

2nd Annual Symposium on Poverty Research in Sri Lanka

A joint initiative of
Centre for Poverty Analysis (CEPA)
Program to Improve Capacities for Poverty Research (IMCAP)
The Sri Lanka Association for the Advancement of Science (SLAAS)

held on 13th July 2001

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GTZ

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SLAAS Auditorium
Colombo, Sri Lanka

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Inaugural Session

Background on the Co-operating Organizations

Sri Lanka Association for the Advancement of Science (SLAAS)

The Sri Lanka Association for the Advancement of Science is the most professional body of scientists in Sri Lanka. It was established in 1944 and later incorporated by an Act of Parliament. It covers seven specializations in the sciences ranging from Medical Science through Engineering to the Social Sciences.

Objectives

The objectives of SLAAS include:

- Promoting the advancement of the Sciences in the country
- Giving systematic direction to scientific inquiry in the interests of the country
- Encouraging the dissemination of scientific knowledge
- Providing advisory services to the government on issues pertaining to the application of science and technology etc.

Section "F" of SLAAS

Section "F" of SLAAS is the branch of science dealing with the Social Sciences, which covers the disciplines of Economics, Sociology, Anthropology, Political Science, Geography, Education, Demography, Management etc. SLAAS currently has an active membership of about six hundred scientists scattered throughout the country. It is in the context of the above objectives and the diversity of disciplines represented by Section "F", that it was decided to make the Poverty Symposium a priority activity for the year 2001.

Furthermore, the ability to draw academics and researchers from a variety of institutions, including the University, has enabled Section "F" of SLAAS to organize and to successfully complete a number of comprehensive and varied programmes. They include the Symposium of Poverty Research, a one-day seminar on Governance, a number of workshops on Scientific Methodology and seminars and public lectures on issues of current interest during the year 2001.

The Poverty Symposium

The 'Poverty Symposium', which was conducted in collaboration with CEPA and IMCAP, may well be considered to be one of the most timely, relevant and best received of these activities attended as it was by more than 70 participants who actively and continuously engaged in a full day of deliberations.

Section "F" of SLAAS is pleased that it could work with other partner organizations to discuss issues pertaining to poverty in Sri Lanka, to identify a set of research priorities for further poverty research and to establish a useful network of poverty researchers throughout the country. Section "F" is keen to repeat the same in a more organized manner for the year 2002 so that the content, processes and outcome of poverty research will be qualitatively improved and will help solve some of the burning issues pertaining to poverty.

Centre for Poverty Analysis (CEPA)

The Centre for Poverty Analysis (CEPA) is a professional service provider promoting a better understanding of poverty related issues in Sri Lanka. It offers advisory and training services, based on applied empirical research, to organizations and professionals working towards the reduction of poverty. The emphasis is on a qualitative, creative and interactive approach to seek practical solutions to the multi-dimensional problem of poverty.

Objectives

- (1) Provision of independent analysis on the causes, characteristics and impacts of poverty in Sri Lanka;
- (2) Capacity building of development organizations and professionals to monitor poverty related impacts;
- (3) Improvement of know-how transfer and policy dialogue on poverty

Programmes

Currently, CEPA focuses on the four following programme areas that have developed out of the interests and needs of the organization and its clients.

Poverty Impact Monitoring

The programme continues to develop innovative approaches to assess the impact of donor-supported and government programmes on poverty reduction. The emphasis is on generating qualitative methodologies drawn from applied research and providing advisory services on poverty orientation and impact monitoring. Outreach is further expanded through training offered to development professionals and organizations.

Poverty and Youth

The aim of this programme is to support youth initiatives in addressing poverty to discover and mobilise their potential to foster social change. Components include a synopsis of the current literature and a survey on youth and poverty. It also encompasses a critical analysis of the potential of selected youth initiatives to deal with poverty, a school competition and a public forum incorporating all of the above activities.

Poverty and Conflict

The programme centres on issues of poverty in the conflict-affected areas of Sri Lanka. As no reliable district surveys have been undertaken since 1983 in the North and East, the programme focuses on empirical studies to assess living conditions and poverty levels and ascertain to what extent relief and rehabilitation efforts have alleviated or contributed to poverty. It also aims at developing tools for the new field of conflict impact assessment.

Poverty and Enterprise Development

The focus of this programme is to assess the poverty relevance of current state, donor and private sector investments in entrepreneur and enterprise development. Components include a literature survey on entrepreneurship and poverty, studies on the capacity of the poor to become micro-entrepreneurs and the extent of poverty reduction through employment generated by enterprises. Based on these studies, advisory services to enterprise development projects are offered.

Governance

CEPA is registered as a non-profit company founded by nine Sri Lankan professionals working on poverty related issues with different organizational affiliations. The ownership of the organization is in the hands of these members, who elect a Board of Directors (BOD) as CEPA's governing body. The BOD consists of nine members, who equally represent the public sector, bilateral and multilateral development agencies as well as independent expertise.

Partnerships

CEPA is committed to working in partnership with state, bilateral, multilateral and non-governmental organizations in pursuing its goals. As CEPA aims to remain a small core group of professionals, it will flexibly collaborate with a pool of resource persons working in the area of poverty.

Program to Improve Capacities for Poverty Research (IMCAP)

Objectives

The Program to Improve Capacities for Poverty Research (IMCAP) at the University of Colombo aims to improve research on poverty and social policy in Sri Lankan universities, thus contributing to a better understanding of causes and processes of poverty and its alleviations within a social policy framework. As an overall goal, this initiative should build up more expertise through applied research and teaching programs on poverty and social policy issues within Sri Lankan universities and qualify Social Science graduates to find employment in the development sector.

Background

The IMCAP Program is an outcome of various joint initiatives between the University of Colombo, the South Asia Institute of the University of Heidelberg and the Poverty Impact Monitoring Unit (PIMU-GTZ). The Centre for International Migration Development (CIM), Germany, also supports this initiative. These joint initiatives resulted in a tripartite agreement to further support applied research in the field of poverty combined with the set-up of a resource unit on poverty and social policy within the Colombo University to serve as a focal point of the program. Within the Colombo University, IMCAP is affiliated to the newly established Development Studies Institute of the University of Colombo (DSIUC).

Resource Unit

The Resource Unit of IMCAP located within the Colombo University will be a clearinghouse for information on poverty research with a collection of books and documents that will be available to students and faculty. As an integral part of the program, empirical research and critical discussion of poverty and social policy on relevant topics will be facilitated through the resource unit. The unit could co-ordinate replicable studies based on small samples, which would provide researchers, policy makers and development organizations with quick access to findings.

At the moment IMCAP provides information especially with regard to poverty and youth, the interconnections between poverty, social discrimination and conflict and poverty related aspects of regional development, planning and local governance. The unit also hosts the complete data set of the Sri Lankan National Youth Survey 2000, a comprehensive island-wide opinion poll on youth covering aspects of social, political, economic and cultural issues related to youth. This data is available to students and staff for further analysis and research.

Activities

Course Development

IMCAP will provide support for developing new curricula for cross-disciplinary courses on poverty-related topics. Resource persons from institutions outside the university system will be called upon to assist in the development of curricula, teaching and training. The focus is thereby laid on junior staff and students from the universities to enhance capacity in the teaching of poverty related topics and to better qualify students through practical involvement in poverty-related research during their studies.

Exchange Program

A subject-related short-term exchange program between the University of Colombo and the South Asia Institute of the University of Heidelberg is facilitated with a particular focus on the advancement of young scholars. The program aims to increase the quality and innovative nature of curricula and teaching methods as well as to improve dissertations on poverty by exposing young scholars to an international academic environment. Additionally IMCAP supports subject-related co-operation programs between Colombo University and Universities located in the conflict affected regions of Sri Lanka (Jaffna University, Eastern University/ Batticaloa).

Dissertation Support Program

IMCAP provides individual assistance and guidance to undergraduates and junior staff for final year or MA dissertations related to poverty issues. This component is also expected to receive further support by providing scholarships to postgraduate students working on their MA dissertations on a poverty related topic. It is envisaged that the scholarship holders would eventually take over the teaching of new poverty-related topics at Sri Lankan universities.

Keynote Address

Dr. Gamani Corea

In recent years, discussions in international bodies have questioned the validity of viewing a reduction in poverty as an assured by-product of economic growth. The Social Summit that convened in Copenhagen under the United Nations auspices a year or two ago highlighted the prevalence of widespread poverty in large parts of the world and the need for direct actions to overcome the problem even in the absence of adequate economic growth and transformation. The UNDP report for the year 2001 itself highlights the poverty problem that still prevails in many parts of the world. In addition there has been, in recent times, growing criticism of the much publicised "globalisation" process because of its failure to reduce the gap between the richer and poorer countries of the world, and even the gap between the rich and poor within developing countries. The critics speak of "polarisation" rather than "globalisation" as the trend of our time.

Sri Lanka has a unique experience in the realm of poverty alleviation. Since the years shortly before Independence in 1948, and in the context of universal franchise, the Sri Lankan Government placed a special emphasis on social issues and poverty alleviation. Free education, free health services, subsidies for food and transport and schemes of land clearance for the settlement of poor farmers were the cornerstones of government policy. These priorities were sharply criticised, especially by outside economists, who felt that the focus should first be on economic growth and productive investment, rather than "eating the fruit before planting the tree".

In retrospect it seems that there were two aspects to the results that followed our policy orientation. On the one hand, there were benefits, several of them measurable, that followed the emphasis on social issues. Sri Lanka today enjoys an eminent place in the United Nations Physical Quality of Life Index (PQLI) as a result of achievements in areas such as life expectancy, literacy, the education of women and so on. In some of these areas, our attainments compare well with those of many developed countries. On the other hand, the results we have to show on the economic side are far less impressive. The growth rate of the economy over the years has not been significantly different from our neighbours in South India. It did not parallel the performance of most countries of East and South East Asia. Those who felt that social advancement would lead to economic growth, after a period of gestation, must now be disappointed. Fifty years is, on any reckoning, too long a spell to validate such a sequence.

The lesson to be drawn from all this is that a country like Sri Lanka does not need to make a choice in respect of the sequence between economic and social growth. Instead we must recognise that social and economic progress are mutually reinforcing and supportive. The challenge facing policy makers is to ensure the existence of this relationship in the choice and design of projects. There must be economic benefits to be seen in the design and choice of development projects and programs and vice versa. This must constitute a new dimension in the evolution of planning techniques and provide new guidelines for the establishment of priorities. The whole process of planning and policy making would need to be more multi-dimensional than before. There are also requirements, in addition to social factors, that need to be interwoven with policy formulation and decision-making. One of these is the regional dimension with a focus on the balanced distribution of development over different parts of the country and the avoidance of imbalances in respect of urbanisation. Another is the environmental aspect with a focus on choices that combine development with the minimisation of environmental damage and disruption.

There is need also for an awareness of the changing demographic scene in the country, with the prospect of stability in population growth about three decades from now. This too will present both opportunities and problems. In the past, policies had to respond to the ever-growing need for quantity in various fields. With demographic stability the spotlight will focus finally on quality. At the same time, the proportion of elderly citizens will increase and this will call for a special focus on their needs. In about two decades or so from now, it is estimated that persons over 60 years of age will constitute 20% of the total population. It should be observed that a mitigating factor for them would be that they would constitute a much larger proportion of the voting population!

It is clear that new importance is given to social problems in developing countries by aid donors and international institutions. However, assistance for dealing with social problems must accompany rather than replace other priorities in North-South relations. There is a need for a continued focus on the hard core issues that constitute the "nerve centre" of interaction between the developed and the developing countries: issues such as trade, finance for investment, debt relief, and solutions to other such urgent problems.

New Sociological Perspectives on Poverty

(Some Selected Sketches)

Prof. Kalinga Tudor Silva

(1)

MICRO	MACRO
<ol style="list-style-type: none"> 1. Collective vs. individual 2. Lifespan perspective (not those who move in and out of poverty) 3. Intergenerational transfer of poverty 4. Community perceptions of poverty <p><u>Key issue</u>: Social reproduction of poverty</p>	<ol style="list-style-type: none"> 1. Globalisation and its effect on poverty 2. Poverty and social conflict 3. Policy and its impact on poverty (post 1977 era / trends) 4. Feminisation of poverty

(2)

NEO LIBERAL
<ol style="list-style-type: none"> 1. Growth centred 2. Market liberalisation and the market given its due place 3. Private sector as the 'engine of growth' 4. Trickle down effect after economic growth 5. Small State <p><u>Limitations</u> Takes individual and not group dynamics into account (individual centred). Economic determinism (does not look at non-economic dimensions of poverty).</p>

(3)

SOCIAL CAPABILITY (AMARTYA SEN)
<p>Entitlement concept Trust/goodwill of community</p> <p>Capability - Freedom to pursue well-being and full potential Functioning - Achievement of well-being, real gains in income, health, education, social status etc. Improvement over neo-liberal approach</p> <p><u>Limitations</u> Individual centred</p>

(4)

SOCIAL EXCLUSION

It is the most fashionable approach to understand and deal with poverty.

- It is a process by which certain groups are systematically excluded from the gains of development.
- This approach has become popular in the European context to explain 'islands of poverty' in 'oceans of prosperity'
c.g.- the elderly, recent migrants, ethnic and racial minorities
- Mainly applied to affluent societies
- Social exclusion directs our attention to social mechanisms that produce and sustain deprivation

Limitations

Does not discuss the broader dimensions of social inequality

(5)

EMPOWERMENT

- Views the poor as powerless
- Social mobilisation
- Group saving and lending
- Participatory development

Limitations

Disregards macro issues by empowering small groups, without any change to the overall structure.

(6)

CULTURE OF POVERTY

- Oscar Lewis introduced it in 1959 in his book "Five Families: Mexican Case Studies in the Culture of Poverty".
- Moves away from individuals and considers groups and communities
- Distinction between poverty and the culture of poverty
- Poverty as a subculture with its own rationale and understanding
- Lack of integration with institutions of the larger society
- Lack of organization beyond the nuclear family
- Strong feeling of marginality, helplessness, hopelessness and inferiority

Limitations

Blaming the victim for his condition

***Presentations on
Poverty Research***

Sri Lanka: Regional Approaches for Poverty Measurement

Seneka Abeyratne

1. Introduction

Is there a simple definition that captures the essence of poverty and is acceptable to all persons working in this field, regardless of whether one is an economist, a sociologist, or an anthropologist? The answer is no, because there is no simple definition. As the years go by, the meaning of poverty gets increasingly complex. There are various indicators of poverty such as the head count index and the human poverty index that are widely used, but there is no clear-cut answer to the question, who is a poor person? Can poverty be eradicated in the Third World without fundamental economic, political and social reforms? There is no simple answer to this question either, even though the radical political economy approach to poverty alleviation calls for such reforms.

In general terms, we could define a poor person as someone who suffers from significant economic, social, and human deprivation. "Poverty is pronounced deprivation in well-being" (World Bank 2001). Thus deprivation is the key word. In the World Bank's view, poverty encompasses material deprivation, low achievements in education and health, vulnerability and exposure to risk and voicelessness and powerlessness. If, for a variety of reasons, a family or community is unable to satisfy its basic needs and enjoy fundamental freedoms of action and choice, we consider it poor. While an economist is likely to focus on material deprivation, a sociologist or anthropologist is more likely to emphasize the social, cultural and political dimensions of poverty. We have increasingly come to recognize that poverty is perhaps the most serious problem in the Third World and that this problem is explicitly multi-dimensional. The human poverty index, for example, equates poverty with survival deprivation, and deprivation in access to knowledge, safe drinking water, safe sanitation, adequate basic health care, and electric power and energy (UNDP 1998).

But could this tendency to keep broadening the definition of poverty be a double-edged sword? In other words, is it serving to enhance our understanding of poverty, or is it leaving us more confused than before? The danger is that if we become convinced that poverty is part of a general social and economic malaise, we may end up discussing the problem in terms of generalities and not in terms of specifics. The bottom line is that capital is a scarce resource and we cannot put money into everything. In order to maximize the impact on poverty reduction, we need to optimise the utilization of resources available for generating pro-poor growth. This means identifying the key constraints and formulating a least-cost solution to the problem of material and human deprivation, an exercise that cannot be performed in the absence of analytical rigor and clear, objective thinking. While it is true that poverty reduction is subject to a multiplicity of constraints, they all cannot receive equal weights, given the scarcity of resources. The more critical the constraint, the higher the priority it deserves in terms of investment or policy intervention."

This is not to argue that we should not view poverty as a multi-dimensional problem, but rather that we should not go overboard with this approach. Be that as it may, most international agencies believe that the issue of poverty is not receiving sufficient attention in the preparation of growth strategies and public investment programmes. The United Nations asserts that the goal of poverty reduction must permeate a country's entire development strategy and that "the attack on poverty requires modifying virtually all development programmes to ensure that they have a strong link to poverty (UNDP 1998). The World Bank and the International Monetary Fund (IMF) also subscribe to a similar view and are encouraging more and more countries to prepare detailed Poverty Reduction Strategy Papers (PRSP) with the participation of a wide spectrum of stakeholders drawn from the Government, the donor community, the private sector, and civil society.

But no matter how complex the exercise, it must begin with the measurement of poverty. For practical purposes, most countries define poverty in terms of an absolute income standard. Some countries also define poverty in terms of a relative income standard. The main difference between the absolute and relative standards of poverty is that the former uses economic insufficiency as the frame of reference for poverty while the latter emphasizes inequities within the social and economic systems with a focus on the bottom layers of society (Else Oyen et al, 1996). Donors, especially the United Nations, are increasingly emphasizing the link between poverty and inequality. "Poverty and inequality are a threat to social stability and also a threat to civil and political rights" (UNDP 1998).¹

It is interesting to speculate which of the two standards, the absolute or the relative, is more likely to promote social change. It would be logical to argue that standards that emphasize inequalities in the distribution of economic and social assets have greater scope for promoting pro-poor policy and institutional reforms than standards that view inadequate food and non-food consumption as the primary indicator of poverty. Moreover, the latter imply that minimum food and non-food consumption requirements remain more or less constant over time, which may not be realistic. The fact remains that as real incomes grow, so do perceptions of need. Thus the expectations of the average Sri Lankan consumer today are likely to be significantly higher than those of the average Sri Lankan consumer, say, thirty years ago. It is therefore prudent to ask whether, in the context of ever-changing perceptions of need, absolute poverty is an outmoded concept, and whether it makes more sense to assess poverty in terms of relative standards.

A further problem with the absolute standard is that a minimal income (i.e., the poverty line) may be incompatible with national objectives such as a rapid improvement in social and economic welfare. Perhaps a better approach would be to calculate the poverty line not in terms of a minimal income but, rather, in terms of the lowest income level that is consonant with national objectives. Those falling below this level would hence be viewed as poor.

Finally, the question: what is the key to poverty reduction? The Asian Tigers achieved broad-based economic prosperity mainly through increased productivity and competitiveness, which laid the basis for rapid per capita GDP growth, widely shared. Sri Lanka is somewhat of an outlier as it has achieved a relatively high level of human and social development despite a relatively low level of economic development. Thus its human development index (0.73) is one of the highest in the world, relative to per capita income (UNDP 1998a). But the average consumer in countries such as Thailand and Malaysia, which have embarked on rapid and broad-based industrial growth, enjoys a considerably higher standard of living than the average Sri Lankan consumer. Some approaches to poverty alleviation give high priority to economic, human and social infrastructure development. While this is necessary for poverty reduction, it may not be sufficient. To achieve a sustained reduction of poverty, an enabling legal, institutional and policy environment has to be created for promoting sustained and broad-based productivity growth.

2. The Extent of Poverty in Sri Lanka²

In order to estimate the incidence of poverty, we need a working definition, that is to say, one that is conducive to quantitative assessment. Invariably, we have to fall back on a definition or standard that is based on the distribution of income or expenditure. The absolute standard is equated with a poverty line, the assumption being that anyone falling below that figure, in terms of income or expenditure, is likely to be poor. The numerical estimate of poverty, using the poverty line as the cutting point, is known as the head count.³ Some countries also use relative standards, such as the gini coefficient, to determine whether inequalities in the distribution of income or expenditure are improving or worsening over time. In Sri Lanka, poverty is usually defined in absolute terms and relative standards are rarely used as the basis for policy formulation and decision-making.

¹Some countries also routinely use the terms "extreme poverty" and "overall poverty". The former means the inability to satisfy *minimum* consumption requirements while the latter means the inability to satisfy *essential* consumption requirements. The term extreme poverty is more or less synonymous with absolute poverty.

²Based on work done by the author for the Asian Development Bank.

³One can also measure the severity and intensity of income poverty using the poverty gap and squared poverty gap. As these measures have remained relatively stable over the last decade, they are not discussed separately in this text.

Even though Sri Lanka is a relatively small country in terms of its land area, it has 25 agro-ecological regions, which indicates that its physical environment (soils, rainfall pattern, topography, etc.) is highly diverse. The island also shows significant regional variation in terms of demographic and social factors, such as population density, family size, ethnic composition of the population, quality of education and health services, and access to markets. From the point of view of poverty reduction, therefore, it is important to place the problem in a regional context so that appropriate strategies and policy interventions can be developed for areas having comparatively high levels of economic and social deprivation.

Unfortunately, due to the ethnic conflict, which commenced in 1983, it is not possible to construct a regional poverty profile for the entire country as national household consumption surveys have avoided collecting data from the war-torn areas (i.e., the North and East), which in the early eighties, accounted for about 14 percent of the population. The 1981 Population Census showed that of the 2.1 million persons living in the Northern and Eastern provinces (which were later combined into a single province), 13.4 percent were Sinhalese, 68.6 percent were Tamil and 17.5 percent were Moslem. The balance 0.5 percent comprised Burghers, Malays and others.⁴

Three household consumption surveys (covering the entire nation except the North and East) were undertaken during the 1990s - two by the Department of Census and Statistics (DCS), entitled **Household Income and Expenditure Surveys (HIES)**, and one by the Central Bank (CB), entitled **Consumer Finance and Socio-Economic Survey (CFSES)**. All three defined the poverty line in terms of the estimated cost (per capita) of a basket of foodstuffs that satisfies minimum energy and protein requirements plus other goods that satisfy minimum non-food consumption requirements. But the DCS definition of a least cost food and non-food consumption bundle (cutting point) did not coincide with that of the CB, i.e., the former used a lower poverty line of Rs. 791 and a 20 percent higher poverty line of Rs. 950 while the latter used a lower poverty line of Rs. 860 and a 20 percent higher poverty line of Rs. 1,032 per person per month to estimate the incidence of consumption poverty.⁵

The two agencies also used different sampling frames and methodologies. Thus the DCS surveys (1990/91 and 1995/96) and CB survey (1996/97) are not strictly comparable, but as is often the practice, statistical rigour is partially relaxed when it comes to comparing national (cross-sectional) surveys undertaken by different agencies at different times, on the grounds that such comparisons are necessary in order to obtain a view of how particular indicators, such as the poverty head count index, behave over time.

Table 1 shows how the head count index behaved during the 1990s. The DCS data suggest that the head count index (which is an estimate of the incidence of absolute poverty) increased significantly between 1990/91 and 1995/96, i.e., from 33 to 39 percent according to the higher poverty line, and from 20 to 25 percent, according to the lower poverty line. It is important to note that weather conditions in 1990/91 were normal, whereas in 1995/96 they were abnormal. The 1995/96 drought was severe and led to acute hunger in many areas. This is probably why there was a sharp increase in the poverty level in the mid-1990s, which could perhaps be viewed as a temporary aberration.

⁴A population census is conducted once in ten years, but the 1991 Census was not undertaken due to the armed conflict. The 2001 Census enumeration (recently completed) was carried out completely in 18 districts, including Ampara district in the Eastern province. Of the remaining 7 districts, 4 were partially enumerated, i.e., Mannar, Vavuniya, Batticaloa and Trincomalee. In Jaffna, Mullaitivu and Kilinochchi districts, no enumeration was done.

⁵The CB poverty line needs to be viewed with caution as there appears to be considerable dispute over the methodology used (by an independent consultant) for estimating minimum food and non-food consumption requirements, which is at variance with that used by the DCS for estimating the minimum consumption bundle.

Table 1: The Incidence of Consumption Poverty, 1990/91-1996/97
(percent)

	1990/91	1995/96	1996/97
Lower Poverty Line	20	25	19
Higher Poverty Line	33	39	31

Source: Household Income and Expenditure Survey 1990/91 and 1995/96
Department of Census and Statistics (DCS).
Consumer Finances and Socio-Economic Survey 1996/97, Central Bank.
Central Bank estimates are not strictly comparable with DCS estimates.

The 1996/97 CB estimated the head count index at 19 percent according to the lower poverty line and at 31 percent according to the higher poverty line. These levels are significantly lower than those indicated by the 1995/96 survey, but not significantly lower than the 1990/91 levels. Since, as we saw, the DCS and CB surveys are not strictly comparable, it is not possible to determine whether the consumption poverty level increased or decreased in the 1990s. The above findings suggest that it remained more or less constant in the first half of the 1990s.⁶

To recall, the conflict areas were excluded from the above surveys hence we do not have a true national picture. It is likely that, if these areas had also been surveyed, both the DCS and CB researchers would have come up with higher estimates of poverty incidence. According to some sources, around 800,000 persons have been displaced by the armed conflict, the majority of whom are living in primitive conditions, i.e., inadequate food, inadequate shelter, poor health, poor sanitation, etc. (See United Nations, Sri Lanka: Common Country Assessment, 2000.) It is difficult to escape the conclusion, therefore, that the incidence of absolute poverty in Sri Lanka is probably underestimated due to the exclusion of the North and East from the sampling frame.⁷

It is important to note that the higher poverty line implies a significantly higher level of poverty than the lower poverty line. We saw that according to the 1995/96 DCS survey, the shift is from 25 to 39 percent, while according to the 1996/97 survey, the shift is from 19 percent to 31 percent. Due to the somewhat arbitrary manner in which the cutting points are fixed, it is not possible to determine which of the two - the lower or higher poverty line - more closely reflects the "true" level of consumption poverty in Sri Lanka (excluding the conflict areas).

One way to interpret the above findings is to assume that a substantial proportion of the non-poor are barely able to satisfy minimum consumption requirements and are, therefore, highly vulnerable to poverty. In other words, the data seem to indicate that the majority of those living below the lower poverty line are victims of chronic (or long term) poverty, while those living in the income band between the lower and higher poverty lines are vulnerable to acute (or short term) poverty. If the 1995/96 DCS survey is used as our reference point, the inference to be drawn is that long term poverty affects around 25 percent of the population and that long and short term poverty combined affects around 40 percent of the population, at any given time.

⁶If for reasons given above, the CB survey data are excluded from the analysis, we would have to conclude that there was a substantial rise in the consumption poverty level during the first half of the nineties and that it is not possible to determine what has happened since then due to a lack of reliable information.

⁷On the other hand, a World Bank survey (1999/2000) found that due to the safety net provided by foreign remittances, the level of per capita consumption in the North-East province is one of the highest in the island. This finding, however, should be treated with caution, as the survey did not use a random sample in the North and East, unlike in the other provinces, due to problems encountered with data collection. Moreover, it excluded the uncleared areas and the welfare centers, where there are large numbers of internally displaced persons (IDPs).

Other evidence also suggests that a sizeable proportion of the Sri Lankan population lives at a subsistence level, i.e., the poverty borderline. For instance, a study conducted in the early 1990s, which used a dollar a day as the poverty line (adjusted for purchasing power parity), found that only around 7 percent of the population was poor. But when the poverty line was increased to \$2 a day, the poverty level increased to over 45 percent. (See *A Framework for Poverty Reduction*, 2000.)

As we saw, poverty has both a chronic and an acute dimension, where "chronic" equates with long-term deprivation and "acute" with short-term deprivation - i.e. - transitory episodes of poverty caused by such factors as crop failure, seasonal unemployment, poor health and personal loss. Many authors specializing in poverty research try to estimate chronic and acute poverty levels separately so as to give policy makers a better understanding of the dynamics of poverty. Studies by Pritchett (2000), Baluch and Hodinott (1999) and Jalan and Ravallion (1999) show that in countries, such as China, Indonesia and Pakistan, the share of the population experiencing short-term episodes of poverty invariably exceeds the share experiencing long-term deprivation by 5 to 10 percent.

The same is likely to be true for Sri Lanka as the bulk of the rural population is engaged in activities such as small-scale agriculture and coastal fishing, which are greatly influenced by seasonal factors (rainfall, prices, etc.). A "normal" year can provide a steady income stream whereas an "abnormal" year can produce disastrous results. A recent sociological study, which focused on the underlying causes of poverty in four districts, found that other unforeseen events, such as the unexpected loss of a breadwinner or grave illness, could also traumatize a household and leave it impoverished (PIMU 2000).

Be that as it may, in countries experiencing steady growth of real per capita incomes, widely shared, the trend is for the absolute poverty level to decrease over time. What is important to note in the Sri Lankan case is that even though per capita GDP growth averaged nearly 4 percent per annum during the 1990s, the expected decline in the poverty level did not occur. This suggests that growth strategies pursued during the past decade have not been sufficiently broad-based and that the bulk of the poor have failed to enter the mainstream of economic development.

Data on income distribution also provide evidence to this effect. The 1996/97 CFSLS reveals the following: The lowest quintile has a mean income of Rs.1,212 and accounts for only 4.2 percent of total income whereas the highest quintile has a mean income of Rs.14,965 and accounts for 51.8 percent of total income. Thus income distribution in Sri Lanka seems highly skewed. Clearly, this would not be the case if the majority of the poor were benefiting from economic growth.

3. Poverty by Province and Extent of Urbanisation

Although the DCS and CB expenditure surveys are "national" in scope, they differ in the manner in which they classify the regions included in the sampling frame. In order to be consistent with the Government's Poverty Reduction Framework (2000), we have based our analysis on the 1995/96 HIES, undertaken by the DCS, and used the higher poverty line to assess regional poverty indicators. The provinces, districts and corresponding population densities are shown in Table 2 (see annex). We note at the onset that the Western province has the highest population density (1,327 persons/sq. km) and the North Central province, the lowest (116 persons/sq.km).

Table 3: Incidence of Poverty by Province
(percent)

Province	Lower Poverty Line	Higher Poverty Line
Western	14	23
Central	28	43
Southern	26	41
North Western	34	52
North Central	31	47
Uva	37	55
Sabaragamuwa	32	47

Source: *Household Income and Expenditure Survey 1995/96*
Department of Census and Statistics.

As Table 3 shows, the incidence of consumption poverty (head count index) varies significantly across provincial boundaries with the Uva, North-Western and North-Central provinces having a significantly higher poverty level than the other provinces. The highest incidence is in the Uva province (55 percent) and the lowest in the Western province (23 percent). However, since the Western province has the largest share of the population (26 percent), there are more poor people living in this province than in others. Hence, although in relative terms, the Western province ranks the lowest (23 percent) in absolute numbers, it ranks the highest (19 percent). In other words, almost one-fifth of the total poor reside in the Western province (Figure 1 see annex). The Uva and North-Central provinces rank high in relative terms but low in absolute numbers, the reason being that the share of the population residing in these two provinces is relatively small (around 6 percent in each).

Figure 2 (see annex) shows that the incidence of poverty is inversely related to the urban share of the population within each province. The more urbanized the province, the lower the poverty level. The Western and Southern provinces are the most urbanized but they have the lowest poverty levels. Conversely, the Uva and North-Western provinces are the least urbanized but they have the highest poverty levels. Generally speaking, the poverty level appears to be higher in regions where agriculture is the main livelihood. Thus it is reasonable to argue that productive non-farm employment is one of the keys to poverty reduction.

Table 4: Rural Incomes Vs. Non-farm Share

Rural Income (Rs/month)	Non-farm Share (%)
1000	25 - 30
2000	35 - 40
3000	50 - 55
4000	65 - 70
5000	75 - 80

Source: Based on World Bank 1999/2000 Integrated Survey, preliminary findings.

Table 4 shows that higher rural incomes are associated with a higher non-farm share of total income. In other words, rural households who earn a higher proportion of their total income from non-farm employment seem to be wealthier than those who earn a higher proportion of their total income from agriculture. The above table also implies that areas that (over time) have become urbanized or semi-urbanized are more affluent than those that have remained predominantly rural. This is further evidence of the inverse relationship between the level of urbanization and the poverty level.

Figure 3 (see annex) compares the consumption poverty level with the human poverty index (HPI). The latter is a composite index of deprivation measured in terms of selected social and economic indicators (UNDP 1998). The lower the HPI, the better off the district in terms of social development. The key indicators are as follows:

i. Survival deprivation

The proportion of population dying before age 40.

ii. Deprivation in knowledge

Measured by two indicators:

- a) The proportion of adults who are illiterate;
- b) The combined primary (grades 1-5) and junior secondary (grades 6-9) education non-enrolment rate.

iii. Deprivation in access to safe drinking water

Inability to obtain safe drinking water is one of the most important indicators of human deprivation as it weakens the opportunity of people to lead a healthy and useful life.

iv. Deprivation in access to safe sanitation

Sanitation facilities can be insufficient in two ways:

- a) Households may have no toilet facilities;
- b) The toilet facilities possessed by households may not be clean.

v. Deprivation in access to adequate basic health care

Measured by three indicators:

- a) The proportion of child births outside formal medical institutions;
- b) The proportion of children who do not receive immunization coverage in: B.C.G.; diphtheria, pertussis and tetanus; polio; and measles;
- c) The proportion of pregnant women not immunized with tetanus toxic vaccine.

vi. Deprivation in access to electrical power and energy

The lack of electricity severely limits the quality of life (health care, education, etc.) and can be an important factor related to impoverishment.

Although the HPI shows significant regional variation, it does not mirror the head count index. Both indices are lowest in the Western and Southern provinces but, in respect of other provinces, they don't exactly match. This finding suggests that it is possible to reduce the level of human deprivation despite a relatively high level of income deprivation through the provision of basic social services, such as electricity, safe drinking water, safe sanitation and immunization services. The North-Western province is a case in point.

4. Poverty by District

Since provinces are comprised of districts, a district level analysis will shed light on how consumption and human poverty indicators are behaving within each province. By and large, the districts also show the same inverse relationship between the extent of poverty and the degree of urbanization that the provinces show (Figure 4 see annex). Colombo has the lowest incidence of consumption poverty (19 percent) and the highest rate of urbanization (74 percent), while Moneragala has the highest incidence of consumption poverty (66 percent) and the lowest rate of urbanization (2 percent). Kurunegala, Ratnapura, Puttalam and Anuradhapura also have a high poverty level and a low rate of urbanization.

Matale is somewhat of an outlier as it has both a high level of consumption poverty (51 percent) and a high rate of urbanization (46 percent). It is likely that the majority of urban dwellers in Matale district are low-income workers who have limited social mobility due to a lack of higher-level skills. Urbanization therefore does not lead automatically to a reduction of poverty unless accompanied by other factors such as skills development and concomitant growth of the manufacturing and service sectors.

The relationship between the consumption poverty level and the human poverty index at the district level (Figure 5 see annex) is similar to that which exists at the provincial level. The three adjacent districts comprising the Western province (Colombo, Gampaha and Kalutara) have the lowest consumption poverty level as well as the lowest HPI, which is not a surprising result as they have attained a considerably higher level of economic and social development than the other districts.

The Sri Lankan experience is that very little industrial growth has occurred outside this region and this is not by accident. Since Independence, public investment in economic infrastructure has been biased towards the Western province thereby encouraging an urban bias in private investment as well. This does not mean that the rest of the country has remained backward. Successive governments have invested heavily in the countryside in such areas as land development, irrigation, settlement, health, education and sanitation but, in other respects such as roads, electricity, water supply, ports and telecommunications, public investment has clearly been biased towards the Western province (ADB 2001).

The district with the highest level of consumption poverty is Moneragala. It is important to note that there are significant variations within provinces in this regard. For example, the Uva province consists of Moneragala and Badulla but the consumption poverty level in Badulla is considerably lower than in Moneragala. Probably the main reason is that the former has tea plantations (large as well as small) whereas the latter does not. On the other hand, both districts show relatively high levels of human deprivation. The district showing the highest level of human poverty is Nuwara Eliya which is a part of the Central province. Kandy and Matale also belong to the Central province but, in these two districts, the human poverty index is much lower than in Nuwara Eliya, which suggests that social infrastructure development has been unequal within this province.

Table 5 (see annex) combines the consumption poverty index and the human poverty index and ranks the districts in terms of the combined score. The overall ranking shows that the five most impoverished districts are Moneragala, Ratnapura, Badulla, Kurunegala and Matale. This finding indicates that the economic and social upliftment of these regions should receive high priority in a decentralized poverty reduction strategy, if regional inequalities are to be reduced.

5. Poverty by Sector

According to the 1995/96 DCS survey, 88 percent of the total poor (i.e., those falling below the poverty line) reside in the rural areas, compared with 8 percent in the urban areas and 4 percent in the estate areas. In the absolute sense, therefore, poverty in Sri Lanka is a distinctly rural phenomenon.¹¹

Table 6: Incidence of Poverty by Sector
(percent)

Sector	Lower Poverty Line	Higher Poverty Line
Urban	15	25
Rural	27	41
Estate	25	45

Source: *Household and Income Expenditure Survey 1995/96*
Department of Census and Statistics.

The incidence of consumption poverty is also higher in rural than in urban and estate areas, going by the lower poverty line. But if the higher poverty line is used, poverty incidence is highest in the estate areas (Table 6). We also note that a shift from the lower to the higher poverty line is accompanied by a substantial rise in the poverty level in all three sectors, the most pronounced being in the estate sector (25 to 45 percent). This would suggest that "borderline" poverty is a significant problem in all three sectors, with the estate sector showing the highest level of vulnerability. It is likely that the level of human poverty is highest in the estate sector as well, given that in terms of social indicators such as access to safe sanitation, safe drinking water, and electricity, it is the least developed of the three sectors (Table 7 see annex).

It is a common practice to use nutritional indicators as proxies for poverty although this does not necessarily imply that all poor households are malnourished. The 2000 Demographic and Health Survey (DHS) found that the prevalence of stunting and underweight among children under five years was considerably higher in the estate sector than in the other sectors; but the prevalence of wasting was highest in the rural sector. The estate sector also had the highest proportion of children less than five years with low birth weight (less than 2.5 kg). (See Table 8.)

**Table 8: Nutritional and Health Indicators,
Children Under Five Years**

Sector	Stunting (%)	Wasting (%)	Underweight (%)	Low Birth Weight* (%)
Metro Colombo	7.4	10.1	18.2	14.9
Other Urban	8.6	6.3	21.3	11.6
Rural	12.8	15.9	30.8	17.0
Estate	33.8	11.8	44.1	20.8

* Children with a health card.

Source: *Demographic and Health Survey 2000*, Department of Census and Statistics.

¹¹The Poverty Reduction Framework (2000) points out that estimates of rural and urban poverty should be interpreted with caution as rural and urban boundaries were re-defined in the early nineties with the result that the area under town councils, which was earlier classified as urban, is now classified as rural. Due to this change, a larger share of the population is classified as rural while a correspondingly smaller share of the population is classified as urban. We should, therefore, keep this fact in mind when comparing the incidence of poverty across sectors.

Gunewardena (2000) reports that about 43 percent of principal income earners in poor households are employed in agriculture, and Alailima (2001) emphasizes the lack of land and water as key factors in rural poverty. The World Bank (2001) is of the view that sustained agricultural development is crucial for reducing poverty in the short and medium term and that the lack of an enabling policy environment for agriculture is a serious constraint to poverty reduction. Sluggish agricultural growth in the 1990s (i.e., less than 2 percent per annum) is probably the main reason why poverty in the rural and estate areas continues to remain at relatively high levels.

6. Future Approaches to Regional Poverty Assessment

As we have seen, provincial or district boundaries serve as the basis for comparing consumption and human poverty indicators across geographical areas. The practice is the same with regard to other indicators of deprivation as well, including the infant mortality rate, the maternal mortality rate, and the prevalence of stunting and wasting among preschool children. Since Sri Lanka is moving increasingly towards fiscal devolution, more and more emphasis is being placed on the need to publish socio-economic and demographic data at the provincial and district levels on a regular basis.

For the purpose of studying the dynamics of poverty, however, one needs to recognize that administrative boundaries, which have been somewhat arbitrarily derived, impose certain limitations. For instance, seasonal factors such as rainfall, food prices, agricultural employment and morbidity significantly influence the incidence of acute, or short-term poverty, especially in the rural areas, where the bulk of the poor reside. It may be more appropriate to see how the influence of such factors varies across agro-ecological boundaries rather than across district or provincial boundaries. The criteria used for demarcating agro-ecological boundaries include soils, topography and rainfall. Hence, within each region, the physical characteristics relating to agriculture tend to be somewhat uniform, which is useful for making comparisons among regions as there is a built in "control" factor.

The island has around 25 well-defined agro-ecological regions, which could serve as the basis for a "poverty impact and monitoring" sampling frame, given that seasonality factors are more likely to correspond to agro-ecological regions than to administrative regions. This is not to suggest that we should stop collecting district or provincial level data but, rather, that the feasibility of conducting small sample surveys for studying the impact of seasonal factors on poverty using a different sampling frame and methodology should be explored.

The large household consumption surveys conducted by the CB and the DCS tend to focus on quantitative data. The advantage of small sample surveys is that they could be conducted on a more regular basis (twice a year, if necessary, to capture seasonality factors) and be designed to collect quantitative as well as qualitative data. Compared to large sample surveys, small sample surveys tend to have larger sampling errors. On the other hand, non-sampling errors tend to be smaller because closer attention is paid to the quality aspects of data collection at the field level. Hence both types of surveys have their respective advantages and disadvantages. The bottom line is that large sample surveys are expensive and time consuming, which is why they are undertaken once in five years or so. On balance, small sample surveys may be more appropriate for collecting primary data on a seasonal basis.

Annex

Table 2: Population Density by Province and District (1997)

District	Land Area (sq. km)	Population (thousand)	Density (persons/sq. km)
Western Province	3593	4,769	1,327
Colombo	676	2,164	3,201
Gampaha	1,341	1,608	1,199
Kalutara	1,576	997	633
Southern Province (Ruhuna)	5,383	2,415	449
Galle	1,617	1,019	630
Matara	1,270	842	663
Hambantota	2,496	554	222
Uva Province	8,435	1,154	137
Moneragala	5,608	384	68
Badulla	2,827	770	272
Central Province	5,575	2,352	422
Kandy	1,917	1,340	699
Matale	1,952	451	231
Nuwara Eliya	1,706	561	329
Sabaragamuwa Province	4,921	1,784	362
Kegalle	1,685	778	462
Ratnapura	3,236	1,006	311
North Western Province (Wayamba)	7,406	2,183	295
Kurunegala	4,524	1,528	338
Puttalam	2,882	655	227
Eastern Province	9,361	1,354	145
Trincmalee	2,529	343	136
Batticaloa	2,610	471	180
Ampara	4,222	540	128
North Central Province	9,741	1,130	116
Anuradhapura	6,664	783	117
Polonnaruwa	3,077	347	113
Northern Province	8,290	1,411	170
Jaffna	929	916	986
Killinochchi	1,205	119	99
Mullaitivu	2,415	106	44
Mannar	1,880	144	77
Vavuniya	1,861	126	68
Sri Lanka	62,795	18,552	296

Source: Registrar General's Office.

Table 5: Consumption and Human Poverty Levels by District
(percent)

District	Consumption Poverty	Human Poverty	Combined Score	Rank
Colombo	19	13	32	1
Gampaha	21	12	33	2
Kalutara	38	16	54	3
Kandy	42	17	59	5
Matale	51	21	72	13
Nuwara Eliya	40	30	70	10
Galle	39	19	58	4
Matara	44	19	63	6
Hambantota	43	23	66	8
Kurunegala	53	22	75	14
Puttalam	51	19	70	10
Anuradhapura	50	21	71	12
Polonnaruwa	40	28	68	9
Badulla	48	27	75	14
Moneragala	66	29	95	17
Ratnapura	52	25	77	16
Kegalle	41	24	65	7

Source: *Household Income and Expenditure Survey 1995/96*
 Department of Census and Statistics,
Sri Lanka National Human Development Report 1998, UNDP.

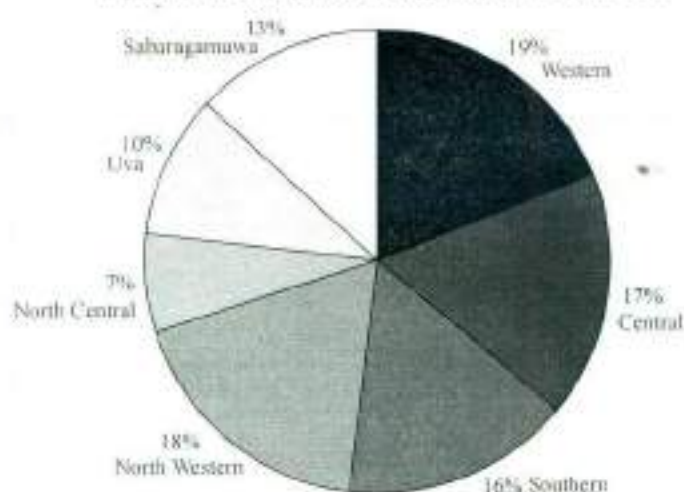
Table 7: Average Consumption and Access to Basic Infrastructure Services by Consumption Quintile, Sector, and Ethnicity, 1999/2000
(percent, except where otherwise indicated)

Item	Monthly average	Access to				
	Consumption per	Safe	Latrine	Safe	Safe	Electricity
	Capita	drinking		Sanitation	Safe	
	(SL Rupees)	Water			Cooking	
					Fuel	
1.23	Consumption Quintile					
Poorest	821	61	84	55	2	38
Second	1211	74	85	67	5	49
Third	1537	78	89	75	8	60
Fourth	1986	82	90	82	22	67
Richest	3860	89	94	89	51	82
1.24	Sector					
Urban	2809	97	94	91	51	84
Rural	1816	74	88	72	14	57
Estate	1449	72	76	60	3	43
1.25	Ethnicity					
Sinhalese	1925	76	92	75	19	61
Tamil	1920	75	69	63	11	45
Estate Tamil	1396	76	81	73	4	43
Moor	2061	91	81	79	23	78

Note: A household has access to "Safe Drinking Water" if it obtains its drinking water from protected well, public tap, tube well, tap within unit, and tap outside unit). A household has access to "Safe Sanitation" if the type of latrine it uses is either water seal or flush toilet. A household has access to "Safe Cooking Fuel" if it uses either gas or electricity for cooking

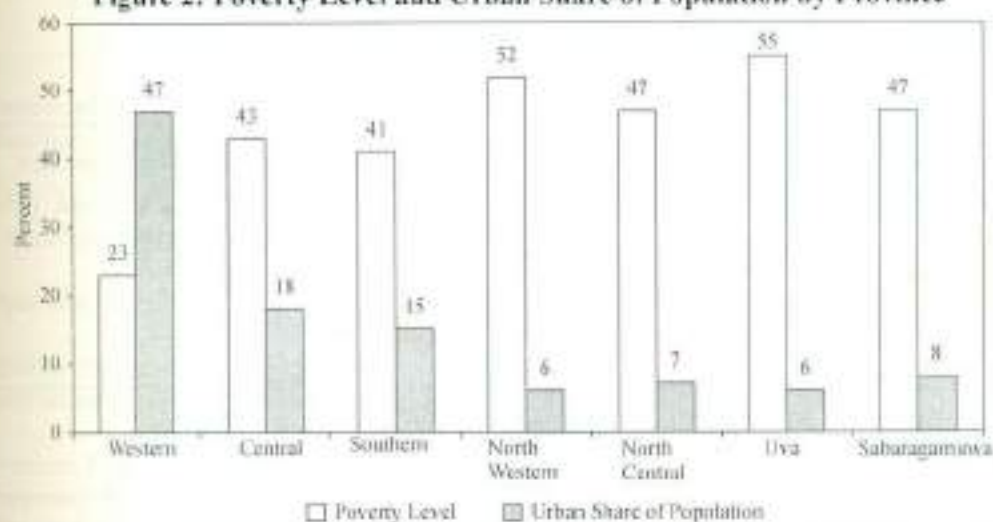
Source: World Bank, based on 1999/2000 Sri Lanka Integrated Survey.

Figure 1: Provincial Distribution of Total Poor



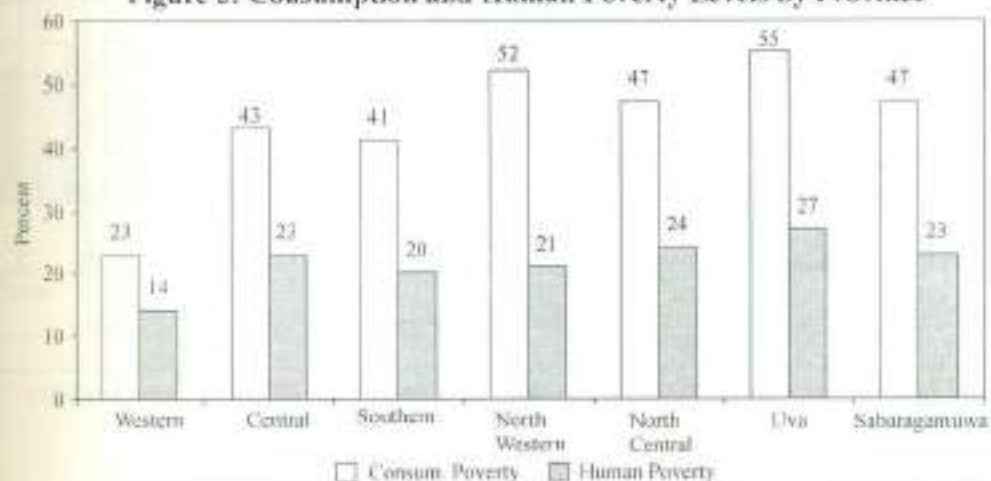
Source: Household Income and Expenditure Survey 1995/96

Figure 2: Poverty Level and Urban Share of Population by Province



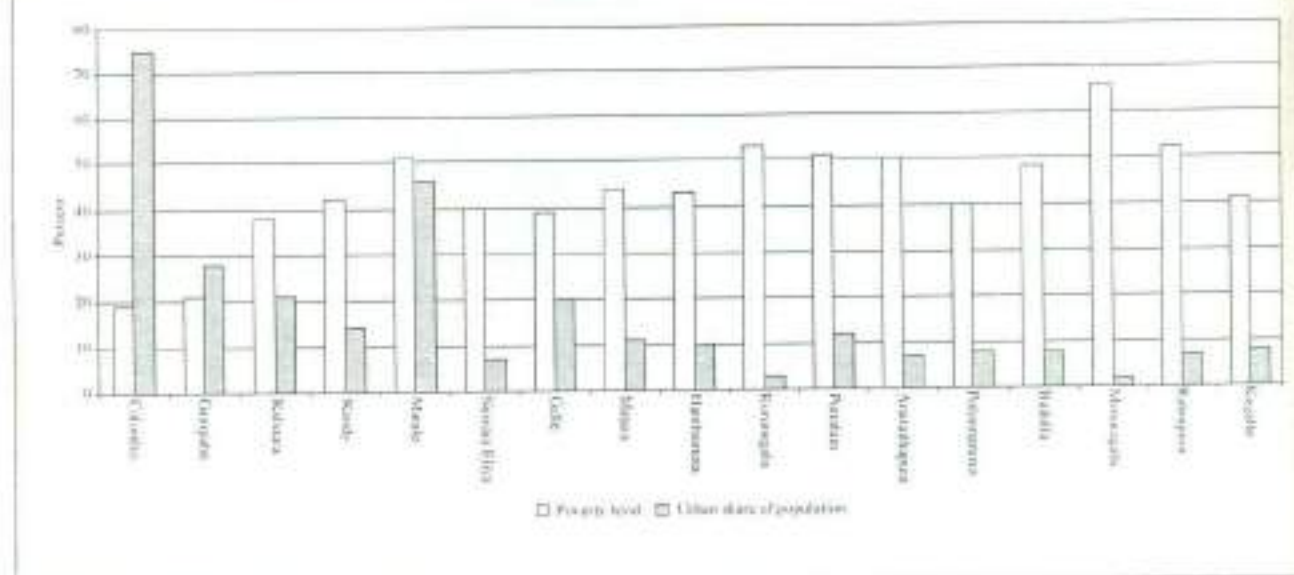
Source: Household Income and Expenditure Survey 1995/96, Department of Census and Statistics
Population Census 1981, Department of Census and Statistics

Figure 3: Consumption and Human Poverty Levels by Province



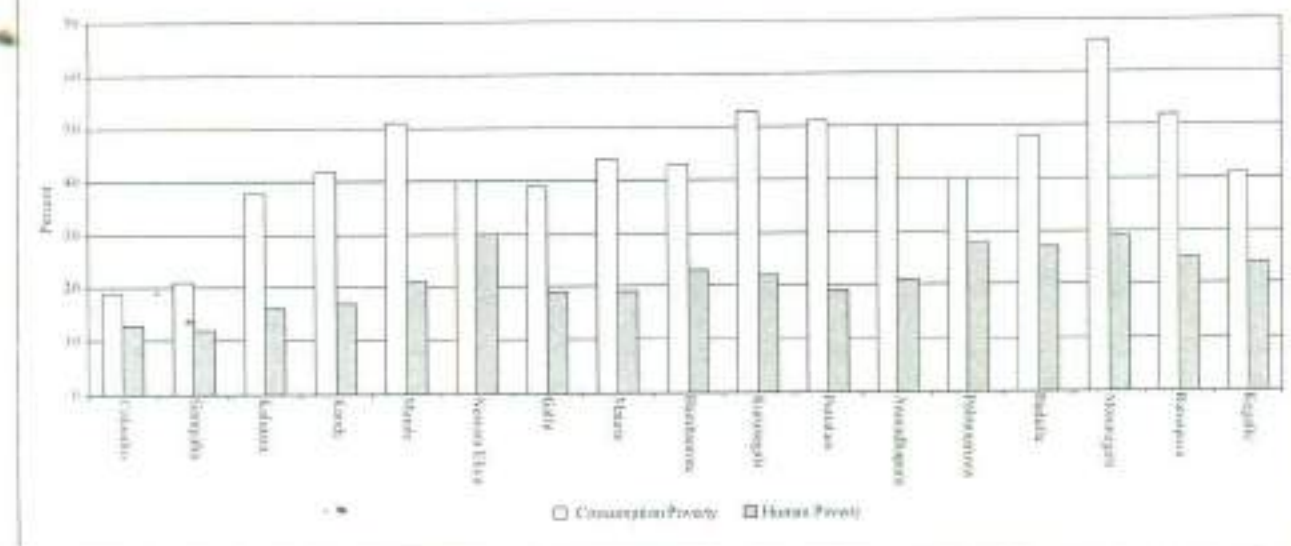
Source: Household Income and Expenditure Survey 1995/96, Department of Census and Statistics
Sri Lanka National Human Development Report 1998, UNDP

Figure 4: Poverty Level and Urban Share of Population by District



Source: Household Income and Expenditure Survey 1995/96, Department of Census and Statistics
Sri Lanka National Human Development Report 1998, UNDP

Figure 5: Consumption and Human Poverty Levels by District



Source: Household Income and Expenditure Survey 1995/96, Department of Census and Statistics
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Floor Discussion

- With regard to the regional poverty issue, Prof. W.D. Lakshman highlighted the fact that the Western Province is the least susceptible to poverty and the Uva Province is the most. He drew attention to some information of interest in this regard. Examining comparative data either from the Central Bank or the Dept. of Census and Statistics, the highest income level is shown to be in the Northern Province, one explanation that is offered is that the economy of this region had previously been named the 'postal-order' economy as the people there received financial assistance from relatives living abroad, which explains the acceleration of income levels. Presently the effect of the war has played a rather deteriorating role with regard to development in this region. The comparative data clearly shows that the significance the agricultural sector had during the pre-conflict era has declined substantially.
- The need to discuss and develop regional approaches to measuring poverty was emphasized since the central measurement was perceived as inadequate. For example, a point was raised with regard to the need for a district range consumer price index, as the price levels in Colombo are inadequate to measure consumption and poverty throughout the whole island (e.g. regional price differences of vegetables; educational standards).
- Dr. Bandaranaike's answer to this question was that groundwork is being done for such an index and that it would be published shortly. In reply to the question raised as to the credibility of the 1969/70 consumption data, she stated that the Central Bank undertook on contractual service basis to compile tables on the basis of parameters provided by the researchers, with which there were certain problems. But eventually criticism had been directed at the Central Bank, which made the officials realize that thereafter they should not take responsibility for data provided by others. Dr. Bandaranaike also mentioned that presently the Central Bank data was available for in-depth research although all the publications up to the present day are based on data collected 5 years ago. She stressed that a new survey would be conducted after the census.
- The presenter, in reply to the questions raised, commented that administrative boundaries were inadequate and suggested instead a study of agro-economic regions within a larger framework. He also emphasized the need for a rational development to address growth, equity, and sustainability explaining that there was a lack of a rationally defined set of development regions and suggested utilizing agro-economic regions in the context of seasonality.

Poverty and Violent Conflict¹

Godfrey Gunatilleke

1. Introduction

The cost of the war is incalculable. The economic loss caused by war is only the surface of the enormous human suffering that lies beneath, which cannot be priced. In internal conflicts that occur between groups who live in close contiguity and have a variety of social, economic and human relationships with each other, the violence that erupts often tends to violate the social norms and human bonds that have held the communities together over a long period of time. Thus the cost of the war in Sri Lanka encompasses all these losses: economic, human, socio-political and moral.

- The economic cost includes the resources spent on the war; the value of physical assets damaged and destroyed in the North and East and elsewhere, and the economic output and opportunities for growth and development that are lost.
- The human loss comprises the death and injury of combatants and civilians, the anguish of bereaved widows, orphans, relations and friends, the displacement of people and homelessness.

This study examines the total cost of the war between the Sri Lankan Government and the LTTE, which not only includes the economic cost but also the human, moral, social and political cost of the war. This analysis is based on data obtained on poverty in the North and East of Sri Lanka. Thus far people have tried to estimate the cost of the war just by focusing on the direct cost of military expenditure, budget allocation, damage and destruction of physical capital and lost opportunities as a result of war without really concentrating on the human cost.

The war has had wider socio-political consequences. It has meant a loss of the basic security and freedom of movement essential to the sense of well being people must have in order to lead normal lives. As a result of the war, a section of the population have been unable to enjoy their democratic rights. Fear, insecurity and the threat of violence at any given moment fill the lives of ordinary people in most parts of the country. The economic, human, social and moral cost of war is borne by the whole of Sri Lankan society and includes all communities. Human beings are killed, social and economic infrastructure is destroyed, women are widowed, children orphaned and large numbers of people are deprived of a decent human existence.

There are several ways to analyse the impact of the war on poverty:

1. The impact of the war on poverty via the reduction of economic growth.
2. The direct impact: military expenditure; damage to the economy; lost opportunities.
3. Impact of the war on poverty at the regional level.
4. The multi-dimensional character of poverty in the conflict zone.

2. The Impact of the War on Poverty via the Reduction of Economic Growth

The economic cost includes the resources spent on the war, the value of physical assets damaged and destroyed in the North, the East and elsewhere and the losses in output and opportunities for growth and development as the war has a negative impact on production and economic activity in all sectors. Some of the losses have been the decrease of output in agriculture, livestock, fisheries and tourism and the disruption of services such as railways, telecommunication and power supply. The largest impact has been on agriculture and fisheries especially as the economy in the North and East is primarily based on these areas.

¹This paper draws heavily from the compilations done by the author for the report of the Marga Institute (2001) on the *Cost of the War: Economic, Social and Human Cost of the War in Sri Lanka*, National Peace Council, Colombo.

Table 1
Loss of output in the North and East

1.	Population in North and East (excluding Amparai) as share of total population in 1982 ¹	11.4%
2.	Employed workforce in North and East (excluding Amparai) as share of total ²	12.0%
3.	Per capita GDP relative to national per capita GDP	0.85%
4.	GDP of North and East (excluding Amparai) as share of national GDP in 1982	9.7%
5.	GDP of North and East (excluding Amparai) (Rs. billion ³ -1982 prices)	9.183
6.	The 40% loss of output at 1982 prices 1983-1998 (Rs. billion)	58.77
7.	Loss of output of 40% at 1988 prices (Rs. billion)	273.00
7.	Loss of output on the assumption that NE (excluding Amparai) grew at national rates	392.00

¹ Based on 1981 Census figures. Same proportion taken for 1982.

² The 1990 labour force quarterly survey for the first quarter includes the North and East. The surveys that follow, which excluded the North and East, indicate that the share of the North and East (including Amparai) contained about 15.6% of the total employed workforce. The share of the North and East (excluding Amparai) would come to about 12.6% when the shares are estimated on the basis of the district population.

³ Per capita GDP for selected districts 1994, in 1982 prices

	GDP per capita	Ratio of National per capita GDP
1. Galle	7125	0.80
2. Matara	6780	0.76
3. Hambantota	7119	0.80
4. Anuradhapura	10832	1.21
5. Polonnaruwa	9047	1.01
6. Puttalam	7314	0.82
7. Kurunegala	8905	1.00
8. Sri Lanka		

Source: Table 5, *Cost of the War*, Marga Institute

The data on the reduction of output for the main crops and fisheries indicate the extent of the loss of agricultural GDP in the North and East due to the war. It is unfortunate to note that the North - East previously contributed approximately 9% to the country's GDP, which has now declined to about 60% of the same. The final set of data obtained illustrates a negative growth at present. Still, these estimates do not take into account the growth that would have taken place in this area had normal conditions prevailed. Both in industry and tourism the economic opportunities, which became available to the North and East after liberalization, were lost as a consequence of the war.

The tourist industry in Sri Lanka has also suffered heavily as a result of the war as the number of tourist arrivals is related to the perceived security situation. Also as a result of the war and continuing hostilities, tourists ceased to travel to the Eastern province despite its attractions and the development of tourism in the province came to a complete standstill. It has not only been the case in the Northern and Eastern provinces but tourism in the country as a whole has been affected, mainly due to the ethnic riots in Colombo in 1983, the LTTE attacks in the city and also events related to JVP violence.

Table 2
Loss of Earnings from Tourism

Year	Gross Receipts (\$ Million)	Earnings per Tourist (\$)	No. of Tourist Arrivals	Estimated Tourist Arrivals*	Loss of Tourist Arrivals	Loss of Earnings from Tourists (\$)
1982	146.6	351.3	407230	407230	-	-
1983	116.0	343.2	33530	430749	93219	31992276
1984	105.3	327.9	317734	455627	137893	4515115
1985	82.4	317.3	257456	481942	224486	71229408
1986	77.1	329.1	230106	509776	279670	92039397
1987	82.0	429.9	182620	539218	356598	153301480
1988	78.6	414.3	182662	570360	387698	160623281
1989	76.0	411.5	184732	603301	418569	172241143
1990	129.0	430.9	297888	638144	340256	146616310
1991	156.8	493.4	317703	674999	357296	176289846
1992	201.4	511.5	393669	713983	320314	163840611
1993	208.0	530.3	392250	755219	362969	192482461
1994	230.2	564.9	407511	798836	391325	221059492
1995	225.7	560.0	403101	844973	441872	247448320
1996	166.4	550.0	302265	893774	591509	325329950
1997	208.8	570.1	366165	945393	579228	330217882
1998	230.3	643.8	381063	999994	618931	398467778
1999	274.0	611.1	436440	1057748	621308	379431100
Total	2974.6	8390.5	5494125	12321266	6523141	3267125850

* Estimate of tourist arrivals without the war, using an annual average growth rate of 5.77448 for the period 1982 - 1999.

Source - Cost of the War, Marga Institute

Foreign direct investment in the country has also been fluctuating. However, more than in the case of tourism, it is difficult to separate the effects of the war on foreign investment from other factors such as macro-economic policies and the lack of proper infrastructure. Nevertheless it would have been much easier to improve infrastructure if the war had not absorbed a large portion of national resources. In addition, the insecurity and instability caused by the war would have caused a serious obstacle even if other conditions had been fulfilled. This can be understood from the way in which foreign investment has decreased in line with the deterioration in the security situation since 1983.

Table 3
Foreign Direct Investment

Year	Net Foreign Direct Investment (\$ Mn.)	Expected Av. ^a Investment (\$ Mn.)	Loss (\$ Mn.)
1982	63.6	63.6	-
1983	37.5	70.1	32.6
1984	32.6	77.2	44.6
1985	24.4	85.1	60.7
1986	28.2	93.1	65.6
1987	58.2	103.3	45.1
1988	43.0	113.8	70.8
1989	18.0	125.4	107.4
1990	42.0	138.2	96.2
1991	63.0	152.3	89.3
1992	121.0	167.8	46.8
1993	187.0	184.9	-
1994	158.0	203.7	45.7
1995	53.0	224.4	171.4
1996	120.0	247.2	127.2
1997	430.0 [#]	272.4	-
1998	193.0 [#]	300.1	107.1
1999	177.0	330.6	153.6
Total	1849.5	2953.2	1264.1

^a On assumption of an average annual growth rate of 10.18% from 1982 - 1998.

[#] Includes privatisation proceeds.

Source: Cost of the War, Marga Institute

The economic benefits of peace can also be taken into account in this study. In assuming a situation without the war, it is possible to guess that the country's GDP would increase considerably and relief to the government budget would result in a reduction in the fiscal deficit, more resources to invest in for the private sector, lower inflation and a much better climate for investment and growth. The rapid growth in the North and East would also lead to a resumption of the economic exchange between the North and East and other regions of the country. Presently, a large part of government expenditure is in the form of wages and salaries to security personnel and dry rations to the displaced. If the government did not have to bear this expenditure on the war, it could have used these resources more productively on human capital development and increased the budget for health and education. It could also have raised public investment, reduced the fiscal deficit and left more resources for private sector investment.

3. Direct Impact: Military Expenditure; Damage to the Economy; Lost Opportunities

A measure for the direct cost of the war contains all expenditure incurred on the war and all resources that are used or lost in waging the war as well as the government expenditure shown in the allocations for defence in the budget.

Table 4
Government Expenditure on the War

Year	Defence (Rs. Bn.)	Share of Budget	Share of GDP ^a	1.5% of GDP	Excess over 1.5%	1998 Prices (Rs. Bn.)
1982	0.48	1.4	0.5	1.4	-	-
1983	0.98	2.5	0.8	1.82	-	-
1984	1.27	2.66	0.83	2.30	-	-
1985	4.61	8.35	2.84	2.43	2018	8.70
1986	4.35	7.35	2.42	2.68	1.67	7.17
1987	6.00	9.39	3.05	2.94	3.06	11.48
1988	4.89	6.56	2.20	3.33	1.56	4.18
1989	4.12	5.01	1.67	3.77	0.35*	0.91
1990	6.91	6.92	2.15	4.82	2.09	4.83
1991	10.61	8.88	2.85	5.58	5.03	10.40
1992	13.23	11.31	3.11	6.37	6.86	14.14
1993	15.41	10.97	3.08	7.42	7.99	13.60
1994	19.41	11.56	3.35	8.68	10.73	16.80
1995	35.18	17.2	5.31	9.93	25.25	33.95
1996	38.11	17.4	4.96	11.52	26.59	33.22
1997	37.06	15.76	4.16	13.35	23.71	26.66
1998	42.79	15.8	4.18	15.21	27.28	27.28*
1999	40.67		3.6	16.65	23.42	22.10
2000	65.40		5.3	18.39	47.04	42.18*
Total	351.18					277.60

* Provision made in budget for 2000

This does not include the expenditure on public order and safety, a part of which could be attributed to the conditions created by the war. Government departments other than those concerned directly with public safety also incur additional expenditure arising from the prevailing war situation. This does not get accounted for in the budget as expenditure on the war.

Table 5
Government Expenditure - Public Order and Safety

Year	Public Order & Safety (Rs. Mio)	Share of GDP	Excess over 0.6% of GDP	Rs. Million	1998 Prices (Rs. Mio.)
1982	415.4	0.41	-	-	-
1983	560.3	0.46	-	-	-
1984	693.9	0.45	-	-	-
1985	1059.1	0.65	0.05	81.4	324.10
1986	1445.0	0.8	0.5	361.2	1432.15
1987	2109.0	1.10	0.50	985.9	3901.97
1988	2547	1.14	0.54	1206.4	3455.43
1989	3236	1.28	0.68	1719.1	-
1990	4585	1.42	0.82	2647.6	6156.39
1991	3882	1.04	0.44	1612.8	3399.90
1992	4478	1.05	0.55	2145.6	4828.35
1993	4746	0.95	0.35	1748.5	2970.55
1994	6392	1.11	0.51	2936.8	4597.77
1995	6140	0.91	0.31	2091.6	2801.52
1996	5591	0.72	0.12	1977.0	2224.12
1997	7908	0.88	0.22	1977.0	2224.12
1998	8466	0.83	0.23	2345.0	2345.00
1999	8636	0.77	0.17	1877.0	1780.00
2000	12086	0.98	0.38	4658.0*	4178.00
Total	84560.71			25952.9	46619.37

* Provision made in budget for 2000

The war has also damaged the economic infrastructure of the North and the East. The value of the capital that has been destroyed or damaged and the expenditure that would have to be incurred on repairs and reconstruction would have to be estimated as a direct impact of the war. The damage to commercial and government property, roads and bridges, irrigation systems, plant and machinery and movable property of private individuals, firms and government agencies has been extensive. A conservative estimate of the total cost of replacement and repair of the damage caused to private property and infrastructure by military operations in the North and East and acts of violence elsewhere would be in the region of Rs. 112.3 billion in 1998 prices. This aggregate estimate is the sum of expenditures incurred at various times during the period 1983-1987.

Table 6
Cost of Reconstruction, Rehabilitation and Relief

			Rs. Bn
1.	1983-1987	(i) Dry rations and relief (This is included under estimate assistance to displaced persons)	12.2
		(ii) Cost of repairs and resettlement	10.4
2.	Task Force Estimates	Total (1995 prices)	49.0
		Irrigation	9.5
		Industry	7.7
		Public Transport	5.5
		Telecommunication	7.8
		Fisheries	3.2
3.	Housing No. of unit 202,00 Cost at Rs. 50,000 per unit (1995 prices)		10.1
4.	Property damages by terrorist attacks outside North and East (JOC Hqrs., Torrington Square Ministry building, Central Bank building, Kolonnawa Installation, Galadari Hotel among others) (1998 prices)		4.5
5.	Estimated cost of damages 1996-1998 ¹ (at the annual average in 1983-1995) (1998 prices)		24.8
6.	Total replacement costs 1982-1995 in 1998 prices		
	(i) Rs. 10.4 - (1982 prices)	31.5	
	(ii) Rs. 49 - (1995 prices)	63.8	
	(iii) Rs. 10.1 - (1995 prices)	12.5	
	(iv) Rs.	4.5	
	Total of items 1-4 (excluding dry rations) in 1998 prices		112.3
7.	Total cost of damages 1983-1998 in 1998 prices (total of 4, 5 & 6)		<u>137.1</u>
Note:	Factor for price inflators	1982-1996 3.99 1996-1998 1.17	

Source: *Cost of the War*, Marga Institute

¹ Damages after 1998 include the destruction caused by the military operations in the peninsula after the capture of the Elephant Pass Camp by the LTTE. If this is estimated at the average cost of damage caused by the war, it would amount to another Rs. 16.6 billion in 1999 and 2000.

The expenditure on re-settlement and the cost of damages to housing and private property are immense. The government also incurred a large portion of its expenditure on internally displaced persons (IDPs). The issue of displaced persons and refugees assumed major proportions following the communal violence of 1983 when large numbers of Tamils were rendered homeless and had to be accommodated in refugee camps.

4. The Human Cost of the War

The statistics of the economic loss due to the war cannot reflect the unfortunate, devastating human cost of the war. The extreme outcome of the war is death and injury to persons and it is difficult to obtain accurate estimates of these. Most of the estimates of deaths in the North and East and the rest of the country as a result of the war do not cover all civilian deaths, which encompass all social groups and ages from the rural poor to the urban middle class; from infants, women and children to the aged. The brutality of the war is also demonstrated by the fact that there were few or no combatants captured alive and taken as prisoners of war and the majority who have died are in the age group of 20-35 years. It is interesting to note that if the average age of the dead is taken as 30, taking average life expectancy, the loss of life caused by the war amounts to 1.8 million life years.

There is also a large number of soldiers disabled as a result of the war and various inconsistencies in the state's welfare and compensation programs for the disabled servicemen and families of soldiers killed in action have also been pointed out. There has still not been a proper effort to integrate these disabled persons into society through employment schemes or by giving them the chance to contribute to social services. The lack of recognition and attention to their needs by the state has led to a feeling that the affected soldiers and families are being 'hidden' away from the rest of society rather than have a 'special' place in recognition of their sacrifice and commitment. This aspect has practical as well as psychosocial consequences.

Another vulnerable group that has been seriously affected by the war are the widows and female-headed households. These fall into various categories and include the young widows of soldiers, the widows of LTTE cadres and other militant cadres and the widows of non-combatant civilians who have died as a result of the conflict. These groups suffer not only from poverty but also from various forms of social exclusion. Many of these widows have received benefits either under the pension scheme for soldiers or under the compensation scheme for families of non-combatants. However, studies reveal that although the state has made efforts to provide for their material needs, these women suffer from various forms of social exclusion due to their widowhood.

Another cause for suffering is the widespread condition of the homelessness of Internally Displaced Persons. These people have been deprived of the essential security, comfort and privacy of their homes. Those in welfare centres, in particular, must endure a very poor quality of life. They have no housing, water or sanitation and they are extremely poor. Nearly 50% of children born in 2001 were underweight or malnourished. One reason is food rationing. 42% of these people are severely malnourished. 52% of lactating mothers are anaemic. Even though this data shows an unfavourable situation it is still above the habitual level. 80% of deaths due to malaria are among the IDPs. Their reproductive health is also very poor. In the uncleared areas, 50% of women and 35% of men did not possess birth certificates; therefore those who turned 18 years after displacement have not had voting rights. Of the families who were the worst affected and were living in welfare centres, the majority had lost the main breadwinner and would have to learn to earn their livelihood if and when they return to what remains of their homes although the prospects of returning do not seem to be promising.

Children, from among all the other groups, are the most seriously affected by the war. They include teenage boys and girls recruited for combat by the LTTE; the large number of orphans who have lost one or both parents and children who have been exposed to the brutality of war and deeply traumatised by the violence they have suffered and witnessed. This is a segment of the child population, which is deprived of the experience of normal childhood and the basic conditions needed for growth and development in the crucial years of their lives.

The estimate of loss of output in the war torn areas is a telling indicator of the severe hardships endured by the population as a whole. In most areas affected by the war, household incomes have probably dropped by half of that of 1982. People who enjoyed certain basic facilities, such as electricity and access to a radio or TV, have experienced a sharp decline in the quality of their lives. There have been severe shortages in essential goods such as pharmaceutical drugs and fuel as a result of the breakdown of transport due to the unfavourable conditions caused by war so that people have had to live in conditions of extreme poverty. The World Bank study in 1994 shows the changing face of poverty during the various stages of growth. If the per capita income grew by 5% and if there was no war, we would have had an average rate of 7% by 1982, which would have been feasible and meant that poverty would have eventually been alleviated. The average household consumption would have been higher by 42% on the assumption that the proportion of consumption to GDP would have remained the same.

The war has also imposed heavy costs on the democratic political system in the country. As a result of the war and the continuing state of emergency, the government has been able to enforce rules and regulations which restrict the exercise of democratic rights. One of the most drastic consequences of the war has been the assassination of leaders and prominent members of political parties. The war has also been a reason for severe restrictions on human rights and the torture and degrading treatment of persons arrested and taken into custody under the prevention of terrorism act.

The war has had a high moral cost as well with the generation born in the 1970s and thereafter being the most exposed to the moral breakdown and the culture of violence. The conditions created by the war, the availability of arms and the large numbers of deserters from the armed forces mean that there are enhanced opportunities for violence within the political system and throughout society.

A pervasive sense of insecurity has become a part of life for the entire population. For about 130,000 households, whose family members are combatants, the fear of death is ever present. For others, the outbreak of violence and acts of terror are frequent but unpredictable. They have happened at regular intervals, allowing little respite between their occurrences and shattering any chance for recovery and adjustment. Therefore, for the population as a whole, the war has seriously impaired the quality of life and sense of well-being.

5. Conclusion

The human cost of the war is immeasurable and cannot be reduced to economic factors. There are, however, economic costs to human loss such as the economic life years lost through death and injury, the disruption of income earning activity through displacement, the lost skills of those who have taken refuge abroad and the cost of maintaining the displaced and rehabilitating them. The economic cost, on the other hand, could be estimated on varying assumptions and these would show that the cost to the economy as a result of the loss in output and investment are immense.

However, the total burden of the war, economic and human, has not had an equal effect on the population. It has been heavier on the population in the North and East and the Tamil population as a whole. Nevertheless the cost to the larger population and the economy is enormous. The direct financial cost of the war makes the task of macro-economic management increasingly difficult and the loss of economic opportunities prevents the economy from progressing to the path of higher growth essential for solving the problems of unemployment, persistent poverty and malnutrition. The continuing threat to the well being of the whole population also results in lowering the quality of life.

The requirements and demands of the war have also reduced the capacity for good governance resulting in certain damaging effects on the economy as well as the population. Therefore it is recommended that all groups should work to establish peace through a negotiated settlement rather than continue with the war and its damaging effects, which will only intensify with time, drawing the country and its population further into the depths of poverty.

Reference

Marga Institute, (2001). *Cost of the War: Economic, Social and Human Cost of the War In Sri Lanka*. National Peace Council: Colombo.

Floor Discussion

- Prof. Hettige stressed that, while it is absolutely necessary to have sustained economic growth, there is also a need for the proper formulation of policies that lead to equitable distribution. He highlighted the experience of Sri Lanka where, during the last two decades, there has been economic growth to some extent without equity, which has led to polarization and increased the level of relative poverty in the country.
- Dr. Thangarajah commented that a common feature of all the presentations made, was the lack of data from the North and East and highlighted the harsh reality that everyone unfortunately tended to perpetuate this as a normal phenomenon. Decentralization has also led to a kind of dilemma since data not being made available at district level poses a problem for researchers. With regard to the current census, he expressed his doubts as to whether it would take place in the North and East as displaced people have to be included if it is to be a national census. Another problem he highlighted with regard to this kind of data was that it did not focus on quality and suggested that the universities in the North and East should be incorporated in the data collection process more effectively in these regions. He also spotlighted the fact that the type of poverty in the North and East is different to that of the rest of the country as a result of certain strategies employed as part of the war effort. These containment strategies, which target pockets of population, induce poverty in order to weaken the opponents and ultimately win the war.
- The chairperson also made a few comments with regard to the fact that war does indeed benefit a few groups of people and pointed out that there is a need to move beyond the usual boundaries of research in order to understand how war has restructured not only the economy but also society and its values.
- There was a suggestion that one has to understand and try to analyse other aspects related to the war, such as the economic benefits gained by certain individuals as a result of the war which included the many security perks enjoyed in the non-conflict areas; the transportation of various illegal items; and the unlawful transfers of money and arms purchases. The survival of these individuals depends on the continuance of the war although it might prove very difficult to assess these kinds of benefits.
- Another point raised was that a situation of war sometimes has a favourable impact on certain segments of society such as the provision of employment to persons in the armed forces, which could be perceived as a solution to problems faced by these segments (e.g. the rural poor). In response to this question, it was stated that the ultimate objective should be the resolution of the war and that researchers should concentrate more on the human cost so that they should assess data and conduct studies with a view to identifying strategies for resolving the conflict. With regard to the cost of the war, mere compensation was not considered sufficient, as there were also sociological problems involved.
- Other points of concern were the inability of persons living in the conflict areas to seek employment opportunities outside the region and patterns of social segregation in these areas. This could lead not only to the separation of ethnic communities but also to an ethnic-biased support of certain regions. Poverty alleviation would then largely lead towards the polarization of ethnic relations.

- Concerning conflict and gender issues, a question was raised as to how far the war was seen to have had a drastic effect on gender roles and the changing role of women. When considering a post-conflict situation, it was pointed out that the conflict leaves a population that is seriously transformed, a situation which also includes various psychological conditions with regard to children suffering conflict related trauma. It was recommended that these issues needed to be addressed promptly. Another point highlighted was that a large percentage of the population suffer with disability resulting from the war. This segment requires constant care and there is a need to identify ways to reintegrate them into society.
- A question was raised with regard to the interpretation of figures on Internally Displaced Persons. Most figures presented in documents and data obtained from Government departments were criticized for not being accurate and only existing for the benefit of political leaders.
- Attention was also drawn to the effect of poverty on conflict such as the Southern uprising, which arose as a result of poverty and unequal opportunities. Hence the need to address these issues was also highlighted.

Micro-entrepreneurs and Poverty Reduction: The Impact of Enterprise Promotion

Nireka Weeratunge

1. Introduction

Development aid is increasingly being oriented towards supporting the private sector as the "engine of growth". Enterprise creation and support is a cornerstone of this policy. In Sri Lanka, multilateral (World Bank, ADB, ILO, UNDP) and bilateral (GTZ, USAID) agencies, as well as NGOs (Swiss Contact, WUS Canada, Sarvodaya/SEEDS), are investing large amounts of resources in entrepreneurship development programmes (EDPs) and enterprise development. The government's Regional Economic Advancement Programmes (REAP) in the various provinces are part of this network of entrepreneur expansion. Entrepreneurship development programmes are often promoted as a strategy for poverty alleviation. On the one hand, what is not known is the extent to which entrepreneur training turns the poor into micro-entrepreneurs or results in enterprises that employ the poor so that a significant number of people are able to move out of poverty. On the other hand, the question needs to be posed as to what extent the poor are capable of becoming micro-entrepreneurs, and whether entrepreneurship training should be targeted at the poor at all.

This paper is based on the data and analysis of a wider qualitative study on the relationship between entrepreneurial cultures and micro-entrepreneurs in five provinces in Sri Lanka. The aim of the overall study was to understand the socio-cultural and micro-political factors that came into play to support or hinder would-be micro-entrepreneurs from starting or expanding their businesses. However, one concern of the study was the poverty impact of entrepreneur development programmes, which is the primary focus of this paper. It is based on 60 qualitative interviews with both trainees of entrepreneur development programmes (categorised as starters, expanders, non-starters, non-expanders) as well as a comparative sample of non-trained entrepreneurs. It draws from the findings of the study on issues of identity, networks, mobility, decision-making, taking into consideration the variables of income class (including perceptions of income class), gender, rural/urban differentiation, ethnicity, religion and, to some extent, caste.

Three questions are addressed by this paper: the extent to which the poor can be turned into micro-entrepreneurs; whether the poor remain poor if they become micro-entrepreneurs; and the extent to which enterprises of micro-entrepreneurs create employment for the poor so that they are able to overcome poverty.

The economic policy framework conducive to establishing businesses and constraints related to problems of economies of scale such as the cost of financing, infrastructure bottlenecks, imperfections in the market for technology, vulnerability to price fluctuations, and legal, institutional and tax environments that can prevent their eventual expansion are already known from other studies (Gunatilaka and Salih 1999, Gunatilaka and Williams 1999). Thus this paper does not focus on financial, operational, regulatory and cost obstacles to micro-enterprise development as identified, for example, by Williams (1999) for the small and medium sectors.

The question here is why around half of those trained do not avail themselves of opportunities to embark on new businesses after training despite access to considerable follow-up and support services such as loans, credit schemes, on-the-job training and market feasibility studies. After all, a significant element of successful entrepreneurship in South Asia is the ability to see restrictions as opportunities and to overcome bureaucratic and political obstacles (Cragg 1997). Thus the assumption is that failure is not entirely due to limitations of the selection and training processes or macro-economic variables but rather to how would-be entrepreneurs deal with the socio-cultural context around them.

The notion that the poor can be transformed into micro-entrepreneurs has been challenged by a number of studies (Gunatilaka and Salih 1999, Lakshman 1994, Grosh and Somoloeke 1996) which have pointed out that the poorest are the least able in terms of skills, attitude towards risk and access to additional sources of financing to start viable small businesses that are anything more than survival strategies. In this paper, the profile of non-starters is compared to that of starters as well as expanders and non-trained entrepreneurs, to ascertain the extent to which failure is due to socio-economic aspects, of poverty, in contrast to cultural factors, which are not necessarily connected to poverty. It is argued that while non-starters tend to be poorer than the others, rural rather than urban, they also perceive themselves as poorer and their decision-making abilities demonstrate less self-confidence. Moreover, they are politically better-connected and do not necessarily come to the training course with the expectation of starting a business but rather to exploit an opportunity/resource being made available to them. They overwhelmingly valorise state employment over self-employment/business in comparison to starters, expanders and non-trained entrepreneurs. Current entrepreneur training programmes aimed at rural enterprise development appear to strengthen the higher income rural trading classes and a rural middle class who engage in business, as one among many other livelihood strategies.

The second question is discussed in a recent study (Orlando and Pollack 2000) on micro-enterprises and poverty conducted in Latin America. It reveals that while the micro-enterprise (MIC) sector accounts for 54% of total employment in that region, most MIC workers are self-employed and an average of 26% MIC workers are poor. The incidence of poverty was about twice as high for MIC workers as for non-MIC workers during the 1990s. Moreover, poverty rates have remained unchanged in the last decade and the poverty gap between the MIC and non-MIC sectors has increased. Thus the evidence there indicates that the poor comprise around a quarter of micro-entrepreneurs so it is clear that some of the poor are capable of becoming entrepreneurs. However, by being micro-entrepreneurs they are likely to remain poor and be poorer than employees of the non-MIC sectors. The findings of our study also suggest that around a quarter of micro-entrepreneurs could be considered poor but whether they are poorer than non-micro-entrepreneurs is not clear.

The third issue in the relationship between enterprise creation and poverty reduction is the potential employment generated by micro-enterprises. Reichert et al (2000) have argued that 41% of trainees who have undergone the CEFÉ training module in Sri Lanka, as surveyed in tracer studies, have created 1.4 new jobs. The findings of our study reveal significant differences in the number of those "employed" in micro-enterprises among non-trained entrepreneurs, expanders and starters. However, despite the difference in numbers, the majority of micro-entrepreneurs relied on the unpaid labour of family members to assist them in their business. These findings generally confirm Gunatilaka's and Salih's observation that the "poor" cannot sustain an enterprise that offers more than one full-time position, with the qualification that the majority of these micro-entrepreneurs are not necessarily poor. Thus micro-entrepreneurs cannot be expected to create employment that takes other people out of poverty although several non-trained entrepreneurs claimed that if they had access to more credit and advice, they would expand and take in at least one paid employee.

In terms of policy implications, the findings of the study suggest that entrepreneur development programs need to address the issue of what exactly their purpose and impact are: to create and expand enterprises with the ultimate goal of increasing growth and thereby indirectly reducing unemployment and poverty; to create an enterprising society to increase capabilities to overcome poverty; or to reduce unemployment and poverty by addressing the poor directly. Depending on the purpose, the target groups that need to be addressed would differ. Right now their target groups seem to reflect the multiple goals they are pursuing. Thus if their purpose were to create and expand businesses, they would be achieving this goal only partially with their current selection processes. They would better achieve this purpose with the youth of the rural and urban (small town) trading classes such as that of the majority of starters and non-trained entrepreneurs in this study. They have the kind of resources and value orientation and are located within the kind of networks that help to create new enterprises or expand current ones.

If the purpose were to create an "enterprising society" (Luczkiv 1998), to instil entrepreneurial values in as many people as possible, so that they reduce their "welfare mentality" and are not oriented towards obtaining state employment, then all the target groups that are being reached would be appropriate. It is evident that even some non-starters gain from the exposure to new ideas. However, this is not a cost-effective way of reaching the widest possible audience. The school system, especially school leavers, would provide a better target group.

If the purpose were to reduce poverty and unemployment by directly addressing the poor, only a fraction of the target group that is now being reached would be appropriate. Here the main purpose would not be to create dynamic entrepreneurs but, as Harper (1988) argues, to offer marginalized people "a chance not only to make a living but also gain or regain their self-respect and enable them to play a positive role in society". He points out that society should be willing to pay their cost of enterprise training because if they do not become self-employed, society would have to bear other costs in terms of social security, welfare support, crime and even major unrest. However, for the training to be useful, selection processes need to be improved to identify the more enterprising among the poor. At the same time, there is no guarantee that these people will not remain poor as micro-entrepreneurs although they might gain more self-respect.

Finally, the paper raises the question as to whether the resources now spent by entrepreneurship development programs on producing non-starters (around half of the trainees in some courses) should be better spent on other programs where poverty reduction can explicitly be demonstrated as a goal and an impact.

2. Methodology of the Study

2.1. Conceptual framework

The theoretical framework combines a "knowledge and practice" perspective (Hobart 1993, Richards 1992, Lambek 1993), with an actor-centred approach to knowledge interfaces as constituted by the interaction of the "global" and the "local" (Long and Villarreal 1993). Entrepreneurship comprises both cognitive (knowledge) and experiential (practice) aspects. Entrepreneur training programs seek to develop both these aspects. Trainees are confronted with a knowledge interface—a "global" entrepreneur technology transfer and their own "local" knowledge/practice, which they bring to the program. They have to come to terms with and negotiate this knowledge interface. Expanders already come with substantial practice and possess considerable knowledge, which might not have been systematised. EDPs build on these components, enhancing both their conceptual knowledge and identity. Starters have to acquire entrepreneurial knowledge and practice in the training process. While a transfer of knowledge to trainees takes place in EDP programs, the meanings attached to the training and the knowledge they acquired, and what they do with it in practice are not clear. As Long and Villarreal (1993) have pointed out, the challenge is to move from the "transfer of knowledge to the transformation of meaning". It was the task of the study to understand the acquisition of knowledge and practice among the starters and expanders, the process of interpretation involved in bridging the global/local knowledge interface and the gaps in their potential development as entrepreneurs.

The study uses an anthropological perspective (Förtes 1983, Daniel 1983, La Fontaine 1984, Lamb 1997) of the "person" to explore the relationship between entrepreneurs and their socio-cultural environment. This approach moves beyond the sociological concept of "self", which is the individual's awareness of his/her unique identity, acquired in interaction with society. It emphasises instead the "person", as society's confirmation of the individual's identity as socially significant (La Fontaine 1984). Personhood is defined, measured and valued differently across cultures.

South Asian notions of the person are embedded in hierarchical social relations - personhood is primarily defined by one's relationship to other persons and, only secondly, by qualities or attributes. Most EDPs focus on developing the qualities and skills of the entrepreneur, his/her self-identity and self-confidence. The study attempted to determine how the "person" of the entrepreneur is constituted by his/her social relations, and how this might affect his entrepreneurial activity and self-identity as an entrepreneur. This perspective addresses questions on the status of entrepreneurs within their communities. Thus the relationship between entrepreneurs and supportive entrepreneurial cultures as well as the relationship between would-be entrepreneurs and non-supportive cultures could be examined.

In this study, culture is defined as a set of meaningful yet often taken-for-granted codes and rules that members of a society orient themselves with in their interaction with other people and the environment as they go about their daily lives (Keesing 1981, Geertz 1973). Individuals follow, modify, defy and interpret these codes and rules to fit the situations in which they find themselves. This is somewhat different from notions of culture used in business studies where culture is often considered to be a "thing" that an organization (as in "organizational culture" for example) possesses, encompassing values, attitudes and behaviour. Anthropology is moving further and further away from this static concept to emphasise culture as meaningful processes, as "ways of doing" that need to be interpreted rather than "states of being" that are taken for granted. While there is an effort to combine "values, beliefs and attitudes" with an "entrepreneurial way of life" to define an "entrepreneurial culture" in recent business studies literature (Gibb 1998), this culture is still seen as constituting primarily a set of "beliefs" that can be compared with another set of "beliefs" such as that of government or corporate organizations. However, this kind of schematic definition of culture still remains static and devoid of the actors who create culture by their knowledge and practice. Thus together with an actor-centred dynamic perspective, there is a clear preference for regarding culture not as a singular entity but composed of multiple strands or of contested subcultures; hence the preference for the term "entrepreneurial cultures" in this study.

An entrepreneurial culture, then, is a meaningful set of codes and rules, a way of doing things by which entrepreneurs orient themselves in their day-to-day business activities or practice. This definition takes into account that while culture shows continuity, it is also open to change, as an individual's relationship to cultural processes is one of dynamic interaction. Entrepreneurial cultures are subcultures of any given society, revealing the diversity of gender, ethnic, religious, caste and other groups. The question then is whether newcomers -i.e.- would-be business starters - are able to become part of existing and changing entrepreneurial cultures and, if not, why this does not happen.

Culture does not operate in isolation. It interacts with other factors as a cross-cutting variable. Thus ways of doing things in the economic/business sphere interact with ways of doing things in the political and social realms. The study looks at how culture impinges on the selection and training processes that operate in the micro-political and social landscape of Sri Lanka and the outcome of that process. It then looks at how the "person" of the entrepreneur is formed/modified among non-trained and trained entrepreneurs and what that implies for business practice. It examines the networks that micro-entrepreneurs are located in as well as their decision-making processes. The analytical approach used in this study is ethnographic, qualitative and interpretative.

There is no consensus among the various agencies dealing with micro-entrepreneurs on their definition. Usually the turnover, the size of investment and the number of employees are used as criteria. CEFÉ uses the criteria of below 5 employees or an investment size under Rs. 100,000. We follow the same definition. Around 87% of our sample falls within the first criterion and 69% within the second. Turnover is difficult to establish. We are not interested in defining what the boundary between a micro-entrepreneur and a small entrepreneur is. If some of our sample could be more appropriately termed "small" or "medium" entrepreneurs, they provide comparative material for the study.

Similarly, entrepreneurship and entrepreneurs are defined in many ways in the extensive literature (Weber 1930, Schumpeter 1934, McClelland 1962, Cochran 1971, Timmons 1989, Mokry 1988, Laczkiw 1998, Kolshorn and Tomecko 1995) that has emerged on the subject. Timmons' (1989) definition, based on a study of 1,500 successful entrepreneurs is much quoted:

Entrepreneurship is the ability to create and build something from practically nothing. It is initiating, doing, achieving and building an enterprise or organization, rather than just watching, analysing or describing one. It is the knack for sensing an opportunity where others see chaos, contradiction and confusion. It is the ability to build a "founding team" to complement your own skills and talents. It is the know-how to find, marshal and control resources (often owned by others) and to make sure you don't run out of money when you need it most. Finally, it is the willingness to take calculated risks, both personal and financial, and then do everything possible to get the odds in your favour.

If we were to measure the people in our sample by these abilities, probably most would not qualify as entrepreneurs. However, our approach was to look at the characteristics and skills with which the business people in this study orient themselves and then come up with a "local" concept of entrepreneurship. How these "local" notions then compare with the "global" notions implicit in the entrepreneur training programs, and the extent to which the "global-local" gaps could be bridged, is one of the purposes of this study.

This paper approaches the issue of poverty in terms of income as well as social dimensions, such as networks and decision-making, all of which fall within the currently fashionable concept of "social capital", a term which is judiciously avoided in this analysis because of its oversimplification of complex and specific socio-cultural systems.

2.2 Methods

The ways in which entrepreneurial cultures work in Sri Lanka were examined through available literature as well as interviews with CEFE/VTW trainees who are starters or business expanders and non-trained entrepreneurs. Literature on entrepreneurship in Sri Lanka was used to analyse both micro-political and socio-cultural factors affecting entrepreneurs, CEFE and VTW training manuals/curricula relating to entrepreneurship and application procedures, and available tracer studies were reviewed. Interviews were carried out with those designing and implementing training programs supported by CEFE, NWPDP and VTW as well as some partner organizations and trainers.

The core of the study is based on primary data gathered from a sample of 60 qualitative interviews, which included both open-ended questions and life history narratives. Eighteen interviewees were CEFE trainees who had followed either the "New Business Creation" (NBC) or the "Small and Medium Business Management and Expansion" (SMBME) package. Fourteen were those trained under the NWPDP project, using the CEFE "Marketing and Marketing Orientation for Agricultural Producers" (MMOAP) package. The respondents from both projects comprised "starters", "non-starters", "expanders" and "non-expanders". According to CEFE criteria, 99% of all their trainees in Sri Lanka are micro-entrepreneurs (Reichert, Lempelius and Tomecko 2000).

Those who were trained under the NBC and SMBME programmes include both urban and rural participants, with about a third being women. The trainees under the NWPDP project were mostly rural with a higher participation rate by women. Sixteen respondents were VTW trainees who had received a training module in entrepreneurship in addition to their vocational training in bakery, milk processing, fruit processing and hand-screen printing. The latter were also categorised into the same groups as above based on whether they went in for self-employment or not. This is not equivalent to the VTW categories, which are "unemployed", "wage-employed" and "self-employed". VTW trainees are mostly rural and around 82% are women (VTW 2000).

Those selected for this study from all three projects were two years after their training. The remaining 12 respondents were selected randomly from entrepreneurs who, for the purposes of the study, are termed "non-trained entrepreneurs" as they had not undergone any formal training in entrepreneurship. They primarily represented micro-businesses.

The trainees were selected from five provinces. CEFÉ trainees came from the Central, Southern, Uva and North Eastern provinces; NWPDP trainees from the North Western province; and VTW trainees from the Central and North Western provinces. The non-trained entrepreneurs were selected from the same regions. The study covered 8 districts altogether. This was to enable an understanding of the possible regional variations in entrepreneurship. Additionally, the subjects were chosen according to rural/urban, gender, ethnic, and income class variables. (Refer to table 1 in annex) While caste could not be queried openly, an attempt was made to identify the caste of Sinhalese respondents through their family names, although this was not possible with the Tamil respondents.

The open-ended questions focused on a discussion of the respondent's understanding of her/his identity (knowledge) as an entrepreneur or lack of it as well as his/her entrepreneurial activity (practice). The life history narratives cross-checked some of the information supplied by the respondents as well as provided insights into the development of the person and his/her career. These revealed practices, which could be classified as "entrepreneurial" at various instances of his/her life, role models, precipitating events/turning points, and how the person dealt with opportunities/challenges and constraints during his/her life and business career.

The analysis of the relationship between micro-entrepreneurs and entrepreneurial cultures in its entirety is thus based on combining primary qualitative data with available business studies literature on entrepreneurship and entrepreneur development programs as well as anthropological and sociological literature on business classes/traders in Sri Lanka.

2.3 Limitations

This study has the limitation of a qualitative approach in that it privileges the validity of its findings relating to the small purposive sample it encompasses over its reliability in terms of replicability. Although interviewees were selected randomly from the trainee lists available, the difficulty of locating some resulted in others who were available being substituted. Moreover, while the lists indicated to us that some interviewees were starters, they turned out to be non-starters. The opposite process also took place where some interviewees who were listed as non-starters had, in the meanwhile, started businesses. The sample chosen from the three projects was not intended to be quantitatively representative of project categories or criteria since the three projects had different kinds of trainees and selection bases. Thus the study is not necessarily representative but *indicative* of the categories such as starters, expanders, non-starters and non-trained entrepreneurs as well as rural-urban, gender, ethnic, religion and caste variations. As the sample size is small, there is no attempt to carry out a multivariate analysis of the social categories under consideration. Instead, the voices of entrepreneurs and would-be entrepreneurs are presented to express the multiple realities they represent. Since the number of non-expanders located was too small, no conclusive findings are provided about them. In general, the figures in this study are to be taken as indicating trends and tendencies in lieu of terms such as "few", "some", "many" or "majority", which would have been subject to further clarification.

As this study focuses on socio-cultural and micro-political factors, there is no attempt to assess the success of entrepreneurs in strictly economic terms although turnover and profit are examined. We felt that the figures provided by the respondents were not reliable since they themselves did not have very systematic ways of calculating their turnover and profits. Thus the relationship between socio-cultural, micro-political factors and economic success, or return on investments, is not clear. The attempt here was not to get at the breadth of issues accounting for the failure or success of micro-entrepreneurs. Instead the approach was to explore in depth the texture of the entrepreneurial cultures that micro-entrepreneurs are located in and how this affects their business knowledge and practice.

The main purpose has been to reveal the extent to which entrepreneurs, who are economic actors, are embedded in cultural/social/political structures and networks.

3. Profile of Interviewees

Of the total sample, 48% of interviewees were women and 52% were men. Around 77% were rural and 23% were urban. Around 63% were Sinhalese Buddhists, 20% were Tamil Hindus, 10% were Sinhalese Catholics and 7% were Muslims. Around 40% were "successful" trainees (starters and expanders), 40% were "unsuccessful" trainees (non-starters and non-expanders) and 20% were non-trained entrepreneurs. The sample is somewhat biased towards non-starters (37%) since one of the purposes was to gain a better understanding of their constraints in becoming entrepreneurs. Of the total sample, around 22% were starters, 18% expanders and 3% non-expanders. Since the expansion program had an estimated 85% success rate, non-expanders were difficult to locate within a small sample size.

In terms of their educational attainment, around 67% of the interviewees had completed the "O" level or above, and around 27% had reached the "A" level or above. Around 33% were under 25 years old, 22% were between 25-35 years, 25% between 36-45 years, 15% between 46-55 years and 5% above 55 years.

Of those who had businesses (starters, expanders, non-expanders, non-trained entrepreneurs), the sector breakdown was around 32% in agricultural produce, 17% in food and beverages, 17% in retail/wholesale, 13% in services, 6% in communications and 2% each in hospitality, textiles, construction, printing, wood products, transport, and import/export, totalling around 47 enterprises. The desired or planned enterprises of non-starters were also mainly in food and beverages, agricultural produce and retail/wholesale. There was no major difference between expanders and non-trained entrepreneurs in the years they had engaged in business. The non-trained entrepreneurs had a range of 2 to 31 years, with the mean at 8 years. The expanders ranged from 2 to 28 years in business, with the mean also at 8. Starters had been 1-2 years in business.

Examining the initial investment size of the micro-entrepreneurs, around 3% had invested nothing but labour, 16% had invested in the Rs. 1-5,000 range, 32% in the Rs. 10,001-50,000 range, 16% in the Rs. 50,001-100,000 range and 32% in the over Rs.100,000 range. Thus around half of the group had invested less than Rs. 50,000 and the other half over Rs. 50,000.

The differences among the categories of starters, expanders, non-trained entrepreneurs and non-expanders as well as non-starters will be examined further in the findings of the study.

4. The Social, Cultural and Political Embeddedness of Micro-enterprise

Without discounting the fact that there are significant political-economic factors at the macro and regional levels that prevent would-be micro-entrepreneurs from entering business, the relationship between micro-entrepreneurs and entrepreneurial cultures was explored to understand the potential and constraints of expanding enterprises, particularly in rural areas in Sri Lanka.

4.1 The training process

First of all in examining how training fits into the socio-cultural and micro-political landscape of Sri Lanka, the findings reveal that while some trainees come with the intention of starting a business, others come there simply because they have been persuaded by a NGO/government authority or political party/union to do so or because they perceive themselves as "doing nothing" or because they like

My friend Janaki next door is the girl friend of the driver of the Member of Parliament X. She heard about the course through her boy friend and persuaded me to come along. (Meena, non-starter, Badulla district)

On the other hand, an older participant with business experience, a toy-maker and trader, came with different expectations:

I came with a lot of conviction to the course. Lots of resources were being spent on us. So I resolved to do the course with my full effort. I had to cycle one hour to get there. I started thinking about how I would expand my business. I saw the shop room while I was cycling and inquired about renting it and expected to get that room. Then I talked to the owner and started renting the room and fixing it even before I finished the course (Ranmenike, expander, Matale district)

The selection and training processes therefore need to have a good grasp of how the trainee as a "person" is located within micro-political networks, what his/her expectations and value orientation are and who influences his/her decision-making process. Selection bases other than NGOs might also be looked at as potential recruiting grounds for would-be entrepreneurs

Participants absorb and use "technical" skills taught them during the training to some extent. However, this is not the case with a good part of the "cultural" knowledge that needs to be acquired if the course is about creating an entrepreneur rather than simply starting a business. The components dealing with the "person" in the training are abstract and removed from the socio-cultural realities of the participants. Games run the risk of treating adults as children and are often substituted for a serious exploration of pre-conceived "cultural" notions that need to be discussed if an entrepreneur with particular kinds of competencies needs to be created. The anticipated problems in developing such competencies and how they would go about solving them should also be considered. Additionally, trainees need to get a better awareness of identity, decision-making and networks than are presently provided by the Personal Balance Sheet (PBS) and Strengths/Weaknesses/Opportunities/Threats (SWOT) frameworks.

4.2 The entrepreneur as a "person"

Neither trainees nor non-trained entrepreneurs had a clear identity of themselves as an "entrepreneur". Instead they oriented themselves with the more familiar notion of *mudalali* (trader) or "business person" who is often perceived as an "outsider". Local notions about the business person cluster around core concepts of "closeness to people/winning hearts and minds" (*suhadakama / hithavathkama / hithadinanima*), patience and knowledge.

While these are supplemented by other qualities/characteristics which differ among non-trained entrepreneurs, expanders, starters and non-starters, the competencies of risk-taking, opportunity-seeking, innovation and efficiency are rarely mentioned and are not considered as significant as social linkages. Even though entrepreneurs gained by being considered "outsiders" in that they could provide credit to clients and ensure repayment, they were also constrained by the "outsider" notion.

Social acceptance (*samaja piligenima*) of your status (*thathvaya*), what you receive from your family lineage (*paramparawa*) is very important. It is very clear to us because we started our business here. In Kandy or Trincomalee we wouldn't have had any problems because people know who our parents are. But we didn't know people here. We were outsiders to them and they wanted to chase us out. But we overcame all those initial problems. We were cautious but we stayed. (Priyanthi, non-trained entrepreneur, Matale district)

While training influenced some trainees to consider and integrate new competencies such as demand for quality and persistence, the core characteristics of successful entrepreneurship that they shared with non-trained entrepreneurs remained unchanged by training.

4.3 The salience of gender, ethnicity, religion and caste

There are no major biases against women doing business in Sri Lanka, with only a minority of men and women thinking that men were better at business. In their business practice too, most micro-entrepreneurs had both male and female business associates. However, there were some notions relating to the relative lack of mobility of women, the problem of *lejjabaya* (shyness and fear), the difficulty of negotiating in a male business world, and the inability of women to come forward or to work without men in some aspects of business. Such notions were as likely to be held by women as much as by men and need to be addressed. Rural male expanders were the most likely to perceive that gender made no difference in business.

In terms of ethnicity, the majority of respondents believed that Muslims were better at business. This perception was based on the views that they came from a family business tradition, that the community supported business people with advice and credit, that their skills at communicating with customers were superior and that their religion assisted their business practice in giving them a sense of discipline as well as rewarding them for their faith. Their relative lack of concern with status expressed in their readiness to develop by doing something small and their "business minds" and "business strategies" were mentioned as characteristics that were in contrast to those of other ethnic groups.

Muslims are better at business. Everything works out for them. They don't have the kinds of minds/hearts that envy one another. Most of all they believe in their God. Three times every day they pray to God. It [success] is what God has given them. They'll try to live well even by selling cloth on the pavement. We look at *respect* and don't like doing something like that. (Meena, non-starter, Badulla district)

While the majority of Muslims, Hindus and Catholics considered their religions to influence their business practice, only a minority of Buddhists thought so. Respondents from all religions mentioned particular restrictions that were imposed on them by their religions as well as their faith in God/deities and rituals. However, for Buddhists a frequently mentioned concept was "being reasonable/fair/just" (*sadharana*) when they engaged in business.

Religion helps me to distance myself from stealing, lies and vice (*hora boru vancha*) and engage in a just (*sadharana*) enterprise. (Sunil, non-trained entrepreneur, Chilaw district)

Buddhists seem to be under more moral pressure than others to justify their activities as business persons, since there is a general antipathy towards trading in the rural Sinhalese Buddhist ethos. This appears to be changing to some extent but not entirely.

The findings on caste in this study are tentative since the caste of respondents could not be queried openly. However, among the Sinhalese, non-trained entrepreneurs and expanders were more likely to be non-goigama castes than trainees. This confirms generally Moore's thesis that although historically the so-called KSD (*Karawa/Salagama/Durawa*) castes dominated trade, this has changed since the 1990s with more goigama entering the business arena, often with political support. Thus entrepreneur-training programs in rural areas appear to recruit more goigama into business.

4.4 The micro-politics of enterprise: Networks and decision-making

In examining the micro-politics of entrepreneurial cultures, three kinds of networks emerged as important—family, community and business. The most important network is the family, since the majority of both trained and non-trained micro-entrepreneurs came from families with a business tradition. Most of the capital for starting or expanding business came from the entrepreneur himself/herself or the immediate family. Starters and expanders were more likely to borrow from institutional lenders as well.

The majority, however, did not consider their initial investment a risk. Family members were consulted most often for business decisions. While the majority of non-trained entrepreneurs and expanders tended to make the final decisions themselves, the majority of starters and non-starters did not pursue business ideas if family members objected. Most women did not as well.

Apart from the majority of non-trained entrepreneurs, who were the most mobile group and resided outside their natal villages, most starters and expanders resided in their home villages/towns. However, most micro-entrepreneurs from all groups were integrated into different kinds of community organizations. Non-trained entrepreneurs tended to be members of temples and funeral assistance societies, while the trainees were most likely to be members of CBOs connected to NGOs. The relationship of micro-entrepreneurs to their communities was ambivalent because of problems of jealousy/envy with which they were frequently confronted. The problem was particularly acute for would-be entrepreneurs from the plantations. While jealousy was not a constraint in preventing determined business people from carrying out their activities, it hindered less self-confident newcomers and might prevent successful entrepreneurs from expanding and innovating.

My neighbours said it was better to do a labourer's job than to do business. The rich people said so because they wanted me to work for them as a labourer. The others said this [business] was a difficult task. When I started operating my brick kiln, someone set fire to it and it burnt to the ground. (Anura, starter, Kurunegala district)

However, communities also supported entrepreneurs by providing them with opportunities to mobilize resources necessary for investment such as through *seettu* groups and credit societies.

In exploring the business networks of respondents, the most dense and geographically distant networks were revealed by non-trained entrepreneurs. They also tended to be the most multi-ethnic. However, a lesser proportion among them had both male and female business associates in comparison to expanders, who had smaller networks mostly within their own ethnic group and district. Starters fell between expanders and non-trained entrepreneurs in terms of density, geographical distance, and the ethnic and gender make-up of the network. There were no major differences in the density or geographical distance of networks of female and male entrepreneurs except in the case of the expanders. Thus there is some veracity in the contention that rural women might have difficulties in establishing themselves in business. Business associates assisted a little less than half the micro-entrepreneurs with credit, irrespective of the category.

This does not seem to be dependent on years in business but rather on the level of trust in the relationship. Muslims and Tamils were more likely to receive credit from business associates than the Sinhalese. Business relationships were built through family and personal contacts as well as through trade associations. Only around a fourth to a third of micro-entrepreneurs belonged to formal associations. None of the women did. This might be an additional reason why men have somewhat more dense networks than women among expanders. Many non-trained entrepreneurs as well as some expanders had patrons/mentors who not only provided credit or equipment but also advice at crucial moments. These business networks serve as informal channels of information and learning.

In assessing how training directed at rural entrepreneur development intervenes in the existing entrepreneurial landscape of Sri Lanka, it appears that it strengthens two groups of people. The expanders come mainly from a politically well-connected, self-confident, Sinhalese Buddhist rural middle class who engage in business as one among several means of putting together their household incomes and have been successful at mobilising whatever resources that come into their communities whether through the welfare state or NGOs. The second group - the starters - is constituted mostly from a higher income rural trading class, who are also politically well connected, but do not need to tap on the resources of the welfare state. Although they are also linked to NGOs, it is to a lesser extent than the other group.

They have other means of income besides business but the bigger proportion of their income seems to come from trading and thus they are more committed to business. The training courses particularly attract the younger generation of this class with some fathers willing to invest large sums of money on behalf of their sons. This group is slightly more urbanised than the expanders and have the potential to make linkages with the more urbanised non-trained entrepreneurs and eventually compete against them, if they are willing to be more mobile and move to urban centres close to them.

5. Potential Changes in Local Business Networks

5.1 Changes related to project interventions

Although it is too early to assess, it is possible that training will bring about change in business networks. If the group of non-trained micro-entrepreneurs are compared with the expanders, who are similar in the number of years they have engaged in business, there are some noteworthy differences. Non-trained entrepreneurs are more urban, mobile, come from a stronger family tradition in business and have denser, multi-ethnic networks beyond their local areas. Around half of them are likely to believe that men are better at business than women although more than half have both male and female business associates. The majority has invested over Rs. 100,000 initially and they have higher incomes overall. Although a majority of them consider themselves to be middle-income households, some also consider themselves to be high-income. Half of them rely solely on business for their household income. Women entrepreneurs in this category are better educated while male entrepreneurs are less educated than their peers among expanders. While around a third of them are members of formal business/trade associations, the majority operate through informal networks.

In contrast, the expanders supported by the programs are more rural, based mainly in their home villages, and those who have been mobile have remained within the same district. They have less of a family tradition in business and have smaller networks within their own ethnic group and within the district. The majority perceive no difference between men and women in their ability to do business and the majority have both male and female business associates. The majority have invested between Rs. 10,001 to 100,000 and although the majority have incomes over Rs. 5,000, their income levels overall are lower than that of non-trained entrepreneurs. They consider themselves to be solidly middle-class. Business is only one source of household income for slightly over 80% of the expanders.

They are less educated than all the other trainees, except non-trained entrepreneurs. Around a fourth belong to business/trade associations, a fourth are involved with political parties and slightly over 80% are members of CBOs/NGOs. Although their income levels are higher on the average than the non-starters, almost half of them receive Samurdhi, in contrast to a third of the non-starters. In decision-making they were the most likely to state that ultimately they make the decisions rather than any family member they consulted.

Thus the expanders are a mainly Sinhalese Buddhist, middle-income, self-confident, politically well-connected rural group who have been able to tap resources whether they come through a political party or NGO channels and do business among other livelihood strategies, perhaps as yet another means of tapping resources. Enterprise training directed at enhancing rural entrepreneurship appears to strengthen this group whose networks now operate without any direct linkages to the more urbanised non-trained entrepreneur networks. Since their commitment to business is less than that of non-trained micro-entrepreneurs, it is not clear whether they would expand their networks further, either in size or geographical distance, or would be content to merely sustain themselves slightly above present levels, although projects report that over 80% of them have expanded.

The starters, on the other hand, are more rural than non-trained entrepreneurs but less so than expanders. They are similar to expanders in their mobility except that half of those who have been mobile have left the district of their birth. They are similar to non-trained entrepreneurs in coming from a family business tradition. Their business networks are denser and more multi-ethnic than expanders but less so than non-trained entrepreneurs. They remain mostly within the district as with expanders. A minority perceives that men are better at business and around half have both male and female business associates, less than both expanders and non-trained entrepreneurs. The majority have invested from Rs.50,000 to over Rs. 100,000 in their businesses, and their income levels in general are somewhat lower than the non-trained entrepreneurs but they report the highest proportion of households with an over Rs. 11,000 monthly income. Most perceive themselves as middle class although several were not sure whether they should call themselves middle or high income. They are the most educated among all categories of interviewees. Around a third are members of trade/business associations, around a fourth are involved with political parties and around 77% are members of CBOs/NGOs; a higher involvement overall than non-trained entrepreneurs but somewhat less than expanders. They have the lowest proportion of Samurdhi receivers among all groups. In decision-making, they were most likely not to do something against the wishes of family members. This is not surprising since the majority in this group are under the age of 25. They were also the most likely to borrow credit from institutional lenders and had the highest proportion of respondents who said their initial investment was a risk. They were also the group most oriented towards learning and perceiving that business characteristics were learnt.

The starters seem to come from a higher income rural trading class, generally considering themselves middle class, who have other sources of income besides business and who are also politically well-connected but do not necessarily tap into the welfare system of the state. They are less self-confident because they are young and inexperienced but more willing to take risks since they have sufficient collateral from their families whom, however, they need to consult before making decisions. Training directed at rural enterprise development also strengthens this group, especially its younger generation. Since both capital and commitment to business is higher in this group, and the macro-economic climate favours private sector development rather than state sector employment, they are likely to expand their business networks both in density and across geographical distances, make linkages with the more urbanised non-trained entrepreneur networks and eventually may even provide competition. As business characteristics, they value marketing ability, planning, persistence and quality, in addition to the core characteristics mentioned earlier. They are the most open to learning and therefore the most likely to innovate. They are already integrated into existing entrepreneurial cultures though their families and could perhaps transform these if they receive training that makes a difference.

5.2 Armed conflict and business networks in the Trincomalee district

Apart from these changes which enterprise development programs are contributing to, there have been changes taking place in business networks in the North Eastern region of Sri Lanka because of the armed conflict. These changes are, by and large, independent of EDP training. However, as projects such as CEFE expand their training to the North Eastern areas, they might influence changes in networks there as well. Micro-entrepreneurs and trainees interviewed in the Trincomalee district reported many serious impediments to doing business in that region. Primary among them is the strong presence of the armed forces and armed groups. Micro-entrepreneurs have to deal constantly with a system of restrictions, permits, passes and checkpoints:

In every way we have difficulties. We are not allowed to buy and bring commodities in large quantities. We can't stock at home. If they find out they take us into custody. In no way does the conflict help us to do business (Selvam, non-starter, Trincomalee district)

Moreover, with on-going rebel and military action taking place, there are round ups, *hartals*, bombs and other incidents, which constantly disrupt civil life. These situations are bad for business because people do not patronize shops or engage in business transactions and choose to stay at home instead.

I have to get special passes to transport antenna wires beyond a certain limit. All of a sudden there is a round up and I lose customers since everyone disappears home. On *hartal* days we have to close our shop and lose sales. (Ramesh, starter, Trincomalee district)

Although there were short-term gains to be made from this kind of unstable situation, most micro-entrepreneurs pointed out that the difficulties outweighed the advantages, which they saw as undesirable.

We can't buy more commodities to sell. We have transport problems. Anything might happen anytime when we leave the house. At every check-point we have to unload our raw materials and products it is very bothersome. The war has brought us Kuchchaveli villagers who live in the refugee camp here. Their children flock to our school and we have more customers to sell our mixture to. But we don't really want them here. We are waiting for them to go back to their village. (Radha, starter, Trincomalee district)

A system of restrictions, permits, check-points and passes creates a black economy where a brand of entrepreneurial culture, which does not contribute to the social and economic development of a region in the long-term, can flourish quite effectively, and even become an impediment to halting the situation which created it. Such a system does exist in the Trincomalee district where both the military and the armed groups have found ways of making money by graft and taxation to a larger extent than other parts of the country. Thus, we observed a young military person empty out a good part of the fuel tank of his motor bicycle at a petrol-shed and receive payment from the owner. The military also "borrows" vehicles from entrepreneurs at whim for a number of days to go on private trips, depriving entrepreneurs of their means of transportation of goods. Armed groups threaten and receive *kappam* (protection money/tax) from business people and thus authorize them to start or continue a business, or get a contract. They also tax a part of their profits.

Several times there were calls saying we had to pay something to start a business. We explained our situation and all the problems we had moving from Colombo [after the 1983 riots] to Nilaveli and then here. We said that we were in no position to pay. They didn't come to us. (Jeyalakshmi, non-trained entrepreneur, Trincomalee district)

Thus the armed conflict has changed business networks and trading patterns both within the Trincomalee district as well as those which link it to other regions. There appears to be significant socio-cultural changes in the ethnic make-up of business networks there. For example, Sinhalese entrepreneurs now control most of the trade between the Trincomalee district and the rest of the country as it is easier for them to obtain permits and move across check-points. However, those entrepreneurs among the Muslims and Tamils who are able to pay off the relevant authorities can also ply this trade to a lesser extent. Sinhalese also control the fishing trade in the district since Tamil fishermen have restrictions going out to sea. However, under the guise of fishing, these entrepreneurs often supply armed groups with provisions on the high seas to avoid detection, a business that is more lucrative than fishing. Muslim traders who also find it easier to move between check-points control a good part of the internal trade in the district, especially moving agricultural produce from rural to urban areas. However, because of combat between the military and the LTTE, they have moved out of several areas leaving a vacuum and agricultural producers have a hard time getting their crops to market. Tamil entrepreneurs are mostly restricted to trading within villages and towns, where they are involved in retail trade, as well as other sectors. They often enlist the support of Muslim associates to move goods between check-points.

What is interesting is that CEFE has higher success rates for starters on average in the North Eastern areas in contrast to the rest of the country (CEFE 2001). A combination of factors seems to operate here. Trainees are mostly Tamil and Muslim and are more open to becoming business people.

Given the reality of the conflict, they also do not have many employment opportunities, self-employment being one of the few options available, other than joining the army or the armed groups. The provincial Ministry of Industries provides better follow-up services than similar service providers in the rest of the country. These could all contribute to higher start-ups in this region. However, the black economy of a conflict area, which provides opportunities for those who are willing to take risks, could also contribute to a "dynamic" entrepreneurial climate. More research needs to be done to understand the socio-cultural and micro-political dimensions of the regional economy of conflict (see also Rajasingham-Senanayake 1998) in this district. However, what is most important is that projects training entrepreneurs in conflict areas have to clearly analyse the situation on the ground and what their potential impact might be in socio-cultural and micro-political terms.

6. Implications for Poverty Reduction

There are three questions that need to be answered about the relationship between poverty and entrepreneurship. The first is whether the poor can be turned into micro-entrepreneurs. The second is whether once they become micro-entrepreneurs they remain poor. The third question is the extent to which micro-enterprise creates employment for the poor. Both Ranasinghe (1996) and Reichert (1999) have pointed out that unemployment and poverty are not qualifications for entrepreneurship. Gunatilaka and Salih (1999) argue that the poor do not have the skills, attitudes or the capital required to operate sustainable enterprises that employ more than one full-time person. The second issue as discussed by Orlando and Pollack (2000). It reveals that while the microenterprise (MIC) sector accounts for 54% of total employment in Latin America, most MIC workers are self-employed and an average of 26% MIC workers are poor. The incidence of poverty was about twice as high for MIC workers as for non-MIC workers during the 1990s. Moreover, poverty rates have remained unchanged in the last decade and the poverty gap between the MIC and non-MIC sectors has increased.

While such macro-level data on the MIC sector is not available for Sri Lanka, a recent estimate of poverty in the wholesale and retail trade sector is 30% (ADB 2001), based on the 1995/96 higher poverty line of Rs. 950 per person per month of the Department of Census and Statistics (DCS). Using the same poverty line, the income of a poor household at an average of 4.5 household members would be Rs. 4275. Since the purpose of this study was not to gather accurate data on household income but merely estimate incomes over a range, the closest we could come to this poverty line is a household income between Rs. 0 - 5000, which we took as a preliminary indicator of "poor" households. Thirty percent of our sample fell into this category, which is similar to the estimate provided above for the trade sector. Non-starters contrasted with all other categories. Around 46% of non-starters fell into the "below Rs. 5000" category while 27% of expanders, 23% of starters and 17% of non-trained entrepreneurs did.

These results are interesting when compared with perceptions of income class where 42% of the study sample described themselves as "low income" which we took as one way of saying "poor". As many as 55% of non-starters considered themselves "low-income" and a further 5% as "between low and middle income" while only 39% of starters, 27% of expanders and 25% of non-trained entrepreneurs considered themselves "low income". In contrast 73% of expanders, 58% of non-trained entrepreneurs, 46% of starters (with a further 15% "between middle and high income") and 41% of non-starters considered themselves "middle income". The perception of the sample in its entirety matches closely with the observation that almost 40 percent of the population of Sri Lanka are "either poor or vulnerable to poverty and that this level has remained more or less constant during the 1990s" (ADB 2001:ii). Intriguing also is the finding that the percentage of Samurdhi recipients is highest among the mostly "middle income" expanders (46%), followed by the mostly "low income" non-starters (36%) and the mostly "middle income" non-trained entrepreneurs (17%) and lowest for the mostly "middle income" starters (8%). The data in this study confirms the relativity of the concept of poverty and the need for caution in determining who is poor or not.

However, it is clear that the non-starters on average are more likely to belong to the "below Rs.5000" income category, than starters, expanders or non-trained entrepreneurs. Moreover, non-starters are more likely to perceive themselves as poor. They are also more likely to receive Samurdhi than those of the other categories, except for expanders. Examining the non-starters of the "below Rs.5000" income category in terms of the total number of non-starters, there was no major gender difference - 46% of female and 44% of male non-starters belonged to this income group. However, there was an ethnic difference - whereas 83% of Tamils in the non-starter group fell into this category only 36% of Sinhalese Buddhists did. None of the Muslim or Sinhalese Catholic trainees did. This difference can be accounted for by the fact that the Tamil trainees came from either the plantation areas or the conflict-affected North Eastern province. Comparing the starters and non-starters in this income group, a bigger proportion of women (33%) than men (25%) started business. The ethnic samples are small but around a fourth of Tamils and the single Sinhalese Catholic did whereas none of the Sinhalese Buddhists started a business at this income level. There were no Muslims at this income level among either starters or non-starters. "Poor" non-starters intended to start businesses in the following sectors: food and beverages, agricultural produce, wholesale and retail trade, printing, services, construction and jewellery.

Although poverty might be a contributory factor, this alone cannot account for not starting a business. After all, the majority (55%) of non-starters cannot be classified as poor according to the tentative poverty line of this study and 41% are "middle income" according to their own perception. They were also more educated than all other groups except the starters. Thus the relevance of other factors needs to be considered. As it has been pointed out before, non-starters often came to the course through political party and NGO connections - only around a third came with the explicit intention of starting a business. They were the most politically connected of the trainees - even a third of the "poor" non-starters were involved in political parties or unions. They were largely rural; the biggest proportion was in the 25-35 age group, and the least mobile of the groups. The lack of credit was the primary reason they gave for not starting a business. A closer focus on their value orientation showed that they were more likely than others to want to do business to fulfil social goals rather than to be independent and make money. They least liked to be called *mudalalis*.

They revealed the lowest level of decision-making by the individual. When they consulted family members, they were also likely to ask opinions from so many other family members that a decision would be difficult to make. Male non-starters had the highest proportion of those who believed that men were better at business. However, what is most revealing is that an overwhelming 64% preferred their children to be employed in the state sector, higher than any other group in the sample. Thus it is clear that poverty was not the sole reason for not starting a business. The data suggests that while around half of the non-starters are from the rural poor, the other half are from the less enterprising, more welfare-oriented of the rural middle class that also produces the expanders. These are the ones who come to the training as long as it is a free lunch but are not willing to make a personal or financial commitment to start a business.

Whether "poor" micro-entrepreneurs would continue to be poor is a more difficult question to answer. The proportion of the "poor" among non-trained entrepreneurs (17%) is relatively low compared with the overall poverty levels of the country or even among those in the trade sector. The "poor" among the expanders (27%) are equivalent generally to average levels in the country. The "poor" non-trained micro-entrepreneurs had been in business for 11 years, while the "poor" expanders had been engaged in business for 6, 10 and 21 years respectively so their poverty was not temporary or because of lack of experience. All were rural and all but one of them engaged in part-time business, combined with farming. There was no evidence that their decision-making or networking abilities were wanting. However, in addition to the core quality of getting along well with people, they valued qualities such as honesty, kindness and humanism. Perhaps their poverty was due to the lack of achievement traits. Since starters had a lower level of poverty (23%) to begin with and apart from being rural, they looked more like non-trained entrepreneurs, rather than expanders, in their general socio-cultural make-up, there is no reason to believe that the same proportion might remain poor. There is a chance that the poverty of this group will be reduced. Thus unlike the Latin American data, this study would indicate that micro-entrepreneurs are not necessarily poorer than non micro-entrepreneurs.

The third issue in poverty reduction is the potential employment generated by micro-enterprise. Around 24% of all micro-entrepreneurs (starters, expanders, non-expanders, non-trained entrepreneurs) worked alone, 26% had two workers (including self), 18% had three workers, another 18% four workers, 8% five workers and 5% more than five workers. The great majority enlisted the unpaid labour of family members. Where paid employees were involved, it was usually one person and two at the maximum. The 5% minority were clearly exceptions to the rule and ones who might not necessarily be termed "micro-entrepreneurs". The biggest proportion of non-trained entrepreneurs was engaged in family businesses employing the entrepreneur and his/her spouse or child. The biggest proportion of expanders also comprised self and another family member. Starters managed to mobilise 3-4 family members (including themselves), a number probably necessary since they were inexperienced and the family wished to provide support for the young entrepreneur "to improve". These findings generally confirm Gunatilaka's and Salih's observation that the "poor" cannot sustain an enterprise that offers more than one full-time position, with the qualification that the majority of these micro-entrepreneurs are not necessarily poor by general poverty criteria. Thus micro-entrepreneurs cannot be expected to create employment that takes other people out of poverty although several non-trained entrepreneurs claimed that if they had access to more credit and advice, they could expand and they would like to take in at least one paid employee since they would make more profit and also have somebody to leave the business with when they needed to take time off.

The poverty reduction impact of entrepreneur development programs (EDP) is not clear from these findings. The majority of starters and expanders are not poor nor are the non-trained micro-entrepreneurs. More starters and expanders are poorer than non-trained entrepreneurs generally so it is possible that the programs would help those people who are poor to overcome their poverty. It is also possible that as some micro-entrepreneurs expand and become small or medium entrepreneurs, as is the case of one entrepreneur in this sample, they would create employment for larger numbers of people and thus reduce poverty. Finally, it is also possible that if EDPs were to support more urbanised non-trained entrepreneurs with advice and credit, they would be likely to generate more employment than either starters or expanders.

7. Conclusion: Policy implications

The poverty reduction implications of enterprise development programs are somewhat complex. By focusing on the profile of the non-starters, it is clear that they are "poorer" than all the other groups in terms of income. However, they are more educated on average than all the other groups except for the starters. They are also the politically best-connected group of all the respondents, and only a minority of them came to the course with the expectation of starting a business. Around half of them are not "poor" according to the poverty line considered in this study. In mobility, decision-making, identity and the overwhelming desire they expressed for their children to obtain employment in the state sector, non-starters reveal that poverty alone cannot account for their reluctance to start a business. Thus the data seems to indicate that while around half the non-starters are from the rural poor, the other half are from the less enterprising, more welfare-oriented section of the rural middle class, that also produced the expanders. In the other three groups, there are around a fifth to a fourth of micro-entrepreneurs who could be considered to be "poor". Thus the poor can become micro-entrepreneurs but whether they would remain poor is yet another question.

The findings in this study reveal that non-trained entrepreneurs have the lowest proportion of "poor". Their poverty level is lower than general poverty levels in the country as well as that of the trade sector. It is possible that more starters or expanders than at present can overcome their poverty as their businesses develop; thus the objective of "reducing" poverty would be accomplished to some extent. The study also reveals that micro-enterprises do not generate much paid employment but relies heavily on unpaid family labour. Thus poverty reduction through the creation of employment is unlikely to take place. However, the possibility exists that this could happen if some micro-entrepreneurs go on to become small or medium entrepreneurs, as one non trained entrepreneur in the sample did.

In terms of policy implications, the questions posed at the beginning of this paper on the poverty impact of entrepreneurship development programs need to be addressed. Is the goal of poverty reduction better achieved by creating and expanding businesses with the ultimate goal of increasing growth which, in turn, indirectly reduces unemployment and poverty? In this case, the promotion of medium and large enterprises might result in higher levels of employment creation than micro or small enterprises. However, this would be consistent with defining poverty in purely economic (income and consumption) terms. If poverty were also to be defined in human development terms and the lack of access to capabilities and assets (Sen 1998), enterprise training directly addressing the poor to encourage the growth of micro-enterprise or the society at large to increase initiative and capabilities also has a role to play. However, as substantial resources are currently spent on EDPs, their poverty reduction impact cannot be taken for granted but should be demonstrated as actually taking place, whatever the definition of poverty is at stake.

The last but salient question that needs to be addressed is what kind of entrepreneur is to be created by EDPs. If the programmes expose trainees to a series of competencies that need to be acquired, expect to take with them whatever they remember and then integrate themselves as actors into the existing entrepreneurial cultures that have partially nurtured them, then the training they receive is adequate. Trainees eventually learn the importance of being *hithavath*, patient and knowledgeable business people, if they did not know it already. For the goal of making poor people self-employed, survive by breaking even and gain self-respect, this might be sufficient. The social gain is that they are kept off the streets, do not commit crimes, are not dependent on the welfare state and probably would not make revolutions. However, there is room for improvement in the selection process so that the more motivated and capable among the poor are selected for training.

If entrepreneurs are to become opportunity-seeking, risk-taking, innovative and efficient people, in order to be competitive in a global economy, then the training needs to take into consideration the socio-cultural and micro-political dimensions that have been discussed in this study. Particularly significant is the orientation towards being a *madalali* and Buddhist notions of doing "reasonable" business. Winning hearts and minds, patience, knowledge and reasonableness/justice are worthy qualities in themselves but they need to be supplemented by other competencies that permit entrepreneurs to look towards an increasingly global market. If business people do not adopt competencies that help them to survive in a globalising market, they are likely to go out of business, resulting in an increase in unemployment and poverty.

In order to create an identity as an entrepreneur that builds on existing notions of the business person but also helps the trainee to understand that new competencies, oriented towards achievement, need to be acquired to compete within a global market, a broader knowledge has to be imparted to micro-entrepreneurs in a language they understand. Trainees also need on-going advice, which they voiced as the most-important follow-up service, over and above credit. Global entrepreneur training programs are developed with a clear perspective of the implications of globalisation and what developing countries like Sri Lanka need to do to compete in a global market. However, despite the media onslaught on globalisation and the relatively high education level among respondents, most trainees and non-trained micro-entrepreneurs interviewed could not even venture a guess on what the term "globalisation" might mean, and had only a vague sense of what a "global market" might mean to them.

Therefore there are two issues at stake here. One is to verify the poverty reduction impact of current enterprise development programs, in income/consumption and human poverty terms, on a larger scale than attempted here. The second issue is whether current entrepreneurship training enables trainees who start or expand businesses to survive in an increasingly globalising market in the medium or long-term. If current enterprises were to crash, because entrepreneurs were inadequately prepared, then societies such as Sri Lanka have to deal with the unemployment and poverty that would follow.

At the policy level, it would be the task of the private sector and those promoting it as the "engine of growth" to produce an entrepreneur who can compete in the global market. At the same time, since free markets exist only in the ideal world, it is the political task of the government to make sure that reasonable (*sadarana*) trade agreements are negotiated and maintained so that these entrepreneurs can operate their businesses and contribute to economic growth.

The findings of this study reveal an unclear relationship between entrepreneurship development programs and poverty reduction, and the vulnerability of new micro-entrepreneurs created by training programs vis-à-vis the global market. Thus the significant policy question that the paper poses is: Should some of the resources now spent on EDPs be better allocated to other programs where poverty reduction can be explicitly demonstrated as a goal and an impact?

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Table 1: Profile of Micro- Entrepreneurs and Trainees interviewed by Gender, Ethnicity/Religion and Rural/Urban variables

Category	Female	Male	Tamil/ Hindu	Muslim	Sinhalese/ Buddhist	Sinhalese/ Catholic	Rural	Urban	Total
Starters	5	8	4	-	8	1	9	4	13
Expanders	6	5	-	1	8	2	11	-	11
Non-trained Entrepreneurs	4	8	2	2	7	1	7	5	12
Non-Starters	13	9	6	1	14	1	17	5	22
Non-Expanders	1	1	-	-	1	1	2	-	2
Total	29	31	12	4	38	6	46	14 [*]	60
Percentage	48	52	20	7	63	10	76.7	23.3	100

Floor Discussion

- Prof. Rodrigo's comments on the paper were centred on the following:

Sample size: The adequacy of a sample of 60 for drawing conclusive inferences in respect of the 4 groups: starters, expanders, non-starters and non-expanders was questioned. Follow up analysis, if any, should have a bigger sample and could also consider including a fifth category 'started but dropped out'

Sample composition: Background information pertaining to the sample (breakdown by age of trainee, gender, position in the household etc.) and the nature of the ED programs from which they have graduated (e.g. selection processes, content, duration etc.) would have provided useful insights in interpreting the results. A statistical analysis that controls some of these characteristics would be useful

The relevance of the programs as a strategy for alleviating poverty was queried and the need to rethink the target groups and selection processes for identification of the 'poor' was stressed.

- The Chairperson emphasized the need to focus on the impact of the education system in Sri Lanka on entrepreneurship and poverty.
- A question was raised as regards the selection criteria for entrepreneurial training and it was widely accepted that one couldn't transform a person into an entrepreneur merely by training. It was of considerable interest, when considering studies done in Sri Lanka and India, that people simply have the need for a job while not specifically wishing to become an entrepreneur. For example, the perception of an entrepreneur as 'mudalali' has certain negative connotations in society and therefore is not considered a status symbol as opposed to employment in the state sector.
- It was further highlighted that NGOs and the state sector usually tend to apply the same kind of models and interventions in conflict and non-conflict areas, without adopting a more sensitive approach to issues of poverty and conflict in micro enterprise promotion. The difficulty in accomplishing these tasks successfully due to the armed conflict in the specified areas was highlighted while also bringing out the fact that entrepreneurial training would have been more successful in the North due to the higher rate of success in business activities in Tamil and Muslim areas when compared with Sinhalese regions. Additionally conflict areas provide opportunities unavailable in other areas for doing business.
- Programs such as the GTZ sponsored entrepreneurship development programs were criticized as they focus mostly on the lower middle class, which is not the most disadvantaged segment of the population. There was further criticism that institutions were not willing to co-ordinate and implement programs according to the genuine needs of the poor, for instance, the fact that these institutions include a rule which states that beneficiaries need two guarantors from government service, which they are often unable to produce.
- With regard to the sectors in which entrepreneurial training was provided, it was explained that in addition to the vocational training which was given in food processing, screen printing and business training, entrepreneur competencies such as achievement skills, planning skills and power traits were also provided while the trainees themselves had selected sectors such as agricultural produce, food beverages, and retail and wholesale trade. One of the main problems highlighted was the fact that trainers themselves, not being entrepreneurs, were involved in the programs merely for confidence building rather than to provide business training.

Poverty and Social Exclusion in Sri Lanka

Kalinga Tudor Silva

1. Introduction

The recent research on poverty in Sri Lanka has concentrated on understanding emerging poverty trends in the country and their linkages with various policies pursued in Sri Lanka since Independence with a focus on the impact of economic liberalization policies introduced since 1977. The researchers with a neo-liberal orientation, including the World Bank funded studies, have typically argued that economic liberalization and structural adjustment policies pursued with effect from 1977 have led to a notable reduction in consumption poverty and that persistence with policies favouring growth is necessary in order to make any further advances in poverty reduction (World Bank 1995, Glewwe 1988). On the other hand, researchers questioning the validity of the neo-liberal approach have challenged the view that income distribution has improved and poverty levels have declined as a result of liberalization and adjustment (Dunham & Edwards 1997, Moore 1990, Sahn 1987). The critics of the neo-liberal approach are not opposed to growth oriented policies but are keen to ensure that such policies do not undermine the positive achievements of the earlier era as manifested in Sri Lanka's well recognized advances in quality of life attributed to progressive social policies. The neo-liberal approach, on the other hand, considers it impossible to sustain achievements in quality of life and make any significant progress towards poverty reduction without achieving rapid economic growth.

It is well known that since the 1930s, the Sri Lankan state has been heavily involved in a publicly funded, comprehensive programme of social welfare inclusive of free education, free health care, food subsidies and subsidized transportation covering the entire country and encompassing all sections of society. Official encouragement of education in the Swabasha medium, language policies favouring a switch from English to indigenous languages in education and public administration, and the introduction of standardization and quota systems in the selection of new recruits for higher education were also designed to eliminate the inherited disadvantages of people from rural backgrounds. Further gross inequalities in land ownership and distribution have been reduced through programmes of tenancy reform and land reform on the one hand and state-aided programmes of land development and land settlement on the other. While Sri Lanka's unusual achievements in quality of life have been largely attributed to these policies and programmes, their effect on equity and distributive justice and indeed the gains of welfare policies are by no means undisputed in the light of devastating youth revolts in the North and the South and increasing manifestations of social and emotional stress such as alcoholism, violence and suicide.

Against the background of these ongoing debates, the current study investigates five sociological issues that have a potential bearing on developing a growth-oriented strategy of poverty alleviation in Sri Lanka. The issues examined in this essay consist of the following:

1. Marginalization and exclusion of people on the basis of political affiliation, ethnicity, gender, caste, place of residence and their possible impact on poverty.
2. Dependency syndrome and its effect on the capacity of the poor to adapt to market-oriented policies and programmes.
3. Life style of the poor and its impact on poverty and vulnerability.
4. Status issues relating to the persistence of voluntary unemployment and labour shortages.
5. Policies and programmes needed for addressing sociological factors affecting poverty.

The first of these issues relates to the interplay among social exclusion, discrimination and poverty. The second, third and fourth issues refer to subjective orientations and the behaviour of the poor themselves as factors involved in the perpetuation of their poverty. The final issue explores the ways in which the disadvantage and disempowerment of the poor may be overcome in the light of decades of the community development and social mobilization experience in Sri Lanka.

At the outset it must be noted that the data available for addressing these issues are quite limited. The macro-level data on income and expenditure is useful for addressing life style issues but they have to be treated with care due to possible reporting errors when it comes to recording socially unaccepted consumption behaviours like alcohol consumption. The data for addressing other issues have to be derived mostly from quantitative studies covering small samples or from qualitative studies. In the light of these methodological considerations, this essay seeks to arrive at preliminary findings that may serve as a guide for future research including pilot interventions.

2. Marginalization and Socio-Political Exclusion

Marginalization as understood in this paper has spatial, socio-cultural, political and economic dimensions. Socio-political exclusion refers to a process whereby certain sections of the population are systematically excluded from the benefits of state policies and programs. Despite Sri Lanka's apparent success with equity-oriented welfare policies, which have resulted in the development of a countrywide network of educational and health facilities as well as other basic infrastructures catering to all communities, two systematic biases have gradually become established in certain state policies and programs. One has to do with the gradual utilization of state apparatus as a vehicle for the distribution of favours to supporters of the political regime elected to power at each successive national election. The same policies have led to increased expenditure on populist welfare measures in the run-up to elections (Bhalla & Glewwe 1986) and post-election efforts to scrap the programs that have been evolved through considerable dedication and cost and develop new programs designed to accommodate one's own political supporters to the detriment of supporters of the opposite camps as well as the needs of the large masses of politically neutral people. This tendency has affected all state-aided development programs in general and poverty alleviation programs in particular. Due to its politically sensitive nature, there has been limited research on this topic. However, the positive impact of state-sponsored poverty alleviation programs has been considerably reduced as a result of this tendency. This is clearly recognized as a key constraint in the recent World Bank evaluation of the 1991-97 Poverty Alleviation Project (World Bank 1998). It is possible that some of the deserving poor fail to get covered in such programs due to their political affiliations at the village level which, in turn, can curtail their poverty alleviation impact. On the other hand, some undeserving people may get covered due to their party affiliation leading to leakages (Sahn & Alderman 1996) and dependency (Jayatilake 1982).

3. Ethnicity and Poverty

The attitude of the state towards ethnic minorities, the Tamils in particular, has been identified as a more systematic bias in state policies in the post-independence era. The argument is that the political favouritism mentioned above will be counter balanced so far as the majority ethnic group is concerned since the two leading political parties, representing mainly Sinhala interests, will come to power alternately over time. On the other hand, such a system of patronage will systematically disadvantage minorities in so far as they are not linked to the ruling parties. While this argument has to be qualified in view of the political need of the ruling parties to accommodate minority interests in order to maintain the power balance in the country, the fact remains that the state is not perceived as a neutral agent by a section of ethnic minorities.

The militant Tamil separatist movement perceives the Sri Lankan state as being actively involved in discrimination against Tamils in vital areas such as education, state-sector employment, distribution of land in new settlement schemes and in development programs in general. The Sri Lankan state, on the other hand, has taken the position that the Tamils were in many ways a privileged minority in British Ceylon and the adjustments which are now occurring in relation to higher education opportunities and state sector employment are a necessary consequence of adjusting resource distribution in accordance with demographic realities and electoral processes in the country. However, even in government circles there has been a progressive concern about the impact of ethnic riots and the related devastation of economic enterprises, the economic and social cost of the war and the damage to personnel and property from indiscriminate terrorist attacks. More recently, the war situation and related refugee and rehabilitation problems have vastly added to the livelihood security problems of minority ethnic groups living in the Northern and Eastern areas and people of all ethnic groups, including the Sinhalese occupying border areas.

Table 1 reproduces estimates of poverty by ethnicity in the World Bank Poverty Assessment. In 1990/91 the Moors reported the highest incidence of poverty and other smaller ethnic groups, followed by the Sinhalese, Sri Lankan Tamils and Indian Tamils. As warned in the World Bank study these data must be interpreted with caution as the HIES of 1985/86 and 1990/91 did not include the Northern and Eastern provinces covering an estimated 15-17 percent of the country's population with a high concentration of the ethnic minorities (Sri Lankan Tamils in particular) and the impact of the civil war. These data do not indicate that there is any clear association between minority status and poverty measurement. The Sinhalese and the largest ethnic minority have roughly equivalent levels of poverty as measured by the head count index for 1990/91. The income inequality as measured by the Gini Coefficient is highest within the Sri Lankan Tamil community, which also reported the highest mean consumption. This indicates that, judging by poverty indicators alone, it would be a gross over simplification to describe Sri Lanka Tamils as an oppressed minority. The reported lower incidence of poverty among the Indian Tamils is in keeping with the data on variation in poverty by sector. It is important that regular wage employment, rather than any welfare mechanisms or safety nets of any kind, has been instrumental in keeping poverty levels in the estate sector relatively low. However, adjustment has not been made in the data as regards the potential higher energy requirement of plantation workers in view of their difficult work situation. One has to also bear in mind that, as regards quality of life, the estate sector typically has the worst indicators. This, in turn, warn us against ignoring poverty issues in the estate sector and among the Indian Tamils who are, in many ways, isolated from mainstream society and have limited access to good educational opportunities, public-sector employment and even higher level positions within the plantation sector itself.

Table 1:
Poverty in Sri Lanka by Ethnicity 1990-91 and 1985-86 at Rs. 471.20 Poverty Line

Ethnicity	Pop %	Mean Consump Rs/P/M	Headcount Index	Poverty Gap Index	Gini Coeff
1990 \ 91					
Sinhalese	82.7	788.42	22.62	4.81	29.1
SL Tamil	3.9	1118.83	22.17	5.38	40.8
Ind Tamil	5.0	788.48	10.24	1.72	21.8
Moors etc	8.4	770.74	26.72	6.44	31.6
1985 \ 86					
Sinhalese	85.7	772.33	28.77	6.90	32.3
SL Tamil	3.7	877.23	19.93	4.10	34.9
Ind Tamil	4.8	720.72	18.72	4.33	23.3
Moors etc	5.7	812.76	24.25	6.76	32.4

Source: World Bank 1995 based on HIES

The reported highest incidence of poverty among the Sri Lankan Moors and others poses some analytical problems. It is known that the Muslims are a predominant section of the urban poor in Colombo and certain other areas. However, the upper layer of Muslims and Sri Lankan Tamils are important constituents of the commercial and trade interests in Sri Lanka (Moore 1990). This is manifested in a relatively high Gini Coefficient for the Muslims too. Given their commercial orientation, one could expect them to benefit from open economic policies. Even poor Muslims could be expected to benefit from opportunities like Middle-East employment where their participation is known to be quite high.

As regards changes in the poverty level between 1985 and 1990, while the Indian Tamils and, to a somewhat lesser extent the Sinhalese, show considerable improvement, the Sri Lankan Tamils and the Muslims have seen a deterioration of their condition. This probably indicates the adverse impact of war on these regional minorities. While any beneficial impact of war such as the creation of employment opportunities in the security forces, including the ranks of home guards, may have accrued mostly to the majority ethnic group, it is likely that it is the people living in war affected areas who mainly encounter the adverse effects of the war through displacement, the disruption of economic activities, the breakdown of state-run delivery mechanisms, limited freedom of movement, injury and death of family members with the possible exception of some beneficial impact from the relatively well-funded relief and rehabilitation programs. It is possible that this trend would become clearer if we had data from the Northern and Eastern provinces.

On the whole the available data indicate that while poverty is broad based and not confined to any specific ethnic group, the nature and extent of poverty, as well as emerging trends, may be different for different groups. Most of the emerging and pressing problems of the minority groups can be attributed to the adverse effects of the civil war rather than to any current biases in state policy. This, in turn, calls for closer attention to the variation in poverty within each ethnic group by socially-defined criteria such as caste and gender.

4. Gender and Poverty

The World Bank Poverty Assessment (1995) estimated that about 20 percent of the households in Sri Lanka are female-headed. This study found no statistically significant difference in the incidence of poverty in male-headed and female-headed households. High female literacy in Sri Lanka was identified as an important factor in the observed absence of a relationship between female-headship and family. On the other hand, there were other findings such as lower female participation in the workforce and higher unemployment among females, which called for further studies on the relationship between gender and poverty. Gender-based inequalities in intra-household food distribution were identified as a topic needing further research. A subsequent research conducted with support from the World Bank covering a nationwide sample of male and female-headed households confirmed the finding of the World Bank Poverty Assessment and found that in the rural sector male-headed households tended to be poorer compared to female-headed households judging by the head count index (Aturupane, Rodrigo & Perera 1997).

Detailed ethnographic or survey research conducted in village communities have generated more insights about gender dimensions to poverty in Sri Lanka. According to several studies wages for female casual labourers in the agricultural sector are 25 to 50 percent lower than that for male casual labour in many areas in Sri Lanka (Silva et al 1998, Sirisena 1992). Further, female labour is typically pushed to less paying and more monotonous marginal occupations such as the coir industry (Risseew 1985), metal breaking, road work and weeding of paddy fields.

In new settlements, female members enjoy less land rights due to prohibition of the transfer of land to more than one child (De Soyza 1995). Male preference was also evident in intra household food distribution. De Soyza argued that the bargaining power and independence of women were often constrained by culturally defined notions of *lajja baya* (shame and fear). As mobility of female labour is restricted due to cultural constraints, unemployment and underemployment is more common among women (Hewavitharana 1995).

5. Caste, Community and Poverty

Research in Sri Lanka points to several categories of the poor who are socially marginalized. This includes depressed caste communities (e.g. Rodiya villages), village expansion colonies which are often at the lower end of both class and caste configurations, squatter settlements, fishing communities in the coastal belt, and slum and shanty communities in urban areas.

The caste systems in Sri Lanka (Sinhalese, Indian Tamil and Sri Lankan Tamil) have been described as relatively mild compared to the caste systems in India. The absence of a rigid notion of untouchability and the corresponding forms of social outcasting can be seen as a progressive element in Sri Lankan society. However, "depressed caste communities do exist in parts of Sri Lanka. Besides their inherited disadvantage, lower prestige, and minority status vis-à-vis more dominant caste groups with whom they interact, often they have limited property ownership as a cumulative effect of being the share tenants and bonded servants of high caste land-owning families.

Even though the younger generation in these communities are more educated than the older generations, their ability to take advantage of educational and public sector employment opportunities have been restricted due to their marginal position in society, discrimination in schools and lack of political power. The youth from these communities have been attracted to underground political movements partly due to their own experiences of injustice, discrimination and lack of social dignity (Jiggins 1987).

Some of these communities have been described as concentrated pockets of poverty in rural Sri Lanka. For instance, in their study of village expansion colonies, Moore and Perera (1978) found that much of rural poverty and related social problems, including crime, the illicit brewing of liquor, prostitution and social unrest in general, are concentrated in these congested and relatively inaccessible neighbourhoods characterized by inadequate services, out migration for work and lack of social support. The extent to which these communities may be involved in certain anti-social behaviours can be partially explained as a reaction against their marginal position in society.

The poverty in these rural communities is not merely due to a lack of economic assets. Their poor economic situation is often accompanied by social marginalization, geographical isolation, powerlessness and the inability to access resources controlled by various agencies including the state, NGOs and the private sector. Tied relations with non-institutional money lenders and traders and the inability to access institutional credit and market mechanisms giving better terms of trade can also be seen as further aspects of social marginalization.

6. Dependency Syndrome

The reported dependency syndrome signifies both an excessive reliance on external support for day-to-day survival and a welfare mentality in which too much is expected from the state and/or other agencies with no or a limited sense of obligation on the part of the recipients towards bearing or sharing in the costs involved.

To the extent that people are both materially and subjectively dependent on external agents for their survival their personal drive and initiative are stifled and their capacity to take advantage of opportunities within a competitive market framework is severely hampered. The resulting subjective orientation is typically associated with a widespread perception of the state as an essentially benevolent agency which should not impose any burdens on citizens in general, and the poor in particular. Ralph Pieris who was one of the earliest to examine the dependency problem as a developmental problem in Sri Lanka referred to "an over-generous government distributing welfare services to the masses from whom nothing is expected in return.... Policies to redress this imbalance, to harden a soft state, are resisted by a pampered electorate" (1977: 24-25). Thus the dependency syndrome among the poor can be seen as an outcome of decades of paternalistic welfare policies adopted by patronage politics where the short-term political gains of placating the electorate have taken precedence over achieving the long-term developmental objectives of the country.

To the extent the dependency syndrome may be seen as a negative outcome of decades of welfare-oriented patronage politics, one could expect it to be less pronounced among the politically marginal segments of the population and more pronounced among those in mainstream society. Those who have access to state patronage are more likely to rely on the state to the maximum possible extent and less inclined to turn to a path of self-reliance. On the other hand, those who are excluded from state patronage may turn to other agencies such as the private sector or NGOs and develop a dependency relationship vis-à-vis such agencies unless necessary precautions are taken to prevent such tendencies on the part of the relevant agencies. The primary focus of the current essay is on dependency on the state as it has a direct bearing on the effectiveness of poverty alleviation programs conducted by the state.

The relationship between poverty and dependency is a complex one. The way the dependency syndrome impacts on the perpetuation of poverty in Sri Lanka can be approached from a number of perspectives. First, the extent to which the poor and non-poor are dependent on subsidies of one kind or another and the impact on their incentives to work. If there is any evidence that subsidies serve as a disincentive for work, it may result in the perpetuation of poverty. Second, the extent to which various interventions by the state and NGOs have created a dependency situation where activities initiated by external agencies gradually wear away once external assistance comes to a halt or external support gets extended, more or less indefinitely, beyond the stipulated date of termination of the programs because of continued pressure from various parties. Third, the development of an effective institutional credit program addressing the needs of small producers and micro-entrepreneurs has been hampered by politically-motivated interferences in the credit market and the related problems of developing a credit culture among the poor. Fourth, politicization of grass-root level institutions and their tendency to become dependency structures manipulated by a handful of self-seeking individuals rather than institutions representing the interests of the poor in general. We discuss each of these issues below.

6.1 Dependency on Subsidies and Transfers

Even though Sri Lanka does not have a scheme of unemployment benefits or a comprehensive program of social security comparable to those prevailing in developed western societies, transfers from outside are so significant that one recent study described the rural economy of Sri Lanka as a remittance and transfer economy in which people are heavily dependent on transfers from outside for their day to day survival (Dunham and Edwards 1997). The notion of a remittance and transfer economy is based on the idea that various transfers and remittances account for an increasing proportion of rural household incomes as evident in Table 2.

Table 2
Transfers as a Percentage of the Rural Poverty Line in Sri Lanka

Programme	1985	Year 1990	1992
200 Garment Factories	0	0	4
Overseas Remittances	20-31	21-32	26-41
Food stamp Programme	6	11	8
Janasaviya Programme	0	10	9
Army salaries	5	11	13
Total	31-42	53-64	60-75

Source: *Dunham and Edwards (1997)*

Note: Reference Poverty Line Rs. 471 at 1990 prices

The data given in Table 2 have to be treated with caution due to a variety of considerations. First, the relative contributions from various transfer programs have been computed on the basis of assumed transfers to the poor from various sources of national income under assumptions which may be questionable. For instance, the poorest 30% of the rural population is expected to have obtained 60% of jobs created under the 200 Garment Factory Program, an assumption that may be inaccurate. Second, the aggregate values given in the table may be misleading in so far as households are likely to benefit from different transfer programs, to varying extents, with no households benefiting from all of them simultaneously as is implied by the aggregate figures. For instance, the beneficiaries of the Janasaviya and Food Stamp Programs were mutually exclusive, the former expecting to replace the latter. Third, the various transfer programs may have divergent impacts on the rural economy in so far as some, like income from overseas employment and income from employment in the 200GFP representing opportunities offered by a free market and others, like transfers under the Food Stamp and Janasaviya Programs signify safety nets targeting the poor. Fourth, some recent estimates of the contribution of overseas remittances to poor households based on HIES data for 1990/91 indicate that the actual contribution may be substantially lower than estimated in Table 2.

Despite these limitations, these data clearly indicate that transfers play an increasingly important role *vis-à-vis* the rural poor. Transfers under the two poverty alleviation programs at the time were estimated to account for 20% of the incomes of the poorest 30% of the population. On the other hand, incomes from the army have gradually increased from 5% of poverty line incomes in 1985 to 13% in 1993. The transfers from the army are likely to have increased more substantially since 1994 due to increased recruitment as well as due to increased compensation paid to war widows and those injured in war. It is important to note that the war-related transfers may be more significant for those in the majority ethnic group and less so for those living in the war-affected areas. On the whole, the transfers from government sources constitute about 30 % of poverty line incomes since 1990. The actual dependence of poor households on subsidies and transfers may be considerably higher as one has to add transfers under relief and rehabilitation programs, direct and indirect assistance by NGOs under various programs as well as hidden subsidies included in various government-assisted programs in agriculture and rural development.

Dunham and Edwards argued that the rural economy of Sri Lanka has become heavily and increasingly dependent on transfers from outside and it is this that has enabled people to survive in the face of an agrarian crisis. They also characterized it as a vulnerable and brittle economy because employment opportunities in the Middle East and in the army may be unstable and risky.

Further, they held that the rural poor would not respond positively to the moves for commercialization of agriculture because of the very nature of the remittance and transfer economy. For instance, they claimed that the policies proposed by the World Bank Poverty Assessment (1995) and subsequent World Bank Study on Non-Plantation Crop Sector Policy Alternatives (1996) for stimulation of land, water and labour markets will not work in the expected manner because of the possible counter effect of transfers. There is no indication that they would feel the need to sell their land (if they have any) even with a more efficient land market: there is no reason to believe that concessionary input credit would make a difference to the poor--there is no evidence that transfers have been fed productively into agriculture (Dunham and Edwards 1997: 39).

Another important issue is what impact the various subsidies have on labour productivity and wage levels among the poor. In an article titled "The Effect of Food Subsidies on Labour Supply in Sri Lanka", Sahn and Alderman (1996) estimated using results of the 1978/79 Consumer Finance and Socio-Economic Survey that men will work 2.4 and 2.7 fewer days per month in urban and rural areas respectively, if their households received the food subsidy. For women, the comparable figures were 3.2 and 3.1 respectively. In the rural sector, the disincentive effect measured by the number of work days forgone was greater for those on higher wage levels. For example, for men whose predicted wage was 1 SD above the mean, the expected reduction in days worked was 2.9 while for women it was 3.7. In the rural sector, the value of the work forgone was estimated to be about one-third of the value of the food subsidy indicating that poverty alleviation gains of the food subsidy were, to some extent, offset by this disincentive effect. One has to remember that the study quoted only estimated the disincentive effect of one of the several subsidy/transfer programs being implemented simultaneously. It can be expected that the cumulative effect of multiple subsidies dampening labour supply is considerably higher and that it has multiple implications for labour productivity, wage levels and the persistence of poverty in the rural sector.

There is further evidence regarding the disincentive effect of subsidies in certain program evaluations and village level studies. An increased tendency for labour shortages in agriculture and in domestic help was reported by certain commentators on the Janasaviya Program (Hettige 1996).

6.2 Dependency Resulting from Development Interventions

A variety of development programs in Sri Lanka, including certain poverty alleviation programs, have encountered problems during their implementation due to the dependency attitude gradually fostered among the program participants. The Janasaviya Program was a good example where transfers had to be continued beyond the stipulated two-year period within which the poor were expected to develop income-earning opportunities with the assistance of various mobilization programs and the compulsory saving of part of the monthly entitlement under the program.

As the expected exit out of poverty did not take place at the end of the two years directly covered by the program, nearly all the program beneficiaries were continuously given a fixed monthly payment of Rs. 250 supposedly as an interest payment on the accumulated compulsory savings. Despite many assurances to the contrary and the understanding that direct transfers would cease at the end of the second year under the program, the Janasaviya Program failed to cut the umbilical cord and eliminate dependency on the part of the poor. Similar experiences have been reported in a variety of other government programs as well as in several NGO-assisted programs. For instance, assistance provided by the Sarvodaya Movement under its lifeline program had to be continued beyond the targeted end of the program despite budgetary constraints and donor pressure to terminate it due to the continuous demand from project staff and village-level beneficiaries (Ariyaratne 1989).

Similarly, the Plan International had to delay its withdrawal from several project areas because of the inability of the community structures carefully built for the purpose of continuing the development work initiated by this international NGO to successfully continue the relevant activities. The dependency syndrome associated with these development interventions reveals a situation where the programs find it difficult to terminate their direct assistance within the targeted period due to the pressure for continued assistance from the beneficiaries.

Another important dimension of the dependency syndrome has to do with the failure of community organizations to successfully maintain the common physical amenities built by external agencies with the assistance and participation of local people. For instance, the Slum and Shanty Upgrading Program in the Ministry of Housing often found that the common drinking water taps and latrines built in urban low-income communities are badly maintained by the community organizations and local personnel trained for the purpose with the result that these facilities become unusable after they are handed over to the relevant communities. Similar experiences have been reported by the World Bank-assisted Water and Sanitation Project under the Ministry of Housing.

A carefully designed social mobilization program implemented through local NGOs and community-based organisations has been included in this project. While it has facilitated the successful implementation of the project in the construction phase, the results during the maintenance phase appear to be less convincing. Many infrastructural development efforts of NGOs, including those built with considerable input of *shramadana* labour drawn from the target communities themselves, have experienced various difficulties in fostering successful community management and maintenance of the physical infrastructure constructed with considerable cost to the agencies and the communities concerned (Hewavitharana 1995).

The dependency described in the preceding paragraph refers to a situation where the communities and program beneficiaries actively participate in the interventions in so far as they receive some direct material benefits but fail to continue the momentum and take the necessary responsibility for maintaining the physical infrastructure built under such interventions due to a range of factors including loss of faith in community initiatives, technical constraints and the low priority given to issues such as water and sanitation in relation to more pressing needs.

6.3 *Dependency Syndrome as an Obstacle to Promoting Institutional Credit*

Programs for promoting institutional credit among the poor have encountered specific problems due to the dependency syndrome. In Sri Lanka the role of the middleman (*mudalali*) in the rural economy is depicted in two contrasting ways depending on one's ideology. In the more popular view, the *mudalali* (literally "the lover of money") is typically portrayed as a villain. According to this view, small producers are often trapped in a cycle of debt vis-à-vis the traders and money lenders who use a range of strategies, including the supply of consumer goods and inputs on credit, the collection of produce at the farm gate, the simultaneous involvement in input supply, the retail trade in consumer goods, transport services, the provision of credit and the purchase of produce and the use of force to maintain trade monopolies in remote areas. It has been shown that there is far greater exploitation of small farmers at the point of distribution rather than at the point of production (Gunasinghe 1986). The traders have been described as usurers with an exploitative rather than a transformative role in rural society (De Soyza 1995). Small farmers, in poorly accessible areas in particular, depend heavily on a few monopolistic traders for input, credit, the supply of consumer goods and the sale of farm produce. As a result they are often compelled to pay above market prices for inputs and other commodities while receiving below market prices for their farm produce, experiencing highly unfavourable terms of trade in the process. Some studies indicate that in the case of farm produce, retail prices can be as much as 300% higher than farm gate prices (Gunawardena & Chandrasiri 1980).

A recent study found that in some farming areas (e.g. the more remote villages in Pata Hewaheta and in Mahaweli System C) trade monopolies are maintained through use of physical force against new traders entering the respective locations (Silva et al 1998). The absence of strong organizations among small farmers makes it difficult for them to negotiate effectively for better terms in their dealings with these monopolistic traders. The inability of small farmers to break away from the debt cycle has been identified as a key factor in rural poverty and problems of livelihood security in rural areas (CARE 1997).

Some studies, however, point out that the mudalalis are not as exploitative as portrayed in populist accounts, that they play an important role in expanding rural markets, that the profits they make are in keeping with the risks they take and that they may be more efficient compared to institutional lenders in providing credit and other services at the right time and in the recovery of their credit. For instance, it has been shown that the extensive marketing network built by traders has been primarily responsible for the expansion of market gardening of vegetables in the Nuwara Eliya and Kandy Districts (Silva 1992). This, in turn, compels us to take a more balanced view of the role and function of middle men in the rural economy. On the whole, it appears that the truth lies somewhere in between these two extreme viewpoints. While the mudalalis tight grip on the rural economy must be seen as an important constraint for economic development and poverty alleviation in some contexts, the mudalalis may also be identified as the frontier of market-led growth in certain other situations.

Nevertheless, the fact remains that the institutional lenders continue to play a more limited role in rural credit markets, particularly in relation to the rural poor. Providing financial services to the poor and liberating them from the clutches of the middleman have been the explicit objectives of state owned commercial banks in Sri Lanka. However, there is overwhelming evidence that commercial banks have had limited success with agricultural credit in the small farmer sector. High default rates on cultivation loans have often compelled the state banks to curtail their involvement in rural credit (see Table 3).

Table 3

Cultivation Loan Scheme: Hambantota District - Comparison of Recovery Rates

Crop Season	Bank of Ceylon		Peoples Bank		RRDB	
	Released Rs Mil	% Recovered	Released Rs Mil	% Recovered	Released Rs Mil	% Recovered
1987 Yala	2.7	90.5	5.7	72	0.5	95
1987/88 Maha	9.8	50.0	14.4	47.3	2.2	69
1988 Yala	4.2	75.4	4.9	74.0	1.5	82
1988/89 Maha	5.2	81.6	7.8	82.4	3.4	84.4
1989 Yala	5.6	91.3	6.9	80.2	4.0	95

Source: Jayamaha 1990

Low repayment rates on cultivation loans, in turn, can be attributed to the dependency syndrome since farmers apparently do not have the same compulsion to repay loans from public sector institutions compared to debts taken from private traders. While politically motivated dispensation of cultivation loans, particularly on the basis of election pledges, had its impact on farmer attitudes towards repayment of such loans, the tendency on the part of the rural borrowers to see credit from state banks as indirect subsidies rather than commercial credit has hampered the success of institutional credit in rural Sri Lanka (Jayamaha 1990). Political influence on the lending policies of state banks as well as the related public perception of malleability and softness of state-funded programs have crippled their role in rural financial markets.

There are some useful lessons to be learnt from recent efforts to inculcate a credit culture through social mobilization and related group savings schemes in Sri Lanka which will be discussed later in this essay. Organizations such as SANASA as well as new initiatives by certain commercial banks have demonstrated that, with considerable effort and careful selection of savings and lending policies, financial discipline and a credit culture can be successfully promoted even among the rural poor. Often times these agencies have had to counter the legacies of state policies and programs with accumulated negative experiences in regard to financial accountability, transparency and credit discipline. How far the rural poor as against the rural middle classes have benefited from such credit programs, however, is not evident from the available data. On the whole, the participation of state agencies in rural credit markets has been detrimental to the development of a credit culture among the rural poor.

7. Dependency Structures

One of the key problems affecting poverty alleviation work and related development efforts in contemporary Sri Lanka is the absence of viable grass-root level institutions articulating the interests of the poor within a non-partisan framework. Each government department and programme and each of the NGOs addressing the problems of development has tended to establish its own community organizations leading to duplication of activities, competition and conflict rather than collaboration with the formation of dependent structures controlled by a core of self-seeking individuals and which are, by definition, unstable in character. The tendency on the part of each successive government to create its own grassroots level institutions to accommodate its political activists at the village level and victimize any local leadership affiliated with the outgoing government has further contributed to organizational chaos in rural Sri Lanka.

A consequence of these processes has been that most rural institutions, whether these are seemingly neutral organizations such as Farmers Organizations, Cooperative Societies and Sarvodaya Shramadana Sangamaya or more politically attuned organizations such as Gramodaya Mandalaya or Samurdhi Balakaya, are largely utilized by those active in them for their own personal gain to access scarce resources distributed through them rather than as public forums addressing common problems of poverty and underdevelopment. The scarce resources channelled through these organizations include subsidies for various agricultural pursuits, contracts for infrastructural development such as village irrigation works, access to crown land of one type or another and access to training and public sector/NGO employment. While some organizations have evolved in response to grass-root level needs, often (though not always) they are co-opted into patronage politics making it difficult for them to serve the population at large. Politically neutral organizations are gradually marginalized and more or less excluded from the services of various public sector agencies. Many of the village-level branches of leading NGOs experience difficulties once they seek to remain politically neutral. Moreover, such organizations too can quickly become dependency structures serving to tap resource flows of outside origin. A small village leadership is in control of most of the rural institutions and often they project an image of broad-based community organization though, in reality, they may merely perpetuate dependencies vis-à-vis external support organizations. Those who are excluded from these organizations tend to see them as instruments of discrimination and institutional bases of craft and corruption (Silva & Nanayakkara 1997b).

This analysis of rural organizations points to the need for organizational development as a prerequisite for successful poverty alleviation.

8. Lifestyle of the Poor

We know that the poor are often victims of circumstances but this image is not so helpful when it comes to the issue of understanding how their own behaviour may at least partially contribute to the perpetuation of their poverty. This, in turn, makes it necessary to take a closer look at the lifestyle of the poor. While it would be wrong to blame the victims or morally condemn particular lifestyles, it is important to realize that improving income is not sufficient to bring down poverty levels in some instances. In the analysis pursued here, lifestyle issues that have a potential bearing on poverty are raised in relation to five subpopulations and, finally, an in-depth analysis will be done of the role of alcohol and smoking as an emerging aspect of the lifestyle of the poor. Among the groups with poverty-related lifestyle issues, the urban poor, new settlers in irrigation schemes, village-expansion colonies and Middle-East returnees received special attention in this study.

As regards the urban poor, their incomes from informal sector activities like pavement hawking, small business and illicit operations are often quite high though unstable. However, improper management of finances, habits (alcohol and drugs in particular), marital instability, domestic violence, crime, and problems with law enforcement agencies often perpetuate their condition. Studies have attributed such features to a culture of poverty transmitted within the relevant communities from generation to generation, giving rise to a subculture promotive and supportive of such practices (Silva & Athukorala 1992). Among the psychological tendencies attributed to this subculture are the compulsion for immediate gratification in place of saving for future use, the lack of future planning and explicit aggressiveness. Some of these behavioural attributes may be seen as a reaction on the part of the urban poor against the marginal position in which they find themselves and a manifestation of their poor living conditions such as inferior housing and the lack of basic amenities. Therefore, much of the poverty alleviation efforts aimed at the urban poor have concentrated on slum and shanty upgrading, with some emphasis on social mobilization and community development.

Poverty-related lifestyle issues have also been mentioned in relation to new settlers in irrigation schemes including the more recent Mahaweli Project built with massive donor support and heavy investment by the state. Since the 1960s, patterns of wasteful expenditure have been reported among colonists in irrigated areas, particularly during seasonal peaks of income (Amunugama 1965, Siriwardena 1981, Hettige 1993). During times of good harvests, average colonists tend to waste money on alcohol and other vices, invest money in over-ambitious housing improvements, luxury items and consumer durables only to abandon housing projects or mortgage or resell consumer durables at a fraction of their actual cost to unscrupulous traders during the lean months when they are confronted by cash flow problems. Instead of investing in farm improvement, agricultural machinery or other income generating activities (for instance, livestock) or saving exceptionally good incomes from better harvests which could potentially lead to permanent improvements in their livelihood, the observed pattern of consumption behaviour reportedly contributed to a gradual deterioration of their condition. It has been argued that their consumption behaviour directly or indirectly pushes them into indebtedness and gradual impoverishment, from the ownership of a fairly secure irrigated landholding of economical size to partial or complete landlessness including hidden tenancy in time to come (Siriwardena, De Soyza 1995). Some observers argue that the reported consumption behaviour of the colonists may be justified on the grounds of their background and frontier mentality, the drudgery of work, the lack of entertainment opportunities and competition for social status among previously unknown people in the new settlements (Moore et al 1983, De Soyza 1995). However, the fact remains that despite heavy investment by the state in the development of irrigated settlements, some of the prime beneficiaries of such investment often fail to take full advantage of the available opportunities in part due to their lifestyle choices.

According to available accounts, the lifestyle in village expansion colonies is much like that in urban slums and shanties with a heavier focus on illicit operations like the brewing of illicit alcohol, prostitution and gambling. Moore and Perera (1978) who conducted intensive field research in these communities concluded that sanctions against theft, violence, drunkenness and other anti-social behaviour were less in the colonies than in the old villages. The greater physical isolation of the village-expansion colonies compared with urban slums along with their poorer accessibility, greater social marginalization as the rural outback and lack of secure employment opportunities have led to a lifestyle much condemned by surrounding rural populations. In estate communities, the income levels are also generally high due to the availability of regular wage labour opportunities for both men and women. This is reflected in the lower levels of consumption poverty in the estate sector. However, the quality of life in the plantations is relatively poor as reflected in their housing conditions, higher infant mortality and lower literacy rates. The lifestyle issues important in estate communities include heavy expenditure on rituals and social events, a high level of alcohol, tobacco and betel consumption (to be discussed in greater detail in the next section of this essay) and poorer hygienic practices leading to high morbidity and mortality rates. These lifestyles have complex interactions with their poorer quality of life, marginality and ability to participate in mainstream Sri Lankan society.

The Middle-East returnees may be seen as a separate group from the perspective of lifestyle choices because many of them come from impoverished rural and urban backgrounds and the way they spend their substantial incomes may be important with regard to their ability to exit poverty as a result of overseas employment. Most available research indicates that only a small proportion of Middle East returnees have improved savings and improved investment patterns following their return from overseas work (Marga 1996). While it no doubt leads to a temporary boost in consumption patterns, substantial investment in housing improvements and the opening up of an avenue of upward mobility for a poorer segment of the population, its significance as a means of generating capital for micro enterprise has been quite limited. On the other hand, remittances have often been used to increase alcohol consumption, gambling and other vices by male partners of the women who are abroad (Jayamaha). This, together with the potential disruption to family life and the negative impact of the mother's long-term absence on children who are left behind, points to serious problems associated with this new employment avenue. It is, however, important to point out that despite these problems the attraction for middle-east employment has remained quite strong for men and women from poorer backgrounds.

Certain general points emerge from this discussion of lifestyle issues relating to specific segments of the poorer population in Sri Lanka. First, they all share a socially marginal position and in some ways their lifestyles reflect a reaction to their marginal situation. This, in turn, implies that a certain degree of empowerment is necessary if they are to successfully join mainstream society. Second, with the exception of the village expansion colonists, the difficulties of the other groups cannot be attributed to income deficiencies per se but rather to the way they spend their incomes and organize priorities in life. One may argue that their poverty is connected to expenditure rather than income-related. In the end, a change in lifestyle is needed if they are to improve their quality of life. There is some evidence that many of the lifestyle issues have surfaced more seriously in recent years, suggesting possible linkages with economic liberalization and related adaptations of marginal subpopulations to expanding market forces. This, in turn, will be examined in somewhat detail later in this essay. Fourth, none of these examples shows any systematic effort to address lifestyle issues on the part of the state or NGO sectors. The alleviation of poverty in these instances may require participatory methodologies and a high degree of sensitivity towards their own explanation of their behaviours.

9. Poverty, Alcoholism and Other Addictive Behaviors

Habits such as alcoholism, drug addiction, smoking and betel chewing deserve special attention due to their possible impact on poverty. One or more of these behaviours were reported in each of the five population subgroups examined in the previous section. We review here some of the data relating to the consumption of alcohol and other addictive substances in order to determine its potential impact on poverty.

In assessing its impact on poverty alcohol and substance abuse must be approached from several angles including the diversion of funds away from basic needs, the health consequences of addictive behaviours and the impact on labour productivity, on domestic violence and crime, on social marginalization and on life in general. On the other hand, the economic significance of the alcohol and tobacco industries in generating employment cannot be disregarded.

Macro-level data relating to the consumption of licensed alcohol reveal that per capita alcohol consumption in Sri Lanka steadily increased from 1989 to 1995 (see Table 4). This, in turn, may be seen as an outcome of multiple factors including the aggressive promotion of alcohol, the increased availability through recent expansion of licensed outlets, the increasing purchasing power of the population at large and increased emotional and social stress all of which may be directly or indirectly related to the program of economic liberalization. It must be noted that the published data on alcohol consumption excludes illicit alcohol widely consumed by the poor in rural, estate and urban areas.

Table 4

Total and per capita consumption of alcohol per annum in litres 1989-1995 Sri Lanka

Year	Arrack & Processed Arrack mil.l	Toddy (Incl. Bottled Toddy) mil.l	Malt Liquor (Beer, Stout) mil.l	Wine mil.l	Other spirits mil.l	Total per annum mil.l	per capita Consumption litres	Population > 000
1989	29.511	9.809	7.894	0.240	0.738	48.192	2.864	16.825
1990	37.244	11.466	9.116	0.302	1.120	59.248	3.487	16.993
1991	46.332	10.722	9.563	0.240	1.627	68.474	3.970	17.247
1992	51.953	11.752	10.563	0.032	1.706	76.006	4.367	17.405
1993	48.976	13.286	10.847	0.027	1.680	74.816	4.246	17.619
1994	55.000	11.899	10.975	0.223	2.552	80.649	4.514	17.865
1995	66.520	4.888	12.608	0.359	2.776	87.151	4.812	48.112
% Increase over 1990	78.60	-57.40	38.30	18.90	147.90	47.10	38.00	6.60

Source: Sri Lanka Excise Department

NB * Other spirits includes whisky, brandy, gin, rum, vodka etc.

According to one estimate, nearly 90% of liquor consumption in certain dry zone districts is of illicit brews (SOBER 1998:28). In addition to the significance of illicit alcohol, in assessing figures on per capita alcohol consumption it is important to note alcohol consumption is not common among females in Sri Lanka except in estate communities. In conformity with data on alcohol consumption, data on alcohol-related morbidity and mortality in Sri Lanka also reveal a parallel increase in the 1985-1995 period (see Table 5). Alcohol related offences too reveal a similar trend.

Table 5

Chronic liver diseases - Sri Lanka 1975 - 95

Year	Number of		Per 100,000	
	Cases	Deaths	Cases	Deaths
1975	5700	508	42.2	3.8
1976	4523	355	33.0	2.6
1977	4269	333	30.6	2.4
1978	4265	334	30.1	2.4
1979	5757	473	39.8	3.3
1980	4766	491	32.3	3.3
1981	4742	502	31.9	3.4
1982	4691	526	30.9	3.5
1983	5489	586	35.6	3.8
1984	6477	606	41.5	30.9
1985	7134	623	45.0	3.9
1986	7575	781	47.0	40.8
1987	7832	580	47.9	5.2
1988	9211	1025	55.5	6.2
1989	10063	1069	59.9	6.4
1990	9330	929	54.9	5.5
1991	8663	956	50.2	5.5
1992	8077	793	46.4	4.6
1993	9423	1068	53.5	6.1
1994	8894	999	49.8	5.6
1995	9955	1345	55.0	7.4

Source : SOBER 1998

The available data indicates that the prevalence of addictive behaviours is quite high among the low-income groups. A survey conducted in Hambantota by SOBER, an anti-alcohol NGO, found that 60% of families supported by the Janashakthi Programme had at least one member addicted to alcohol or smoking (SOBER 1997). In another survey it was found that 43% of shanty dwellers in Colombo were alcohol users, the majority of them being daily users (ADDIC 1994). In the estate sector, the prevalence of alcohol use was found to be 65% among adult males and 42% among adult females (ADDIC 1995a). A study covering 6 districts found that the male prevalence rate was considerably higher in the dry zone districts of Moneragala (66%), Hambantota (55%) and Polonnaruwa (55%) (ADDIC 1995b). In a representative sample of 2445 households in Mahaweli System H in a study conducted by the NDDCB, 37% had at least one regular consumer of alcohol (Pereira 1992). The same study found that 85% of households had at least one member who had consumed indigenous medicines containing alcohol (tharalasaraya) or marijuana (madanamodakaya). In an intensive ethnographic study of one settlement unit in Mahaweli System H, De Soya reported:

Alcohol use in the H system is both high and rising. But in the absence of comparative data on alcohol and drug abuse within and outside the frontier zone, we cannot conclusively state that their use is higher in Mahaweli areas. Whereas drug abuse is concentrated in rural areas, in all probability consumption of alcohol is higher in the frontier zone. The rough climatic conditions and physical terrain, economic strife, depression and sheer boredom have meant that with closure of the frontier poor male settlers are prone to temporarily escape their misfortune by turning to drink (1995:346).

National level data on per capita or household expenditure on alcohol and tobacco smoking are somewhat misleading due to the possible under reporting of alcohol expenditure in a survey of consumption practices. In the first round of the HIES of 1993, the percentage of per capita expenditure on alcohol and tobacco was found to be 3.8 with the estate sector reporting the highest percentage of per capita expenditure on substance use (see Table 6).

Table 6

Percentage of Per Capita Expenditure on Alcohol and Tobacco by Sector

Sector	% of Per Capita Expenditure
Urban	2.8
Rural	4.1
Estate	8.5
All Island	3.8

Source: HIES 1990/91

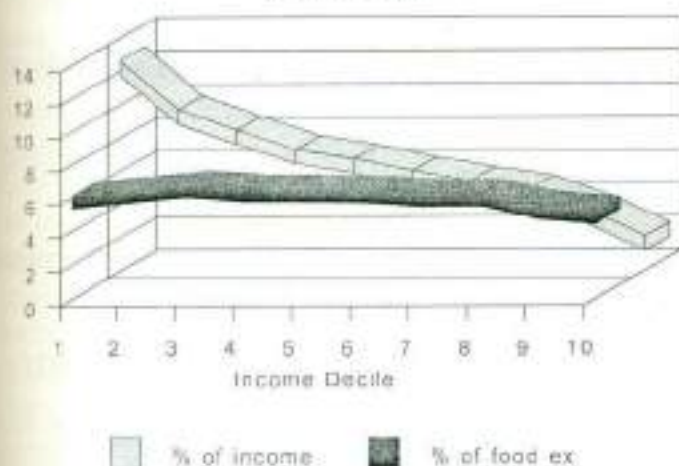
Comparison of expenditure on alcohol and tobacco among various income deciles indicate that the percentage of income spent on substance use tends to be higher in lower income deciles, with the lowest income decile reporting 12.25% of income diverting to substance use as compared to 1.6% for the highest income decile (see Figure 2). The percentage of food expenditure diverted to substance use indicates a somewhat similar pattern particularly from the third income decile upwards. On the whole these data suggest that the impact of substance use on the expenditure pattern in general is greater in lower income groups where a substantial share of limited incomes appear to be diverted to maintaining the addictive behaviours of one or more adult household members (usually the male head of the household).

Various micro studies indicate that the actual expenditure on alcohol in low-income households may be substantially higher than those reported in HIESs. In a study of urban shanty households ADDIC found that they spent nearly 30% of their monthly expenditure on alcohol alone (ADDIC 1995a). Hettige (1993) found a similar pattern among new settlers in irrigation schemes.

There is no data regarding any positive impact of substance use for employment generation among the poor. It appears that the illicit liquor industry is largely controlled by a few powerful individuals with some participation from low-income families drawn from fringe communities in urban and rural areas.

% of Inc & Food Exp on Alc & Tob

1990-91 HIES



the primary motivation for earning an extra income from estate or off-estate work with the result that living conditions remained unchanged or even worsened with improved income attributed to incentive payments and to the opening up of off-estate employment opportunities. Alcohol was perceived as a pain killer and a coping strategy adopted by the estate labourers to season their bodies and minds to the physically demanding work schedule more strictly enforced by the new management companies in the estates, particularly where tasks assigned to men, such as the pruning or uprooting of tea bushes, is concerned. In the FGDs the estate residents also mentioned that alcohol helped them forget their daily share of worries and the deplorable living conditions associated with the labour lines (see Figure 3).

The cold and damp conditions in upcountry estates were also mentioned as a factor conducive to regular alcohol use. The women were routinely given a dose of alcohol after child delivery extending the notion of alcohol as a remedy for all kinds of body pains including labour pains. Among the negative effects attributed to alcohol were the drain on household income, the diversion of funds from basic needs, absenteeism from work due to the after effects of alcohol consumption, indebtedness, domestic violence, adverse health effects such as ulcers in the bowels and cirrhosis of the liver, and problems with police and supervisory staff.

These data indicate that alcoholism and other addictive behaviours may be an important factor in the perpetuation and intensification of poverty in certain subpopulations in Sri Lanka. It also highlights the need to initiate participatory processes as a means of stimulating lifestyle change and encouraging reflection on their own behaviour among the relevant subpopulations.

10. Voluntary Unemployment and Labour Shortages in Selected Industries

The simultaneous presence of voluntary unemployment and labour shortages in selected industries can be seen as an important problem confronting a growth-oriented approach to poverty alleviation. Labour shortages for rubber tapping, coconut plucking and tea plucking have been reported in some areas. In the estate sector, educated youth are unwilling to take up employment as wage labourers. This is an important area that needs further research. The available literature indicates the following views.

1. Poor social status associated with these occupations is a key factor in the prevailing attitudes towards such employment (Jayasena 1998).

2. The availability of smallholdings of land makes it possible for people to have a choice in regard to the types of wage labour employment which they are prepared to undertake (World Bank 1996).
3. The disincentive effect of transfer programs and subsidies may be an additional factor in the rural sector.
4. The skills needed in these occupations cannot be acquired quickly. On the other hand, there are no vocational programs to disseminate these skills.
5. With the expansion of educational opportunities, the type of people who were prepared to take up relevant employment may be decreasing in number in the labour force.

11. Social Mobilization, Social Capital and their Impact on Eliminating Social Bases of Poverty

Sri Lanka has a great deal of accumulated experience in regard to self-help promotion at the grass-root level. Several government departments, including the Department of Rural Development, the Department of Cooperatives and the Department of Agrarian Services, sought to mobilize rural communities as part of their agenda in the respective sectors. These arms of the state have had limited success in promoting the broad-based participation of the poor and the socially marginalized due to a range of constraints such as the top-down approach, inefficiency, increased politicization and inevitable resource limitations in the public sector. The Change Agents Program introduced by the Ministry of Rural Development in the 1960s, led to the popularization of a more participatory approach but it could not overcome the structural constraints mentioned above.

From the 1950s a more spiritually inspired and culturally informed community mobilization was spearheaded by the Sarvodaya Movement and its spin-off groups. This social movement received much support from international donors from the 1970s and it grew in strength, resources and visibility to become a more or less parallel government with a top-heavy structure. The appeal of the Sarvodaya Movement lay in its charismatic leadership, spiritual orientation, the opening of opportunities for educated youth who were looking for a meaningful role in society, a participatory approach and concern with the socially marginalized. Mobilization of voluntary labour through shramadana (literally, "donation of labour") helped built social capital in the form of tank rehabilitation, road construction, the establishment of community-based water supply schemes and the expansion of pre-school education. However, by the early 1980s, the movement encountered a range of insurmountable problems due to heavy dependence on foreign aid, which was inconsistent with the declared objective of promoting self-reliance, problems of financial management, and hostility from ruling political parties, internal conflicts and labour disputes. More fundamentally, the ideologically rather than economically-informed shramadana approach, viable in a labour-surplus traditional social setting, presented difficulties within a liberalized economic environment (Silva 1996).

The social mobilization program under the World Bank assisted Poverty Alleviation Project (1991 to 1997) deserves attention from a variety of points of view. First, it was perceived as a constituent of a growth-oriented poverty alleviation approach, which was in keeping with liberalization policies (World Bank 1998). Second, it was implemented through an apex agency later to be called the National Development Trust Fund (NDTF) created along the lines of a social investment fund to sponsor, coordinate and monitor activities conducted by various partner organizations representing the Government, NGO and private sectors. It sought to create a much-needed collaboration among GOs, NGOs and the private sector in the fight against poverty. Third, it had four parallel and mutually supportive programs consisting of credit and micro-enterprise development, human resource development (which included social mobilization), rural works and nutrition activities. Fourth, all its activities were officially guided by a community-oriented participatory approach.

In this essay we do not attempt to make a comprehensive evaluation of NDTF or even its social mobilization programs as several such evaluations from varied perspectives are currently available (World Bank 1998, Gunatilaka 1996). We will briefly comment on several aspects of the project that have a direct bearing on the key themes of this paper. In its recent evaluation of the program, the World Bank commented that over 1.1 million low-income households were reached, with beneficiaries organized into about 177,000 small groups. Beneficiary targeting was sound, with a majority of beneficiaries coming from households below the poverty line. The social mobilization efforts contributed to enhanced social capital in low-income communities, one of the implicit objectives of all social fund projects. The participatory approaches used by NGOs/POs (as compared to previous top-down and paternalistic approaches towards community development) resulted in improved bargaining power and self-reliance among the poor (1998:v-vi). An independent evaluator, however, reported herding people into small groups, as has been done, cannot be considered as true group formation. Sustained mobilization and impact have been found to be generally weak and inadequate for the functioning of the credit, community projects and nutrition programs. (Gunatilaka 1996: 13). The program had considerable success in promoting group savings with annual saving per group member rising from Rs. 300 in 1994 to Rs. 670 in 1997 and a total saving of Rs. 472 million as of 1997. On the other hand, as has been the experience with most other social mobilization programs in Sri Lanka, the project had limited success in promoting income generation among the poor with only 37% of the micro enterprises established with project support surviving beyond three years of operation (World Bank 1998, Gunatilaka 1996, Hewavitharana 1995).

As regards reaching marginal social groups, there is some evidence that the program indeed reached some of the marginal social groups. The social mobilization program, in particular, has been able to reach women, with 72% of small group members engaged in group saving activities being women (World Bank 1998: 87). This is also supported by a detailed study of the Janashakthi Banking Societies (JBS) Program often understood to be the most successful social mobilization outcome of the project. In his detailed assessment of JBS Hewavitharana noted that the two things of primary importance in the JBS movement are that it is an approach for the development of the poor and the poorest of the poor as defined by the eligibility criteria for Janasaviya benefits and that its membership is exclusively for the women of such households. On these grounds, it logically gets into a position to tap whatever potentialities the wife-mothers from poor households possess (1995: 10). While the success of JBS in Hambantota indicates that NDTF programs had an impact on spatially marginal frontier regions, its impact on other forms of social marginalization such as gender and caste is not clear from the available data. Its impact on minority ethnic groups may have been limited by the fact that it was operative in conflict-free zones covering 18 of the 25 districts. While presumably politically neutral NGOs were the main thrust of the NDTF activities, it was by no means free of political influence. The World Bank evaluation noted that opponents of the government actively sought to hinder project operations, while some supporters of the government sought to use project funds to extend political patronage (1988: iii).

The available data indicate that the project had both a positive and negative impact on the dependency syndrome among the poor. The heavy dependence of the NGOs on NDTF, their weak financial management and the collapse of several NGO partners once the program came to an end suggest that, despite social mobilization and the involvement of NGOs as partner organizations, the experience of NDTF was no different from that of many other state-funded welfare programs. On the other hand, there is considerable evidence from several sources that the group saving program, in fact, promoted a high degree of credit discipline. Hewavitharana reported that it is to the credit of the institution of the group of five that it has been able to contribute to the establishment of a credit-discipline culture which has eluded even those rural credit schemes that were subsidized, unlike the JBS's credit, and had as their clientele not the asset less poor, but the asset-owning small-scale agricultural producers (1995:27).

He also described the JBS mobilization program as a commerce-oriented mobilization program seeking to promote private gain and profitability of operations. He, however, warned that a disproportionate dependence on exogenous funds as a source of credit could promote a receiver mentality that would be inimical to the evolution of a credit culture.

One can only speculate about the potential impact of the NDTF program and other similar social mobilization programs on the lifestyle of the poor. To the extent that it promoted credit culture, it is likely that it led to a decline in any wasteful expenditure. Hewavitharana notes that the overall empowerment of women through the small group process and collective sanctions on the part of women assaulted by husbands served to reduce domestic violence and, by implication, alcoholism on the part of women. Similar results have been reported in other situations of women's mobilization as well (Risseuw 1995).

While the results of the NDTF social mobilization program were mixed, it does point to the fact that a properly-implemented social mobilization program can play a useful role in addressing some of the social aspects of poverty while also stimulating some degree of economic growth within a framework of atomistic capitalism (Hewavitharana 1995).

Conclusion and Recommendations

In addition to slow economic growth, which has progressively curtailed the capacity of the Sri Lankan state to provide basic services and maintain the required level of social expenditure, the politicisation of state apparatus has tended to distort and dilute the impact of state policies and programs vis-à-vis certain marginal sections of the population. On the other hand, social barriers such as gender, caste and social prejudice have added to the social marginalization of the poor and made it difficult for some segments of the population to take advantage of opportunities offered by the welfare state. Dependency and lifestyle issues indicate that the poor in general, and the socially marginalized in particular, may shift from one form of dependency to another and indeed to potentially harmful adaptations to markets in certain situations. On the other hand, in the post-liberalization era, the socially marginalized have been increasingly attracted to opportunities offered by market forces such as Middle East employment which, in turn, tends to have a liberalizing and mainstreaming effect vis-à-vis these marginal groups. The impact of the war is evident from the significance of transfer incomes from the army for the poor in conflict-free zones, possible increases in poverty and marginalization among people living in war-affected areas and any diversion of funds from social expenditure to financing the war. The results of social mobilization programs are mixed, but they do offer some prospects for overcoming social marginalization, dependency and poverty-related lifestyle issues while also promoting economic growth.

The findings of this study lead to the following recommendations regarding policy and program development.

1. Work towards the depoliticisation of poverty alleviation programs and institute policies/programmes unlikely to change with a change of government. In this regard it is important to re-examine the viability of a properly constituted apex agency operating in partnership with government agencies, NGOs and the private sector. While the experience of NDTF can be taken into account, we need not replicate the same structure.
2. Reduce the adverse economic and social consequences of war and civil disturbances. This may include support for the decentralization of power, the promotion of civil society, infrastructural developments in areas where civilian rule is re-established and the promotion of human rights.

3. Conduct social mobilization and empowerment programs targeting marginalized social groups. Participatory methods can be used with a view to reducing dependency and promoting healthy lifestyles.
4. Provide increased recreational facilities on estates and to frontier populations so as to provide them with attractive alternatives to harmful addictive behaviours.
5. Start income generating programs targeting Middle-East returnees. These programs must seek to enhance the beneficial impact of Middle-East migration for men and women from low-income backgrounds and reduce its adverse social consequences.
6. Introduce technological innovations and changes to working conditions associated with rubber tapping, coconut plucking and other such occupations, which are increasingly becoming unpopular among rural workers due to status considerations.

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Notes

- i. The author wishes to thank Dr. Ranil Abhayasekera and Dr Dileni Gunawardena for their help and advice in preparing this paper.
- ii. There is a disincentive for war widows to work or remarry as they will lose all benefits in either situation.
- iii. In recent years the recruitment to the army has been mainly from the majority ethnic group. In the border villages many civilians are employed as home guards and given a monthly salary.
- iv. According to one estimate, hidden subsidies in irrigation water come to about 5 percent of GDP (World Bank 1996).
- v. This observation was valid for several estates surveyed in a Livelihood Security Assessment conducted by a team of researchers employed by CARE International.

Floor Discussion

Dr. Wilbert Gooneratne made 3 brief observations:

1. Commenting on the poverty levels in the estate sector, he pointed out that although this sector reports a situation of low poverty, it also suffers from a host of other social and political disadvantages. To this, environmental disadvantages should also be added due to the extreme climatic conditions in these areas.
 2. With regard to Prof. Tudor Silva's emphasis on the need to empower poor groups, communities and regions, he queried whether attempts at empowering these groups and regions would help them to emerge from poverty in their own strength and by their own efforts and if it was really practical, particularly in the present environment of globalisation. He also questioned whether it was wise to mobilize specific groups because it promotes fragmentation and segmentation. Today the need for partnership building is emphasized in most spheres of activity such as between the rural and urban, and even the north and south regions.
 3. Following several presenters and commentators, he stressed that poverty was emerging as a regional issue. He also pointed out that economic growth was getting extremely concentrated, especially in the city of Colombo. The consequences of regional neglect have been disastrous in the past (e.g. the North-East conflict; insurgencies in the South). Therefore it is imperative to have a well-articulated national and regional development policy to better contribute to national development and better address specific regional issues.
- Prof. Sinnathamby pointed out that education should be one of the main areas to be considered and observed that plantation workers undergo various hardships in this area in spite of the aid and donations given by NGOs such as SIDA. He especially highlighted the difficulties faced by children in this community with regard to transport and other facilities. He also pointed out that the whole plantation community is subjected to discrimination as a result of the caste system. Therefore it is clear that they are marginalized not only from external sources but also from within their own community.
 - The chairperson observed that there are new dimensions to poverty, for instance new poverty groups that included the widowed, the disabled, the aged and female-headed households, which need to be identified and analysed while seeking to understand social processes with reference to structured inequality in society such as caste, ethnicity and religion.
 - One statement from the floor was that education possibly had a role to play in a situation of acute poverty combined with a low standard of life and highlighted the need to explore opportunities for higher education in the plantation sector. This has to be linked to new employment alternatives for youth in the plantation sector, which would also be an important strategy to avoid the danger of insurrections similar to those in the South occurring in the plantation areas.
 - The point was emphasized that most plantation managers were Sinhalese while the workers were Tamil, which eventually leads to the racial segregation of the workers. On the other hand, the workers are also said to be of the opinion that, if their children attend better schools, and consequently leave the plantation sector, it might lead to them losing their right to social welfare, which they presently benefit from.
 - There was also further discussion on the partnership between the wealthy and the poor, a subject which should be given priority among organizations that provide institutional facilities to the poor such as CARE International which promotes a '*shared management approach*' between workers and employers.

RESEARCH GAPS

A Summary of Working Group Discussions

Regional Approaches for Poverty Measurement

One of the recommendations of the working groups was that there should be qualitative data to complement statistical economic data in order to make a study more comprehensive. The fact that this data needs to be gender disaggregated as well as divided according to employment/economic activity was also suggested. The need for structural changes to the economy with more research on the growth of the service sector as a means of reducing poverty in rural and urban areas was also highlighted. There is also a requirement for in-depth studies to identify certain incentives for investing in regions outside the Western province, which so far have not been explored. The effects of structural change on regional poverty should be examined while there is also a need for comparative regional studies focusing on socio-economic processes that influence regional disparities.

More research was believed necessary on alternative sources of data collection - i.e. - social mapping, qualitative studies to complement quantitative data and data collection on a large scale including the North and the East as well as the need for more dynamic (than static) data. There was also evidence that organisational and institutional resources from the conflict areas have been under utilized in the process of data collection and the information that has been gathered is rather scattered and not systematically aggregated as it should be.

There was also the question as to how one can compare the impact on poverty of large-scale public infrastructure projects such as expressways and the Mahaweli project in relation to social welfare programs such as 'Janasaviya' and 'Samurdhi'. In addition, the importance of clarifying norms and criteria to identify and group the poor and the need to identify necessary strategies for poverty reduction such as the minimizing of resource wastage by the affluent in society were emphasized as measures which could also be used for policy implementation.

Poverty and Violent Conflict

A view shared by everyone present was that it was not sufficient to think of poverty purely in monetary terms when considering the impact of violent conflict on poverty, as its impact on employment aspirations and social attitudes vis-à-vis employment opportunities also needs to be studied. The absence of good governance as a negative impact of the war should also be considered, together with research on the restructuring of the economy damaged by the war; the social disruption caused by deserters of the armed forces and emerging social problems in the vicinity of conflict areas such as prostitution and AIDS/HIV.

There was a suggestion that further research should be done on the human cost of war and on new poverty groups that have emerged island-wide. A need for the collection of data on the rise of the war economy, crime and the redistribution of income due to the conflict was also mentioned. Studies on the economic impact of the war should focus on both negative and positive implications: GNP increases in army occupied border areas and the enhanced incomes of soldier families versus the loss of the agricultural income of farmers in these areas. The issue of poverty and violent conflict should not be perceived only in terms of the current North East conflict as it has broader regional implications. The functions of conflict should also be analysed in order to understand the processes and reasons that accelerate the war and which could lead to NGOs rethinking their roles in poverty alleviation.

With regard to social issues, a point highlighted was the need to explore the nature of the transformation of gender roles by reason of the conflict and its implications for reducing poverty. The importance of understanding the impact of poverty and education in the conflict areas was also drawn attention to by the working groups. The impact of the conflict on people to people relations between the Sinhalese, Tamils and Muslims and how this aspect relates to poverty should also be analysed.

There was also a request for the clarification of concepts used in the categorization and analysis of poverty groups -e.g.- Internally Displaced Persons (IDPs), war widows. A question asked was whether the impact of various research and studies on the conflict, such as addressing problems by changing attitudes and improving the conditions of IDPs in camps, actually deals with the problems or if the research and studies stop at an unhelpful/unconstructive stage of completion, analysis and presentation.

Poverty and Enterprise Promotion

A recommendation was made for researchers to assess the effectiveness and viability of micro enterprise promotion among the poor in order to reduce poverty and to identify special sectors that have proved to be successful in the region in the past that could be made accessible for enterprise. It was also suggested that researchers and analysts should focus on indicators to locate available spaces for micro enterprise in order to exploit new employment opportunities within Sri Lanka (related to sustainability issues).

A question was raised regarding the specific socio-cultural factors (e.g. fear of failure, jealousy) that could hinder potential entrepreneurs starting their businesses and the need to analyse the reasons why businesses, especially micro enterprises fail was noted. Better target group differentiation was also deemed necessary and it was pointed out that these programs should be more sensitive towards conflict areas and special groups such as women and/or youth.

It was also considered imperative to examine how micro enterprises could be linked with macro enterprises and what forms these links could take (e.g. subcontracting). It was stressed that researchers should also carry out a study on institutional support for micro enterprises so as to secure sustainability. It was also thought necessary to formulate a proposal to conduct a comparative study on rural micro enterprise and urban enterprise, profit and turnover, standard of living and sustainability of enterprise. In particular, the issue was raised concerning the promotion of agricultural development in the NEP in the context of globalisation and the constraints and challenges arising from decentralization.

Poverty and Social Exclusion

A suggestion was made that the plantation sector needs to be focused on, especially regarding the necessity of quantitative and qualitative data to support certain findings, concerning the estate-village relationship in empowerment/harmony. A query as to whether there are differences between up-country and low-country estate communities was also made, especially whether the low-country community had better social networks and if this could be a reason for demonstrating a situation of lower poverty. When considering the reason for the perpetuation of poverty in the estate sector, the question remains whether it is a factor of under provision of services towards this sector (economic discrimination) or under utilization of the labour potential (cultural/social traits). It was also recommended that there should be a 'poverty atlas' or mapping of the situation of non-estate communities living within the plantation area in comparison with the plantation communities.

Concerning social exclusion in general, it was stated that not much work has been done on socially excluded groups such as the fishing community, Middle-East migrants, the disabled/ handicapped, the aged, girls working in the garment industry and female-headed households. The importance of focusing on sources of social exclusion across social groups (e.g. across ethnic groups), common sources of social exclusion and group specific sources were also highlighted. Gender, poverty and employment were specified as other fields that needed focusing on. Also stated was the fact that micro level poverty would be underestimated if persons not owning national identity cards were not included in the national census. The question was asked whether the poor had limited opportunities and if they could escape poverty just by being provided with adequate opportunities. A problem with regard to social exclusion was how exactly to identify the really deserving. It was also recommended that more research should be done in order to identify different dimensions of marginalization by undertaking a number of in-depth case studies on this issue.

The need to study the influence of politics on research agendas was also proposed. Finally, it was suggested that a survey for more accurate data on poverty in Sri Lanka should be conducted with the support of CEPA as well as the maintenance of an inventory of on-going poverty research in the form of an annotated bibliography. The need for networking among the academic and research community in carrying out all kinds of studies and analyses was also emphasized.

ANNEX

Annex 1

2nd Annual Symposium on Poverty Research in Sri Lanka

Jointly Organized by CEPA IMCAP SLAAS
13th July 2001 at the SLAAS Auditorium - Colombo

- 9:00-9:20 Introduction to Workshop (SLAAS-CEPA-IMCAP)
- 9:20-9:40 Keynote address: Relevance of Poverty Research in Sri Lanka
Gamani Corea
- 9:40-9:50 New Sociological Perspectives on Poverty Research
Tudor Silva
- 9:50-10:00 Discussion
- 10:00-11:00 **PANEL 1: Regional Approaches for Poverty Measurement**
Chairperson: R.M.K. Ratnayake
Speaker: Seneka Abeyratne
Respondents: S.S. Colombage/ W.D. Lakshman
- 11:00-11:15 Tea Break
- 11:15-12:15 **PANEL 2: Poverty and Violent Conflict**
Chairperson: Darini Rajasingham-Senanayake
Speaker: Godfrey Gunatilleke
Respondents: S.T. Hettige / C.Y. Thangarajah
- 12:15-12:45 Identification of Research Gaps
- 12:45-14:00 Lunch Break
- 14:00-15:00 **PANEL 3: Poverty and Enterprise Promotion**
Chairperson: Nimal Sanderatne
Speaker: Nireka Weeratunge
Respondents: P.C. Rodrigo/ D.P. Wickramasinghe
- 15:00-15:15 Tea Break
- 15:15-16:15 **PANEL 4: Poverty and Social Exclusion**
Chairperson: Ramani Jayatilleke
Speaker: Tudor Silva
Respondents: Wilbert Gooneratne / M. Sinnathambi
- 16:15-16:45 Identification of Research Gaps
- 16:45-17:00 Follow-up Recommendations and Vote of Thanks

Annex 2

List of Participants

1. C. Ranil Abayasekara, University of Peradeniya
2. Seneka Abeyratne, National Agribusiness Council (NAC)
3. Ayoma Abeysuriya, South Asia Institute (SAI)
4. Pat Alailima, Ministry of Finance and Planning
5. Priyanthi Aluthge, Centre for Poverty Analysis (CEPA)
6. W.P. Amarabandu, University of Colombo
7. Harini Amarasuriya, CARE
8. Anila Dias Bandaranaike, Central Bank of Sri Lanka
9. Andrea Berdesinski, German Embassy
10. W.S. Chandrasekara, IMCAP, University of Colombo
11. S.S. Colombage
12. Gamani Corea
13. Hiran D. Dias
14. W.K. Ranjith Dikwella, University of Peradeniya
15. Samudra Dissanayake, Open University of Sri Lanka
16. S.S.K.B.M. Dorabawila, University of Peradeniya
17. I.V. Edirisinghe, University of Colombo
18. Julika Erfurt, Centre for Poverty Analysis (CEPA)
19. Jude Fernando, University of Arizona
20. W.H. Fernando
21. Christoph Feyen, Centre for Poverty Analysis (CEPA)
22. R.M.J. George, Open University of Sri Lanka
23. Wilbert Gooneratne, Development Studies Institute, University of Colombo
24. Dishani Gunasekera, Centre for Poverty Analysis (CEPA)
25. Nelum Gunasekera
26. Godfrey Gunatilleke, MARGA Institute
27. Neranjana Gunatilleke, Centre for Poverty Analysis (CEPA)
28. G. Shirani Hettiarachchi, University of Peradeniya
29. S.T. Hettige, University of Colombo
30. Shakeela Jabbar, Centre for Poverty Analysis (CEPA)
31. Azra Jafferjee, Centre for Poverty Analysis (CEPA)
32. Saroj Jayasinghe, Faculty of Medicine
33. Ramani Jayathilaka, University of Colombo
34. Swarna Jayawecra, CENWOR
35. H.D. Karunaratne, University of Colombo
36. Asoka Kasturiarachchi, UNDP
37. Adil Khan, Ministry of Plan Implementation
38. Till Knorn, German Embassy
39. W.D. Lakshman, University of Colombo
40. Solfrid Lien, UNDP
41. Felena Lovendhal, INASIA
42. Gayathra Manamendra
43. Markus Mayer, IMCAP, University of Colombo
44. Anthea Mulakala, British High Commission
45. Gayathri Nanayakkara, IMCAP, University of Colombo

-
46. Bharati Pflug, Poverty Impact Monitoring Unit (PIMU)
 47. W.M. Priyankara, Central Bank of Sri Lanka
 48. Darini Rajasingham-Senanayake, SSA/ICES
 49. Kishan Ratnayake, Ministry of Foreign Affairs
 50. R.M.K. Ratnayake, Ministry of Land Development
 51. M.G.M. Razaak, REAP Matale
 52. P.C. Rodrigo, University of Colombo
 53. J.M.N.G. Samarakoon, University of Sabaragamuwa
 54. M. Selvarajah, Eastern University of Sri Lanka
 55. P.V.S. Senaratne, Ministry of Justice
 56. A. Wijedasa Silva
 57. Tudor Silva, University of Peradeniya
 58. W.A. Silva, Open University of Sri Lanka
 59. M. Sinnathamby, University of Peradeniya
 60. Selvy Srikanthan, University of Colombo
 61. M. Sivalingam, Ministry of Agriculture
 62. M.D. Somaweera, Central Bank of Sri Lanka
 63. C.Y. Thangarajah, Eastern University of Sri Lanka
 64. Hakan Tongul, UN World Food Programme
 65. Indra Tudawe, Institute of Policy Studies
 66. M. Vamadevan, Ministry of Finance and Planning
 67. Upali Vidanapathirana, Open University
 68. Nireka Weeratunge, Centre for Poverty Analysis (CEPA)
 69. D.P. Wickramasinghe, University of Colombo
 70. D.S.L. Wijesekera, Catalytic Initiatives on Social & Economic Empowerment
 71. Sarath Wijesinghe, Centre for Poverty Analysis (CEPA)
 72. L.D.I. Wijetunge, Open University of Sri Lanka
 73. Kapila P. Wimaladharm

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