

Growth with inequality: the political economy of neoliberalism in Sri Lanka

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1.0 INTRODUCTION

Sri Lanka is often considered to be South Asia's outlier in terms of the incidence of absolute poverty and severe deprivation. In 2012, it was ranked 92 in the UN Human Development Index [\[1\]](#), which is higher than any other country in South Asia, and grouped in the high human development category. This classification is based upon the island's indicators of life expectancy (75.1 years); mean years of schooling (9.3) in association with expected years of schooling (12.7); and its per capita gross national income at purchasing power parity (US\$5,170).

Sri Lanka has a population of 20, 277 597 persons: 51.5 percent of whom are women [\[2\]](#). The largest ethnic communities are the Sinhalese, who are mainly Buddhist, comprising around 74.9 percent of the peoples of the island; the Tamils historically settled in the Northern and Eastern provinces, as well as the descendants of South Indian immigrants from the mid-19th century onwards, who are mainly Hindu, comprising around 11.2 percent and 4.2 percent respectively (15.4 percent collectively); and followed by an ethno-religious community of 'Moors' (that is, Muslims excluding Malays), comprising around 9.2 percent. A minority of Sinhalese and Tamils are Christians; mainly Catholic. None of these ethnic, linguistic or religious communities is homogenous. Thus, there is caste-differentiation within the Sinhalese and Tamil communities; there are regional cleavages within the Sinhalese, Muslim and Tamil communities; and there is differentiation based on origin, sect and habitation within the Muslim community. Class stratifications exist in all communities.

Bequeathed Westminster-style parliamentary government within a unitary state on the eve of decolonisation by the British in 1948; Sri Lanka adopted the Gaullist presidential model in 1978 that has centralised power in the Executive (and specifically in the Office of the President), and diminished the 'checks and balances' function of Parliament and the Judiciary and the separation of powers between the branches of the state. These authoritarian reforms are "inter-linked" with neo-liberal economic reforms in the same period; and the outcome was to set Sri Lanka "on a path of socio-political decay" [\[3\]](#).

Despite enormous traumas to the body-politic of the island, ranging from anti-Tamil riots; the assassination of the prime minister in 1958; an attempted coup in 1962; Sinhalese youth

insurrections in 1971 and 1987-89, and the long war that raged between Tamil separatists and the State between 1983 and 2009 [4]: Sri Lanka's multi-party political system with regular elections and periodic changes of government has endured. However, the institutions and norms of liberal democracy have long been evacuated of much of their assumed content and efficacy; and co-exist with the politics of patronage and entrenched violence within the political system [5].

The descent from model 'Third World Democracy' has been rapid from 1971 onwards with Sri Lanka in the throes of political and economic turmoil and gripped by violence, and has proceeded relentlessly. Even before, claim to such exalted status was threadbare. Sri Lanka's birth in 1948 was accompanied by rendering stateless and disenfranchising the majority of Indian-origin Tamils; and the involuntary 'repatriation' (more accurately, deportation) of hundreds of thousands of them - halving their number - to South India between 1964 and 1984. Tamils originating in the North-Eastern region were estranged from the system of representative democracy where the numerical majority is constituted by an ethnic majority, giving rise to (Sinhalese) majoritarian politics; and Tamil members of legislature mostly did not endorse the 1972 and 1978 Constitutions.

Whereas ethnic minority communities have clamoured for self-government at local and regional level and constitutional reform towards federalism; the Rajapakse government is resolutely committed to the unitary state. It has taken several measures to undermine the already weak provincial council system, introduced in 1987 through an agreement between the governments of India and Sri Lanka to defuse the demand for a sovereign state of Tamil Eelam in the North and East of the island. One outcome has been the concentration of political authority and economic power in the hands of the President and his siblings, in place of the needed reform of the state including devolution of power to the regions and power-sharing with minority communities at the centre [6].

Once economically dependent on the export of tea (which is plucked by women), and to a lesser extent rubber (tapped by women and men); after 1977 the government of Sri Lanka encouraged export-oriented industries. 'Free Trade Zones', also based on women's work, were established. Generous investment and taxation incentives for world market production were extended even outside of the zones. Tourism was also promoted through marketing the island as a holiday destination. Many hotels were developed or expanded especially along the western coastline and in cities near popular attractions. Greater integration in the world economy including dependence on foreign direct investment and development assistance (loans and grants) has increased the influence of external actors on domestic policy as well as the vulnerability of the national economy to shifts and crises in its main markets in the West.

The growth of the export manufacturing sector provided relatively limited direct employment. Economic liberalisation drove many import-substituting industries into closure with loss of employment among older male workers. The most important source of foreign earnings for decades has been migrant worker remittances (see Table 1.1), largely sent by women employed as domestic labour in the Middle East. Receipts from the export of tea are the second largest contributor of foreign exchange; followed by industrial goods, largely ready-made garments, sold in the European Union and the United States of America. Thus, it is women's waged work that is the mainstay of the Sri Lankan economy.

TABLE 1.1: MIGRANT REMITTANCES

| Year | 2005 | 2010 | 2012 |
|----------------------|------|------|------|
| % of Export Earnings | 30.6 | 47.8 | 43.9 |

Source: Economic and Social Statistics of Sri Lanka 2013, at p. 21

The island has also experienced many natural disasters through cyclones, floods and droughts. On 26 December 2004, Sri Lanka was among the most badly hit regions of the Indian Ocean struck by the tsunami. Over 30,000 people were killed – a disproportionate number being women and children – over 20,000 were injured. Almost half-a-million people were displaced. Around two-thirds of the coastal districts of the island were affected, mainly in the Eastern, Southern, Northern and Western provinces. Housing, fisheries and tourism infrastructure, railways, roads, bridges, water and sanitation facilities, and of course entire communities, were devastated. [7] The economic damage was estimated to be US\$1 billion. Consequently, the poverty and vulnerability of affected households worsened as a result [Sarvananthan and Sanjeewanie 2008: 342].

There are also consequences for the poor from global processes such as climate change, to which Sri Lanka contributes or influences little, but is disproportionately affected. However, climate change with its multifarious consequences for the natural environment and human society is already a reality. Its signs are experienced in the greater frequency of environmental disasters; in the dissonance between the monsoon season and actual rainfall; in the devastation wrought by floods and droughts in quick succession, affecting crops and harvests; availability and access to agricultural produce; shortages of hydro-generated electric power, and crippling import bills for petro-carbon substitutes.

The current government takes pride in proclaiming that Sri Lanka has graduated from low-income to low-middle income status, (based upon a different measure of per capita income from the UNDP), which it estimates to be US\$2,836 in 2011. The rate of economic growth since 2003 has averaged over 6 percent; and the rate of unemployment has decreased to 4.9 percent in 2010 (having peaked at almost 21 percent in 1985).

Sri Lanka boasts having a lower percentage of its population below the official poverty line in comparison to other South Asian countries (with the possible exception of the Maldives), that is, an average of 15.2 percent between the years 2000 and 2009 [Central Bank of Sri Lanka 2012: 171].

In fact, in its most recent computation of poverty, the government of Sri Lanka now claims that poverty has decreased further to 8.9 percent of the population in 2009/10 [Department of Census and Statistics 2011: 35] based upon an official poverty line of LKR3,028 per person per month or under US\$0.80 per day (significantly lower than the already low international standard of US\$1.25 per day).

This is a reduction by over 40 percent since the previous survey three years before. Or more starkly, whereas in 2002 some 4.3 million people were officially “poor”, this number has dropped to some 1.8 million people in 2009/10.

However, these headline figures and trends conceal more than is revealed. For instance, the definition of employment masks the under-reporting of unemployment, the large numbers that are under-employed, and the lack of decent work particularly for the self-employed and unpaid family labour. Also veiled by these bare statistics is the fact that around 1.9 million Sri Lankans work abroad and that almost 270,000 people leave each year for foreign employment. By way of context to appreciate these numbers, it should be noted that the total labour force within the island (including those unemployed) is around 8.2 million [Central Bank of Sri Lanka 2012: 21 & 17 respectively].

The fruits of growth have not fallen to those most in need. Poverty is prevalent and persistent across the country: in all ethnic and religious groups; and in the urban, rural and estate sectors.

Who are the poor in Sri Lanka? In the urban sector: they are workers in industry and services; the self-employed in petty trade; daily wage labour in construction and informal work; pensioners and

the elderly; slum and shanty dwellers. In the rural sector: they are rice-paddy farmers on small plots or marginal rain-fed or irrigated lands; fisher-folk; dairy and livestock farmers; landless wage workers in casual employment as farm labour or in quarries and mines; artisans and workers in cottage industries or masons and carpenters; and persons displaced by conflict. In the estate sector: they are the daily-waged workers on tea and rubber plantations [Alailima 2007: 42-43].

The urban and rural poor may be of Sinhalese, Tamil or Muslim ethnicity. The estate poor are Tamils of recent Indian-origin [Jayawardena 1984]. Members of so-called lower castes are likely to be over-represented among the poor in proportion to their percentage in the population [Jabbar 2005: 30]; but this is only an educated assumption in the absence of official data disaggregated on the basis of social origin. The incidence of poverty in male-headed vis-à-vis female-headed households averages at the same in national aggregate; but if differentiated by sector, there are more poor female-headed as against male-headed households in the urban sector, in comparison to the rural and estate sectors.

The 'working poor' in Sri Lanka (that is those who both work and who are in poor households), has been defined as typically someone with at least one, and usually more, of the following characteristics: a woman; either Tamil of recent Indian origin or Sinhalese by ethnicity; fewer years of formal education; relatively young; in agriculture or manufacturing or in waged work in the informal sector or an own-account (self-employed) worker; living in the estate or rural sector isolated from administrative and commercial centres; in a community that lacks electrification and fixed telephone lines; and who receives small or irregular remittances from a family-member abroad, if at all [Gunatilaka 2010: 22].

There is no consensus on the definition of poverty among experts [Tudawe 2001: 13-15]; nor its measurement [Lakshman 1997: 200-207]. The government's methodology for measuring poverty, and the computation of the numbers of the poor, has been contested as an exercise in statistical chicanery. This is not least because all measurements of poverty since the onset of war in 1983 exclude the Northern and Eastern provinces (comprising around 13 percent of the total population); and because it simply doesn't count large numbers of people who experience poverty in its multiple dimensions and who perceive themselves as being poor. Of course, the vast majority of the estimated 80,000 - 100,000 killed during the years of war, civilian and combatant alike, are also the poor and children of the poor.

Inequality in income between rich and poor has widened over the period of economic liberalisation. Considering its overall human development indicators, inequalities between women and men are high [UNDP Sri Lanka 2012: 14]. Thus, Sri Lanka's Gender Inequality Index is 0.565 (where 0 represents highly equal and 1 represents extremely unequal). Whereas there is low maternal mortality and high rates of girl-children receiving and completing their school education in Sri Lanka, the rate of women's participation in the labour force is only 31.8 percent; and women's representation in parliament is as low as 6 percent and under 3 percent in local government bodies [UNDP Sri Lanka 2012: 115].

There are significant regional disparities. Around 50 percent of total goods and services (as measured in gross domestic product) originate in the highly industrialised and urbanised Western province, where the commercial hub, administrative capital, and main harbour and international airport are located. In contrast, there is extreme poverty in the tea and rubber estates across the Central, Sabaragamuwa and Uva provinces among Tamils of recent Indian origin; as well as among Sinhalese peasants in these and other provinces away from the zone of armed conflict. Internal migration, mainly to the Western province, has accelerated in recent decades [World Bank 2007: 40]. This trend is viewed favourably by policymakers and multilateral agencies that associate the rural economy with stagnation and poverty.

In the North and the East, as a consequence of war, there is massive destruction of roads, railways, public buildings such as schools and hospitals as well as private property including homes and businesses. Hundreds of thousands of people have been displaced, and on multiple occasions, spanning over two decades [Fernando and Moonesinghe 2012]. Many remain in so-called transit camps and other temporary shelters, or with family members, despite government claims in late 2012 that all of the internally displaced have now been resettled.

Through lack of public and private investment including the running-down or closure of the few state manufacturing enterprises, opportunities for waged employment were limited to white-collar employment in the public sector; in privately-owned small and medium enterprises; and as farm labour. The agriculture and fisheries sector were badly affected through dislocation of communities; the mining of fields and forests; restricted access to lagoons and the sea; destruction of machinery, tools, boats and gear; death of farm animals; and minimal extension services from the irrigation, agriculture and fisheries departments for production, harvesting and marketing.

This paper reviews recent issues and trends in poverty and vulnerability in Sri Lanka in the context of neo-liberalism. For purposes of contextualisation, reference will be made to the evolution of economic liberalisation, social inequality, and social protection, since 1977. It begins with an analysis of the contemporary neo-liberal policy regime with its distinctive Sri Lankan characteristics. It proceeds to describe the social and economic crises associated with the current policy regime, and selected mechanisms by which these crises are transmitted in society. In particular, the impact of the reforms on vulnerable groups is detailed. The scope of poverty-alleviation programmes in this era is reviewed, as is their effectiveness. In the concluding section an argument is made for the eradication of poverty through a different structural adjustment of the economy based on breaking from neo-liberalism and seeking redistributive justice at home, as well as abroad through confronting unequal relations in the global economy.

2.0 POLICY REGIME

Mahinda Rajapaksa upon election to the presidency in 2005 was adamant that his economic policies represented a departure from neo-liberalism. His narrow victory was based on resentment and apprehension of the economic and social policies promoted by the United National Party (UNP)-led coalition – as well as the unpopularity of his rival's management of the 'peace process' with the Liberation Tigers of Tamil Eelam (LTTE) among the Sinhalese population [Bastian 2007: 163] – during the UNP's brief but eventful period of control of the legislature between December 2001 and April 2004.

2.1 'Regaining Sri Lanka'

The UNP-led government's macro-economic perspective is articulated in its December 2002 poverty-reduction-strategy-paper (PRSP), peculiarly titled *Regaining Sri Lanka: Vision and Strategy for Accelerated Development*. The PRSP begins by observing that the liberalisation reforms, initiated by that party when it was previously in government (1977-1994), had begun well and "produced good results" but had subsequently "lost momentum". In customary neo-liberal vein, it bemoaned that "significant parts of our economy have remained inefficient and uncompetitive" [Government of Sri Lanka 2002]. As two critics noted, "The odd phrase 'regain Sri Lanka' seems to imply the private sector 'taking back' the country from the public sector as if from a colonial power" [Hall and de la Motte 2004: 30].

The UNP proposed a new wave of reforms aimed at achieving an annual rate of growth of 10 percent. There were three elements: (1) accelerate privatisation through transferring state-owned

assets (including the Ceylon Electricity Board and Ceylon Petroleum Corporation) to the private sector and providing public services (including education, healthcare and social services) through public-private partnerships or the private sector; (2) legal reforms including new laws on 'fiscal responsibility' (for budget deficit reduction) and intellectual property (enabling transnational corporations to monopolise profits), as well as labour-market 'flexibility' (to reduce protection for workers and non-wage labour costs to employers), land-titling (to promote the market in rural land); and (3) reduce trade and regulatory barriers (to foster greater integration into the world market) through multilateral World Trade Organisation agreements.

Some specific policies included: promoting bilateral and regional free trade agreements including with the United States of America; reducing taxes on investors; broadening and deepening financial markets; privatisation of the electricity sector; private sector participation in the distribution and sale of petroleum; privatisation of urban water supply; transferable water permits in the rural sector; five new export processing zones including for commercial agribusiness; creation of tourism development zones; encouraging increased migration from the rural to the urban sector; reduction in the public debt to gross domestic product ratio; broaden and simplify the tax base while lowering taxes on corporations; remove remaining government controls on consumer prices and establish regulatory authority for consumer protection; permit private sector involvement in postal services, agricultural extension services, public roads maintenance, logging, petroleum bunkering and imports; lease domestic airports to private operators; private sector participation in seed production and marketing with government restricted to paddy seed production only; and conversion of tea lands for production of high value fruits, flowers and vegetables for export and in partnership with trans-nationals such as Cargill, Del Monte and Dole.

The PRSP foresaw the reduction in government spending on public services by 1.5 percent of GDP, and also the contraction of spending on social welfare by 0.9 percent of GDP between 2002 and 2006 [Government of Sri Lanka 2002: 108, as cited in Kar 2003: 8 at fn. 9].

As one critic of the PRSP insightfully observed: "The policies laid out in the PRSP seem not to have focused on what aspects of Sri Lankan development policies over the last few decades may have worked and why. Rather, the recommended policies appear to be designed to bring the country more into conformity with the IMF and World Bank's traditional recipes, without offering evidence that this formula will produce better results than the current and past policies of the country" [Kar 2003: 3].

The PRSP also describes and discusses the incidence, composition and determinants of poverty in Sri Lanka, consistent with neo-liberal diagnosis and prescription [Government of Sri Lanka 2002: 114-130].

- The "bulk of the poor have failed to enter the mainstream of economic development": that is, their poverty is a direct correlation of their exclusion from – rather than as critics of neo-liberalism would argue, by – processes of growth;
- Poverty is a function of "economic isolation due to lack of access to markets, information and basic infrastructure facilities, such as good roads, rail and port systems, and well-functioning bus networks, telecommunications and information technology";
- "Low labor productivity in agriculture is a major contributor to persistent rural poverty": in other words that subsistence agriculture (that is food crops, principally rice) and the limited mechanisation are low-yield;
- "The lack of clear private property rights in land" inhibits rural development and rural to urban

migration: that is, the absence of freehold title is an obstacle to the buying and selling of land and therefore the liquidation of the poor's only asset, which it is suggested could be better used in financing moving from the countryside to the cities;

- "Sri Lanka has an over-regulated labor market, which reduces flexibility, discourages formal sector employment and provides incentives for enterprises to operate in the 'unregulated' informal sector": that is, laws and institutions limiting the discretion of employers to hire and fire and impose costs on employers through requirements for job security, social security, compensation for termination, and the like, should be reformed.

As Bastian observes, the UNP-led administration "did not present any credible social programme. The formula was to tighten belts, carry out reforms and wait for trickle down effects" [2011: 133].

From a gendered perspective, there are several areas of concern with this analytical perspective and the proposals that flow from it. As van der Molen [2006: 449-450] observes the opportunities for, and experiences of, spatial and occupational mobility are not identical for men and women. New sectors of the economy sectors are not always accessible to women's participation.

There are cultural restrictions that exclude or limit women from the use of technology and the training in the choice and use of technology required.

There are social practices and norms and economic dependencies which define the mode of conduct and interaction, for example resulting in the marginalisation of women in informational or consultative processes. There are safety concerns of female IDPs which prevent their spatial mobility and the free movement of women in the former conflict zone, and so on.

Despite the rhetoric of gender mainstreaming in development policies and programmes, the PRSP did not recognise that women and men have different capabilities and constraints and therefore are differentially affected in development strategies. It "does not dwell on the all-important issues of who contributes what to the economy and who gets affected and how by economic reforms. It considers all issues, as many policy documents seem to do, from a gender neutral lens..." (emphasis retained) [Jayasundere 2005: 343].

Regaining Sri Lanka was enthusiastically received by big business, professional economists, multilateral agencies and western governments; which is unsurprising as these actors contributed in their own ways to its conceptualisation and drafting.

The PRSP was rejected in toto by over 125 trade unions, non-governmental organisations, farmer, fisher and estate workers organisations, women's organisations, environmental campaigns and faith groups convened in the Alliance for Protection of Natural Resources and Human Rights (APNRHR) and in many public agitations against displacement and privatisation in which several protestors lost their lives to police violence. Among their criticisms of the PRSP was the exclusion of the poor from the formulation of its proposals, as well as the cosmetic nature of the consultations conducted with selected civil society organisations.

According to the civil society alliance, in the guise of 'poverty-reduction', the Strategy Paper "is obviously a package of economic reforms designed to carry forward the Structural Adjustments that the WB and IMF have been imposing on Sri Lanka over the last two and a half decades, under different names. The economic policies adopted during the last two decades have been oriented towards accelerating "growth" through liberalization, export orientation and privatization, with the assumption that growth would trickle down and reduce poverty. PRSP admits that neither growth nor poverty reduction has been achieved during this period ... This strategy has in fact compelled

the poor to bear a much heavier burden and to sacrifice social security, social development, and also human and democratic rights that had been won through political struggle during the previous decades” [Fernando 2004: 2].

As promised in the PRSP, there were divestments of public assets such as the Cooperative Wholesale Establishment (retailer of foods and provisions); the Insurance Corporation; filling stations of the Ceylon Petroleum Corporation and restructuring or closure of dozens more state-owned enterprises. The government also planned to reduce the public sector payroll by 30 percent between 2004 and 2006; introduced a Voluntary Retirement Scheme for employees of state corporations; and non-extension of employment to public servants over 57 years of age [Bastian 2011: 139-140].

Meanwhile, worker-friendly provisions in the Termination of Employment and Workmen Act; the Industrial Disputes Act; and Employment of Women, Young Persons and Children’s Act were amended to introduce more ‘flexibility’ into the labour process for example, through speeding the procedure for involuntary termination and removing the discretion of Labour Tribunals and arbitrators to decide the quantum of compensation following termination and increasing the permissible limit on overtime for women factory workers.

The United National Party-led administration was unseated by President Kumaratunga in February 2004 and subsequently lost its majority in the general elections of April 2004. The shortness of its tenure, combined with political conflicts with the Executive President, as well as social conflicts triggered by its neo-liberal agenda, converged to scupper its execution of the PRSP.

2.2 ‘New Development Strategy’

The incoming United Peoples Front Alliance government led by Kumaratunga’s Sri Lanka Freedom Party (SLFP) and now joined by the Sinhalese left-nationalist Janatha Vimukthi Peramuna (JVP —Peoples Liberation Front) derided its predecessor’s programme for pursuing the “neo-liberal economic policy of encouraging urbanization and the wilful neglect of the rural economy”, warning that “the nation would have before long experienced destabilizing social unrest” [Government of Sri Lanka 2004: 7].

Some measures taken by the previous government such as pro-employer amendments to labour laws were administratively moderated. The Bank of Ceylon, People’s Bank, National Savings Bank, Ceylon Electricity Board, Ceylon Petroleum Corporation, Sri Lanka Ports Authority, Sri Lanka Postal Service, Sri Lanka Ports Authority, Sri Lanka Railways, regional bus companies, the Water Supplies and Drainage Board were defined as ‘strategic state enterprises’ and therefore excluded from outright privatisation.

In 2005 the new coalition adopted an interim poverty-reduction strategy paper dubbed *Sri Lanka New Development Strategy – Framework for Economic Growth and Poverty Reduction*. Reflecting the competing agendas of the coalition partners (the pro-growth SLFP and the pro-equity JVP), the new PRSP declared its premise to be “pro-poor pro-growth income improvement and redistribution policies with complementary participation of a socially responsible private sector and a strong public sector” [2005: 3].

It is difficult to assess the impact of this PRSP as the alliance between the JVP and the SLFP broke up over political disagreements in June 2005, and as the leadership of the SLFP changed in November 2005. The new leader of the Sri Lanka Freedom Party was eager to stamp his political philosophy (and even name!) on the socio-economic policies of the government he formed and consciously discarded the PRSP brokered by his predecessor.

2.3 ‘Mahinda Chintana’

Mahinda Rajapaksa's 2005 election manifesto known as *Mahinda Chintana* ('Mahinda's Vision/Thoughts') described his economic perspectives as, "integrating the positive attributes of free market economy with domestic aspirations" [Rajapaksa 2005: 39]. The precise content of "domestic aspirations" is unclear, but suggested the expansion of public sector employment; support for domestic industries; lifting the poor out of poverty; non-privatisation of strategic sectors such as banking, power and energy, transport and ports; subsidised (chemical) fertilisers for farmers; re-establishing the Paddy Marketing Board; re-introducing the mid-day rice meal for school children; free school uniforms for children, and so on.

On the other hand, the incoming Rajapaksa administration, whose ranks had been swelled by erstwhile members and adherents of the United National Party supportive of neo-liberalism, was eager not to be seen as resurrecting the discredited experience of the 'closed economy'. Therefore, faithful to the ideology of the "free market", the manifesto also commits to pursuing a growth target of 8 percent per annum; encouraging foreign investments; establishing 12 new industrial zones; creating agro-business zones; boosting the Colombo Stock Exchange through increased listings; increasing export volumes of ready-made-garments; creation of new tourist zones in Arugambay, Hambantota and Kalpitiya; energy-generation through four mega-hydro power projects; promoting foreign employment; and so on.

However, the Rajapakse administration has skilfully cloaked the neo-liberal policies at the core of its economic programme in populist garb, using the nationalist rhetoric of self-sufficiency in rice and dairy milk production, for example. The government has bought out private investors in companies such as Shell Gas, which was nationalised in 2010.

In 2011, to the alarm of some, the *Revival of Underperforming Enterprises and Underutilised Assets Act* was legislated for the purpose of reacquiring 37 named enterprises and/or land that had been privatised or received investment incentives within the preceding twenty years: including the Colombo Hilton Hotel; a partly built luxury hotel in Colombo; Pelwatte and Sevanagala sugar plantations; a large number of bankrupt and/or abandoned export industries (mainly ready-made garments) inside and outside export processing zones; and prime land in the city of Colombo that had fallen into disuse.

Significantly, the preamble to the *Act* invoked the otherwise forgotten Directive Principles of State Policy to legitimise the renationalisation; by reference to the duty placed upon the government in that Chapter of the Constitution to ensure to its people: "a social order in which social, economic and political justice would prevail". Regrettably, this aspiration does not appear to inform and shape state policy as a whole.

Nevertheless, similarly to the *Regaining Sri Lanka* programme, the current government also favours 'public-private partnerships' or privatisation by stealth. It has awarded franchises on profitable train routes for luxury train services; it is encouraging the establishment of private universities on state lands. It even owns and operates a fee-charging former private hospital.

Initially averse to borrowings from the International Monetary Fund (IMF) and the World Bank (WB) because of the policy conditionalities associated with these lenders, the Rajapakse government looked elsewhere. Western commercial banks, the international money market and bilateral loans from friendly governments such as Japan and China were its sources of external lending. However, by the beginning of 2009 with external reserves at a low, and Western banks reeling from the global financial and economic crisis to which they contributed, the government of Sri Lanka was compelled to knock on the IMF's door [Skanthakumar 2009]. A stand-by-agreement (SBA) for US\$2.6 billion was negotiated beginning in July of 2009 and ending in July 2012.

There were of course conditionalities, now rebranded as 'benchmarks', but these were couched as broad objectives rather than as precise prescriptions. These are: the progressive reduction of the budget deficit from nearly nine percent to around six percent of gross domestic product by 2012; increasing revenue by broadening the tax base; reducing losses of the state-owned Ceylon Electricity Board and Ceylon Petroleum Corporation through increasing electricity tariffs and petrol, diesel and kerosene pump prices respectively; depreciation of the rupee to increase export competitiveness; and increasing bank interest rates to discourage credit.

Even before the final disbursement was authorised by the IMF in mid-2012, the government of Sri Lanka began negotiations for a successor arrangement – specifically from the Extended Fund Facility (EFF) that is more long-term than the SBA – to provide US\$1 billion in budgetary support for its structural reform agenda. At the same time, the World Bank announced that it would double its present level of lending to Sri Lanka over the next three years to over US\$2 billion. Not to be outdone, the Asian Development Bank, that is an enthusiast for the government's physical infrastructure projects also committed to doubling lending to Sri Lanka between 2012 and 2015 to US\$500 million.

There is much similarity between the *Regaining Sri Lanka* programme and the *Mahinda Chintana* programme despite the latter's rhetorical protestations to the contrary. The second term economic manifesto of the Rajapakse government, *Mahinda Chintana Idiri Dekma* ('Vision for the Future') in 2010 is explicit in its privileging of foreign investment; the private sector; bilateral and regional free trade agreements; financial services industry and the capital market, and is framed by the conviction that high economic growth; an export-oriented economy; large physical infrastructure investments; and increased urbanisation are virtuous ends of development policy.

What is dissimilar is the present government's stance on outright privatisation, as well as populist rhetoric. It did not proceed with the privatisation of the Ceylon Electricity Board; the regional state-owned bus companies; profitable railway lines; deregulation of the postal sector; state-owned tea and rubber estates (Janatha Estates Development Board and Sri Lanka State Plantations Corporation) as envisaged in the *Regaining Sri Lanka* programme.

Clearly, pro-market economic policy in Sri Lanka – whether in the 1977-1988, 1988-1994; 1994-2002; 2002-2004; 2004-2006 and 2006 to the present period – has not been faithful to the Washington Consensus rule-book. As Venugopal [2011a: 91] notes of the first post-liberalisation government: "the UNP did, alongside its quite radical deregulation of the private sector and liberalization of trade, expand the size of the government budget, and the public sector to an extent never seen before." This is not unique to Sri Lanka. "Neo-liberal reforms have resisted a unilinear or uniform pattern", according to Pasha [1999: 238] who goes on to observe, "In most instances, the *political* fallout of the reforms have engendered adjustments to structural adjustment" (emphasis retained).

In Sri Lanka, the backlash began with working class militancy that was crushed in the July 1980 general strike [Fernando 1988] – although plantation trade unions were able to mount successful actions for equal pay for women workers as well as on non-economic demands including statelessness – and extended to the second Janatha Vimukthi Peramuna-led insurrection between 1987 and 1989 that was repressed with extreme brutality.

However, even if these oppositional movements were unsuccessful in their immediate aims; nevertheless their manifestation also compelled the government to recalibrate its neo-liberal policy agenda and moderate or even reverse elements of it for e.g. increasing public sector employment; restoring the fertiliser subsidy; waiving state loans to indebted rice-farmers etc.

3.0 EVOLUTION OF PRO-MARKET REFORMS

The current government would prefer to describe its policies as based upon the paradigm of ‘growth with equity’, that is articulated as transcending the debate as to whether basic needs or economic growth ought to be prioritised in developing countries. In fact, the World Bank’s 2007 *Sri Lanka Poverty Assessment* is subtitled “Engendering Growth with Equity”, although nowhere in that report is this paradigm either defined or rationalised. To understand the background to the policy mix adopted by the Rajapakse administration, it would be helpful to briefly recapitulate the evolution of pro-market economic reforms in Sri Lanka.

In 1977 – a decade or more in advance of its South Asian neighbours – Sri Lanka began shifting from statist to market-oriented policies; consciously seeking to reproduce the high growth rates and levels of prosperity associated with the newly-industrialising countries of East and Southeast Asia. These steps towards ‘economic liberalisation’ were conceived and promoted by the right-wing United National Party (UNP) that swept into office in that year.

UNP leader J. R. Jayewardene, subsequently Sri Lanka’s first Executive President, had long been an advocate for the deregulation of the domestic economy, openness to foreign direct investment, and scaling back of social welfare provision including universal food subsidies. Furthermore, according to one former senior public administrator, “[t]he nature of the reforms that had to be undertaken had been known for some time; they had been broached by the multilateral agencies and had been discussed among senior officials in the country’s economic bureaucracy” [Gunatillake 1999: 201].

Nevertheless, it should be underscored that the timing, character, and sequencing of the initial pro-market reforms in Sri Lanka cannot be solely attributed to the instrument of the structural adjustment package of reforms pushed by the International Monetary Fund (IMF) and the World Bank in that period. Instead, the government of Sri Lanka entered into loan agreements with neo-liberal conditionalities from the Bretton Woods institutions, *after* it had chosen its macro-economic direction, [8] and indeed in order to stiffen the reforms that it had embarked upon.

3.1 First Wave of Reforms

Collectively, these reforms heralded the ‘open economy’ in Sri Lanka (in contrast with the ‘closed economy’ associated with import-substituting policies up to the mid-1970s) [Lakshman 1989; Shastri 1997]; or what would much later be called by its critics as ‘neo-liberalism’ [Harvey 2005: 64-86 & 152-182]. The reforms ranged from fiscal (devaluation of the rupee and increase in interest rates); to trade (lowering tariffs on imported goods); to investment (removing controls on inward and outward capital flows); to production (ending state monopolies); to institutional (creation of export processing zones, a one-stop investment promotion agency and the Export Development Board); to financial (entry of foreign banks and expansion of financial services); to constitutional (protecting investors assets against expropriation and barring adjudication of investment disputes by national courts), and so on.

IMF and World Bank conditionalities were framed with a view to accelerating economic growth; reorienting the Sri Lankan economy towards industrial exports; reducing the weight of the state in the economy – including in production, export-import, wholesale and retail – while redefining its role; expanding the functions of the private sector, including foreign capital, not only in industry but also in public utilities and in the provision of public goods such as health and education; slashing state spending especially on public employment, subsidies for public goods and social welfare, and on fertilisers and petroleum products.

Between 1978 and 1984, the economic growth rate doubled, to almost six percent, in comparison

with the 1970-1977 period. The reforms succeeded in restructuring the composition of economic production and the share of the different sectors in the economy such that the contribution of the agricultural sector has shrunk; whereas the weight and importance of the industrial and services sectors has grown.

TABLE 3.1: SHARE BY SECTOR (PERCENT OF GROSS DOMESTIC PRODUCT)

| Sector | 1950a | 1971a | 1977-1982b | 1987-1992b | 1996a | 2000c | 2012d |
|----------------------------|-------|-------|------------|------------|-------|-------|-------|
| Agriculture | 35 | 34 | 19.7 | 16.3 | 18 | 19.7 | 11.1 |
| Mining, Quarrying | 1 | 1 | - | - | 3 | - | - |
| Manufacturing/ Industry | 16 | 14 | 32.6 | 33.0 | 21 | 25.7 | 30.4 |
| Construction | 4 | 6 | - | - | 7 | - | - |
| Services | 44 | 45 | 48.3 | 50.8 | 51 | 54.6 | 58.5 |

Source: (a) Central Bank of Sri Lanka, Economic Progress of Independent Sri Lanka 1998, at p. 2; (b) cited in Thenuwara [2003: 4] [9]; (c) Central Bank of Sri Lanka data cited in Weerakoon and Arunatilake [2011:5]; (d) Economic and Social Statistics of Sri Lanka 2013, at p. 1

In the first wave of economic reforms (approximately 1977-1988), there was disinterest in divestment of state assets – a few textile mills were sold and some land alienated for sugar cultivation. As Herring [1987: 325] poignantly observed when reviewing this period: “The most significant privatisation is not of public assets but rather of poverty and insecurity for weaker sectors of the society; responsibility for well-being of the populace has been shifted significantly from government to individuals and families in their interaction with market forces”.

3.2 Pre-liberalisation paradigm

The magnitude of the market-oriented changes can be grasped by comparison with the preceding statist paradigm. Pre-1977 state policy had been framed with the objectives of social welfare and “greater equality in the distribution of wealth and income within a self-reliant economy; these policies were implemented through state ownership, control and intervention over production, distribution, trade and finance combined with encouragement of national as opposed to foreign enterprise” [Kelegama 1986: 12]. The rate of growth between 1970 and 1977 averaged three percent qualifying it as a ‘low-growth’ economy according to neo-classical economists.

There was expansion of the public sector and public employment; protective tariff barriers for domestic manufacturing to encourage import-substitution; establishment of state-owned enterprises and public corporations for production, wholesale and retail distribution of alcohol, cement, ceramics, dairy products, fertilisers, petroleum products, salt, steel, timber, tyres and much more; controls on prices of basic goods; and agricultural support through higher guaranteed farm-gate prices; ceilings on land ownership etc.

Income inequalities reduced dramatically in the decades following decolonisation. The share of income of the richest households decreased from around 41 percent to 30 percent; while the share of income of the poorest forty percent of households increased from under 15 percent to almost 19 percent [Jayawardena 1974: 274]. Household incomes including in the rural economy rose rapidly, along with access to property for the poor, boosted by growth in the rice paddy and other crops sector of over 6 percent (between 1963 and 1970).

Jayawardena [1974: 273-274] attributes the trend towards greater egalitarianism to higher incomes among “small-scale producers in agriculture and industry, supplemented by legislation of varying degrees of effectiveness to ensure that a higher share of this income accrues to the small-scale producer himself”. Progressive social welfare policies of free health, free education, and subsidised food and transportation reinforced this shift.

Due in large measure to the rising labour and left movements between the 1940s and the 1960s, and under the influence of socialist ideology and social welfare discourse abroad, notions of “equality, fairness, non-discrimination and redistributive justice ... formed at least the rhetorical core of public policy” [Uyangoda 1999: 101].

Nevertheless, the inability of the United Front government of 1970-1977 to ‘match employment opportunities with the expectations’ [10] of youth; to supply consumer goods commensurate with demand; to avoid the indignities of rationing and the spectacle of queues; and to mitigate chronic hunger and severe deprivation among Tamil estate workers and residents; supported popular perceptions of economic mismanagement, while the political and human rights abuses of the government as well as the simmering ethnic conflict, conveyed the impression of a larger and more systemic crisis [de Silva 1973; Jayasekera and Amerasinghe 1987].

In fact, external sector developments beyond the control of the government, principally the oil price hikes as well as deteriorating terms of trade in Sri Lanka’s traditional exports, and bad weather affecting yields and harvests, were prime contributors to the economic crisis. However, and not unreasonably, it was the government of the day that was punished at the polls.

3.3 Second Wave of Reforms

The second wave of economic liberalisation, that is, from 1988 onwards was heralded by privatisation of 52 state enterprises, public utilities, and the management of the nationalised tea and rubber plantations; expansion of neo-liberal reforms into the agricultural sector (for e.g. abolition of fertiliser subsidies, cost-recovery in irrigation, hikes in interest rates for rural credit schemes, reduced subsidies for non-traditional agro-exports etc.); and the intensification of neo-liberal reforms in all other areas from fiscal to trade to financial sector such as abolition of subsidies in rice and flour; development of the stock market; reduction in corporate taxes; further narrowing of cash transfer beneficiaries; further relaxation of exchange controls; further reduction of export and import duties etc.

These reforms were consecrated through a three-year structural adjustment facility from the International Monetary Fund. Contrary to neo-liberal nostrums, privatisation actually expanded not reduced the opportunities for the extraction of rents by state actors; and therefore the scale of bribery, corruption and nepotism [Dunham and Jayasuriya 2001: 11-13].

One consequence of the neo-liberal reforms is that the distinctions between the winners and the losers, particularly in ownership of assets and consumer durables, became more visible and more humiliating to the poor: “the well-to-do could indulge in types of consumption and acquire new status symbols which clearly set them apart from the rest of the population as never before, particularly in the urban areas” [Hettige 1995: 100].

Aspirations engendered and encouraged by economic liberalisation turned into disappointment and frustration that the opportunities and lifestyles enjoyed by the relatively few were out-of-reach to the many [Dunham and Jayasuriya 2000:105-107]; even as state welfare policies were in retreat. The second *Janatha Vimukthi Peramuna* (JVP) insurrection between 1987 and 1989, when Sinhalese in the south of the country rebelled against the state, was an extreme and concentrated expression of

this discontent with inequality [Lakshman 1992]; spiralling suicide and criminality were more diffuse others.

Having met the terror campaign of the JVP, with the greater force of state terror, the government was compelled to recognise the bases (including economic) of the insurrection [Uyangoda 2003: 55]. One policy response was to establish the Presidential Commission on Youth that made many useful recommendations on education, employment and social justice, which have largely been ignored. A second policy response was the government's elaboration – for the first time since the onset of neo-liberal reforms in 1977 – of a socio-economic programme targeting the income-poor (known as *Janasaviya* or 'Peoples' Strength') beginning in 1989.

3.4 Third Wave of Reforms

In 1994, the United National Party lost power after seventeen years in office to the Peoples' Alliance coalition led by the traditionally centre-left Sri Lanka Freedom Party. The Chandrika Bandaranaike Kumaratunga administration reassured the business community, foreign governments and multilateral agencies that it would not abandon the market-orientation of its predecessor [Shastri 2004].

To the masses who had voted it into power – partly through disaffection with the socio-economic policies and consequences of the 'open economy' – the Kumaratunga regime promised an ambiguous 'human face' to capitalism. Mainly, this took the form of a new poverty-alleviation programme, known as *Samurdhi* (discussed below).

The process of privatisation, within a framework of deepening neo-liberal reforms, was accelerated for example through divestment of the national carrier (Air Lanka) and long-term leases on tea and rubber estates. The financial sector was liberalised further with greater penetration of foreign and local banks as well as expansion of finance companies.

Therefore, by the early 1990s, there was a convergence across the political spectrum – between the two main parties of the Right and the Left that have alternated state power in post-colonial Sri Lanka – on the irresistibility of internal deregulation, external liberalisation, and privatisation for economic development. Or more precisely, the SLFP shifted to and adopted with the fervour of the convert the economic policies of the UNP (Moore 1997). Ideological differences on macro-economic policy have receded, easing the path for politicians to switch political parties within a system of patronage politics, where access to state power is the route to personal enrichment and to channel rewards and favours to one's supporters [Bastian 2009: 91].

The consequences for equity have been dramatic. Income inequalities rose sharply in the period following neo-liberal reforms, in contrast to the decades preceding 1977 when the inequality gap narrowed, and that trend has continued to the present. The rich have become richer as assets and wealth are concentrated among a few; while the poor have become poorer (relative to the richest).

Presently, the richest 20 percent of households account for 54.1 percent of income share; whereas the poorest 20 percent have only 4.5 percent; and the middle 60 percent have a lower combined income than the richest 20 percent, of 41.4 percent [Central Bank of Sri Lanka 2012: 134].

It is in this political and social context, that policymakers and politicians converted to the virtues of the neo-liberal growth model, are conscious to be seen as sensitive to public concerns over equity and therefore mouth the slogan of 'inclusive growth'. Still, the stubborn reality reflected in the skewed distribution of income and wealth remains one of growth with inequality, and indeed, of the growth of inequality.

4.0 POLICIES BEHIND THE CRISES

The policies introduced following economic liberalisation in 1977 had a detrimental impact on the living conditions of the poor. These included higher prices for imported food products such as wheat flour and sugar following depreciation of the Sri Lankan rupee; removal of price controls on basic commodities such as rice, coconut oil and kerosene; shifting from universal to targeted subsidies on food; reduction in expenditure on education and health care as a percentage of gross domestic product; and slowdown in public sector wage increases despite rocketing inflation and the plummeting value of the rupee.

One of the nostrums of neo-liberal doctrine is that currencies should be 'competitive' that is depreciated, to stimulate exports. The Sri Lankan rupee has steadily lost value against all international currencies since the end of fixed exchange rates.

TABLE 4.1: SRI LANKAN RUPEE (LKR) DEPRECIATION

| Exchange Rate | 1948a | 1971a | 1977 | 1996a | 2000a | 2005a | 2013d |
|---------------|-------|-------|-----------|-------|-------|-------|-------|
| 1 US\$/LKR | 3.32 | 5.94 | 8.99b/16c | 55.27 | 78 | 101 | 131 |

*Source: (a) Central Bank of Sri Lanka, *Economic Progress of Independent Sri Lanka 1998*, at p. 2; (b) On 15 November 1977; (c) As of 16 November 1977 following unification of exchange rate; (d) Central Bank of Sri Lanka, <http://www.cbsl.gov.lk/> August 2013 average rate*

As Sri Lanka is a net food importing country, the fall in value of the rupee has hit consumers badly, as commodities such as wheat flour (and therefore bread), sugar, onions and milk-powder rose in price. The increase in cost of fuels – that are entirely imported – by nearly 400 percent [UNICEF 1985: 17], was experienced in every facet of life from food prices to transport costs to agriculture, industry and services.

Also, where exports required raw materials or intermediate goods that are not produced or available locally, the lower value of the rupee pushes up production costs, making the final goods more expensive. Therefore, manufacturers especially in small and medium enterprises lacking the latitude of bigger businesses to absorb or spread costs or to cut costs through economies of scale are also penalised.

Removing barriers to trade, made imports more plentiful. This was welcomed by (particularly urban middle class) consumers who now had greater variety to choose from, as well as access to foreign branded goods. Local manufacturers were not always able to compete and defend their market; consequently some companies whose emergence had been encouraged through import-substituting policies were not able to survive.

The reduction of protective tariff walls led to the influx of cheaper substitutes or alternatives. The domestic handloom industry collapsed with estimated loss of 120,000 jobs, while other cottage industries were also hit, and the majority of those employed in this sector are women.

Economic liberalisation did not translate into larger domestic mobilisation of resources for state expenditure. Therefore, the government became more reliant on indirect taxation as a source of income. Taxes were increased on consumer staples that dominate the basket of goods consumed by the poor such as sugar, rice, tobacco, alcohol etc. Between 1978/79 and 1986/7 alone, the burden of indirect taxes on the poor grew in excess of 100 percent [cited in Alailima 2007: 3].

As price controls were lifted, prices increased by an average of 143 percent between 1978 and 1984; the second highest rate of increase in Asia (after the Philippines) during that period according to the International Monetary Fund [Kelegama 1986: 29].

For instance, between 1977 and 1980, the price of bread increased by 241 percent (from 60 cents to LKR2); the price of wheat flour rose by 124 percent (from LKR1.05 to LKR2.35); and the cost of kerosene increased by 394 percent (from LKR3.88 to LKR15.30) [Economic & Political Weekly 1980: 1969]. As is well known, the poorer the household the larger the share of expenditure on food (Engel's Law). Therefore, it is the poorest, especially in the urban and estate sector where subsistence cultivation is negligible, who are hurt most by food price rises.

Universal subsidies on food were removed in 1980 and replaced by mean-tested food stamps. Food stamps were distributed to households on an annual income of less than Rs3600. This cut-off point excluded half of the population, including large numbers who were income-poor and lacked access to food. "[I]t is important that programmes be lean and targeted to enable them to remain viable", advised one World Bank official [Isenman 1980: 251].

The cutbacks succeeded in their intention of reducing government expenditure on food subsidies; that fell from its previous level of 4-5 percent of gross domestic product, to under 2 percent, from 1982 onwards [Jayawardena et. al. 1987: 38-39] and 1 percent by 1986 [Alailima 2000: 83].

The rise in incomes across sectors in the same period was below the level of increase in prices as measured in the Special Consumer Price Index (SCPI), and could not compensate for the latter. There was a sharp deterioration in real wages of public servants including teachers; as well as workers in formal sector employment in the urban, rural and estate sectors regulated by wages boards and in the unorganised sector [UNICEF 1985: 20-23]. Even in the rural sector, the most vulnerable groups are labourers in agriculture and animal husbandry dependent on wages for 72 percent of their income [UNICEF 1985: 49]. It is reported that around half of paddy producers in the early to mid 1980s were not self-sufficient in rice for own consumption, and therefore were also vulnerable to price increases [UNICEF 1985: 50].

The consequences were predictable and immediate. The calorie consumption of the poorest, thirty percent, of the population dropped precipitously; even as the food intake of the richest grew exponentially [Sahn and Edirisinghe 1993: 45-46]. "[S]ubsequent to the policy changes in 1977, a combination of only limited growth in earnings among the poor coupled with real income losses due to the reduction in food-related subsidies, resulted in an overall decline in the levels of consumption of the poorest expenditure deciles ... the benefits of the economy growth have not trickled down to the poor" [Sahn 1987: 824]. This trend persisted into the following decade as the richest quintile of the population enjoyed an average per capita consumption increase of 50 percent, whereas the poorest quintile only benefited by an increase of 2 percent between 1990 and 2002 [World Bank 2007: 13].

As previously observed, income inequalities grew over the period of economic liberalisation [Alailima and Sanderatne 1997: 247]. The bottom forty percent of the population experienced a decrease in its share of income from 19.3 percent in 1973 to 15.3 percent in 1981-82 [Jayawardena et. al. 1987: 47]. Therefore over the same period the Gini coefficient measure of income inequality recorded growing inequality as the ratio for Sri Lanka deteriorated from 0.35 in 1973 to 0.45 in 1981/82 (where 1 is an expression of perfect inequality) [UNICEF 1985: 13]; and has worsened further as the 2009/10 ratio is 0.49 [Department of Census and Statistics 2011: 10].

TABLE 4.2: INCOME DISTRIBUTION

| Quintiles | 1953a | 1963a | 1973a | 1978/79a |
|-------------|-------|-------|-------|----------|
| Poorest 40% | 14.50 | 14.66 | 19.29 | 16.06 |
| Middle 40% | 31.70 | 33.03 | 37.76 | 34.07 |
| Richest 20% | 53.80 | 52.31 | 42.95 | 49.87 |
| Gini Ratio | 0.46 | 0.45 | 0.35 | 0.43 |

| Quintiles | 1981/82a | 1986/87a | 1996/97a | 2009/10b |
|-------------|----------|----------|----------|----------|
| Poorest 40% | 15.25 | 14.14 | 15.30 | 13.3 |
| Middle 40% | 32.79 | 33.56 | 34.80 | 32.6 |
| Richest 20% | 51.96 | 52.30 | 49.90 | 54.1 |
| Gini Ratio | 0.45 | 0.46 | 0.43 | 0.49 |

Source: (a) Central Bank of Sri Lanka, *Economic Progress of Independent Sri Lanka 1998*, at p. 41; (b) Department of Census and Statistics, *Household Income and Expenditure Survey 2010/11*, at p. 8

Sri Lanka had high levels of state expenditure on social welfare, such that in the 1970s, around 40 percent of spending was in this sector – 20 percent on health and education and the remainder on the food subsidy programme [Tudawe 2001: 12]. However, structural adjustment programmes are predicated on cutbacks in state spending across the board; while emphasising the importance of debt repayments – therefore it is the welfare sector that is scaled down first.

Thus, by the late 1980s, social sector spending had been almost halved from the high point in the early to mid-1970s. Mostly, it was the abolition of the food subsidy and its replacement by the targeted (and therefore limited) food stamp scheme that brought spending down to around 6 percent. The free education and health system was too politically sensitive to attack frontally, therefore spending in these areas was gradually reduced to about 16 percent of total expenditure [Tudawe 2001: 12].

However, this level of spending is insufficient, in relation to the growth and changing needs of the population, for much more than recurrent expenditure on salaries. New (capital) investment in physical infrastructure and equipment is lacking. Public sector salaries are inadequate for health and education workers in relation to the high cost of living. To slow down the haemorrhaging of qualified staff either to the private sector or abroad, the government permitted doctors to also practise privately, and teachers to conduct private tuition classes to boost their income. The deterioration in quality of the public health and education services is palpable [Shastri 1997: 503].

The rising burden of external debt [Fernando 1986] is a prime contributor to crises and vulnerability experienced by the poor. Sri Lanka has been borrowing in larger volumes (see Table 4.2) to finance government expenditure. The neo-liberal model emphasises an export-driven economy to realign the trade balance in favour of developing countries. However, as the inputs for industrial manufactures are from abroad, the import bill is swelled further. Export revenue has not risen in pace with imports and therefore there is a permanent balance of payments deficit.

Meanwhile, infrastructure projects were funded by loans as domestic revenue was insufficient to fund them. These loans have to be serviced and repaid. New loans are obtained to meet the debt service obligations on old loans. The vicious cycle of growing indebtedness is at the expense of allocating revenue for the social sector and employment-generation.

TABLE 4.2: EXTERNAL DEBT

| Year | 1951-55a | 1966-70a | 1971-77a | 1978-88a | 1994-97a |
|---------------------------------|----------|----------|----------|----------|----------|
| US\$ Million | - | - | - | - | - |
| % of GDP | 3.2 | 10.8 | 19.7 | 52.9 | 68.7 |
| Debt Service % Foreign Earnings | 2.2 | 11.0 | 20.5 | 20.2 | 13.7 |

| Year | 2003b | 2005c | 2010c | 2012c |
|---------------------------------|--------|--------|--------|--------|
| US\$ Million | 10,735 | 11,354 | 21,438 | 28,441 |
| % of GDP | 56.9 | 46.5 | 43.3 | 47.9 |
| Debt Service % Foreign Earnings | 9.4 | 6.3 | 11.9 | 14.5 |

Source: (a) Central Bank of Sri Lanka, Economic Progress of Independent Sri Lanka 1998, at p. 5; (b) Economic and Social Statistics of Sri Lanka 2012, at p. 3; (c) Economic and Social Statistics of Sri Lanka 2013, at p. 3

Sri Lanka's exposure to the global economic and financial crisis (2007 onwards) was limited as its capital account is not fully liberalised. Therefore, contrary to neo-liberal prescription there were restrictions on the inflow and outflow of foreign capital and intervention by the Central Bank in the foreign exchange market [Hemachandra 2011: 25-27].

Nevertheless, as Sri Lanka's main export markets are the European Union and the United States of America, were at the epicentre of the crisis; there were knock-on effects in falling export revenues and contraction of economic growth in the last quarter of 2008 and through 2009. Although remittance flows from migrant workers did not contract, new employment opportunities abroad did. At home, workers in export factories especially in the ready-made-garments sector experienced retrenchment, temporary lay-offs, suspension of over-time and reduction of the working week, and withdrawal of allowances and benefits such as free transport and free or subsidised meals. Employers passed on the costs to workers and took advantage of the crisis to reinforce their bargaining power over unions and workers [Gunatilaka 2009: 33-34].

One survey of impacts of the crisis indicated that unique circumstances including state support for poverty alleviation and farmer support schemes, as well as the expansion of agricultural production in the Eastern province, and levels of public investment, insulated poor households from the global fall-out [Marga Institute 2009: 1-2].

As one analyst has commented, following economic liberalisation policies, "responsibility for wellbeing of the populace has been shifted significantly from government to individuals and families in their interaction with market forces" [Herring 1987: 325]. These responsibilities have disproportionately been shouldered by women.

5.0 IMPACTS LEADING TO VULNERABILITY AND POVERTY

The causal connections between neo-liberal policies and indicators of poverty and vulnerability are not always clear. On occasion, events or processes not directly related to economic liberalisation can have both positive and negative effects on income distribution and social welfare.

The demand for migrant labour in West Asia, with the creation of new waged work opportunities for women in particular, and the foreign income generated was largely positive. However, workers in the host countries are not spared of vulnerabilities themselves. For example, the outbreak of the

Gulf War between 1990 and 1991 caused enormous suffering to Sri Lankan workers in Kuwait and Iraq in particular including loss of life, loss of employment, personal possessions and savings, displacement and repatriation.

Meanwhile, the outbreak of an internal war some five years after the reforms were introduced, [11] with intense and lengthy armed hostilities, impoverished households in the North and East displaced by war or whose livelihood opportunities for e.g. fishing or cultivation were restricted or denied [Fernando and Moonesinghe 2012].

Nevertheless, certain already poor sections of the population were made more vulnerable to poverty through the direct impacts of policy reforms and structural adjustment programmes. During the first decade of the neo-liberal reforms, it is estimated one in four of the population were living in conditions of poverty; and as late as 1995 (almost two decades later), some 46 percent of the population (that is 7.8 million people) were recipients of food stamps [Lakshman and Samaratunge 2000: 49 & 50 respectively]. While economic growth averaged over five percent, even in conditions of war, the reduction in poverty was not commensurate.

5.1 Small Farmers

According to Lakshman and Samaratunge [2000: 52], small farmers especially in paddy rice and other field crop production were “adversely affected by market-oriented policies, and relatively little concern was shown by the Government towards them”. The withdrawal of the fertiliser subsidy in 1990 [12] was one reason, as it increased the cost of production reducing the already narrow profit margin.

Also, the Bretton Woods institutions opposed price support mechanisms because these are market-distorting. Hence the Paddy Marketing Board (PMB), that was established to provide a guaranteed minimum price to producers, was under-resourced and storage and staffing was reduced. The floor price offered by the PMB was less than the market price and it could only purchase around 2 percent of total paddy production, so it could never influence the market. Preferential interest rates on loans to farmers were also curtailed, leading many to turn to loan-sharks driving them into destitution and in some cases, death by suicide.

5.2 Malnutrition among Children

Among pre-school children, even as infant mortality rates decreased, malnutrition actually increased over the 1980s as reflected in the rise in the incidence of ‘wasting’ from 12.3 percent to 18.4 percent (between 1980/81 and 1988/89) [Lakshman and Samaratunge 2000: 54]. The brunt of the “food deficit” in the 1980s, following abolition of subsidised rations, was borne by women and girls in poor households as represented in “higher levels of malnutrition among pre-school and school girls and declining birth weights of babies born to low income mothers” [Alailima 2000: 85].

In the mid-1990s, one nutritional assessment claimed that over 300, 000 children under the age of five were stunted; over 200, 000 wasted; and over 500, 000 were underweight [cited in Tudawe 2001: 27]. However, Alailima elsewhere argues that by the end of the 1990s, the percentage of children suffering from stunting, wasting and who were underweight, had reduced in comparison with the early 1970s [2007: 76].

As of 2000, the Department of Census and Statistics reported that 13.5 percent of under-fives were stunted, 14 percent were wasted, and 29 percent were underweight [cited in Gunatilaka et. al. 2009: 6]. There was only slow improvement over the preceding decade: when across districts stunting ranged from between 16 percent and 29 percent; wasting between 11 percent and 23 percent; and

malnutrition among children ranged between 35 percent and 54 percent [cited in Sanderatne 2012: 309]. More recently, that is as of 2006/7, one survey concluded that 33 percent of all children – male and female children being equally prone – between the ages of 6 months and 59 months, are anaemic [Department of Census and Statistics 2009: 9].

There are marked spatial disparities: almost 46 percent of estate children were underweight, in comparison with 31 percent of rural children and almost 18 percent of urban children; while 37 percent of estate children were stunted as against over 14 percent of rural children and over 8 percent of urban children as of 2000 [World Bank 2007: 58]. The prevalence of anaemia among children is highest in the conflict-affected Eastern province (districts of Ampara and Batticaloa in particular) [Department of Census and Statistics 2009: 12].

5.3 Anaemia among Women

The high prevalence of anaemia among women is an indicator of the problem of under-nutrition or malnutrition. As of 2006/7, after thirty years of neo-liberal growth, 39 percent of all non-pregnant women (between the ages of 15 and 49 years) are anaemic in Sri Lanka [Department of Census and Statistics 2009: 18]. A higher proportion of women in the garment sector are prone to anaemia in comparison to women in the general population; as are a higher proportion of women factory workers undertaking night-work in comparison to those who don't [Amarasinghe 2007: 68-59]. Significantly, anaemia is most prevalent in the Western province, where household incomes are the highest in the country as almost one in two non-pregnant women (47 percent) in this region is anaemic [Department of Census and Statistics 2009: 21]. Unsurprisingly, poorer women are more likely to experience moderate to severe anaemia [Department of Census and Statistics 2009: 26].

5.4 Food Insecurity

Another indicator of poverty is food insecurity, as low income levels are an important factor in limiting access to food. In the conflict-affected Northern Province, the median income of all households in 2011 was below the national poverty line; while in the conflict-affected Eastern Province, it was just above [Petersson *et al* 2011: 12]. Therefore, in the Northern Province, an estimated 60 percent of households are 'food insecure'. The low income is also accounted for by the absence of waged work opportunities in those districts, such that almost two years after the war had ended, respondents to a survey claimed that employment opportunities had not improved in the Northern Province, and even worsened in the Eastern Province [Petersson *et al* 2011: 15]. Unlike in other regions of the country, households in the districts of Mullaithivu and Killinochchi in particular receive a negligible level of remittances that could increase their ability to purchase food.

Food insecurity is likely to worsen through global processes of climate change. A recent study [Eriyagama *et. al* 2009] suggests that by the year 2100, Sri Lanka's mean temperature may have increased by anywhere between 0.9 and 4.0 degrees Celsius, and will be accompanied by changes in the quantity and spatial distribution of rainfall. Such trends are projected to lead to decreasing yields of paddy rice, coconut and tea; in association with increased demands for irrigated water. Such outcomes will negatively impact on more vulnerable social classes as well as on state revenues and the composition of imports and exports.

5.5 Mitigating adverse impacts

The adverse impact of neo-liberal reforms on the poor and vulnerable was mitigated by other policies and instruments – not all of which were favoured by multilateral and other donor agencies – but which were nevertheless adopted by governments and survived at least for some duration. 'Welfare populism' is embedded within all political parties shaping, in Bastian's view, "the actual

path of economic growth, the types of welfare policies to be followed and ultimately the political process itself" [1993: 11].

In terms of social policy, the food stamps scheme and the introduction of cash transfer schemes such as *Janasaviya* – covering 265,000 families in 1995 – later to be replaced by the Samurdhi programme, cushioned to an extent the blow of food price increases and withdrawals of universal subsidies.

The Accelerated Mahaweli Development scheme with its irrigation projects, construction of new market towns and extension schemes for farmers resettled in those areas generated arable land, employment and business for contractors. There were several costs though, such as the displacement of indigenous communities from their ancestral lands; and increased ethnic tensions between Sinhalese and Tamils in areas bordering the North and East.

Coupons for school children to be exchanged for a free mid-day meal; and the provision without charge of school uniforms improved the nutrition and health of children and defrayed some of the costs of education, as did the free school textbook programme introduced in 1980.

The mid-day meal programme did not escape the shift from universal to targeted provision. Its coverage was progressively reduced over the years; until it was 'absorbed' in 1995 into the government's *Samurdhi* poverty alleviation programme (or more accurately eliminated). However, in 2006, the present government reintroduced the scheme, while limiting it to schoolchildren in 'difficult' (or remote) areas, children of marginalised families, and schools where at least 30 percent of the enrolment is malnourished [Institute of Policy Studies 2008: 34].

The construction of 100,000 low cost housing units, later expanded (but never realised) to one million houses, did address basic shelter needs of some poor families and reduced their vulnerability to homelessness.

Opportunities for out-migration especially to the Middle East, and the year-on-year increase in remittances by migrant workers, women and men, sustained large numbers of the poor, estimated to be at least eleven percent of all households [Weerakoon and Arunatilake 2011: 41]. Nevertheless, the exploitative conditions of employment in addition to high incidence of physical and sexual violence experienced by women, in domestic work in particular, should not be forgotten.

There was also accelerated internal migration, for example of conflict-affected communities from the North and East or women and men from rural and estate communities to other parts of the island especially Colombo. In some cases, by virtue of displacement to areas away from their original community and the economic compulsion to survive, pulled and/or pushed women, previously in unwaged household or family farm work, into waged work near their homes or farther afield.

The expansion of expenditure on the military, in the context of protracted armed conflict, including an increase in the numerical strength of the armed forces and its physical infrastructure needs provided employment for young men in particular allowing them to remit some funds to their homes; as well as commercial opportunities for suppliers and contractors including indirect jobs. Certainly the 'opportunity' of military employment is, in other form, actually the product of economic coercion; where the "lack of local economic opportunities created a de facto conscription for lower-class men from the poorer, less-educated parts of the population and from communities with few other job opportunities" [Gamburd 2004: 160]. Still, as Venugopal [2011b: 68] has argued, "the escalating military budget compensated for the contraction of the State due to market liberalisation, and thus made the reform agenda politically viable".

Further, as Samaratunge and Nyland [2006: 427] have observed: "...many Sri Lankan families responded to the reduction of welfare programs, the weakening of job security and the curtailment of education opportunities by drawing on common family resources to meet social obligations ... Many 'working spouses' also absorbed the initial shock of retrenchment by taking full responsibility for household needs, for example by helping retrenched members establish small businesses".

5.6 Endurance of Neo-liberalism

If, as argued above, neo-liberalism has failed to eradicate poverty and actually exacerbated inequality and vulnerability, why has the Sri Lankan state not abandoned the perspectives and approaches that it has followed since 1977?

A terse answer would be, because it has not been in the interests of the dominant class coalition that manages the state to do otherwise. To change the orientation of the state requires transforming the state itself; and to do that, requires the conquest of state power with the express purpose of breaking with neo-liberal capitalism. One condition for this political rupture is the coalescing of the dominated classes, acting in concert and in the extension of their shared interests. Such a conjuncture has not been present previously, and there is no short-term prospect of its emergence either.

A related and interesting question is to explain the absence of strong opposition to the destructive economic and social policies followed by successive governments. There is no single or flawless explanation but Herring [1994: 282] offers some thoughtful responses.

- Contrary to the structural adjustment package prescription, government spending expanded not contracted after 1977, through public investment programmes and public employment;
- Large volumes of foreign aid intended to endorse the pro-market and pro-Western change of direction contributed to economic growth; employment and commercial opportunities;
- Resentment among the 'losers' in economic liberalisation was channelled away from the state and towards ethnic minorities perceived as more privileged such as Tamils targeted in July 1983 riots;
- The repressiveness and ruthlessness of the state in crushing non-violent opposition such as workers and unions in the July 1980 strike, as well as armed movements such as Tamil separatists (1978 onwards) and Sinhalese insurgents (1987-1989); and
- Periodic elections with changes of regime (1988 and 1994, and I would add 2001 and 2005) provided a safety-valve to defuse the build-up of anger against the state.

To this inventory could be added the following:

- The opportunities for waged work abroad among unskilled, semi-skilled and professional groups not only reduced the unemployment figures, but also through remittances subsidised families back at home; and
- The expansion of the armed forces that also provided employment for rural Sinhalese youth and generated transfers to the rural economy.
- Finally, invoking the potent power of ideology, the state has been able to use challenges to the territorial integrity of the island to fuel Sinhalese Buddhist nationalism, and to gel classes with contradictory interests against the common (Tamil, and more recently Muslim) 'Other'. [[13](#)]

One summary argument is that the neo-liberal reforms survived because “they resulted in an expansion, rather than a reduction in the size of the state; an expansion rather than a reduction in the Sinhalaisation of the state” [Venugopal 2011a: 102].

Why, did social welfare continue in the neo-liberal era? One view is: “The high priority given to welfare policies, in terms of expenditures and in terms of achievements, especially for education, health and poverty alleviation ... can be attributed to the country’s competitive and democratic political system, in which the parties tended to persuade the voters by promises of a better welfare package” [Institute of Policy Studies 2008: 53].

There is strong attachment among the citizenry to state provision of public goods, viewed as a core responsibility of the state since the 1930s, under pressure of electoral politics and the ideological influence of the Left that lasted into the 1970s [Alailima and Sanderatne 1997: 236].

6.0 SOCIAL PROTECTION SCHEMES

Pasha [1996: 649] has aptly described the conventional understanding of poverty as being founded on three inter-linked assumptions: “the idea of subsistence, poverty as an object of policy (not political economy), and poverty alleviation as an extension of welfare”. Social welfare programmes in Sri Lanka reflect the above approach. The current policy perspective, pushed by international financial institutions and mainstream economists is that poverty is an outcome of exclusion from economic growth. The objects of state policy have been to accelerate growth and to switch from universal protection (for e.g. subsidies on rice), to targeted protection that is means-tested (for e.g. cash transfers).

TABLE 6.1: SOCIAL SAFETY NET EXPENDITURE (PERCENT OF GDP)

| ITEM | 2000 | 2001 | 2003 | 2004 |
|--------------------------------------|------|------|------|------|
| Social Safety Net Programmes - Total | 1.6 | 1.7 | 1.3 | 1.1 |
| <i>Samurdhi</i> income transfers | 0.8 | 0.9 | 0.5 | 0.4 |
| Education | 2.5 | 2.0 | 2.2 | 2.1 |
| Health | 1.7 | 1.4 | 1.6 | 1.5 |

Source: Ministry of Finance and Central Bank of Sri Lanka data cited in World Bank [2006: 53]

Although even after 1977, health and education services are ‘free’; there are several hidden and/or indirect charges to users such that these account for 6.2 percent of average monthly household expenditure [Weerakoon and Arunatilake 2011: 17]. For example, medical tests undertaken by private healthcare providers because the technology is unavailable in state hospital; and donations from parents for upkeep of schools etc. Falling investment (as share of the national economy and relative to population increase) in health and education has been accompanied by falling quality, and there are now several tiers of private provision for groups ranging from waged workers to the very rich. Consequently, only the poorest use public health facilities even in the first instance; and there is enormous competition to enrol children in say 20 state schools that are better endowed than the thousands of other schools elsewhere [Alailima and Sanderatne 1997: 257-259].

The Public Assistance programme targets vulnerable groups among the poor such as the elderly and disabled, households without incomes, destitute women and orphans. Some 365, 000 families received this grant in 2005 [Institute of Policy Studies 2008: 48]. However, the cash transfer is a tiny

amount (between Rs100 and Rs300 per month) [CEPA 2009: 11]; which is barely sufficient for more than a couple of days of household consumption of the poorest. Under-funding of the programme, which lacks the political backing of the *Samurdhi* scheme, and ballooning inflation has eroded its potential to adequately protect the most vulnerable among the poor. A nutritional supplement programme known as Triposha has been one of the more successful social protection initiatives. It too is targeted and the beneficiaries are pregnant and lactating mothers as well as children aged between 6 months and up to almost 5 years.

6.1 Food Stamps

In the immediate post-economic liberalisation period, the initial focus of welfare interventions was on increasing nutritional intake through food stamps. Eligibility for this programme was based on household income, which was never a satisfactory measure of deprivation and need. However, by 1984 over 1.5 million households (or 44 percent of the population) were recipients of food and kerosene stamps.

Four years earlier, in March 1980, the government decided not to add new households to those already enrolled in the programme. Therefore, households that fell below the official poverty line thereafter (the 'losers of liberalisation'); households facing an adverse change in their circumstances through the death, loss of employment or illness or disability of the primary wage-earner; and all newborns, were excluded from receiving food stamps [UNICEF 1985: 51-52].

Even those who were included in the programme found that the value of food stamps declined against the phenomenal increases in food prices, as the value of food stamps was not linked to the cost-of-living-index. Between 1978/79 and 1981/82 — a mere two years — the real value of food stamps dropped by almost 50 percent [Edirisinghe 1987: 17]. The food stamp scheme was absorbed into the poverty alleviation programmes of successive governments, but still capped at 1.5 million households as of 2012. Its coverage has been extended to the Northern and Eastern provinces since the end of the war [Lanka Business Online 2012]. After three and a half decades of the 'open economy', around three million of the poor depend on food stamps for minimal consumption.

6.2 Janasaviya programme

Perhaps it is not coincidental that the discourse of 'poverty alleviation' begins to be used by the state once the inequalities engendered by neo-liberalism contributed to social upheaval among large sections of Sinhalese citizenry, culminating between 1987 and 1989 in the (second) *Janatha Vimukthi Peramuna* insurrection.

In his election campaign in late 1988 and early 1989, former prime minister and later President Ranasinghe Premadasa of the United National Party announced his intention to introduce the *Janasaviya* ('Peoples Strength') programme to address issues of household consumption as well as unemployment.

One-half of a fixed monthly allowance was provided in cash and the other half compulsorily deposited in a bank account to accumulate over two years for subsequent investment as start-up capital in self-income projects of the beneficiaries. Non-governmental organisations were invited to become partners in the income-generation projects. However, anti-NGO sentiment in the highest echelons of the state influenced bureaucratic antagonism towards collaboration with NGOs [Cleary 1997: 132].

The methodology of the programme changed over its life of around six years [Sirivardana 1998] but included social mobilisation of the poor and participatory development through 20 days of work —

on agricultural and community infrastructure — for food, each month. By its final year of operation (1994), some 1.1 million households were covered in the scheme, which is four hundred thousand fewer households than the previous food stamp programme.

However, again due to budgetary constraints, this programme was confined only to certain districts and was not available to the income poor in other areas. To qualify as a beneficiary certain criteria on asset ownership and income source had to be satisfied. An otherwise sympathetic account noted that “a surfeit of institutions and a burgeoning bureaucracy” threatened to undermine the effectiveness of the programme [Marasinghe 1993: 36].

Some 20 to 30 percent of *Janasaviya* ‘graduates’ are believed to have achieved “sustainable improvement in their incomes” [cited in Alailima 2000: 85]. The lives of the beneficiaries were improved through the construction of over 60,000 houses and the improvement of over 70,000 houses. Over 50,000 toilets were built while almost 50,000 others were improved. Over 30,000 wells were constructed; almost 15,000 irrigation canals were established; and almost 20,000 miles of road were carpeted [Alailima 2007: 77].

Despite the claims made for the programme as being based on mobilisation and empowerment of the poor, and inclusive of non-governmental organizations [14], it has been described [Silva, Fernando and Jeyanithe 2005: 299] as “characterised by centralised power and authority” [15], with “limited achievements in articulating common interests among the poor or fostering pro-poor policies in general”.

The assassination of President Premadasa in May 1993 removed the *Janasaviya* programme’s chief patron in government; and the dynamics of the election cycle in 1993-1994 with provincial, general and presidential elections encouraged its manipulation for political patronage by the incumbent administration.

6.3 *Samurdhi* programme

Following, the change of government, a new programme known as *Samurdhi* (‘Prosperity’) was launched in 1995, and continues to the present making it Sri Lanka’s longest-running poverty alleviation programme. The reasons for a new initiative extend from the symbolic: that is, disassociation from any emblematic policies of the Premadasa regime; to the pragmatic: that is, acknowledgement of some of the shortcomings of the *Janasaviya* programme.

There are four components to the programme [Abhayaratne and Abayasekara 2012: 429-430]. Firstly, a cash transfer that is to be used for immediate consumption. Secondly, a savings and credit scheme through micro-finance institutions at district-level. Thirdly, a social insurance scheme (for assistance during key life-cycle events of birth, marriage, hospitalisation and death). Finally, economic (and social) infrastructure development at community-level. Income transfers, for consumption and for social insurance, account for 85 percent of the allocation.

By 2002, an estimated 55 percent of the population (or 2.1 million households) were *Samurdhi* beneficiaries. The programme has provided rural infrastructure such as roads, minor irrigation projects, water supply schemes, tanks and wells; as well as constructed collection and marketing centres for agricultural produce [Alailima 2007: 77].

There have always been significant gaps in *Samurdhi* coverage, with a pattern of exclusion of the poor in the ethnic minority Tamil and Muslim communities, as well as the estate sector where poverty levels are among the highest in the island [World Bank 2007: 105]. Through constant pressure by multilateral lending agencies, the number of beneficiaries was reduced to some 1.6

million households as of 2009. However, since then the Samurdhi programme has been extended to some households in the conflict-stricken North and East regions which had been excluded from the scheme during the years of the war.

During and subsequent to Mahinda Rajapaksa's first presidential election campaign in 2005, his perspective was to link poverty reduction with economic growth and economic development. The government's "... strong emphasis on infrastructure development, to reduce regional inequalities and enable poor localities to link up with growth centers" [Gunatilaka et al 2009: 30], chimed with the discourse of multilateral agencies.

In 2006, the *Samurdhi* cash transfer was increased by 50 percent. Beneficiaries do not receive the whole amount in hand, as deductions are made for compulsory savings, social insurance, and housing construction [Institute of Policy Studies 2008: 44]. Vulnerable groups were to be transformed from beneficiaries to participants in the development process as a strategy for social protection. However, as Fernando and Moonesinghe [2012: 15] observe of this rhetoric, "effective translation into practice remains to be seen".

One of the most glaring aspects of the *Samurdhi* scheme is that the number of beneficiaries has been at least twice as much as the number of the official poor, that is, whereas 19 percent of households in 2007 were below the official poverty line; some 45 percent of households received *Samurdhi* benefits that year.

The inference that is immediately drawn by economists and multilateral agencies is that, these 'leakages' (in their parlance) reflects poor targeting. In other words, that households that should not qualify, do — through poor monitoring and/or the interference of politicians in the selection process etc.

There is of course another conclusion that can be drawn, which is that, the problem lies with the official definition of poverty, which is so deficient that it excludes around a million households who are poor in other respects. While it is true that governing politicians have been able to manipulate the *Samurdhi* scheme to reward their supporters; it is also the case that their less than altruistic motivations aside, some of these politicians also recognise that there is serious deprivation among their constituents.

The discrepancy between the number of those defined as the poor, and the number of beneficiaries, illustrates Bastian's critique (in a different context) of the belief that the state can be an independent, rational actor that should be detached from social conflicts and relations. He argues that the state should be seen as an arena of struggles in which there are "interest groups, politics and a messy process, a large part of which cannot be understood by looking at laws and formal processes" [2012].

Another controversial aspect of the programme is the selection and function of the *Niyamakas* or 'animators' and since elevated in social and administrative status to *Niladharis* ('officers') who are charged with implementation and monitoring. From its inception, around 22,000 individuals picked from among supporters of the regime as a means of generating public sector jobs for them (with anticipated security of employment and pension benefits); and perhaps more importantly, as political cadre of the state who are mobilised to electioneer for the government of the day substituting for the weakness and unreliability of party political structures at electorate-level.

Has the Samurdhi programme succeeded in 'alleviating' let alone eliminating poverty? The consensus across the political spectrum appears to be that it has failed in its objective of promoting income-generating self-employment and co-related increase in savings [Gunatilake and Salih 1999:

32; Silva, Fernando and Jeyanithe 2005: 308]. Instead, its main achievement is to transfer modest amounts of cash for consumption purposes, and not necessarily to those in greatest deprivation.

6.4 *Divineguma* programme

The government of Sri Lanka's most recent policy initiative on poverty-alleviation is *Divineguma* ('Village Uplift'). This controversial programme, beginning in 2013, absorbs the *Samurdhi* scheme and two regional development programmes. It creates a panoply of structures at community, district and national level for implementation of the programme and heralds the expansion of micro-finance in the rural economy through community-based banking societies. It also appropriates functions previously exercised by provincial councils, underscoring the government's marginalisation of elected regional administration, and centralising instincts.

The preamble to the Act prioritises the "furtherance of the economic development process"; linking it with poverty alleviation and social equity. Among the objectives of the programme are livelihood activities; food security; community mobilisation and empowerment; micro-finance provision; physical and social infrastructure development; human capital development; and creating a social security net. The mechanisms to achieve these goals are the establishment of two Funds to finance income-generation projects; the construction of storage, distribution and marketing centres for products of beneficiaries; promotion of saving habits; and facilitation of service provision by governmental and non-governmental agencies.

It is too soon to evaluate whether the *Divineguma* programme, in and of itself, can succeed where its predecessors failed. The recycling of the philosophy, goals, and means of the *Janasaviya* and *Samurdhi* programmes offer little cause for optimism. Its novelty lies in the bewildering organisational structures it creates, though for the unoriginal purpose of providing public sector employment to political cronies of the regime.

This new programme has been designed with the foremost intention of creating ample opportunities for the distribution of patronage in return for political rewards at elections. It brands the programme with the political colours and character of the regime: literally, in the work uniforms of beneficiaries and the packaging of income generation activities. The selection of non-governmental organisations to participate in the programme will be on the basis of affiliations with governing politicians or relationship to the government. The Minister for Economic Development (and brother to the President) will be the decision-making authority: confirming his office along with that of Finance (held by the President), and Defence (occupied by another brother), as the three supreme departments of government.

6.5 Assessing Poverty-Alleviation programmes

Following economic liberalisation, universal social protection was abandoned and the welfare system dismantled as government expenditure in the social sector declined as a percentage of gross domestic product [Samaratunge and Nyland 2007: 350-351]. Public services including transportation, health and education are commodified and privatised. "Now, the state in South Asia is under titanic pressure to trim its own capacity. Paradoxically, the same state must also ease the burdens of social dislocation wrought by greater integration into the global political economy" [Pasha 1999: 244]. The ideological perspective of the government backed by multilateral and bilateral donors, is that economic growth through export-led development is the vehicle for poverty reduction through 'trickle-down' effects in the market economy. Such poverty, as is recognised, is regarded as residual; and to be addressed through targeted social protection schemes and social safety nets. In the pithy observation of a recent landmark global report: "current approaches to poverty...focus on measuring things that people lack to the detriment of understanding why they

lack them [UNRISD 2010: 2].

Sunil Bastian's [1989a-e] critique of the *Janasaviya* programme is equally relevant to the programmes that have followed. 'Poverty-alleviation' schemes do not ask questions about the structural causes of poverty. There is no ambition to eradicate poverty. There is no reorientation of the policies promoted by structural adjustment packages that produce and reproduce the impoverishment of vulnerable and marginalised communities. These programmes are designed and implemented around the neo-liberal framework of export-orientation; privatisation; and public sector retrenchments. The process by which beneficiaries are identified is structured by hierarchies and social relationships within the community itself. The beneficiaries who 'graduate' out of poverty are those who adopt or adapt their livelihoods to integration with the market but without social protection and the capacity to bargain with powerful actors. Finally, there is no credible mechanism for monitoring whether and in what ways poverty is reduced beyond the official poverty line which is income-based.

As one development economist observes: "The nature of poverty is such that it has to be dealt with at the roots and oppressive structures broken down to prevent the emergence of polarisation and marginalisation", and therefore instead of segregating poverty alleviation from macro-economic policy: "Sri Lanka needs to move towards a pro-poor national development plan, where the country's policy framework takes on a pro-poor outlook" [Wickremasinghe 2005: 274].

7.0 GLOBALISATION AND INFORMALISATION

The deregulation of the economy including the greater role for private capital (both local and foreign) and the closer integration of the Sri Lankan economy into the global economy – shaped by the 'new international division of labour' where certain manufacturing industries relocated to developing countries – created new or expanded income and employment opportunities in the construction industry; tourism and other services; retail and food outlets; and export-oriented industries especially ready-made-garments and other labour-intensive production such as leather goods [Lakshman 1996].

Many of these industries were located in export-processing zones that offered investors incentives in the form of tax holidays; import duty concessions; ready-made infrastructure within the zones; and the exclusion of trade unions. Industries were also established outside of the zones, initially in the Western province, and later through extension of investment incentives to rural garment factories and the establishment of industrial parks in other parts of the island. Women were targeted for recruitment and comprise over 85 percent of the work-force in the ready-made garment sector and over 65 percent of workers in export manufacturing industries in general.

Nevertheless, the number of direct jobs in industry is relatively small in comparison to the service sector. The industrial working class in the formal sector has not expanded markedly; while union density has declined. Despite the 'feminisation' of manufacturing, women's labour force participation rate has stagnated in the thirty percentile range [Rodrigo 2012: 151]. Further, the new employment is still mainly in and around urban centres especially in the Western province.

Prior to the introduction of neo-liberal economic policies in Sri Lanka, the largest share of the economy was contributed by the agriculture sector, which also provided employment to the largest share of the labour-force. Since 1977, the largest share of gross domestic product is from the services sector. However, into the 1990s, the largest share of workers in employment continued to be in agriculture (including forestry and fishing) [Rodrigo 1994: 230-231]. Despite the policy emphasis on export-oriented industrialisation, the manufacturing sector has not been able to

generate direct employment commensurate with the loss of jobs in the agricultural sector (see Table 7.1 below).

TABLE 7.1: DISTRIBUTION OF EMPLOYMENT (IN PERCENTAGES)

| Sector | 1948a | 1971a | 1981b | 1990b | 1998c | 2000d | 2012e |
|----------------------------|-------|-------|-------|-------|-------|-------|-------|
| Agriculture | 62 | 50 | 45.5 | 47.1 | 39.1 | 36.0 | 31.0 |
| Manufacturing/ Industry | 7 | 9 | 9.9 | 13.6 | 22.0 | 23.7 | 26.1 |
| Services/Other | 31 | 41 | 44.6 | 39.3 | 39.0 | 40.3 | 42.9 |

Source: (a) Central Bank of Sri Lanka, Economic Progress of Independent Sri Lanka 1998, at p. 2; (b) Department of Census and Statistics data cited in Rodrigo [1994: 231]; (c) Ministry of Labour and Manpower, Labour and Social Trends 2009, at p. 69; (d) Central Bank of Sri Lanka data cited in Weerakoon and Arunatilake [2011: 5]; (e) Central Bank of Sri Lanka, Annual Report 2012, at p. 110

Neo-liberal policy reforms also contributed to loss of employment in certain sectors through the cheaper price of certain imported products as compared to their locally manufactured equivalents. For example the liberalisation of textile imports post-1977, caused the collapse of the domestic handloom sector, in which women predominated, comprising cottage industries and state-owned mills. By 1986 it is estimated that over 120,000 jobs had been lost as a result [Kelegama and Tiruchelvam 1995: 5]. Likewise, there was large-scale retrenchment of public sector workers (estimated to be around 100,000) in compliance with structural adjustment conditionalities in 1990; and many of these were women who constituted almost 40 percent of state employees.

The actual growth in jobs has always lagged behind the number looking for work or who are underemployed, that is, the rate of growth of the labour force. In the 1990s, around 70,000 jobs were created each year; however, around 120,000 persons entered the labour force annually [Kelegama and Tiruchelvam 1995: 14]. Unemployment actually increased in the rural sector after 1977 as the agricultural sector did not expand and nor did non-farm employment opportunities. The profile of those actively looking for work remained, as in the immediate pre-liberalisation period, dominated by rural males with formal education looking for white collar jobs in the public sector.

Where there was expansion of employment, the sources were largely external; for instance, in the services sector through increased trade in imports due to import liberalisation. As Kelegama and Tiruchelvam [1995: 7] observe, “the whole regime of liberalized imports were sustained through external props rather than by any intrinsic strength of the domestic economy”. These stimulants, that were external to any structural transformation of the productive economy, such as the increased circulation of money; the increased inflow of capital; and increased remittances from workers, are unstable and therefore unreliable drivers of employment generation. Even where employment opportunities increased for e.g. in utilities, construction, and transport and storage, women did not benefit and their proportion in these traditionally male-dominated sectors has decreased post-economic liberalisation.

As emphasised earlier, the unexpected demand for women domestic workers and to a lesser extent semi-skilled and professional workers in the Middle East from the late 1970s onwards and continuing to the present, acted as a “major safety valve” to the problem of unemployment [Rodrigo 2000: 71]. The rapid expansion of the armed forces following the onset of war in late 1983, along with indirect employment for service industries related to the military, were another source of employment unrelated to the liberalisation policies. The direct employment created here was overwhelmingly for males in combat roles. However, the war “perversely became an important

source of livelihood diversification, asset accumulation and poverty alleviation for the rural Sinhalese population” [Venugopal 2011b: 74].

Domestic economic reforms coincided with the increased demand for foreign workers in the Middle East (particularly Saudi Arabia, Qatar, Kuwait and the United Arab Emirates). In sharp contrast to the pre-1977 period where migration abroad was largely of male professional or skilled workers (doctors, teachers, engineers, accountants etc.), the main features of out-country migration thereafter has been the predominance of women to men; and the migration of women as domestic workers.

Only since 2005 has the trend changed such that men have been migrating in larger numbers than women; and for work opportunities in the construction and hospitality sectors. The current government has been eager to encourage male skilled migration to non-traditional destinations such as Israel and South Korea; and to discourage women, especially with young children, from seeking and taking up employment abroad.

The quality of many of the jobs created following economic liberalisation is far from being ‘decent work’ as defined by the International Labour Organisation. Most workers cannot be said to enjoy rights at work such as freedom of association and the protection of labour laws; or social protection including occupational safety and health and social security benefits; or social dialogue with employers and management through ‘voice’; participation in decision-making; and collective bargaining [Skanthakumar 2009].

An official estimate is that 60 percent of those in employment (or around 4.8 million people), could be classified as working in the informal sector [Department of Census and Statistics cited in Ministry of Labour 2009: 10]. [16] Some of the characteristics of informal workers is that they receive lower wages; are unlikely to be protected from unemployment; disability or illness; or eligible for social security upon retirement in comparison to formal sector workers: that is, those in conditions of precarious work [Arunatilake 2013: 498].

As is common in neo-liberal reforms elsewhere, there is also the ‘feminisation’ of employment [Standing 1989] through the spread of employment practices and patterns of labour force participation associated with women, into the formal sector in Sri Lanka through practices of temporary or short-term contracts; casualisation; and out-sourcing [Ranaraja 2005: 198]. However, this reality has not swayed advocates for labour market reform who assert the necessity for ‘flexible’ employment relations; the repeal or amendment of ‘rigid’ labour laws; the reduction of paid holidays; and gripe about “excessive job security for formal sector workers” and “the high level of protection [that] adversely affects job growth”[World Bank 2006: 3 & 27 respectively].

Consequent to greater integration in the world market, the global financial and economic crisis of 2007 onwards was transmitted into Sri Lanka around late 2008 through the channels of external trade, migrants’ remittances, construction industry, tourism, shipping and port services. The triple blow of food price and oil price hikes worsened the trade deficit as the cost of imports rose while exports slackened in response to falling demand in the EU and US markets. There was a marked shift of workers into the agricultural sector in 2009 following lay-offs or lack of jobs in the industrial and services sectors [Department of Census and Statistics as cited in Ministry of Labour 2009: 32].

8.0 MILITARISATION

In 1983, when the war began, the size of the military numbered 30,000 and thirty years later, and after the war has ended, it is estimated to be around 300,000. To appreciate this figure, it should be

recalled that the total size of the public sector workforce in Sri Lanka is 1,000,000 (one million). In other words, almost 1 out of every 4 state employees in Sri Lanka is a member of the security forces.

There is also heavy concentration of the military in the conflict-affected Northern and Eastern provinces. There is controversy as to the actual numbers stationed in those regions, with estimates for the Northern province ranging anywhere from 1:10 to 1:5 (military to civilian ratio) according to critics. Almost 6,400 acres of private lands in the Jaffna peninsula are to be 'lawfully' grabbed by the military having previously been designated as 'high security zones' during war-time, and likewise thousands of kilometres of coastal waters are still off-limits to fisher-folk. Opposition Tamil politicians and large sections of the Tamil civilian population regard the dense and intrusive presence of the overwhelmingly Sinhala-Buddhist military as no different to alien occupation and as the conscious agent of Sinhalisation in the region.

This is the mirror opposite of the perceptions and attitudes of Sinhalese society for whom militarism and the good life are "twin rationalities" of public goods [de Mel 2009: 41]. The valorisation of the military is integral to the national security ideology and political strategy of the Rajapakse regime [Gunasekera 2013]. One telling illustration, is the post-war official policy of gifting LKR100,000 to households of armed forces personnel upon delivery of the third and subsequent child; a pro-natalist incentive that is not on offer to any other section of the citizenry.

Presciently, as long ago as 1987, the late Newton Gunasinghe warned that the consequence of rising military expenditure in the context of heightened ethnic conflict would lead to a situation where the "military will become increasingly predominant". Gunasinghe observed further that: "This will eventually change the character of the State in Sri Lanka. Therefore the movement is from a constitutional bourgeois democracy to a constitutional dictatorship" [1990: 17]. The passing years, and most starkly the period following the end of the war in May 2009, have confirmed his astuteness.

The militarisation of state and society in post-war Sri Lanka is illustrated by two trends: the national budgetary allocations to the security forces and the encroachment of the military into civilian life.

Since the war ended, the share of the national budget devoted to the military has been increasing and not decreasing. In 2013, the allocation to the Ministry of Defence and Urban Development is nearly LKR290 billion; under 5 percent (or LKR4.8 billion) of which is for the subject of 'urban development' [Ratnayake and De Mel 2012: 17], whereas over 95 percent is for the combined army, air-force, navy, police and civil defence force. In comparison, only LKR159 billion is allocated for health and education combined; and a mere LKR1.5 billion for poverty reduction.

The second trend is the creeping militarisation of the state administration and the economy. In the Northern and Eastern regions, the provincial Governors are former high ranking military personnel directly appointed by the President and who exercise executive powers far in excess of their constitutional mandate. Local military commanders in those regions are active in civilian administration ranging from resettlement and rehabilitation activities to the functioning of schools, hospitals and places of worship; undermining the authority of state officials. Although national identity cards are issued by central government authorities, fisher-folk in those provinces are issued separate identity cards by the Sri Lanka Navy without which they are not allowed to practise their profession. Meanwhile, the Secretariat for Non-Governmental Organisations, a state agency with which NGOs are obliged to register for official authorisation of their activities, was removed from the Social Services Ministry and absorbed into the Defence Ministry for increased surveillance of the third sector [International Crisis Group 2012].

The annexation of 'urban development' by the Defence Ministry [[17](#)] following the end of the war

could be viewed as an attempt to rationalise the size and cost of maintaining the armed forces, now redeployed in non-combatant roles such as 'urban beautification' schemes (that is, the clearance of informal settlements of the poor and ethnic minorities from Colombo); and the 'shock and awe' tactic of positioning uniformed men carrying arms and in combat vehicles at development sites, to discourage active resistance from those forcibly evicted or deprived of their livelihoods.

Wherever the State is engaged in development projects such as in construction and the renovation and even maintenance of buildings and facilities ranging from an international cricket stadium to luxury shopping precincts and public parks, it is military and not civilian labour that is used. The wage-labour of military personnel is entirely financed out of public funds, and these work opportunities in masonry, carpentry, landscape design, as caretakers etc. are unavailable to civilians.

The military are also directly involved in economic activities such as agricultural cultivation (rice, vegetables and fruits); direct sale of produce (that is 'dumping' of the surplus in local markets especially in the North and East, but also in Colombo during the 2011/2012 food price crisis). The military are visible in petty-trade and the operation of food outlets along the main arterial roads in the Northern province. Several commercial tourist ventures including hotels, passenger transport, and recreational activities (for e.g. whale-watching) have been initiated, fostering patron-client relations between the regime and senior military officers who are in transition into entrepreneurs, with ample scope for personal enrichment.

Militarisation is a continuing process, deepening wherever it has taken root and expanding to new terrains. The education sector has not been spared [Kumar 2013]. State university entrants are now required to follow a three-week 'leadership training' programme conducted by the military and within military camps. State school principals now undergo military training and are inducted into the national cadet corps as 'brevet colonels', enabling them to use that title and sport an appropriate uniform. In schools in the North and East, uniformed military personnel are employed to teach the Sinhala language to Tamil-speaking children.

As de Mel [2007: 12], drawing on the work of Anuradha Chenoy explains, "a militarised society is one in which the military has taken ascendancy over civilian institutions, and is predominantly and visibly relied upon to police and regulate civilian movement, solve political problems, and defend or expand boundaries in the name of national security. Commensurate with such a reliance on the military is a decline of democratic institutions and the freedoms and rights of citizens on the one hand and ascendancy of violence as a part of routine social relations on the other. It is through militarisation, that the ideology of militarism, which mediates aggressive, hyper-masculinist, militant solutions to conflict, and justifies violence and terror is ushered into our institutions and ways of thought...".

The state's response in 2012 and 2013 to peaceful assembly and public protest by citizens, including those of Sinhalese ethnicity, confirms the militarisation of the polity. Mass anger against fuel price increases in Chilaw; against a private sector pension plan in Katunayake; and against environmental pollution in Weliweriya, has been met with brute violence and wanton killings by security forces.

9.0 CONCLUSION

The introduction of neo-liberal economic reforms in Sri Lanka is associated with the doubling, and on occasion almost trebling, of pre-liberalisation rates of growth, propelling the country once described as exemplar of 'equity with low-growth' into the category of lower middle income economies.

However, also accompanying these reforms are growing inequalities of income and wealth, as well as persistent poverty, amidst mass unemployment or underemployment and precarious employment where jobs are generated. The perspective of the state is that the alleviation of poverty will be a by-product of high and faster economic growth. Despite the rhetoric of 'growth with equity' – the emphasis is on growth rather than equity and the result has been one of 'growth with inequality'.

The socio-economic policies that provided the foundation for remarkable results in increasing longevity, nutrition and health as well as literacy and life opportunities – that endured during two-and-a-half decades of bitter and costly war and in spite of chronic underinvestment in social sectors – have been gutted through neo-liberal reforms. Sri Lanka's genuine advances in human development risk stagnation or even reversal. Meanwhile, the multiple and combined crises of food, energy, environment, debt and the economy that are symptomatic of neo-liberal globalisation have, and are, worsening conditions of poverty and vulnerability in Sri Lanka.

Remittances from international migration have cushioned some poor households, not necessarily the poorest, from the fall-out of economic liberalisation through boosting their consumption and pushing them above the poverty; but aside from a small minority, remittances have not been a ladder for the poor to climb out of poverty. In any case, remittances cannot substitute for creation of domestic income sources and for universal social service provision.

Poverty-alleviation programmes are clearly ineffective in reducing poverty, unseeing as these schemes are of the sources of impoverishment in the social, economic and political system. The lesson from across the world is that poor countries transformed themselves not through anti-poverty programmes but rather through social and economic policies that transformed their societies.

These include productive employment that provides decent work at incomes that raise the standard of living of the poor; progressive taxation that focuses on narrowing inequalities of income and wealth; an active social policy based on universalism that protects people from loss of income, unemployment, sickness, disability and age; and that shifts care-responsibilities unfairly placed on women; and the redistribution of assets to the poor which historically and across the world has been associated with massive reductions in poverty: transfer of land; provision or transfer of housing; capital for generation of waged-labour based on minimum wage standards; and transformative social protection.

However, even the most modest of these reforms will attract the hostility and active opposition of global actors – such as states, multilateral institutions, and trans-nationals including the mass media, ratings agencies and corporations – because they threaten the hegemony of neo-liberal discourse. Redistributive justice and structural reorientation of the domestic economy in the interests of the poor and the marginalised cannot take root and flourish in the absence of the democratisation of global institutions and the subordination of the world market to non-market imperatives of sustainable development. This underscores the crucial relevance of internationalism and solidarity that unites and advance struggles and movements against neo-liberalism across borders, real and imagined, in South Asia and beyond.

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Footnotes

[1] UNDP 2013: 145

[2] Department of Census and Statistics 2012

[3] Dunham and Jayasuriya 2001: 14

[4] Sivanandan 1984; Tambiah 1986

[5] Bastian 2010

[6] see generally Uyangoda 2010

[7] The conditions were ripe for what Naomi Klein has dubbed 'disaster capitalism' - where the original disaster, in this case the tsunami - is the prelude to a second disaster where "shocked societies often give up things they would otherwise fiercely protect", such as their land or other natural resources [Klein 2007: 17 & 385-405]. The resumption of war in Sri Lanka in 2006 stalled the dynamic that Klein describes, but land grabs and displacement of fisher communities in the tsunami-affected coastal districts (mainly to make for way for luxury tourist hotels), resumed following the conclusion of the war in 2009.

[8] "That major policy changes were adopted despite strong opposition was in the first instance due to the fundamental political decision and commitment by the President and several important ministers and the determined advocacy of these changes by a group of political leaders and senior civil servants, centered in the Ministry of Finance and Planning (MFP) who provided the detailed analysis and staff work underpinning the political commitment" [World Bank 1987: 14].

[9] I am grateful to Niyanthini Kadirgamar for drawing this source to my attention; and to Marshal Fernando for his assistance in my search for datasets for the late 1970s.

[10] I am borrowing here from the title of the important report of the International Labour Office mission to Sri Lanka in 1971, led by Professor Dudley Seers.

[11] In this illustration, the **effects** of war are posited as an independent variable in the process of economic liberalisation; where war nevertheless **affects** the economy (and vice-versa). This is a different point from Newton Gunasinghe's celebrated argument that there is a correlation between riots against Tamils and the shift from the state-regulated economy based on import-substitution and social welfarism towards the 'open-economy' based on export-led growth and attacks on social sector spending: "The frequent and incessant ethnic hostilities [and] anti-minority riots in the 1977-1983 period are in the last analysis linked to certain unexpected economic results of the operation of the open economic policy" [Gunasinghe 1984: 213] (emphasis added).

[12] The subsidy was progressively re-introduced in 1995 following a spate of farmer suicides through high levels of indebtedness, and is a major plank of the current government's rural sector policy from 2005 onwards.

[13] Although the war has ended with the removal of any possibility of bifurcation of the polity, the government of Mahinda Rajapakse has been able to sustain the nationalist tide through reference to perceived external challenges to the state from international campaigns for accountability and justice for Tamil civilians killed in the last phase of the armed conflict.

[14] Alailima [2007: 77] claims that as of May 1995, 139 national non-governmental organisations (NGOs) and 841 provincial NGOs and community-based organisations were engaged in

community development financed by the Janasaviya Trust Fund in tens of thousands of employment generation, nutrition and infrastructure projects. Relations with NGOs improved after Premadasa's assassination in May 1993.

[15] This is supported by Cleary [1997: 120]: "Premadasa's aim appeared to be a new politico-administrative system under which all policy-making, implementation and administrative agencies were under presidential control and direction. Under this system, the dominant tendency was greater centralisation of political and administrative powers. This brought the rather strange combination of social benevolence and repressive intervention as a means to establish political legitimacy and stability". The contemporary resonance will not escape the reader.

[16] This statistic excludes the Northern and Eastern provinces.

[17] Nominally headed by the President, the Defence Ministry is under the effective control of one of his younger brothers Gotabhaya Rajapakse - once a ranking army officer with active service in the suppression of the second Janatha Vimukthi Peramuna insurrection in the late 1980s - subsequently appointed as Secretary to the Ministry (a civilian role) by the President following his election to office in November 2005.