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A POVERTY FOCUSED POLICIES IN POST-INDEPENDENT SRI LANKA: A REVIEW OF LITERATURE

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Abstract

Sri Lanka is a very good example of a developing country as it has been able to reduce poverty consistently since its independence in 1948 despite all the obstacles it has faced. Heavy investments in the fields of education and health have contributed immensely to poverty reduction through human development in Sri Lanka. This paper analyse the impact of the welfare policies to reduce poverty in Sri Lanka since independence. The poverty profile demonstrates that Sri Lanka is experiencing an unprecedented reduction of the poverty headcount ratio and has achieved the First Millennium Development Goals (MDGs) by reducing poverty by more than 50 per cent between 2002 and 2010 despite the protracted civil conflict in the country. However rural poverty in Sri Lanka is still alarming. Although Sri Lanka has implemented rural development policies from time to time in different phases, these were highly politicized. Thus, post-war Sri Lanka needs a long-term national rural development policy specifically focused on war-affected areas.

Key Words: Poverty, Poverty reduction policies, Post independent Sri Lanka, Rural development

Introduction

Various poverty reduction programmes and policies have been implemented in developing countries since the endorsement of the Millennium Development Goals (MDGs) at the UN in September 2000. However, there are still more than one billion people living in extreme poverty, indicating that human poverty remains widespread in some parts of the world[1]. In this context, poverty reduction through real improvements of peoples' lives is an overarching goal for all affected countries. Sri Lanka is facing a major task in poverty reduction as it experienced a brutal civil war which hampered the entire development of the country for nearly three decades.

Nevertheless, Sri Lanka is a very good example of a developing country as it has been able to reduce poverty consistently since its independence in 1948 despite all the obstacles it has faced. The major structural transformation of the economy and the country's social system occurred during the last 150 years of British Rule (Sahn & Edirisinghe, 1993, pp. 35-36). The Human Development Index (HDI) in Sri Lanka notes that successive governments have paid considerable attention to human development through significant poverty alleviation programmes, mainly based on social welfare. Heavy investments in the fields of education and health have contributed immensely to poverty reduction through human development in Sri Lanka. For example, education is a powerful poverty determinant in each economic sector despite expenditure deciles in Sri Lanka(Ranathunga, 2015; Ranathunga & Gibson, 2015). The significant human development that has occurred in Sri Lanka is represented in its latest ranking in the HDI, which brought Sri Lanka to the top of South Asia in 2011 (Table 1).

Table 1: Human development achievements in Sri Lanka

HDI	Sri Lanka	South Asia	World
2013	0.750	0.588	0.702
2012	0.715	0.558	0.694
2011	0.691	0.548	0.682
2010	0.686	0.545	0.679
2009	0.680	0.538	0.676

[1] See http://www.undp.org/content/dam/undp/library/corporate/fast-facts/english/FF-Poverty-Reduction.pdf (accessed on 18th May 2014)

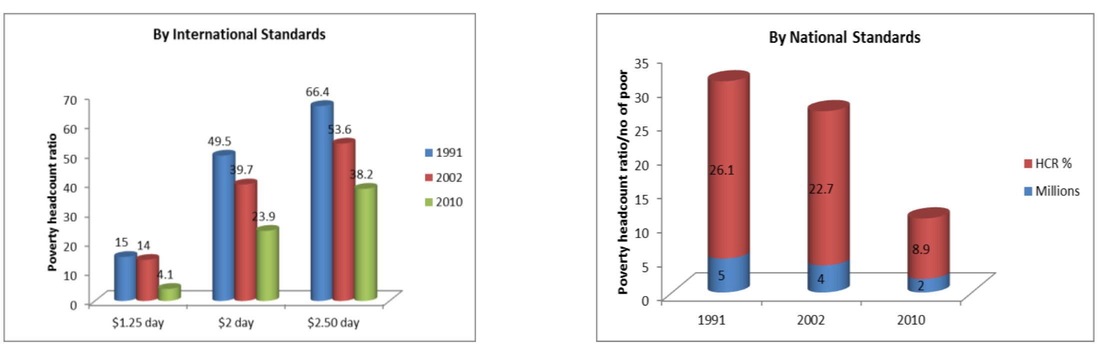
2008	0.676	0.532	0.674
2007	0.673	0.527	0.670
2006	0.667	0.518	0.664
2005	0.662	0.510	0.660
2000	0.633	0.468	0.634
1995	0.604	0.444	0.613
1990	0.583	0.418	0.594
1985	0.561	0.389	0.576
1980	0.539	0.356	0.558

Source: Human Development Report 2011

The poverty profile demonstrates that Sri Lanka is experiencing an unprecedented reduction of the poverty headcount ratio and has achieved the First Millennium Development Goals (MDGs) by reducing poverty by more than 50 per cent between 2002 and 2010 (Figure 1) despite the protracted civil conflict in the country.

The latest available Household Income and Expenditure Survey (HIES), which was conducted in 2009/10 covering the entire country[2], reported the lowest poverty headcount ratio (8.9 per cent) ever in Sri Lanka (DCS, 2011). However, the fact that 84.7 per cent of the poor live in the rural sector indicates that the contemporary nature of the problem of poverty in Sri Lanka is primarily a rural phenomenon.

Figure 1: Poverty trends in Sri Lanka by national and international standards



Source: World Bank poverty data[3]

[2] Almost all the other surveys were conducted excluding the North and the East due to the civil conflict in Sri Lanka from 1983.
[3] See http://povertydata.worldbank.org/poverty/country/LKA (accessed 18th May 2014)

After nearly three decades of civil conflict, Sri Lanka needs to pay more attention to the resettlement of people in highly war-affected areas and to the households of victims of the war. Although the present government is initiating a number of development programmes through the “Mahinda Chinthana”[4] (Mahinda Vision) concept to assist the poor in Sri Lanka, specially designed pro-poor, pro-growth regional development policy and/or rural development policy is needed for poverty reduction and sustainable development in Sri Lanka.

Poverty-focused policies in Sri Lanka

The study of poverty policies in the country helps to explain present-day policy implications in many ways. On one hand, reviewing the history and evolution of poverty policies in Sri Lanka helps to understand the costs and benefits of these policies. On the other hand, such analysis also illustrated the causes of failures in these policies. This provides guidance on how not to repeat the same policies or how to adjust or implement them without repeating the same mistakes. Review of the previous poverty policies also helped to understand the root causes of the problem of poverty, which is necessary in order to take remedial measures relevant to each economic sector.

Rice ration policy in Sri Lanka

Many developing countries attempt to assist poor households to develop their nutritional intakes through direct or indirect income transfers (Edirisinghe, 1987, p. 7). Sri Lanka had had many years of universal suffrage by the time of independence. Also, the Second World War had a significant influence on development, food policy, and food subsidies. Specifically, food-related transfer payments were a direct legacy of World War II. A rice ration was commenced in deficit areas in 1948; the rice ration in Sri Lanka (subsidy on rice) was introduced as a result of the food shortages that occurred during World War II. This project was launched as a poverty alleviation

[4] Mahinda Chinthana (Mahinda vision) is the government’s vision for development since 2005 (http://www.president.gov.lk/pdfs/MahindaChinthanaEnglish.pdf).

policy by the government after independence. Under this project, consumers were able to buy food on a rationing basis[5]. Other than rice, wheat flour, sugar, curry materials, and milk were also distributed on a rationed basis. However, due to fluctuations in the price of imported rice the ration and subsidies were changed to make matters easier for consumers.

Other commodity rations

The Sri Lanka Freedom Party (SLFP)[6] reaffirmed the role of a consumer-oriented food policy by emphasizing systematic economic development, with socialization of productive resources to help the poor and middle classes directly since 1956, The Sri Lankan poor benefited through the reduction of rice and sugar prices, along with increasing health and unemployment benefits. By the election in 1960, welfare-oriented policies were reaffirmed and distributional policies were adopted while continuing welfarism.

Budget deficit and food subsidies

In 1940s and 1950s, the country had the means to finance welfare schemes due to its population and the availability of foreign exchange and rupee resources. However, since the 1960s, demographic, social and economic changes have occurred. Government expenditure on food subsidies and other welfare activities caused a re-examination of welfare expenditure (Karunatilake, 1987, pp. 190-230). The expenditure on subsidies (rice), education and health caused a higher government budget deficit in this period. Particularly, in the early 1970s the restoration of the rice ration to wheat flour pounds caused a sharp increase in welfare expenditure in relation to capital expenditure in Sri Lanka.

Redistribution policies of post-independence period

Although it took a significant period of time to see the effect of the political transformation of independence, it contributed to changes in major areas of policy making, strategies and implementations within the economy. Mostly, independence greatly increased the sensitivity of

[5] Rice was rationed on the basis of 1.5 measures per week per worker, 1 measure for a child, 0.75 measures for an infant and 1.25 measures for others (Mahaligasivam, 1978).

[6] The United National Party (UNP) which ruled until 1956 was defeated by the SLFP in the 1956 election.

policy formulation to meeting peoples' aspirations (Karunatilake, 1987, p. 206). Sri Lanka invested a significant part of its resources in social welfare programmes, prioritizing those for food rations and food stamps, education and health services. Thus, it is important to examine how these welfare programmes and social policies have affected the development of the country by reducing poverty.

The roots of social progress in Sri Lanka go back to before independence in 1948 and to some extent to its British heritage. Food rationing was started in 1942; primary education became nominally compulsory in 1901 (Isenman, 1980, p. 238). Accordingly, the foundation of the emerging Sri Lankan welfare state strongly resembled the British welfare state, viz., Education, National Insurance and National Health (Kelegama, 2004, p. 412; Marshall, 1973).

> "*With the achievement of independence in 1948, Sri Lanka adopted a new Westminster style constitution in 1948, modelled on the British constitution. From the outset, the newly independent Government of Sri Lanka embraced the welfarism it had inherited from the late colonial state, and proceeded to develop the welfare state on the basis of the earlier social policy initiatives. The Sri Lankan welfare state was built mainly around three major social documents, the Education Act of 1945, the establishment of Social Services 1948, and the health Act of 1953. In this regard, the foundations of the emerging Sri Lankan welfare state bear comparison with the 'three pillars' of the British welfare state, viz., Education, National Insurance and National Health (Marshall, 1973)*"

Although there was free health care and free education before independence, they were only for certain groups of people. However, after independence these policies were activated with the aim of redistributing all welfare facilities to cover the whole country. During the first two decades of independence (1948-1968) social expenditure related to education, health, transport, food subsidies and public welfare assistance were around 40 per cent of total public expenditure (10-12 per cent of GDP) (Kelegama, 2004, p. 413). However, successive governments' commitment to continuing the policies of providing welfare services for essential foodstuffs, (particularly rice), free education, free medical care and subsided prices for transportation and housing, was a major obstacle, limiting government expenditure on investment at a high level. As a result of this very high welfare expenditure, the budget deficit increased significantly.

Free education policy

Despite attempts at educational reforms dating back to pre-independence, Sri Lanka has essentially followed the British education system[7] with the only changes being the medium of instruction; Sinhala and Tamil (Isenman, 1980, p. 238). However, the Kannangara Report (1943) which recommended a system of universal and compulsory free education from Kindergarten to University, confirmed that welfarism in Sri Lanka was based on universal principles (Kelegama, 2004). All educational policies of this period were highly significant and opened doors for greater social mobility through equal opportunities in education to all irrespective of their income level and social status. This opened access to occupations such as medicine and law which were previously monopolized by the Western-educated middle class. In addition, people from rural areas and the underprivileged had the opportunity to engage in all types of employment available in Sri Lanka. Thus, although the benefits of free access to education are difficult to quantify, it has made a significant contribution to social and economic mobility[8]in Sri Lanka, and also contributed substantially to achievements in the fields of health, fertility reduction and agriculture by improving productivity (Karunatilake, 1987, p. 204). Comparatively, the social impact of free education has been more widespread than is generally believed. By giving the opportunity for at least one member of a family to find a good job with a steady income, free education has significantly contributed to equitable income distribution in both in urban and rural areas.

Free health care policy

The entire Sri Lankan population has had the opportunity to receive comprehensive free health care under the national health policy of Sri Lanka since the 1950s. Successive governments have allocated reasonably high amounts for health; on average 6% of total government expenditure until the 1970s (Karunatilake, 1987, p. 206). Thus, Sri Lanka is privileged to have one of the lowest death rates in the developing world. The infant mortality rate has also fallen considerably.

[7] The curriculum of this education system was focused primarily on the academic needs of the small minority going beyond secondary level education rather than on the development-oriented learning needs of the majority. An educated unemployment problem arose, indicating that marginal social returns on the expansion of secondary education were low (Isenman, 1980).

[8] Adult literacy rose from 58 per cent in 1946 to 86 per cent in 1984. Of those in the age group 20-24 years, in 1971, 71per cent of men and 64 per cent of women had at least some education beyond the initial four years of primary education. Twenty-six per cent of both men and women had at least a secondary school education (Karunatilake, 1997)

Improvements in medical care have contributed to high life expectancy for both men and women in Sri Lanka. In 1946, the life expectancy for a male was only 43.9 years: it had risen to 67.5 years by 1984 (Karunatilake, 1987, p. 206) and had risen to 76.15 years by 2013[9]. The life expectancy for females has been consistently higher than that for males.

Agricultural reforms and colonization

Sri Lanka's agricultural sector comprises four broad subsectors. They are the plantation sector which mainly produces tea, the domestic sector dominated by paddy, and the forestry and fisheries sectors. Although independence did not mark a new era of agricultural policies, the agricultural policies adopted after the Donoughmore Constitution of 1931 continued to dominate Sri Lankan agriculture (Sanderathne, 2004, pp. 195-212). These policies were aimed at self-sufficiency in food (mainly rice) through land settlement of the Dry Zone. Colonization of the Dry Zone was the major development programme even before the 1930s, comprising agricultural development, land settlement, provision of irrigation and food production (Uduporuwa, 2007).

There were other factors which influenced agricultural policy formulation in the post-independence era: a belief in agricultural fundamentalism, a failure of land reforms and the increasing influence of multilateral international agencies since 1977. The most important development policy after independence was for agriculture. One of the first development plans to improve agriculture was the Six Year Programme of Investment, 1954-55 to 1959-60. A considerable amount of expenditure was directed towards a wide variety of programmes with the purpose of using the surplus from the export sector to improve agriculture in Sri Lanka (Karunatilake, 1987).

With the change of government in 1956, policies were directed to the welfare of the people, particularly rural low income earners who had received scant consideration before then. Then the Ten Year Plan was prepared, aiming, through agricultural development, to address the main issues of increasing food import bills, excessive dependence on plantations and rising rural

[9] http://www.indexmundi.com/sri_lanka/demographics_profile.html

unemployment. The strategy was to increase export earnings by increasing agricultural productivity and quality.

The Paddy Land Act of 1956 was the first significant policy for supporting peasant agriculture after Sri Lankan independence. Next, the Agricultural Development Proposal for 1965-70 was formulated by the Ministry of Agriculture and Food, with specific agricultural development objectives such as increasing domestic production and reducing dependence on imports (Karunatilake, 1987, p. 64). In the field of domestic agriculture, priority was given to paddy cultivation with the primary object of import substitution. New land and appropriate irrigation facilities were provided under the Agriculture Development Proposal (ADP) and further supported was given with respect to high-yielding varieties of paddy seeds, fertilizer and uncultivated lands.

Import substitution policy and poverty in Sri Lanka

Import substitution refers to a set of ideas about why mass poverty has prevailed and continues to prevail in many countries while other countries have grown rich, and about a general approach to the elimination of that poverty (Bruton, 1998, p. 904). Thus, import substitution was considered as one of the earliest general strategies of development, which prevailed in many developing countries in the 1950s and 1960s. Sri Lanka also tried import substitution policies as a poverty reduction and development strategy in this period.

Industrialization policies

As a first attempt, with the purpose of providing facilities for industries in the private sector, an industrial estate was established at Ekala under the Industrial Estate Corporation in 1959 (Karunatilake, 1987, p. 101). This model industrial estate followed the pattern of similar estates in other countries such as India, Singapore and Malaysia. There were four main Zones in this estate. Two of them were designed to provide facilities for small and medium scale (SMEs) industrial units, and the other two were for larger industries and for non-compatible[10] industries.

Industrialization policies created substantial employment opportunities in Sri Lanka as industrial employment expanded rapidly in the period from 1961 to 1963, with total employment rising by nearly 30 per cent (Karunatilake, 1987). Nearly two-thirds of this increase was due to the expansion of industries such as garment manufacture, miscellaneous food preparation, miscellaneous chemical products, and the manufacture of biscuits and confectionary. Within five years from 1965, employment opportunities in the industrial sector increased by 50 per cent, and the total number of employees increased by almost 90 per cent from 56,835 in 1965 to 103,726 in 1969 (Karunatilake, 1987).

Impact of import substitution policies

Twenty years of import substitution policies in Sri Lanka indicated a relatively strong bias against agriculture, especially export-oriented agriculture. The economic reforms of 1977 encouraged traditional exports by reducing export taxes on the primary export crops such as tea, rubber and coconuts. Tax rates declined from 40 to 50 per cent to 10 to 20 per cent within ten years after the reforms. However, the small farm sector benefitted much more than the commercial crops sector. Due to the tax changes, tea production improved marginally while rubber production has declined continuously since 1990.

Rural development schemes in Sri Lanka

After political independence in 1948, Sri Lanka paid more attention to developing the socio-economic status of the rural sector population, which had been neglected by the colonial rulers. After the 1970s the country's development agenda focused on regional development. Successive governments after independence were highly focused on national planning[11] as a development strategy. A heavy rural bias in national planning and policy making could be seen in the early

[10] Non compatible industries are those industries such as tanneries, manufacture of cement goods and other similar enterprises that have to be isolated because of excessive noise, dust, or other hazards.

[11] Those governments implemented several national plans such as the Ten Year plan (1959) and the Five Year Plan (1970), targeting whole-island spatial sectoral development (Uduporuwa, 2007).

1970s in Sri Lanka as the bulk of the electorates were rural. With the view of political gain, a larger share of the budget was allocated to rural development in this period. In the period 1971-1975 the total allocation varied between 44 and 50 per cent (Karunatilake, 1987, p. 62). These allocations were further increased from 1977 onwards under development projects such as the Mahaweli River Development project.

Open economic policy in Sri Lanka

The government elected in 1977 introduced a comprehensive package of economic reforms which almost reversed the economic policies prior to liberalisation, and paid considerable attention to regional development through a growth-oriented development approach. The new economic policies were directed towards transforming the economy from a state-controlled one to one in which the private sector led and market forces determined the direction. With these open economic policies the government launched three major projects to achieve regional development. They were the Greater Colombo Urban Development Project, the Free Trade Zones Project, The Mahaweli Development Project and the One Million Housing Project (Uduporuwa, 2007). In 1978, Integrated Rural Development Projects were also introduced to cope with rural sector problems.

Removal of ration system

The post-liberalisation economic policies were prioritized for growth rather than redistributive policies. The food stamp programme was initiated to minimize hardships caused by food scarcity in the Second World War period in Sri Lanka. However, this programme was extended by successive governments, as there were significant numbers of people below the poverty line. Before open economic policies, this programme covered almost all the population without any restrictions. In 1975, an income criterion was introduced to select eligible people for the programme. Further, beneficiaries were affected by limiting the free food ration to families whose income fell below a cut-off point. This system halved the number of beneficiaries recognised as poor[12].

[12] See this article on rural poverty in Sri Lanka: http://www.unescap.org/rural/doc/beijing_march97/sri_lanka.PDF

From welfare state to market economy

Since independence, Sri Lanka has experienced a significant series of economic policy changes targeting economic development. Like most developing countries, in the 1980s Sri Lanka introduced policy reforms to shift away from a state-centred economic regime, following the trends set by Margaret Thatcher in the UK and Ronald Reagan in the US in the late 1970s (Kelegama, 2004, p. 363). Privatization, which had a direct bearing on Sri Lanka's development path, was a part of the economic reforms in Sri Lanka, and the country gained the reputation of being the most vigorous among the South Asian nations in adopting the privatization process.

Many State Owned Enterprises (SOEs) were loss-making and plagued with problems of overstaffing, mismanagement and corruption, inefficient procurement systems, excessive government intervention and politicization. Liberalisation brought a little change to the status quo. Particularly, with the start of the second wave of liberalisation in 1989, these loss-making public enterprises became unsustainable with budgetary transfers (Kelegama, 2004, p. 365). Thus, privatization was formally announced for the first time as a state policy in Sri Lanka in 1987 with the purpose of easing fiscal burdens and enhancing the efficiency of enterprises by the infusion of private sector norms. To analyse whether privatization supports economic development in Sri Lanka, it is important to examine carefully why successive governments have chosen privatization as a development strategy in Sri Lanka and whether they have achieved their expectations.

The abolition of government monopoly and private sector-led development policies and the abolition of the welfare state had serious repercussions on the poverty alleviation efforts of previous governments. Until the introduction of liberalized economic policies the government used state monopoly and state sector institutions as a redistribution strategy. The products and services of these institutions were available for the economy with subsidized prices in order to avoid price escalations. The thinking behind these policies was that government institutions are for the public service and not for profit. Price increases after liberalisation had serious impacts on the redistribution pattern of the economy.

Systematic poverty alleviation programmes

Almost all nations implement community-based food and nutrition programmes, as food insecurity and the level of nutrition of the poor have acquired importance within the context of poverty reduction strategies. Welfare approaches may not be the best in the long run as they create dependency and unwillingness to develop and build on indigenous coping strategies (Ismail, Immink, Mazar, & Nantel, 2003, p. 10). However, Sri Lanka has a long history of social programmes which were based on the social welfare of the poor. Although there were poverty-focused programmes before independence in 1948, the systematic poverty alleviation programmes were initiated after independence. However, they did not aim at poverty reduction at an individual level, but instead, focused on redistribution.

By examining the efforts which have been made in poverty reduction in Sri Lanka since its independence, better policy initiatives can be introduced to deal with the fundamental issue of poverty. The statement below shows that Sri Lanka paid significant attention to the problem of poverty and inequality even before independence. It launched a number of welfare programmes to help the poor:

> *"Government preoccupation with poverty, inequality, and welfare goes back to the 19th century when sectarian conflicts forced the colonial government to intervene in the health and education sectors. The grant of universal franchise in 1931 and the influence of Marxist politics since the 1930s have ensured that this preoccupation remains largely in place (Gunatilaka, Wan, & Chatterjee, 2009, p. viii)".*

The post-liberalisation era has experienced continued social conflicts that emerged as a result of poverty and inequality in Sri Lanka. Nevertheless, despite various civil conflicts hampering economic development as well as devastating public resources, Sri Lanka has experienced significant poverty reduction with the help of various welfare programmes launched by successive governments.

> "*The government increased expenditure on health and education and initiated other programs to increase consumption and self-employment among the poor. The old food stamps scheme was replaced by the Janasaviya (Self-Help) Program, a targeted income transfer program. Credit facilities were provided through the World Bank-funded Janasaviya Trust. The government also sought to bridge the development gap between the urban and rural areas by providing incentives for industries to locate in rural areas.*

> *Following a change of government in 1995, the Janasaviya Program was replaced by the Samurdhi (Prosperity) Program, consisting of a small rural infrastructure component and a large income transfer component, and a series of pro-poor credit schemes including the Grameen-type Samurdhi Bank scheme (Gunatilaka et al., 2009, p. viii).”*

Sri Lanka has a long history of social programmes as they play an important role in poverty reduction. Almost all the social programmes which have been implemented since independence are welfare-based financial support programmes, particularly food subsidies. Generally, welfare programmes such as *Food Stamps*, *Janasaviya* and *Samurdhi*, help the poor to compensate for basic consumption expenditure levels. The first welfare programme in food subsidy was initiated during World War II. With open economic policies this programme was replaced by a food stamp scheme in 1979 (Tudawe, 2001). The food ration scheme was phased out in a number of stages. Nearly 50 per cent of the population was included in the first stage, even though it was restricted to those who earned below Rs.300/= per month. However, due to increases in the number of recipients in each issue (once every three months), the government stopped issuing stamps in 1980. In addition, the real value of the stamps dropped by half from 1978 to 1982.

Janasaviya programme

“*Janasaviya*” is a Sinhalese word that means “people’s strength.” The *Janasaviya* poverty alleviation programme was started in 1989 with the objectives of short term income supplementation and long term employment generation to enhance the welfare of the poor (Tudawe, 2001). The core of the programme is the idea that popular participation is an essential feature, initially in the alleviation of poverty, and ultimately in its elimination. Thus, this programme is considered an interface between a state of poverty and its absence. This programme has promoted a range of activities such as human capital development, income generation, and infrastructure activities focusing on the asset base of the poor. There were several components including low interest credit schemes, nutrition programmes, and small-business establishment within the *Janasaviya* programme. Households were included in the programme for a period of two years, with an allowance of 2500/= rupees per month. Half of the allowance needed to be invested in a self-employment venture while the other half was available for consumption purposes.

Statistics available until the 1981/82 financial year indicate that there was a huge disparity between the top 20 per cent and the bottom 20 per cent of income earners. While the bottom 20 per cent of income earners received 4.85 per cent of the national income, the top 20 per cent received 51.8 per cent of the national income (Marasinghe, 1993, p. 14). Thus, the *Janasaviya* programme was introduced as a means to narrow the income gap between the top 20 per cent and the bottom 20 per cent of income earners, with the objective of empowering the poor. The programme had three components. The first was to increase consumption and the nutritional status of poverty-affected people by giving financial support. The second was to provide financial assistance for investors. The third was to initiate an awareness drive in order to encourage attitude changes in the poor.

Samurdhi **Scheme: Institutionalization of poverty alleviation**

Samurdhi (prosperity) is the largest social welfare programme which was introduced with the aim of restructuring the welfare programmes to provide relief while empowering poor households in Sri Lanka. This is presently operating as the largest state-sponsored microfinance programme for the poor. When the new government came to power, *Janasaviya* was replaced by the *Samurdhi* Programme in 1995, which has remained in place until now. Although the main purpose of these programmes was almost similar, the *Samurdhi* programme attempts to encourage poor people to initiate a source of income through micro credit programmes with the assistance of *Samurdhi* Banks. The programme claims nearly one per cent of GDP or roughly half of all welfare expenditures, excluding the costs of education and health, and is the largest welfare programme presently operating in the country (Glinskaya, 2003, p. 1)[13]. This programme has three main components. The first is the provision of consumption grants (food stamps) which consumes 80 per cent of the total *Samurdhi* budget for selected poor families/eligible beneficiaries. The second is a savings and credit programme which is for entrepreneurial activity and business development, operated through the Samurdhi Banks. The third is rehabilitation and development of community infrastructure through social development programmes.

[13] For further details see http://siteresources.worldbank.org/INTDECINEQ/Resources/SamurdhiJune042003.pdf

Apart from the *Samurdhi* programme, the current government is making a tremendous effort towards poverty reduction through various rural development programmes aimed at community development and livelihood improvement, such as *Gemidiriya* (Village Strength), *Maganeguma*, and *Gamaneguma,* targeting low-income rural populations. The World Bank commented on *Gemidiriya* as a community development and livelihood improvement project of 12 years' duration, which has improved the quality of rural lives:

> *"The development objective of the proposed 12-year program for the Community Development and Livelihood Improvement "Gemidiriya" Project for Sri Lanka is to enable the rural poor to improve their livelihood and quality of life. The objective of the proposed first four-year phase of the program would be to enable the communities of Uva and Southern provinces to build accountable and self-governing local institutions and to manage sustainable investments by: (i) devolving decision-making power and resources to community organizations; (ii) strengthening selected local governments which demonstrate responsiveness and accountability to rural communities; and (iii) working with federations of village organizations, the private sector and non-governmental organizations (NGOs) on economic empowerment to increase the size and diversity of livelihood options. The project comprises the following five components: Component 1, Village Development, strengthens village organizations (VOs) and funds priority sub- projects. Component 2, Institutional Strengthening, builds the capacity of local and national agencies and supports organizations to respond to community demands. Component 3, Innovation Seed Fund, pilots innovative ideas that need experimentation, learning and incubation. Component 4, Project Management, facilitates overall coordination, implementation, and management of the project. (v) Component 5, Village Self-Help Learning Initiative Pilot, completes implementation of the on-going pilot in Polonnaruwa district.* [14]*"*

Maganeguma is a rural road development programme initiated in 2004 under the Ministry of Highways, Ports and Shipping. However, compared to the other social welfare programmes aimed at public welfare in Sri Lanka, "The Samurdhi Poverty Alleviation Programme" is the largest ever government-sponsored poverty alleviation programme. This programme is aimed at empowering households to combat poverty through Island-wide coverage and via separate institutions as follows:

i. Samurdhi Authority

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14 http://web.worldbank.org/external/projects/main?pagePK=104231&piPK=73230&theSitePK=40941&menuPK=228424&Projectid=P074872

The Samurdhi Authority in Sri Lanka is an institution which is involved in achieving the objective of creating a prosperous Sri Lanka where poverty is at a minimum. The basic objectives of the Authority, incorporated under parliamentary Act No. 30 of 1995 (Samurdhi Authority, 2010), are the planning and implementation of the 'mobilization of youth, women and disadvantaged groups for economic and social development activities, the promotion of their social stability and the eradication of poverty.'

ii. Samurdhi Bank

The Samurdhi Bank programme is a novelty to this welfare programme compared to other social welfare programmes launched since independence. This Bank programme has been added with the expectation of improving the savings habits of low income households who are Samurdhi beneficiaries, generating their capital needs and creating a profitable financial institution to minimize irregular loan transactions[15]. The Samurdhi Bank network is the foremost institution in the micro-financial field in Sri Lanka. Samurdhi Banks have been established and maintained at the Divisional Secretariat level on the basis of the number of Grama Niladhari (GN) Divisions[16].

Newly initiated poverty reduction programmes

Although the anti-poverty programmes that are discussed above were implemented by investing considerable resources, the outcomes of those programmes were not commensurate with the investments. Gemidiriya Community Development and the Livelihood improvement project were initiated as a new approach and policy framework for long term poverty reduction in Sri Lanka with the assistance of the World Bank in 2004 (Samaraweera, 2010, p. 60). This project is successfully supporting loan borrowers and they are investing 100 per cent of their loans for income generation; 93 per cent of them increased their income in the agricultural sector. However, the absence of a proper and constant market is the main threat for the villages that are operating under this programme.

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[15] See http://www.samurdhi.gov.lk/web/index.php?option=com_content&view=article&id=100&Itemid=78&lang=en

[16] With a view to ensuring an administrative system at a rural level on par with public policies, the Grama Niladhari Division, which is part of the Home Affairs Division of the Ministry of Public Administration and Home Affairs, implements all administrative functions of Grama Niladhari, performing their duties in 14,022 GN Divisions under 331 Divisional Secretary's Division all over the island. For more information see:

(http://www.pubad.gov.lk/web/index.php?option=com_content&view=article&id=82&Itemid=173&lang=en).

Conclusion

Sri Lanka has introduced various social and welfare programmes in both the pre and post-independence periods in order to alleviate poverty and assist the poor via redistribution programmes. Free education, a free health system and food subsidies via a ration system were the main components of the redistribution policy. Despite the heavy burden it created on the fiscal management of the country, the government which was in power was able to maintain this welfare system for a long period without interruption. Therefore, Sri Lanka was able to reduce its death rate and the incidence of malnutrition, and increase life expectancy, adult literacy and school attendance under these policies, when compared to other developing countries. Sri Lanka's welfare system was available to all citizens, without an income ceiling. Interestingly, even the richest groups in society received all the benefits of free education and health programmes and the rice ration system.

With the introduction of liberalized economic policies, Sri Lanka was able to redirect its welfare policies more toward low income groups. Systematic poverty alleviation programmes targeted at people below the poverty line were introduced in place of a universal welfare system. The Janasaviya and Samurdhi programmes were solely targeted at the poor segment of the population.

As a result of these programmes, Sri Lanka was able to reduce the poverty level of the population significantly. Although Sri Lanka has implemented rural development policies from time to time in different phases, these were highly politicized. Thus, post-war Sri Lanka needs a long-term national rural development policy specifically focused on war-affected areas.

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