

Research Studies: Agricultural Economic Policy Series No.8  
February 2012

## Impact of Migration and Remittances on Investment in Agriculture and Food Security in Sri Lanka



Parakrama A. Samaratunga  
Roshini Jayaweera  
Nethmini Perera



INSTITUTE OF POLICY STUDIES OF SRI LANKA

Research Studies: Agricultural Economic Policy Series No.8

February 2012

**Impact of Migration and Remittances  
on Investment in Agriculture and Food  
Security in Sri Lanka**

**Parakrama A. Samaratunga**

**Roshini Jayaweera**

**Nethmini Perera**

---

**INSTITUTE OF POLICY STUDIES OF SRI LANKA**

100/20, Independence Avenue, Colombo 7, Sri Lanka

## Table of Contents

List of Tables.....	i
List of Figures.....	i
List of Acronyms.....	ii
Acknowledgement.....	iii
Executive Summary.....	iv
<b>1. Introduction.....</b>	<b>1</b>
1.1 Background.....	1
1.2 Methodology.....	1
<b>2. Overview of Migration.....</b>	<b>2</b>
2.1 History of Sri Lankan Migration.....	2
2.2 Destination Countries.....	4
2.2.1 Middle East.....	5
2.2.2 Commonwealth Countries.....	6
2.2.3 East Asia.....	6
2.2.4 Europe.....	7
2.2.5 Africa.....	8
2.3 Feminization of Migration.....	8
2.4 Types of Employment.....	9
2.5 Age of Migrant Workers.....	10
<b>3. Agriculture in the Sri Lankan Economy.....</b>	<b>11</b>
3.1 Composition of Sri Lankan Agriculture.....	12
3.2 Place of Agriculture in External Trade.....	12
3.3 Resources in Agriculture.....	14
3.3.1 Land.....	14
3.3.2 Employment in Agriculture.....	15
<b>4. Poverty Prevalence at Sectoral Level in Sri Lanka.....</b>	<b>16</b>
4.1 Characteristics of the Poor.....	17
4.1.1 Education Status.....	17
4.1.2 Health and Nutrition.....	17
4.1.3 Low Assets.....	17
4.1.4 Low Income.....	18
<b>5. Food Security.....</b>	<b>18</b>
5.1 Macro Level Food Security.....	19
5.2 Micro Level Food Security.....	21
<b>6. Migration and Remittance: The Macro Scenario.....</b>	<b>22</b>

<b>7. Micro Level Impact of Remittances.....</b>	<b>23</b>
7.1 Contribution of Remittances to the Total Income of Households.....	23
7.2 Impact of Remittances on Health and Education.....	24
7.3 Impact of Remittances on Food Consumption and Security.....	25
7.4 Impact of Remittances on Agriculture Investment.....	26
7.5 Impact of Remittances on Housing.....	27
7.6 Migration and Agricultural Labour/Wages.....	29
<b>8. Institutional Infrastructures for Remittances.....</b>	<b>30</b>
8.1 Official Channels of Remittances.....	30
8.1.1 Efficiency of Formal Channels of Remittance.....	32
8.2 Informal Remittance Systems in Sri Lanka.....	33
<b>9. Review of the Policies and Institutions for Migration.....</b>	<b>33</b>
9.1 Sri Lanka Bureau of Foreign Employment (Ministry of External Affairs).....	34
9.2 Foreign Employment Agencies.....	34
9.3 MOUs on Foreign Employment.....	35
<b>10. Recommendations.....</b>	<b>36</b>
<b>References.....</b>	<b>39</b>

**List of Tables**

Table 2.1:	Departures for Foreign Employment by Districts (2004-2009)	4
Table 2.2:	Total Departures by Foreign Employment by Regions (2005-2009)	5
Table 3.1:	Sri Lanka: Percentage Contribution to GDP by Industrial Origin	12
Table 3.2:	Contribution of Various Sectors of Agriculture to Gross Domestic Product of Sri Lanka (2010)	13
Table 3.3:	Share of Agriculture in External Trade of Sri Lanka	14
Table 3.4:	Size Distribution of Agricultural Holdings in Sri Lanka (2002)	15
Table 3.5:	Employed Population in Major Industrial Groups in Sri Lanka	15
Table 4.1:	Poverty Headcount Index by Sector (1990-2009/10)	16
Table 4.2:	Incidence of Poverty by Land Holding Size (1995/96)	18
Table 5.1:	Annual Average Food Availability in Sri Lanka by Major Food Commodity Groups (2000-2007)	19
Table 6.1:	Remittance Flow, by Regions	23
Table 7.1:	Contribution of Income Sources to Total Household Income	24
Table 7.2:	Investment on Assets	26
Table 7.3:	Financing of Livelihood Activities	27
Table 7.4:	Monthly Expenditure on Housing Activities	28
Table 7.5:	Housing Characteristics of Remittances Recipients and Non-recipients	28
Table 8.1:	Distribution of Banks and Bank Branches	30
Table 8.2:	Remittances through Licensed Commercial Banks (Rs. mn.)	31

**List of Figures**

Figure 2.1:	Departures for Middle East Region for Foreign Employment (2009)	5
Figure 2.2:	Departures for Commonwealth Region for Foreign Employment (2009)	6
Figure 2.3:	Departures for East Asian Region for Foreign Employment (2009)	7
Figure 2.4:	Departures for Europe for Foreign Employment (2009)	7
Figure 2.5:	Departures for African Region for Foreign Employment (2009)	8
Figure 2.6:	Departures for Foreign Employment by Sex (1986-2009)	8
Figure 2.7:	Departures for Foreign Employment by Manpower Groups (1994-2009)	9
Figure 2.8:	Departures for Foreign Employment by Manpower Groups (2009)	10
Figure 2.9:	Departures for Foreign Employment by Age Group	11

## **List of Acronyms**

AgGDP	Agricultural GDP
ALFEA	Association of Licensed Foreign Employment Agencies
BOC	Bank of Ceylon
BOP	Balance of Payments
BPO	Business Promotion Officers
CBSL	Central Bank of Sri Lanka
FAO	Food and Agriculture Organization
FDI	Foreign Direct Investment
FGDs	Focus Group Discussions
GCE (O/L)	General Certificate of Education (Ordinary Level)
GDP	Gross Domestic Product
GEC	Global Economic Crisis
GNP	Gross National Product
HIES	Household Income and Expenditure Survey
IOM	International Organization for Migration
LCBs	Licensed Commercial Banks
LSBs	Licensed Specialized Banks
MFEPW	Ministry of Foreign Employment Promotion and Welfare
MOUs	Memorandum of Understanding
MTBs	Money Transfer Businesses
NGOs	Non-Government Organizations
NRFC	Non-Resident Foreign Currency
PHI	Poverty Headcount Index
SEEDS	Sarvodaya Economic Enterprises Development Sector
SLBFE	Sri Lanka Bureau of Foreign Employment
SLFEA	Sri Lanka Foreign Employment Agency (Pvt) Ltd
SMEs	Small and Medium Enterprises
UAE	United Arab Emirates
UK	United Kingdom
USA	United States of America

## **Acknowledgement**

The publication is based on a study carried out by the Institute of Policy Studies of Sri Lanka (IPS) on 'Impact of Migration and Remittances on Agriculture and Food Security: Case of Sri Lanka' with the financial support of the United Nations Food and Agriculture Organization under their Project GCP/INT. 3302. The authors wish to acknowledge the support of the Food and Agriculture Organization for their inputs and feedback at various stages of the study.

The authors are also thankful to Dilani Hirimuthugodage for research assistance and Asuntha Paul for secretarial assistance.

## **Executive Summary**

Out-migration for work abroad has been a known phenomenon within the Sri Lankan labour force for a long time. However, by the mid-1980s, the proportion of unskilled workers was becoming more significant and at present this percentage lies in the region of 65 per cent. A large segment of these unskilled migrants come from the rural sector where the main occupation is agriculture. Out-migration of small farmers or members of their families can have both positive and negative effects on rural agricultural production as well as consumption. This study intends to formally examine the impact on rural agricultural production and the food security situation in farm families resulting from out-migration of the members of the rural agricultural sector of Sri Lanka.

This study is based on the information collected through a survey of existing literature, Focus Group Discussions (FGDs) and key informant interviews and secondary data gathered in the Household Income and Expenditure Survey (2006/07) conducted by the Department of Census and Statistics. Eight FGDs were conducted in Polonnaruwa, Ratnapura and Puttalam districts to represent commercial agriculture, semi-subsistence agriculture and fishery sectors, respectively.

The study found that, of the total departures for foreign employment, about 92 per cent were directed to the Middle East countries and the destination of the rest is mainly the Commonwealth region. Outflow of migration from Sri Lanka is increasing over time and this increased trend is mainly driven by the unskilled workers and housemaid categories. Although there is a decreasing trend in the housemaid category, it still dominates the Sri Lankan migration sector. Migration for all professional, middle level and clerical employment opportunities is less than 10 per cent of the total migrating from Sri Lanka. There is an increasing trend in these categories of manpower though their growth is very slow.

Although there is a decreasing trend in female migration, still, they are dominating the Sri Lankan migration scenario. This is, as mentioned above, mainly due to the heavy outflow of female migrants as housemaids to the Middle East countries. The foreign employment market for Sri Lankan workers has been dominated by females belonging to the age group of 25-39 years, engaged as housemaids mainly working in the Middle East. In 2009, however, the male to female ratio has been nearly one to one.

The contribution of incomes from paid employment and services becomes significant when moving towards richer segments. However, the role of remittances in the income of all households is prominent. On average, remittance share of the total household income is around

47.2 per cent. Remittances account for a larger portion of the incomes of poorer segments. Nearly 81 per cent of the income of the poorest 10 per cent of the households is comprised of remittances. Findings of the FGDs reveal that remittances from abroad have increased demand for health and education services of migrant families. Especially, better schools for children and private sector health facilities are the main parameters that recorded increased demand for high quality services. It further reveals that remittance income has been used mainly for education, health and improving lifestyles through the purchase of consumer durables rather than spending on productive investment opportunities. This could be an area where some improvements are possible, but no substantial effort has been made by the state or civic organizations to educate the migrant families on rational financial management.

FGDs show mixed results on the effect of remittances on food consumption. No significant difference in food consumption before and after migration was observed in areas where commercial agriculture dominates. A relative minority in such areas reports an improvement only in the quantity of food intake and number of meals per day but not in the quality of the food they consume. However, in semi-subsistence farming areas, food consumption of the majority of households have been increased in terms of both quality and quantity. In the more urbanized fisher community, a totally different picture about food consumption was reported. Though there is no significant improvement in the food consumption before and after migration, some "bad" consumption patterns have been adopted, especially by children in migrants' families, such as increased consumption of "junk food". This can be attributed to the more urbanized social background of the area and the "demonstration effect" it passes on.

Families receiving remittances show an interesting pattern in their investments on different assets, compared to the rest of the community. The share of families having consumer durables in the remittance receiving group is significantly higher than that of the remittance non-receiving group. The pattern of investment on productive assets reflects a similar situation. On the acquisition of the majority of agriculture and fishing equipment, the proportion of families receiving remittances has exceeded, but only slightly, than in the remittance non-recipient group. In both recipient and non-recipient groups, the proportions reporting purchases of consumer durables far exceed those reporting acquisition of productive agricultural assets.

Lack of labour is a main issue faced by the farmers in this area due to out-migration and the household members left behind cannot engage in agricultural activities or other livelihood activities as they have to look after their children. Lost labour is made up for with the internal migrant workers and some of the people are using rented machinery as a substitute for farm labour. Further, they have been able to rent machinery which they have never used before, as a result of remittances. On the whole, remittance incomes have been used mainly for improving lifestyles through the purchase of consumer durables rather than spending on productive investment opportunities.

Overall analysis leads to the conclusion that the Middle-East - low skills trap in which the Sri Lankan migration scenario is presently caught in, has to be changed and more skilled migration has to be promoted. Aligning the educational system with the expansionary migration policy of the state would be the essence of encouraging skilled migration. Enhancing technical capabilities and foreign language proficiency could be the top priorities. Gender balance has to be consistent with the skill balance. Further, equal opportunities for migration should be made available in all areas by broadening the institutional network providing information and services to reduce the urban bias in the Sri Lankan migration scenario.

To maximize the development impact of migration on agricultural investment, food security, rural development and poverty reduction, the major recommendation to be made is on the consistency between the macro objective of increased migration and the sectoral policies for grass roots level development. Increasing the profitability in the rural agricultural sector by increasing investment on research and extension on new crops and livestock enterprises for diversification of agriculture both vertically and horizontally so that the rates of returns on investment in agriculture would be attractive is the major intervention needed in the agricultural sector. Changing the form of agriculture from traditional practices full of drudgery to a modernized and formalized agriculture with social recognition would also be helpful to attract the youth who earn money by out-migration, into it. Investment on technical and institutional development of small and medium enterprises (SMEs) that are agro-based or non-agro based is another avenue of attracting remittances/ savings into rural development.

For the non-agricultural rural migrants such as carpenters and masons, providing the initial support to start self-employment in such areas as securing formal credit/ mortgage facilities and, if needed, initial price subsidies for equipment etc. is another suggestion. Encouraging technical NGOs, Cooperatives and Civil Society Organizations to get actively involved in co-development projects, which are nearly non-existing in Sri Lanka currently, and instituting state and para-statal mechanisms to educate migrant as well as non-migrant households on financial management, self-employment, rural investment and micro level food security - particularly on nutritional security and food utilization- can also contribute to effective utilization of earnings from migration.

## 1. Introduction

### 1.1 Background

Since the late 1970s, out-migration of the members of Sri Lanka's labour force has been on an increasing trend. In the early stages, such migrants mainly constituted skilled workers such as carpenters and masons. However by the mid-1980s, the proportion of unskilled workers was becoming more significant and at present this percentage lies in the region of 65 per cent. A large segment of these unskilled migrants come from the rural sector where the main occupation is agriculture.

Sri Lanka's rural agriculture is almost entirely made up of smallholders who operate less than one hectare of land. Obviously their earnings are low and the rural poor constitute 84.7 per cent of the entire population below the poverty line. In spite of the fact that these rural poor are "farmers", their food security situation is poor. They are caught in the so called "poverty trap" that starts with low resource endowment leading to low productivity and low income and back to low output and income. Food insecurity is therefore in the beginning as well as at the end of this process.

The unskilled migrants as mentioned before, come from among these rural smallholder community as a result of their effort to escape from this "trap". Out-migration of such small farmers or members of their families can have both positive and negative effects on rural agricultural production as well as consumption. The major benefit comes in the form of remittances or savings. It is possible to hypothesize that such added earnings may lead to increased production and productivity through acquisition of land, machinery etc. It is also possible that they could lead to enhanced use of modern technology. As such, increased earnings through migration can lead to higher food security and elevated income status. On the other hand, migration of a farm operator or his family members directly reduces the labour available for work at their farms. At a more aggregate level, the resulting shortage in rural labour force could drive rural wage rates up, directly increasing the cost of agricultural production. This may lead to abandonment of agricultural lands or operating them at a lower level of productivity. Of course, there are many more economic impacts as well as social impacts relating to out-migration of rural small farmers and their family members.

Hypothesizing notwithstanding, what actually happens to the rural agricultural sector and the food security situation of its constituents have not been adequately examined in Sri Lanka. Therefore, this study intends to formally examine the impact on rural agricultural production and the food security situation in farm families resulting from out-migration of the members of the rural agricultural sector of Sri Lanka.

### 1.2 Methodology

This study is based on the information collected through the following methods:

- A survey of existing literature.
- Focus Group Discussions (FGDs) and key informant interviews.
- Household Income and Expenditure Survey (2006/07) conducted by the Department of Census and Statistics.

Eight FGDs were conducted in Polonnaruwa, Ratnapura and Puttalam districts. Of the total number of FGDs, four discussions were conducted in Polonnaruwa district where the majority of the population consists of commercial farmers with irrigation. Agricultural activities in Polonnaruwa are large scale rice and subsidiary food crop production under assured irrigation. Two discussions were conducted in Ratnapura where there are small scale semi-subsistence rice farmers operating under rain fed conditions. Apart from rice farmers, there are small scale plantation owners (tea and rubber) as well, in this area. Two FGDs were conducted in Wennappuwa area from Puttalam district where there is a large fisher community, the members of which migrate to Italy. This selection of areas is supposed to adequately cover the variability of the migrants from different rural environments in Sri Lanka.

At the end of the FGDs, every participant of the FGDs was interviewed individually with the objective of collecting information of remittance utilization. Altogether, 74 individuals have been interviewed for the study. The data collected from FGDs were augmented with information gathered in key informant interviews and some relevant extractions from the data collected in the Household Income and Expenditure Survey of 2006/07.

## **2. Overview of Migration**

International labour migration from Sri Lanka has been increasing during the last few decades. As per the Central Bank Annual Report for 2009, there are 1.8 million Sri Lankan migrants working abroad. The scale of this migration compared to the size of the population, is significant (almost 9 per cent). Annual outflow of Sri Lankan migrant workers is estimated to be about 250,000 people (IOM, 2008). There are several reasons behind this outflow of Sri Lankan migrants. Firstly, there is an increasing trend in migration for permanent settlement particularly in the skilled category who are migrating with the purpose of finding highly paid jobs and better opportunities of education for their children. Secondly, skilled, semi-skilled and unskilled workers are migrating temporarily for the purpose of better employment. Thirdly, political reasons such as the civil conflict has also encouraged some Sri Lankans to migrate overseas as refugees or asylum seekers. This was the main reason for the people in the Northern and Eastern Provinces of Sri Lanka to migrate during the last three decades. The fourth reason for Sri Lankans to migrate is for tertiary education. Some of the students return after the completion of their education, while some of them would settle down abroad if they found lucrative employment. The fifth and the last reason for migration is tourism. However, in the case of Sri Lanka, a very small segment of population go overseas for this purpose, while a large number of foreigners come to Sri Lanka as tourists. Considering all these reasons, it can be concluded that economic, social, political and educational motivations are all push factors for Sri Lankan people to migrate permanently or temporarily.

### **2.1 History of Sri Lankan Migration**

The first instance of outflow of Sri Lankans for foreign employment has reportedly been in the first half of the 20th century, under British rule, when the Sri Lankan Tamils emigrated to Malaysia in small numbers especially to work in British rubber plantations (IOM, 2008). Much of the early wave of out-migration consisted of students. By the late 1970s, thousands of students were receiving higher education overseas, sponsored by a number of scholarship programmes or taking advantage of relatively lax study/work rules (Srikandharaja, 2002). In the late 1970s, with the opening up of the Sri Lankan economy, the Sri Lankan

government searched for employment opportunities in the oil producing countries where there was a great demand for construction and other unskilled jobs in their massive development projects. This is the beginning of temporary migration for the purpose of foreign employment in Sri Lankan history. According to the statistics of the Ministry of Plan Implementation, 25,875 persons left for employment abroad in 1979 (Ruhunage, 1996 cited in IOM, 2008). This demand for labour from the Middle East countries doubled with the second oil price hike in 1979 and with the opening of garment factories in different countries. With the establishment of the Sri Lanka Bureau of Foreign Employment (SLBFE), more foreign employment opportunities were introduced to Sri Lankan workers resulting in increased migration for employment. However, from 1983 to 2008, political factors have also become dominant in the areas of migration from Sri Lanka. Due to the civil conflict in the country, a large number of people, especially those who lived in the conflict affected areas migrated as asylum seekers.

There is a lack of data regarding the return migration and as a result, difficulties are encountered in explaining the types (seasonal or longer term) of migration. However, as described elsewhere in this paper, the majority of the migrant workers are migrating to Middle East countries as unskilled workers, especially as housemaids, and they normally work there only for two to three years. However, some of these housemaids migrate again but they do not stay for long periods. Therefore in general, it can be stated that the majority of the migrant workers are of the temporary migrant category.

The flow of Sri Lankans for Canadian permanent residency during 2000-2005 has continuously declined. However, from 2005 onwards, permanent migration to Canada has increased due to the civil conflict in Sri Lanka. From 2000 to 2007, 26,411 people have migrated to Canada on a permanent basis. During the period of 2004-08, the UK has offered settlement visas for 6,670 Sri Lankans. In addition, a significant number of Sri Lankans are migrating to USA and Australia. In 2009 alone, 4,440 permanent visas had been granted to Australia.

Table 2.1 shows the departures for foreign employment by districts during 2004 to 2009. It also shows that there is a wide regional variation in migration. Colombo district shows the highest departures for foreign employment over time. The second highest district in terms of the number of migrant workers departing is Kurunegala. However, from 2007, this trend had changed and the number of migrants from Kurunegala is now decreasing. In addition to these two districts, Gampaha, Kandy, Kalutara, Puttalam, Galle, Batticaloa, Ampara and Kegalle also indicate relatively higher numbers of departures for foreign employment.

In 2009, top five districts of Colombo, Kurunegala, Kandy, Gampaha and Kalutara accounted for 45 per cent of the total departures for foreign employment. Colombo district alone has contributed 12.4 per cent. This may be mainly because the size of the population of this district is the largest in the country and it has higher levels of service and information availability. Mannar, Mullaitivu, Vavuniya, Kilinochchi and Monaragala districts show relatively lower departures for foreign employment. Unavailability of services such as recruitment agencies and branches of the SLBFE may be the cause of preventing people in the Northern Province from migration. Lowest departures from Moneragala can be attributed to the fact that the high level of poverty prevalent in this area is acting as an impediment for financing the initial cost of migration. The lack of economic and information opportunities in this area also contribute to this situation (IOM, 2008).

**Table 2.1**  
**Departures for Foreign Employment by Districts (2004-2009)**

District	2004	2005	2006	2007	2008	2009*
Colombo	12.69	12.85	12.88	12.80	12.01	12.36
Gampaha	8.78	8.90	8.88	8.95	8.51	9.55
Kalutara	4.95	5.00	5.00	4.79	4.53	5.35
Kandy	6.91	7.15	7.16	7.43	7.56	8.39
Matale	2.69	2.68	2.55	2.66	2.54	2.68
Nuwara Eliya	1.58	1.70	1.75	1.91	1.78	1.83
Galle	5.17	5.23	4.99	4.67	4.21	4.88
Matara	2.25	2.32	2.28	2.42	2.16	2.27
Hambantota	1.67	1.68	1.61	1.69	1.58	1.55
Jaffna	1.25	1.26	1.31	1.82	1.66	1.22
Mannar	0.32	0.28	0.33	0.42	0.26	0.19
Kilinochchi	-	-	-	-	0.00	0.00
Vauniya	0.51	0.48	0.62	0.91	0.57	0.52
Mullaitivu	0.06	0.06	0.05	0.08	0.07	0.06
Batticaloa	5.13	4.92	4.27	4.68	4.40	4.75
Ampara	5.10	4.75	4.17	4.56	3.85	4.61
Trincomalee	2.43	2.23	2.17	2.13	2.00	2.34
Kurunegala	12.24	12.16	13.62	9.83	9.03	9.54
Puttalam	4.94	5.15	4.86	5.06	4.74	5.34
Anuradhapura	6.30	6.01	5.80	5.33	4.46	4.49
Polonnaruwa	2.46	2.50	2.36	2.27	1.89	2.06
Badulla	2.87	2.97	2.85	3.00	2.83	2.76
Monaragala	0.81	0.76	0.77	0.77	0.77	0.84
Ratnapura	2.73	2.87	2.85	2.76	2.63	3.08
Kegalle	4.75	5.00	4.88	4.49	3.95	4.59
Not indicated	1.41	1.09	2.00	4.58	12.04	4.76
Total	100.00	100.00	100.00	100.00	100.00	100.00

Note: \* Provisional.

Source: SLBFE, Annual Statistics Hand Book of Foreign Employment, 2009.

## 2.2 Destination Countries

Table 2.2 summarizes the destination regions of labour migration from Sri Lanka during 2005-2009. In 2008, of the total departures for foreign employment, about 92 per cent were directed to the Middle East countries such as Saudi Arabia, Kuwait, U.A.E and Qatar. Table 2.2 has excluded the Middle East countries which are in the Commonwealth such as Cyprus which have been included in the Commonwealth region. The second and third important regions to which Sri Lankans are migrating for foreign employment are Commonwealth and East Asian regions, respectively. The destination for the majority of the students who go for their higher studies is the Commonwealth region.<sup>1</sup>

However, most of the countries of other regions are included in the CW region. However, it is important to analyse the regions separately as there are disparities within the regions.

<sup>1</sup> Sri Lanka is placed in the 27th position in the entire world for the number of their graduates living in OECD countries, with 20 per cent of graduates living in OECD (IOM, 2008). Only a small percentage of those who qualify annually at the G.C.E. (A/L) can go into the local universities and as a result, most of the students after their Advanced Level examination seek admission in foreign universities.

**Table 2.2**  
**Total Departures by Foreign Employment by Regions 2005-2009\***

Region	2005	2006	2007	2008	2009
Middle East	93.85	91.83	93.76	92.35	93.49
Commonwealth	3.88	5.90	4.75	4.36	4.31
East Asia	2.18	1.95	1.38	2.95	1.83
South East Asia	0.00	0.00	0.00	0.00	0.01
South Asia	0.00	0.00	0.00	0.03	0.02
Africa	0.02	0.21	0.03	0.18	0.12
Europe	0.04	0.02	0.04	0.06	0.12
America	0.00	0.00	0.00	0.00	0.00
Latin America	0.00	0.04	0.00	0.00	0.00
Other countries	0.02	0.04	0.03	0.07	0.09

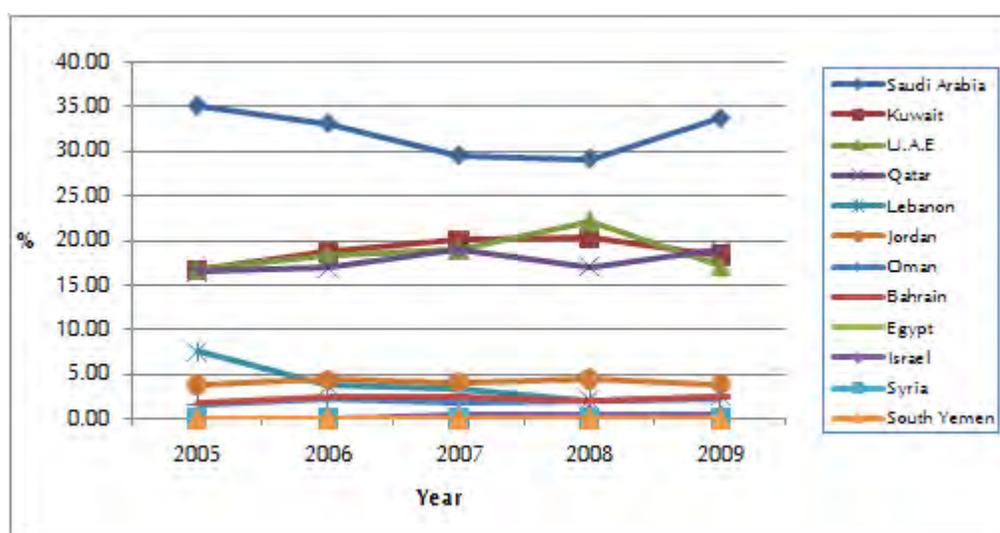
Note: \* Excluding Commonwealth countries in other regions.

Source: SLBFE, Annual Statistical Hand Book of Foreign Employment 2009.

### 2.2.1 Middle East

Saudi Arabia has continuously secured a significant share of the migrant workers over time except for the slight decline in 2006-2008 which may be due to the global economic crisis (GEC) at the time. The second important group of Middle East countries consists of Qatar, Kuwait and U.A.E. From 2005 to 2009 the number of workers migrating to Qatar has increased continuously except for the slight decline in 2008 as a result of the GEC. However, in 2008, both Kuwait and U.A.E have recorded their peaks, though it has declined slightly in 2009. The other group of Middle East countries which includes Lebanon, Jordan, Bahrain, Oman, Egypt, South Yemen and Syria records a stable trend without fluctuations. However, there is a significant reduction in the departures for foreign employment in Lebanon, decreasing from 16,402 in 2005 to 5,907 in 2009. This could be mainly due to the war in Lebanon in 2006.

**Figure 2.1**  
**Departures for Middle East Region for Foreign Employment in 2009**



Source: SLBFE, Annual Statistical Hand Book of Foreign Employment 2009.

### 2.2.2 Commonwealth Countries

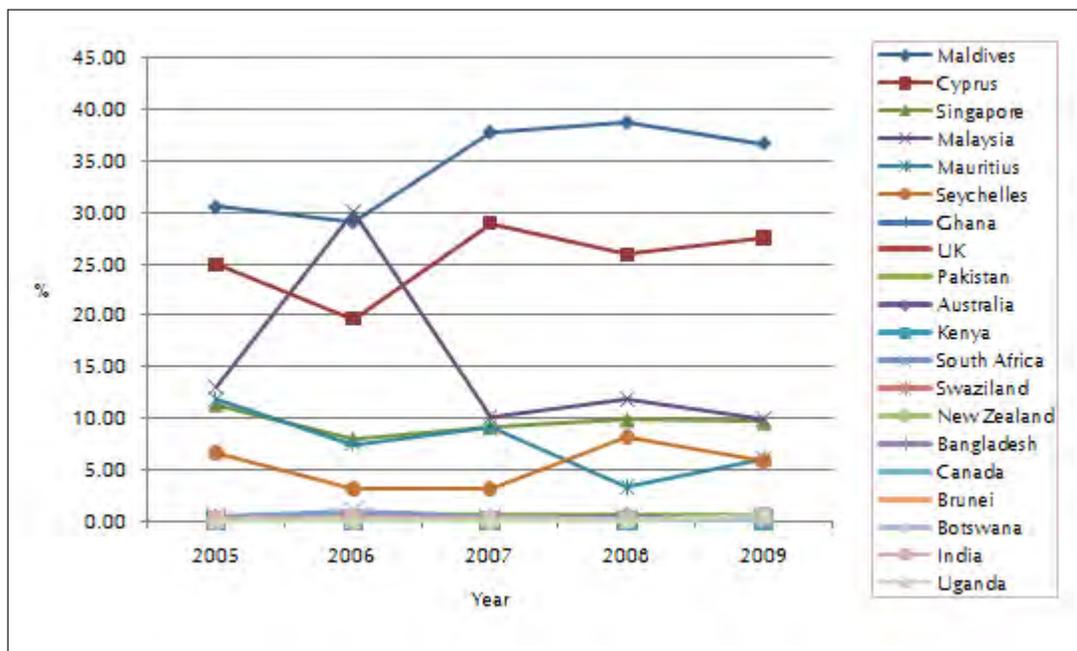
During the period 2005-2009, Maldives has been the most attractive destination for Sri Lankan migrant workers among CW countries. While it comes under the group of CW countries in this study, it is also one of the South Asian countries where Sri Lankans look for employment opportunities. The second important CW country is Cyprus which is geographically a Middle Eastern country. The other moderately important countries are Malaysia, Singapore, Mauritius, and Seychelles. Most of them are South East Asian countries. Student migration for the CW countries is higher in Sri Lanka compared to migration for employment.

### 2.2.3 East Asia

During the period 2005-2009, South Korea had been the dominant destination for Sri Lankan migrant workers compared to other East Asian countries. This is mainly because of the bilateral agreement between the Sri Lankan and South Korean governments.

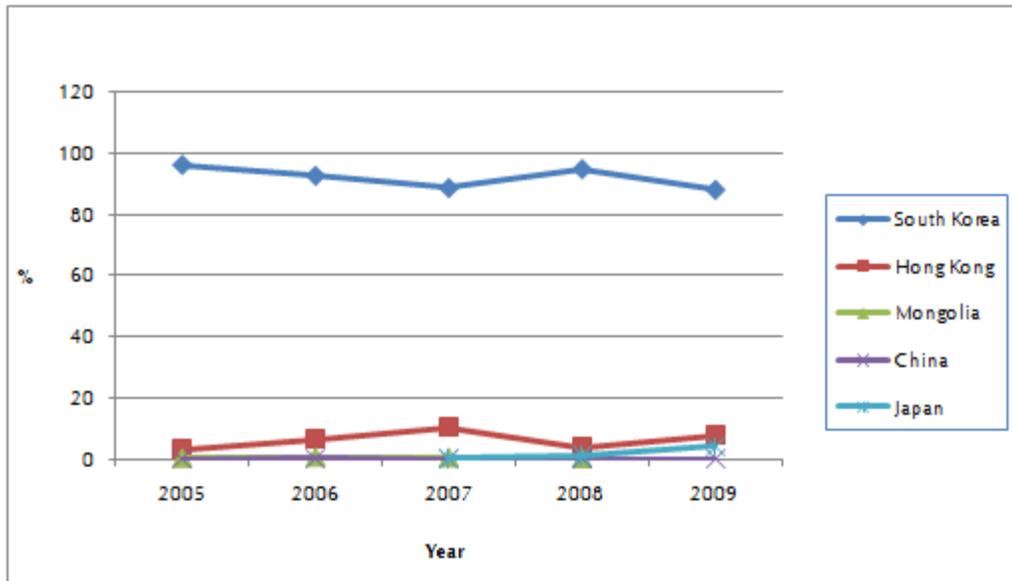
Sri Lanka Foreign Employment Association (SLFEA) is coordinating the recruitment of industrial trainees to be sent to South Korea under this agreement. Other East Asian countries such as Japan, China, Hong Kong and Mongolia together provide employment for around 10 per cent of the workers migrating to this region.

**Figure 2.2**  
**Departures for Commonwealth Region for Foreign Employment in 2009**



Source: SLBFE, Annual Statistical Hand Book of Foreign Employment 2009.

**Figure 2.3**  
**Departures for East Asian Region for Foreign Employment in 2009**

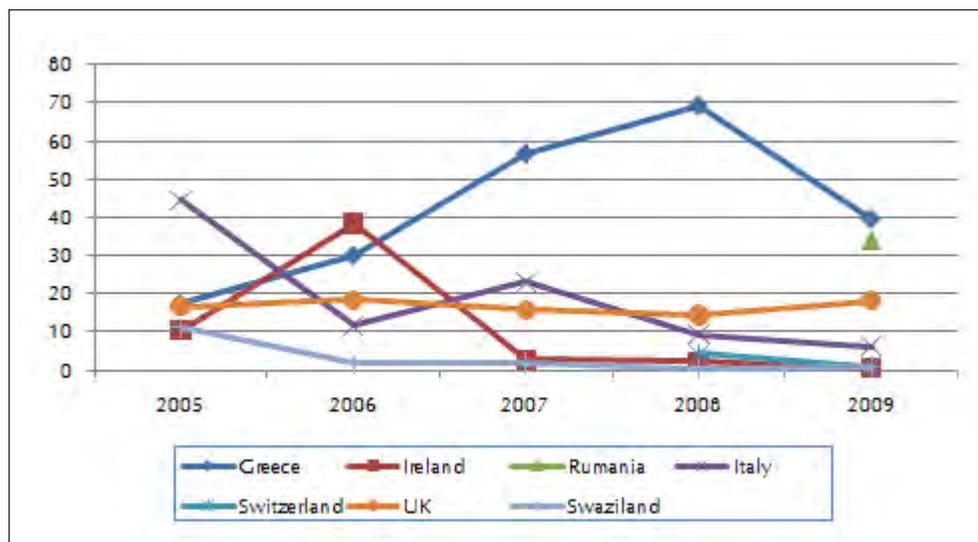


Source: SLBFE, Annual Statistical Hand Book of Foreign Employment 2009.

### 2.2.4 Europe

Greece is the destination of the majority of the migrant workers looking for employment opportunities in Europe. In addition, a considerable number of workers are migrating to Rumania and UK. However, as can be seen in Figure 2.4, there is a decreasing trend in migration to almost all the countries in this region except UK. Figure 2.4 also shows that there is a drastic decline in the percentage of migrant workers leaving for Italy.

**Figure 2.4**  
**Departures for Europe for Foreign Employment in 2009**

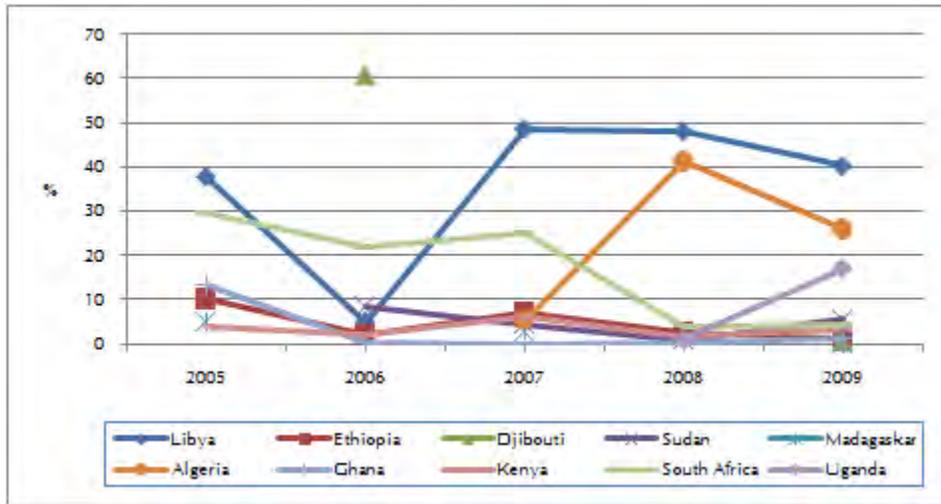


Source: SLBFE, Annual Statistical Hand Book of Foreign Employment 2009.

### 2.2.5 Africa

The most attractive country for the Sri Lankan migrants in the African region is Libya. Data on migration to Djibouti is limited. As can be seen in Figure 2.5, there had been a significant decline in migration to South Africa during 2005-2009. Algeria has also become more attractive recently to Sri Lankan migrant workers among African countries.

**Figure 2.5**  
**Departures for African Region for Foreign Employment in 2009**



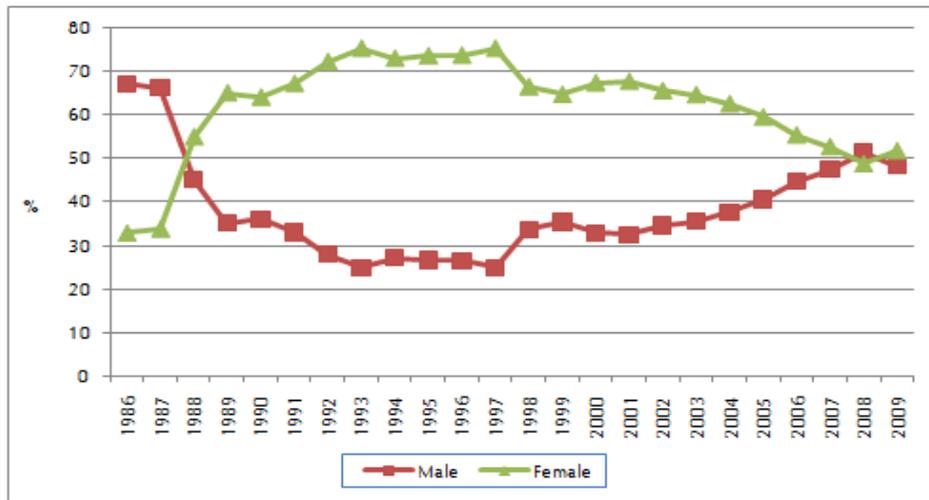
Source: SLBFE, Annual Statistical Hand Book of Foreign Employment 2009.

### 2.3 Feminization of Migration

SLBFE is the only institution which collects data on out-migration in Sri Lanka. According to the Annual Statistics Handbook of Foreign Employment published by the SLBFE (2009), 247,119 departures for foreign employment have been recorded. As can be seen in Figure 2.6, females have become dominant among the total migrant population from Sri Lanka. In the late 1980s, females' share of migrants for employment was only around 33 per cent. However, this has increased over time and peaked in 1997. Until the late 1990s there was a decreasing trend in male migration while there was an increasing trend in female migration. However, after the late 1990s, as can be seen in Figure 2.6, departures of male workers for foreign employment has increased except for a slight reduction in 2009, while the converse can be observed in the trend for female migrants. In 2008, males' share was slightly higher than the female percentage of migrants. This does not mean that the absolute number of female migrants is decreasing whereas only the percentage of the total females show a decrease.

The increasing trend in male migration in recent years is mainly due to the increased demand for unskilled male labour from Middle East countries such as Qatar, UAE, Saudi Arabia and Jordan. On the other hand, the growth in the female departures for foreign employment has slowed down during the last few years mainly due to the increase in the availability of job opportunities in Sri Lanka and the government's discouragement of mothers with children under 5 years from migrating (IOM, 2008). Although there is a decreasing trend in female migration, still, they are dominating the Sri Lankan migration scenario. This is

**Figure 2.6**  
Departures for Foreign Employment by Sex (%), 1986-2009



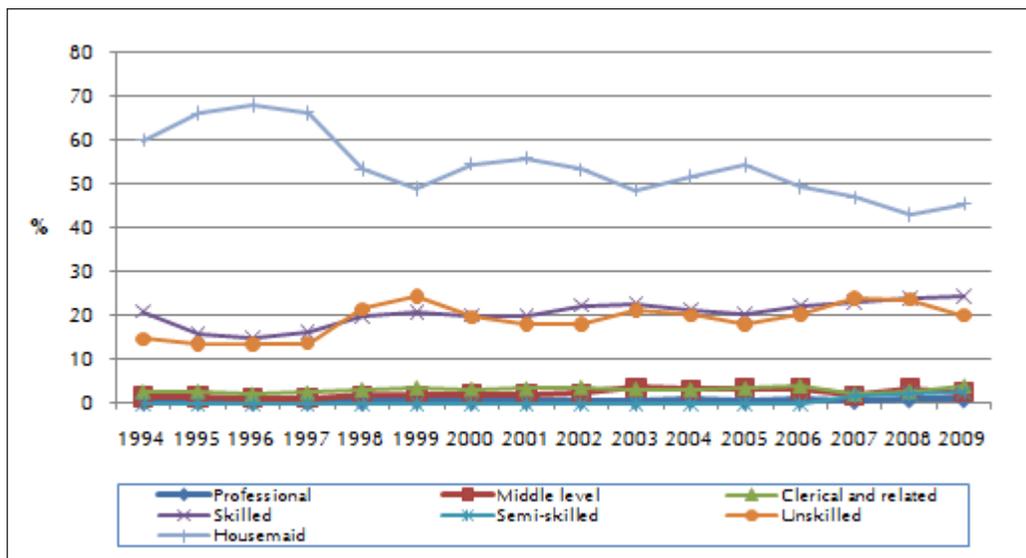
Source: SLBFE, Annual Statistical Hand Book of Foreign Employment 2009.

mainly due to the heavy outflow of female migrants as housemaids to the Middle East countries. The foreign employment market for Sri Lankan workers has been dominated by females belonging to the age group of 25-39 years, engaged as housemaids mainly working in the Middle East (IOM, 2008). In 2009, out of total migrants, 52 per cent were females while 48 per cent were males.

### 2.4 Types of Employment

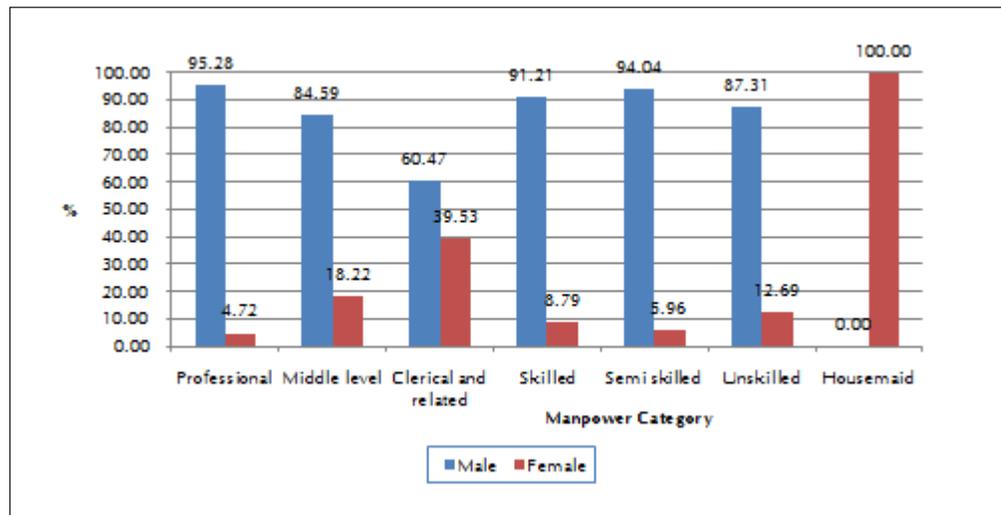
Outflow of migration from Sri Lanka is increasing over time and this increased trend is mainly driven by the unskilled workers and housemaid categories. Although there is a decreasing trend in the housemaid category, it still dominates the Sri Lankan migration sector.

**Figure 2.7**  
Departures for Foreign Employment by Manpower Groups (1994-2009)



Source: SLBFE, Annual Statistical Hand Book of Foreign Employment 2009.

**Figure 2.8**  
**Departures for Foreign Employment by Manpower Groups (2009)**



Source: SLBFE, Annual Statistical Hand Book of Foreign Employment 2009.

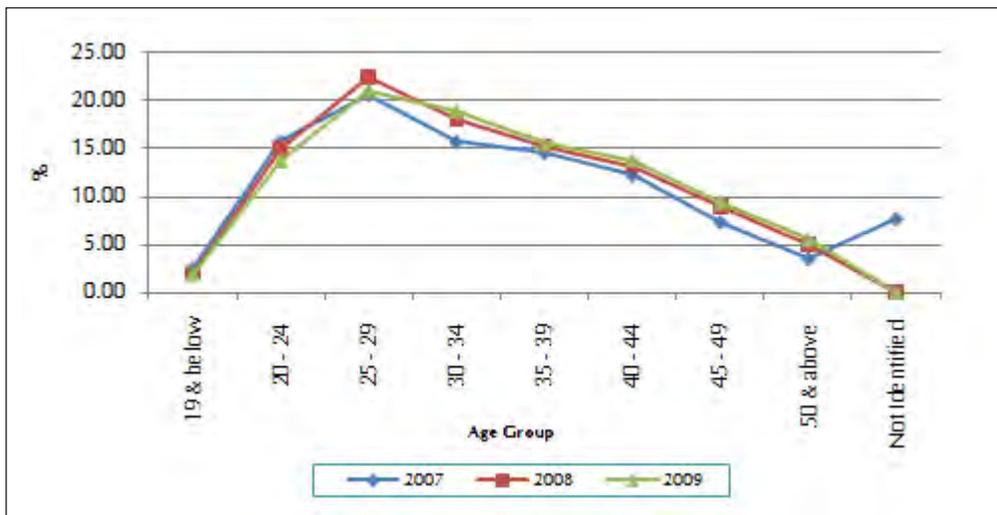
However, it has slowed down to 45 per cent in 2009 from 60 per cent in 1994. Migration for all professional, middle level and clerical employment opportunities is less than 10 per cent of the total migrating from Sri Lanka. There is an increasing trend in these categories of manpower though their growth is very slow. However, it should be mentioned here that data related to these categories do not provide the full picture as the majority of migrants in these groups migrate without registering at SLBFE.

In 2009, the skilled labour category accounted for 24.5 per cent while professionals were about 1.1 per cent, middle level workers were about 2.6 per cent and clerical workers contributed around 3.8 per cent. Therefore, all skilled categories together contributed 32 per cent to the total departures from Sri Lanka for foreign employment. A notable characteristic of this migration by different manpower categories is that male departures dominate in all manpower categories except the domestic aid group. However, it is interesting to note that for clerical and related jobs which are jobs classified under the skilled group, there is a considerable female contingent (almost 40 per cent).

## 2.5 Age of Migrant Workers

Figure 2.9 shows the departures for foreign employment by age groups. As can be seen therein, the majority of the migrant workers belong to the age group of 25-29 years. The trends in migration by age groups do not show significant differences between manpower groups. However, the professional migrants show a somewhat different pattern in which the majority of the migrants represent the age group of 30-39 years. However, there is no difference in the age distribution between genders and the majority of both male and female are coming from the same age group of 25-29. Age categories of 30-34 and 20-24 years are the second and third important groups respectively, in terms of the number of migrant workers. There is a negative relationship between the age and the number of migrant workers in the category above 30 years. Around 2 per cent of the migrants are from the age group of 19 years and below. The majority of the migrants who are 19 years and below depart as housemaids and unskilled workers.

**Figure 2.9**  
**Departures for Foreign Employment by Age Group**



Source: SLBFE, Annual Statistical Hand Book of Foreign Employment 2009.

The fact that the 25-29 year age group dominates among the migrant workers, leads to a number of questions. Most of the housemaids who work in host countries come back to Sri Lanka after a few years. Some of them stay in Sri Lanka and the remaining group will migrate again though it is again temporary migration. Whether these returnee migrants can find employment opportunities in Sri Lanka is one of the important questions. If they are to live in Sri Lanka for the rest of their lives, they should find suitable livelihoods. As they have been abroad during the age that is in demand for decent job opportunities in Sri Lanka, they often find it difficult to fit into the local job market after their return. On the other hand, reintegration into the system is also a problem as the working environment and the wage rates in Sri Lanka are below their expectations. The other impact of the migration of this age group is on their personal life, especially marriage and fertility.

### 3. Agriculture in the Sri Lankan Economy

Agriculture is one of the key sectors of Sri Lanka's economy with significant contributions to national income, employment, food and nutritional security, external trade and income of the people, particularly in rural areas. Agriculture in Sri Lanka is composed of four sectors viz., crops (plantation, food, and minor export crops), fisheries, livestock and forestry. However, the growth rate of the agriculture sector has been declining during the last three decades.

Sri Lanka's economy has recorded reasonable growth rates during the last two decades. The gross domestic product (GDP) of the country has increased at the rate of 4.8 per cent per annum during the period 1987 to 1997 and at 6.3 per cent per annum during 1997 to 2010. However, the growth rate of agricultural GDP (AgGDP) during this period has been considerably lower than that of total GDP. The growth rate of AgGDP had been 1.9 per cent per annum during the period 1987 to 1997 and 2.1 per cent per annum during 1997 to 2007 (FAO-RAP, 2009). However, with the recent political drive on boosting the agriculture sector, AgGDP has grown at a rate of 5.5 per cent per annum during the last five year period. With a widening gap between the growth rates of agricultural and other sectors (industry and services), the share

**Table 3.1**  
**Sri Lanka: Percentage Contribution to GDP by Industrial Origin**

Year	Agriculture, Forestry & Fishing	Industry	Services
1977	26.7	22.5	50.8
1987	22.0	28.5	49.5
1997	17.9	31.4	50.7
2007	11.9	28.5	59.6
2008	12.1	28.4	59.5
2009	12.0	28.6	59.4
2010*	11.9	28.7	59.3

Note: \* Provisional.

Source: Central Bank of Sri Lanka, *Annual Report*, various issues.

of agriculture in total GDP had declined from 26.7 per cent in 1977 to 11.9 per cent during 2010 (Table 3.1).

### 3.1 Composition of Sri Lankan Agriculture

As mentioned before, agriculture in Sri Lanka comprises four main sectors viz., crops, livestock, forestry, and fisheries. In terms of contribution to GDP, the crops sector is the largest accounting for nearly 75 per cent (Rs. 534.9 billion) of total AgGDP of Rs. 716.9 billion. Next in economic importance, is the fisheries sector with a share of 13.1 per cent (Rs. 93.8 billion) in total AgGDP, (Table 3.2). The contribution of the livestock sector is 7.6 per cent (Rs. 54.5 billion) and that of the forestry sector is 4.7 per cent (Rs. 33.7 billion) to total AgGDP of Sri Lanka.

Crops sector of Sri Lanka is composed of three groups of crops viz., plantation crops, food crops, and other crops. Plantation crops include tea, rubber and coconut which together account for 24.6 per cent of total AgGDP. The food crops include rice, maize, millets, pulses, edible oil crops, vegetables, and fruits. These together account for 42.6 per cent of AgGDP, more than the share of three plantation crops. The share of rice alone is 15.9 per cent of AgGDP of the country.

The third group of crops includes export agricultural crops - also known as minor export crops and some other minor crops. The combined share of this group of crops in total AgGDP is 5.8 per cent. Minor export crops (including pepper, cinnamon, cloves, cocoa, and cardamoms) account for 2.5 per cent of AgGDP and occupy around 75,792 hectares of land. Around 300,000 small landholders derive their livelihoods from these crops.

### 3.2 Place of Agriculture in External Trade

The share of agricultural products in external trade (exports and imports) is considerably higher than the share of agriculture in national GDP. However, during the last decade, the share of agricultural exports in total exports has increased slightly. During 1997, the exports of agricultural products, valued at Rs. 63.6

**Table 3.2**  
**Contribution of Various Sectors of Agriculture to Gross Domestic Product**  
**of Sri Lanka (2010)**

Sectors	Rs. Billion	% of Total Agricultural GDP
1 Crops		
1.1 Plantation Crops		
• Tea	71.8	10.0
• Rubber	44.1	6.2
• Coconut	60.4	8.4
• Plantation Development*	11.9	1.7
Sub-total (1.1)	188.2	26.3
1.2 Food Crops		
• Paddy	113.9	15.9
• Other Food Crops	191.4	26.7
Sub-total (1.2)	305.3	42.6
1.3 Other Crops		
• Minor Export Crops	17.9	2.5
• Others	23.5	3.3
Sub-total (1.3)	41.4	5.8
Total Crops (1)	534.9	74.6
2 Livestock	54.5	7.6
3 Forestry (including Firewood)	33.7	4.7
4 Fisheries	93.8	13.1
Total Agriculture (1 to 4)	716.9	100
Total GDP	5602.3	-

Note: \*Young plantations of tea, rubber and coconut (from time of planting up to maturity).

Source: CBSL, 2010, Economic and Social Statistics.

million accounted for 23.3 per cent of total exports of Sri Lanka (Table 3.3). In 2010, the exports of agricultural products increased to Rs. 230.7 million (recording an annual growth of 26.3 per cent per annum), and their share in total exports increased to 24.6 per cent, corresponding to the growth in total exports at the rate of 24.3 per cent per annum from 1997 to 2010. Tea is the main export agricultural commodity followed by rubber, cinnamon, and desiccated coconut (FAO-RAP, 2009).

The imports of agricultural products which, during 1997, were valued at Rs. 50.6 billion, increased to Rs. 88.6 billion in 2010, recording a growth rate of 5.8 per cent per annum. The share of imports of agricultural products in total imports during 2010 has recorded a notable decline to 5.8 per cent from 14.6 per cent in 1997. The main imported agricultural commodities are wheat, potato, onion, dried chilli, dry whole milk, sugar, palm oil, and soya meal. The balance of agricultural trade (surplus of exports over imports), which was at Rs. 13.1 billion during 1997, rose to Rs. 142.1 billion during 2010, mainly owing to higher growth of exports relative to imports. However, the deficit of external trade, combined for all commodities, has increased substantially during this period.

**Table 3.3**  
**Share of Agriculture in External Trade of Sri Lanka**

Year/Items	Agriculture (Rs.bn)	Total (Rs.bn)	Share of Agriculture (%)
<b>1997</b>			
Exports	63.6	273.7	23.3
Imports	50.6	345.9	14.6
Net Exports	13.1	-72.2	-
<b>2010</b>			
Exports	230.7	937.7	24.6
Imports	88.6	1,515.8	5.8
Net Exports	142.1	-578.1	-
<b>Annual Growth Rate (%) (1997 to 2007)</b>			
Exports	26.3	24.3	-

Sources: FAO-RAP, 2009, CBSL, *Annual Report 2010*.

### 3.3 Resources in Agriculture

#### 3.3.1 Land

Total geographical area of Sri Lanka is 6.56 million hectares. Land has been classified into agricultural land, forest land, water bodies, barren land, and non-agricultural land (built-up and urban uses) (Department of Agriculture, 2008). During the last 50 years, there has been a considerable increase in agricultural land from 2.95 million hectares in 1956 to 4.25 million hectares by 1990, owing to expansionary land and irrigation development programmes pursued by the state. In 2007, nearly 64.8 per cent of total land was classified as agricultural land. There has been a corresponding decrease in forest land from 51 per cent in 1956 to 28.8 per cent of total land during 2007. However the forests cover even now is quite considerable and close to the global norm of 30 per cent.

Agricultural land includes arable and permanent crop lands, sparsely used crop lands, and homesteads. According to FAO-RAP (2009), permanent crops in Sri Lanka during 2007 were 1.92 million hectares which is around 30 per cent of the total geographical area and 45 per cent of total land classified as agricultural land.

#### *Number and size of farms*

An important characteristic of Sri Lanka's agricultural sector is the dominance of tiny and small holdings. The results of Agricultural Census of 2002 provide enough evidence in this regard. There are 3.25 million farm (agricultural) holdings in the country, with an average size of 0.6 hectares. Nearly 45 per cent (1.46 million) of these holdings are tiny holdings (operating land area of up to 0.25 acres) with an average size of 560 square metres. These account for only 4.2 per cent of total area under cultivation (81.8 thousand hectares). The second group of farms, called small holdings, is defined as those operating more than 0.25 acres but less than 25 acres. The number of small farms is 1.78 million accounting for 54.8 per cent of all farms and 76 per cent of total area. The average size of these farms is 0.83 hectares (Table 3.4). The tiny and small holdings together account for 99.8 per cent of total holdings and 80.2 per cent of total cultivated land in Sri Lanka. The third and largest size of holdings/farms in the country is termed as estate holdings,

**Table 3.4**  
**Size Distribution of Agricultural Holdings in Sri Lanka (2002)**

Size-class	Number of Holdings		Total Area		Average Size (ha)
	('000)	%	('000 ha)	%	
Tiny Holdings [Less than or equal to 0.25 acre]	1462.9	45.0	81.8	4.2	0.056
Small Holdings [More than 0.25 acre but less than 20 acres (8.1 ha)]	1783.5	54.8	1476.0	76.0	0.828
Estate Holdings [20 acres (8.1 ha) or above]	6.6	0.2	384.8	19.8	58.303
Total	3253.0	100.0	1942.6	100.0	0.597

Source: Department of Census and Statistics, Census of Agriculture, 2002.

with an average size of 58.3 hectares. The number of such holdings/farms is 6,600, accounting for only 0.2 per cent of total holdings but 19.8 per cent of total cultivated area.

### 3.3.2 Employment in Agriculture

With the decline in the share of agriculture in the national economy, the proportion of people dependent on agriculture has also declined. The percentage of people employed in the agricultural sector (out of the total employed) declined from 46.7 in 1990 to 32.7 in 2010. However, the rate of decline is lower than the decline in share of agriculture in GDP and, in absolute terms, the number of people dependent on agricultural activities continues to be quite high. The distribution of people employed in three major industrial groups (Table 3.5) shows that in 2010, of a total of 7.7 million people employed in various sectors, the agricultural sector accounted for 2.52 million. Between 1990 and 2010, there has been a slight increase in the number of people engaged in agriculture. It was 2.36 million in 1990 and 2.52 million in 2010. The decrease in the share of agriculture in the total labour force from 47 per cent to 33 per cent in 2010 was due to the absorption by industry and services sectors.

**Table 3.5**  
**Employed Population in Major Industrial Groups in Sri Lanka**

Industry Group	1990*		2000*		2010**	
	million	%	million	%	million	%
Agriculture	2.36	46.7	2.27	36.0	2.52	32.7
Industry	0.98	19.4	1.49	23.6	1.87	24.2
Services	1.71	33.9	2.55	40.4	3.32	43.1
Total	5.05	100.0	6.31	100.0	7.70	100.0

Note: \*Excluding Northern and Eastern Provinces.

\*\* Excluding Northern Province.

Source: Department of Census and Statistics, Labour Force and Socio-Economic Surveys in 2008 and 2010.

### Share of rural population

People dependent on agriculture reside in rural areas. Despite the increasing number and proportion of people employed in industry and services sectors, the preponderance of the rural population has not declined. According to the Department of Census and Statistics, 80 per cent of the total population in 2001 was classified as rural and 5.4 per cent as estate sector population. The urban population accounted for only 14.6 per cent of the total population. However, in 2007, there was some decline in the proportion of rural population and increase in that of the urban population. In 2007, out of a total population of 20 million, nearly 72.2 per cent was classified as rural, 21.5 per cent as urban, and 6.3 per cent as estate sector population (CBSL, 2008). The current (2009) population is estimated to have gone up to 21.3 million (www.cia.gov, 2009). Accordingly, around 15.4 million people live in rural areas, 4.6 million in urban areas and 1.3 million in the estate sector.

A positive aspect of Sri Lanka's population is the relatively high rates of literacy among the people, including females, compared to that in other South Asian countries. Nearly 91 per cent of age 15-plus population in Sri Lanka is literate, and there is very little difference between the male and female literacy percentage. Another positive aspect of demography is the decline in the growth rate of the population. While the Department of Census and Statistics reports a growth rate of around one per cent per annum, FAO-RAP publications show a growth rate of 0.5 per cent per annum between 1996 and 2006.

## 4. Poverty Prevalence at Sectoral Level in Sri Lanka

As can be seen in Table 4.1, the poverty level in Sri Lanka is decreasing rapidly over time. The highest drop (41 per cent) of poverty level in Sri Lankan history is recorded within the three year period from 2006/07 to 2009/10. During this period, the Poverty Headcount Index (PHI) has declined to 8.9 per cent from 15.2 per cent.

Along with the national poverty level, rural poverty level has also declined during the 1990-2009/10 period. However, at any given time, poverty in rural areas appears to be greater than in urban and less than in the estate sector. When the absolute number of people is taken into account, the rural population below the poverty line is higher compared to both urban and estate sectors. For example, in 2009/10, out of 1.8 million people below the poverty line in Sri Lanka, 1.53 million are from the rural sector.

**Table 4.1**  
**Poverty Headcount Index (percentage) by Sector 1990-2009/10**

<b>Poverty Headcount Index (percentage) by Sector 1990-2009/10</b>	<b>1990/91</b>	<b>1995/96</b>	<b>2002</b>	<b>2006/07</b>	<b>2009/10</b>
Sri Lanka	26.1	28.2	22.7	15.2	8.9
Urban	16.3	14.0	7.9	6.7	5.3
Rural	29.5	30.9	24.7	15.7	9.4
Estate	20.5	38.4	30.0	32.0	11.4

Source: Department of Census and Statistics, <http://www.statistics.gov.lk/page.asp?page=Poverty>.

## 4.1 Characteristics of the Poor

Examining the characteristics of the poor indicates the reasons for the resource constraints facing this population group. The poor have numerous characteristics such as low education, poor nutritional status, low income, employment in low waged casual sector, landlessness or ownership of very small land areas inadequate for generating decent incomes, that force farmers into marginal lands, poor access to safe drinking water, sanitation facilities - all of which feed back in to the cycle of poverty. The following section will only examine a few of these characteristics in detail to highlight certain points.

### 4.1.1 Education Status

The effect of education on the incidence of poverty is shown by the inverse relationship between poverty level and education level. There appears to be significantly lower incidence of poverty among those who have passed GCE (O/L) examination,<sup>2</sup> while graduates and above are recording the lowest level. It is clear that access to education for the poor has a significant effect on reducing poverty. It is noteworthy that despite universal free education policy in the country since prior to independence, the education levels of the poor remain lower than the non-poor. This indicates poors' inability to cope with hidden costs associated with education or the need to leave school early to help support meagre family incomes.

### 4.1.2 Health and Nutrition

The relationship between health, nutrition and labour productivity is well established. Labour productivity and child development are affected by under-nutrition, micro nutrient deficiencies and morbidity (Tudawe et al., 2002). Therefore, the poor who do not have access to adequate nutrition will in turn be less productive than the less poor.

Nearly one-third of the adult population in Sri Lanka has been classified as undernourished.<sup>3</sup> The impact of under-nutrition on labour productivity is likely to be worst among the poorest. For instance, Nanayakkara (1994) examined the ultra poor and nutritionally-at-risk within income decile groups. The study found a close association between poverty and food insecurity (measured as food energy intake) where the risk of food insecurity and under-nutrition increases with poverty. In all sectors, nearly 44 per cent of the population in the lowest income decile were classified as nutritionally-at-risk and 35 per cent as undernourished. Nutritional deficiency increases with food insecurity beginning the poverty cycle through low income-food insecurity-undernutrition- high morbidity-low productivity- low income.

### 4.1.3 Low Assets

The poor also have access only to limited assets, which again prevents them from investing in economic opportunities. The low asset base is examined here via access to land. The largest proportion of the poor are landless. Those with no land in the rice sector appear to be among the worst of the poor in agriculture.

This is partly because earnings from casual employment from rice farming are low as rice is a low-income crop especially where there is no assured irrigation, and wage rates are thus lower than some of the cash crops. In all land holdings, contribution to poverty decreases with increasing size of holdings. The information in Table 4.2 also shows the skewness in size of land ownership.

<sup>2</sup> GCE (O/L) is the year 10 exam. GCE (A/L) is the year 12 exam and qualifying exam for university entrance.

<sup>3</sup> The wide variation in under nutrition level by province is also an indication of deprivation or bias in human capital development in different parts of the country.

**Table 4.2**  
**Incidence of Poverty by Land Holding Size -1995/96**

Land size (Acres)	All Land Holdings*		Paddy Land holding		Highland holding		Population Share of Total land
	Incidence of Poverty % Index	Contribution	Incidence of Poverty % Index	Contribution	Incidence of Poverty % Index	Contribution	
Landless	29.3	16.0	27.5	79.4	29.3	16.8	14.68
0 < 1/8	23.4	14.2	24.9	0.4	23.3	14.7	16.31
1/8 – 1/4	20.8	8.4	24.9	1.2	20.8	8.8	10.8
1/4 – 1/2	28.4	13.3	24.1	3.3	28.2	14.8	12.56
½ < 1	30.8	17.3	28.7	6.3	29.9	19.3	15.05
1 - < 2	28.3	14.4	24.1	4.6	28.7	15.3	13.69
2 - < 3	31.0	8.2	24.7	3.5	31.9	7.3	7.06
3 - < 4	28.5	4.4	18.7	0.7	23.3	1.3	4.1
4 - < 5	20.4	1.5	10.9	0.1	12.1	0.4	2.02
5 - < 10	15.8	1.5	11.7	0.3	16.1	0.6	2.53
10 - < 20	16.9	0.4	15.6	0.1	21.2	0.4	0.6
> 20	21.7	0.5	33.5	0.2	17.7	0.3	0.61

Note: \* All holdings of rural and estate sector.

Source: Gunawardena, 2000.

The proportion of those who own holdings larger than 4 acres is small. The implications for land degradation of small land holdings and poverty are significant in two areas. One is that with the current land tenure relationship where most of state land is leased to small as well as large farmers, sustainability issues of land use were the least of concerns, especially in the case of large farmers/companies with leased land. The poorer small farmers, with the correct technology and information would at least attempt to reduce degradation with the hope that one day the state will gift the land to them, but their efforts are hampered by severe capital constraints. In the meantime, intensive exploitation of land is also likely where the number of dependants on income from land increases due to lack of other employment opportunities. Secondly, depending on the crop type grown, unless small farmers could increase their holding sizes, they would not be able to achieve economies of scale and increase their farm earnings. They would be confined to subsistence agriculture, thus perpetuating poverty in rural sector.

#### 4.1.4 Low Income

The Income Expenditure Survey of 1995/96 shows that the vulnerability of households in lower income deciles is due to high levels of expenditure on food and beverages. The lowest income decile spends over 150 per cent of household income on food. Consequently, these households become indebted to money-lenders or shopkeepers and enter 'debt cycles' from which they cannot escape. Further, researchers have shown that poor financial management behaviour of some seasonal crop farmers leads to the poor remaining poor (Tudawe, 2001).

## 5. Food Security

Poverty and food security are two sides of the same coin. The most popular indicator of poverty - the Poverty Headcount Index - is based on a predetermined national poverty line and this poverty line is

defined as the income that is just sufficient to buy the basic calorie requirement. Those who cannot avail themselves of the basic food requirement - or "the food insecure" - thus form the core of the poor. But it is also important to note that it is often argued that poverty is the main cause of food insecurity.

Many characteristics of the poor class of Sri Lanka were highlighted in the previous section and food security situation is separately discussed here. As is well known today, food security consists of availability, accessibility and affordability of food in a given country or a region. Availability and physical accessibility are macro problems while a part of accessibility and affordability can be considered the micro level problems. Hence, the rest of the discussion is based on this classification.

### 5.1 Macro Level Food Security

Food security at macro level basically refers to food availability at aggregate level. Table 5.1 shows the annual average availability of major food commodity groups in Sri Lanka categorized based on the domestic production, exports and imports. It is clear from the table that more than three-fourths (77 per cent) of the food consumed annually in Sri Lanka is produced domestically while slightly less than one-fourth (24 per cent) is imported. The amount of food exports from the total domestic food production is very insignificant (just over 1 per cent). At individual commodity level, local production of all major food items except wheat flour, other cereals, sugar, pulses and nuts which are imported in bulk quantities, exceeds 75

**Table 5.1**  
**Annual Average Food Availability in Sri Lanka by Major Food Commodity Groups, 2000-2007**

Commodity groups	Gross availability (000 Mt)	Production		Exports		Imports	
		Qty (000 Mt)	% of the availability	Qty (000 Mt)	% of the availability	Qty (000 Mt)	% of the availability
Rice	3,079.82	2,979.11	96.73	3.94	0.13	104.65	3.40
Wheat flour	703.09	0.00	0.00			703.09	100.00
Other cereals	163.81	42.51	25.95			121.30	74.05
Roots, tubers & other starchy food	403.99	346.65	85.81			57.34	14.19
Sugar	559.39	52.71	9.42			506.68	90.58
Pulses & nuts	144.60	33.39	23.09			111.21	76.91
Vegetable (incl. onions)	960.53	841.78	87.64	6.07	0.63	124.82	12.99
Fruits	320.70	282.77	88.17	4.31	1.35	42.25	13.17
Meat	119.75	117.72	98.30	0.07	0.06	2.10	1.75
Eggs	51.35	51.35	100.00				
Fish	356.38	294.95	82.76	15.24	4.28	76.66	21.51
Milk	272.37	215.21	79.01			57.16	20.99
Oil & fats (incl. coconut)	977.58	1,022.59	104.60	61.93	6.33	16.93	1.73
Total	8,113.37	6,280.74	77.41	91.55	1.13	1,924.19	23.72

Source: Department of Census and Statistics, Food Balance Sheets (various years).

per cent of the total availability. Fish, milk, fruits, onions and potato are the other major items that are imported in significant quantities, while coconut and fish are the two major food commodities exported but in small proportions - i.e., 6 per cent and 4 per cent of gross availability, respectively.

Food imports have been increasing in both volume and value in absolute terms over the years. Although their share in total imports and total exports declined towards 2006 - 2007, they have been improving slightly since. Total value of food imports has more than doubled from 2002 to 2010, while food imports as a percentage of total imports has slightly risen from 9.26 per cent in 2002 to 10.2 per cent in 2010 and food imports as a percentage of total exports has increased from 12.03 per cent in 2002 to 16.7 per cent in 2010 (Central Bank of Sri Lanka).

As a whole, the food availability at national level has been on the rise due to increased domestic food production as well as imports. Nevertheless, this has not exerted pressure on the balance of payments due to expanding export earnings. The macro availability of food has thus improved slightly without causing alarm during the 2000s.

Being a small country, Sri Lanka is unlikely to experience any worsening macro level food security as long as the same trends continue and no serious constraints emerge in the global food market. This, however, does not mean that Sri Lanka's food security is problem free.

As Table 5.1 showed, even the coveted political goal of food self-sufficiency has not yet been reached in Sri Lanka. The extents cultivated to major food crops have been constant since 2000 but this level is considerably lower compared to the 1990-95 peak period. This is due to the present lack of new arable land to be brought under agriculture. Land and irrigation development programmes have been undertaken since 1930 up to the final stage of the Mahaweli river diversion scheme completed in the 1990s and this has marked the end of an era of area expansion in agriculture in Sri Lanka. Presently, 1.2 million ha of high land and 0.7 million ha of low land are available for food crop production and about 80 per cent of this total arable extent is annually cultivated. As such, even under most favourable conditions in economic and natural environments, only a 20 per cent increase in area cultivated can be expected. Under the present yield levels, therefore, the production cannot reach the national requirements even under the present levels of per capita food consumption (Samaratunga, 2011). As the population is growing at 1.1 per cent annually and per capita income is rising at 15 per cent per year,<sup>4</sup> the national requirement will be rising constantly in the years to come and consequently, area expansion will not be a solution to this growing food requirement.

Possible solution to this problem from the domestic production front should therefore come through yield improvement. Samaratunga (2011) shows that the yield levels of domestically grown food crops are stagnant for nearly 20 years at levels non-impressive even by developing country standards, except for rice. This situation has been a result of a severe lack of investment on agricultural research and extension in Sri Lanka since the late 1970s.

---

<sup>4</sup> Average percentage change in per capita GDP 2000-07.

The impact of stagnant crop production technology is reflected in declining profitability. Private profitability in nominal terms may be stagnant or slightly increasing in some cases but they have been declining in real terms over the recent years. Social net returns would be even lower as the agricultural sector of Sri Lanka is supported by incentive prices and a fertilizer subsidy (Chandrasiri et al., 2010). The impacts of these subsidies on the productivity are questionable but their income distribution effects could be more prominent. This leads to the conclusion that the agricultural policy during the recent years, with the exclusion of the irrigation subsidy, has not helped the food security situation in Sri Lanka to improve in any significant proportion.

This low productivity combined with small farm sizes averaging at 0.48 ha (Census of Agriculture 2002, Department of Census and Statistics) do not provide adequate income for farmers to meet their consumption needs, let alone for investment on farm improvements and innovations. Under these circumstances, agriculture survives due to direct and indirect support measures provided by the government and partly to lack of alternative employment opportunities in the non-farm sector. Such measures consist of a massive fertilizer subsidy amounting to Rs. 11,000 million per year (in 2007), support prices for rice costing the state Rs. 3,387 million per year (in 2006) and ad hoc trade protection measures for selected crops. Economic costs of these measures are a reflection of the unsustainable and misdirected measures adopted by the government to tackle the macro level food insecurity through domestic production.

Although statistical evidence is scarce, the situation regarding the domestic production of livestock and fish suffer from similar lack of investment in technological improvement. The growth of local production in fish, meat and milk are only marginal in Sri Lanka. In fact, the per capita consumption levels of the three products are 31.85, 17.32 and 26.09 gms per day respectively, and these levels are considerably lower than the recommended consumption levels (Samaratunga, 2009). This low level of growth in livestock and fish production can be attributed to the inadequate attention paid towards technological enhancement in the respective sectors.

## 5.2 Micro Level Food Security

The macro, or national level parameters, according to the modern definition of food security explain only the food availability aspects and leaves the meso and micro level aspects of accessibility and affordability largely unattended.

However, The Consumer Finance and Socio Economic Survey Report 2003/04 (Central Bank of Sri Lanka, 2006) reveals some important features of the income distribution, a primary determinant of micro level food security, and the distribution of food consumption among income strata, in Sri Lanka. In fact, this is the real link between food security and poverty. According to the above survey, the relative share of food expenditure has declined over time and this was attributed to rising income, changing consumer preference, relative price variations, supply condition variability and changes in demographic composition. It was also observed that the real expenditure in both absolute and relative terms shifted from the consumption of carbohydrates towards the consumption of more nutritious food. This leads to the important conclusion that food consumption pattern and therefore, food security situation, is a dynamic phenomenon that calls for continuous vigilance and attention.

Central Bank of Sri Lanka (2006) also showed that food consumption expenditure is highest in the urban sector followed by rural and estate sectors. This is consistent with the sectoral variability of the poverty situation in the country. It also shows that there is a significant variation of household food expenditure among the provinces where predominantly urban provinces record high expenditure. Expenditure is moderately high in conflict affected provinces but this is not due to higher levels of consumption but to very high prices of food. All these together show that there is a meso level variation in food consumption, which may not be explained totally by income levels but by other factors such as physical accessibility, a factor that has not received much attention in the context of Sri Lanka's food security.

Tudawe (2001) presents some important conclusions on food consumption and nutritional status of the poor that have profound implications for micro level food security in Sri Lanka. Accordingly, food accessibility (meaning economic accessibility or affordability) has increased for high income strata and decreased for low income strata between 1981/82 and 1995/96 in spite of all government efforts to increase nutritional welfare of the latter. The study also observes that targeting of all food based social welfare programmes has been poor and consequently, the benefits do not necessarily reach the needy. The information required for the design and implementation of food based welfare programmes was found unavailable to the policy makers, and in fact, no concerted efforts have been made by any party to generate and/or use such information. Another interesting observation is that low income is not the only reason for poor nutrition. Low income earners tend to switch to more expensive, but not necessarily more or equally nutritious food, ending up in poor nutritional levels. Consequently, the need for nutritional education of the poor is also stressed.

Samaratunga (2009) shows that rice is the major calorie contributor in the Sri Lankan diet followed by wheat flour and sugar across the entire population, irrespective of income. The major reason for rice being the higher calorie supplier is basically its bulk consumption. The average consumer consumes around 300g of rice daily constituting the largest share of total calorie intake. In higher income deciles, calorie supplement through roots and tubers and sugar is larger than the lower deciles and it is the other way round with respect to wheat flour due to high bread consumption in lower deciles. One important feature is that rice consumption is almost similar in all deciles, showing the traditional preferences for it in Sri Lanka. All these lead to the conclusion that the average diet is highly cereal based and consumption of proteins, minerals and vitamins are therefore low. The danger in this situation is that some individuals or households that qualify as "food secure" are not "nutritionally secure". This has strong implications on the health and consequently, productivity of the Sri Lankan poor.

## **6. Migration and Remittance: The Macro Scenario**

Given the low rate of domestic savings and high rate of government expenditure, external finance is playing an important role in the country's development. Private remittances, official development assistance and foreign direct investment are the three main sources of external finance. Among these three sources, private remittances play an important role as a fairly stable source. As can be seen in Table 6.1, a significant portion of remittances (slightly more than 50 per cent) are received from the Middle Eastern region, as the majority of the Sri Lankan migrant workers are employed in this region. The second most important region in terms of the volume of remittances received is the European Union which accounted for nearly 20 per cent of total inflows in 2010.

**Table 6.1**  
**Remittance Flow, by Regions**

<b>Region</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
Middle East	56.8	57.1	58	59.8	59.9
European Union	18.5	19	20	18	18.1
Far East Asia	4.5	5.1	5.4	6	6.1
Europe Other	6.5	6.1	5	4	4.1
North America	6.5	5.5	4.2	3.9	3.8
South America	2	2.4	3	3.1	3
Australia and New Zealand	1.5	1.3	1.3	1.9	1.7
South Asia	1	1	1	1.1	1.2
South and Central America	1	1	0.8	0.8	0.9
Eastern Europe	0.5	0.5	0.4	0.4	0.4
Other	1.2	1	0.9	1	0.8
	100	100	100	100	100

Source: CBSL Annual Report 2010.

Remittance inflows have come to account for nearly 8.3 per cent of Sri Lanka's GDP in 2010, second only to export earnings from goods and far above that of average FDI inflows. The realized FDI including loans during 2009 decreased to US dollars 601 million after reaching a record high of US dollars 889 million in 2008, mainly due to the impact of the global financial crisis on the foreign financial flows (CBSL, 2009). However, it further explains that the net current transfers improved to US dollars 3005 million in 2009 on account of the improvement in private transfers despite the decline in transfers to the government. On the other hand, workers' remittances helped to completely offset the deficit in the trade account in 2009 and provided valuable support to the balance of payments (BOP). Thus, remittances help the Sri Lankan economy to ease its foreign exchange constraints and manage the exchange rate. Considering the contribution to GDP and BOP, it can be concluded that remittances have strong macroeconomic implications on Sri Lanka's economy.

Due to the significant contributions by migration to enhance GDP, BOP situation and employment, the government has been encouraging its expansion through various policy and institutional interventions. Nevertheless, out-migration has also caused several problems at micro level especially in relation to agriculture which will be discussed in some detail later in this paper. There are some policy inconsistencies in dealing with these macro benefits and micro costs of migration which will also be further explained later in the paper. Therefore, detailed information on migration and its development prospects as well as challenges is important for designing policies to maximize the development opportunities through migration and remittance.

## **7. Micro Level Impact of Remittances**

### **7.1 Contribution of Remittances to the Total Income of Households**

At micro level, remittances have been playing an important role in relation to poorer households in Sri Lanka. There are various sources of household income which can be broadly categorized into two groups, as gains from economic activities and transfers. In the Household Income and Expenditure Survey of 2006/07, these sources are captured under five main categories, namely, income from paid employment, food

**Table 7.1**  
**Contribution of Income Sources to Total Household Income**

Income Decile	Income Categories (%)				Other Cash Receipts	
	Employment	Food Crop Agriculture	Other Agriculture	Non-agriculture	Total	Remittances
Decile_01	3.9	1.7	1.6	3.9	88.9	80.7
Decile_02	26.5	3.2	2.1	4.8	63.4	57.2
Decile_03	33.5	2.7	2.1	8.1	53.6	42.4
Decile_04	27.5	2.6	3.3	9.6	57.0	51.2
Decile_05	37.6	2.3	2.4	8.7	49.0	42.9
Decile_06	36.9	0.2	2.0	12.0	48.9	41.1
Decile_07	30.1	1.2	5.1	10.3	53.3	41.3
Decile_08	36.9	0.4	4.7	12.4	45.6	36.9
Decile_09	40.7	0.5	4.3	8.6	45.9	40.5
Decile_10	31.8	0.3	2.4	15.5	50.0	40.4
<b>Total Sample</b>	<b>30.5</b>	<b>1.5</b>	<b>3.0</b>	<b>9.4</b>	<b>55.6</b>	<b>47.2</b>

Note: Income by ad hoc gains are excluded from total income analysis as it distorts the usual income pattern of the households.

Source: Authors' calculations using HIES 2006/07 data.

crop production activities (rice and vegetables), other agricultural activities (tea/rubber/coconut, fruits, fish/meat/eggs, dairy and horticulture), non-agricultural activities (e.g., manufacturing, construction and other services), other cash receipts (pensions, rentals, government transfers, dividends/interest, remittances/transfers), and ad hoc income [loans, sales of assets, savings, lotteries, compensation, etc. (Table 7.1)].

The contribution of incomes from paid employment and services becomes significant when moving towards richer segments. However, the role of remittances in the income of all households is prominent. On average, remittance share of the total household income is around 47.2 per cent. Remittances account for a larger portion of the incomes of poorer segments. Nearly 81 per cent of the income of the poorest 10 per cent of the households is comprised of remittances. It should furthermore be noted that the remittance share of the majority of remittance receiving families is significant irrespective of the income group they fall into. Out of the 1080 families with remittance income in the survey sample, around half of the families have over 40 per cent of income through remittances, a clear indication of the importance of remittances as a source of income at micro level.

## 7.2 Impact of Remittances on Health and Education

The impact of remittances on poorer households can be either positive or negative depending on the characteristics of the migrants and their household members in the home country who use the remittances. On the other hand, gender of the remittance user may affect on how remittances are used within the household. However, FGDs, conducted for the present study have shown mixed results on the gender of the remittance user and therefore, it is difficult to give an explanation as to how the gender of the remittance user affects the effectiveness of remittance use.

In Sri Lanka it has been proved that children of remittance recipient households have a lower school drop-out rate and also these households record better health indicators and higher birth weight of infants than

non-remittance recipient households (IOM, 2008). However, a recent study reveals that despite higher estimates of expenditure on health and education for migrant households, there is no significant difference between migrant and non-migrant households in terms of health and educational outcomes such as school enrolment and morbidity level (Arunatilake, et al., 2011).

Findings of the FGDs reveal that remittances from abroad have increased demand for health and education services of migrant families. Especially, better schools for children and private sector health facilities are the main parameters that increased demand for high quality services. It further reveals that remittance income has been used mainly for education, health and improving lifestyles through the purchase of consumer durables rather than spending on productive investment opportunities. This could be an area where some improvements are possible, but no substantial effort has been made by the state or civic organizations to educate the migrant families on rational financial management.

### **7.3 Impact of Remittances on Food Consumption and Security**

FGDs show mixed results on the effect of remittances on food consumption. Around 75 per cent of the participants at the FGDs conducted in Polonnaruwa district mentioned that there is no significant difference in food consumption before and after migration. The remaining 25 per cent mentioned that there is an improvement in the quantity of food intake and number of meals per day but not in the quality of the food they consume. However, according to the FGDs conducted in Avissawella, food consumption of the majority of households have increased in terms of both quality and quantity. The FGDs in Wennappuwa which is the most urbanized area among the selected locations, provide a totally different picture about food consumption. Though there is no significant improvement in food consumption before and after migration, it highlighted that some "bad" consumption patterns are adopted, especially by children in migrants' families such as increased consumption of "junk food". This can be attributed to the more urbanized social background of the area and the "demonstration effect" it passes on.

This information reveals a relationship between the changes in food consumption and resulting changes in food security and nutritional security after migration and the economic prosperity of the regions the migrants are coming from. Polonnaruwa is a commercial agricultural area and Wennappuwa is a relatively rich semi-urban fishing district. Both these areas are relatively highly productive, high income areas. They report low impact of remittances on food consumption because they had already been consuming adequately even before migration. Nevertheless, the trend of increased consumption of "junk food" rings an alarm that nutritional security as against food security, is a matter deserving more attention.

Avissawella, on the other hand, is an area with less productive and semi-commercial agriculture consisting of relatively poor farm families. Their food consumption had been poor before migration of a family member and as a result, remittances have caused a substantial improvement in their food consumption.

Hettige (1991) highlighted that migrant workers tend to become dependent on regular remittances and as a result, their spouses and other household members give up their income generating activities. This finding is further confirmed by the results of the FGDs which indicated that the majority of the spouses and other household members cannot engage in other income generating activities as they have to look after migrants' children. This results in a reduction of the potential of migration as a means of boosting

total family income. This could reduce the positive impact expected on food security and improving agricultural productivity.

#### **7.4 Impact of Remittances on Agriculture Investment**

Families receiving remittances show an interesting pattern in their investments on different assets, compared to other families (Table 7.2). The share of families having consumer durables in the remittance receiving group is significantly higher than that of the remittance non-receiving group. For instance, the proportion of families with DVD/VCD, electric fans and mobile phones is 15 percentage points higher in the first group.

The pattern of investment on productive assets reflects a similar situation. On the acquisition of the majority of agriculture and fishing equipment, the proportion of families receiving remittances has exceeded, but only slightly, than in the remittance non-recipient group. In both recipient and non-recipient groups, the proportions reporting purchases of consumer durables far exceed those reporting acquisition of productive agricultural assets. On the other hand, only a very few people (less than 1 per cent) have used remittances to acquire agricultural land. Some were able to get mortgaged lands released or purchase lands for agriculture using the remittances received from abroad. A small proportion of people (less than 1 per cent) have mentioned that they were able to start new rubber and tea cultivations with the remittances. This clearly demonstrates the unawareness of the remittance receiving families on the importance of directing their money on productive investments. The habit of purchasing of consumer durables far in

**Table 7.2**  
**Investment on Assets**

Asset	With Remittance		Without Remittance	
	No.	%	No.	%
<b>Consumer Durables</b>				
Radio	176	86.3	4,302	83.9
Television	162	79.4	3,921	76.4
VCD / DVD	77	37.7	1,146	22.3
Refrigerators	77	37.7	1,427	27.8
Electric fans	105	51.5	1,835	35.8
Telephone (fixed)	73	35.8	1,450	28.3
Telephone (mobile)	79	38.7	1,245	24.3
<b>Productive Assets</b>				
<b>Agriculture Equipment</b>				
2 wheel tractor	8	8.3	284	9.8
4 wheel tractor	4	4.2	46	1.6
Sprayer	17	17.7	474	16.4
Thresher	2	2.1	46	1.6
Water pumps	20	20.8	358	12.4
<b>Fishing Equipment</b>				
Boats	4	2.7	106	3.1
Fishing nets	7	4.8	136	4.0

Source: Authors' calculations using HIES 2006/07 data.

excess of productive assets by agricultural families irrespective of access to remittances, needs to be further investigated. The most plausible economic reason for this is low returns to agricultural capital. Positive time preference of consumption could be another explanation. Either way, an improvement in profitability of agriculture would attract a sizeable proportion of remittances for a more sustainable course of action. Here is one salient policy inconsistency. The government does not pay an adequate level of attention towards securing the utilization of "hard earned money" at micro level in sustainable development. Technology generation and dissemination in agriculture has been stagnant in Sri Lanka due to very low investment by the state in research and extension since 1977 (IPS, 2008). Such policy inconsistencies prevent Sri Lanka from realizing the possible benefits from migration and remittances on agriculture.

In Polonnaruwa district where the major livelihood of people is irrigation based rice farming, the FGDs conducted highlighted that remittances play a major role as a source of finance for livelihood activities of the migrants' families. These findings of the FGDs were further confirmed by the information collected through the individual interviews. As can be seen in Table 7.3, 45 per cent of the respondents reported that they use remittances as the source of finance for their livelihood activities. This is clearly the response that could be expected from commercially oriented farm families. In Avissawella too, where farming is relatively backward compared to Polonnaruwa, similar responses were recorded. But, a significant difference noted is that credit is not at all reported as a source of finance in Avissawella and they use savings to make up for the deficit in income. This could perhaps be due to the fact that the farmers there are relatively resource poor and consequently, they lack the necessary collateral to obtain credit. It was reported by some migrant families that higher income through remittances has improved their creditworthiness. Nevertheless, not enough information is available to make a firm conclusion on this.

However, in Wennappuwa, the findings show a very different picture where none of the recipients use remittances for their livelihood activities and livelihoods are totally financed through savings. This again could be attributed to high levels of income and savings in this relatively rich area. Also, the urban trend on investing savings in financial assets and living on the yields could be another reason.

## 7.5 Impact of Remittances on Housing

According to the FGDs, the majority of the participants have used their remittances for building houses in addition to children's education and health. The HIES data too confirms that the conditions of families receiving remittances are better and they spend more on housing.

<b>District</b>	<b>Main Source of Finance (% of respondents)</b>			<b>Total</b>
	<b>Savings</b>	<b>Credit</b>	<b>Remittances</b>	
Polonnaruwa	35	19	45	100
Wennappuwa	100	0	0	100
Avissawella	52	0	48	100
<b>All</b>	<b>57</b>	<b>9</b>	<b>35</b>	<b>100</b>

Source: Information gathered through Focus Group Discussions.

**Table 7.4**  
**Monthly Expenditure on Housing Activities**

Item	With Remittance		Without Remittance	
	%	Mean expense	%	Mean expense
House maintenance/ repair	22.6	5,796.6	16.3	5,050.65
Purchasing properties/ houses	2.4	47,676.7	1.4	33,225.32

Source: Authors' calculations using HIES 2006/07 data.

Out of all remittance receiving families 23 per cent have spent remittance income on housing repairs at a monthly average of Rs. 5,800 per family, while 2 per cent have purchased properties or houses (Table 7.4).

The housing characteristics of remittance receiving families also support the above fact. Compared to remittance non-recipients, a higher section of remittance recipients enjoy better quality housing conditions (Table 7.5).

**Table 7.5**  
**Housing Characteristics of Remittances Recipients and Non-Recipients**

Type of Structure	With Remittance		Without Remittance	
	No.	%	No.	%
Single house	943	87.2	14,673	84.7
Flat	33	3.1	365	2.1
Attached house/ annex	30	2.8	528	3.1
Line room/row house	63	5.8	1,508	8.7
Slum/shanty	10	0.9	204	1.2
Other	3	0.3	55	0.3
<b>Wall</b>				
Brick	722	66.7	10,492	60.6
Cabook	30	2.8	654	3.8
Cement block	205	19.0	3,483	20.1
Pressed soil blocks	26	2.4	767	4.4
Mud	38	3.5	994	5.7
Plank/ metal sheet	43	4.0	559	3.2
Cadjan/palmyrah	5	0.5	108	0.6
Other	13	1.2	270	1.6
<b>Floor</b>				
Terrazo/tile	123	11.4	1,119	6.5
Cement	877	81.1	14,141	81.6
Mud	51	4.7	1,753	10.1
Other	31	2.9	320	1.9
<b>Roof</b>				
Tile	591	54.6	9,182	53.0
Asbestos	321	29.7	4,425	25.5
Concrete	42	3.9	436	2.5
Metal sheet	99	9.2	2,726	15.7
Cadjan/palmyrah/straw	24	2.2	484	2.8
Other	5	0.5	80	0.5

Source: Authors' calculations using HIES 2006/07 data.

The percentage of people who are living in houses with better structural features such as brick walls, tiled and cemented floors and tile/asbestos roofing are higher among the remittance recipients than the non-migrant households. On the other hand, a slightly smaller percentage of people who receive remittances are living in slums and line rooms, compared to the non-migrant households. The majority of the remittance recipients are living in houses built with bricks and this percentage is higher than for the non-migrants. Also 92.5 per cent of the remittance recipients are living in houses where the floor is of terrazzo/tiles and cement finish while 88.1 per cent of non-migrant houses are in this category, and 10 per cent of the non-migrants are living in houses with mud floors while only 4.7 per cent of migrants are living in the same type of houses. According to the roofing materials too, housing conditions of migrants are higher than those of non-migrants' households. Better housing improves the living conditions as well as boosts the social status. This aspect of migrant behaviour shows some malignity in their fund management capabilities. Particularly among the middle class families, owning a decent house is the main motivational factor behind migration.

### **7.6 Migration and Agricultural Labour/ Wages**

The majority of the people in Polonnaruwa where commercial farming is the main livelihood, have mentioned that there is no abandoning of agricultural land due to migration of farmers. When farmers migrate, lands are being given to relatives on trust or lease. However, most of the people mentioned that they have mortgaged their agricultural lands to cover the migration cost. Lack of labour is a main issue faced by the farmers in this area due to out-migration and they further mentioned that the household members left behind cannot engage in agricultural activities or other livelihood activities as they have to look after their children. Lost labour is made up for with the internal migrant workers and some of the people are using rented machinery as a substitute for farm labour. Further, they have been able to rent machinery which they have never used before, as a result of remittances. This lack of labour has led to an increase of bargaining power of the labourers and as a result, agricultural wage rates have increased. Another negative point revealed in the FGDs is that returnee migrants are not willing to engage in agricultural activities.

In the FGDs conducted in Avissawella where the majority of the people are engaged in small scale rain fed agriculture, a few people (less than 1 per cent) mentioned that their lands have been abandoned due to migration. On the other hand, labour is an issue faced by these farmers and they try to cope with it by using hired labour. The wage rate in this area too has increased as a result of such scarcity of labour.

The difference in responding to labour shortages and higher wages between Polonnaruwa and Avissawella are rooted in the difference of the respective types of agriculture. Farmers in Polonnaruwa own relatively larger farms (about five acres on average) with assured irrigation. As a result, their incomes are also higher. Consequently, they are used to employing machinery in farming during labour shortages. Higher wages only increase the intensity of machinery use and they are not forced to abandon their lands. In Avissawella on the contrary, the farms are rain fed and much smaller (about 0.5 to 1 ac) and operated mainly with family labour. Migration of a family member therefore, makes it difficult to manage their farms because they cannot afford hired labour and the small farm size and uneven terrain is not suitable for the use of machinery. This can easily lead to abandoning of farm lands.

In Wennappuwa, people do not face issues such as lack of labour, land abandoning and wage rate increases, as their major occupation, fishery, is not a labour intensive enterprise.

## 8. Institutional Infrastructures for Remittances

### 8.1 Official Channels of Remittances

Sri Lanka has a well connected and developed network of institutions which provide financial services to migrant workers as well as to household members left behind. This network includes Licensed Commercial Banks (LCBs), Licensed Specialized Banks (LSBs),<sup>5</sup> the Sri Lanka Post Office Network and Money Transfer Businesses (MTBs).

#### *Commercial Banks (Licensed Commercial Banks and Licensed Specialized Banks)*

There is a wide network of LCBs in Sri Lanka which include 22 banks and they are operating all over the country through 5119 branches and other outlets (Table 8.1). This comprises 11 domestic banks and 11

**Table 8.1**  
**Distribution of Banks and Bank Branches**

Category	End of 2010 (b)
<b>Licensed Commercial Banks</b>	
Total number of LCBs	22
Domestic banks	11
Foreign banks	11
<b>Total number of LCB branches and other outlets</b>	<b>5119</b>
Branches	1432
Domestic bank branches	1386
Foreign bank branches	46
Extension offices	898
Domestic banks	728
Foreign banks	170
Student savings unit and other outlets	2789
Automated Teller Machines	1848
<b>Licensed Specialized Banks*</b>	
Total number of LSBs	9
National Savings Bank	2
National Savings Bank branches	173
Total number of bank branches and other outlets	5874
Total number of Automated Teller Machines	2006
Total number of Electronic Fund Transfer Facilities at the Point of Sale Machine (EFTPOS)	27588
Banking density	9.35

Note: (b) Provisional.

\* Only the National Savings Bank has been included as an LSB as it is the only LSB providing remittance services.

Source: Central Bank of Sri Lanka, *Annual Report 2010*.

<sup>5</sup> National Savings Bank is the only Licensed Specialized Bank which is engaging in remittance transfer.

**Table 8.2**  
**Remittances through Licensed Commercial Banks (Rs. mn)**

<b>Institution</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2004 (% of total)</b>
Bank of Ceylon	741.8	772.0	881.4	56.4
People's Bank	183.3	208.9	232.7	19.0
Seylan Bank	102.5	129.0	147.5	9.4
Hatton National Bank	42.7	57.5	81.6	5.2
Commercial Bank	63.7	79.6	93.4	6.0
Sampath Bank	58.8	75.4	76.1	9.0
Others	92.0	91.6	51.2	3.3
<b>Total</b>	<b>1,287.0</b>	<b>1,410</b>	<b>1,563.9</b>	<b>100.0</b>

Source: Lasagabaster, et al. (2005).

foreign banks. In addition, there are 9 LSBs in Sri Lanka which include Regional Development Banks, National Savings Bank, long-term lending institutions, housing finance institutions and private savings and development banks. However, the National Savings Bank is the only LSB which provides remittance services to migrant workers.

Although there are a number of commercial banks in Sri Lanka, over the years, the Bank of Ceylon and the People's Bank, as state owned banks, have been able to attract a major segment of remittances coming through the formal channels (see Table 8.2). This is not surprising given the extensive outreach of these two banks. People's Bank has 640 branches all over the country while BOC has 303 branches. In addition, People's Bank has around 400 agents in 105 countries.

In addition to the state banks, some of the commercial banks such as Sampath Bank and Commercial Bank have Business Promotion Officers (BPO) in foreign countries for the purpose of promoting formal remittance channels and to facilitate transactions with their customers working in those countries. The majority of these BPOs are in the Middle East countries such as UAE, Jordan, Qatar and Kuwait as the majority of the migrant workers are based in this region. The BPOs help unskilled migrant workers to circumvent the obstacles they face with regard to the banking activities in a foreign country, particularly the language barrier.

Bank drafts, bank telegraphic,<sup>6</sup> and exchange houses are the three major remittance channels. Bank telegraphic is the fastest way of remittance transferring but it is also expensive. Bank drafts are the most frequently used and the least expensive method but it is also the slowest. These bank drafts can be cashed over the counter or they can be transferred to an account in the relevant bank. In addition, almost all of the banks which provide remittance services offer Non-Resident Foreign Currency (NRFC) account facility. When remittances are transferred through these foreign currency accounts, no bank charges are levied and the transfers are exempted from tax. In addition to these products, most of the banks have introduced web based transfer systems.<sup>7</sup> Further, most of the commercial banks now link with the Money Transfer Businesses (MTBs) such as 'Western Union' and 'Money Gram' providing migrant workers a range of remittance services.

<sup>6</sup> Telex and SWIFT.

<sup>7</sup> 'e-Exchange', 'People's remittance', 'BOC e-cash', 'Sampath e-remittance'.

Transaction cost of remittances can be borne by the sender or the recipient. However, no transaction cost is charged for the money sent through the NRFC accounts instituted with the purpose of promoting formal remittance channels. For the money sent through the local currency accounts, the charge is between Rs. 100-150 which is nominal. However, the majority of the FGDs participants did not have an idea about the costs of the transactions as the majority of the migrant workers bear the cost at the sending end. The bank charges at the sending end differ from country to country.

### *Money Transfer Businesses*

There are two major MTBs in Sri Lanka namely, 'Western Union' and 'Money Gram'. They have been able to expand their outreach substantially. Western Union has signed an agreement with Sri Lanka Post and as a result, Western Union has been able to expand its outreach to remote areas in the country. In 2009, Western Union had around 3007 agent locations in Sri Lanka. On the other hand, Money Gram has links with most of the commercial banks in Sri Lanka such as Bank of Ceylon, Hatton National Bank, Nations Trust Bank, Commercial Bank of Ceylon, Sampath Bank and Seylan Bank. Compared to the transactions through banks, MTBs provide faster services to their clients as transactions through MTBs take only a few minutes to process.

### *Sri Lanka Post*

Sri Lanka Post has been providing money transfer services since 1960s and it can be recognized as the oldest government institution to provide remittance services. The strength of Sri Lanka Post is the wide outreach while its paper based system is its worst weakness. There are three instruments that a migrant worker can use in order to send money via Sri Lanka Post (subject to limitations): (i) Money Orders, (ii) British Postal Orders, or (iii) Western Union. Migrant workers who are working in six countries - Japan, Maldives, South Africa, UAE, Malaysia and Singapore can use the Money Order facility. It takes around two to three days to receive the remittances sent by host countries. British Postal Orders are a special product introduced for the migrant workers who are in UK to remit their money. On the other hand, as mentioned earlier, Western Union has signed an agreement in 2009 with Sri Lanka Post for the purpose of providing better services for the migrant workers. Though Sri Lanka Post operates on a paper based system there are several advantages of remitting money through it: (1) Sri Lanka Post works on Saturdays, (2) wide coverage serving even the remote rural areas, (3) money sent through MO and PO are tax exempted.

## **8.1.1 Efficiency of Formal Channels of Remittance**

The actual volume of private remittances that flows into Sri Lanka is unknown due to under-recording resulting from imprecise accounting and transfers through informal channels. Available estimates for Sri Lanka suggest that the share of private remittances channelled through informal dealers could have been close to 45 per cent in the mid-1990s (World Bank, 2005). More recent estimates are not available. Due to some of the reasons such as high transaction cost in formal systems, inadequate outreach and need for many documents, utilization of formal remittance transfer channels are not maximized.

According to the findings of the FGDs conducted for this study, the majority of the migrant workers are using formal channels to remit their money. Banks are more popular than MTBs among the formal channels and none of them are using Sri Lanka Post as a remittance channel. Ninety six per cent of the

participants of the FGDs conducted in the Polonnaruwa district have mentioned that they are receiving remittances through formal channels of which 60 per cent are using banks. In Avissawella which is more urbanized compared to Polonnaruwa, none of them are using informal remittance channels. The majority of the migrant workers (72 per cent) are using banks as remittance channels while only 28 per cent are using MTBs. Main reasons for remitting through banks are availability of savings opportunities and the assurance migrants have on security of their remittances.

## **8.2 Informal Remittance Systems in Sri Lanka**

According to the World Bank (2005), informal money transfer systems are mechanisms of transferring money outside the conventional, regulated financial system. Different regions of the world use different types of informal money transfer systems. There is no estimate of the portion of remittances channelled through informal channels to Sri Lanka. However, following the global trend, a significant share of the remittances might possibly be informally channelled to Sri Lanka as well. A number of reasons for choosing informal remittance channels can be identified in Sri Lanka such as government financial policies like foreign exchange rules, cultural reasons such as language barriers, absence of door-to-door services in the formal sector, purpose of income tax evasion, undocumented migrant workers, the workers with expired visa and the lack of experience of first time migrants. However, none of the FGDs participants are using informal remittance channels and they further mentioned that it is not a reliable channel. Some of the participants have faced some difficulties earlier when they used the informal channels for in-kind transfer.

## **9. Review of the Policies and Institutions for Migration**

Over the years, Sri Lanka has instituted a number of policies and programmes to cover the issue of migration management. Establishment of the SLBFE by the Sri Lanka Bureau of Foreign Employment Act of 1985, ratifying the International Convention on the Protection of the Rights of all Migrant Workers in 1996, ratifying the Protection of Rights of all Migrant Workers and their Families, passing of Migration for Employment Act No. 97 of 1949 (adopted in 1990) and Migrant Workers Act No. 143 of 1975, creation of the Ministry of Foreign Employment Promotion and Welfare (MFEPW) in 1985 are some of the major legislative moves in recognition of the importance of migration in Sri Lanka. However, according to the Gazette of the Democratic Socialist Republic of Sri Lanka of 30th April 2010, the responsibilities on welfare of migrant workers, administration of SLBFE, and regulation and supervision of employment agencies have been assigned to the Ministry of External Affairs, while the responsibility of training for foreign employment has been handed over to the Ministry of Youth Affairs.

A National Labour Migration policy<sup>8</sup> for Sri Lanka which was launched in 2009 by the Ministry of Foreign Employment Promotion and Welfare is an important measure that Sri Lanka has taken to cover the issues of governance in the process of labour migration. The objective of this policy is to promote opportunities for all men and women to find decent and productive employment overseas. Further, it supports the migration of skilled men and women to secure work environments where the protection of fundamental human rights at work is upheld to the highest standards.

---

<sup>8</sup> Ministry of Foreign Employment Promotion & Welfare (2008), National Labour Migration Policy for Sri Lanka, Colombo : Ministry of Foreign Employment Promotion & Welfare.

In addition, the Sri Lankan government has signed several bilateral agreements and MOUs with many host countries to maximize the development impacts of migration and remittances by ensuring protection for migrant workers. MOUs have been signed with Jordan, UAE, Bahrain and Qatar, while those with Libya, Oman, Lebanon and Kuwait are in the pipeline. In addition, Sri Lanka has a trade agreement with the government of South Korea to promote foreign employment.

### **9.1 Sri Lanka Bureau of Foreign Employment (Ministry of External Affairs)**

The SLBFE is the primary regulatory body for foreign employment and it was established within the Ministry of Labour in 1985 with the objective of administering government policy for foreign employment. The main responsibilities of the institution are to promote opportunities for overseas employment, management of emigration of workers, collection of data on migrant workers, negotiation of agreements with foreign countries and take measures to safeguard the welfare and human rights of migrant workers. SLBFE provides a number of services to migrant workers including pre-departure trainings, insurance scheme (Sahana), and scholarships for children of migrant workers, housing loans and loans for self-employment, and retirement benefits (Sesatha).

However, according to the findings of the FGDs, migrant workers face difficulties in pre-departure activities as they have to travel long distances to major cities as there are no branches of this institution in small towns. For example, people in Dimbulagala<sup>9</sup> have to travel a long distance to Polonnaruwa to access services offered by this institution.

On the other hand, the pre-departure trainings provided by this institute are not sufficient to enhance the capacity of migrant workers as these trainings are very short and they are only for first time migrants. Though the language is not a serious problem for the second time migrants, it is a major challenge for the first time migrants and they are not in a position to learn the language through the short training programmes.<sup>10</sup>

### **9.2 Foreign Employment Agencies**

The Association of Licensed Foreign Employment Agencies (ALFEA) was established by an Act of Parliament in 1985 with the objective of ensuring and enforcing best ethical practices for foreign employment trade by strict disciplinary control of all stakeholders. It aims to work consistently towards development of more foreign employment opportunities for Sri Lankans.

The Sri Lanka Foreign Employment Agency (Pvt) Ltd. (SLFEA) was established in 1996 and currently it is under the purview of the Ministry of External Affairs. The major purpose of this institution is to direct the youth for foreign employment.

Although these institutions are operating as recruitment agencies, the majority of the FGDs participants in Polonnaruwa district mentioned that they do not receive the services of recruitment agencies and it is some of the agents who come to the villages that help them find job opportunities abroad and provide other

---

<sup>9</sup> A small rural town in Polonnaruwa district.

<sup>10</sup> 15 days training for Middle East workers and 25 days training for non-Middle East countries.

related services. It is also important to note here that there are a number of people who were cheated by these agents and consequently, lost their money and still wait with the hope of migration.

In addition to these institutions, several local NGOs are working in the migration field in Sri Lanka. An example is Sarvodaya Economic Enterprises Development Sector (SEEDS) training programmes for improving remittance literacy and similar training programmes. In addition, SEEDS is carrying out research to identify recipients and their underlying needs. However, the private sector and NGO level involvement in migration is not adequate in Sri Lanka. This suggests that the presence of opportunities akin to co-development programmes for migrant workers has a significant potential in the country which remains to be further investigated in to.

### **9.3 MOUs on Foreign Employment**

With the intention of enhancing cooperation in the field of labour affairs and human capacity building and deriving related benefits, Sri Lanka has entered into agreements on foreign employment with South Korea, Bahrain, Libya, Jordan, UAE and Qatar. These agreements have explicitly set out the conditions to safeguard the social and economic status of the migrant workers.

Entering into a labour contract between the employer and employee is a key component of these MOUs. They specify the rights and obligations of both parties and usually include the fundamental details such as term of the contract, type of work, working conditions, wage/salary, etc. Although the agreement with South Korea does not specify the details to be included in the contract, it binds the managing agency in Sri Lanka to explain clearly the contract to the chosen worker upon which he/she has the free will to sign it or not.

Some agreements make it the responsibility of the employer to arrange for the workers the necessities for employment and residence, which ensures that the basic arrangements in the working country are in place as the workers reach there. For example, according to the agreement with Bahrain, the employer should take all the necessary measures related to employment and residence before the arrival of a Sri Lankan employee. Also, the employer should provide health and accident insurance coverage for the benefit of Sri Lankan employees.

The burden of travel expenses is also taken out from the workers under some MOUs. In Libya, the employer has to bear the employee's travel expenses both to the country and when leaving after the completion of the contract. Under the agreement with South Korea, if a worker decides to return before the expiration of the contract period due to reasons such as medical problems or failure to adjust to the workplace, the assistance of the Sri Lankan government can be sought to cover the return costs if he/she is unable to afford the same.

In most MOUs, the managing agencies of the two countries are made responsible to assist the workers in getting all possible benefits from employment. For instance, under the South Korean agreement, the managing agencies in both countries may help in getting the benefits of Departure Guarantee Insurance and Return Cost Insurance to the workers before leaving South Korea.

In most of these foreign employment agreements, the right of the workers to remit their monies is stated. For instance, under the agreement with Jordan the workers are able to transfer their savings in convertible currency subject to the monetary regulations of Jordan. However, in the MOU with South Korea there is no provision on handling of earned income or savings.

In case of a dispute between the employer and employee, the need for the involvement of the managing agency in the host country is recognized by many MOUs. In both UAE and Qatar for instance, the Ministry of Labour is required to get involved in reaching an amicable settlement, upon the failure of which the matter will be referred to the judicial authorities of the respective countries.

Most of the human rights incidents are recorded in the case of unskilled migration. Most of these MOUs signed by the Sri Lankan government try to minimize the human rights violation through different strategies. For example, under the MOU signed with the Ministry of Labour in South Korea, work permits are not issued unless workers show their proficiency in the Korean language. On the other hand, according to the MOU with Bahrain, migrant workers are required to go through a 3 month probationary period. This facilitates the Bahraini employer to test the competence or suitability of an employee.

MOUs help migrant workers by way of protecting their human rights such as minimum wage and job security. However, the migration policy in the origin country is not sufficient for protecting the rights of migrant workers as it does not hold for the host countries. Thus, it is important to have agreements between origin and destination countries so that human rights of migrant workers are secured at both ends. This will help in ensuring decent work for all migrant workers.

Although these MOUs concentrate on social welfare and human rights of migrant workers, none of them show any concern about the savings and investment opportunities for migrant workers except that migrant workers can convert their salaries into any currency. It would be better if the recruitment procedure is to promote the savings and investment of migrant workers. For example, migrant workers should be encouraged to send a minimum percentage of their salaries to Sri Lanka through a formal channel. This would open a path for migrant workers to enhance their banking activities and investment opportunities and also it will promote formal remittance channels.

## **10. Recommendations**

The following recommendations are arrived at based on the Sri Lankan experience on migration, remittances, agriculture and rural development, food security and other related issues and their interactions in the context of an expansionary out-migration policy at macro level and the somewhat restrictive policies at micro level. Consequently, the recommendations would be country specific but with broader applicability where possible. Further, of the categories of migrants for employment, education, foreign domicile or political asylum, only the first is taken into detailed account.

- At present, the Sri Lankan migrant worker population is dominated by unskilled workers who work for wages and therefore, bring limited income back to the country. This state of affairs has to be changed by increasing the proportions for skilled or semi-skilled migrants. How-

ever, as this is not a short run possibility, necessary steps should be taken to change the composition of the labour force of the country through appropriate changes in the education system in the medium and long run. Aligning the educational system with the expansionary migration policy of the state would be the essence of the reform. Enhancing technical capabilities and foreign language proficiency could be top priorities.

- Another current feature to be changed in the Sri Lankan migration scenario, is its urban bias. Although the contingent of rural migrants is substantial, urban migrants still constitute the majority of the group due to higher availability of information and services relating to migration. In the interest of inclusive growth and poverty reduction in rural areas, equal opportunities for migration should be made available in all areas by broadening the institutional network providing information and services. This does not necessarily have to be state run, but the private sector involvement should be carefully regulated in order to avoid corruption.
- Present government efforts to expand the network of migrant destinations for employment through diplomatic relations, bilateral agreements etc. should be continued further in order to escape from the 'Middle East- unskilled labour' trap where Sri Lanka is presently caught in. Commonwealth ties can be an avenue of such diversification.
- Over-feminization of the Sri Lankan migrant work force had been viewed as a problem both socially and economically. However, this trend has been arrested presently. Nevertheless, in order to strike a balance between genders, the conflict between government's somewhat conservative social policies and expansionary economic policies relating to migration should be resolved. Public and civil society discourse on such conflicting matters should be encouraged. At the same time, gender balance has to be consistent with the aforementioned skill balance, geographical balance as well as the age group balance. This shows the complexity of the task of designing a well balanced migration policy. In this connection, the value of micro level information on the impacts of migration cannot be over-emphasized and further research for this purpose is imperative.
- On the issues of main concern here of migration of farmers and agricultural workers and the impact of remittances on agricultural investment, food security, rural development and poverty reduction, the major recommendation to be made is on the consistency between objectives of increased migration and the sectoral policies for grass roots level development. For example, the sectoral policy of retaining youth in agriculture and the macro policy of expanding youth migration even in the unskilled category are directly contradicting each other. Expanding remittances to be channelled to agricultural and rural industrial sectors as investment while the sector policies do not develop technology, institutions and infrastructure that are mandatory for higher returns to investment, is illogical. Encouraging farmer migration while it clearly leads to a rural labour shortage and higher rural wages, is also a policy inconsistency. Although some improvements in food security in low productive agricultural areas could be seen, this is due to buying food with remittance income from elsewhere but not through increased production in their own farms. Enhancing family income drastically

of the poor through migration without enhancing their financial management (and investment) capacity also shows an inconsistency between macro objectives and micro instruments of policies. There are other examples too, but the bottom line is policy inconsistency. This has to be changed to reap the potential benefits that migration can offer for reaching the said development objectives.

In a list of possible interventions needed, the following may suffice the need.

- Increase profitability in the rural agricultural sector by increasing investment on research and extension on new crop and livestock varieties and on diversification of agriculture both vertically and horizontally, so that the rates of returns on investment in agriculture would be attractive. It would be appropriate to secure the support of international organizations for this in both technical and financial respects.
- Change the form of agriculture from traditional practices full of drudgery to a modernized and formalized agriculture with social recognition in order to attract the youth into it.
- Invest on technical and institutional development of small and medium enterprises (SMEs) that are agro-based or non-agro based.
- For the non-agricultural rural migrants such as carpenters and masons, providing the initial support to start self-employment in such areas as securing formal credit/ mortgage facilities and, if needed, initial price subsidies for equipment etc.
- Encouraging technical NGOs, Cooperatives and Civil Society Organizations to get actively involved in co-development projects, which are nearly non-existent in Sri Lanka currently.
- Institute, state and para-statal mechanisms to educate migrant as well non-migrant households on financial management, self-employment, rural investment and micro level food security-particularly on nutritional security and food utilization.

## References

- Arunatilake N, S. Jayaratne, P. Jayawardhana, R. Jayaweera and D. Weerakoon (2011)**, "Impact of Remittances on the Household of the Emigrant and on the Economy of the Migrant's Country: Sri Lanka" (unpublished).
- Central Bank of Sri Lanka (various issues)**, '*Annual Report*', Central Bank of Sri Lanka, Colombo.
- \_\_\_\_\_ (2004), *The Consumer Finance and Socio Economic Survey Report 2003/04*, Central Bank of Sri Lanka, Colombo.
- Chandrasiri, J. K. M. D., M. M. M. Aheeya, R.C. P. Hathurusinghe and P. A. Samarathunga (2010)**, 'Empowerment of Poor Farmers in Sri Lanka: A Policy Analysis', Hector Kobbekaduwa Agrarian Research and Training Institute (HARTI), Colombo.
- Department of Agriculture (2008)**, '*AgStat - Pocket Book of Agricultural Statistics*', Vol. 5. Socio Economic and Planning Centre, Department of Agriculture, Peradeniya.
- Department of Census and Statistics (DCS) (2002)**, *Census of Agriculture 2002*, available at [www.statistics.gov.lk/agriculture/AG2002/location/table7H](http://www.statistics.gov.lk/agriculture/AG2002/location/table7H).
- Food and Agriculture Organization-Regional Office for Asia and the Pacific (FAO-RAP) (2009)**, *Selected Indicators of Food and Agricultural Development*, RAP Publication, 2009/14.
- Hettige, S. (1991)**, 'From Dependent Housewives to Breadwinners' in CENWOR, *Women, Poverty and Family Survival*, CENWOR, Colombo.
- Institute of Policy Studies of Sri Lanka (2008)**, *State of the Economy*, Institute of Policy Studies of Sri Lanka, Colombo.
- International Organization for Migration (2008)**, *International Migrant Outlook Sri Lanka*, International Organization for Migration, Colombo 05.
- Tudawe, Indra, P.A. Samarathunga & B.M.S. Batagoda (2002)**, 'Poverty-Environment Nexus: Situation Analysis and Strategy for Change', Country Study: Sri Lanka. IPS, Colombo.
- Lasagabaster, E.L., S. Maimbo and S. Hulugalle (2005)**, *Sri Lanka's Migrant Labor Remittances: Enhancing the Quality and Outreach of the Rural Remittance Infrastructure*, World Bank Policy Research Working Paper 3789, World Bank, Washington, DC.
- Nanayakkara, A.G.W. (1994)**, 'Poverty Analysis in Sri Lanka', Department of Census and Statistics Mimeo, Colombo.
- Samarathunga, Parakrama A. (2011)**, 'Multiple Facets of Food (in)Security in Sri Lanka', in Surabhi Mittal and Deepti Sethi eds., *Policy Options to Achieve Food Security in South Asia*, Cambridge University Press India.
- \_\_\_\_\_ (2009), 'Adapting Trade Policies to Promote Food Security and Sustainable Agriculture', A paper presented at the Asia-Pacific Trade Economists' Conference: Trade-Led Growth in Times of Crisis, Bangkok.

**Srikandharaja, D. (2002)**, *The Migration-Development Nexus: Sri Lanka Case Study*, Blackwell Publishers Ltd., UK.

**Sri Lanka Bureau of Foreign Employment (2009)**, *Annual Statistics Report of Foreign Employment*, Sri Lanka Bureau of Foreign Employment, Battaramulla.

**Tudawe, I. (2001)**, 'Food Demand and Energy Adequacy: Implications for the Poor', *Sri Lanka Economic Journal* (New Series), Vol.02 No.02:73-107.

**World Bank (2005)**, *Sri Lanka's Migrant Worker Remittances: Enhancing the Quality and Outreach of the Rural Remittance Infrastructure*, World Bank Policy Research Working Paper 3789.

Disaster Management Policy and Practice in Sri Lanka: Sharing Lessons among Government, Civil Society and Private Sector.Â  
Members. Collaborations. This map visualizes which other institutions researchers from Institute of Policy Studies of Sri Lanka have collaborated with. RG Score distribution. No data available. See how the RG Scores of researchers from Institute of Policy Studies of Sri Lanka are distributed. Share page. Direct link. Institute of Policy Studies of Sri Lanka (IPS) is the apex economic policy research institute in Sri Lanka. It is an autonomous institution and working with a number of private and public sector institutions and advising them on economic policy issues.[1][2][3][4][5][6][7][8][9][10][11][12][13][14]. Institute of Policy Studies of Sri Lanka. Abbreviation. IPS.Â  
History. IPS is established in 1988 and then formalized in 1990. It was supported in the initial stage by the governments of Netherlands and Sri Lanka. It has started its own fund and become independent later on.[1][2][3]. Goals. IPS provides an independent policy analysis support to the public and private sector institutions.[1][2][3]. See also. Economy of Sri Lanka.