

Regaining Sri Lanka and PRSP: Compelling the poor to subsidize the rich

(Analysis of “*Regaining Sri Lanka*” and “*Connecting to Growth: Sri Lanka’s Poverty Reduction Strategy*”, the Economic Strategy Document presented by the Government of Sri Lanka at the Tokyo Donor Meeting in June 2003 for which a loan commitment of US \$ 4.5 Billion was obtained)



**Movement for National Land and Agricultural Reform
(MONLAR),**

1151/ 58 A, 4th Lane, Kotte Rd, Rajagiriya, Sri Lanka.

Tel/Fax: (094) 0114 407663, (094) 011 2865534 E-Mail: monlar@sltnet.lk

Web: www.geocities.com/monlarslk

Sri Lanka's Poverty Reduction Strategy Paper (PRSP): Compelling the poor to subsidize the rich

A summary

Government of Sri Lanka presented a package of policies for economic reforms, which was discussed with the World Bank in June 2002. The World Bank and the International Monetary Fund (IMF) have now endorsed these proposals outlined in the Document "Connecting to Growth: Sri Lanka's Poverty Reduction Strategy (PRSP)", and will begin the process of lending. The total estimated external loans requested for 108 projects listed in this document, in June 2002 was US \$6095 million. As of May 2003 the total external assistance estimates calculated by the World Bank are US\$2870 million, for 2003-04. In April of this year, the IMF approved a US\$320 million Poverty Reduction and Growth Facility (PRGF) loan, which was the first loan approved in the coming package of loans from the IMF, World Bank, and the rest of the international community.

Although this goes in the name of "Sri Lanka's Poverty Reduction Strategy", it 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 (Connecting to Growth: Sri Lanka's Poverty Reduction Strategy.: June 2002, p10). 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.

The present PRSP, in spite of these experiences and continuous protests by people's organizations, particularly the Trade Unions, farmers and organizations of the poor and affected people, has proposed a much more aggressive process of pushing through the same agenda of structural adjustments. Moreover it compels the poor to bear the cost of building infrastructure such as super highways, road networks, airports, harbors, communication facilities, water marketing infrastructure, etc. in addition to the already unbearable debt burden caused by similar expenses in the last 2.5 decades (Sri Lankan Prime Minister addressing the nation on July 5, 2002 stated that the biggest problem facing the country was debt, which had reached Rs. 83,000 per capita). It is totally unacceptable that the poor should be asked to bare these additional burdens, when it is so clear that this is to make the country more attractive to Global private businesses that are coming in to make resources and services less accessible to the poor.

The extremely rapid and undemocratic manner in which the Government has begun to establish the full package of legal reforms to complete the economic reform agenda has led to the formation of a much broader alliance of all sections of society, demanding a more democratic, participatory process of planning and decision making. This demand is not only because of the proven failure of the strategy during the last

two decades, but also because it is obvious that there are much more viable and less socially costly ways of reducing poverty that the organizations of the people are able to present. People demand a much more comprehensive and participatory process of rethinking on strategies of poverty reduction.

The Government being aware of the resistance of the people, but willing to go along with the prescriptions of the WB and IMF to push the same agenda, has carried out the process of formulation of the PRSP, without any consultation with the genuinely representative organizations of the people: the poor. The role played by the international financial institutions (IFIs) and the big businesses is obvious. It is also clear that the requirements of the World Trade Organization (WTO), General Agreement on Trade and Tariffs (GATT), and General Agreement on Trade and Services (GATS), to be introduced in the near future to carry out the agenda of Globalisation have been given much more priority over the concerns of poverty reduction, democracy and people's "ownership" of the strategy and plans.

During the recent debates of the Alliance for Protection of National Resources and Human Rights (ANRHR) with the WB, IMF, and the Government it became very clear that the WB and IMF keep saying that PRSP is what the Government has produced and therefore, they can not do anything other than endorse it, while the Government completely disowns these proposals in front of the public or avoids discussing the same, and at times even disagrees with the proposals saying that these are only proposals of the WB, which they are not willing to obey.

At a TV debate on March 20, 2003, the Minister of Agriculture when confronted stated that he did not agree with the WB proposals on Agriculture including those in the PRSP and that he has a different policy. Similarly on March 6th the Prime Minister stated that he disagreed with the Water Resources Policy that had been drafted, which follows the direction of water privatization as proposed in the PRSP and which had been recommended by the WB. The President Chandrika Bandaranayake and her party who were in control during the major part of the four years when this draft PRSP is said to have been formulated has now clearly disagreed with the privatization policies in the PRSP, particularly the privatization of the State Banks. Therefore, there is a big question about who in fact "owns" these proposals.

The most recent experience, where the proponents of this strategy refused to accept their role and responsibility in the formulation and endorsement of these PRSP proposals was when a delegation representing about 200 Women's organizations from all sectors of society, which included some of the larger national level women's organizations as well as grassroots women from farmers, fisheries, plantations and industrial workers, met the WB's Country director on May 6, 2003 with a submission opposing the entire PRSP package and demanding that opportunities be made available for organizations of the people to be provided opportunities to make alternative proposals, he said that it was the Government of Sri Lanka that was responsible for the PRSP. He even stressed the importance of People's organizations strengthening their pressure on the Government to make changes. (Rf: Submission of the Sri Lankan Women's organizations on the PRSP)

Sri Lanka, a country making a tremendous effort to "regain" peace after decades of war and violence, not only in the North but also in the rest of the country, just about a

decade ago, could end up in a worse situation of reemergence of war, violence and political repression. Poverty could only worsen if the poor people are thus compelled to bare an increased burden of subsidizing the rich.

Recent efforts, made through dialogue with the Government, WB, and IMF, including several discussions held with some of the Executive Directors of the WB to convince the WB, IMF and the Government that this process of endorsing the PRSP should not be carried out, until and unless more time and opportunity is provided for people's participation in poverty reduction strategy planning, were not successful, although it was admitted that sufficient consultation has not taken place. However, it was promised that the PRSP was only a "living document" and it would be open for negotiation and improvement. What is required is, however, not minor adjustments during implementation, but a comprehensive rethinking about the overall strategy and approach.

This paper attempts to illustrate the experiences of the last 25 years and possible consequences of continued application of the same "growth oriented adjustments", their consequences, people's responses and reasons for people's resistance. It also tries to show how in most places the arguments made in the PRSP to justify it as a strategy for poverty reduction were totally inadequate, immature and even obviously false.

It also tries to outline some of the directions that a genuinely "people owned strategy" would take, demanding that what is now needed is an opportunity for the poor themselves to workout, through their organizations and movements, their own strategies and to set their own agenda for poverty reduction, as the many decades of failure of the WB, IMF, and the private sector have shown that they no longer have any legitimate right to the claim that they are concerned about "reducing poverty".

The objective of this paper is to provide background information and analysis to the relevant Executive Directors of the World Bank and IMF for continued dialogue, decision makers including the President, Ministers, Members of Parliament of the Government and of the other political parties, the leaders of other political parties, the movements in various countries and scholars who are working on PRSP and related policies of the Bretton Woods Institutions, international organizations who are in solidarity with the struggles in Sri Lanka and other third world countries for economic and social justice, and scholars, people's organizations, and NGOs in Sri Lanka, for the purpose of promoting a process of serious rethinking of strategies for poverty reduction.

We are happy to continue this dialogue with any of the above parties and to provide more information and clarifications.

Introduction and Background

World Bank's Board of Executive Directors discussed Sri Lanka's PRSP on April 1, 2003 in Washington, DC. Ahead of this, several meetings were arranged for a delegation of civil society organizations represented by the Alliance for Protection of National Resources and Human Rights (ANRHR) and some of the USA based organizations in solidarity with the Sri Lankan organizations, to meet the Country Director of WB in Sri Lanka, some advisors to WB's Executive Directors and other officials of the WB and IMF from March 28. There were also meetings and discussions with other organizations and also some of the representatives of European organizations who were in Washington at that time for various activities related to the Spring Meetings of the WB and IMF.

On the basis of these discussions and the previous dialogue that was held with the WB in Sri Lanka, this document is prepared for the purpose of further explaining some of the concerns of the people in Sri Lanka, to express the procedures that we would like the WB and Government of Sri Lanka to adopt in relation to the current PRSP. It also makes certain suggestions towards formulating a more meaningful strategy for Poverty Reduction.

There is wide spread protest action in Sri Lanka and several campaigns at the international level, on the issues and concerns expressed by the Alliance (ANRHR) and this delegation.

We suggested that it would be wise and fair to postpone the endorsement of the PRSP and funding based on these proposals, until more adequate consultation with civil society and the affected people is done and some serious rethinking undertaken with the participation of the people who are expected to be the real "owners" of the PRSP.

1. Alliance for Protection of National Resources and Human Rights (ANRHR)

The Alliance for Protection of National Resources and Human Rights (ANRHR) is an unprecedented, broad coalition of major Trade Unions, and other civil society organizations representing, industrial workers, farmers, fish workers, plantation workers, environmental organizations, Women's organizations, rural communities, people affected by the process of privatization of State enterprises such as Banks, Insurance, public utilities and essential services such as health, education, water and sanitary services, postal services, electricity, construction of highways, expansion of Airport and other infrastructure, those opposing the privatization and sale of national assets such as forests, minerals, fisheries and biological resources. It also comprises of organizations concerned with protecting labor rights and democratic rights, as well as peace organizations, intellectuals, and religious leaders.

These groups have also come together to express their deep concern about the possible consequences of some of the structural changes envisaged such as Land titling, promotion of rural to urban migration, intended shifting away from domestic food production to export agriculture.

At present, it comprises of over 125 such organizations with a wide variety of concerns and sectors of society. These organizations have campaigned, during the last two decades, against the strategies of structural adjustment and the violation of human and democratic rights associated with such processes.

They have now come together, forming one of the broadest alliances of civil society organizations in response to the manner in which the PRSP in Sri Lanka has been formulated and the rapid process of legalizing the intended changes, with no time and opportunity for adequate people's participation. The Alliance is growing with more organizations joining in as they become aware of the consequences of some of the PRSP proposals. Therefore, it would not be correct to assess that the people have accepted "ownership" of these proposals.

We were informed on March 28th, 2003, that although there are weaknesses in the consultation process, the WB's position would be to endorse the current PRSP, since the list of consulted groups and persons submitted by the Government has been considered adequate. We are happy that recognition was made that there were weaknesses and further discussions and participation would be necessary.

PRSP was described as a "living document" that needs further modification through broader consultation.

However, the decision taken on April 1, 2003, to endorse the PRSP proposals, cannot be accepted as sufficient recognition of the principle that the PRSP is "owned" by the country and its people.

We wish to make the following points in relation to the process of consultation on PRSP:

1. Those listed as invitees or participants in PRSP consultations include about 40 NGOs. Many of these do not sufficiently represent the above categories of the poor stakeholders. We know a fair number of NGOs listed, and we are doubtful whether they would have approved the type of proposals. In fact a number of them are actively opposing them at the moment and are members of ANRHR.
2. A majority listed are either government officials such as Secretaries of Ministries (who are generally obliged to support such a document presented by the Government and the positions proposed by the WB and IMF, even when they are not convinced) or representatives of the business associations and from the International Financial Institutions. Some of them, we feel, are supportive of the current PRSP for reasons other than its potential to reduce poverty.
3. We know that the Ceylon Chamber of Commerce and other Business Associations were consulted in advance and their suggestions included, while none of the poor stakeholders were even made aware of this process or the proposals, during the four-year period over which it is said to have been formulated.

4. We received the list of consulted groups only on 28th March at WB's head office in Washington and we have agreed that we would re-convene, at least the NGOs, to see if they really agreed with the proposals and we would like to have the WB and IMF present at this meeting.

At the beginning of May 2003, we contacted some of the leading NGOs included in the list provided and they said that the above Consultation was held only after the finalization of the Draft PRSP and they were told at the beginning of this meeting, that the essence in the body of the document could not be amended. They were asked only if they had any ideas for modification of certain things such as those in the annexes etc. This proves our point that the claimed consultation with Civil society was a big farce.

Neither the Government, nor the World Bank seem to have been very interested in obtaining the views of the people. Not even a summary of the PRSP proposals had been made available to the general public, through public media, during the four years of its formulation. Several General Elections and a Presidential Election were held during this period. But neither of the major political parties made any reference to these proposals in their election campaigns. They did not appear in their Election Manifestos.

The document was available only in August 2002 and only on the Internet in English, although the Sri Lanka Development Forum meeting with the World Bank, where this was presented, was held in June 2002. The Sri Lanka Country Director of the WB, informed us that printed documents in English, Sinhala, and Tamil were available only about a week before the EDs of the WB discussed it in Washington, at the end of March 2003. When the Prime Minister made an announcement about the decision of the Govt. to introduce 36 Bills in Parliament in the month of August he didn't say that these proposals were based on the PRSP. In fact he didn't make any reference to the PRSP at all. However, the speeded up timing as well as the content of the bills matching the content of the PRSP provide evidence that these bills were submitted with the loan conditions of the international financial institutions in mind. Yet the fact that the WB played a major role in drafting these policies through formulating the PRSP was not admitted or revealed.

5. To make a proper assessment as to whether civil society would accept "ownership" it is also necessary to look at the responses made by the people to some of the key proposals. With past experiences the Government of Sri Lanka is aware, that the people would not accept most of these proposals. This we feel is the reason why the PRSP or the proposals in it, were not made available to them.

6. Finally, we have tried to outline some general conclusions that can be made looking, not only at the Sri Lanka experience, but also the experiences of many other countries, about the real role that the IFIs have played in their "participation in development and poverty alleviation", the potential Sri Lanka has in adopting a more "direct approach" to poverty eradication, human and social development, and particularly the potential role that the "poor" can play in preparing their own agenda for such development.

We would like to bring attention to some of the recent responses of the people, the reasons for their disagreements and protests, and also the responses when similar proposals were introduced during the last 25 years.

2. Criticism Against Current PRSP and People's Protests

1. The ANRHR issued a Statement signed by over 125 organizations, within a month, after the Government's attempt to pass 36 Bills in Parliament, in August (as initially stated), which were connected with the PRSP. This was for the purpose of establishing the legal framework for implementation of the PRSP within the first six months of the appointment of the present Government. (PRSP says that the full legal framework should be established and "locked in" for the process of implementation to be effective. This indicates an intention of making it non negotiable).

This intention given in the PRSP does not agree with the recent statements made by the WB's Country Director in Sri Lanka and others of the WB that PRSP is only a "living document"

The policies of privatization and sale of public assets as suggested in the PRSP, have been attempted earlier and there have been continuous protests. PRSP process has made no attempt to look at these responses of civil society. It appears that the authors of the PRSP were not aware of such disagreements and protests.

2. On 24th October 2002, there was a joint protest by ANRHR in which over 15,000 people from all sectors of society participated. Similar protests were launched in September to November in Anuradhapura, Kandy, Negambo, and several other regional towns at each of which, about 5,000 people participated. In March there were over 5000 people in Eppawela, who protested against the proposed privatization of water using a traditional cultural expression titled "Kadawara pujawa". This was part of an ongoing campaign to protect the ancient irrigation systems and resources that people of Sri Lanka had built and sustained for centuries, from being handed over to private companies.

Proposed Infrastructure Development Projects:

People to be displaced by the proposed expansion of Katunayake Airport, construction of 4 highways and other road networks have been protesting continuously in thousands. A few days before the last general elections fish workers who lost their fishing livelihoods due to heavy pumping of sand from the coast for building the massive foundation of Katunayake - Colombo Highway, protested in Wattala, and the police opened fire to disperse them, killing three persons and injuring many others . There are other protest actions by people whose water sources have been affected by large scale digging of earth for construction of highways, People to be displaced by Matara - Colombo highway have been protesting for several years since the time they came to know about this proposal. Similar actions have been launched by those affected by the Kandy - Colombo Highway too.

In addition to those immediately affected by the infrastructure projects, there is a much wider concern, since the very large expenditure on these highways and other constructions will be taken as external debt. The initial promise was that the private sector would be invited to undertake these under BOO / BOOT systems. However, it has now become clear that the private sector would not invest in such infrastructure and the people will have to bear the heavy burden of paying back these loans.

According to the projects listed under the PRSP of June 2002, the total foreign loans for roads, airport expansion and port development would add up to about US\$1,265 Million.

(Note: We were told on March 28th, by the WB Country Director, that the project loans listed in the June 2002 PRSP have now been changed and that there are more grants. Thus, it was said that the total foreign loans listed in the PRSP would not be US \$ 6,095 Million as earlier, but it has come down to about US \$ 3 Billion. If the people of Sri Lanka had decided earlier to take such a massive loan, what was the process of consultation that led to this changed decision?)

The fact is that the people were never told that any of these loans were to be taken in their name,
(US \$ 3 Billion is still not a small amount.)

Has infrastructure development to attract foreign investment helped in reducing poverty earlier?
Will it do so in the future?

Before deciding to make such massive borrowing for infrastructure development to attract investors, there should have been a careful assessment about the results of such massive expenditure in the past. Most of the lead development projects undertaken during the last 25 years were to provide infrastructure to attract investments.

The Mahaweli Diversion scheme was accelerated at a very large added expenditure (about Rs. 56,000 million) hoping that there would be a large inflow of foreign investment for export agriculture and agro-based industries. The expectation then was that 30% of the developed Mahaweli area would be converted to export agriculture. But hardly any export agriculture exists even now, other than the tea, rubber and other minor exports that were there traditionally. The efforts made to develop export crops such as gherkin, melon, baby corn etc, with projects funded by USAID, such as MARD (Mahaweli Agricultural Rural Development Project) completely failed. The few companies that attempted gherkin and other exports have all given up and left the country.

Tobacco is the only other non-food crop that is grown fairly widely. This is because the Ceylon Tobacco Company, a branch of British American Tobacco, that has been established in Sri Lanka for more than 50 years makes use of the very poor farmers, as contract farmers, giving them loans and other services. As the economy makes the small farmers too poor to do their own farming, they become contract labour for the Tobacco company.

An assessment of the results of urban infrastructure development projects in the last two decades should also be made

A similar assessment should have been made in relation to the urban infrastructure development projects such as those related to the Export Processing Zones in Katunayake and several other places. The Greater Colombo Development was another massive undertaking. This was with the expectation that Sri Lanka would become a major attraction to the big foreign investors in industry and services. This did not happen. The only sector where there was some growth was in the Export Garments. In 1992 the whole country was declared an Export Zone. Instead of the Greater Colombo Economic Commission (GCEC) that was set up to provide incentives and facilities to investors in the FTZs, the Sri Lanka Board of Investments(BOI) was set up to encourage investments island wide. Tax holiday periods were extended. An easy explanation of the failure is the war in the North. This war existed throughout the period of the last two and a half decades. Therefore, it was a serious and an extremely costly mistake to have made these massive infrastructure development projects and provide concessions to potential investors, since the massive borrowings made for these projects had to be paid back by the poor.

The garments investments are now being rapidly lost, since the US and the European market for garments that existed with the quotas under the MFA (Multi- Fiber Agreement) is being phased out by the year 2005. The estimated job losses are more than 250,000 out of a total of 400,000 women garment workers. Those who have benefited from the garments trade, utilizing this low cost labour, namely the garment exporters and the USA and EU who import these cheap garments, now have a responsibility to compensate for the loss of employment to these young women , when they close down these industries to move to countries with cheaper labour, looking for greater profit.

When the whole country was declared an Export Zone, the private sector suggested that there should be roads and other infrastructure development throughout the country if investments are to reach out.

These are the real reasons for the presently proposed Highways and other physical infrastructure and communication facilities. Therefore, the argument about “Connectivity” given in the PRSP, connecting the poor in the villages to the national and international markets, to benefit them and to reduce poverty is not an honest statement of the objective.

It is very clear that the much bigger infrastructure programmes, now included in the PRSP, mentioned above is with the expectation that a larger inflow of foreign investment would take place if more infrastructure, cheaper land and labor, communication and electricity etc are provided. The statement made by the Country Director of IMF Mr. Jeremy Carter to the media, last week of April saying the decisions on loans are towards converting Sri Lanka into a major center of Economic activity in the region is revealing. However, this certainly is not based on a sound assessment of the results of such investment in the past. The potential for future growth and inflow of investors should have been more carefully analyzed, before making people even more indebted, to build these.

PRSP assumes that the type of industrialization and growth that took place in Taiwan and South Korea could still happen in Sri Lanka, if the same type of structural changes are introduced. However, there should have been the recognition that this has been the strategy attempted in Sri Lanka during the last 25 years, and what was expected 25 years ago may not be valid now since it has not worked for that long. Another factor to be recognized is that this growth in Taiwan and South Korea was under very different circumstances and at a different period.

In the massive propaganda that has been carried out about building Highways, people are being deceived about the actual intentions of building these, saying that they are being done to improve the transport difficulties faced by the ordinary people, such as taking patients to hospitals, children to schools and to help small producers and traders to get better prices through market access. This is not to say that infrastructure development is unnecessary or bad. If such infrastructure is to benefit the poor, much more is needed, in addition to mere physical and communication linkage. The attempt made in the PRSP and in the government propaganda to hide the real intention of building highways shows that the people do not approve of these proposals.

Can the poor afford to pay for such infrastructure at the moment, especially when there is no assurance that these would be for their benefit? This is a question that needs careful study and justification.

The incorrect interpretation of “Connectivity”

What is worse is that there is an attempt to hide the truth in the current PRSP, in saying that these roads, ports, airports, and telecommunications are to connect the poor rural people and their economies to the bigger national and international markets so that the poor will be able to effectively connect themselves with the national and international markets using this infrastructure and thereby get better value for their products.

This is clearly a dishonest explanation, since the PRSP planners and their WB advisers would not have been so naive as to believe that these extremely poor and extremely unprotected rural farmers, who are now victims of an intensified process of the withdrawal of agricultural extension services, could effectively compete in such an external market, when they are merely connected physically, using roads etc. There is a serious contradiction between this idea of connectivity and the major thrust towards getting the rural population to leave their land and migrate into the cities.

Real Objective of Land Titling

If we compare the above idea of “connectivity” with the proposal that World Bank made in the Policy Recommendation “Non Plantation Sector Policy Alternatives”, authored by the WB experts, Robert Hunt and Douglas Lister in March 1996, it becomes clear that the actual intention of the WB is not to help these poor, small-scale rural farmers, to benefit them by linking them up with the bigger markets.

It was then said, that the reason for lack of growth was the fact that much of the land in the rural agricultural sector was occupied by small farmers, who are not interested or are not capable of producing the type of high value export crops that would lead to growth.

Therefore, it was suggested that Government should intervene and immediately create a “free land market” by granting freehold titles to all occupants of such small holdings who are currently living on land granted by the State without freehold titles. (Not granting freehold titles has been a conscious policy in Sri Lanka since the time of the Land Development Ordinance in 1927, over many decades of setting up irrigated agricultural settlements, to prevent the poor from losing their land, which is their last means of survival, due to poverty and indebtedness).

The World Bank has been involved from the time of the above proposal of 1996, in helping the Government to work out a programme of “Land titling”. We are aware that World Bank experts on Land titling, such as Ms. Jessica Mott, have been working on this in Sri Lanka since then. We have had the opportunity of having some dialogue with the World Bank on this issue and the actual intentions are clear. MONLAR has carried out a debate on the dangers of this proposal and the possible expulsion of small farmers from their land, with the WB as well as with the government and the Ministry of Land since then.

The present PRSP says that “freehold titles” would be issued to 1.2 million families within the year 2002. Now the Minister of Land says that this would be completed within this year (2003).

Such a rushed programme of land titling will only result in these small-scale farmers having to sell their land due to desperation, indebtedness, and poverty.

As stated in the proposal, the promoting of rural to urban migration is to be a means of helping the rural people move out of agriculture and effectively move into more attractive urban employment in industry and services. However, the infrastructure support such as skills development to equip them to do so, has not happened and neither is it planned for. There is also no realistic assessment of what job opportunities will exist for these newly landless labourers and how important economic changes such as the MFA phaseout by 2005 will impact the urban job market.

Further, it is expected that the rural poor would move off their land and their rural setting so quickly that it is anticipated that the urban population will reach 50%, increasing from the present 23%, by the year 2010. If this is the case, then the process of “connectivity” will have no benefit for them.

The roads and communication connectivity would then actually be intended for the big companies who are expected to take over such land and resources for their commercial, export crop farming.

Thus, the intention appears to be to have the poor borrow from external sources to finance infrastructure that will benefit only private investors, while losing their land and livelihoods in the process. The additional outcome of these policies is

to create cheap urban labour, which seems to be a hidden agenda. If attracting investors depends largely on the ability of Sri Lanka to provide still cheaper labour, this can only be done by making the people still poorer. Therefore, we end up in a funny logic that to reduce poverty we have to make the people poorer.

The argument then goes as follows:

What we need is poverty reduction. >> For this we need faster economic growth. >> For which we need to attract more investment. >> We need to spend for more infrastructure development. >> Which will make the poor even more indebted. >> And we need to provide the investors with cheaper labour than that supplied competitor countries such as China. >> To have such cheaper labour, more of the rural population should be made landless and moved into cities, depriving them of their last means of survival, the land, while labour laws that enable the workers to bargain should be removed. >> Thus, finally we end up in an absurd situation which amounts to the argument that **“more poverty should be created to reduce poverty”**. The situation is even worse since the investors, if they come at all, are completely free to leave and take their capital away, if and when they feel that they could make bigger profits elsewhere.

In fact this is what has been done during the last 25 years and what is proposed in the present PRSP is a quickening and intensification of this process more vigorously. In a way this is surprisingly similar to the process adopted in the ‘Land Enclosure Movement’ at the early stages of the industrial revolution in the West. But, that certainly was not named a strategy of poverty reduction.

Proposal to Promote Rural to Urban migration as a means of poverty reduction

The above “hidden” intentions become even more obvious, when it is suggested, elsewhere in the PRSP, that the rural poor would be encouraged to migrate into cities. The reason given there is equally naïve. It is said that rural to urban migration would be encouraged as a way of poverty reduction since much of the poverty (90 %) is in rural areas and benefits of growth have been in the Western Province only,

These are some of the reason why the poor civil society does not trust that the above proposals are genuinely aimed at poverty reduction. They know that, as it has happened during the last 25 years, these proposals would only make them poorer and far more indebted than they are now.

The Governments, both the present and the previous, knew that they would not be able to convince the poor that these are for reducing poverty. Only the big businesses say that Private sector led growth, would trickle down, and reduce poverty. They say this because they have benefited tremendously in the last two decades from this policy. This is why the Government made it a point to consult only the business community. It is almost a futile effort to try to get the Governments to be honest with the people, if the World Bank insists that the Government should stick to this strategy at any cost.

Resistance to Privatization of State Banks, Insurance, Electricity, Postal services etc.

Some of the strongest and the most organized protests in the recent months have been against the privatization of the above state institutions. There have been struggles earlier against privatization of State owned Banks. President, Chandrika Bandaranayake, earlier had said that Banks would not be privatized. This was a promise given to the Bank Employees Trade Unions. However, under the present Government there is now a very strong recommendation that the People's Bank and the Bank of Ceylon should be privatized. The Present Finance Minister produced a Cabinet Paper to this effect saying that the WB, IMF, and the US Treasury have made this recommendation. President Chandrika has expressed her position that she does not agree with this proposal since the reasons why this privatization is suggested were incorrect. This is another clear instance where the claim that the Government of Sri Lanka owns these proposals comes under question. At a meeting with the Alliance in Colombo, the WB's Country Director said that it was a strong policy of the WB that banks should be privatized.

PRSP designers should have given more careful thought as to why there would be such consistent and widespread opposition to the privatization process in Sri Lanka in general. Although it is simply assumed that state enterprises are inefficient and corrupt, we have now had 25 years of experience to study whether privatization has been free of corruption, and whether all privatized institution and services have provided a more efficient and effective service to the people, including the poor.

Privatization of Health and Education

In most countries, including some of those in the global North, health and education have been looked upon as essential services that should not be left entirely to the profit motivated private sector. It is clearly admitted by all, including in the PRSP, that the policy of the Governments in the past to ensure that health and education was available to all, including the poorest in the most remote villages, made a big contribution to the remarkable achievements that Sri Lanka has made in social development. The PRSP proposals for public - private sector participation in these services will lead to increased costs for the provision of the services as it has happened in other countries with the introduction of user fees. In this process the poorest sections of society will likely lose access to these services. There has already been a process in this country of the entry of the private sector being accompanied by a parallel process of cutting down on Government services, which also has had the impact of decreasing availability for the poor.

The adjustments pushed by the WB in the name of "rationalization" and "quality improvement" in the education sector suggest closing down some schools in remote rural areas, thereby creating a situation where the poorest children who cannot go to the larger schools away from their villages may drop out early. Lack of fund allocations and facilities to the Government hospitals that provide free services have had a similar impact on the health services to the poorest people. The WB's recommendation against recruitment of teachers who are considered not to have sufficient training has not and will not lead to such teachers being given better

opportunities for training, as there is neither institutional or financial support for such training. Thus, the impact of this policy is that large numbers of graduates and also some of the “voluntary teachers” are not being recruited, leading them to have been fighting for employment for several years now.

In the last months of 2002 and the first two months of 2003 a group of about 200 voluntary teachers in the North Central and North Western Provinces launched a sit down strike in front of the Ministry of Education for 140 days continuously, asking for a meeting with the Ministry. They were finally assaulted by the police and dispersed. When they decided to embark on a fast unto death, they were promised a solution within a month. Some of these teachers had worked for periods between two to 14 years without receiving any payment.

One young woman teacher stated that she had taught English in a school that had had no English teacher for 23 years. She had traveled daily 10 miles on a bicycle for two years to do this, without receiving any payment. The main obstacle the Government faces in accepting them as teachers on a regular basis is the recommendation of the WB that no such teachers should be recruited. In a poor country such as Sri Lanka, one way of creating space for private profit making sector to enter into such services is by cutting down such free or low cost services to the poor. This policy recommendation would certainly not be a means of ensuring such services to the poorest.

This demands that a very careful assessment of the experiences of private sector promotion in these essential services such as health, education, water and sanitary services should be made before introducing further privatization. People of Sri Lanka have had a long history of struggle to protect these services for the poor. The Youth uprising in 1988 - 1990 was sparked off with the large protest actions launched by the Youth when the decision to set up private medical schools was taken.

The rejection of the Rational Drug Policy designed by Prof. Senaka Bibile in Sri Lanka, which was accepted by the WHO and introduced in many countries by the UN system as a very effective way of enabling the poor countries and the poor people to meet their medical requirements is another crying illustration of the error and injustice in blind promotion of privatization and liberalization in areas such as health and medicine. Promotion of privatization in health and medicine, including liberalized and uncontrolled importation of medicines has resulted in an extremely high increase in the cost of medicine and also serious problems regarding quality and safety of medicine. When such policies are applied in poor countries where Government regulation mechanisms are weak, it could lead to these services deteriorating to levels far below those prevailing in the developed countries.

Education and health in Sri Lanka have been services provided by the State. Those employed in such services had considered these as “noble” professions. Privatization of these services has resulted in a serious deterioration of the ethical values and they are now seen as opportunities for making a lot of money.

What is important to realize is that this process of privatization expanded not because privatized services were always better and more attractive, but because of the process of conscious weakening of the state services, partly as Government policy and

partly as WB's consistent pressure on the Government to cut back resource allocation for these services. Even in most rich countries there is a reluctance and resistance to the rapid privatization of these services. This is even more strongly needed in a country such as Sri Lanka, where a big majority of the people are far too poor to be able to obtain these services for a purely "profit motivated" private sector. Attention should also be given to the fact that privatization in these sectors has resulted in a serious weakening of the moral standards that prevailed in these professions and services.

The Trade Unions in all the above sectors have now united in their struggles against privatization. It is incorrect that the State Banks and the Sri Lanka Insurance Corporation have not been making profits. In the year 2002, the State Insurance Corporation made a profit of Rs 1 Billion.

Private Banks and Insurance companies, both Sri Lankan and foreign have been in competition with these state institutions for many years (since about 1984). However, about 60% of the finances in the country are still being handled by these State Banks.

Trade Unions even in the private sector have now joined. They have all come together in the ANRHR with all other sectors of society to defeat this overall strategy, since they are convinced that this is certainly not for poverty reduction. Bank, Insurance, Electricity Board, and workers in the other sectors have been picketing and token strikes have been launched with wide participation.

People's resistance to the adjustments (similar to those in PRSP) during the last 25 years and their alternative proposals for poverty reduction

In addition to the very large protests by TUs, farmers and other sector organizations since August 2002, when the Government began to introduce the 36 bills, people have been protesting against the same proposals for privatization etc. over the last 20 years. A brief listing of such instances of protest would be revealing to understand whether the people in general would be willing to accept "ownership" of the sweeping privatization process suggested in the PRSP.

At the beginning of the 1977 government administration people fought against the sudden cost of living increases caused by the intentional devaluation, reduction of food and other subsidies, which were some of the adjustments made based on the strategy of private sector led growth.

Thus, the process of privatization and structural adjustment was carried out in Sri Lanka under much resistance and suppression.

Throughout this period the small farmers have campaigned against the policies of cutting down supportive policies of the Government to sustain the small farmer agriculture of rice and domestic food production.

In 1993-94 a large petition campaign was carried out named "People's Memorandum" criticizing the overall policy of cutting down domestic food producing agriculture to promote export agriculture. 150,000 people between November 1993

and August 1994 signed it. It was submitted to the President elected in 1994. It made a set of 29 proposals to revive sustainable low cost, domestic food agriculture and to make such agriculture economically viable. This petition followed a massive dialogue and education among people, conducted by our organization MONLAR and others between 1990 to 1994 during which over 500 seminars and discussion meetings were held in the villages and towns of Sri Lanka. This process of education, awareness building, campaigning for alternative approaches in sustainable development, training and implementation of ecological farming etc. have been continued up to date.

Therefore, it needs to be made very clear that the poor and their organizations have their own proposals and alternatives for poverty reduction and sustainable development. This process of dialogue with the people has continued ever since and is continuing even today, if the Government and the international institutions are willing to look at them.

Taxing the poor to subsidize the rich

The argument that a poor country such as Sri Lanka cannot go on subsidizing and granting social welfare is not true, since what has happened over the last 25 years is only a reduction of social welfare given to the poor, while simultaneously granting subsidies to the private sector, to promote private sector and attract investment, in the form of tax benefits and infrastructure construction, and financing this with foreign borrowings to be paid back by the poor. The private sector has not invested in building infrastructure. All the lead infrastructure projects such as the acceleration of Mahaweli River Diversion scheme, Greater Colombo Development Project, improving of airport, harbor, telecommunication, electricity, and roads, were carried out to make the country attractive to investors and were paid for by the people, in the form of paying back foreign loans. This policy of subsidizing the rich by burdening the poor is pursued more vigorously in the current PRSP. It is already admitted in the PRSP, that the social investments on health, education, and other social welfare measures have had their returns in terms of social and human development in the past decades. It would have been useful to make an assessment of the returns we have got in the massive investments made in the last 25 years on infrastructure building to attract foreign investment. In what way have they benefited the poor? Much more of such investment with borrowed money is suggested in the current PRSP.

Instead of explaining how these massive investments for the benefit of big investors will benefit the poor, what the PRSP has tried to do is to hide the real reasons, by saying that such infrastructure is for the purpose of “connectivity”, connecting the poor in rural areas to the bigger national and international markets, that is assumed to automatically reduce poverty. The earlier reason for building infrastructure for investors is now hidden, giving it a “Poverty Reduction Strategy (PRS)” interpretation.

Workers' struggles and suppression of the workers Movement since 1980

Workers staged a General Strike in July 1980 asking for a salary increase to meet [these conditions-explain] and over 40,000 workers were expelled from their jobs overnight. Over 100 of them have committed suicide during the years that followed. This was the beginning of a massive suppression of the Trade Union Movement, which was one of the main forces that protected social welfare, many other social benefits, and workers rights.

The adjustments now proposed as PRS (such as Labour Law Reforms and reduction of social welfare and education and health, in the name of rationalization) are the same as the adjustments carried out since 1977, which required such suppression.

Since then it has been argued by the Government, the private sector, and the IFIs that the labour laws that exist in the country are old and out dated, and need to be reformed in order to meet the present world conditions.

In March 1996, the World Bank in its policy recommendation "Sri Lanka in the Year 2000 - An Agenda for Action," stated that a "free labour market", has to be created. The workers at the moment were said to be a privileged and protected group. This was because they were protected by the existing labour laws. There were specified wages for different types of work, specified holidays, and protective laws such as the Termination of Workmen's Compensation Act which required that a workman, whose employment was terminated for reasons other than disciplinary reasons, should be compensated for. The recommendation was that since these regulations obstruct a free labour market they should be removed.

In August 1998, the business community, Joint Forum of Business Associations, made similar recommendations. In a joint statement issued by the Big Business Associations they admitted that although the private sector has been considered the engine of growth during the previous 22 years by all successive Governments and they were provided the necessary policy backing, it had not been possible to reduce poverty or to solve any other social problems. So, the business community demanded that all political parties must come to a consensus to continue the same policies of giving the private sector this role and agree to their lead role in policy decisions for at least another 15 years. In this statement the proposal that was given highest priority was the creation of a flexible labour market. This meant the removal of the labour protection laws that prevailed.

In most State Corporations and Services such as transport, privatization resulted in the reduction of employment and loss of employment security. There has been resistance to privatization in almost all state enterprises.

Water infrastructure and Water Privatization:

Another case of poor being asked to subsidize the rich Water Companies

The very heavy borrowings listed in the PRSP for proposed water infrastructure development will have to be paid back by the people. Private - Public Sector partnership in water supply in the urban areas and the proposed “cost recovery” and “full cost pricing of water”, including those for household consumption is said to be to attract the private sector to invest in building water infrastructure. The estimated investment for such infrastructure during 2001 to 2010, according to the PRSP is around Rs. 50 Billion (page 62 of PRSP) while the cost of the water infrastructure projects for years 2002 to 2005 as listed on pages 175 and 176 in PRSP of June 2002, for which foreign borrowings would be made is around Rs. 71 billion. There are 18 such projects listed under projects for external assistance. Thus, this would be a subsidy given to foreign water companies invited to sell (our) water to (our) people using infrastructure built with our (borrowed) money.

The same argument holds for the highways and other infrastructure, since the investors who are to use them and benefit from them are not using their own resources to invest in building infrastructure.

Water Privatization efforts earlier

The first proposal to privatize water was made by the WB in March 1996. This was in the “Non Plantation Sector policy alternatives” recommended by the WB. The reason given then was to discourage the small farmers from cultivating paddy.

This WB Report was written by Robert Hunt and Douglas Lister. It said that the main reason for lack of growth in non plantation agriculture was that a big majority of the small farmers in Sri Lanka were cultivating low value crops such as paddy (rice). It said that as long as irrigation was given free, these farmers will not shift out of paddy farming to high value (export) crops. Therefore, at that time “land titling” was suggested as a means of facilitating these farmers to sell their land and move out of farming, so that other investors could take over and cultivate “high value” crops. Paddy was said to have no comparative advantage and therefore, it was said that paddy farming should be given up since it was better for Sri Lanka to import rice, wheat and wheat flour. Thus, it was recommended that irrigation should not be “free”, it should be marketed through the private sector.

Later, in order to carry out this proposal, the National Development Council (NDC) which was set up by the 1994 Government, to carry forward the proposals made by the WB, recommended the formation of farmers’ companies or farmer’s organizations. This was proposed since individual farmers were too small and poor to pay for the water individually.

It was after these recommendations that the Government began, in the third quarter of 1996, to formulate the new “National Water Resources Policy”. Although this policy said that the purpose was to prevent a future water crisis by better water management, conservation and preventing pollution and erosion etc. the intension of “water pricing” and “marketing” was clear. It proposed the “vesting of all water in the

state” and “issuing of water entitlements” by setting up a National Water Resources Authority. It intended diversion of more water into sectors other than irrigation and agriculture. “bulk water entitlements” were to be issued to urban water suppliers, industrial sector users and for other uses such as production of electricity and those for entertainment, tourism etc. Initially water entitlements for agriculture and irrigation were to be issued to the irrigation Dept. and Mahaweli Authority, then later the farmers or farmers companies were to be issued these entitlements.

There were very strong protests from the people against these policy proposals. Criticism already began in 1996 with the WB proposals on Non Plantation Sector Policy Alternatives. It is incorrect to say that the views of the people were obtained on water policies. Submissions were made to the WB and Government since 1996. There were very large island wide protests in 2000, when the government was known to have given cabinet approval. The Government again did not make this public. There was no public announcement of this policy proposal, even after cabinet approval was given. Media exposed this independently and when people started protesting, the Government first denied the existence of such a policy and then withdrew it.

However, much work has been done since then, in order to carry this proposal forward. The Asian Development Bank, the Dutch Government, other foreign agencies and the IWMI (International Water Management Institution) have been instrumental in carrying forward a policy and proposals that have not obtained people’s approval so far.

The setting up of a National Water Resources Authority and other structures were recommendations made in the “National Water Resources Policy and Institutional Arrangements”. Although the policy has not yet obtained approval, an (interim) National Water Resources Authority has already been set up. Building infrastructure for measured supply of water to not only urban users but also to the rural agricultural users, such as construction of cemented channels, setting up water measuring mechanisms, etc are being done. The funds used for these will most likely be in the form of loans which the people will be responsible for paying back.

The Campaign for Protection of Common Water Rights was an island wide campaign in 2000. They made their submissions to policy makers that a much wider people’s dialogue was necessary before this policy could be finalized. They have also concrete and necessary proposals for the conservation of water, including the reduction of chemical farming and conversion to non-chemical sustainable agriculture. This would prevent the erosion and depletion of soil that results from commercial agricultural practices currently being promoted. These concerns and suggestions have been disregarded.

Movement for National Land and Agricultural Reform (MONLAR) has made its proposals in several documents submitted to the policy makers (these documents are available):

Eg.

1. Can Water Marketing Prevent a Crisis?

2. Submission made on ‘National Land Use Policy’ in response to the Draft “National Land Use Policy” in April 2002

Comparing these previous experiences and the present proposals made in the PRSP about Pricing of water and inviting water companies for supplying of water, it is clear that what is now proposed in the name of Poverty reduction is an attempt to carry out the proposals of Global water privatization, as pushed by the World Commission on Water through the World Water Forums.

What is most unacceptable is the total disregard of the historical experience in Sri Lanka of ecological water management in which water is considered to be a common right of all people and all living beings as essential for life. Therefore, water has never been looked upon as a commodity for profit making.

Farmers’ Struggles against WB /IMF Adjustment Policies

Any PRSP formulator should have seriously studied the long history of experience Sri Lanka has had in keeping poverty low.

Those who formulated the PRSP whether Government experts or WB’s PRSP advisors, seem to either be unaware or purposely ignoring the extremely serious impact and the very large protest movements launched by the small rural farmers and the poor during the two and a half decades when the WB /IMF recommended reforms and restructuring policies related to rural agriculture were carried out.

A careful assessment of the above is very necessary since what is now proposed in the PRSP related to this sector are in no way different to the previous strategy during the above period. PRSP is only a much more aggressive push in the same direction. We must also look at some of the social repercussions and the people’s on going struggles against them.

The main thrust of policies since 1977 has been to shift away from domestic food to export crop farming and agro based industries for export. This was to be done by inviting foreign investors and large-scale commercial farmers. It was expected that this would expand imports and the hidden objective was to expand the agricultural markets of the bigger economies.

Contribution made by domestic agriculture to social and human development

It is admitted in the PRSP that Sri Lanka’s achievements in social and human development was on par with some of the developed countries, and that we have already surpassed the “Millennium Development Goals”. Life expectancy at Birth of 73 years, adult literacy rate of 93 percent, infant mortality rate of 17 per thousand etc. It also admits that “these successes in improving dimensions of poverty have been due to the sustained efforts of successive governments to provide universal education, and

health care to the population. 4 to 5 % of GDP have been devoted to public health and education for several decades.”

(It is important to note here that this was the policy only prior to 1977, before the period of WB’s structural adjustment program (SAP). In the last 25 years there have been much effort towards cutting down these expenses and to privatize health and education. The repercussions of this have been described elsewhere).

What is not recognized is the fact that much of these achievements were also due to the consistent policy of all governments since Independence to 1977, to support and sustain rural agricultural livelihoods. In fact this policy and approach in Sri Lanka has a much longer history.

It is unfortunate that the authors of the current PRSP have not made any effort to look into this background. The contribution made to keep rural poverty much lower than what it is today, the contribution to make the people much more food secure and better nourished compared to the situation today, the contribution made in terms of protecting and enhancing rural livelihoods, in the absence of any worthwhile alternative livelihoods and also the contribution in terms of social and economic security, and democracy and political stability, have not been looked at.

The systemic dismantling of these policies guided by the WB and IMF has led to some of the following social and political consequences as summarized below:

1. Sri Lanka had low rural poverty and income disparities prior to 1977, compared to the present. By 1992, according to the IFAD study on “State of World Rural Poverty” Sri Lanka has had the Sharpest increase in Rural poverty, among 114 countries studied for the period 1965 to 1988.

In 1965 rural poverty was about 13 % while it increased to about 46 % by 1988. This includes the 11 years after the policy changes.

2. According to the WB’s World Development Report of 1993, Sri Lanka was only behind Brazil in high-income disparities. Until 1977 income disparities were low and reducing, but policies for faster economic growth introduced since then have sharply increased disparities. This is the case even today.

PRSP of June 2002 admits (on page 10) that neither considerable economic growth nor substantial income redistribution has taken place during the 1990s. This was the same for the full 25 year period. It says:

“It is clear therefore that neither the GDP growth rate nor its distributive effects were sufficient to bring out a marked reduction in poverty level in this country, in other words the benefits of economic growth have not trickled down automatically to the poor.”

This obviously is a factor that demands very serious consideration in any genuine attempt to a new PRSP. All that the PRSP has done is to make the simple and

unrealistic assumption that physical connectivity and communication linkages would help better sharing of growth and reduction of rural poverty.

Farmers' struggles to protect land rights since 1980

In 1981 when the Government declared its policy of granting land to foreign investors for export oriented agriculture and agro-based industries, three agricultural districts, Monaragala, Mannar and Vavuniya, were declared to be Agricultural Promotion Zones (APZs), farmers throughout the country campaigned against it. A petition was submitted to then President Jayawardane with 60,000 signatures.

When three sugar companies were invited to set up sugar plantations covering 84,000 acres, used by traditional farmers, they resisted it for four years, with support from other people's organizations. Current President Chandrika, then in opposition, personally participated in these resistance and protest actions. Finally only one sugar company was set up. This company came in, not for sugar exports, but because the Government undertook to purchase all sugar produced at a cost much higher than the international prices of sugar. Even today the people pay a much higher price than the world market price for sugar. When sugar was around Rs 12 per Kg, Sri Lankan consumers, including the poor and malnourished, were paying Rs. 32 per Kg.

Import liberalization since 1977 resulted in the destruction of domestic sugar cane farming by small holders, leading Sri Lanka to instead import sugar. Since then imported sugar is also sold at a much higher price. This was also the case in relation to many other subsidiary food crops that were experiencing positive growth during the period of import restrictions. Removal of protection and support given to small-scale domestic food producers has contributed to a situation of increasing food insecurity and malnutrition in Sri Lanka.

(There are reasons to say that this dialogue is intentionally avoided)

In 1998, when Mr. Wolfensohn, President of the World Bank made his important speech "The Other Crisis" following the East Asian Crisis, admitting that countries should be allowed to make their own plans and strategies, rather than the external agents such as the IFIs trying to prepare financial architecture for the rest of the world, we, MONLAR wrote to him about the non participatory manner in which policies were decided in Sri Lanka. In the response that we received from then country Director Mr. Roberto Bentjerdot, it was agreed that insufficient attention had been given to issues related to agriculture. It was also promised that we would be invited for the Country Assistance Strategy Planning meeting that was to follow several weeks later. This has not been done still. The World Bank is well aware that we have been in dialogue with the World Bank experts, Mr. Robert Hunt and Mr. Douglas Lister who were responsible for the "Non Plantation Sector Policy Alternatives" Recommendations made in March 1996. The Government then and the Government now is fully aware that this dialogue of the farmers' movement has been on going for many years. They also know that there are viable alternative proposals in food security, sustainable agriculture and other approaches that could make domestic food crop farming by small holders an effective way of reducing poverty, creating and

sustaining livelihoods etc. But, such organizations were not even informed of the new PRSP process that the Government claims has been formulated with civil society participation for four years.

It is no accident that apart from the omission of the Trade Unions for PRSP consultations none of the farmers', fish workers, and other organizations, who have alternative proposals for poverty reduction and sustainable alternative development that mobilize the very positive contribution that such people could make, have been included.

We, MONLAR, have made detailed written submissions, in April 2001, on the proposed National Land Use Policy, in 2000 on the National Water Resources Policy and on the Development Strategy of private sector led Growth, submitted with 150,000 signatures with the People's Memorandum in February 1995.

In August 1995 and in August 2000 when there were serious crises in farmers getting very low prices in paddy, the Government invited the Farmers Movement, represented by MONLAR and others, for discussions in finding solutions and written submissions were made. These were accepted then, but it is very clear that there are obstacles for any Government to make any adjustment away from the set strategy that WB, IMF, and the big business associations have been insisting on, over the last 25 years. Thus, we feel that any other view is consciously omitted in the process of dialogue.

Farmer suicides have continued since 1993

This was the time that considerable numbers of farmers began to commit suicide, largely due to debt. The People's Memorandum was strongly supported by most sectors and organizations. It was submitted to the President of the country elected in 1994.

It is incorrect to say that the People's Movements are only criticizing the Government and World Bank policies, without offering alternative proposals. Similarly it is incorrect to say that the poor do not have their organizations and therefore, it is difficult to have consultation with them, as various organizations with membership of the poor and affected communities do exist, such as within the Alliance. (This was a point made in the letter that we received from Mr. Peter Harrold on March 20th, in response to a letter that we had sent to Mr. James Wolfensohn.)

This situation of resistance and suppression had reached a serious crisis a few years earlier, when in 1988 to 1990 Youth in the Southern regions rebelled with arms. It was suppressed in two years, with 60,000 disappearances. This figure was reported by the UN Committee for Involuntary Disappearances as the highest number in its History.

At the last period of the Government that initiated these policies, the then opposition political party staged a Long March ("Pada Yathra") from Colombo to Katharagama, at the southern end of the country, protesting against policy of privatization and the overall economic policy then called the "open economic

policy”. Thousands participated. Thus, the Government elected in 1994 was elected on the basis of its declared opposition to the economic strategy from 1977 to 1994, which is on the whole the same as that proposed in the PRSP.

However, once in power the Government changed its position completely and started to adopt the same policies as the previous Government, as recommended by the WB, IMF, and the business community.

There were major protests under the Government of 1994 to 2001 when they tried to privatize State Banks, privatize water and also when one of the biggest mineral resources in the country, the Eppawela Phosphate deposits were to be sold to a US Company. Attempts made to build the Colombo - Katunayake and Colombo - Matara highways were resisted. The Agriculture policy recommendations made by the WB, which were the same as those in the present PRSP could not be carried out. Paddy Marketing Board was closed down amidst much opposition, even though the Bill for closing down the Paddy Marketing Board was defeated in Parliament in 1997. Attempts made to privatize the Electricity Board could not be carried out due to the resistance of the Electricity Board Employees. Privatization of the Postal services could not be carried out for similar reasons.

In 2001, the World Bank expressed dissatisfaction about the delays in carrying out the reforms that the Government had agreed upon. It withheld some of the loans that had been asked for, due to these delays. IMF agreed to give a stand by loan under the condition that the Government implemented each of the agreed upon changes in order to receive loan installments at three month intervals.

In year 2000 farmers had severe problems getting a reasonable price for their rice. Farmers in Polonnaruwa staged a Hunger Strike and the Government promised to buy paddy at a slightly higher price.

The then Prime Minister who had discussions with the Farmers’ Movement and farmers on hunger strike stated that the Government had decided to set up an institution to intervene in purchasing paddy and other agricultural products. However, this was not done. This was on 18th August 2000. (I was present at this discussion). At this meeting the Farmers Movement again presented their alternative proposals to make domestic agriculture viable, sustainable and cost effective.

This crisis in paddy marketing has been arising every season since the Government withdrawal from paddy purchasing. It has happened again this season. The harvest in February and March 2003 was good throughout the country due to good rains. The farmers had spent over Rs.10.00 in producing a Kg of paddy. In Mahaweli System “C” cost of production on 2 ½ acres was over Rs. 50,000 and the yield was about 5000 Kg. Due to the above situation the farmers had to sell their paddy this season too at prices varying between Rs 9 to Rs.11 per Kg. In certain areas this price dropped further. Farmer debts have increased again. It was reported that at least three farmers have committed suicide in Dehiattakandiya due to this crisis of debt.

The policy agreed upon with the World Bank in 1996 for the Government not to intervene in purchasing paddy has been impossible to carry out with public

knowledge. Minister of Agriculture declared that the Government would make arrangements to purchase all paddy at a minimum of Rs. 13.50 / Kg. This did not happen anywhere. The minister admitted at a TV debate on March 20th, 2003, that it did not work as planned. There is a serious contradiction between the declared policy of the Government and the policy stated in PRSP and the policies advocated by the WB. This is a very serious contradiction since it is a major contradiction in the policies related to agriculture, rural development and on the strategy of poverty reduction.

Some Realities and Hard Conclusions

The World Bank's decision to request of the PRSP's preparation with people's participation, came with the recognition and admission by the WB that it was necessary to allow each of the countries to plan their own strategies for poverty reduction and development. A strong factor that contributed to this recognition about country "ownership" was the experience of the East Asian financial crisis and the spreading of this crisis to other regions. World Bank's own recognition and conclusion that its claimed efforts of reducing world poverty, during its lifetime of over 50 years, had not been reached, and the resulting serious loss of credibility may have influenced this move. Regaining the credibility that is being rapidly lost could have been a concern.

James Wolfensohn, President of the World Bank Group, stated this need in his speech "The Other Crisis" to the WB's Board of Governors in 1998, on the experiences of the East Asian Financial Crisis, which had its repercussions and spread into other regions. He said that the crisis was not merely a financial crisis, but also a much more serious social and human crisis. The most important lesson to be learnt, he said, was that it was not possible to develop financial architecture, for the whole world, from outside. Each country should be allowed to do their own planning, in consultation with the people (civil society), this was necessary because the specificities in the countries with their own histories, cultures and socio-economic and political background and experiences of the people, should be given due consideration. He further said that the price of the errors made either by external planners or even by the respective Governments, have to be paid for not by those at the top, but by the ordinary people. He went on to describe some of these social and human costs of the Asian crisis in particular countries.

The need to look into the social and human aspects in deciding on financial restructuring was stressed. It was based on these considerations that he designed the "Comprehensive Development Framework" as a methodology of taking these aspects into consideration.

However, even though the WB now talks of "Poverty Reduction Strategies" and the need to have "country ownership" in strategy designing and planning, the realities of the Sri Lanka experience that we have described in this paper shows how these phrases and words are coined to refer to the same old procedures that have proved to be failures for so long.

The process adopted in the formulation of the PRSP (the first authors of the draft PRSP have not yet been revealed; it is fairly clear that it is a document produced by the WB's advisers), along with the measures taken to justify the claim that it was done in consultation with the poor and the rest of civil society and finally the position taken by the WB in endorsing it as a product of the Government of Sri Lanka and civil society, even as the serious inadequacies in the consultation process became very clear, show that the whole process is one of getting the Government to simply agree with the agenda of the WB.

Therefore, what is needed is for the World Bank to admit that they have failed and that as a result they do not have a legitimate right to be involved in such future planning for poverty reduction.

The insistence that "faster economic growth, only when it is led by the private sector" is the only way to reduce poverty is actually an "essential" requirement not for reducing poverty, but for promoting and protecting the interests of big international capital led by the United States and other powers. It is very clear that the WB was started to serve this interest and it cannot do anything else. The WB is financed by this capital and is structured to ensure that the interests of this capital are served as its primary objective.

Therefore, the World Bank's "Dream of a World without Poverty" as marked on the front wall of the WB's head office in Washington should be modified as "A World without Poverty, but only if it serves the interests of big international capital".

It is easy to see that the very time targets and the methodologies adopted would not permit any worthwhile participation of the people, particularly the poor. They only permit the WB's own advisers to do this designing and working out of the details of implementation, while requesting the Government to claim ownership and show some indicators, often false, to show that there has been consultation with civil society, as it has happened in Sri Lanka.

The real issue of lack of good governance

It is not difficult to understand that Governments, though elected, have to comply and do willingly agree with whatever the WB wants, allowing the WB to ensure that the experts in the Government planning processes are approved by the WB, or that they are consulted in placing them. This is because the Governments and the local elite classes that they represent draw tremendous benefits from such plans and they can always give the excuse the "we can not do anything else, since we need WB loans and this is the only way we can get them". In Sri Lanka's experience, during the 25 years of intense application of World Bank's recommendations, a very small group of very rich people has emerged. It is this group that has become the most influential and the powerful group that decides the nature of Government and what the Governments should do. Therefore, it is no longer true to assume that whatever plans such a government produces is a plan of the people and one approved by the people. This is another serious flaw in the World Bank's argument about country ownership.

If the definition of “good governance” includes the idea that governments should decide democratically Sri Lanka’s experience and the experience of many countries throughout the world is that it is World Bank’s own strategies of the last decades that created the situation where that aspect of Good Governance can no longer function. It is not the poor that violate these principles.

An alternative for World Bank’s consideration

It may be that the World Bank is so designed and structured that it cannot do otherwise. If it can not move out of the clear interest of carrying out the current plans of world capital, such as pushing through Globalization and re-structuring the entire world economy, it should be admitted that the interests of world capital expansion and poverty reduction are not compatible. These two are not compatible today even in the rich countries, as we see in the trends of growing poverty and disparities in those countries too.

It should therefore be admitted that the process of granting loans, as done by the WB today, is for a different purpose. Therefore, if sincere to its old objectives, what the World Bank should do is discontinue use of the term Poverty Reduction. It should instead transparently state that “Country Assistance Strategies” would be designed looking at the contribution that such loans would make in promoting the interests of the big shareholders of the World Bank: the G-7, including the US, Japan, Europe and others.

Since it needs to be recognized that this capital cannot be allowed to remain “idle” or not involved in increasing profits to the owners of capital, the World Bank can still function, by functioning how any other commercial bank functions, which is to simply look at individual projects, their viability, and the ability of the borrower to pay back the loan. This would also have its benefits, to the poor, since they would not then have to borrow to invest in providing the needs of the rich, building infrastructure, restructuring land and agriculture, financing water infrastructure development for rich companies of the world to sell water inside countries and at international level, creating possibilities for big capital to plunder the living resources of the people and other life forms, private sector development which ends up making it impossible for the poor to have their essential service requirements. This would be a tremendous saving of resources for the poor.

An essential first step in improving the current PRSP in Sri Lanka, is to clearly identify the proposals that are designed to meet the requirements of such capital (investors) and include measures that would require them to pay back these loans and their interests and to remove the burdening of the poor with such loans.

It would then be possible for the rich to borrow for building infrastructure development which they will be able to use for their own purposes. But they will then have to pay for them with the profits they make. Full “cost recovery” then would then be easier.

An Alternative Approach to poverty reduction - A Process to be designed and led by the poor themselves

A genuinely “people owned” strategy for poverty eradication will begin with a serious study of the approaches that the country had adopted to keep poverty low. Sri Lanka has a wealth of such experience not only in its early history, but also during the post independence decades.

Sri Lanka is a country with a very long and very valuable experience in policies that kept poverty low.

World Bank’s definition of Poverty is “not having food when hungry, not having medicine when sick, not having proper shelter, not having the right to participate in decisions and not having human dignity”. If we are looking at ways of reducing this poverty, to begin with, there are very simple and easy ways in which the poor themselves could use the resources that they have to reduce their poverty considerably. A majority of the people in Sri Lanka still live in the villages and they depend on land as their main source of livelihood.

The National Land Use Policy drafted in March 2002 makes a strange proposal that the “dependence on land for livelihoods and employment should be minimized”. It also says that private sector would be given priority in land use. This not only ignores the reality that Sri Lanka has had very little opportunity to provide other and more secure livelihoods to this large rural population, but also refuses to look at the tremendous potential that exists in the rural environment and in the possibilities that still exist in small scale ecological agriculture to provide the basic necessities of the people to keep hunger, malnutrition and food insecurity away. In order to make the best use of this potential and the potential to enhance such opportunities for sustainable and eco-friendly use of land and other natural resources, one essential condition is that people’s access to such resources should not be denied. In Sri Lanka and in many other countries the accumulation of land and other natural resources in the hands of a few have been prevented by policy to ensure that the last means of survival of a majority of people is protected.

A serious study of the patterns of land use and the role played by the ancient rulers and the policies adopted even during the period of British rule of allowing the peasantry to have access to land, except in the areas that they needed for plantation agriculture and also the consistent policy adopted by all Governments since Independence up to the shift of economic policies to market led growth in 1977, of sustaining and supporting small farmer agriculture with emphasis on domestic food production should be made. Such a study should also look at the contribution made by such policies to keep rural poverty low and to achieve high levels of social development, low-income disparities and relatively high levels of food security.

This is essential at this present moment where serious rethinking is needed after 25 years of failure of the attempts made at poverty reduction through growth. Dependence on foreign investments to reduce poverty has failed and it has been extremely costly, not only in economic terms but more so in social, political and human terms.

The potential that the poor people themselves have to reduce their poverty should be relied upon to a much greater extent. Strategies for poverty reduction must then be aimed at removing the existing obstacles that people face in utilizing the resources available to them, using the creative potential of such people to meet their most essential needs.

In ancient history land and natural resources were not privately owned. In addition, there were arrangements and regulations to ensure that these resources were used sustainably. These are valid considerations even today.

In Mahawansa, the oldest written history of Sri Lanka, it is said that Arihath Mahinda who brought Buddhism to Sri Lanka preached to the King, Devanampiyatissa, who was hunting deer when he arrived, as follows:

“King, this forest belongs to the birds of the air, and the animals that roam the forest, as much as it belongs to you. You are only the care-taker and not the owner “.

This is a clear statement of the principle that the Government, the caretaker, has the responsibility to see that neither human nor animals and other living beings are deprived of the right to use the living resources, given to them by nature, free. Private ownership to use these essential resources for profit, clearly deprives the poor and the other living beings to have access to these resources. The judiciary in Sri Lanka used this statement when the Government was given a verdict against selling the Eppawela phosphate deposits to a US company, just about two years ago, since this resource and the surrounding environment belonged to the people and not to the Government to sell it away for destructive exploitation.

Sustainability adopted in the ancient irrigation systems and in the traditional agriculture practices was possible since these resources were used and developed for the benefit of all. Achieving this was considered the joint responsibility of all. Such collective efforts were necessary then because no individual or small group such as the private companies today were capable of utilizing large extents of such resources. The poor people who are pushed out of the economic operations within the globalised market are placed in a similar position where they have to depend on these collective efforts for survival. They also cannot acquire the “destructive” technological capacities and aspire to reach destructive consumption capacities that the world needs to eliminate if it is to survive. Therefore, all these factors could be seen not as disadvantages but as factors that provide them “comparative advantages” in becoming creators of a “better world” for themselves and the others, not only for humans but for all other life forms.

We give emphasis to these concerns looking not only at world needs but also given our own experiences. These are the experiences of the last 25 years of failure in Sri Lanka of the conventional approach of “market led growth, trickling down to reduce poverty” and the possible disastrous impact of the present proposals of getting the poor to sacrifice much more for the hopes of a small minority to benefit from “connecting to growth”.

We do not propose that those who could succeed in connecting to growth should be prevented from doing so. But what we strongly propose is that the process

of sacrificing the poor and their living resources for this dream for a few should be prevented. Therefore, our alternatives are largely for the poor to develop their own agenda and strategy to directly use their potential and capacities to overcome their situation of poverty, which may also be a tremendous contribution to the entire economy of the country and may even contribute to the “overall growth” of the national economy more effectively.

In Sri Lanka, as in many other poor countries there is a very large proportion of the people who cannot effectively enter the market. This proportion becomes even larger as we try to enter the process of Globalisation. Susan George said that “the market today excludes two thirds of the world’s population. They cannot enter the market and they are no longer needed in the market, so the system expects them to disappear. But, 2/3rds of the world population will not simply agree to disappear, so they will create a world where they can live. This is where the hope for the future of the world lies”.

This situation is very true of the experience in Sri Lanka and would be even more relevant for the future looking at the processes proposed, as seen in the PRSP. Therefore, the most relevant alternative for us is to first look at the agenda of the poor, as if they were the planners and the decision makers.

Rebuilding the ‘regenerative capacity’ of land and natural resources

The approach to be adopted in Sri Lanka in the use of land, water and other natural resources should be one that would ensure the “rebuilding of the regenerative capacity” of land and other natural resources such as water, biological resources (using the maximum potential of the rich bio diversity to provide food, nutrition and health) and the tremendous creative potential of the people who have lived on their land for generations.

In this approach, the fact that there is a large population living in the villages, compelled to find their means of living with a low per capita availability of land, need not be a disadvantage. There are tremendous advantages in small scale farming, particularly in ecological farming. Each household and each small rural community can then devote greater attention to the ecological farming approaches that can rebuild the natural fertility of their soil, using sustainable methods, avoiding expensive and destructive chemical inputs, while adopting principles of conservation, recycling, and diversity. This process of conversion from the existing external input dependent agriculture to organic farming can begin with the household home gardens. But, very soon this could be and should be expanded to the scale of a village community approach and then to larger regions. In this manner the problem that arises with a family not being able to survive on the income from a small plot of land could be overcome. What is necessary and what is possible is to maximize the availability of food, medicinal plants and other needs in the neighboring environment. This is also a way in which the serious disadvantage that these small producers face in selling their products and in buying their essential products from a very unfriendly market could be minimized. This approach also brings the communities together to collectively bargain in the market where necessary.

Let us now look at some of the very concrete experiences and examples to illustrate the possibilities available in Sri Lanka.

Food Security: Conversion into ecological, small scale farming

Paddy (rice) farming

Food security in Sri Lanka has largely depended on low cost and sustainable paddy (rice) farming, by small farmers. Today we have come to a situation where these small scale rice farmers, who form about 1/10th of the total population are to be pushed out of their livelihoods and their villages into urban areas as homeless, landless, unemployed destitute.

However, methods of paddy farming such as application of Integrated Pest Management (IPM), System of Rice Intensification (SRI), and use of an improved version of a traditional approach in paddy farming called “Nava Kekulama” which are all methods that eliminate the expensive and poisonous application of external chemical inputs, have proved that the cost of paddy production can be lowered by more than half, use of water can be drastically reduced, fertility of the soil can be improved, and the yields can also be improved gradually in some cases and radically in some other methods.

Just to illustrate the contribution that this change alone can make let us take the case of IPM, which is a method applied in many other countries too. Cost of production can be lowered by about Rs 4,000 from a cost of Rs. 24,000 to about Rs. 20,000 per acre. If a million farmers with one acre each apply this, the savings per season would be Rs. 4,000 million. This means a savings of about Rs. 7,000 million for a year with two seasons, including many other advantages in health, soil fertility, and improved quality of water. The total saving is much higher than the present poverty alleviation grant given to the targeted poor families.

This potential exists not only in paddy. Organic home gardening, adopting the principles of recycling of organic matter, crop and biodiversity enhancement which also provides food and nutritional diversity, and conservation of soil and water are all spreading with grassroots NGOs playing a key role promoting them.

With high consumer prices of vegetables and fruits and creasing awareness of the dangers of chemically grown and artificial food, the demand for and interest in natural food is likely to increase. This is also happening throughout the World. In Sri Lanka the very high increase in diabetic patients, including a very high proportion of children, and also increase in other diseases such as cancer, has been attributed to these changes in food habits.

But, much more important is the tremendous potential that this conversion of agriculture to ecological / organic farming has in reducing hunger, malnutrition, and poverty in Sri Lanka. The greatest potential to provide livelihoods still lie in this sector in Sri Lanka. Unlike in the industrialized Western countries, organic farming by small producers can be much less expensive than the chemically produced food. Organic home gardening with rural communities and households can also be an effective starting point towards a mass education and training process in reorienting

and re-education of the rural farmers towards a new understanding of a more scientific agriculture, a sustainable agriculture that the World needs in the 21st Century. Therefore, it would be incorrect to look at this as a proposal of going back to old history and of neglecting the needs of the new world situation.

There are other important areas in the national economy and in working out strategies for economic development and poverty reduction where these concerns are important.

Alternatives in the plantation economy and the poverty reduction of plantation workers.

PRSP says very little about the situation and solutions to the poverty of plantation workers and the direction that should be taken in relation to the plantation areas in a strategy of poverty reduction.

Situation of plantation workers and plantations:

Plantation workers are among the poorest groups in Sri Lanka. There are about 800,000 plantation workers who are in Sri Lanka after sending many of the plantation workers back to India several years ago under the Sirima – Shasthri Pact. They get the lowest wages (about Rs.140 per day compared to Rs. 250 –300 per day paid to other daily wage earners in agriculture) in spite of the fact that they have had their trade unions for more than 70 years. They were brought to Sri Lanka by the British Rule and were used as near slaves for over 100 years. Such labour was seen as necessary to maintain the plantation economy. Until very recent times the biggest foreign exchange earners to the country were the plantations. Thus the Governments of Independent Sri Lanka continued the same.

The situation of over a million plantation workers had been much worse than that of the rural poor due to several additional reasons. They were deprived of their citizenship in Sri Lanka since 1947. Thus, whatever the rulers did in relation to the peasantry and other poor to win their votes, since 1931 when universal adult franchise was introduced, were not applicable to the plantation workers. Closer integration of plantation workers has been prevented consciously. They have suffered not only extreme forms of economic poverty but also have been victims of all other forms of deprivation, marginalization, and serious discrimination.

No strategy for poverty reduction in Sri Lanka is acceptable unless it gives sufficient attention to the serious situation of poverty, deprivation, and discrimination against plantation workers. As long as plantation workers are kept within the present plantation structure, it is very difficult to imagine the possibility of their becoming proper dignified citizens. The strategy of “private sector led growth for poverty reduction” has in fact made the situation worse.

For decent living standards and decent work conditions and for plantation workers to be given opportunities to become dignified citizens in Sri Lanka, the minimum requirements would be proper housing, health, education and also opportunities for social upliftment. From the beginning plantation agriculture has

depended on cheap, subservient labour and keeping workers at subhuman levels has been a requirement.

Even when plantations were very profitable, the owners, whether they be the private sector or the Government, never thought of using such profits to improve the workers' conditions beyond the existing levels. Plantation trade unions too have kept their demands limited to the levels that sustained these basic conditions seen as necessary for continuation of the plantations. Thus, radical changes in the economy of the plantation areas have never been considered.

Sri Lanka is no longer among the producers of the best tea in the world and the tea market is being rapidly taken over by other exporter countries. In order for private sector tea producers to survive under such conditions, in a plantation area that has become less fertile due to more than one and a half centuries of soil erosion, the workers have been compelled to be under more exploitative and insecure conditions.

It is very difficult to imagine that those private businesses who take over plantations for short-term profits (with the possibility of leaving when profits become less) would pay attention to these requirements. The direction taken in the PRSP of providing cheap, unprotected labour as a means of attracting investment and the proposed labour law reforms will also apply to the plantations. Thus, the chances of improvement of the working and living conditions of the plantation worker population are remote.

The following issues and concerns need to be studied in depth in working out alternative strategies in the plantations for poverty reduction:

1. What are the needs and possibilities of converting plantation land (beginning with the land that needs to be converted due to ecological reasons) into areas of conservation and reforestation using agro-forestry. Re-building the regenerative capacity of the land is a necessity not only for the hill country land to be productive, it is also a necessity in rebuilding the rest of the environment.
2. What possibilities exist in granting land ownership to plantation worker families and communities and also to the hill country rural communities, in a manner that they would convert this land into ecological farming to meet their food security and livelihood needs and utilize this land for their economic and social upliftment. The potential in such a process of conversion of land ownership and land use, to provide livelihoods and food security, and its potential in improving overall productivity should be studied. The contribution that such a conversion could make towards sustainability and productivity of land and ecology outside the plantation areas (by prevention of erosion, rebuilding the fertility of the land, improving the water retention capacity of hill country land, and improving biodiversity. The potential contribution through diversification and its potential in improving the living conditions, incomes, social security, and dignity of plantation people, etc are related issues that should be studied.
3. How much land should still be continued to be used as tea plantations for better quality tea production that can compete effectively in the international market, while providing the workers with decent work and living conditions. Here again the policy of sacrificing other benefits such as food security and welfare of the workers

for the sake of remaining competitive in the international market should not be continued.

4. It is absolutely necessary to provide the plantation children and youth, educational possibilities and opportunities to enter into outside livelihoods and society as dignified citizens. In the past the plantation system was not concerned about providing plantation children any worthwhile education, and wherever some schooling was available it was only up to grade 5 with these children being absorbed as plantation labour at the age of 14 years.

This is not an acceptable situation. But what happens now is even worse. Plantation youth do not have an assurance of being employed even as plantation labour.

- 5 The possibility of plantation labour to protect whatever rights and security that they have gained through past struggles of the trade unions are being eroded under the new labour law reforms in the PRSP. Plantation workers are likely to become one of the worst victims of the greater possibilities given to the employers to decide on termination of employment, salaries, and work conditions.

These changes are also necessary and urgent to provide the plantation people the confidence that they can be members of Sri Lankan society enjoying respect for their own cultural and ethnic identity. This needs to be given urgent attention considering the extremely important experiences in Sri Lanka in areas of inter- ethnic justice. The traumatic, tragic experiences in Sri Lanka in dealing with issues of ethnic justice and in neglecting also the possible socio political repercussions of a policy that sacrifices everything else to become attractive to foreign investment should be carefully considered.

It is often said that the lack of success in the liberalization policies and the growth strategy was due to political unrest, particularly the 20 years of war. Learning from this experience, any future strategizing should take in to serious consideration the socio political implications. The fact that we have not yet had any serious rebellion in the plantation areas should not be taken as an assurance that the plantation poor would continue to be subservient eternally.

An alternative approach in dealing with issues related to youth

The potential role of youth in a process of sustainable human development.

As explained already, the strategies adopted to deal with the issue of youth (seen, too simplistically, as an issue of unemployment) over the last few decades have completely failed. The PRSP proposals suggesting a process of creating an even larger abundance of cheap labour would only make the problem much worse. The present PRSP formula would certainly be a recipe for repeated rebellion and other

serious social repercussions. We have already given some figures to help understand the seriousness of the issue.

A positive approach to the issue of youth should not look at the youth as “a problem to be dealt with” or as a potential source of attracting foreign investment or promoting businesses utilizing them simply as “cheap labour”. The main concern in the PRSP of making the country more attractive to investments, at any cost, is seen also in the approach to youth too. Whether in the proposed reforms in education or in the proposed approaches in skills development this concern is visible. Ultimately youth is seen as a source of cheap labour to be “sacrificed” to achieve this single objective.

Findings of the Presidential Commission on Youth in 1990, were very revealing. Sri Lanka’s experiences of the youth demanding social justice and dignity are too clear and strong to be overlooked. Often given as an excuse for failure of past strategies, the war and the youth uprisings should instead encourage planners to take such factors into consideration in future strategizing. Yet, this is completely ignored in the PRSP process and content.

A proper understanding of the expectations and aspirations of the youth and the history of the post independence decades of giving priority to education, social welfare, and rural development that created high aspirations among youth not only for dignified and secure livelihoods but also for better social justice and equity should give us clear directions about a positive approach towards meeting the requirements of the youth. This will also while make it possible for them to make a tremendous contribution towards rebuilding a better society for all.

Youth desire to achieve their full potential, as persons, through education. They demand respect and recognition as those who could play a creative role in society. This is very clear from the very visible demand for education. A clear expression of this demand is seen in the continuing phenomenon of youth forming their own political organizations such as the JVP or the LTTE. This trend is not completely absent among the plantation youth either. The tremendous desire for education is clearly linked to their aspirations to find secure dignified employment and livelihoods. They certainly would like to enter into a “modern world” and a “modern way of life”. Rural youth who are very aware of the degrading situations and the discriminatory conditions of social, political and economic life that their earlier generations have been subjected to, would like to get out of such a situation. The only visible avenue is through education, which takes them along a narrowing path up an extremely steep and slippery hill, until they end up falling down a precipice, a bottomless pit. Opportunities available to them, are very few and far below their expectations. The direction proposed by the PRSP would only make this situation worse, as explained.

Therefore an alternative would be in a direction that integrates meaningfully the higher aspirations of the youth with the development of the potentials in Sri Lanka for a socially just approach to sustainable human development, a path that would solve the most urgent requirements of poverty eradication, food security, secure livelihoods and sustainable use of the natural resources of the country, while

protecting the right of the poor and the ordinary people to have access to such resources, to meet their essential needs to begin with.

It would be misleading to access the presently visible tendencies among youth as their real aspirations. Youth today are largely led by the illusions and culture created by the market. But there is also widespread frustration, dissatisfaction, and sometimes anger at the shallowness of the prevailing value systems.

An illustrative example of a new approach

Let us look at a very viable and practical proposal that can be applied immediately, with very little external resource requirements. This would also help in understanding the basic concept that could be expanded and built upon much more comprehensively. Given below is only an illustrative example of a much wider approach possible.

As mentioned earlier about 250,000 young people sit for the G.C.E. Advanced level examination every year. All of them go through an extremely strenuous process of study, at least for 4 continuous years, in preparation for these exams from year 10. About 75,000 qualify at this extremely competitive exam to enter university. However, universities take only 9 to 10 thousand annually. Thus, at least 65,000 intelligent, hardworking qualified youth are rejected, with no visible alternative for their future. In the present process of planning and at least during the last 20 years there has not been any vision or approach to meet this situation, other than the presently proposed programme such as the “Youth brigades” (Yovun Balakaya) which are only aimed at containing and using the youth to serve the interests of those in power. Investment in a larger number of higher education institutions should also be made.

With a very simple process of basic practical training and skills development in ecological agriculture, some of these young people, out of school, can be provided opportunities to train and guide rural and even urban households and communities to initiate organic home gardens, initially for household food security and nutritional needs, to help rice farmers convert their present forms of expensive and ecologically destructive chemical farming to less expensive, more productive and healthier forms of paddy farming such as Integrated Pest Management, System of Rice Intensification (SRI), “Nava Kekulama” system of ecological rice farming, development of agro-forestry, which is a method of maximizing overall productivity of presently barren land or less intensively used land, and community level approaches in maximizing food availability in the community land areas (community environment). These are all approaches that have been tested out and have proved that they all have the potential to reduce costs of production and improve returns to the families and communities in the form of food availability with very little or no cost. Looking at the extent of cost reduction and increased returns to those who utilize the services of such youth, it can be proved that the beneficiary households and communities can sustain the services of such youth instructors or extension workers by making a contribution out of their savings and added returns to the upkeep of such youth workers.

In the IPM training process about 25 farmers could be trained in a Farmer Field School (FFS) conducted weekly for one full season of 4 months. If a youth

instructor works with 4 FFSs a week, he or she can cover 100 farmers. It has been found that such a farmer applying IPM saves over Rs. 4,000 on one acre with some increase in yields. If such a farmer contributes Rs. 500 out of a saving of about Rs. 4,000 per acre per season, this alone can make a payment of Rs. 10,000 per month for the instructor. If this is combined with such extension work among home Gardner families, the allowance that can be given to the extension worker could be even higher.

Through such a process carried out widely in the rural farming villages in Sri Lanka, there is a possibility of developing an island wide process of transforming our rural agriculture into sustainable, non-chemical, low cost agriculture, within a relatively short time.

It is true that remaining at the level of rural agricultural extension workers will not satisfy the youth, even if they could get a simple living allowance. But their aspirations to reach higher in education and skill development and also in social recognition could easily be met by making available to them possibilities of higher training and learning in the same field of ecological agriculture, through week end or part time higher education possibilities while being engaged in practical work in the field, described earlier. Alternatively they could work for a year or two and take a period of break for higher studies with greater financial security and practical experience. As they grow in their level of education in this field and experience they could become a new generation of scientists who will have a very big demand not only in Sri Lanka but in the world, looking at the great need that exists in the world today to convert agriculture into organic and sustainable agriculture. The broader benefits of such an approach could be summarized as follows.

Immediate benefits to families engaged in such ecological small scale farming either as home gardens or as small farm plots include:

1. Greater food security and nutrition at very low cost or at “no cost” (saving on food expenses).
2. Healthier food, with diversity, readily available.
3. Improvement of soil and conservation of the land plots.
4. Improved water retention.
5. A knowledge and training in a more scientific method of farming, health and nutrition.
6. Becoming one’s own planner able to use one’s own creativity in designing the home garden.
7. This approach gives such farmers a training and education in the basic principles of ecological farming such as conservation, methods of improving soil fertility such as enhancing the activity of microorganisms and earth worms, recycling of organic matter, and in improving biodiversity and its benefits, etc.

Benefits to communities adopting such farming methods

1. Improvement in community food security, particularly a very effective way of dealing with the issue of hunger and malnutrition among rural communities.
2. Change of attitude in achieving food security from an individual approach to a more collective approach.
3. When applied on a broader (community) scale this would be an effective solution to the problem of individual land plots becoming too small and fragmented. A community utilizing the available land and the natural environment in this manner would be able to improve overall productivity of the community's land and natural resources compared to the sum of the productivity of individual plots.
4. Using a systemic approach that takes into account the community ecological system.
5. Such communities could be experimental, learning units in a broader process of transforming agriculture in the country as a whole.

Benefits at a wider national level through transforming agriculture in the country from conventional chemical, external input dependent agriculture to sustainable, ecological farming include:

1. It is only through such a transformation that livelihoods and food security to a very large population of the rural poor could be provided.
2. Considering the very low levels of financial incomes of most of the population it is very necessary that Sri Lanka should produce food cheaply, at affordable costs. (This had been recognized by the planners in Sri Lanka for decades, until the WB / IMF promoted policies of "market led growth" was introduced in 1977).
3. Retaining and rebuilding the regenerative capacity of land and natural resources (ecology) is essential since the extent of land available is low compared to the population. It is through a process of ecological farming that this could be done. A relatively large small farmer population and the natural conditions are an advantage in this conversion. It is only through an extensive process of small-farmer involvement assisted by policy at the macro level that such a transformation could be achieved.
4. The serious health problems in chemical farming and chemically produced food can be minimized. This should accompany a change in food habits. Artificial food has been found to be the biggest cause for a very high proportion of those people affected by diabetes, cancer, and loss of immunity.
5. Sri Lanka could become a pioneer country in developing a type of ecological agriculture and organically produced food. It is important to begin such a process with the development of ecologically sound production, increasing domestic consumption of such food, and the development also of sound processing and packaging methods with the protection of organic and natural quality. This would require a new direction in research and education. Development of the internal market for such products is another requirement. All these can provide new employment opportunities.

6. The export potential in this type of food is already high and is growing. However, a very important precaution is to ensure that the drive to increase exports should not be at the cost of domestic food security. Further, the possibility of Sri Lankan small farmers being made cheap suppliers for export companies should be prevented. The concept of “connectivity” as given in the PRSP of developing physical infrastructure linking the rural areas to the national and international markets are very much in that direction.
7. This approach provides tremendous possibilities of creating other associated industries and services in food technology, processing and packaging etc. However, here again necessary precautions should be taken to ensure that the technologies and methods employed should be sustainable, so that they utilize the traditional methods that are sustainable and viable to the small producers.
8. All this provides tremendous opportunities for creative contribution by the poor, smallscale producers.

Possible and necessary changes in the education systems and content of education

It is unfortunate that the education system has not been upgraded to fit in to the modern requirements. The suggested reforms in education, though said to be towards meeting the current modern requirements are only oriented towards a narrow objective of creating a limited number of workers who could fit into the requirements of the “market led strategy”. As we have shown so far it is only a strategy of creating “more of cheap labour” with the expectation that there would be a rapid expansion of foreign investment and the service sector. There is a lot of uncertainty about success even in this type of growth. The education curriculum is being changed too. There is a big push towards computer training and other technical skills, without a proper assessment about the potential that Sri Lanka has to employ such a large number of computer operators and technicians.

While there is a rapidly growing interest in the world in reviving the traditional knowledge base with increased recognition of traditional and ancient practices in health (such as the ayurvedic system of medicine, knowledge about the use of medicinal plants), and in agriculture and its sustainability, there is a tragic lack of concern in the teaching of these ancient sciences in the mainstream education system.

The reasons for this “poverty in education” are very clear and simple. Those who dominate in the fields of science and education are those who have been exposed to the type of limited knowledge in the Western sciences. They have been brainwashed and they have the arrogance to say that the entire field of science is covered only by what they have been taught. They have the habit of discarding anything they do not know about as “unscientific”. Further, the present situation of the private sector taking control over science, technology, and education reform policies is making this situation worse.

Including the very rich knowledge that we have in Sri Lanka about the richness of herbal food and medicines, which is rapidly disappearing, could make a tremendous contribution to sciences such as biology, agriculture, medicine, and food sciences.

There are similar possibilities in the knowledge of ecological irrigation and water management. The ancient knowledge in sustainable agriculture is another area where such enrichment is possible. Such education would make a tremendous improvement in the creative abilities of youth, in becoming a new generation of scientists who will have the capacity of original thinking in finding sustainable and more appropriate solutions to the problems of poverty, hunger, malnutrition, and unemployment in the country.

The present PRSP is completely blind to these potentials and possibilities, obviously because this has been drafted by people who are absolutely unaware and blind to this background in Sri Lanka. Furthermore, it has been approved without any consultation with those who have this background.

Towards a political strategy and Political conditions necessary for such transformation

It is obvious that this type of transformation requires “political will” at the national level. It also requires the political will to resist the pressures for economic reforms from international trade powers and international financial institutions such as the WB, IMF, WTO and bi-lateral trade agreements that are being pushed, using debt and other influences.

We do not see the possibility of such a political regime at the national level in the foreseeable future.

One serious obstacle in Sri Lanka has been the almost complete absence of initiative and independent thinking on the part of the major political parties, members of Parliament, or scholars and intellectuals, regarding economic policy and development issues, particularly since 1977. Economic planning has been almost completely handed over to the WB and IMF and a few top level officials in the Central Bank and other financial institutions, who are generally hand picked and nominated to such positions by the WB and IMF. The business community, represented by the big business associations and Chambers of Commerce, etc. have been accepted as the “engine of growth and development” during the last 25 years and the politicians have given them the authority of deciding the “path of economy” willingly. Major economic policy issues have not been debated at parliamentary elections and the political parties have not honestly presented their policies in the Party manifestos at their elections.

Therefore, there is a serious need to educate the politicians, scholars and intellectuals about the current development issues. They have to be made aware of the tremendous failures of the neo liberal policies and the structural adjustments of the WB and IMF both in Sri Lanka and in the world as a whole. They have also to be informed of the growing criticism and resistance to such policies and Globalization

processes around the world. In addition to such information and education there must be organized action by people's organizations at the national level as well as in collaboration with the international movements to pressurize the political decision making process.

The immediate, short-term requirements are to strengthen people's intervention in getting the Government as well as the IFIs to adhere to their claimed principles of "country ownership", "good governance", "transparency", and "participation of the poor in planning and decision making". For this purpose there must be a process of wide organization of civil society groups to meaningfully engage in policy planning and decisions. New structures have to be created that could claim their legitimate right to represent the views, criticisms and alternative proposals of the poor.

We need to mobilize maximum possible collaboration and support of the struggles for Global economic justice and democratization at the international level.

Challenge of Democratizing Society in Sri Lanka

Sri Lanka, after more than twenty years of war and suppression and with a history of serious political unrest, not only in the North but also in the South going back to the days of the Southern armed uprisings faces a huge task of democratizing society. It has at least two important dimensions. Failure to recognize these different dimensions could be a big mistake.

One important aspect is the task of demilitarization and reestablishment of civil society, overcoming the suppression of democratic rights in the North and South that resulted from the war. The other, equally important aspect is the democratization of the economy and the related process of economic decision making. In addition, there is a need to democratize the political system in the country, recovering the democratic right to economic decision making and planning which has been removed for the purpose of undemocratic economic processes as demanded by the structural adjustments and economic reforms pushed by the WB and IMF.

It is very clear from the experiences of the last 25 years that real economic decision making does not take place either at the level of elected Parliament or even at the level of the Cabinet of Ministers. All that happens at this level is to simply approve decisions made elsewhere. Therefore, it is much more important to think of strategies that to democratize economic planning and decision making at the level of the World Bank / IMF as well as the process of the few decision makers at the top levels of Government. Their crucial decision making encompasses the PRSPs and economic reform programmes imposed at the level of the loan giving meetings such as the annual donors' Development Forum meetings. Although these high level policy makers do publicly insist that these decisions must be made with "stakeholder participation", the current Sri Lanka PRSP process is a very clear illustration of how such decisions are manipulated. It is clearly a process where the WB deceives the Government and the Government deceives the WB and IMF. Both parties know this and in so doing they jointly deceive the people.

Also, even more crucial economic policies such as GATT, TRIPS, WTO, GATS, MAI, and some bi-lateral, multi-lateral, and regional trade agreements, are made at the international level without any democratic discussion or possibility of participation by the most affected communities of the poor and disenfranchised. The very nature of such discussion and planning makes it extremely difficult for people to understand the terms and enter into them. The whole objective of these processes is to remove the possibility of such people's participation. It is a process consciously designed to remove economic sovereignty of countries, and even more so the economic sovereignty of the people affected. In addition there is a consciously planned strategy of the IFIs, multinational companies as well as local business elites, along with the national Governments and the media to keep people completely unaware and in the dark.

Though these processes clearly reduce and remove economic sovereignty, most governments representing the limited interest of big businesses, willingly collaborate in this process. Therefore, ordinary people have the difficult task of designing their own strategies for effective participation in economic planning.

A distorted definition of Civil Society

It is often admitted that civil society participation is necessary and welcome. But, the way "civil society" is defined by the WB and IMF leaves ample possibility of distorting even this "claimed participation" to suit the same interests. The private sector is considered to be part of civil society. Being financially and politically far more powerful than the rest of the civil society organisations, such as those representing the "people's sector", the majority of whom can be categorized as the poor, the business sector generally takes over the space available for "civil society" and pushes for decisions favorable to them which almost always coincide with the interests of the WB, IMF, and the economically powerful countries in the global North.

Another strategy adopted is to create a class of NGOs who are supportive of the WB, IMF, ADB and UNDP policies and processes. This is done using the possibility of providing them grants for projects that they would like to promote. The Community Water Supply and Sanitation Projects and the environment projects funded by the UNDP, GEF, ADB etc are examples. Often it is these groups who are invited to represent civil society. The generally given excuse for not inviting people's organizations such as trade unions, farmers' organisations, women's organizations, plantation workers, women workers in industry, youth and other groups is that they are not sufficiently organized and that they are only critical of the IFI policies, without offering alternatives. We have shown that both these claims are baseless. The real disadvantage that these organizations have in getting access is that they do not work in the language that the WB and others use. Apart from the fact that the international community works only in English, the jargon used by them is also quite unfamiliar to these organizations of the people. This is a real disadvantage even for politicians in the global South, which gives the possibility for a few top officials and the WB/IMF experts to monopolize planning and decision making.

A strategy for political participation of the people's sector

Considering all these the people's sector (we prefer to use this phrase rather than "civil society") has the task of developing an effective strategy for "genuine people's participation". This means, as explained earlier, developing a People's Agenda, claiming the right of the poor to set an agenda for themselves, which is the only effective way of ensuring an agenda that could honestly attempt the eradication of poverty. It is necessary also to gain credibility and support, primarily among the 'people' who are the authors, and then among those genuine scholars and scientists who have sufficient intellectual honesty and courage to question the dominant powers.

The next step in the process is to take these to the higher levels of decision making, presently the national government and the governing bodies at the regional level (such as SAARC) and to the multi-lateral agencies and the lending governments.

At the grassroots level, the peasants, fish workers, women workers, rural communities, and urban poor must set up their own organizations with capacity for participation in policy formulation and policy debate. They must build their capacities to effectively intervene and debate policy issues such as trade liberalization, macro economic reforms, and privatization of water and other services, etc. It is necessary to build alliances within sectors and across sectors and also at national and international levels. The very effective methods and approaches that the poor have had in history as well as those devised under the present conditions have to be worked out from the present form of micro level initiatives to larger macro level proposals applicable not only at the community level, but also at wider regional, national and international levels.

Document prepared by:

Sarath Fernando,
Secretary,
Movement for National Land and Agricultural reform (MONLAR)
1151/58 A, 4th Lane, Kotte Rd, Rajagiriya
Tel /Fax : 011 4407663 e-mail :monlar@sltnet.lk

On behalf of Alliance for Protection of National Resources and Human Rights
(ANRHR) May 2003