the programme areas of the Hambantota IRDP. This was because the programme had control only over the activities of those agencies coming within its purview. It had no control over the myriad of other institutions and agencies involved at field level, and had to contend with the other structural problems of the administrative system discussed in Section 4.2. Meanwhile, the District Co-ordinating Committee under the Government Agent, (set up to introduce some coherence to the multitudinous development plans and projects of different line agencies), had only limited powers to enforce any form of consistent strategy in the allocation of capital expenditure across the District.

Turning to programme implementation next, the IRDP appears to have been unique among development programmes of this nature in relying on the existing government machinery to implement its projects and programmes. This was found to have strengthened implementation capacity in line agencies through the provision of vehicles, equipment, physical infrastructure,

staff training, and improving staff mobility and performance (World Bank 1997; Jerve et al. 1992). The infusion of institutional support is likely to have been significant, particularly when budgetary allocations for such activities have been pared to the bare minimum.

Co-ordinating the activities of twenty or more line agencies, however, presented serious challenges. The Kurunegala, Matale and Puttalam IRDPs adopted a by-pass coping strategy by setting up a project office headed by a project director, to monitor, supervise and co-ordinate the work programmes of agencies in the field. The programmes also set up National Steering Committees at the Centre, chaired by the Secretary, Ministry of Plan Implementation and attended by Government Agents and Heads of all relevant implementing agencies. This mechanism was considered relatively successful even though the bi-lateral donors later abandoned it.<sup>19</sup> However, the World Bank (1997) notes that the initial assumption that effective co-ordination could be achieved through committees was somewhat naïve. Even though vertical co-ordination was successful, horizontal co-ordination was not. This is hardly surprising given the virtual absence of lateral linkages among line agencies, and the fact that each is truncated from the rest.

The exception was the Hambantota IRDP, which appears to have adopted an innovative approach. It attempted to bring about institutional integration by making the District Planning Unit the lead agency, whose director was appointed by the Ministry of Policy and Plan Implementation, who was also designated Deputy Director of Planning for the District. This made him the assistant to the Government Agent, which created several positive effects. It enhanced the formal authority of the Director of the Programme through his formal link with the authority of the Government Agent. The District Planning Unit became important in relation to District-level politicians. This facilitated co-ordination at the policy level with other sources of development financing, in particular the Decentralised Capital Budget. It also ensured that already existing planning staff at district and lower levels were utilised effectively. As the Government Agent still maintained some influence over the district offices of line agencies, it made co-ordination and monitoring somewhat easier. Meanwhile, resources spent on programme planning and co-ordination contributed towards directly strengthening local administration, and made it more likely that assets created by the programme would be maintained by the appropriate public institution. Thus, there was a formal integration of the Hambantota IRDP and the district administration (Jerve et al. 1992:37-38). Given the incoherent and chaotic nature of the institutional set-up, it is creditable that the programme achieved this much.

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<sup>19</sup> Verbal communication, Chintha Chethiyawardene, Deputy Director, Regional Development Division, Ministry of Plan Implementation.

Even so, these outcomes were short-lived because the model existed in a policy vacuum. There was no national strategy to build a strong, decentralised administration at district level, and Jerve et al. note (with some bitterness) that, with the Thirteenth Amendment to the Constitution, the model advocated by the Hambantota IRDP 'was easily sacrificed, as was the institutional capacity built up at district level' (1992:39).<sup>20</sup>

#### 4.3.2 The Impact of Devolution and Decentralisation

The Thirteenth Amendment transformed the IRDPs into a devolved subject. The Provincial Councils eliminated the District as a unit for area-based planning and the Government Agent no longer had any role to play in the Provincial Planning system. The Thirteenth Amendment also snarled up the lines of IRDP financing, reporting, monitoring and implementation. While the Provincial Council now maintained formal control over the IRDP Project Office, the latter had to report back to the District Planning Secretariat, which, however, was powerless to influence the activities of the Project Office. At the same time, there was no link whatsoever between the District Planning Secretariat and the Planning Office of the Provincial Council. The confused lines of authority meant that the Rural Development Division at the Centre (RDD - now re-named Regional Development Division) remained in de-facto control and continued to manage the programme. In addition, the RDD continued to provide technical support for the IRDP Project Office. Negotiations with donors and monitoring of donor funds, too, took place at the Centre.

Further changes were in store. No sooner had the Provincial Councils been established than the decision to decentralise administration via the Divisional Secretariats was taken. Accordingly, the focus of IRDP planning relocated to the Division, and this was viewed more positively, as it increased scope for a regional development strategy based on agro-ecological zones or some form of functional zoning to guide the planning process in the Divisions (Jerve et al. 1992:55). Happily, the level of competence and operational capacity at the level of the Division was found to be fairly high by international standards (Amarasingha and Dale 1994:18). It also appears that the Division was small enough as an administrative unit to enable more effective bottom-up participatory approaches and greater emphasis to be placed on local community based activities such as promotion of community groups, self-help banking societies and intensive village development.

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<sup>20</sup> The dislocations caused by these changes appear to have been felt in the other IRDPs as well. For example, Aturupane et al. (1996:62) note that the establishment of the Provincial Councils saw a reduction in the power and resources available at the Department of Education in Kegalle District which were transferred to the provincial capital, Ratnapura.

However, planning for sectoral interventions such as investments in physical and social infrastructure and production and income generating projects executed by line agencies, required a cross-divisional approach and the co-ordinated actions of a number of agents. This was more difficult to achieve as the IRDPs came up against the hoary old chestnuts of structural deficiencies and conflicting political agendas which were worsened by the devolutionary exercise. For example, the planning processes related to the Decentralised Budget, the relevant Provincial Council budget, and line agency activities, were carried out independently of one another. At the same time, political economy problems made it difficult to envisage a scenario in which the different agents were willing to cooperate and pool funds (Amarasingha and Dale 1994:30).<sup>21</sup>

#### 4.3.3 Regional Rural Development

A more fundamental re-orientation of the IRD process towards regional development is currently underway (see MPIEANI 1997). It is likely to bring with it further challenges. Primarily, the new approach implies that designers of the process have realised the need to create a big push in investment, integrate markets, and develop infrastructure and service systems on a functional regional basis. These objectives indicate the need for an area-based approach that crosses administrative boundaries, whether provincial or divisional.

Nevertheless, the planning and implementing framework proposed appears to be yet another coping strategy, uncannily like that adopted by the IRDPs, though on a far more ambitious scale. In the first place, the development approach has had to take as given the present provincial and district boundaries, however irrational they may be in terms of their agro-ecological and human development characteristics. Thus, a 'region' would have to incorporate a conglomerate of divisions that may straddle more than one provincial boundary. In the second place, it has to work with a formidable array of devolved, de-concentrated, and decentralised institutions and agencies that have few lateral links, are riddled with personnel deficiencies, and controlled by conflicting political forces.

The institutional and management framework envisaged, has the National Planning Department compiling and maintaining regional accounts, deriving criteria and guidelines for regional,

<sup>21</sup> As Amarasingha and Dale (1994:19) note, "The great increase in the number of politicians (following devolution) in different positions, with individual needs of asserting themselves, a complementary proliferation of funds allocated directly to individual politicians, unwillingness on the part of at least the majority of the Members of Parliament (MPs) to give up any of their acquired power to Local Government bodies, and an even stronger position of potential command by the MPs (who are still largely perceived to represent old electorates) over a lower level of divisional administration as compared to a higher level district one."

Provincial, District and local level activities based on integrated and sectoral plans. The Regional Development Division is to manage and implement the programme at national level, other than in very special cases of critical national importance, in which case they would be handled by special authorities such as the Southern Area Development Authority. The Provincial Council is to prepare rolling development plans and a medium term regional development strategy for the Province that would feed into the Regional Development Programme. To achieve this, the Provincial Council, as well as the Centre, is to depend on the technical and implementation capacity of the District, which would be further developed. Meanwhile, the Division is expected to act as a meeting point for bottom-up and top-down planning approaches. Divisions, too, will have their own plans consisting of projects determined by a participatory planning process. This would require links between the Samurdhi, IRD and other grassroots programmes. The Pradeshiya Sabhas are expected to play a critical role in identifying programmes and setting priorities at local level, to be implemented by the Divisional Secretariat (MPIEANI 1997).

Given the endemic problems of the country's development institutions, it is hard to be optimistic about the effectiveness of the proposed institutional and management framework. Although further efforts at improving institutional and managerial capacity at the level of the Provincial Council, the District, the Pradeshiya Sabha, etc. are proposed, the impact of these efforts are likely to be disappointing without a fundamental revamping of the personnel recruitment and promotion system. At the same time, the problems of co-ordinating various agencies are likely to be magnified at regional level. At this level, one would have to cope with not just one Provincial Council, but with two or three, and many more Pradeshiya Sabhas probably controlled by different political parties. Similarly, District level development planning under the IRDP had to cope with situations where a Provincial Council controlled by the opposition, was simultaneously squeezed by the Centre and the Pradeshiya Sabha, both controlled by the incumbent regime. Likewise, a Pradeshiya Sabha controlled by the opposition, can be crushed by the Provincial Council ganging together with the Centre.<sup>22</sup> These political economy problems are likely to be more complex at regional level and continue to frustrate the pooling of resources and the co-ordination of planning and implementation. To make matters even more uncertain, a further reorganisation of the management and implementation framework is likely to be on the cards, depending on constitutional changes that are currently in the pipeline. Past experience cautions

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<sup>22</sup> However, as pointed out by de Silva (1997), the Thirteenth Amendment contains provisions that safeguard a local authority against any attempt by a province to 'abolish them completely or deprive them of significant powers and functions or exert improper pressures'. Surprisingly, these have been omitted in the January 1996 draft of the proposed new constitution.

against any optimism that the new changes will amount to much more than skimming the surface of the chronic maladies that hobble public institutions.

#### 4.4 CONCLUDING REMARKS

The evidence shows that weaknesses in the public institutional set-up have posed serious challenges to the IRDP. These have been aggravated by the prevailing political culture. However, IRDP investment in rural development is only a small part of the overall development activities carried out at district level by individual line agencies. The co-ordination and implementation problems encountered by the latter are likely to be far larger and more intractable. This implies that public institutional reform in general is a necessary, though not sufficient condition for effective pro-poor development planning and implementation.

Coping strategies, however, continue to be devised to get round these fundamental obstacles. Recently, the Ministry of Plan Implementation reactivated the District Co-ordinating Committee with a view to constructing a district-level annual investment plan that would include the projects and programmes of all institutions and line agencies that are to be carried out within that District. The objective of this exercise is to strengthen co-ordination, monitoring and implementation of district-level projects.<sup>23</sup> It is still too soon to assess the success of these efforts.

The institutional framework for development has thus far defied attempts at reform because of the ad hoc, piece meal approach adopted. This has aggravated existing inefficiencies.<sup>24</sup> While the Report of the Administrative Reform Committee provides a comprehensive agenda for reform, the analysis on which it is based has failed to appreciate the political economy dynamics that maintains the status quo. Thus, successful administrative reform is not merely a matter of the government showing the necessary political will. The experience of other countries has been that for policy makers to grasp the nettle of administrative reform, there must first be a change in economic circumstances that strengthens the hand of reformers both within the government and within the technocratic class. Facilitating such a process needs analyses that go beyond the immediate causes of institutional weakness and inquire into the political economic origins of the prevailing malaise. For, as Hulme and Sanderatne (1996) argue, the weakening of accountability

<sup>23</sup> Verbal communication, C. Maliyadde, Additional Secretary, Ministry of Plan Implementation, June 1998. Also see Ministry of Plan Implementation and Parliamentary Affairs (1998).

<sup>24</sup> The Administrative Reform Committee (1988) urged that, 'its recommendations be considered in totality and implemented as a whole', and warned that, 'the implementation of bits and pieces of the suggested agenda could be dangerous in that it could lead to incoherent and chaotic results which would put the administrative system back rather than propel it forward' (Report 1: 6). As the Chairman of the Committee himself later noted, this was 'a prophecy which, unfortunately, became self-fulfilling' (Wanasinghe 1994:5).

in Sri Lanka does not lie in legislation, structures and procedures, but in a complex of factors associated with a re-definition of its political culture. 'Legislative, structural and procedural reforms may help reverse this, directly or indirectly, but a broader understanding is required if one is serious about a strategy to strengthen public accountability' (ibid. 26).

## 5. CONCLUSIONS AND POLICY IMPLICATIONS

The objective of this review was to extract the lessons of the IRDP approach to rural development and poverty alleviation that can throw further light on the current policy initiative to introduce a pro-poor bias to macroeconomic and sectoral policies. The focus was on three key issues: increasing productivity, incomes and employment among the poor, improving access to social welfare services, and programme management and implementation. The first two issues related to programme outcomes and constraints faced, while the third was treated as an issue in itself, as well as a constraint that adversely affected achieving the objectives of the first. This chapter aims to draw together the threads of the preceding analysis and distil policy directions for the future.

Although the IRD process had many objectives, in essence they boil down to two key goals: raising incomes among target groups, and enhancing their quality of life. This review finds that the programme recorded many successes in achieving the first two objectives, but the greater part of such achievements were level effects, or one-off improvements. This was clearly evident in the case of income generating projects, where, other than in a few exceptional cases, income increases were soon eroded through inflation and changing terms of trade. Similarly, the microenterprise efforts of the vast majority of beneficiaries amounted to survival strategies rather than viable small businesses. That the income gains as well as the quality of life gains were level effects, have meant that the rural sector has not been able to catch up with the urban sector on these two counts. And, since the urban sector, particularly the urban metropolis has generated its own dynamism, the disparities are likely to have widened between the two, even if the rural sector has experienced an absolute increase in facilities thanks to the IRD programme.

The analysis highlighted several reasons why it was difficult to sustain programme outcomes beyond its life. Some project-specific problems were easily identified, and, in most cases, resolved as quickly. They have been part of the learning process generated by the IRDP experience. However, problems endemic to this type of programme have also been encountered. For example, pro-poor credit programmes have had to contend with inherent problems such as inadequate loan size, arbitrarily set loan ceilings and poor management. But more seriously, the analysis highlighted the flawed premises on which many microenterprise development

programmes are based. It argued that targeting the poor for microenterprise development often results in failure because of adverse selection: the poorest are the least able in terms of their initial endowment of skills, assets and attitude towards risk, to be able to set up and run viable small businesses.

Another reason why the gains were not sustained was that the majority of assets created by the programme, whether irrigation canals or school buildings, could not be maintained. The line agencies or local government authorities that should have been responsible lacked both funds and technical staff to carry out maintenance work. Nor could the majority of beneficiaries assume responsibility for maintenance as they continued to be poor and unable to afford the considerable expense involved.

This brings us to the third reason why programme outcomes could not be sustained. The economic dynamism that the national economy experienced during the last twenty years left large parts of the rural hinterland relatively untouched and stagnant despite all efforts at rural development. The continued segmentation of urban and rural markets has forced microentrepreneurs supported by the programme to depend on their relatively isolated, village or Division-level, input and output markets. They have not been able to link up with, or enjoy the spin-offs from, the more dynamic urban sector. One key reason appears to be as Kumarage (1998) points out, the lack of limited access-high mobility roads linking up lower-order urban centres with higher-order urban centres. Difficulty in accessing larger urban markets and centres of dynamic economic activity has circumscribed what a programme of this nature can achieve.

While the IRDP has depended on the existing government machinery to implement projects and maintain infrastructure assets thereafter, this has been a key factor making programme outcomes fall short of expectations. The analysis highlighted the structural, personnel and political economy problems of the public institutional system. These have created intractable problems of co-ordination, planning, programming and implementation. Ad hoc efforts at devolution and decentralisation have only further confounded efforts at co-operation and the pooling of funds for rural development. At the same time, objectives of patronage and revenge have affected development programmes and projects at the grass roots level, and generated a political tribalism that has been divisive. This has confounded efforts at devolving power and encouraging a more participatory form of decision-making and administration, as the political party acts as a centralising force in an otherwise devolved structure of government.

While the present review reveals us why it has been difficult to sustain the gains in incomes and living standards brought about by the programme, what are the lessons for future such initiatives?

To begin with, while it is known what went wrong, making good these mistakes may not necessarily lead to getting it right. Even so, it is still possible to identify some key directions for policy change.

First, sustained poverty reduction in rural areas appears to require a strong investment push that would generate a growth dynamic by linking the rural economy with an expanding urban economy. Therefore, the most recent re-orientation of the IRD process has taken place not a moment too soon. But the new approach is likely to come up against some constraints. To begin with, the level of investment required appears prohibitive in the short term, given that the major part of the government budget is taken up in high defence expenditures, interest payments on public debt and the public sector wage bill. A settlement of the secessionist conflict and administrative reform may free some resources in the medium to long-term, but the short term prospects remain bleak. At the same time, the volume of concessional donor financing for the kind of large infrastructure projects involved is thinning out. Nor is the current global economic environment conducive to either large-scale inflows of private investment finance or a buoyant rate of economic growth. Even so, policy makers need to be aware that reducing poverty on a sustained basis would be impossible without a take-off of the rural economy.

Second, raising incomes and employment levels among the poor appears to require a differentiated strategy or two-pronged approach. Micro-level interventions focused on household initiatives can help reduce the vulnerability of poor people. So this prong implies more or less continuing with the kind of micro-level interventions that the IRDPs have implemented, but with a far more realistic assessment of what can be achieved. The second prong needs to concentrate on building up a qualitatively dynamic entrepreneurial class from among those poor who already have the necessary skills and aptitudes. Thus, what may be needed here is a promotional strategy that gradually motivates such people through providing the necessary support services to develop scale economies in aggregating the small and often unviable enterprises. This would call for a package of measures to promote small and medium enterprises that would include finance and marketing, production technology, and training in accounting and financial management skills.

Third, as far as rural community-based infrastructure goes, the major proportion of the available budget needs to be spent on routine and preventive maintenance rather than on creating new assets. So long as the rural economy remains stagnant, the rural poor will not be able to afford to

maintain these assets themselves. Here, too, growth is imperative if the necessary surplus for maintenance is to be generated, whether locally or at a national level.

This brings us to the issue of institutional reform. The present analysis of the administrative milieu of the IRDPs noted that the regional approach is likely to come up against seemingly intractable problems of co-ordination and political factionalism at different levels of government. It is also through the long and penetrative reach of the organs of State that political patronage and revenge is nurtured and political instability made systemic. Sri Lanka needs to reform its public institutional apparatus in a serious, coherent and comprehensive manner in order to eliminate the dead-weight loss generated by the system. A concerted effort at reducing the total size of government, strengthening civil society and, stimulating the growth of an independent and dynamic private sector, may be the first steps to tackling the problem.

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Table A1: Social Expenditures of Potential Benefit to the Poor (SLR Million)

Type of Assistance	1994	1995	1996	1997P	1998E
1. Samurdhi	0	2336	7400	8755	8644
2. Janasaviya	4017	2818	1257	522	0
3. Public Assistance (indigents and invalids)	401	475	2886	4314	2857
4. Food Stamps	2057	1362	0	0	0
5. Kerosene Stamps	633	437	112	0	0
6. Infant Milk Subsidy	121	34	446	125	75
7. Triposha	180	169	145	81	300
8. Emergency Food (for Internally Displaced Persons)	2452	2325	3305	2958	1819
9. Wheat Flour Subsidy	0	5000	5500	1000	0
10. Poverty Alleviation Project	602	2325	3526	3357	1931
11. Fertiliser Subsidy	630	1345	1500	1895	1500
12. Free Public Health Services	9185	10951	11913	12135	14537
13. Free Public Education	17713	18908	20402	22349	27813
14. IRDP Programmes (a)	728	1026	1056	1446	1619
Total Social Welfare Expenditure	38719	49511	59448	58937	61095
Social Welfare Expenditure as % of Government Current Expenditure	29.9	34.3	35.4	32.7	32.7
Social Welfare Expenditure as % of Total Government Expenditure	23.1	24.7	27.8	27.8	24.7
Social Welfare Expenditure as % of GDP	7.4	8.3	8.5	7.3	6.7
Social Welfare Expenditure (excl. health and education) as % of Government Current Expenditure	9.1	13.6	16.1	13.6	10.0
Social Welfare Expenditure (excl. health and education) as % of Total Government Expenditure	7.0	9.8	12.7	11.5	7.6
Social Welfare Expenditure (excl. health and education) as % of GDP	2.3	3.3	3.9	3.0	2.0
Notes: (a) - Includes Southern Development Project. P = Provisional, E = Estimated. Source: Government of Sri Lanka, Revenue and Expenditure Estimates (various years); Central Bank of Sri Lanka.					