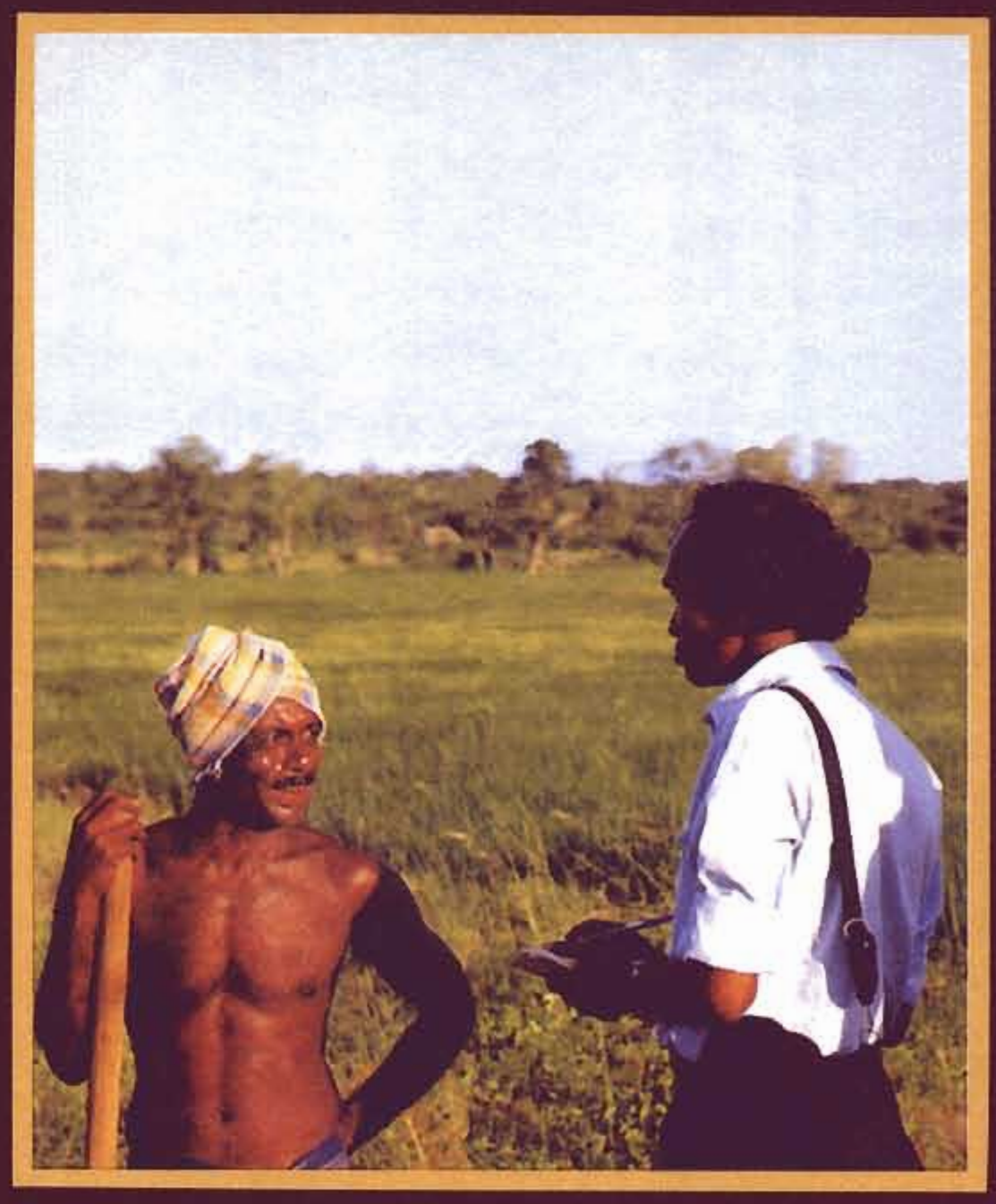
Research Studies: MIMAP-Sri Lanka Series No.1
March 2000

Policy Impact Analysis in Contemporary Sri Lanka



David Dunham

INSTITUTE OF POLICY STUDIES
99 St Michael's Road, Colombo 3, Sri Lanka

IPS Publications

Stabilization and Growth: Some Notes on the Role of Credible Policies (July 1990)

Inflation in Sri Lanka 1971-1987: A Preliminary Study (July 1990)

Consolidation of Fragmented Paddy Land: Is it Really Necessary? (January 1991)

Women, Skill Development and Employment (February 1991)

A Macroeconomic Overview of Sri Lanka 1970-1987: With Special Reference to Stabilization Issues (April 1991)

Adaptation to Changing Trade Patterns in the Global Trading Systems (April 1991)

Industrialization in Sri Lanka: What Can We Learn From the NICs? (April 1991)

The Theoretical Foundations of Competing Stabilization Policy Prescriptions: The Sri Lankan Experience 1970-1988 (April 1991)

The Sri Lankan Balance of Payments 1990 (September 1991)

Inflation in Sri Lanka in 1990 (October 1991)

What Type of Capitalism Does Sri Lanka Need? (January 1992)

Energy Status of Sri Lanka -- Issues and Policy Suggestions (March 1992)

Increased Productivity and Commercialisation of Non-Estate Agriculture (March 1992)

Growth, Stability and Balance of Payments (May 1992)

The Pertinence and Value of Village Studies for the Analysis of Rural Employment & Unemployment (June 1992)

Sri Lanka: State of the Economy 1991/92 (June 1992)

Rural Non-Farm Employment: Some Conceptual Issues (June 1992)

Liberalization and Industrialization: The Sri Lankan Experience of the 1980s (July 1992)

Rural Non-Farm Employment Problems, Issues and Strategies (July 1992)

A Statistical Overview of Employment and Unemployment Trends (July 1992)

Privatization: The Sri Lankan Experience (July 1992)

The Enlargement of the European Community and its Impact On Sri Lanka (September 1992)

Sri Lanka's Balance of Payments 1978-89: An Exploratory Study (October 1992)

A Strategy for Skills-Development and Employment Policy in Sri Lanka (December 1992)

Development Strategy and Industrial Policy -- Issues for Sri Lanka (April 1993)

External Shocks, Adjustment Policies and the Current Account: The Case of Sri Lanka, 1971-1991 (May 1993)

The Sri Lanka Economy: Economic Review 1992 - Outlook 1993 (May 1993)

Labour and the Numbers Racket -- An Assessment of Labour Market Information in Sri Lanka (July 1993)

Sri Lanka: State of the Economy 1992/93 Reform and Development (September 1993)

Protectionism and Trade Policy in Manufacturing and Agriculture - Sri Lanka (October 1993)

The North American Free Trade Agreement and Its Implications for Sri Lanka: With Special Reference to the Garment Industry (May 1994)

Activating the Administrative Reform Process in Sri Lanka (July 1994)

The Sri Lanka Economy: Economic Review 1993-Outlook 1994 (July 1994)

Recent Trends in Foreign Aid (October 1994)

Power Sector Development Issues - Ownership Issues - Part 1 (December 1994)

Sri Lanka : State of the Economy 1994 (December 1994)

Stabilization and Liberalization: A Closer Look at the Sri Lankan Experience 1977-93 (December 1994)

Power Sector Development Issues - Private Power Generation - Part 2 (January 1995)

Contract Farming and Export Horticulture: Can Agribusiness Revitalise the Peasant Sector in Sri Lanka? (February 1995)

Economic Reform and Governance : Second Wave of Liberalization in Sri Lanka - 1989-93 (May 1995)

(Continued on the inside back cover)

Research Studies: MIMAP-Sri Lanka Series N0. 1

May 2000

Policy Impact Analysis in Contemporary Sri Lanka

What's MIMAP for?

David Dunham

INSTITUTE OF POLICY STUDIES

Copyright © March 2000
Institute of Policy Studies, Sri Lanka.

National Library of Sri Lanka-Cataloguing-In-Publication Data

Dunham, David
Policy Impact Analysis in Contemporary Sri Lanka /
David Dunham .- Colombo : Institute of Policy Studies,
2000
36 p. ; cm. .- (MIMAP Sri Lanka research paper ; no.1)

ISBN 955-9122-83-5

i. 332.42 DDC 21 ii. Title
iii. Series
1. Finance 2. Poverty
3. Monetary Policy

ISBN 955-9122-83-5

Price:

Please address orders to:
Institute of Policy Studies
99 St Michael's Road, Colombo 3, Sri Lanka
Tel: +94 1 431 368 Fax: +94 1 431 395
email: ips@sri.lanka.net

"Photo © International Water Management Institute"

The views expressed are those of the author and do not necessarily represent those of the Institute of Policy Studies.

The Micro Impacts of Macroeconomic and Adjustment Policies **(MIMAP)** program is an initiative of the IDRC, Canada with projects currently operational in several Asian and African countries. MIMAP is based on the idea that macroeconomic policies need to be guided by the final outcomes at the micro level. Hence, MIMAP program initiatives seek to increase the understanding of the links between macroeconomic policies and household income and wealth; and the 'feedback loop' that alters the efficacy of the original policy and its design.

This work was carried out with the aid of a grant from the International Development Research Centre, Ottawa, Canada.

Acknowledgement

The author would like to thank Ramani Gunatilaka, Neranjana Gunetilleke, Nishan de Mel, Rozana Salih and Shelton Wanasinghe for their comments on an earlier draft of the paper.

Table of Contents

1. Introduction 1

2. Understanding Policy Reform 3

2.1 The alternative models 4

Model 1: The basic model 4

Model 2: Reform as a process 5

Model 3: Client-oriented support 7

2.2 Implications for policy impact analysis 9

3. Policy Reform and "The Poverty Problem" in Contemporary Sri Lanka 11

3.1 How should we view the Sri Lankan reform process ? 12

3.2 The poverty problem in Sri Lanka 17

4. The Challenge for MIMAP 24

References 27

1. Introduction

Efforts to assess the effects of economic reform on economically vulnerable groups in Sri Lankan society have set out, in the main, from two simple axioms. The first is that stabilisation and adjustment have had adverse effects when it comes to the impact on poverty. For all the effort to generate high rates of growth (in the belief it would "trickle down") and to help the poor through better-targeted welfare and poverty alleviation programmes, the improvement in their situation has been disappointing. After more than twenty years and an average annual growth rate of around 5 per cent, roughly a quarter of the population is still living in poverty. Something is seen to have misfired in the macro adjustment package. The second idea is that, if only we knew more about the mechanisms behind it, modifications could be made and the outcome would be much more favourable to the poor and needy. We would be in a better position to design poverty-sensitive policies and to implement them effectively. Economic and social concerns could be linked more closely, strengthening the overall thrust of the reform effort. The latter point is particularly important because there is consensus amongst the main political parties in Sri Lanka that economic liberalisation offers the best prospects for the future (IPS-MIMAP 1998).

In broad terms, and at the risk of some simplification, these seem to be the main ideas that shape the MIMAP agenda in Sri Lanka. The country's economic policies, welfare and safety-net programmes since it embarked on a strategy of liberalisation in 1977 have been studied extensively. The problem, then, is to get a clearer and more structured understanding of the way they affect the poor (as both producers and consumers), to identify problem areas amenable to policy that have been overlooked, find critical causal relationships, and feed this information back into the fine-tuning of policy. In the course of this work, emphasis is to be placed on poverty analysis and monitoring, modelling techniques that can isolate and measure social impacts (and anticipate them for policy), targeted social infrastructure investments that help the poor, and welfare and safety net programmes that provide them better support and reduce distress more effectively. Though it was obvious from the outset that the exercise would be complex technically, conceptually it seemed clear.

But is that really the case? Significant data problems and the methodological difficulties in such an exercise have been raised in the literature, principally with regard to the isolation and the measurement of the impacts of adjustment policy (Goldstein and Monteil 1986; Cornia *et*

al. 1987; Mosley *et al.* 1991; Mosley 1993; White and Luttik 1994; White 1997).[1] Considerable attention has been paid to problems of policy compliance (how far a policy was implemented, or implemented as it should have been), causation (whether it was the policy and not some other factor -- external shocks or the general lack of investor confidence -- that was primarily responsible) and disaggregation (associating specific effects with a particular policy).[2] Much less attention has been paid to the logic of the overall exercise – to the way we interpret the reform process, to what we can reasonably expect from it, or to the possibility that the answers given to these questions could shape results and determine the relevance and effectiveness of policy impact analysis.

This paper addresses that issue. It argues that we should not assume that the practical gains from impact analysis are obvious, and move straight on to the micro impacts of macro policies. We cannot assume *a priori* that the cause of poverty reduction is best served by analysing and debating effects of the structural adjustment package. Or that, from a poverty standpoint, flaws in its design and execution are a crucial issue. On the contrary, the relevance of such an exercise is an open question. Most poverty is structural, shaped by ownership, agrarian and power structures at local level, and by problems of access. That time spent worrying about effects of macro adjustment policy is the best way to secure a meaningful improvement in the situation of the poor in the highly diverse situations of rural Sri Lanka cannot simply be taken for granted.[3] Hence the main concern of the paper: what is MIMAP for?

---

[1] Four empirical approaches are commonly identified: (1) comparing the situation *before* and *after* the introduction of adjustment policies; (2) comparison against a control group of similar countries that did not reform; (3) comparison against normative expectations based on economic theory; and (4) modelling. For an evaluation of the strengths and weaknesses of these approaches see White and Luttik (1994). Little explicit attention seems to have been given to counterfactuals -- comparing the post-reform situation with what could have been expected without reform.

[2] Impact analysis is easier if it entails a clearly circumscribed measure (a cut in a welfare grant or the removal an import tariff on a particular commodity), rather than the net effect of a package of stabilisation and adjustment measures that pull in various directions. The latter is more diffuse and less time-bound. Causal links are harder to isolate, and the picture is likely to be blurred because what happens on the ground may have its own momentum (Bery 1990).

[3] It is exacerbated by the fact that macro adjustment no longer seems as clearly circumscribed as in the 1980s. When the purposes are opaque, the kinds of answers that emerge from policy impact analysis are extremely vulnerable to the acquired interests and proclivities of individual observers. What policy-makers want from policy impact analysis (what they consider relevant), and what analysts look for (and how they look for it) can then be strikingly different. But if different ideas of what macro adjustment involves can be shown to result in significantly different conclusions and policy recommendations, then some thought has to be given to the mental models and purposes that are driving the exercise. They have to be made explicit. Inappropriate models, after all, can simply lead up blind alleys and undermine its effectiveness.

The line I have taken in this paper is that, in practice, scholarly technical analysis *per se* is rarely a prime mover of government. Governments look for information that helps to answer and resolve policy issues that are of felt political importance. And this is likely to be equally true when it comes to assessing the social impact of economic policy reforms. So does the analysis that is done in this area address the right issues and does it address them in ways that are likely to be important for the politicians? The discussion is in three parts. Section 2 presents three alternative, if stylised ways of interpreting the economic reform process and what is needed from the analysis of the micro (social) impacts. The aim is to show, first, that different viewpoints can exist on both the nature of the reform effort and the kind of technical feedback that is considered to be necessary. It asks what issues they raise, what kinds of policy prescriptions are considered relevant, and what they imply for what I have chosen for convenience to label "policy impact analysis" (PIA). Section 3 then turns to the Sri Lankan case. It asks how we should interpret the Sri Lankan policy context in such a framework, the kinds of questions the exercise should raise and the range of policy alternatives that could be expected to emerge from it. The two themes are then brought together in a final section on pointers for subsequent analysis.

2. Understanding Policy Reform

Arguably, the biggest enemy of any poverty-related assessment exercise (whether it is a World Bank-type poverty assessment, a PIA or an anti-poverty programme) is conventionality – the unthinking adoption of routine analytical starting points and standard technical procedures, producing staid, and all-too-predictable policy prescriptions at the end of the exercise. There is a voluminous and impressive body of knowledge on methodology, technique and policies. But the fact the poor are still with us in such enormous numbers would seem to be evidence enough that we have no cause for complacency. We have continually to ask ourselves if the way we look at policy reform and conceptualise impacts on poverty could not in itself be part of the poverty problem.

This section provides an entry point to discussion on the purposes and underpinnings of PIA. It contrasts three ways of looking at the micro impacts of the economic reform and at the feedback that might be expected about its social impact. The three "models" are the basic, technocratic approach of the early 1980s, the notion of reform as a process (part of what has come to be known as 'the new political economy of reform'), and more recent client-oriented responses to public sector service delivery. This is followed by a short discussion of what the differences imply for PIA. The underlying argument is that the organising theory behind

impact studies in Sri Lanka, if it is not thought out, will undermine their relevance, closing off areas of analysis that could be of profound importance.

2.1 The Alternative Models

Model 1: The basic model

It is generally acknowledged that the prototype structural adjustment programmes that were designed in response to the debt crisis and international recession in the early 1980s were profoundly technocratic. There was discussion about technical details (especially timing and sequencing), but the technical logic of the reform agenda was considered almost immutable. Their impact on the poor was seen as unfortunate friction, transitory and therefore of secondary importance (World Bank 1990:103).[4]

The approach of course mellowed with experience. There was growing awareness of the importance of social infrastructure (of "sustained human development") and that, in practice, the social costs of adjustment could not be conveniently sidelined as an unfortunate side effect. It was clear they could be unacceptably heavy, that a response was often warranted on humanitarian grounds, and that the political instability resulting from increased inequalities could topple pro-reform governments -- or at least undermine their commitment to stay the course (Cornia *et al.* 1987; Jolly 1991). There was therefore some softening, but there was still an unequivocal commitment to "the iron laws of reform".

The policies needed to convert an inefficient and unsustainable, state-dependent economy into an efficient, fast-growing market economy were, by-and-large, thought to be known. But in practice there was slippage, though the problem was rarely seen to lie in nature of the policies themselves. It was in the government's determination to see them through. Four kinds of problems were commonly identified: (a) weaknesses in policy design; (b) poor implementation capacity; (c) the disruptive power of short-term transition problems (social costs of adjustment); and (d) the lack of "political will". Failure was frequently seen to be the result of weak institutions, for which the typical remedy (of donors in particular) was to strengthen the institutional capacity of the implementing agency and to encourage "good governance" (in the technical sense of coordination, accountability and managerial propriety). Stronger institutions, it was argued, would lead to more robust policy analysis, technically

---

[4] Structural adjustment lending was initially seen by the World Bank as a more effective alternative to its poverty reduction focus of the 1970s, with the emphasis on long-term growth trickling down to benefit the poor.

sounder policy and more effective implementation (Lamb 1987). At the same time, it was acknowledged that severe social problems had to be cushioned by the provision of safety nets – accompanying (or "pinned onto") the reform agenda, at times almost as an afterthought (see World Bank 1980, Jayarajah et al. 1996). The easing of socio-political pressures was also seen as a way of generating stronger political commitment.

In the context of this model, the preoccupation of reformers was to get "the right set of policies" adopted by government and -- if the implementation went wrong -- to beef up the relevant technical and administrative capacity to do the task more effectively. It was an elitist, top-down agenda with a standardised policy prescription. PIA basically served as a socio-political barometer, monitoring a relatively limited range of macro variables. Considerable weight was attached to trends in unemployment, real wage rates, the incidence of consumption poverty and average scores on key social indicators.

From a methodological standpoint, PIA was also a linear, before-and-after exercise, rather like throwing a stone in a pond and then tracing the ripples. You undertook a reform (or perhaps more broadly an adjustment package), and you looked at the social impact to see if there were serious problems.[5] You did it, basically, to see if the effects on the poor were socially unacceptable and needed to be "mitigated" or could trigger off a political response that could impede reform. You did not need to know why a result occurred, so much as the scale of the impact and whether something had to be done about it. The key question was whether there a need for government to introduce additional, remedial measures to mitigate social problems and keep reform on track.

Model 2: Reform as a process

The second approach came to the fore in the second half of the 1980s. It was part of what came to be known as "the political economy of reform" in which emphasis shifted to the government's ability to anticipate and manage the social and political response to reform initiatives.[6] In this view, politics is central. The lack of "political will" (or of political

---

[5] For example, Hanmer *et al.* (1997) found that poverty assessments in Sub-Saharan Africa had less to say about the causes of poverty or about strategies to deal to them than measurement of the incidence of poverty and it various correlates and characteristics. African experience was perhaps in many ways an extreme example of a more general phenomenon.

[6] The focus here is on the nature of the decision-making process that emerged from the critiques of public choice theory. Other dimensions include links between reform success and the nature of the political regime or the stage of the electoral cycle and the search for empirical regularities amongst cross-country reform experiences. All try to establish necessary prerequisites for success of economic policy reform.

commitment to reform) is interpreted not as slippage so much as a calculated response to local political realities -- as probably the wisest course of action given the particular circumstances (Bery 1990; Haggard and Kaufman 1992). Economic reform is no longer a technical exercise -- an orderly progression from analysis to policy formulation, to decisive and authoritative decision-making and to the mundane, but less contentious issue of policy implementation. It is a bargaining process in which the necessary support for reform has to be consciously marshalled and sustained, and where powerful vested interests have to be outmanoeuvred, co-opted or else in some way accommodated (Grindle and Thomas 1991; Lamb and Weaving 1992; Haggard and Webb 1993). Sustainability and effective implementation of the long-term reform agenda become crucial issues, to be secured by a careful and calculated process of reasoned pragmatism.[7]

In this model, decision-making is seen, not as a linear, but as an iterative and on-going process (and as very much a political process -- in the positive sense of the term). Decision-makers and implementers are continually weighing and responding to actual or anticipated inputs from vested interests at numerous points from formulation of the reform agenda to the implementation of policy.[8] Policies can be torpedoed at any point, and policy-makers have to be ready to meet the challenge. Vested interests determine what comes onto the reform agenda, what policies are adopted, which are eventually implemented and to what degree.

So, what implications does this have for PIA? Assessing the impact of macro adjustment policies within this framework, it is clearly not enough to give a broad indication of changes in poverty indices or on basic needs indicators – however sophisticated. A much more disaggregated picture is necessary. Decision-makers want to know how their policies affect (or are likely to affect) particular interests (and whether they are potential supporters or staunch opponents). They need to know who is affeeted (and in what way), where they are, what income or assets they have (if any), how policies affect their perceptions of their future prospects and their survival strategies, and what has been emerging (or could be put) in their

---

[7] The shift in emphasis from pushing through and effectively implementing individual reforms to concern for the long-term sustainability of a much wider reform agenda would seem to have been in large measure a function of the collapse of any real socialist alternative. After the break-up of the Soviet Union, discussion moved to the transformation of whole societies and it was easier to accept that a few battles might have to be lost to maintain political support and to win the longer war (Dunham and Jayasuriya, 2000).

[8] Fear of the unknown is seen as a powerful conservative force at the outset, nurturing intransigence. Many other reactions only come strongly to the fore during implementation because it is then that the full implications of a policy begin to be visible to everyone.

place to minimise dissent or to win support.[9] This, however, implies a different kind of analysis from that in Model 1. What it requires is very much a functional analysis. People (or households) need to be located in carefully defined and circumscribed functional categories that have sufficient social content to capture key determinants of their well-being (linking production structures and welfare), the impact of economic policies on the group (both as producers and consumers), how they are likely to react, and how they manage to survive.

Policy-makers need to understand and to be able to anticipate group-specific responses, and to assess them so they are in a position to finesse opposition and to respond timely and effectively. And, for this, it is no longer enough to say that "additional measures are necessary". Policy recommendations need to be far more focussed and group-specific – for example, carefully targeted welfare, employment, credit, extension or self-help programmes. However, in this model the emphasis, again, is not on the substance of economic policy (maximising benefits for the poor), so much as their effective implementation.

Model 3: Client-oriented support

One basic assumption of the first two models is that micro impacts of stabilisation and structural adjustment policies can be managed by policy-makers at the macro level. In practice, however, they can rarely cope with the vast kaleidoscope of sometimes contested, often quite contradictory local details. The only real option is to try to build some capacity for a varied response into national policy through a range of standardised options (or sub-programmes) that can begin, in some measure at least, to serve different needs. But, even then, the achievements are generally limited. Meeting specific needs of the poor in any given locality is extremely difficult given a standardised approach and the need to maintain overall accountability and control of a large-scale programme. Even when participatory poverty analysis is emphasised and is an integral part of the exercise, it is rarely able to meet the needs that are expressed either quickly or effectively (Hanmer et al. 1997). Adverse policy impacts can therefore be said, in part at least, to have been a function of the system.

There may also have been a tendency to attribute to macro adjustment policies much more influence on poverty than was in any sense reasonable – at least more than they could realistically have exerted in the short-term. Killick (1995) has pointed out that, in general, they do not directly affect the kinds of issues that emerge as principal causes of household poverty at local level. Nor can they necessarily be expected, in the short-term, to solve these

[9] On this see Dunham and Jayasuriya (2000).

problems.[10] They are concerned with the broader policy environment. Perhaps, then, we should pay less attention to the juggernaut of economic reform at the national level – less preoccupied with redesigning or fine-tuning macro adjustment policies to take account of actual or potential micro impacts on vulnerable groups in society -- and be more concerned with effective outreach to the poor and with solving the concrete everyday problems that the poor are facing.[11]

The third model is therefore one that accepts and adheres to the principles of a reformist policy environment but does not focus on macro adjustment policies.[12] It is more concerned with questions of access and empowerment, enabling the poor to cope better with their situation (and with the effects, *inter alia*, of economic policy). The argument here is that in many cases macro policies simply exacerbate long-term structural situations that have their own dynamic, and that can usually be tackled more effectively at local level (Tendulkar 1998). Consistent with the idea of "rolling back the state" and of decreasing state intervention, emphasis is placed on local employment creation, the decentralisation of public service delivery, participation and the empowerment of individuals, local institutions, producer and other associations and NGOs. There has been considerable debate about the way such arrangements should be structured, about the superiority or otherwise of NGOs in the delivery of services, and about the preconditions for success,[13] but the underlying concern remains the same – it is with decentralisation, access, empowerment and effective outreach.

And, again, in such a framework, the expectations placed on poverty monitoring and analysis are also likely to be different. The focus moves towards poverty as a problem of social

---

[10] If, as is not uncommon, economic reforms are introduced in a period of economic crisis, then their short-term capacity to reverse any deterioration in the situation of the poor will be that much more limited (especially if the situation has been directly caused, or seriously worsened by the crisis).

[11] The rate of economic growth is important here. It has also been argued (Killick 1995; Hanmer *et al.* 1997) that, if it is to have the desired social effect, adjustment needs to take place in the framework of a determined, high priority anti-poverty strategy. But that has not been the way of things. It is rare, for example, for a World Bank Poverty Assessment or a MIMAP-type PIA to conclude that the sectoral composition of the growth is inappropriate. And yet, Ravallion and Datt (1996) have found that this an extremely important issue for poverty reduction in India. Fostering conditions for growth in the rural economy (in both primary and secondary sectors) was found central to any effective strategy for the reduction of poverty. For a broader discussion of these interrelationships and their implications for poverty alleviation, see also Saith (1990).

[12] Though not elaborated here, there is also the inverse problem, namely a danger of complacency – the view that, since other programmes are there to look after the poor, economic reform can afford to confine itself to technical issues and to its concern with the non-poor. There is a risk that it mollifies sensitivity to the social impacts in economic macro policy.

[13] See, for example, the criticisms of Elson 1995 and Tendler 1997.

exclusion (Bhalla and Lapeyre 1997) – exclusion from stable income and assets (the tenuous nature of poor people's hold on assets, the precariousness of their production and employment base, their lack of access to common property and to other meaningful economic alternatives), exclusion from public goods and social status (the nature of work relations or of agrarian structures, discrimination in the delivery of public goods and services, almost a lack of social legitimacy), and exclusion from civil society and decision-making (lack of participation in decisions that affect their lives, lack of personal security, of equality before the law, equality of opportunity, the right to register a vote at free and fair elections etc). It encompasses a range of entitlements, including human and civil rights of the poor and vulnerable (see Hanmer *et al.* 1997).

2.2 Implications for policy impact analysis

The interpretation that is given to the micro impacts of economic reform in these three models can be seen to differ quite markedly and to raise varied expectations when it comes to PIA. While there will in practice be overlaps, it is also clear that there are definite differences, reflecting a spectrum of analytical concerns from narrow technical indices at one extreme to much broader qualitative measures of social exclusion and inequality at the other. The range is laid out diagrammatically in Figure 1. Human and civil rights issues are unlikely to seem crucial when policy-makers and analysts are looking at the micro impacts of reform in terms of Model 1, just as headcount statistics and basic needs indicators are likely to seem skimpy and inadequate if it is of Model 3.[14]

In between, the focus and concerns of Model 2 are also different. In the context of Model 1, it may well be enough to establish broad correlates of poverty – to know that the poor comprise landless workers, peasant farmers with micro-plots, the self-employed in micro-enterprises or individual artisans. But, under Model 2, the functional categories involved and their poverty profiles need to be far more precise because they (and not the overall situation) are now the focus of analysis and they are needed for targeting. Three problems typically emerge:

---

[14] Hanmer *et al.* (1997) point out that headcount measures can be used in different ways. They can be used in the conventional sense, as the proportion of the population (or of households) below a minimum consumption threshold – trends in which are typically an important indicator in Model 1. But they can equally, for example, be set at a lower level to single out a poverty group commensurate, for example, with the funds that the government has made available for the direct alleviation of poverty. There is no reason, in theory, why headcount measures should only be used in the narrow conventional sense portrayed in the poverty literature. On the arbitrariness of poverty lines, see also Ravallion and Bidani (1994).

(i) taxonomy – as much, if not more, differentiation *within* a given functional category as *between* it and other categories (which makes them analytically questionable);

(ii) aggregate income – the fact that pooled household income is usually the critical variable for the poor, not that from one principal category; and

(iii) dynamics – the need to grasp the social content behind the categorisation (to gauge asset vulnerability, obstacles to advancement and the viable opportunities available), not to use it simply as a descriptive pigeon hole (Lipton and Maxwell 1992; Hanmer *et al.* 1997; Moser 1998).[15]

Figure 1: The Spectrum of Poverty Criteria

<table>
<tr><td colspan="3">Basic needs</td></tr>
<tr><td colspan="3">Income/Consumption expenditure</td></tr>
<tr><td rowspan="3">Asset vulnerability</td><td rowspan="2">Physical capital</td><td>Common property</td></tr>
<tr><td>Private property</td></tr>
<tr><td colspan="2">Human capital</td></tr>
<tr><td rowspan="3">Human and civil rights</td><td colspan="2">Dignity/Autonomy</td></tr>
<tr><td colspan="2">Political freedom and physical security</td></tr>
<tr><td colspan="2">Equality (legal, ethnic, gender and of opportunity)</td></tr>
</table>

Source: Modified from Hanmer *et al.* 1997:23

[15] Problems arise when categories are used as descriptive labels, assuming the social content is obvious. The agrarian studies literature shows quite clearly that the situation of a poor landless worker (or a household with no more than a micro plot) can be quite distinct in different agrarian structures – embodying the structure of property rights and the associated network of social relations within a given community. Their position is likely to be very different, for example, in situations with high levels of indebtedness to a powerful landlord or trader (and with bonded labour), as against areas of small peasant ownership where remoteness, erosion and lack of water are the main concerns. Similarly, the situation of a petty trader in the urban periphery may be very different from one in a remote and impoverished area of subsistence agriculture.

The classification selected can result in significant differences. However, it also differs from Model 3 which goes much further. The latter is more concerned with the mechanisms of exclusion and disempowerment (how and why it occurs) and with the feasibility and longer-term effectiveness of the pro-poor policies advocated. The assumption of Model 3 is that people have a right to a basic standard of living and to the major social and occupational institutions in society (Bhalla and Lapeyre 1997). The principal focus is then on the network of relations that denies them access.

What the differences in these models show is that a MIMAP-type PIA cannot simply be a stocktaking exercise (collating information on as many relevant indicators as possible and then coming up with a synthesis). Nor should it just be a matter of applying a battery of standard techniques to the (scant) data available.[16] Much of that may be necessary, but the differing needs and concerns of these various models suggest that it will not be enough.[17] PIA should not be an abstract diagnostic tool, independent of what is happening or of the interests of policy-makers at the national level. On the contrary, thought has to be given to the kind of analysis that will be most effective in generating a policy response. Shifting from Model 1 to Model 3, new concerns are added to the analysis and priorities have to change (because you cannot do everything). To be effective, work has to be honed to policy requirements and the social context it is considering. And yet, neither appear to have been central points of discussion, for example, in the design of MIMAP. There is pressing need for more explicit conceptualisation of the task at hand and for more rigorous attention to the analytic foundations of policy impact analysis. Attention will therefore turn to this task in the Sri Lankan case.

3. Policy Reform and "The Poverty Problem" in Contemporary Sri Lanka

If the conceptual and analytical entry point can have such a significant influence on the relevance and potential effectiveness of a PIA, then how do we decide what our priorities should be when it comes to work on Sri Lanka? Do we accept what the government says

---

[16] Interestingly, few people seem to ask why it is that the existing data and not other kinds of data are what we have available, though the received statistical base often conveys a particular way of approaching development problems and is a precursor to particular kinds of prescribed solutions. The political economy of data is in itself a revealing and an intriguing subject.

[17] E.H. Carr (1961), the historian, once remarked that if you sat on a chair at the end of the road and recorded everything that happened, what you would have at the end of the day would have nothing whatsoever to do with history. It would lack context and relevance. The same applies to inventories of indicators as part of poverty and of policy impact analysis.

about its economic reform efforts and look for "improvements" in policy? Do we confine ourselves to the record and rely on our own analysis? Should the crux of the matter be what the government wants (or can be seen to want), or is there also a wider educative function to be performed by a PIA? Ahluwalia and Little's conclusion (1998:5) with regard to India, that the most durable achievement of Manmohan Singh's reforms has been "the changing of the political mind-set", is after all particularly striking in this respect. Should a similar role be envisaged for MIMAP work in Sri Lanka? Perhaps it should not be concerned with prising out technical improvements in existing policies so much as changing mindsets – in the wake of which new approaches and new policies will be sought actively.

In practice, the outcome is likely to be a synthesis of all these factors, but perhaps the most fundamental requirement is that there is discussion of the issue. That there is some reasoned consensus about the overall strategy that a PIA is following. This section is an attempt, not to provide answers, but to initiate discussion on the kind of analysis that is relevant. It is in three parts. First, it asks how we should interpret the economic reform process and responses to the micro impacts of reform in the context of contemporary Sri Lanka. It then asks how we should conceptualise the poverty problem and the way it is affected by the reform agenda. A final section asks what implications all this holds (or should hold) for policy impact analysis in the context of the MIMAP Sri Lanka.

3.1 How should we view the Sri Lankan reform process ?

Though PIA has to be geared to contemporary needs, the latter have also to be located and interpreted in a wider historical perspective. Current views on poverty alleviation in particular are inevitably (at times strongly) influenced by past experience. The starting point has therefore to be what has gone before. So what have been the key influences in the reform process? What are the background factors that have shaped current thinking? The argument in this section is that Sri Lankan thinking has by-and-large mirrored changing trends in the international debate – albeit more in response to domestic developments than imported theories. Past experience is seen to have set policy prerequisites that governments ignore at their peril.

The "opening up" of the Sri Lankan economy in 1977-78 was obviously a policy U-turn of monumental proportions that produced fundamental changes in society. However, despite the initial surge of growth and in job creation, it was accompanied by worries about its impact on income distribution and poverty. In the first half of the 1980s, the principal concern of

analysts was to show that it had not, as protagonists had claimed, been in any sense neutral. UNICEF (1985) noted that, with the switch from the rice ration to foodstamps (denominated in fixed rupee terms), the precipitous decline in their value in the face escalating prices threatened the welfare of the poor. Sahn (1987) pointed to the marked shift that had taken place in public policy from investment in human to investment in physical capital (most visibly in the Accelerated Mahaweli Development programme). Both noted job losses in the wake of trade liberalisation and that, after an initial rise, real wage rates fell.

When it came to policy management, there was an increasingly hierarchical, top-down approach to implementation with little scope for policy adjustment at the local level. Protests were held in check by authoritarian methods and repression (in EPZs, the physical exclusion) of trade union activity. The preoccupation with growth rates, real exchange rates, trade and the balance of payments was at the cost of social dislocation and declining nutritional and other social standards of many (but by no means all) of the poor and needy (UNICEF 1985; Lakshman 1998). The government, at that time, was basically pursuing an orthodox Model 1 scenario.

Nor, in the second half of the 1980s, was there any perceptible change in the style of policy management -- centralisation increased, there was manipulation of the law and (after the 1983 riots) greater violence and repression in Sri Lankan society (Moore 1990; De Sliva 1993). War was brewing in the north and east, the government's popularity was waning, and insurgency virtually paralysed the south from 1987 to 1989. The situation was not conducive to any serious reform efforts. The economy was decelerating, insurgent threats brought economic life to a halt at times in much of the south, and there was growing concern about extra-judicial use of force and human rights violations. The overriding public concern was that insurgency (and the associated violence and disruption) should stop. It was not, in any sense at all, with economic reform, the micro impacts of adjustment or problems of structural poverty – even if they had, to some degree at least, played a role as contributory factors.

However, by the end of the 1980s, there were pent-up pressures for change in Sri Lankan society. Once the insurrection had been crushed and the second wave of liberalisation began in 1989-90, there was much more awareness on the part of the new government, that to sustain a long-term reform process and achieve long-term growth, the poor had also to see themselves as potential winners. There were several factors behind this, but one lesson was clear -- the government could not keep marginalising the poor and hope for political stability.

As Hyden and Karlstrom (1993) remarked on the Tanzanian case, the reform process had ultimately to make "not only economic but also political sense". And while the Premadasa years from 1989-93 were still very much a period of centralised, autocratic and authoritarian government, they were at the same time profoundly "pro-poor" in terms, not only of political rhetoric, but of public action.

The new Premadasa government introduced significant economic reforms (particularly tariff and tax reforms and its privatisation or "peoplisation" exercise) and it injected a significant degree of momentum into the economy.[18] It pursued a fairly conventional liberalisation programme, but one that was strongly tempered by populist-electoral concerns. It was "investing in people", promoting "people-based development" that was "self-reliant, bottom-up and culturally harmonious" (UNP 1989). It emphasised gains for the poor and the political sustainability of the reform process it had embarked upon. Indeed, Dunham and Kelegama (1997) have argued that economic and political concerns were both an integral and essential part of the reform agenda, responding to perceptions by the rural poor (and the urban working class) that the urban, middle class dynamic of early liberalisation had in effect by-passed them. The Two Hundred Garments Factories Programme, the Janasaviya Programme, school uniforms and midday meals programmes, and "mobile secretariats" (to bring central government physically closer to the people in rural areas) illustrate the breadth of the pro-poor initiative that was instigated. Social services were not targeted to take the brunt of the fiscal adjustment process, and relief for the poor was high profile – more importantly, it was *seen* to be high on the business agenda of the government.

Under Premadasa, thinking had moved distinctly towards Model 2. The class and the caste background of the President were such that he was continually striving to shore up his position with a new party constituency and to ward off opposition from the urban-based landed elite that had in the past dominated his party. The politics of survival meant that, in practice, economic reform had to be seen as a process. Coalition-building, co-option, eliminating or outmanoeuvring opposition, decisive central decision-making and incorporation of the poor into the government's policy agenda were all very much in line with that model. In terms of PIA, the need was to provide decision-makers with information that

---

[18] The annual growth rate of 5.6 per cent per annum between 1990 and 1994 was solid in the light of bomb blasts in the south and the on-going war in the north and east, but it was by no means spectacular. Nevertheless, evidence suggests that unemployment fell, the nutritional status of the poor improved, and the incidence of poverty declined significantly compared to the situation in the second half of the '80s (World Bank 1995).

would enable them to identify vulnerable and needy groups, to know who had lost out and had to be placated (and who could be ignored) – and to have a clearer indication of the policy options that could help particular groups.

However, in practice, there was little emphasis on systematic research as the formulation of policy. In area after area, greater reliance was placed on central command and on political influence than an in-depth technical analysis of what was in any sense "optimal". Officials were often required to condone political favouritism, lowering civil service morale and creating a hesitation amongst all but trusted confidantes to either question or criticise. Especially after the attempted impeachment of the President in August 1991, intimidation and clientelism pervaded the implementation of policy. The government was not prepared to brook opposition, and that was true both of its economic reform policies and of its concerns for the poor. However, much of the economic and socio-political momentum behind the mini-boom of the early 1990s hinged on the personality of Premadasa and, with his assassination in May 1993, it gradually dissipated (Dunham and Jayasuriya 1998).

By the mid-1990s, there was consensus amongst the two main political parties on the importance of continuing economic reform and pursuing liberal economic policies. But there were also strong demands for change in the style of policy management -- a demand that persists today. Whatever government came to power had to continue pro-poor concerns as a matter of political necessity, and it had also to provide more open government. With the election of the People's Alliance government in August 1994, there were high expectations. It had come to power on a platform of transparency, an end to the war, and an end to the authoritarianism and corruption that had been a hallmark of the past. The stage seemed set for a far more socially-responsive and democratic growth process -- for "a fresh breeze of openness and fairness in economic management" (MFP 1998:4). Significant developments occurred on the economic reform front – in macroeconomic policy and in privatisation (in the plantation and service sector, especially utilities and telecom). And the government continued the earlier preoccupation with the alleviation of poverty, though it placed greater emphasis on human capital development, self-employment and rural infrastructural development than on welfare transfers (MFP 1998).

However, the new government – a coalition of the SLFP, left parties and small Tamil and Muslim parties, with the slenderest one-seat majority – could not afford to overlook the major concerns of its supporters or of constituent parties. The interests of organised labour, having

been held in check for so many years, were vent forcefully, and there was more tolerance of sectional interests. Devolution and constitutional reform were on the political agenda, minority politicians voiced felt discrimination against their own communities, and the new government's Samurdhi Programme tended to speak of the poverty problem as one of social exclusion. The rhetoric was perceptibly shifting towards Model 3.

The government nevertheless experienced considerable difficulty in meeting the goals it had set itself. There were several reasons. The ability of any government with such a slender majority to dismantle an entrenched system of patronage that had over the years become part-and-parcel of the local electoral machinery was almost bound to be limited. There was therefore slippage on that score. It has gradually come to be accepted that patronage and corruption are not the failing of a particular party, but a part of the system (as in much of the rest of South Asia) and that it will not be easy to eradicate. The aftermath of the East Asian crisis has also taken its toll, with decelerating export growth and low levels of foreign investment. And with the economy running out of steam, the apparent inability of the government to end the war, to eliminate corruption, to curb violent crime and to ensure a fairer distribution of gains between rich and poor, there has been disillusionment amongst the Sri Lankan public with mainstream political leadership -- of whatever party.[19]

Nor have efforts to help the poor been as successful as anticipated. Work by Gunatilaka (1997) and Gunatilaka and Salih (1999) suggests that national poverty alleviation programmes have encountered considerable problems in dealing with the diversity of local contexts, that they are often too politicised, and that – while they do help – they have not really succeeded in lifting substantial numbers of people out of poverty with a remunerative and sustainable future. They have found it difficult to change expectations and to throw off the paternalism-cum-dependency ethos nurtured by governments since the 1940s and by earlier welfarist policies. Being categorised as "poor" is still seen by many as an entitlement certificate for public sector employment, or for income transfers and subsidies (De Silva 1998).[20] Past ideologies have heightened people's political consciousness, and they have

---

[19] The number of spoiled votes in the 1999 Provincial Council elections seemed to point in this direction.

[20] Though they have received little detailed attention, attitudes to poverty alleviation in Sri Lanka seem heavily influenced by old ideologies – by the influence of socialist ideas over at least two generations (a rhetoric of egalitarianism, impressing on the poor that their situation was a result of appropriation and exploitation), by the welfarism of the 1970s, by targeted welfare programmes (which took away much of the shame that had accompanied poverty and reinforced the notion of entitlements), and by a deeply engrained tradition of patronage as *largesse* and as a crucial factor in the arithmetic of electoral politics (See De Silva , 1998).

created the feeling amongst ordinary people "that they have a right to be free from conditions of poverty and penury" (Lakshman 1998).

Thus, arguably, given the contemporary policy context and the current mood in the country, economic reform has drifted towards Model 3, towards programmes that are perceptibly more democratic and provide what people want. There is obviously a need to understand what is happening on the macro reform front and its influence on poverty. But it is doubtful that macro statistical analyses can remain the main point of entry if the objective is to manage social responses and find effective answers to the day-to-day demands of a politically-literate electorate. In the context of Model 3, much more attention has to be given to aspirations and wants at a local level and to trade-offs that are inherent in the policy choices available. And the choices are obviously difficult. Differing views exist about what exactly is needed, and one of the main challenges is to bring differences out into the open and to clarify the issues at stake. It is to this that the discussion now turns.

3.2 The poverty problem in Sri Lanka

So far, attention has focused on prerequisites of policy. The argument has been that what is required of PIA (and what it ultimately emphasises) should not be a routine and fairly standardised technical exercise. It should be tailor-made for the context. However, throughout the discussion, it has been assumed that the other side of the equation -- "poverty" -- is a clear enough concept and that it is understood. Poverty is a multi-faceted phenomenon. It can be defined in various ways and it can be measured (or assessed) from different points of view, but few policy analyses consider it necessary to say what they actually mean by it.

And yet, as De Silva (1998) has pointed out, there are very different perceptions of poverty in Sri Lankan society -- with politicians, government officials, even within a rural community. The poor and their problems are viewed by different actors in relation to their own concerns and politicised interests. So how do we look at them? It will be argued in this section (a) that, in Sri Lanka, relative poverty warrants more attention than it has received in the past, and (b) that divergent views of poverty (absolute, material views on the part of many politicians or policy-makers and relative deprivation and exclusion on the part of the poor themselves) are an intrinsic part of the problem. They reveal conflicting interests that have to be recognised. Major changes in the policy context, institutional structures and networks of day-to-day

relationships that could give the poor access to stable incomes and assets, public goods, social status, and to a broad range of human and civil rights threaten the stability of life of the overly powerful and the well-to-do.

So, what are the issues at stake? This is a contentious issue, and the present paper can only raise a number of analytical question marks. It should be seen as a plea for an analysis that is not afraid to be critical of the *status quo* of current policy or of the vested interests behind it.[21] Some pointers can be identified. First, there are pertinent issues relating to the nature of poverty. Here the starting point is simple. While there are definite pockets,[22] there is not the abject poverty in Sri Lanka that is, for example, widespread in India.[23] Comparing the Gini coefficients of income distribution from large-scale surveys since the opening up of the economy in 1977 reveals no discernible trend (it has fluctuated around 0.45 plus or minus 0.02 throughout the whole of the period). And since real per capita income has more than doubled during that time,[24] the whole distribution must have moved to the right and most people must have benefited (Dunham and Jayasuriya 2000).[25] Far better scores are recorded on most basic needs indicators (World Bank 1995), and the poor today are better off than their counterparts in the late 1970s. Thus, while "the poverty problem" continues, rightly, to be a major public concern and of profound importance, it is not a matter of abject destitution where physical survival itself is the pressing issue.[26]

---

[21] Some concern has to be expressed about the implicit gradualism that pervades discussion on the alleviation of poverty, and the apparent reluctance to ask penetrating and awkward questions about the *status quo*. At one level, of course, policy relevance (and the political palatability of ideas that are advocated) nurtures "a civil service mentality" (in the pejorative sense of that concept). But, in the longer-term, any approach that simply aims to facilitate government policy and to suggest improvements, and that never questions its political dynamic or the ultimate purposes, can find itself aiding and abetting positions that are profoundly biased. Policies are unlikely to bring about change in the situation of weak and vulnerable groups in society if the supportive analysis is always faithfully subordinate to the existing social order.

[22] De Silva (1998) points to urban shanties, some fishing communities, some village expansion colonies, squatter settlements in marginal farming systems (mainly in remote Dry Zone areas) and refugee camps.

[23] Comparing poverty gap indices for rural India based on NSS data with similar exercises on HIES and LFSS data in Sri Lanka using the same nutritional poverty lines, shows that the results are consistently and uniformly of a different order. Sri Lankan figures are about half the corresponding figures for most of India – confirming vivid visual impressions of significant differences.

[24] Real GDP per capita (in constant 1982 rupee prices) rose 112 per cent over the twenty years from 1978 to 1998 (or by an impressive average 3.5 per cent p.a.).

[25] Though surveys reveal that the poor received a declining share of total income, calculations soon show that, in absolute terms, this has been more than offset by the growth in income and that, on average, they are better off today in real income terms.

[26] Arguably, much of the worst destitution is in war-torn areas.

The whole situation is therefore prone to misspecification. The (middle class) public perception of poverty (and that of much of the donor community and many politicians) is the familiar one of *absolute* or material deprivation -- of helpless people near starvation, poorly clothed, lacking adequate shelter and the most basic needs (see De Silva 1998:8ff; Lakshman 1998).[27] But, if the income trends that have just been described are in broad measure accurate, then subsistence levels (what are generally considered socially-acceptable minimum standard of living at any point in time) must also in fact have been rising, and concerns expressed at the local level must be more complex. Perceived *relative* deprivation, feelings of social exclusion and underlying resentment of the inequitable distribution of costs and benefits that has resulted from the opening up of the economy would seem fundamental to an understanding of the poverty problem in Sri Lankan society.[28]

There would therefore seem to be a mismatch between perceptions of the poverty problem at the macro and at the local level. What emerges, in a sense, is the classic choice between distribution to the needy within the existing social order (Models 1 and 2) and the fundamental economic and political reform needed to incorporate them into the mainstream (as per Model 3). And as Lakshman (1997) has argued, if the poor see themselves excluded from Sri Lankan society (or from the rights and material benefits that, rightly or wrongly, they associate with a functioning democracy and with a deregulated economy), then they are unlikely to be satisfied with a patronising gesture to ensure their bare minimum subsistence. Gunatilaka and Salih (1999) paint a similar picture of a major credit push to develop entrepreneurial skills of the poor, when the latter are adamant that they want is different. The people interviewed were quite explicit in that study that they were not all entrepreneurs, and that what they wanted was *not* risky and worrying self-employment, but a regular and remunerative job – a finding that seems to have been reiterated throughout much of India.[29]

Nevertheless, self-employment has been accorded higher priority in the wake of the East Asian crisis, with the war holding back investment in the Sri Lankan economy. The government knows more jobs are necessary and that faster economic growth is really the only

---

[27] Private views may of course be less generous, and De Silva (1998) speaks of disapproval, even of contempt, amongst the well-to-do. It is a characteristic of the middle class in most countries that direct contact with the poor or with those who are maimed or disabled tends to be seen as distasteful or nasty and to be avoided.

[28] On this see De Silva (1998); Lakshman (1998); and Dunham and Jayasuriya (1998).

[29] Kurian (1989), for example, speaks of a "privatisation drive" in IRDPs in India to get away from welfare transfers and propagate "penny capitalists".

way to provide them. Poverty alleviation programmes are therefore seen as a temporary measure during a transitional period (MFP 1998). But that does not, in any sense, appease or negate perceptions at local level that the poor are missing out and that they are being effectively by-passed. On the contrary, a credibility gap would seem to have emerged between the poor and the state (and, more broadly, between the poor and the urban middle class "elite" who set the tone of policy). The danger then, as Dunham and Jayasuriya (1998) have argued, is that frustrations will eventually erupt and undermine political stability. Lakshman (1997:207) speaks of "volatile repositories of social discontent" in the countryside.

If this is correct, if perceived relative deprivation is such a major factor, and there is a build-up of more social tension in Sri Lankan society (and with it threats to political stability), then surely this has to be a central consideration of PIA if it is to be of major policy relevance. Political stability is a major prerequisite of success in the economic reform process, and questions have to be asked about mechanisms of exclusion that could put it in jeopardy. So, is the picture correct? It needs to be explored further empirically. But there are three factors that seem to have been important in generating such feelings: the speed of rising expectations, the very visible differences in life-styles and opportunities between the rich and poor, and what is often interpreted as an apparent indifference on the part of the rich to those who are less fortunate. The situation is also, almost certainly, exacerbated by the downturn in the economy.

The problem of poverty as social exclusion and as perceived relative deprivation can only really be understood against the backcloth of rising expectations in Sri Lankan society. That people's aspirations have risen is not at all surprising -- it would have been strange to have found otherwise. But, arguably, the speed at which this has happened have been grossly underestimated. Lakshman (1998) has argued that, already by the mid-1980s, poor people were vividly aware of the widening social gulf between the rich and poor. In the immediate aftermath of liberalisation, it was obvious in parts of Colombo and its environs, and it was highlighted by left-wing rhetoric openly opposed to the reform process. Since then, the media (especially television) and much greater geographic mobility compared to twenty years ago have created a situation where, even on remote estates in Dry Zone villages, people know about life-styles that exist in a modern deregulated economy. And the more attractive it is, the more anachronistic their own situation stands out comparison. Young people no longer want to work the land on small household plots or on tea or rubber estates, and to live and work the

same lives that their parents had. They feel they live in a time warp. And there is evidence that such views have spread very rapidly throughout the rural areas.

Whether such perceptions reflect reality is of course a different matter. The principal point of reference would seem a Colombo middle class life-style. There has been a pronounced metropolitan (not just urban) bias in the location of investment, employment and income, and there is evidence of widening income disparities between Colombo and the rest of the country since the opening up of the economy (Lakshman 1997: Table 6.8). However, if the stability that has been observed in the Gini coefficients of income distribution is to be believed, then the only consistent interpretation of what has been happening must be that there has been an extremely skewed distribution of gains within Greater Colombo – that there have been enormous gains for a select elite that is very small in size.[30] It suggests a Dick Whittington syndrome -- that the media image has exaggerated urban life-styles in the public mind, magnifying objective changes in inequality.[31] But, when it comes to people's expectations, this is to a very large extent beside the point -- people react to the situation as they perceive it.[32]

The image is one of enormous and growing disparities in the face of which, in most rural areas, there are very few opportunities. And this operates on several levels: in current lifestyles and in longer-term, anticipated lifetime incomes. Economic opportunities in most rural areas are limited. If the World Bank (1995) poverty threshold of Rs 471 per person per month in 1990-91 prices is, for example, taken as an approximate figure of what the poor need to live, and if it is compared on an annual basis with Department of Agriculture figures of average net farm incomes, the results are revealing (DoA, various). Only in the best irrigated areas have average net returns from a hectare of paddy (cropped in both *maha* and *yala*) approached that order of magnitude in recent years (and then only just). In most other areas it would seem extremely difficult.

---

[30] Nanayakkara's (1994) observation that there has been a sharp increase in income inequality in urban areas since 1990 lends support to this view. The point here of course is that if it were a large group (say, the top 10 per cent) then this would have shown up in a higher Gini coefficient.

[31] There is certainly evidence that this has occurred in relation to youth from the estates who move to Colombo. They seem much more aware of possible urban wage rates than the cost of living, and many return when they want to marry or find that they cannot realise the life they were aspiring to.

[32] Hettige (1997) makes the point that returnees from the Middle East do have money, but they often lack social standing in their village and try to usurp it through consumerism – reinforcing the aspiration of others because they are a very tangible reference group.

Add to this the fact that poor people have little land (that they are often encroaching or in debt, so their hold on assets is tenuous), that yields are stagnant and that there has been little movement into higher-yielding crops to create more agricultural employment, that there has been little meaningful and remunerative off-farm employment in rural areas in relation to the size of the labour force, and that there has been little rural-urban migration, and it is clear that, if they have had rising expectations, then in all probability they will have been frustrated.[33] Clearly, many poor households have grounds to feel excluded from the benefits of liberalisation. Dunham and Edwards (1997) have argued that injections into the rural economy from outside have been an important survival mechanism. Support has come from public and private transfers, to some extent from direct government transfers (under poverty alleviation programmes), but more importantly from war- and security-related employment and from migrant worker remittances.[34] Others are "underemployed" -- cobbling together a living as best they can.

Moreover, economic exclusion at this level has been reinforced at other levels.[35] Free education, for example, has traditionally been viewed as an avenue of advancement for the poor to higher lifetime incomes. In the past, employment in the public sector was almost seen as an entitlement for someone who was "educated" – even if it was only as a peon or as a low functionary in government. However, after 1977, it was gradually foreclosed. It was English medium education (which was almost exclusively the preserve of the urban middle class) that provided access to the better-paid private sector jobs that were being increasingly created. Economic reform, by switching the relative benefits from Sinhala to English medium education, from public to private sector jobs and from recruitment on patronage towards recruitment on merit criteria, was seen to have redefined the opportunities that were open to the poor and to have worked against them. After 1990, jobs in the public sector were also

---

[33] There has been a worrying tendency in Sri Lankan poverty discussions to conflate agricultural problems to those of the main rice areas. The situation in the Wet Zone is different. There are important differences, for example, between the situation of Up-Country Tamil workers (who are often isolated and virtually a "captive" labour force), and that of Sinhalese Low Country workers (who are less hassled by security in towns and nearer main urban centres). There was also a substantial injection of additional income into the tea smallholder sector between late 1995 and the end of 1998, and employment and consumption multipliers would have helped the poor. In the war-torn areas, about which we know very little (and write even less), there must have been considerable impoverishment, with large numbers of refugees rendered effectively destitute. The fact that after almost a decade, poverty studies are confined to Sri Lanka "excluding the north and east" is quite remarkable!

[34] Though it is hard to gauge, there have been recent suggestions that remittances have stimulated growth in the local building industry that could have helped as well.

[35] This section is based heavily on Dunham and Jayasuriya (1998).

cutback by the privatisation programme. Most jobs available to "poor but educated" Sinhala-speaking youth were by-and-large unskilled or semi-skilled, which they were reluctant to take because they offered neither the status nor the lifestyle they wanted or that they had increasingly anticipated (see Hettige 1997; Dunham and Jayasuriya 1998). The situation of the Tamil estate workforce was similar, if not more extreme.[36]

Such trends support the view that the crux of the poverty problem is one of perceived inequality – an envy and resentment of the jobs, houses and life-style of the Colombo elite (even if they are an extremely small percentage of the population). There is resentment of them living in luxury and "flaunting" wealth publicly while young people from poor rural families fight a war on their behalf. War employment itself no longer seems to be seen just as a noble gesture (for the country, or to provide an income their family) but increasingly as a foolhardy exercise to preserve privileges and ill-gotten gains of the urban rich and of opportunistic and self-serving politicians. There is also evidence that Middle East migration has been destructive for families. And neither poor rural youth nor their families can be expected to be content for long if the only regular employment they are offered is in the most hazardous of jobs -- in the country's armed forces.[37]

There are therefore grounds for thinking that relative deprivation is the crucial issue. And it is worrying therefore that such differing perceptions exist about the nature of the poverty problem. In so many respects, the articulate Colombo elite that sets the tone of policy appear to have distanced themselves from the frustrations, the everyday struggles, the insecurity, and the worry that characterises the lives of the poor. And this could become a critical dichotomy in Sri Lankan society, reflected in the differing perception of poverty and of the policy initiatives that are relevant. Arguably, one of the major needs of PIA is to make this discrepancy clearer and, in bringing it out into the open, to help bridge the gap.

---

[36] Much has been made of the fact that consumption poverty is lowest in the plantation sector, even if on basic health, education and child nutrition indicators it has scored much worse. The point here is that, if young people work, current household incomes are obviously higher and consumption poverty falls but, because they then lack schooling, their future prospects (their potential lifetime incomes) are also lower, and estate youth are increasingly aware of it.

[37] The priority accorded to state security has also stretched the ability of the police to maintain law and order satisfactorily in many areas, with a resulting increase in crime in general and in personal violence and armed robbery in particular. Poor women are more likely to be exposed to drunkenness and domestic violence in situations of personal difficulty. And in general the ability of the poor to deflect or to avoid violence and to lever themselves from corrupt dealings and other such problems is always bound to be limited.

4. The Challenge for PIA

This paper has shown that there are different ways of looking at policy impact analysis. Some are statistically rigorous and overwhelmingly technical, relying heavily on received methodology. Others are more conceptual, with a political economy bent, stressing qualitative assessment of the policy experience and developments in a particular society. Moving from the early adjustment model of the late 1970s or early '80s to the political process model a decade later, and to the client-oriented policy responses that are more fashionable today, analytical needs have also shifted perceptibly. They have moved away from aloof statistical approaches as the conventional back-up package, to incorporate other concerns -- to concern with asset ownership, the vested interests and mindsets of those involved, the excluding nature of the institutional frameworks, transaction costs and, in the broadest sense of the term, with politics. New dimensions have been added on top of the old: both skills are necessary, but the emphasis has changed markedly. The challenge of PIA is to establish the appropriate balance, and to find a workable synthesis that addresses policy relevant questions.

In the Sri Lankan case, the policy context has been moving towards what was earlier referred to as a "Model 3" scenario. But there is still much ambiguity, and there has been reluctance on the part of decision-makers to make incisive moves – for example, on devolution, and on more participatory policy formulation and policy control at a local level. Partly, it would seem because the destination is ill-defined and still an unknown quantity. Partly it is a lack confidence in local capacities. But it also affects vested interests. Structures of social exclusion persist because influential groups (at different levels) have an interest in perpetuating them -- and because policy-makers either benefit, or feel tackling them is too risky or is low priority and choose not to act. However, if institutional arrangements need to be changed for the long-term success of the country's development strategy (which is what Model 3 suggests), then at some point it is necessary to engage in public debate, to highlight the obstacles, to ask awkward questions of the *status quo,* to try to shift the consensus and to change people's mindsets. There would seem to be an important educative need over and above the immediate policy needs to which PIA traditionally confined itself.

So what does this imply? Three tasks at least would seem to be particularly relevant. The first, and perhaps the most basic task, is to elaborate and check on the social exclusion thesis. There is a need to confirm that perceptions of social exclusion and relative deprivation are indeed such a driving force, and to document it convincingly. The second is to begin to counterbalance the overwhelmingly macro point of entry of much of the current policy

discussion. Perhaps, indeed, the analysis should actually be turned on its head, starting with micro expectations – with what they are and with the way they are changing – and then moving up to ask how public policy (including, wherever relevant, the macro adjustment package) could help people to move in these desired directions. The third is to perform an educative role and try to change people's mindsets – to see PIA as a form of information technology that can influence attitudes, and through them changes in policy. In all these areas, robust technical analysis will be of profound importance in providing professional answers: but the real issue at stake is the kinds of questions it asks.

Some work along these lines has, indeed, already been initiated. MIMAP-Sri Lanka aims to carry out in-depth analysis and collect systematic information at the local level. Providing, as intended, it addresses questions thrown up by a broader conceptualisation of the nature of the poverty problem (and providing it looks at typical cases in representative problem areas) this would seem to be a step in the right direction.[38] In-depth factual knowledge about the situation of the poor in a range of carefully circumscribed empirical situations is important. But, from a policy standpoint, particular attention will have to be attached to functional analysis – to locating the poor in the structure of production and in the networks of relationships in which they find themselves (agrarian, community, socio-political structures), to finding why they feel they are systematically excluded (and in what respects), and to eliciting ways in which their interests and their situation could be more realistically addressed. This is both an exciting, and also a challenging task.

To answer these questions, the approach will have to be applied to a range of thematic areas to obtain an adequate overview, and a logical entry point in many respects would be to go both sector by sector and at the aggregate picture. The work of Gunatilaka *et alia* (1997) and, at a more general level that of Dunham and Jayasuriya (1998), suggest that the key themes that emerge from such an analysis are likely to vary considerably. Nevertheless, issues of widespread importance are likely to be production structures,[39] what is happening in labour markets, the demand for local products (and the organisational scope for demand-driven initiatives – see Tendler 1997), the efficiency of local service delivery, survival mechanisms,

---

[38] Clearly, there is a lesson to be learned from the devoted empiricism of Professor Carr's observer in this respect (see footnote 16). The organising principle is the fundamental issue.

[39] The term "production structure" is used here to encompass not just technical relations, but agrarian structures (or the structure of an industry in a locality), the organisation in input supply and output marketing and the associated networks of social relations that affect the success of production by the poor. Bhalla and Lapeyre (1997) speak of the "economic muscle" that comes from wealth, property rights and asset ownership and that is used to usurp political and civil rights and to influence policies.

discussion. Perhaps, indeed, the analysis should actually be turned on its head, starting with micro expectations – with what they are and with the way they are changing – and then moving up to ask how public policy (including, wherever relevant, the macro adjustment package) could help people to move in these desired directions. The third is to perform an educative role and try to change people's mindsets – to see PIA as a form of information technology that can influence attitudes, and through them changes in policy. In all these areas, robust technical analysis will be of profound importance in providing professional answers: but the real issue at stake is the kinds of questions it asks.

Some work along these lines has, indeed, already been initiated. MIMAP-Sri Lanka aims to carry out in-depth analysis and collect systematic information at the local level. Providing, as intended, it addresses questions thrown up by a broader conceptualisation of the nature of the poverty problem (and providing it looks at typical cases in representative problem areas) this would seem to be a step in the right direction.[38] In-depth factual knowledge about the situation of the poor in a range of carefully circumscribed empirical situations is important. But, from a policy standpoint, particular attention will have to be attached to functional analysis – to locating the poor in the structure of production and in the networks of relationships in which they find themselves (agrarian, community, socio-political structures), to finding why they feel they are systematically excluded (and in what respects), and to eliciting ways in which their interests and their situation could be more realistically addressed. This is both an exciting, and also a challenging task.

To answer these questions, the approach will have to be applied to a range of thematic areas to obtain an adequate overview, and a logical entry point in many respects would be to go both sector by sector and at the aggregate picture. The work of Gunatilaka *et alia* (1997) and, at a more general level that of Dunham and Jayasuriya (1998), suggest that the key themes that emerge from such an analysis are likely to vary considerably. Nevertheless, issues of widespread importance are likely to be production structures,[39] what is happening in labour markets, the demand for local products (and the organisational scope for demand-driven initiatives – see Tendler 1997), the efficiency of local service delivery, survival mechanisms,

---

[38] Clearly, there is a lesson to be learned from the devoted empiricism of Professor Carr's observer in this respect (see footnote 16). The organising principle is the fundamental issue.

[39] The term "production structure" is used here to encompass not just technical relations, but agrarian structures (or the structure of an industry in a locality), the organisation in input supply and output marketing and the associated networks of social relations that affect the success of production by the poor. Bhalla and Lapeyre (1997) speak of the "economic muscle" that comes from wealth, property rights and asset ownership and that is used to usurp political and civil rights and to influence policies.

greater participation of the poor in decisions that affect their everyday lives, and the nature, resources and working of local civil society. None of these are new areas, but they have rarely been studied at all systematically from an institutional perspective, taking a hard look at local structural constraints, at the resources, skills and tools of the poor to ask what can be done with them,[40] and the power relations confronting them.

The contention of this paper that the insights it provides could well point to very different kinds of policy proposals – to options that (from a national viewpoint) are still controlled and accountable, but that lead to more innovative and supportive relations between central and local government, and between government and civil society. Arguably, if they are explored responsibly they can open new avenues,[41] but the initial answer to the question "what's MIMAP for?" must be to provide a more incisive analysis of the causes of relative deprivation in Sri Lankan society than that behaind conventional programmes, to increase public awareness of the issues at stake and to begin to change people's mindsets. If attitudes and perceptions change, shifts in policy will follow -- with a greater sense of ownership and a more realistic chance of effective implementation.

---

[40] On this see Moser's (1998) asset vulnerability framework.

[41] Tendler's work (1997) on north-east Brazil, while it is not a model that could be in any sense replicated , is illustrative of the straight jacket that can be imposed by accepted conventional thinking.

References

Ahluwalia, I. J. and I.M.D. Little (eds) (1998), *India's Economic Reforms and Development: Essays for Manmohan Singh*, Delhi, Oxford University Press.

Aturupane H. (1998), "Macroeconomic Performance, Policy Changes and Poverty in Sri Lanka: A Conceptual Framework for Poverty Monitoring", Colombo, paper prepared for the IPS-MIMAP Workshop, June 22, (preliminary draft).

Bastian S. (1999), "Poverty Alleviation Through Small Holder Agriculture – Fighting a Losing Battle?", Colombo, Intercooperation, Self-Help Support Program Working Paper.

Bery S. K. (1990), "Economic Policy Reform in Developing Countries: The Role and Management of Political Factors", *World Development*, vol. 18 no. 8, 1123-1131.

Bhalla A. and F. Lapeyre (1997), "Social Exclusion: Towards an Analytical and Operational Framework", *Development and Change*, vol.28 no.3, 413-433.

Bourguignon F. and C. Morrison (1991), *Adjustment and Equity in Developing Countries: A New Approach*, Paris, OECD.

Carr E.H. (1961), *What is History?*, Harmondsworth, Penguin Books.

Cornia G., R. Jolly and F. Stewart (eds) (1987), *Adjustment With a Human Face: Protecting the Vulnerable and Promoting Growth*, Oxford Clarendon Press.

Dasanayaka S.W.S.B. (1999), "Micro Impact of Macro Adjustment Policies in Sri Lanka: A Literature Survey", Colombo, paper prepared for the IPS-MIMAP Workshop, June 22, (preliminary draft).

De Silva K.M. (1993), "The Bureaucracy", in K.M. de Silva (ed), *Sri Lanka: Problems of Governance*. Kandy, ICES, 83-98.

De Silva K.T. (1998), "Sociological Perspectives Relating to Selected Aspects of Poverty in Sri Lanka", paper presented to the Consultative Group, Poverty Alleviation Group, Ministry of Finance and Planning, Colombo.

Department of Agriculture (various), *Cost of Cultivation of Agricultural Crops*, issued by season by the Department of Agriculture, Peradeniya.

Dunham D. and C. Edwards (1997), *Rural Poverty and Agrarian Crisis, 1985-93: Making Sense of the Picture*, Colombo, Institute of Policy Studies of Sri Lanka, Poverty and Income Distribution Series No.1.

Dunham D. and S. Jayasuriya (1998), "Economic Crisis, Poverty and War in Contemporary Sri Lanka: On Ostriches and Tinderboxes", *Economic and Political Weekly*, vol. XXXIII no.49, 5 December, 3151-3156.

Dunham D. and S. Jayasuriya (2000), "Equity, Growth and Insurrection: Liberalisation and the Welfare Debate in Contemporary Sri Lanka", *Oxford Development Studies*, 28 (1), 97-110.

Dunham D, and S. Kelegama (1997), "Does Leadership Matter in the Economic Reform Process? Liberalisation and Governance in Sri Lanka 1989-93", *World Development*, vol.25 no.2, 179-190.

Elson D. (1995), "Micro, Meso, Macro: Gender and Economic Analysis in the Context of Policy Reform", in I. Van Staveren (ed), *Gender and Macroeconomic Development: A Reader*, Utrecht, Oikos.

Goldstein M. and P. Monteil (1986), "Evaluating Fund Stabilization Programs With Multi-Country Data: Some Methodological Pitfalls", *IMF Staff Papaers*, Vol. 42, 304-344.

Grindle M. S. and J.W. Thomas (1991), *Public Choices and Policy Change: the Political Economy of reform in Developing Countries*, Baltimore, Johns Hopkins.

Gunatilaka R. (1997), *Credit-Based, Participatory Poverty Alleviation Strategies in Sri Lanka: What Have We Learned?*, Colombo, Institute of Policy Studies of Sri Lanka, Poverty and Income Distribution Series No.2.

Gunatilaka R. *et alia* (1997), "The Samurdhi Programme: A Preliminary Evaluation", Colombo, report for the Ministry of Finance and Planning.

Gunatilaka R. and R. Salih (1999), "How Successful is Samurdhi's Savings and Credit Programme in Reaching the Poor?", Colombo, report prepared for the Ministry of Finance and Planning.

Hanmer L., G. Pyatt and H. White (1997), *Poverty in Sub-Saharan Africa: What Can We Learn From the World Bank's Poverty Assessments?*, The Hague, Institute of Social Studies.

Hanumantha Rao C.H. (1998), "Agricultural Growth, Sustainability and Poverty Alleviation: Recent Trends and Major Issues of Reform", *Economic and Political Weekly*, 18 July, 1943-1948.

Hettige S. (1997), "Economic Liberalisation and Income Inequality: Further Evidence on the Sri Lankan Experience", paper presented at the Institute of Policy Studies of Sri Lanka, August 28.

Hyden G. and B. Karlstrom (1993), "Structural Adjustment as a Policy Process", *World Development*, vol.21 no.9, 1395-1404.

IPS-MIMAP (1998), *Micro Impacts of Macroeconomic and Adjustment Policies Sri Lanka: Project Proposal for Phase 1*, Colombo, Institute of Policy Studies.

Jayarajah C., W. Branson and B. Sen (1996), *Social Dimensions of Adjustment: World Bank Experience, 1980-93*, Washington D.C., World Bank.

Killick T. (1995), "Structural Adjustment and Poverty Alleviation: An Interpretative Survey", *Development and Change*, vol.26 no.2, 305-331.

Kurian N.J. (1989), "Anti-Poverty Programmes: A Reappraisal", *Economic and Political Weekly*, March 25, A13-20.

Jolly R. (1991), "Adjustment With a Human Face: A UNICEF Record and Perspective on the 1980s", *World Development*, vol. 19 no.12, 1807-22.

Lakshman W.D. (1997), "Income Distribution and Poverty", in W.D. Lakshman (ed), *Dilemmas of Development*, Colombo, Sri Lankan Association of Economists.

Lakshman W.D. (1998), *Poverty In Sri Lanka: Measurement and Alleviation Exercises*, Colombo, Intercooperation, Self-help Support Program Working Paper.

Lamb G. (1987), *Managing Economic Policy Change*, World Bank Discussion Paper No. 14, Washington D.C.

Lamb G. and R. Weaving (1992), *Managing Policy Reform in the Real World: Asian Experiences*, Washington D.C., The World Bank, EDI Seminar Series.

Lipton M. and N. Maxwell (1992), "The New Poverty Agenda: An Overview", *IDS Discussion Paper* No. 306, Brighton, Institute of Development Studies.

Ministry of Finance and Planning (various), *Budget Speech*, Colombo, Ministry of Finance and Planning.

Moore M. (1990), "Economic Liberalisation Versus Political Pluralism", *Modern Asian Studies*, vol. 24 no..2, 345-382.

Moser C. (1998), "The Asset Vulnerability Framework: Reassessing Urban Poverty Reduction Strategies", *World Development*, vol.26 no.1 1-19.

Mosley P. (1993), "Decomposing the Effects of Structural Adjustment: the Case of Sub-Saharan Africa", paper presented to the seminar "Structural Adjustment and Beyond", The Hague, Ministry of Foreign Affairs, June.

Mosley P., J. Harringan and J. Toye (1991), *Aid and Power: The World Bank and Policy Based Lending*, London, Routledge.

Nanayakkara A.G.W. (1994), "An Analysis of Poverty in Sri Lanka", *Sri Lanka Journal of Social Sciences*, vol.17 nos. 1 & 2, 49-78.

Rao V.M. (1998), "Economic Reforms and the Poor", *Economic and Political Weekly*, 18 July, 1949-1954.

Ravallion M and G. Datt (1996), "How Important to India's Poverty Reduction is the Sectoral Composition of Economic Growth?", *World Bank Economic Review*, vol. 10 no.1, 1-25.

Ravallion M. and B. Bidani (1994), "How Robust is a Poverty Profile", *World Bank Economic Review*, vol.8 no.1, 75-102.

Rodrik D. (1990), "How Should Structural Adjustment Programs be Designed?", *World Development*, vol.18 no.7, 933-947.

Rodrik D. (1996), "Understanding Economic Policy Reform", *Journal of Economic Literature*, vol. XXXIV, March, 9-41.

Sahn D. (1987), "Changes in the Living Standards of the Poor in Sri Lanka During a Period of Macroeconomic Restructuring", *World Development*, vol. 15 No.6, 809-830.

Saith A. (1990), "Development Strategies and the Rural Poor", *Journal of Peasant Studies*, vol. No. 171-243.

Tendler J. (1997), *Good Government in the Tropics*, Baltimore, Johns Hopkins Press.

Tendulkar S.D. (1998), "Indian Economic Policy Reforms and Poverty: An Assessment", in I.J. Ahluwalia and I.M.D. Little (eds), *India's Economic Reforms and Development: Essays for Manmohan Singh*, Delhi, Oxford University Press, 278-309.

Thomas J.W. and M. S. Grindle (1990), "After the Decision: Implementing Policy Reforms in Developing Countries", *World Development*, vol.18 no.8, 1163-1181.

UNICEF (1985), *Sri Lanka: The Social Impact of Economic Policies During the Last Decade*, Colombo, UNICEF.

UNP (1988), *The United National Party's Manifesto of Action for Investing in People*, Colombo, UNP.

White H. (1997), "The Economic and Social Impact of Adjustment in Africa: Further Empirical Analysis", The Hague, Institute of Social Studies, *Working Papers*, No 245.

White H. And J. Luttik (1994), *The Countrywide Effects of Aid*, Washington D.C., World Bank. Policy Research Working Paper No.1337.

World Bank (1980), *World Development Report, 1980*, New York, Oxford University Press.

World Bank (1990), *World Development Report, 1990*, New York, Oxford University Press.

World Bank (1995), *Sri Lanka: Poverty Assessment*, Washington D.C., World Bank, Country Development III, South Asia Region. Report No. 13431-CE.

Sri Lanka : State of the Economy 1995 (August 1995)

Responding To Future Challenges in Education and Training - Policy Issues at the Higher and Tertiary Levels (September 1995)

Long-Run Trends in the Sri Lankan Economy (November 1995)

How Open Has the Sri Lankan Economy Become? Trends in Trade and Trade Taxes :

1977-93 (December 1995)

Macroeconomic Policy Implications of Foreign Capital Inflows: The Sri Lankan Experience (December 1995)

Sri Lankan Welfare State: Retrospect & Prospect (January 1996)

Japan's Role in Asian Development: Lessons for Sri Lanka (March 1996)

Producer Price Statistics for Staple Foodcrops in Sri Lanka: The Case of Paddy (April 1996)

The Uruguay Round and MFA Quotas: The Textiles and Garment Industries in Sri Lanka - The Next 10 years (May 1996)

The Uruguay Round Agreement on Agriculture: Implications for Sri Lanka (June 1996)

Policy Issues on Promoting Backward Linkages from the Garment Industry in Sri Lanka (August 1996)

Sri Lanka : State of the Economy 1996 (September 1996)

Enhancing the Effectiveness of Public Policy Management: The Challenges for Sri Lanka (October 1996)

Policy Issues in the Electricity Sector of Sri Lanka (November 1996)

Public Accountability, Public Expenditure Management and Governance in Sri Lanka, 1948-1993 (December 1996)

The Labour Situation on Sri Lankan Tea Estates - A View to 2005 (March 1997)

Rural Poverty and an Agrarian Crisis in Sri Lanka, 1985-95: Making Sense of the Picture (April 1997)

Export Processing Zones in Sri Lanka -- Costs, Benefits, Profits and Policy Issues (May 1997)

Cultivating the Pearl: Australia's Economic Relations With Sri Lanka (June 1997)

Electricity Pricing Policy in Sri Lanka (July 1997)

The Problems and Prospects of Sri Lanka's Handloom Industry (September 1997)

Populations Projections in Sri Lanka (August 1997)

Credit-Based, Participatory Poverty Alleviation Strategies in Sri Lanka: What Have We Learned? (October 1997)

Performance Contracting: A Strategy for Public Enterprise Reform in Sri Lanka? (November 1997)

Organization and Financing of Public Sector Health Care Delivery in Sri Lanka : The Need for Radical Change (December 1997)

Sri Lanka : State of the Economy 1997 (December 1997)

Globalization – Liberalizing the Capital Account in Sri Lanka (January 1998)

A Method to Analyze Viability of Private Sector Participation in New Infrastructure Projects in Sri Lanka (February 1998)

The Introduction of Effluent Charges as a Means for Controlling Industrial Water Pollution in Sri Lanka (March 1998)

Capital Account Liberalization and Financial Crises in East Asia (July 1998)

Sri Lanka : State of the Economy 1998 (October 1998)

A Strategy for Nature Tourism Management in Sri Lanka (November 1998)

Effective Local Governance – The Foundation for a Functioning Democracy in Sri Lanka (May 1999)

Labour Legislation and Female Employment in Sri Lanka's Manufacturing Sector (July 1999)

Monitoring the 20/20 Compact on Budget and Aid Restructuring in Sri Lanka (August 1999)

The Impact of Credit on Small & Medium-Scale Industries (SMIs) in Sri Lanka (September 1999)

Sri Lanka : State of the Economy 1999 (October 1999)

How Successful is Samurdhi's Savings and Credit Programme in Reaching the Poor in Sri Lanka? (November 1999)

The Integrated Rural Development Programme in Sri Lanka: Lessons of Experience for Poverty Reduction (December 1999)

The Economic Cost of the War (January 2000)

Designing Retirement-Income-Security Arrangements (February 2000)

South Asia Economic Journal (March 2000)

INSTITUTE OF POLICY STUDIES

99 St Michael's Road
Colombo 3, SRI LANKA

Telephone: 94 1 431 368

Facsimile: 94 1 431 395

email: ips@sri.lanka.net

ISBN 955-9122-83-5

Printed by Karunaratne & Sons Ltd