



# **TRIPLE DEVELOPMENT APPROACH** **OF SAMURDHI PROGRAMME**

**W.G. MITHRARATNE**  
DIRECTOR GENERAL

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THE TRIPLE DEVELOPMENT APPROACH  
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## TOWARDS AN OPEN DIALOGUE THROUGH PUBLICATIONS AS THIS

Samurdhi Programme is a people's movement which over its last few years, has covered more than one-half of total families in Sri Lanka and has organized low-income families at several social levels. The objective of this movement is to develop a new paradigm designed to overcome the massive challenge of 'poverty' faced by humanity in this millennium. Astounding advancements in the field of electronic communication and print media, and the movement of capital, accumulated in industrial countries as a result of free economic policies, beyond national boundaries, have given a tremendous impetus to globalization. The entire human race is being guided into a global village. Under these circumstances, while on the one hand, humanity is achieving great successes, on the other, a section of humanity is suffering the worse defeat of falling into the abyss of poverty.



In this context of globalization and the free economic policy, a new strategy to alleviate poverty in Sri Lanka is evolving through the Samurdhi Movement. At this juncture, It has become essential to draw in everyone within and outside the Samurdhi Movement, for a dialogue on meeting the challenge of poverty. For this purpose, we are also entrusted with the task of developing an appropriate literature. There fore, I consider this publication titled 'Triple Development Approach of Samurdhi Movement, authored by the Director General of Samurdhi Mr. W.G. Mithraratne on the basis of his experience provides the key-note for such a dialogue. I sincerely feel that such writings and others with foreign experiences will reach the newly emerging leadership in the Samurdhi Movement, exploding a dialogue that helps set right the course of the Samurdhi Movement and overcome drawbacks and weaknesses. We can never succumb to poverty. Our effort in the new decade should be to overcome poverty and build a prosperous nation. The power and energy for such a mission reside within our own selves.

**S.B. DISSANAYAKE**

Hon. Minister for Samurdhi, Youth affairs and Sports

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## INTRODUCTION

### **LIMITED RESOURCES AND UNLIMITED HUMAN DESIRES \_\_\_\_\_**

'Samurdhi' is a term denoting such meanings as prosperity, affluence, wealthy, abundance, etc. It can, therefore, be briefly stated that the broadest aim of the Sri Lanka Samurdhi Programme is to evolve a prosperous society. Evolving a prosperous society is as old as human history. As the human entered the civilized stage, one of his foremost aims was to make society, which included his own community, prosperous. Numerous philosophers, prophets and rulers have followed this objective and expressed views and opinions. Plato once declared that a philosopher should be made king in order to build such a virtuous society. Human history is replete with numerous efforts to build a prosperous society. Egyptian, Mohendjadaro-Harappa, Greek, and such other civilizations can be cited as the results of such endeavours. However, these civilizations could not survive for ever. For various reasons, they declined and met their end.

In my view, a major factor that contributed to the failure of efforts to evolve prosperous societies in the world was the contradiction between limited resources and man's unlimited desires. In terms of economics, land, labor, entrepreneurship and capital are considered resources. Today, all these resources are valued in terms of money. Acquisition of these resources underlie conflicts and quarrels within a nation and wars among nations. Egyptian, Greek and Roman, civilizations depict how in the early periods those in power seized people as a resource and enslaved them for forced labour. In the succeeding period landed property became the most important production resource and medieval societies show how kings and lords ruled by holding such resources. The industrial revolution led to the advent of the capitalist society in which a capitalist minority ruled by owning the means of production. In this society the majority becomes a proletariat, selling its labour for cash. All these show that throughout history man's attempt to acquire limited resources have had a decisive impact. The consequent social injustices and poverty constitute a problem in the way of building a prosperous society - a Samurdhi society, and it is also necessary to focus the strategies and programmes to identify and minimize such a situation.

### **A TOTAL DEVELOPMENT AS ECONOMIC, SOCIAL, SPIRITUAL, POLITICAL AND CULTURAL \_\_\_\_\_**

A prosperous society is one in which different aspects such as economic, social, spiritual, political and cultural, are advanced. Even if a country is economically advanced it cannot be considered a prosperous society if it is fraught with internal

political strife and social crimes, or if it is spiritually degenerated by addiction to liquor or drugs and prevalence of diseases like AIDS. Per capita income of a country can be high, but it still cannot be considered prosperous if poverty and unemployment are at a high rate. Similarly an economically advanced society cannot be considered prosperous if democratic features are not stable and not practiced. It thus becomes clear that the building of a prosperous society involves an integrated development in all the different aspects stated above.

## **HIGH PRIORITY TO DEVELOPMENT OF HUMAN POTENTIAL**

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The basis for evolving a prosperous society is the development of potential of all members of society. The other important fact concomitant with the fact 'material resources in the world are limited' is 'human potential is unlimited'. As stated earlier, the development of human potential, political and cultural, is the primary need of a prosperous society. Poverty is the nondevelopment of human potential of a particular section of society in accord with the needs of the time. Therefore the development process of the Samurdhi movement focuses the development of human potential. It seeks to identify the causes for the nondevelopment of human potential and to apply solutions. Samurdhi Movement does not believe that the development of human potential is caused by Karma or fate, social class, caste, religion, race or a political party. Human faith is embedded in the very nucleus of the Movement. All over the world, whites as well as the blacks, and people of different castes and tribes, have become great philosophers, sportsmen, businessmen, artists, politicians etc. No evidence of such discrimination can be found anywhere in the world, today.

## **FREE ECONOMY AND GLOBALIZATION**

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Cries of colonized nations in the Third World for liberation from imperialist rule heralded the dawn of the 20th century. By the middle of the century a series of socialist states, including the Soviet Union, came into being and posed a challenge to the capitalist world. Toward the end of the 20th century the socialist system suffered a set back while globalization and the free economy moved to the front rank.

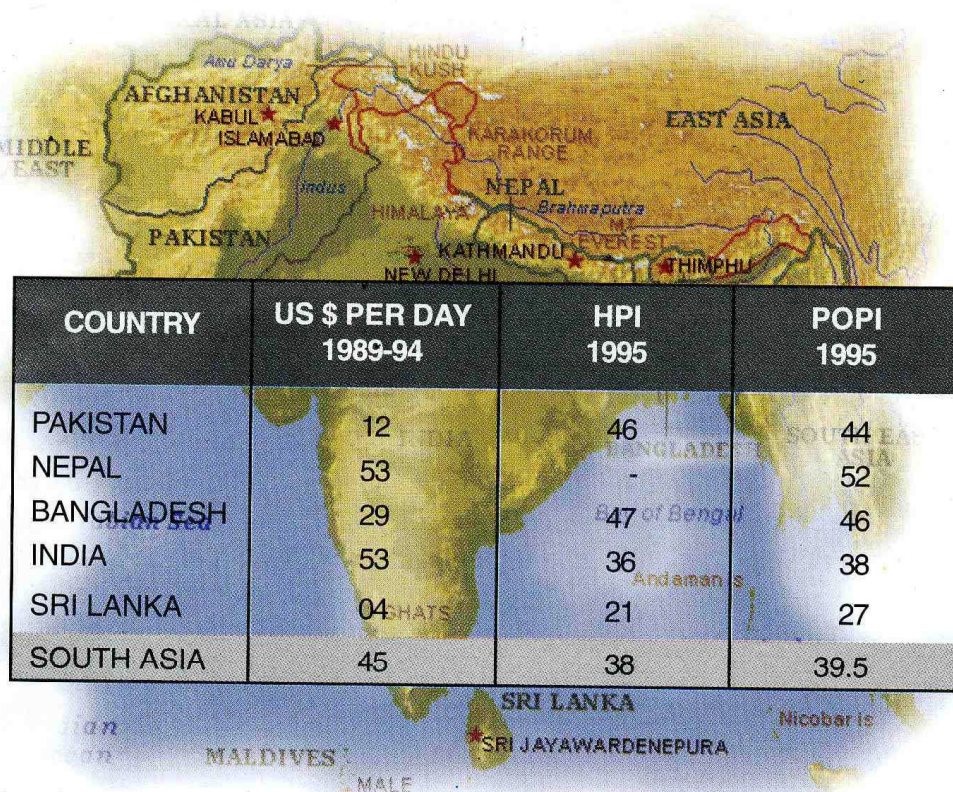
As the world stepped into the 21st century, both favourable and unfavourable aspects of globalization had already begun to manifest. And a thorough grasp of all these facts are a pre-requisite to the formulation of programmes aimed at poverty alleviation. The fact that poverty cannot be alleviated simply by the growth of per capita income and the domestic income alone has been well established and recorded. As recently reported, one-half of the 600 billion world population receive a daily income of less than US \$ 2. Poverty is on the rise even in most developed countries. It is

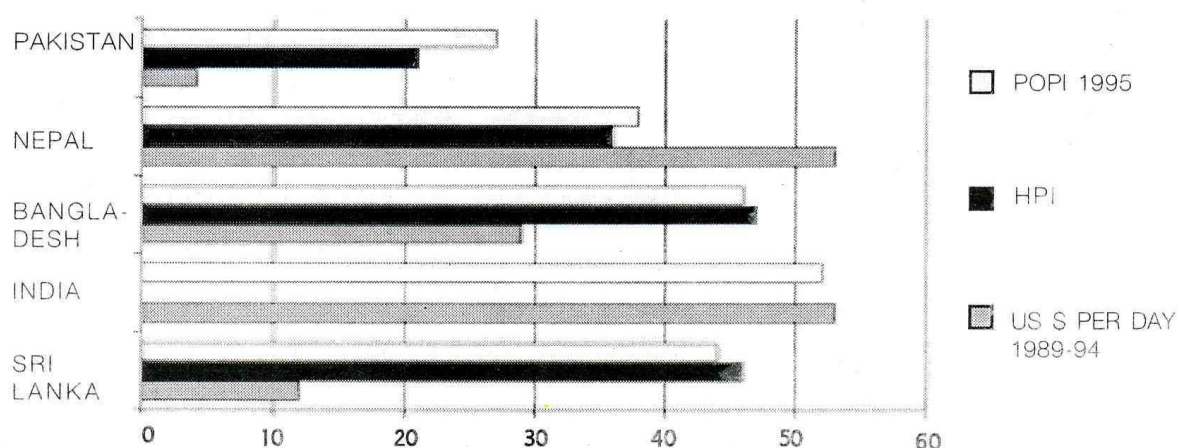
reported that in the US a child below 6 years dies every 35 minutes due to poverty related causes. Poverty in the US is recorded as 17 per cent. This clearly shows the significance of total economic development as well as the way in which wealth is distributed among the people. A small section of the population receives a massive part of the wealth, while the poor who constitute the great majority get only a tiny share. According to UN reports 80 per cent of the world's total income is enjoyed by 20 percent of the population. And 20 percent of the world population receive only a pittance of 1.5 per cent of the world's income.

The above record clearly shows that a special effort to alleviate poverty and bring the poor to the forefront is as important as the effort for income growth. The World Bank too has endorsed this fact when introducing the 'Janasavi Trust Fund' to Sri Lanka. It follows, therefore, that in our efforts to build a prosperous society it is imperative to take the poor community separately and initiate measures for their upliftment.

## REGIONAL AND SRI LANKA'S POVERTY

In the task of building a prosperous society it is useful to understand the data related to regional poverty and poverty in Sri Lanka. See the following data on South Asia's human development in 1999 :





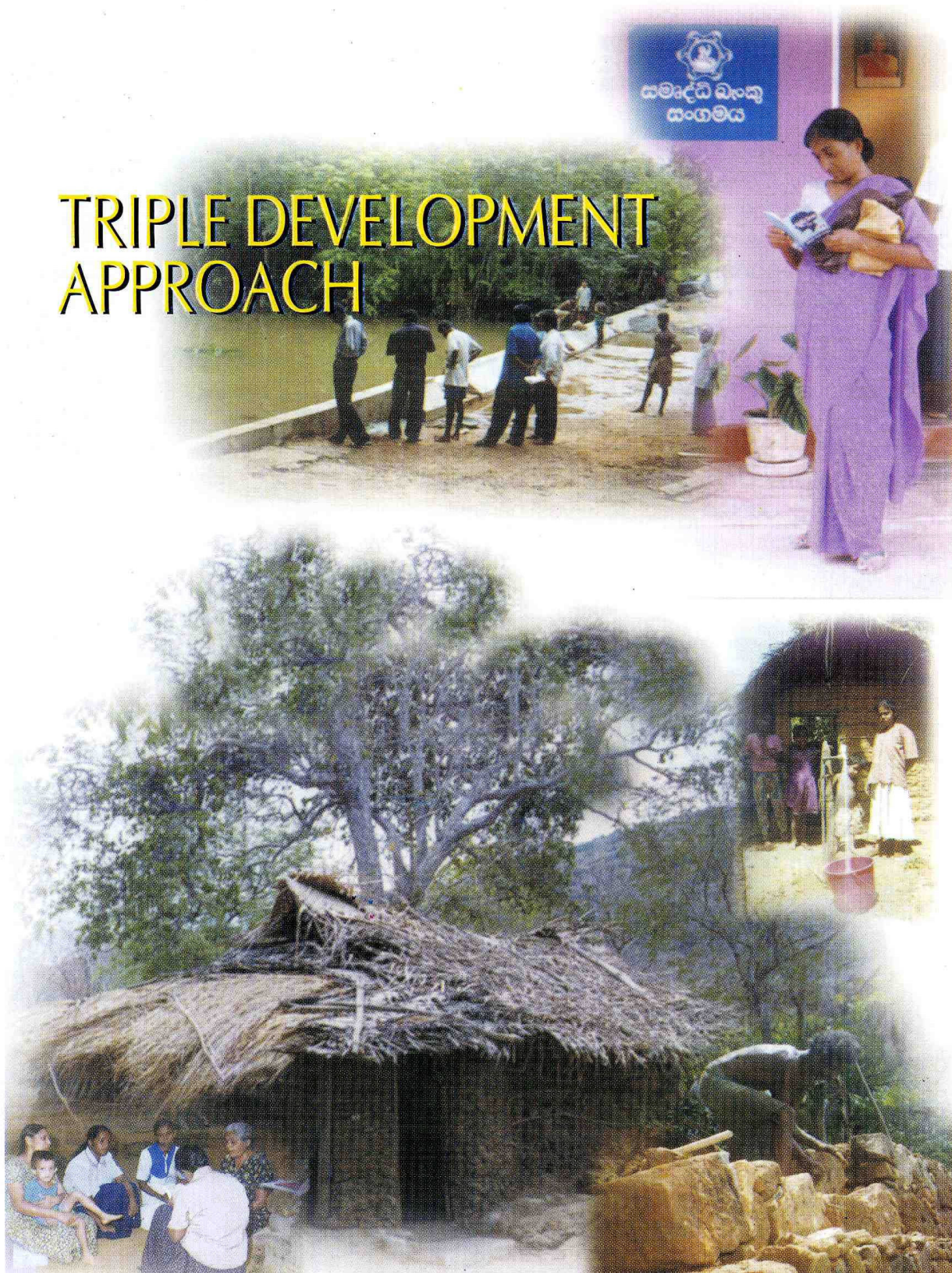
### CROSS SECTION OF POVERTY IN SOUTH ASIA

Three indices have been used here to measure poverty. The World Bank's criterion for identifying poverty is that each individual receives less than US \$ 1 per day. Accordingly, the highest rates of poverty in the region are in Nepal and India. UNDP uses the index HPI. It takes into consideration life expectancy, literacy, availability of drinking water, health services and nutrition level.

Accordingly, the poverty average in South Asia is 38 per cent. Highest poverty rate of 47 per cent is in Bangladesh. Sri Lanka's 21 per cent represents the lowest poverty rate. A third index has been formulated by Mahabub Haq, in which, conditions that cause poverty and income are taken into account. This index is abbreviated as POPI. In terms of this, the lowest poverty of 27 per cent is recorded from Sri Lanka. Highest poverty rates of 52 and 46 per cent are from Nepal and Bangladesh, respectively.

Considering poverty in the region using the above different indices, Sri Lanka appears to have the lowest poverty. In 1995/96 the Department of Census and statistics carried out a survey on poverty in Sri Lanka, taking consumer levels into account. It showed average poverty as 26.7 per cent. It also found urban poverty at 13.4 per cent, rural poverty at 28.7 per cent and plantation poverty at 26.1 per cent. In this computation of poverty, human development indices have not been used. Since 78% of the population live in rural areas, Sri Lanka's poverty is often described as rural poverty. In the effort to build a prosperous society it would be useful to consider the fact relating to the different aspects shown above.

# TRIPLE DEVELOPMENT APPROACH

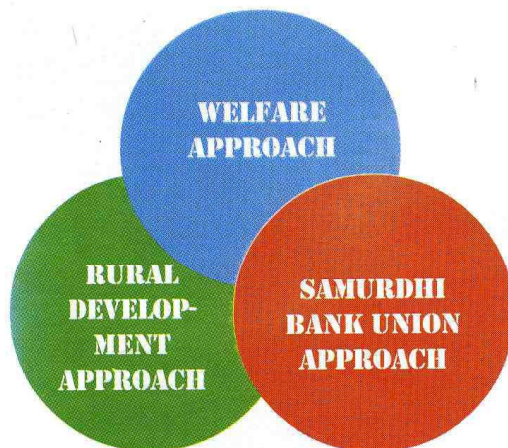


## TRIPLE DEVELOPMENT APPROACH

Poverty alleviation and the building of a prosperous country are the result of an overall development process. The success of macroeconomic policies, and the international economic and political situation will strongly impact on this. However, besides the macroeconomic development efforts, the relevance of special programmes for poverty alleviation has been endorsed even by the World Bank. This is mainly because of the failures experienced over several decades of the 'trickle down' development process. The fact that the chairman of the World Bank too has recently accepted this, deserves particular mention.



Three main development approaches are clearly visible within the Samurdhi Programme. These approaches can be defined as attempts to apply the experiences of Sri Lanka's previous development strategies and an attempt to apply the lessons of poverty alleviation.



As shown in the chart, the welfare approach is the first approach, Rural development approach is the second development strategy, and the third is the Samurdhi Bank Movement or the empowerment of the poor, approach. These three approaches impact on each other. For example, the subsidy scheme provided in the welfare approach is a powerful reason to

involve beneficiary groups in the development processes under the rural development approach and in the Samurdhi Bank Union Movement,

From another angle, to a subsidy-beneficiary who works a small farm or runs a small enterprise, loans from the Samurdhi Bank, as well as transport facilities, and irrigation facilities are also important. Infrastructure development under the rural development approach is an effective support to alleviate their poverty. Accordingly, although these approaches are described severally, it is important to note that those approaches are inter-linked.



# 1

## **WELFARE AND SAFETY NET APPROACH**

The course of Sri Lanka's recent economic history appears to be orientated by two fundamental policies. On one side is the policy of growth while on the other is the policy of ensuring social justice. Since, overall development has been directed on these two policy lines, Sri Lanka has also gained a kind of uniqueness. From pre-independence days these two policies have determined state activities in Sri Lanka. The welfare policy adopted to ensure social justice had been followed since the 1930s. Three vital aspects are clearly visible in the implementation of the welfare policy. They are, free health services implemented since the 1930s, free education introduced by C.W.W. Kannangara together with the school system, and subsidies granted since 1943. Particularly, the Camiston Report of 1950 and the consequent Health Services Act of 1952 are very important welfare measures. In addition there was land alienation under village expansion and under irrigation schemes through land development ordinances. This led to the advent of a minor land owning class and implementation of programmes for its protection. The British Poor Law of the 1920s seems to have influenced welfare activities in Sri Lanka as evident from the Wenburg Report recommending similar relief measures. The result was the Poor Law Ordinance No. 30 of 1939. It may be mentioned that this set the direction and provided the concept for welfarism.

## **CAUSES OF THE ADVENT OF A WELFARE POLICY \_\_\_\_\_**

Compared to our neighbour countries, Sri Lanka followed its welfare policy so consistently that it has become the country's identity. It is useful to examine the factors that led to the implementation of such a policy. When West European countries were threatened by a great economic depression during the world war, one of the solutions adopted was to enhance the purchasing power of people by transferring funds. From this emerged the welfare concept, of which Keynes was the most outspoken. This welfare concept impacted on Sri Lanka's politics. It probably is one of the reasons that led to the emergence of a welfare policy. In addition, the Education Bill, National Insurance Bill and the National Health Services Bill, which constituted the three pillars of the British Welfare State, can be cited as welfare activities from the social service aspect.

With the introduction of the Donoughmore constitution in 1931 Sri Lankan politicians got the opportunity to wield political power. Most of these politicians were Western educated. On the one hand, they were influenced by the Western welfare state concept. On the other, they were also interested in raising the standard of the rural community. This too led to the introduction of welfare measures on a wider range. Further, politically empowered by universal suffrage the masses too began to stake their claim on the welfare package. Welfare slogans were the loudest heard in the electoral political system. Thus, universal suffrage too contributed to the continuation of welfare processes.

In times of war, the growth of Sri Lanka's foreign assets was high compared to our neighbors. This enabled Sri Lanka to meet welfare expenses. Later, however, with population increase and decrease in foreign assets, the maintenance of welfare measures became problematic. In 1966/67 welfare expenditure was 2 per cent of GNP, while by 1975 it had risen to 3 per cent and by 1977 to 5%. Therefore, the food subsidy was limited to low income earners.

Left parties in Sri Lanka occupied a key position in the 1930s and the next three decades. The leader of the Communist Party Dr. S.A. Wickramasinghe in the Matara area and the leader of the Lanka Sama Samaja Party Dr. N.M. Perera in the Ruwanwella area emerged into politics with the distribution of dhal to the people during the Malaria epidemic. According to these political parties, the state is a mechanism to safeguard capitalism. Guided by this thinking they sought to weaken the capitalist state and seize power by exerting pressure through trade union demands and upholding the people's demand for welfare. A great hartal was launched against the increase of rice price by a few cents. Leadership was provided by the left parties of Sri Lanka. Thus, the presence of a powerful left movement was another reason for continuing welfare measures.

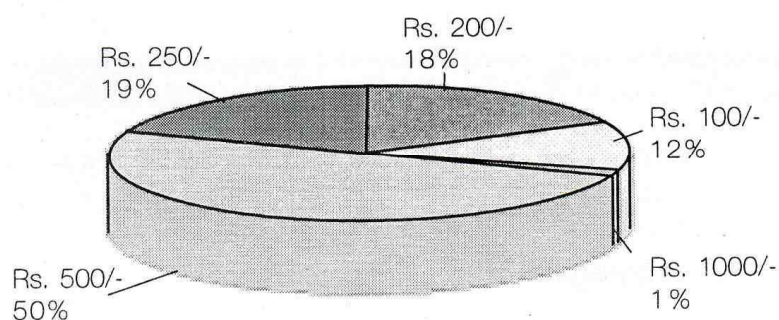
## WELFARE ACTIVITIES IN SAMURDHI PROGRAMME

The advantages and disadvantages of the welfare approach, as well as the way in which it could be amended favourably, will be discussed later. Right now, it would be desirable to examine the welfare measures operating within the Samurdhi Programme. A key feature of the welfare approach in the Samurdhi Programme is the provision of a monthly relief allowance to poor families.

In this, poor families are identified through a socio-economic survey. Families earning less than Rs. 1000/- per month are entitled to this relief. In addition, Janasavi recipients under the previous regime are paid a monthly allowance of Rs. 250/-. In the current system, household income as well as the number in a household are taken into account. Accordingly, a family of two members and a family of one member get Rs. 200/- and Rs. 100/-, respectively. Rs. 1000/- is paid only to absolutely poor families. Disbursement of subsidies as at 30.6.1999 is shown in the table below. It shows that the government spends nearly about Rs. 80 billion annually for about 1.8 million families.

SAMURDHI RELIEF AS AT 30.06.99

AMOUNT	NO.OF. FAMILIES	TOTAL (Rs.MN)
Rs. 1000/-	13,669	13.66
Rs. 500/-	889,314	444.65
Rs. 250/-	330,199	82.54
Rs. 200/-	323,354	64.67
Rs. 100/-	212,385	21.23
TOTAL	1,768,921	626.75



## SOCIAL SECURITY PROGRAMME

The incapacity of the poor to cope with even a minor disaster is a fundamental characteristic of poverty, according to Robert Wemberst. Dry zone chena cultivators constantly suffer damage from drought and wild animals. Similarly, coastal fishermen are often lost in the sea. In such eventualities, affected families suffer immense hardship. However there had been no welfare programme to provide protection in such calamities.

In the Samurdhi programme, a security fund has been created under the Samurdhi Commissioner General's Department, by deducting Rs. 25/- from the subsidy provided for the poor community. From this fund an insurance coverage or a welfare payment is made in situations stated below. Payments are made as follows.

### SOCIAL SECURITY PAYMENTS

<b>At death</b>	Rs. 5000.00
<b>Child birth</b>	Rs. 2000.00
<b>Marriage</b>	Rs. 3000.00
<b>Hospitalization</b>	A maximum of Rs. 1500.00 at Rs. 50.00 per day

Presently only families receiving subsidies of Rs. 1000/-, Rs. 500/- and Rs. 250/- are entitled. It is being considered to include families receiving subsidies of Rs. 100/- and 200/-. In a situation as above, security compensation is paid by the Divisional Secretarial Office, through Samurdhi animators. Insurance payments made during the past period and the progress of the social security are shown in the table below.

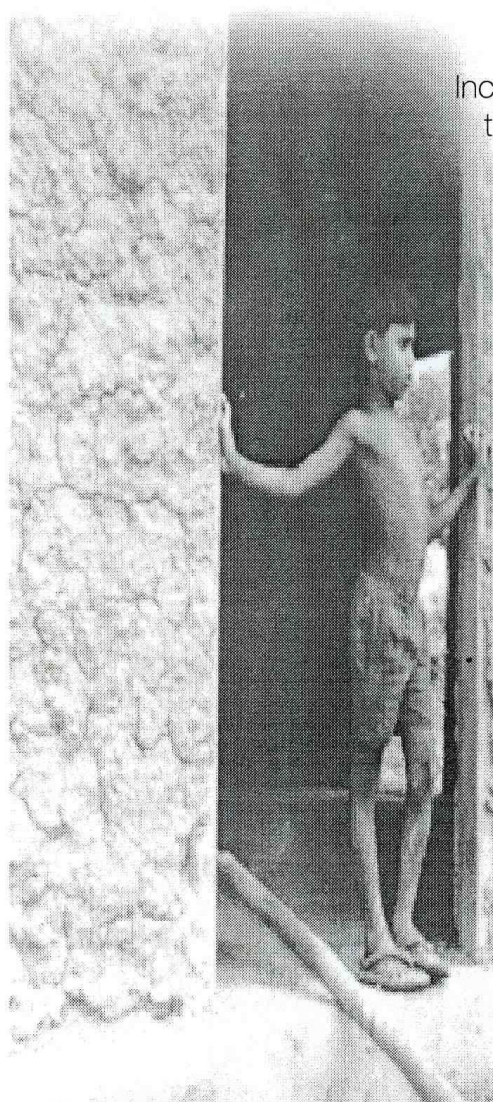
### SOCIAL SECURITY PROGRAMME

Membership	-	Rs. 1000/-, 500/-, 250/-
Membership fee	-	Rs. 25/- per month
Member Families	-	1,285,000/-
Premium aggregate	-	Rs. 513 mn.

AMOUNT EXPENDED FOR SECURITY FACILITIES  
(Rs. 363.46 Mn.)

1998	1998	1999
86.19	150.86	126.41

## A LOOK INTO THE WELFARE AND SECURITY NETWORK APPROACH



Poverty in Sri Lanka is 26.7%, according to the Income-Expenditure survey, conducted in 1995/96 by the Department of Census and Statistics. However, families receiving Samurdhi relief approximate 52%. An amount approximating Rs. 80 bn. is expended as welfare to twice the number of poor families. Food subsidies that commenced in 1943 were extended to all until 1972. In 1972 food rations to income tax payers were withdrawn. Thus, about 10 per cent of the population moved out of the subsidy scheme. However, in 1978 income ceilings were set and subsidies paid only to those below the ceiling. As a result food subsidy was limited to 50 per cent of the population.

Welfare programmes in Sri Lanka since their inception had the common feature of being broad based as much as possible: Every child had free access to education up to tertiary level; every child was given free school books and uniforms; everyone had access to free health services and a food subsidy was given. Such welfare was extended to all, until it posed a problem in the formulation of the national budget. In 1978 the food subsidy was subjected to an income ceiling.

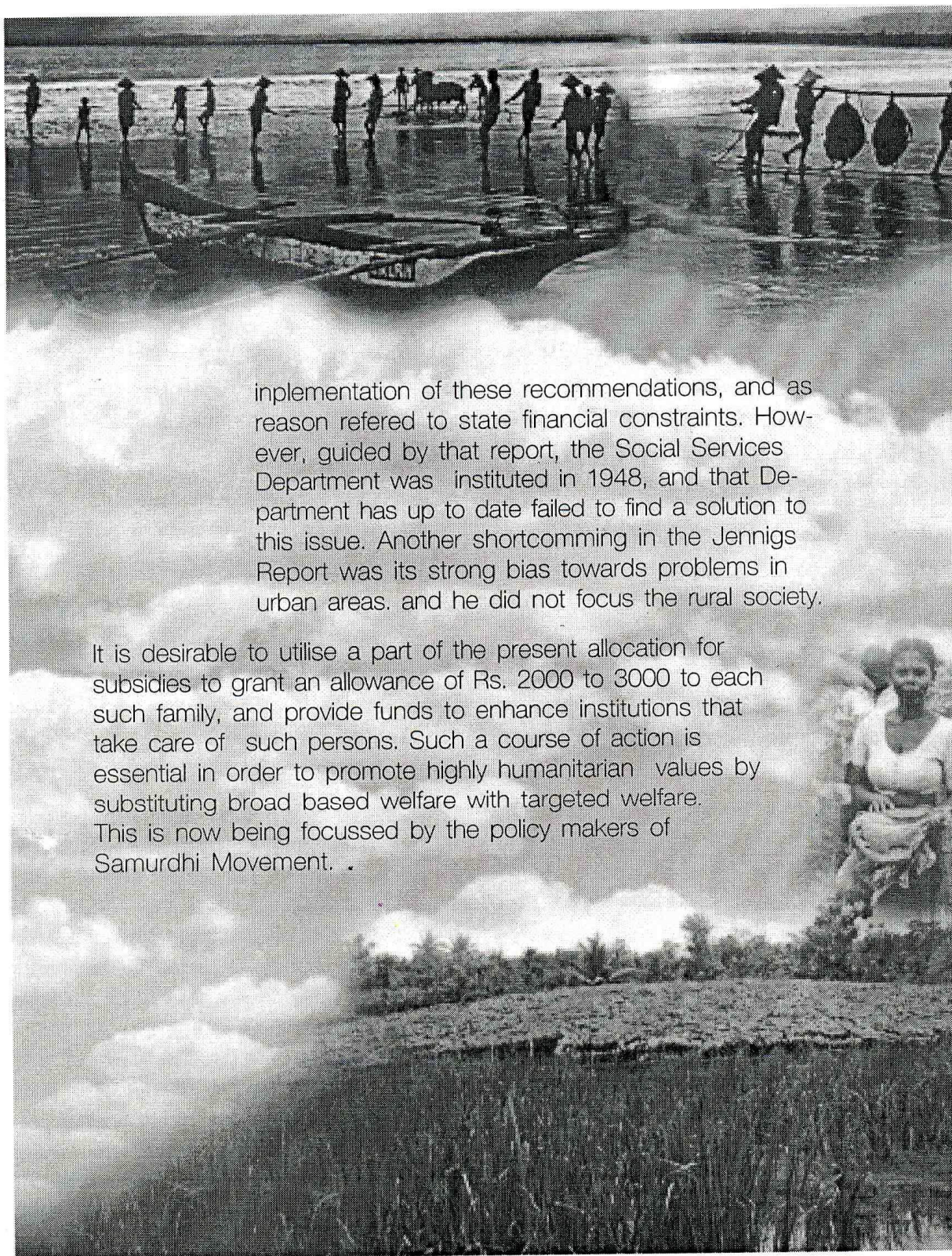
Instead of unrestricted welfare we should focus a targeted welfare. Specially in countries such as Sri Lanka, state funds are very limited. Therefore, consistency in state finance management implies optimal use from limited funds. In the case of welfare the most deserving groups should be identified in the first instance and welfare has to be planned focussing them. This should apply not only to food subsidies but also to health and education services. There is no free education system anywhere in the world comparable to what obtains in Sri Lanka. The way should be open for those who can afford to pay for their education. The same policy is applicable to health services as well. In consequence, welfare services for the poor and other targeted groups can be enhanced. Financial resources saved by following the above policy can be diverted to improve rural schools and hospital services. By so doing, the pressure of poverty on poor families can be alleviated and the process of drawing them into the main stream of development can be accelerated.

## **CARING THE CHRONICALLY POOR** \_\_\_\_\_



According to global information, generally in every country, approximately 8 to 14 percent of poor families cannot be restored to normalcy and drawn into the main stream of development due to various natural causes. Among these are the mentally retarded, the physically handicapped, destitutes, the senile and isolated and, the incurably deceased.

Our conjecture is that there are about 100 thousand such families in Sri Lanka. This especial group finds no solace in presently operative welfare schemes alone. A closer look at the existing homes for the aged and at such individuals in rural families confirms their utter helplessness. Caring for these groups is the unbounded duty of a civilized society. Ivor Jennings Report of the Social Service Commission appointed by the then government in 1947 had made certain excellent recommendations regarding these groups. But Jennings did not propose the



implementation of these recommendations, and as reason referred to state financial constraints. However, guided by that report, the Social Services Department was instituted in 1948, and that Department has up to date failed to find a solution to this issue. Another shortcoming in the Jennigs Report was its strong bias towards problems in urban areas, and he did not focus the rural society.

It is desirable to utilise a part of the present allocation for subsidies to grant an allowance of Rs. 2000 to 3000 to each such family, and provide funds to enhance institutions that take care of such persons. Such a course of action is essential in order to promote highly humanitarian values by substituting broad based welfare with targeted welfare. This is now being focussed by the policy makers of Samurdhi Movement.

In providing Samurdhi relief, instead of providing relief-aid to potential families, it would be more beneficial to offer them skill development, conscientization, credit, organizational enhancement and, production oriented relief aid. Aid schemes for the upliftment of active, energetic and result-oriented groups should be introduced. In South Korea, already, the state subsidizes half the cost of planting inside 'polytunnel' green houses. With the result, green house agriculture is widely practiced in the country. It is possible to introduce such subsidy schemes. Strategies such as higher subsidies for new crop varieties and market oriented risky crops can be introduced. Similarly, free training with modern technology can be provided for rural farmers. In this way, it is necessary to devote attention to the creation of an innovative subsidy scheme for those who are poor, but with potential to share the production process. In such an event, subsidies, instead of continuing as a welfare measure, will become an instrument of production growth.

## **WIDENING AND DEEPENING THE SOCIAL SECURITY SCHEME**

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The current social security system can be considered the most important welfare programme provided for the poor in recent times. Just as in many countries of the world, in Sri Lanka too, insurance schemes did not reach the poor community. It was believed that the nationalization of private insurance firms in 1980 would lead to the creation of an insurance scheme aimed at the poor. This did not happen at all. The Insurance Corporation too, just like private insurance companies, focussed more on serving the interests of the higher social strata.

The Samurdhi Security scheme should be extended to reach welfare recipients of Rs. 100/- and Rs. 200/-. This is presently under consideration. There are numerous other calamities that befall the poor. There are instances when, especially chena cultivators, suffer total economic collapse due to drought or damage by wild animals. In dry zone areas dwellings of the poor are very often destroyed by elephants. Breakdown in education due to economic difficulties that force children to leave school halfway, and sending children for work as domestic servants, are still not uncommon in our society. There has to be an insurance scheme to cover such situations. Security should reach a family when there is more than one child birth and at all family deaths. In this way the insurance scheme should have more depth. This is now receiving attention at the Samurdhi policy planning level. Further, there should be options in the insurance scheme. Earnings of beneficiaries can be taken into account and introduce better living patterns and other insurance schemes. And for such schemes the Samurdhi bank network established at the rural level can be utilized. Similarly, attention has to be drawn to simplify the present procedure in order to expedite insurance payments.

## **MEETING CHALLENGES ARISING FROM WELFARE REFORMS**

The shift from broad welfare to one of targeted welfare will certainly be problem ridden. Any attempt to move out a mass of people from subsidies, to which they have been accustomed ever since Independence, will clearly become a political issue. When one political party seeks to reform the welfare system to make it target oriented, another party can possibly oppose the measure by appealing to the subsistence mind-set of the people. Therefore, when a policy decision has to be made on an issue of such national importance, if the main political parties meet together and try to reach a consensus, it will be possible to forge a solution to the above problem.

The process of implementing a targeted welfare scheme pre-supposes awareness building for the people and people's organizations. While it is being done, the Samurdhi Bank System should be enhanced and its link with the present subsidy beneficiaries has to be consolidated. Instead of withdrawing the subsidy abruptly, the wiser thing to do would be to continue to provide a part of it, that is, compulsory saving Rs. 100 and security Rs. 25.00 (Suggestion has been made to increase the latter amount to Rs. 50.00). Then subsidy recipients will remain in the bank network and in the social security scheme and they would be able to get immense support for their talent and skill development.

The shift to the targeted subsidy scheme is to be made not at one go, but in several stages. A straight shift at once can lead to seething discontent among the poor and frustrate the Samurdhi Movement. It is therefore desirable and possible to continue with the compulsory savings and social security scheme and give the opportunity to voluntarily accept the withdrawal of subsidies. It will be quite possible that some group or other will step forward willingly.

## **UPLIFTMENT PROCESS FOR THOSE WHO VOLUNTEER**

There should be some form of recognition of those volunteering to have the Samurdhi subsidy withdrawn. They can be directed to production geared support systems. Assistance for cultivation methods such as polytunnel and tissue culture, can be provided. Especial cultivation assistance can be provided for those who sacrifice subsidies. For this purpose, a fund can be collected from those who opt out of such subsidies. With the gradual expansion of such a scheme, those who sacrifice welfare subsidies will learn from experience that such money is utilised in a revolving process to augment their production skills. Consumerist welfare is thus being transformed into a production aimed assistance. This transformation should take place gradually, moving from one stage to another, while at the same time promoting awareness among the poor.

## WELFARE LINKED HUMAN DEVELOPMENT

The most significant development within Sri Lanka's welfare policy is probably human development. Human development takes into account such factors as life expectancy, literacy, infant mortality and maternal mortality. Sometimes, despite economic development, if the above factors are not improved, then that development is considered deformed. The fact that Sri Lanka's human development approximates the levels in advanced countries, has aroused the interest of everyone. The following data from the National Human Development Report 1998 are very significant.

**SRI LANKA JUXTAPOSED WITH INTERNATIONAL DATA - 1994**

	LIFE EXPECTANCY	LITERACY	REAL PER CAPITA INCOME	HUMAN DEVELOPMENT
<b>SRI LANKA</b>	<b>72.2</b>	<b>90.1</b>	<b>3277</b>	<b>0.711</b>
<b>DEVELOPING COUNTRIES</b>	<b>61.8</b>	<b>69.7</b>	<b>2904</b>	<b>0.576</b>
<b>SEMI-DEVELOPED COUNTRIES</b>	<b>50.4</b>	<b>48.1</b>	<b>965</b>	<b>0.336</b>
<b>INDUSTRIALIZED COUNTRIES</b>	<b>74.1</b>	<b>98.5</b>	<b>15986</b>	<b>0.911</b>
<b>GLOBAL AVERAGE</b>	<b>63.2</b>	<b>77.1</b>	<b>5798</b>	<b>0.764</b>

According to above data, life expectancy in Sri Lanka is 72.2 years, compared to 74.1 in industrialized countries. Literacy in Sri Lanka is 90.1 compared to 98.5 in industrialized countries. These show that conditions in Sri Lanka are higher than those of some developed countries, of developing countries and the world average. Income level too, surpasses those of developing and semi-developed countries. The last column in the table represents the Human Development Index. Its proximity to 01 indicates its high development. Sri Lanka's human development is 0.711. It is much higher than the 0.336 of semi-developed countries and the 0.576 of developing countries. In computing this index, factors such as literacy, primary, secondary and tertiary education levels, life expectation, infant mortality rate and real per capita income have been taken in to account. In terms of human development, Sri Lanka ranks 91st among 175 countries. It reflects 09 steps higher than Sri Lanka's position in terms of per capita income.

## ACCELERATING ECONOMIC DEVELOPMENT AND WELFARE

Compared with East Asian nations, Sri Lanka has not achieved satisfactory progress. This is well borne out by Central Bank figures.

### PER CAPITA GROSS PRODUCTION - US \$

COUNTRY	1950	1960	1970	1980	1990	1995	1996
SRI LANKA	144	142	183	273	473	714	760
INDONESIA	-	-	77	491	591	994	1547
SOUTH KOREA	-	156	252	1643	5917	10156	10645
MALAYSIA	-	275	382	1787	2411	4123	-
PHILLIPINES	172	254	195	671	721	1055	1160
SINGAPORE	-	431	916	4862	13819	28570	30942
THAILAND	52	97	195	693	1534	2770	-

### 1996 PER CAPITA GROSS PRODUCTION US \$



In 1950 Sri Lanka's per capita gross production was US \$ 144, while in Thailand it was US \$ 52. But by 1995 Thailand had reached US \$ 2770, surpassing Sri Lanka's US \$ 714 by several times over. In 1990 Sri Lanka's per capita production was US \$ 760. Meanwhile, Singapore experienced a galloping economic growth.

According to above data and facts, since independence Sri Lanka's economic growth had been ahead of other South Asian nations.

However, compared to East Asian countries our growth rate is far behind. In terms of human development, of course, our achievement is creditable. In the circumstances, the indiscriminate characteristic in our welfare policy has to be replaced by a more targetted one. Similarly, adoption of production oriented aid schemes could be more productive. We also should shift towards poor community-targetted insurance schemes together with a share of amounts expended on indiscriminate welfare and community contribution. In the period ahead, I think, the above facts will be useful to make the welfare section of the Samurdhi Programme more productive.

At the same time, a part of the amount expended on indiscriminate welfare can be used to further enhance the social security system. Attention should also be drawn to the need for working out ways of obtaining community contributions for the social security system. This can be realized by offering more and especial benefits proportionate to community contribution. The Samurdhi Bank Union network which covers the whole island can be adopted to obtain community contributions. It is my view that in the future the above suggestions will become useful to make the welfare and security network section of the Samurdhi Programme more productive.

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“  
‘Wise people will live  
in my ideal village.  
They will not live like  
animals, in the dark  
and in dirt. In it, men  
and women will be  
able to live equally  
and freely with  
anyone in the world.  
In it, there will be no  
diseases like the  
plague, cholera and  
small pox. None will  
be lazy. None will  
crave to indulge in  
abandon. Everyone  
shall contribute his  
share of labour.

-Mahatma Gandhi

”

# 2

## RURAL DEVELOPMENT APPROACH

A rural development approach too features the Samurdhi programme. An organization called the Samurdhi Task Force, established at Grama Niladhari Division level has been adopted for rural development work. Samurdhi Task Forces are instituted under the Samurdhi Authority Act. In addition, the Act proposes the setting up of an advisory board constituted by 07 village elders to advise the Samurdhi Task force. In the last few years number of community projects have been completed in rural areas by employing these Samurdhi Task Forces. The following two tables illustrate them.

Number of Pradesheeya Secretarial Divisions	-283
Provisions allocated	- Rs. 365 Mn
Provisions received under the accelerated programme (1999)	- Rs. 250 Mn
Project type	- roads, irrigation, buildings, industries, water supply and public utilities
Total invested so far	- Rs. 1875.72 Mn
No. of projects completed	- Rs. 49548 Mn

## COMMUNITY PROJECTS 1995-JUNE 1999

SERIAL No.	PROJECT TYPE	1995	1996	1997	1998	1999	TOTAL
01	Irrigation, channels, aricuts	1401	1048	1600	783	122	4954
02	Public wells, agro wells, water schemes	3232	3488	1670	1151	18	9559
03	Roads, bridges culverts, hights of steps	4794	6065	4907	2902	42	18710
04	Productions, marketing centres, buildings	884	863	563	1017	17	3444
05	Other/ Samurdhi Bank and regional officers	1034	176	2548	208	15	3981
	TOTAL	11345	11640	11288	6061	214	40548

## IMPORTANCE OF RURAL DEVELOPMENT



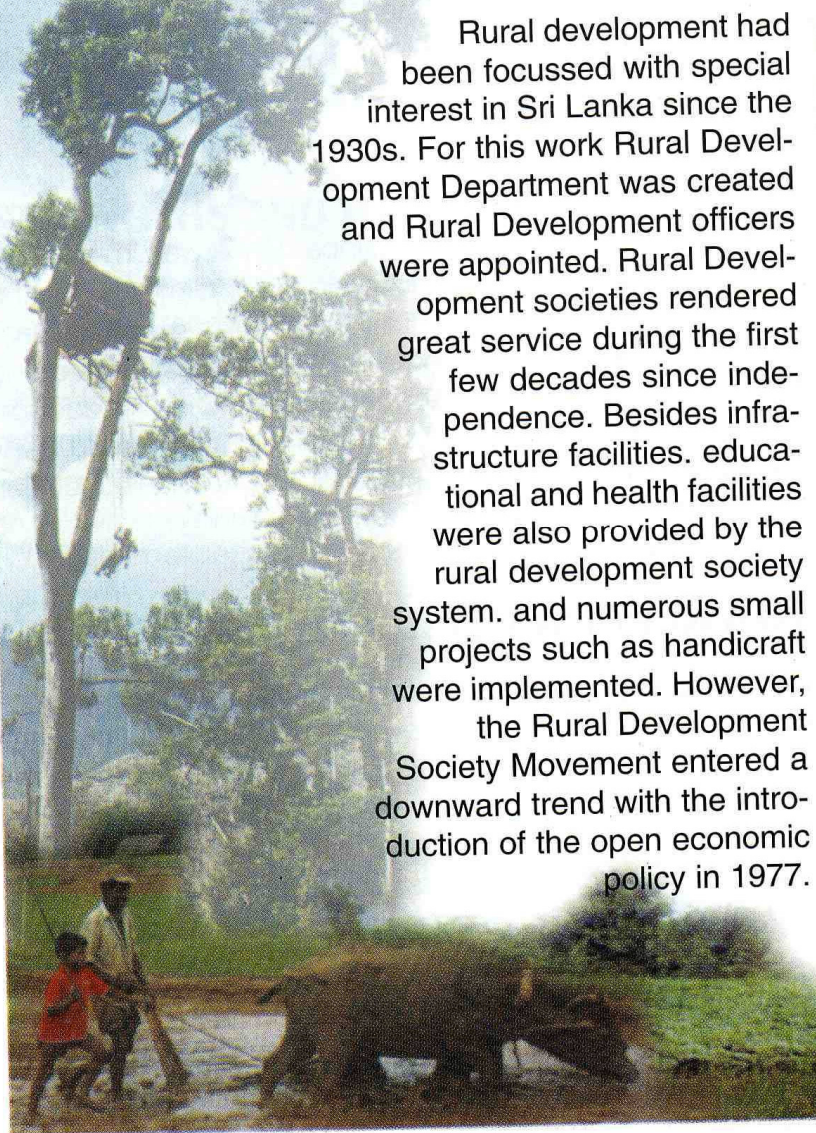
Since independence third world countries took a great interest in rural development. This can be explained by the long period of subjugation to foreign rule. Especially, Western rulers took no interest in rural development in their colonies. Therefore, rural development, which has its roots going far into the earliest times in history, had come to a stand still. Colonial rulers were more interested in exploiting these countries' sources of raw materials. Accordingly, British rulers were concerned about cultivating commercial crops such as coffee, tea, rubber, coconut ect. and in building infrastructure facilities for them. Therefore, with independence, almost all post-colonial contries devoted their efforts to restore their ancient glory, and approached rural development with great earnest. This interest in rural development clearly manifested in all post colonial countries like India, Bangladesh, Malaysia, Burma and others, and the impact was strong on Sri Lanka too. Mahatma Gandhi's ideal of a Grama Swaraj was supported with highly philosophical views on rural development.

## DEFINITION OF RURAL DEVELOPMENT

According to an analysis made in 1982 by Johnston and Clark, rural development seeks to reach diverse targets such as ensuring self survival, accumulated economic development, expanding opportunities for productive employment, poverty alleviation. Among the important strategies for rural development, Chambers emphasizes the understanding of the needs of certain special groups and creating a condition in which people who receive help can mutually help each other. In terms of these interpretations, rural development can be defined as the upliftment of living conditions of the rural poor by creating economic opportunities accessible to them.

## RURAL DEVELOPMENT WORK IN SRI LANKA

Rural development had been focussed with special interest in Sri Lanka since the 1930s. For this work Rural Development Department was created and Rural Development officers were appointed. Rural Development societies rendered great service during the first few decades since independence. Besides infrastructure facilities, educational and health facilities were also provided by the rural development society system, and numerous small projects such as handicraft were implemented. However, the Rural Development Society Movement entered a downward trend with the introduction of the open economic policy in 1977.



Some developmentalists raised issues on this approach too and the Rural Development Department itself introduced a different development approach called the "Viparya Karaka" programme. In this, greater focus was on human resource development, rather than on infrastructure facilities. After 1976 rural development in Sri Lanka also drew the attention of Integrated Rural Development Programmes, which were dependent on foreign aid. And, by this time, 'Gramodaya Mandala' System too had entered the rural development field. Under the Gramodaya Mandala System, an attempt was made to build an organisation integrating all organizations in a division. Gramodaya Mandalas focussed also more and more on developing infrastructure facilities in villages. Development of small scale infrastructure facilities carried out under the Integrated Rural Development Programmes was also shifted to Gramodaya Mandalas. In addition, Pradesheeya Sabha system and the work done by linear ministries too were a great impetus to rural development. The Decentralized Budget system too was another opening for the in-flow of resources. In this way, infrastructure facility development programmes are being implemented through the Decentralized Budget, Gramodaya Mandalas and Rural Development Societies.

## **NGOs**

Involvement of NGOs in rural development work since 1977 was clearly evident. These organizations are especially dependent on foreign aid. Similarly, by this time, the Sarvodaya Movement had expanded through out Sri Lanka as a NGO. These NGOs approached rural development from different angles. A characteristic feature of most of these NGOs is that they are engaged in project oriented activities. In addition, almost all such organizations evinced interest in community participation. World bank aided Janasavi Trust Fund too supported NGOs for infrastructure facilities, nutrition work and human resource and institution development activity. Janasavi Trust Fund also supported rural credit organizations.

## **PROJECT CONCEPT TO A KEY PLACE IN RURAL DEVELOPMENT**

A clearly visible trend during a number of past decades was the shifting of 'project' formulation and implementation to a key place in rural development. As seen from the above figures, in the rural development approach of the Samurdhi movement too, a vitally important place has been accorded to the implementation of community projects. This is borne out from the fact that during the last period Rs. 1875.72 have been expended for 40548 infrastructure development projects in rural areas. Therefore, it would be useful to examine how the project concept and related issues have impacted community projects.

## **INTEREST IN PROJECTS AND WHAT ARE PROJECTS ?**

The last few decades were characterized by an unprecedented interest shown by both international and local efforts to provide assistance to projects. This may be

attributed partly to the inefficiency and ultimate failure of state officials intervention in rural development. It was, therefore, observed that implementation of projects was more productive. Since centralization of power resulted in the failure of central planning it was felt that implementation of projects would help to reduce centralization of power to a great extent.

Similarly, projects would enable better accumulation of resources and their appropriate distribution, or allocation, among different development activities. Further this system enables a completed project to be handed over to a government department or to the private sector or an NGO for maintenance and care. Projects have thus become an important concept in rural development. As Rondinelli noted in 1983, a project is an organized activity for the advancement of financial investment, and socio-economic changes. Accordingly, a 'project' can also be defined as a financial investment for the achievement of a specific goal. Another important advantage of the project system is that projects can be implemented on different scales, and that they can be formulated to match the needs of particular communities in the respective areas, to match available resources and to match the capacity of the organization. A further advantage is that during and after implementation projects can be subjected to external evaluation.

## **STRENGTHS AND WEAKNESSES OF SAMURDHI PROJECTS**

Since most of the projects implemented by the Samurdhi task force are of small scale, malpractices are comparatively less. In the case of large projects, malpractices and corruption assume a common feature. Samurdhi projects are being selected as far as possible according to the needs of the poor community. Selection and planning of projects are very important. The operation area of the Samurdhi Task Force being the Grama Niladhari Division, difficulties arise in mobilising the people. For the same reason, in selecting projects, difficulties have been experienced in identifying community participation and needs. For the present, two alternatives have been adopted. Since the Samurdhi Society at the small village level meets fortnightly, they have been advised to identify projects. Further, a reorganization has now been undertaken by drawing into the Samurdhi Task Force officials of active organizations, including chairpersons of Samurdhi Societies. This will help minimize shortcomings in identifying.

A 25% community share in Samurdhi community projects have been made compulsory. There are instances when this share has surpassed the 25% limit. This has completely put an end to Samurdhi community projects going into private contracts. However, instances have been reported when the Samurdhi Task Force has been used as a tool of external contractors in projects given to them by other organizations. As a means of preventing such incidence, Samurdhi Task Force has been advised to retain as deposit 10% of the total value when undertaking external projects. By this means, Samurdhi Task Force has been discouraged from making extra money by undertaking external contracts.

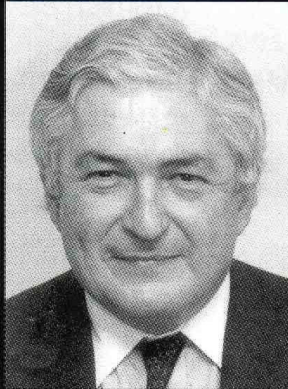
Lack of technical officers has been a lacuna in the Samurdhi Movement since its inception. Especially, this poses a serious problem when implementing a number of small projects within a Pradesheeya Secretarial Division, causing delay in planning. However, since late pensioner technical officers have been recruited and deployed, thereby easing the problem to a great extent. But, because of malpractices on the part of technical officers in certain work sites it was difficult to expedite the work. Such incidents have been reported especially from extremely difficult areas in the dryzone which are beset with disturbances.

Organizational weakness of the Samurdhi Task Force is the main cause of shortcomings in this section. A solution is expected to be found in the new reorganization and by getting rural Samurdhi societies involved in the process. Another weakness is the lack of good coordination among organisations that undertake infrastructure facilities. This is particularly evident in respect of Pradesheeya Councils. Most of the rural roads are under Pradesheeya councils. These councils are benefitted by the construction work of the Samurdhi Task Force. However, this has not been correctly understood, leading to issues in some places. Problems have also arisen from officers in certain minor irrigation schemes. Divisional Secretaries have been instructed to strengthen coordination activity, in order to change this situation.

## **PRIORITY TO INCOME GENERATING PROJECTS**

Samurdhi projects focus mainly the development of physical infrastructure facilities such as, roads, channels and culverts in villages. As shown in table 2 the total number of projects is 40548, of which 23664 or nearly 58% are allocated for roads, culverts, irrigation and channels. The Samurdhi Movement being a movement for combating poverty, very high priority should be accorded to the growth of poor people's income. Therefore from year 2000 infrastructure facilities that are directly relevant to income generation of the poor, either collectively or individually have been focussed.

Accordingly, priority is accorded to infrastructure facilities of projects that could provide employment for the largest possible number. For example, more funds are to be allocated for works such as building, stores, roads, sanitary facilities, water and electricity, which are relevant to production units. Planning, directing and administrative activities of these production unit projects are planned to be carried out by Samurdhi General Unions. This will enable management and maintenance work to be carried out systematically. That is because, in terms of community participation, institutional strength and capital, the General Union is stronger than the Task Force. Similarly, it has been observed that poor youths who participate in these projects can get a better income by processing agricultural and other primary products for local and foreign markets.



**James D. Wolfenson**  
CHAIRMAN, WORLD BANK.

Mr. Chairman, the poor cannot wait until our discussions on these are over. The poor cannot wait until it is understood that this human crisis affects all of us. The street-child in Bangkok should go to school again. The mother living in the shanties of Calcutta should save her life at child-birth. The father living in a village in Mali should be entitled to know how he is to live after today. When markets collapse, when the number of the poor goes up, a shared responsibility falls on all of us in this room. That is the responsibility of formulating policies helpful for these countries to free themselves from this crisis. In the end, we all will win collectively, or be destroyed collectively. To understand that in the future the world of our children will be a world linked together by communication, linked together by trade, linked through the market, linked together by the environment and shared resources, and linked together by common expectations, is a responsibility devolving on us in the name of our children.

**James D. Wolfenson**  
Chairman, World Bank.





# 3

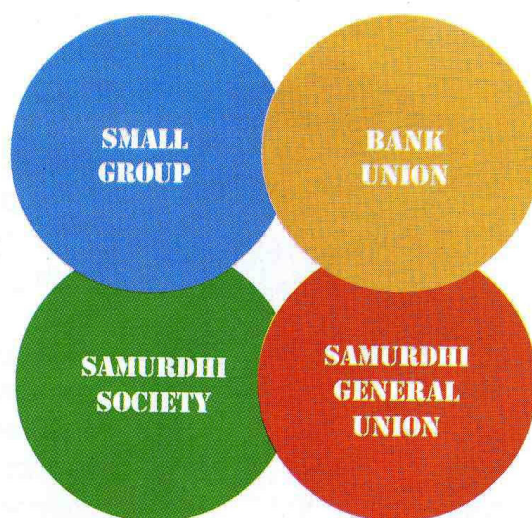
## **SAMURDHI BANK FEDERATION MOVEMENT THAT EMPOWERS THE POOR COMMUNITY**

**K** It is the Samurdhi Bank Federation movement, rather than the welfare and development approaches operating within the Samurdhi Programme, that has been adopted for the direct empowerment of the poor community, economically and socially. Of the organizational and institutional system within the Samurdhi Bank Federation Movement, 'Samurdhi Bank Federations' can be called the economic arm. Because of the greater significance of this arm in the economic empowerment of the poor community, the term 'Samurdhi Bank Federation movement has been used to introduce this approach. However, it is not to be forgotten that there are three more vital organs in this system. They are, the small group of 05, village society and Samurdhi General Federation.

The organizations shown here are at 04 social levels. Similarly, the way in which these organizations meet is also shown here. The Small Group meets weekly, Samurdhi Society meets fortnightly and the General Federation Executive Committee meets once a month, and takes decisions.

It is intended here to explain a number of basic facts, as stated below, concerning the Samurdhi Bank Federation movement:

1. Provide for the poor community, capital and its use capacity in economic development.
2. Democratically organize the poor community and involve them in the participatory development process through social animation.
3. Getting them to speedily join the main stream of development through Samurdhi General Federations.



## **PROVIDING FOR THE POOR COMMUNITY CAPITAL AND ITS USE CAPACITY NECESSARY FOR ECONOMIC DEVELOPMENT**

### **GLOBALIZATION AND THE FREE ECONOMY**

'Poverty' has been identified by the UN as the main challenge confronting humanity in the new millenium. The world, on one side, is moving towards a free economy and becoming more and more subject to globalization. This globalization is accelerated by communication and electronic media. The capital accumulated in industrialized countries, roams freely all over the earth in pursuit of greater and greater profit. Evidently in terms of his production capacity man has performed feats unprecedented in history. Production has grown quantitatively. Yet, statistically, relative poverty in the world is also growing. World population has recently reached 600 billion, and reportedly, half of it receives incomes of less than U.S. \$02 per day. One-fourth of the world population is identified as poor. The lament about poverty is heard not only from developing countries of the world but also from most advanced countries. Reportedly, in the United States every 35 minutes a child below the age of 6 dies from a poverty related cause. In some reports, the proportion of the poor is given as 17 per cent, or 40 million. It is also reported that in developing countries one of every five persons goes to sleep hungry.



Admittedly, there is a beneficial side to globalization and the free economy, as well as a decrease that increases poverty. The latter is mainly because globalization leads to concentration of wealth in a few. This is more clearly explained in recent reports of the UN Development Programme. The aggregate of assets owned by three richest persons in the world, including Bill Gates who is a giant in the computer software field, is US \$ 1560 billion. It is higher than the GNP of 43 poor countries in the world. The aggregate of the wealth of the richest 475 is equal to the aggregate of the wealth of half the world's population. In the context of this unjust concentration of wealth, it has become extremely difficult to prevent, growth of poverty, all kinds corruption and crime, drug trade, environmental destruction etc.

## **CAPITAL DEFICIENCY IN THE RURAL ECONOMY**

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Because of globalization and the free economic policy, the self employed poor in South Asian countries like Sri Lanka are faced with a serious problem of capital deficiency, which restrains their effort to upgrade their ventures and income. On the one hand, all savings in the country are competitively accumulated by local and foreign banks. Therefore, only the big business class has access to this source of investment. The poor have no access to bank credit because they lack collateral in the form of property or personal guaranty. In a sense, conventional banks are robbing the poor in a subtle way, by accumulating the savings of ordinary people and keeping it away from their reach. Without liberating the poor from this robbery, it would be inconceivable to attempt at combating poverty in a country like ours with its rural small land owning class and landless people.

## **SAMURDHI BANKS UNDER COLLECTIVE OWNERSHIP OF THE POOR**

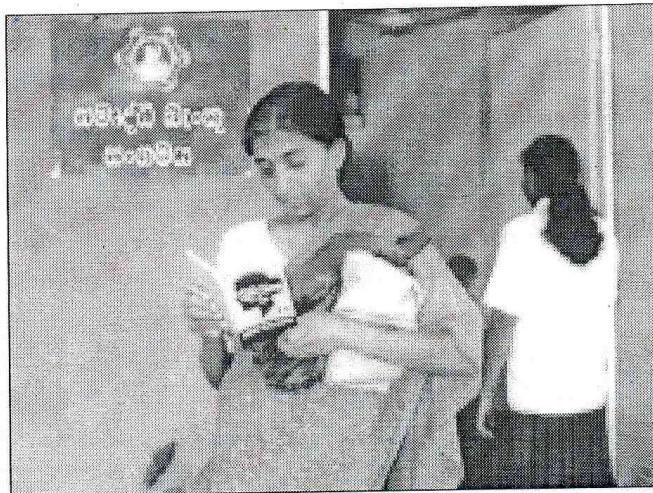
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Working within the the Samurdhi Movement, a poor community has created 1000 banks in collective ownership. The rich and the able have no access to loans from these banks. But their savings are accepted for deposit. Only the poor are entitled for loans. This process can be described as inverting the conventional banking system or making it 'top down - bottom up'. Conventional banks accept savings of the poor. But the poor are deprived of credit on the question of guaranty. The rich and the able are given loans. Samurdhi banks are the reverse of that. Funds of the rich are also accepted. But loans are only for the poor.

## **SAMURDHI BANKS ABLE TO GRANT AND RECOVER LOANS - PROMOTE SAVING**

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Samurdhi Banks grant loans on trust to Groups of Five and recover. No securities are demanded. As at 31.12.1999 loans totalling Rs. 944 million have been granted to 206898 projects and recoveries approximate 100 per cent. Samurdhi Banks have proved that the poor can be granted loans and recovered without recourse to conventional guarantees. The Bangladesh Rural Bank too has a similar experience.



There, 98 per cent of loans granted according to the group of five system are being recovered.

Samurdhi Banks have demonstrated that the saving capacity of the poor can be enhanced. Over Rs. 5000 million have been saved as compulsory savings. Voluntary savings have surpassed Rs. 1349 million. Because of this daily growth in savings, the time is not far when the Samurdhi bank will be a capital giant of great magnitude. That gigantic power will be used, in the first instance, to enhance the productive capacity of the poor. Globalization and the free economy have created a system in which wealth is accumulated by a few. As against it, the Samurdhi Bank system has been able to create a mechanism for just and fair distribution of capital and to combat poverty.

## **FLOW OF CAPITAL INTO RURAL AREAS WITHIN GLOBALIZA- TION IS A DREAM**

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Since 1977 we were dreaming of eliminating rural unemployment and promoting economic growth by investing the huge foreign capital reserve, in rural areas within the context of the rural economy. However, in the present world context such development in countries like Sri Lanka is inconceivable. The greater tendency is for capital to flow into countries such as Vietnam, Cambodia, Bangladesh, India and China, rather than to Sri Lanka. It is because, relative to Sri Lanka, the atmosphere in those countries is more conducive for profit earning. Today, East European countries too have joined them. In addition, foreign investors are discouraged by Sri Lanka's trade union move-

ment and stringent labor laws. Further, electricity, water and especially infrastructure facilities including the road system in Sri Lanka are grossly inadequate to attract foreign capital into rural areas. The war in the North and East is another factor restraining foreign capital. In the circumstances, what remains for us to do is to enhance self-employment of the rural poor and create a novel investment pattern on a higher strata. I intend explaining this when discussing Samurdhi General Federations .

## **THE POOR COMMUNITY MAKES DECISIONS** \_\_\_\_\_

Share holders of Samurdhi Bank Federations are the poor community. They are managed by representatives of these share holders. Boards of management meet fortnightly and make decisions. Samurdhi Manager and Samurdhi development officers are there as support persons. Samurdhi Authority too assists, especially in the initial period, by providing technological and other advise, institutional development. However, decision making at all levels in Samurdhi Bank Unions has been devolved on the poor community. Accordingly, the ownership of capital becomes a collective ownership in the Samurdhi Bank Unions and the right of using them too is vested in the people concerned.

## **DEMOCRATICALLY ORGANIZING THE POOR COMMUNITY AND INVOLVING THEM IN THE PARTICIPATORY DEVELOPMENT PROCESS THROUGH SOCIAL ANIMATION** \_\_\_\_\_

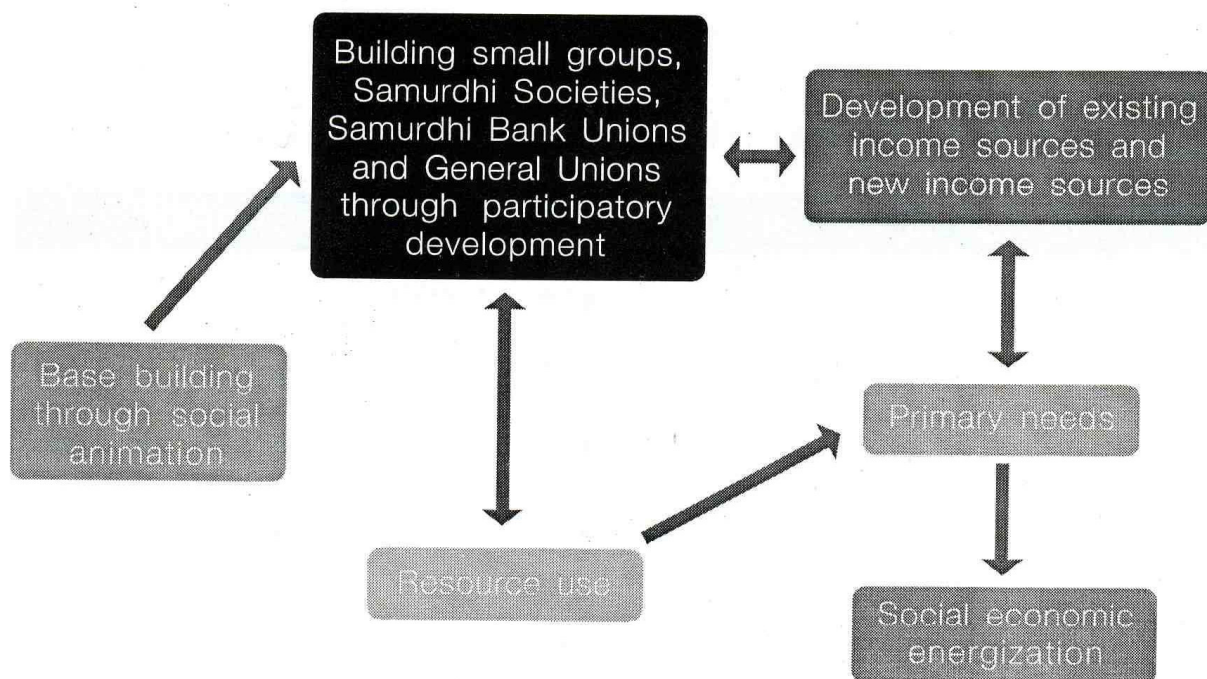
The capacity to be free from poverty lies with the poor themselves. It is the poor who feel the pressure and pain of poverty and it is they who feel the intense urge to be free from poverty. I wish to remind here the philosophical saying 'only the man with the problem can solve the problem'. However, the poor community which remain isolated and unorganized, and without the capacity to analyse the problem of poverty, very often cannot approach the process of freeing from poverty. Therefore, awakening the poor community through concientization, and getting them involved in collective and self - reliant development processes can be called social animation.

## **SMALL GROUPS AND SAMURDHI SOCIETIES** \_\_\_\_\_

In the Samurdhi movement, groups of 05 and Samurdhi societies at the level of small villages have been created to expose them to the process of social animation. Since about 1978 the group system for social animation had been adopted in different areas in Sri Lanka and a great deal of experience has been gained. The society system has been popularly adopted in many third world countries, in the volunteer and NGO field and in the cooperative movement. In the Samurdhi Movement both the group

system and the society system are used simultaneously as development tools. There is wide space to find solutions for family problems by in-depth discussion through Groups of Five. All groups in the countryside get together fortnightly and this meeting allows room to acquire a much broader awareness. In the Rural Bank in Bangladesh and in the Janashakthi Bank Union in Humbantota the Group of Five has been worked out with successful results. The diagram below shows the way in which economic and social energy is developed by building organizations.

## SOCIAL AND ECONOMIC EMPOWERMENT



in this, the ways in which organizations are built at 04 social levels, resource use is increased and income sources are developed through these organizations. Primary needs are met through it and the social economic energization occurs through the process of social animation.

## MODERATORS IN ANIMATION

Past experience has confirmed the need for a trained moderator or consultant in social animation. In the Samurdhi movement 20,000 Samurdhi Development officers have been appointed to function as full - time moderators. They join the animation process while being in their respective villages. At a higher level , approximately 200 graduate Samurdhi Managers are engaged in service. Above these levels, Divisional

Secretary and District Secretary join the process. Graduate Managers have been appointed generally at the rate of one per about 15 Grama Niladhari vasams. He also functions as the Samurdhi Bank Union Manager at the regional level. Monitoring, controlling and coordinating, work of Samurdhi Development Officers are carried out at the regional level by Samurdhi Managers.

## ACTIVITIES OF GROUPS AND SOCIETIES IN SOCIAL ANIMATION

In social animation, group and society work focus mainly on plans for maximal use of limited resources. Here we are confronted with an underdevelopment of human resources, rather than a lack of resources. The attempt, therefore, is to change human conduct for the better. The methodology adopted for the purpose is learning through experience and example, which is an important guide in adult education. Therefore, group and society activities are given below. Approximately, 30,000 Samurdhi societies at village level and over 200 thousand small groups are now functioning.

GROUP ACTIVITIES	SOCIETY ACTIVITIES
<ul style="list-style-type: none"> <li>• Meet weekly and discuss</li> <li>• Maintain weekly reports</li> <li>• Building group funds</li> <li>• Obtaining IOUs.</li> <li>• Consumer service activity</li> <li>• Labour exchange activity</li> <li>• Guaranty Bank Union Loans and follow-up work on loans</li> </ul>	<ul style="list-style-type: none"> <li>• Meet fortnightly</li> <li>• Group experience exchange and monitoring group progress</li> <li>• Recommending loans to the Bank Union</li> <li>• Facilitate support services</li> <li>• Development of talent and leadership qualities</li> <li>• Social development work</li> </ul>

\*Infrastructure development work

## DEMOCRATIC MANAGEMENT

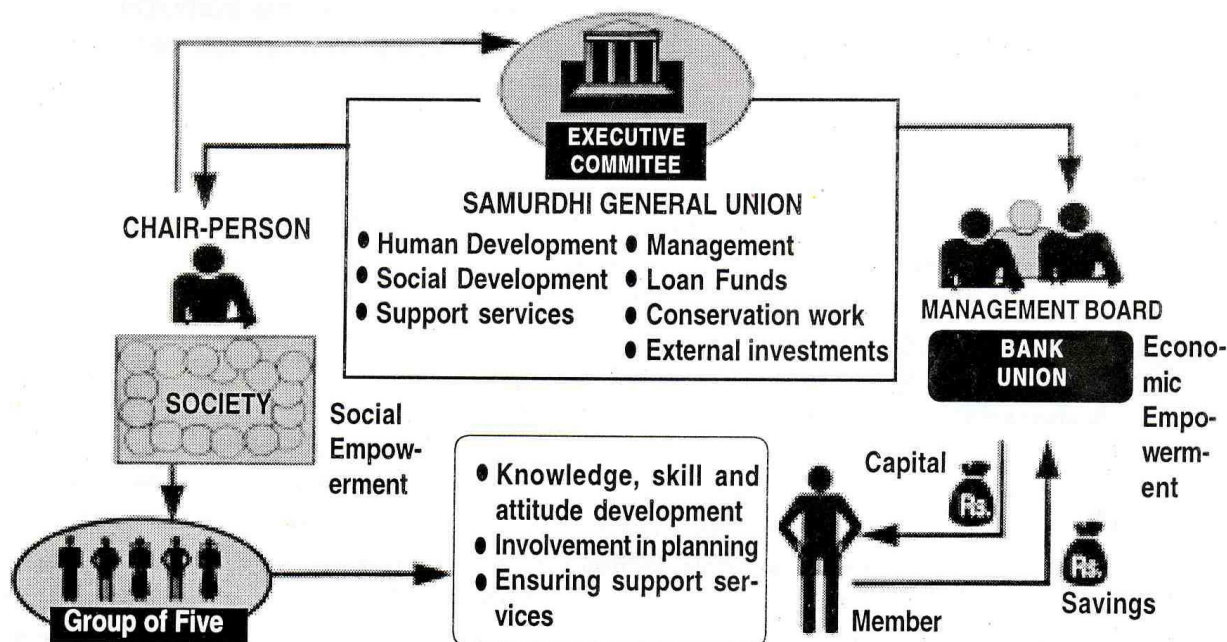
Electing the leader of a small group and decision making follow a democratic process. The annual election of Samurdhi office bearers including the chairperson is also a similar procedure. The Management Council of the Samurdhi Bank Union is elected by a general assembly at its annual meeting. Office bearers of regional societies, namely, Chair-Person, Vice Chair-Person, Secretary, Asst. Secretary and Treasurer participate in the General Meeting. Of them 15 are elected to the Management Council of the Bank Union, and they in turn elect a chair-person and a vice - chair-person. The Management Council meets fortnightly. Samurdhi General Union is set up for each Pradesheeya Secretarial Division or for an electoral division. Chair-persons

of all Samurdhi societies within the area of authority are entitled to membership in the federation. An executive committee constituted by 21 members including Chair-person, Secretary and Treasurer of the federation is elected annually. This committee meets monthly within the General Union and takes decisions. Steps have thus been taken to construct all levels of the Samurdhi programme according to fundamental democratic norms.

Decision making in the Samurdhi movement, spread throughout Sri Lanka, has been democratically entrusted to the community. It extends from the small group to the General Union. All officers such as Samurdhi Development officers and Managers are there to assist in the decision making of the community. Action is being taken to conduct training programmes and make use of newspapers, pamphlets and electronic media for the qualitative improvement of this process. Similarly, the Sri Lanka Samurdhi Authority provides training programmes and modern equipment necessary to augment the institutional strength of the programme.

## **SPEEDY ENTRY INTO THE MAIN STREAM OF DEVELOPMENT THROUGH SAMURDHI GENERAL UNIONS**

Samurdhi General Union, which is a sub - system of the Samurdhi Bank Federation Movement can be defined as the regional general organization of the poor community. The management of the entire process of enhancing the economic and social strength of the poor community is entrusted to the General Union. The 21 - member executive committee of the General Union is elected at an annual meeting of chairpersons of village-level Samurdhi societies in the area of authority. The way in which the General union carries out economic and social energization is shown in the diagram below:



## MANAGEMENT OF SAMURDHI BANK UNIONS

There is a number of Samurdhi Bank Unions within a Samurdhi General Union. The Regional Bank Union accumulates savings of the poor community and gives loans for economic development. Consumer loans and distress loans are also given by bank unions as a means of relieving the poor community from indebtedness. A scheme for housing loans on concessionary interest rates has also been worked out to be implemented in due course through Samurdhi Bank Unions.

The General Union looks into the financial management in Samurdhi Bank Unions and directs their work giving necessary instructions. Audit of bank unions is also a function of the General Union. In addition, the General Union attends to the external investment of surpluses in order to enhance the profitability of Bank Unions. Further, there is also a 'loan conservation' element in the work of the General Union. It means that if the poor community fails to settle loans due to natural causes, a fund is built to cover the losses incurred by the Bank Union. When Samurdhi banks release loans 1 per cent is contributed towards loan conservation. In addition, the amounts retained in bank unions by the Samurdhi Authority and the amounts transported are insured. The General Union also should look into them. Further, the amounts needed by Bank Unions for loans are supplied by the Samurdhi Authority under the refinancing system and their coordination, monitoring and control are the responsibility of the Samurdhi General Union. All these activities are for the economic upliftment of the poor community.

## SOCIAL EMPOWERMENT

The above diagram shows how the social empowerment of the poor community takes place. For this purpose, Small Groups that meet weekly and the Samurdhi Society that meets fortnightly are used. To the poor community the following are relevant:

- Improvement of knowledge, skill and attitudes
- Involvement in the planning process
- Facilitating support services

The General Union seeks to develop this social strength by engaging in human resource development activity, by conducting social development programmes, such as, temperance work and literacy development work, and by bringing close at hand regional support services. Steps have been taken to improve the capacity to meet socially through the Small Group and the Society and make decisions.

A very important service rendered by Samurdhi Bank Unions is the grant of loans for self - employment, some of which are already under way in a small scale and some of which are being newly started. Every fortnight 1000 Bank Unions release in the form of loans the capital required by the poor community to launch large scale ventures. Further, there is less space for large scale factories to be located in Sri Lanka's rural areas. The high cost of labour in Sri Lanka, compared to Vietnam, Cambodia, China, Bangladesh and India, poor infrastructure development in rural areas, stringent labour laws, war in

the North and East and Sri Lanka's tax system, are factors constraining the arrival of foreign investment in Sri Lanka. Therefore, if the inflow of foreign capital, with modern technology and orientation toward the foreign market, is delayed, we will have to focus alternative means.

## **SPECIAL INTERVENTION BY SAMURDHI GENERAL UNIONS**

There are about 200 Samurdhi Bank Unions organizing throughout the country. There is plenty of room for these General Unions to move on to various new projects. Necessary capital is getting accumulated in them. There is an obvious disadvantage in seeking market access for agricultural and primary raw material. Over a number of decades the prices of agricultural goods and raw materials have progressively declined in the world market, relative to industrial goods. Therefore, if these raw materials are industrially processed, possibilities are open for better prices and buoyant markets. Jak, breadfruit, cashew and various other fruits can be processed and offered to local, as well as foreign, markets. Especially, there is a big demand for coir based products, in the west, in countries such as Korea and Japan. The demand is also increasing for fibre based products and palm-leaf products. It is possible to collaborate with exporters of these products and join as sub-contractors. Samurdhi Authority has thought of providing modern machinery and consultant services for the purpose. Samurdhi Unions can provide working capital. Here, there is a certain risk which the state should take over. Similarly, a national level intervention is also necessary. Samurdhi Movement is already making arrangements for the purpose. Small production industries appropriate to the respective areas and the exporters to export finished goods are being identified.

It is important in this respect to direct production according to market demand. Living in the context of a subsistence economy, the rural poor are engaged in their customary trades. Therefore, a fair price cannot be got. In addition yield is also affected. In these circumstances General Unions should seek to interest the poor community in modern practices such as ploytenal farming, tissue culture. It has since been proposed for the General Unions to obtain the services of technical officers who can provide instructions. Further, it is highly desirable to introduce aid systems to those who adopt these modern methods. In south korea, the state still subsidizes polytenal making by 50 per cent. We too should follow the example and forcus such aid schemes. Similarly, a priority can be accorded for market oriented production when Samurdhi banks extend loans. This can be done through special low interest loan schemes. Livestfock farming and fresh water fish culture have also to be focussed. The intervention of General Uions in this will be important.



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## **STRENGTHENING LOCAL MARKETING**

A programme to open village level markets and enhance existing ones is already under way by Samudhi General Unions. In addition, mobile stalls and special sales outlets are also being created. Since greater benefits accrue from exchange market activity action is being taken to create facilities for them. Similarly, since market information is of vital importance, General Unions intend to collect such information and make them available to the community. Attention is focussed on home gardening to produce eggs, vegetables and fruits and market them internally in rural areas. This will also be a solution to malnutrition that prevails in Sri Lanka.

## **THE NECESSITY OF STATE INTERVENTION IN RURAL DEVELOPMENT**

As explained above, action is now being taken through Samurdhi General Unions to taken technology to the village and to move on to projects larger than the market-aimed self-employment level. In this effort, it is the hope of General Unions to collaborate with exporters and work as sub-contractors.

Already successful experiences have been gained. For, example in the Hettipola Pradesheeya Secretarial Division 300 persons are involved in a project to export flower pots to Japan. In any case, we all have to admit the need for new approaches as this in our effort to alleviate poverty.

Successful efforts have already been experienced. A classic example is the flower pot project in Hettipola, in which about 300 women are producing coir-based flower pots for export to Japan. In any case, there can be no doubt about the urgency for new strategies like this, if poverty is to be alleviated. One reason for this is that our rural areas have little to attract the enormous capital that is circulating in the context of globalization. The absence of a historically evolved business class in our rural areas is another reason. In countries like England, an entrepreneurial class evolved out of the trade guilds, which had developed over a long period of time, to play the decisive role in the industrial revolution.

Thailand and Singapore were Spurred into a rapid takeoff by the emigre business men that left Xanghai during the Chinese revolution. In Japan, an entrepreneur class evolved in the 19th century. In South Korea US investments and the quota system, together with the intervention of Japanese business interests, provided the dynamism for rapid take-off into development. In Sri Lanka, the few that took to business, at least in a small scale, were the Indian community concentrated in Colombo and Southerners who found their way into rural areas. As for the Government, its concern from the very inception was to create through the Land Development Ordinance, a secure class of small land holding farmers. The education system was biased toward colonial interests. At the same time, the emergence of a historically rooted trader class was also discernible. In this situation, the state was compelled to intervene in business, either jointly with the private sector or through civil organizations, such as the Samurdhi Bank Union and the cooperative movement. State intervention in the area of rural industrial development has thus become imperative.