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RURAL INFRASTRUCTURE PROGRAMMES FOR POVERTY REDUCTION: POLICY ISSUES FROM THE SRI LANKAN EXPERIENCE

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1. INTRODUCTION

There is more agreement now about what should be done to reduce poverty than ever before. Analysts now agree that, (a) a market-oriented, growth-inducing approach that expand opportunities for production and remunerative employment among the poor; (b) widespread access to social services such as health, education and fertility control; and, (c) targeted transfer schemes such as food stamps, subsidised food distribution and nutrition programmes, are key in any comprehensive strategy to reduce poverty [World Bank (1990); UNDP (1996), (1997); Bardhan (1995); Fishlow (1995); Killick (1995)].

Likewise, there is little disagreement that developing infrastructure is a vital component of any such three-pronged approach. Such policies become even more important in tackling the problem of rural poverty, which is invariably conditioned by people not having access to even the most basic infrastructure facilities. Therefore, a strategy to reduce rural poverty needs to incorporate policies to develop both production-oriented and welfare-oriented infrastructure, in order to improve poor people's productive capacity and quality of life. For example, providing services such as irrigation, power and transport in rural areas would open up new opportunities for diversifying incomes and employment in backward areas. Constructing drinking water supply schemes and sanitary facilities would reduce mortality and morbidity, and enable people to live healthier, more productive lives. Similarly, better school buildings and teachers' quarters would help improve the quality of education and make children of poor families upwardly mobile.

Several other stylised facts about rural infrastructure and its impact on economic growth and the poor have emerged from the literature. For example, how effective an infrastructure asset would be in meeting the needs of the poor, would depend on characteristics such as quality, reliability and quantity. At the same time, its impact would vary not only by sector, but also by its location and timeliness. Even so, though developing infrastructure promises to hold many benefits for the poor, it is not sufficient on its own to generate sustained increases in economic growth in rural areas.

But while analysts may agree that developing infrastructure in rural areas is a necessary condition to reduce poverty, not all rural infrastructure development programmes have been uniformly successful in delivering these benefits. Therefore, a crucial question that policy makers face is how can such programmes be designed so that their impact on the productivity and welfare of the poor is maximised and sustained?

This paper aims to throw some light on this question by reviewing the Sri Lankan experience with rural infrastructure development programmes.[1] However, we begin with a caveat. The Sri Lankan case highlights the dilemmas and constraints associated with programmes of this nature rather than the factors making for success. This is because few of the Sri Lankan programmes have been associated with a sustained decline in rural poverty. Not only have there been various shortcomings in the programmes themselves, but also other factors necessary to create a dynamic rural economy have not been present. Hence, the tone of the paper is pessimistic rather than optimistic.

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[1] For a brief overview of the Sri Lankan policy background, readers should refer the longer version on which this summary is based.

Further, the analysis does not aim to prescribe solutions to these problems. The paper's scope is much narrower, aiming only to highlight some key issues in designing and implementing rural infrastructure programmes that policy makers and donors should keep in mind.

2. TARGETING THE RURAL POOR

If a rural infrastructure programme is implemented as a poverty reduction strategy, then it must be targeted effectively at the poor. But this may be difficult and costly for several reasons. First, there are the perennial problems associated with identifying the poor, such as whether to use poverty lines based on income or expenditure data or whether to rely on indicators that are correlated with income.[2] Second, targeting in rural infrastructure programmes is very different from targeting income transfer programmes, because rural infrastructure, unlike income support, often has the characteristics of a public good. That is, it is both non-rival (consumption by one user does not reduce the supply available to other users) and non-excludable (a user cannot be prevented from consuming it). So a key issue is, how can one locate irrigation canals, roads, causeways etc. so that the poorest benefit, particularly in localities where large numbers of the poor are not spatially concentrated?

An innovative response to this problem in recent times has been the development of participatory approaches to target infrastructure projects more effectively. This follows the emergence of participation as a dominant voice in development thinking in recent years (Vieira da Cunha and Valeria Junho Pena 1997). In Sri Lanka, too, project designers have increasingly resorted to participatory techniques to target such programmes better. Accordingly, decisions about project type and location were settled through the mechanism of socially mobilised small groups of poor people who decided amongst themselves what sort of infrastructural facility best met their needs. These proposals were submitted to the funding agency for appraisal, approval and funding.

The new methodology was accepted as a significant improvement over the technocratic decision-making that had selected projects and their location earlier, but it brought with it its own costs which went beyond the time consuming, skill-intensive process of mobilising the poor. In the first place, it confined projects to small utility items that made life a little more bearable but did not improve access to markets or generate any dynamism in agricultural productivity. Second, a participatory approach that worked through small groups made it impossible to exploit synergies with infrastructure projects covering larger areas, or to contribute to the functionality of systems such as transport and water supply.

On the other hand, participatory targeting methods were ineffectual in an institutional system where political patronage and revenge drove development decision-making as in Sri Lanka, particularly at grass-roots level. For example, even the construction of a market by a local authority provides opportunities for patronage and revenge: the contract to build it can be given to contractors who are political supporters, and it can be sited on land belonging to political opponents which may be acquired for the purpose.[3]

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[2] See, instead, Ravallion (1996) for a comprehensive review.

[3] As far back as in 1969, Justice Samerawickrame observed that, '…it is remarkable how often over the years it has turned out by some extraordinary coincidence that the public interest appeared to require the acquisition of lands belonging to persons politically opposed to the party in power at the time' [*Ratwatte v. Minister of Lands*, (1969) S.C. 141/69, 72 N.L.R.60, 61, 63]

Greater participation through devolution and decentralisation has not helped either. Despite a devolved structure of government, the political party has acted as a centralising force in Sri Lanka because of the political tribalism that decades of patronage and revenge-based politics has generated. Thus, Provincial and local government debates are devoted to replaying national-level power politics rather than addressing local problems (Hewavitharana 1997). The central administration also tends to regard local governments controlled by the same party as adjuncts to its party apparatus and therefore as convenient instruments of political consolidation. But if local governments are controlled by the opposition, the Centre tends to view them as rival centres of power and treat them with indifference if not hostility (de Silva 1997).

Of course, none of this is to say that greater beneficiary participation does not have a role to play in making sure that rural infrastructure projects reflect local preferences and meet the needs of the poorest. It does. But greater participation is not an effective instrument for targeting if the public institutional structure that is vulnerable to capture by predatory and partisan forces. Policy makers and donors need to be aware of the limitations of participation, whether through the mobilised small groups system, or through a devolved system of government, in ensuring that rural infrastructure projects actually reach the poor.

3. DISTRIBUTION OF BENEFITS

If, despite all the constraints discussed above, one managed to locate the infrastructural project where the poor would have easy access to it, then can we expect the poor to reasonably benefit from it?

The non-excludable nature of most rural infrastructure has meant that although programmes may target the poorest, the better off may benefit more than the poorest at whom the project is aimed. In fact, the poorest may not reap any direct benefit, particularly from production-based infrastructure assets.

This is because initial conditions matter. Farmers with larger holdings, more fertile soil, less vulnerable to erosion and situated in potentially irrigable areas are able to benefit more from a minor irrigation project. If the rural irrigation project is aimed at encouraging farmers to diversify agricultural production, then those with larger reserves of family labour gain more from the intervention.

Even so, many analysts (for example, the World Bank 1990) have pointed out that if the infrastructure project should benefit the larger farmer more, then demand for the labour of landless workers may also rise. This would push up agricultural wage rates and so distribute project benefits among the poor as well. But if the poorest are rarely able to benefit directly from production-oriented rural infrastructure assets, why target them at all? It may be more cost-effective to bet on the strong and target the not-so-poor, and then wait for the benefits to trickle down within the local economy.

4. IMPLEMENTATION ISSUES

Governments have long been accustomed to executing such projects through their line agencies, and in Sri Lanka too, a departmental structure to implement infrastructure projects is well entrenched at central government level. Even so, project implementation capacity of the government sector has been weakened through the fragmentation[4] of the public institutional system. This has made it particularly difficult to exploit synergies with projects that cover larger areas as a cross-divisional approach require the co-ordinated actions of a number of agents, as Sri Lanka's public institutional structure allows a myriad of agencies to carry on their programmes with little consultation and co-ordination among them. These problems have become intractable following the devolution of power to Provincial Councils in the late 1980s, particularly when the Centre, Province and local government authority are controlled by different political parties with conflicting political agendas.

However, following the international reassessment of the respective roles of states and markets in recent times, the private sector has been playing a greater role in the more recent projects through sub-contractual arrangements with private construction firms, or else, with the non-governmental sector. In fact, many IRDP projects explicitly selected private contractors from the project area itself so that they too could develop and gain experience through the projects.

But programme outcomes have been disappointing. For example, quality control has been a serious constraint in IRDP-funded projects as the local administrative authorities invariably did not have the technical capacity to provide a high level of supervision.

In contrast, construction work in community projects financed by the *Janasaviya* Trust Fund and implemented by NGOs were qualitatively better because the project implementation procedure was systematically laid out, and included appraisal and monitoring by engineers at various stages of the project. For example, the monitoring engineers recruited by the Fund were required to prepare monthly progress reports and assist the partner organisation to prepare claims for payment as work continued. Several partner organisations had their own engineering appraisers. The engineers attached to the Community Projects Division (< biblio >) assisted those who did not.

5. MAINTENANCE PROBLEMS

Initially in Sri Lanka, programmes such as the IRDP were designed on the premise that the relevant line agency would take over maintenance work once the facility was created. This did not happen and was due to several factors.

First, public expenditure allocations on infrastructure in general and its maintenance in particular had been whittled down over the years due to fiscal constraints. Second, the public sector as a whole was geared towards constructing new projects with whatever resources are available rather than maintaining existing ones. New projects represented tangible political goods that politicians could clearly be identified with. Also, the diversion of public resources into private pockets was easier on new construction projects rather than in maintenance projects. Finally, with so many government agencies and institutions involved in the same area of activity, it was never clear who was responsible for what task.

Nor could the beneficiaries afford to maintain the assets themselves, as they remained poor.

[4] Fragmentation has occurred because of the proliferation of ministries, departments, public corporations and statutory bodies. *Ad hoc* efforts at devolution and decentralisation have made things worse as they replicated the departmental structures of the Centre at the Provincial level. Sri Lanka now has a jungle of administrative agencies and political bodies, incoherent, contradictory and chaotic (Gunatilaka 1998).

6. IS THE FOCUS ON ‘RURAL’ INFRASTRUCTURE TOO NARROW?

Rural economic infrastructure projects are locality-specific almost by definition. In that sense, they are intended to meet the specific needs of the target population, and constitute relatively small projects that aim to create a local impact. Such projects make life more bearable for poor people and help them to do what they are doing a little better.

However, if it is economic dynamism that policy makers expect to generate through such projects, then they are likely to be disappointed. This is because most rural infrastructure projects are designed with the local, village-level economy in mind. But it is now well established that the local market, particularly if it is poor, provides few opportunities to expand production or to make better quality goods that can command high prices. If the producer is to earn more on his or her produce, then he or she must upgrade production technology and access the more dynamic urban market. Thus, if one’s goal is to develop infrastructure so as to enable the poor village producer to move out of poverty and onto a higher income growth path, then rural infrastructure alone is not enough. Policy makers also need to develop infrastructure that integrates markets and equalises business opportunities between the rural and urban sectors.

7. CONCLUSIONS

There is little disagreement that rural infrastructure is necessary to reduce poverty. But this review of the Sri Lankan experience showed that designing policies based on the accepted wisdom to maximise those benefits, is a difficult task. The impact and sustainability of such programmes are determined not only by factors such as quality, reliability and quantity, but also by variables such as who decides where they are sited, who actually benefits from them, and the efficiency of institutional structures through which not only they, but other interventions too, are implemented and sustained.

Finally, policy-makers need to be clear about their objectives. If the aim is to ‘make life more bearable’ for the poor, then a localised approach to rural development may be the most cost-effective. However, if the objective is to set the rural economy on a higher growth path, then a greater emphasis on integrating markets and ensuring the functionality of infrastructure-based service systems, may be needed.

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