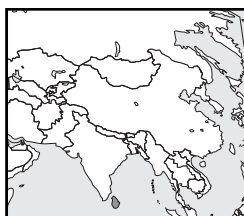


Successes and lapses

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Sri Lanka's President, Mrs. Chandrika Bandaranaike, admitted that over 40% of funds allocated to development are wasted through inefficiency and corruption. Slow economic growth, deterioration of real wages, and higher prices of essential goods and services have had a negative impact on livelihoods. The Sri Lankan rupee depreciated against the US dollar by about 100% from 1994 to 2001.

The year 2000 was difficult for the people of Sri Lanka. The 18-year-old armed conflict in the north and east of the country caused further deterioration of livelihoods in those areas and negatively affected the national economy. The country also suffered from inefficient resource management and heavy administrative costs.

The Human Development Index (HDI) of Sri Lanka is 0.733,¹ higher than other countries in the region. Thanks to social welfare programs launched by pre- and post-independence governments (1948), the country achieved some remarkable successes in human development. Sri Lanka was already a welfare state when it became independent, providing food subsidies, free rice, free education, and free healthcare to all. Income disparities in rural and urban sectors were low and falling before 1970, but increased rapidly after the introduction of market economic policies in the late 1970s. The United National Party Government, which came to office in 1977, introduced policies to stimulate the stagnant economy and remedy high unemployment rates. Called the "Open Economy", these measures had both positive and negative impacts on social development. Structural adjustment policies were introduced in the early 1980s to decrease public expenditure and increase repayment of external loans.

Reduction of poverty and inequality

Successive Sri Lankan governments have implemented direct and indirect programs to alleviate poverty. *Janasaviya* was the first nationwide program targeted to alleviate poverty. The *Samurdhi* program was introduced in 1995 to improve conditions of poor families by strengthening the rural production base. It includes an income supplement program, dry rations and nutrition programs. In 1999, 2.2 million families were recorded as receiving *Samurdhi* benefits, representing a slight increase over 1998.

Through these and a range of other programs, Sri Lanka has reduced poverty and achieved lower levels of income inequality, although it has not reached the standards maintained in the 1960s. An IMF study shows poverty incidence fell from 30% in 1985 to about 19% in mid-1998. Continuing emphasis on securing minimum consumption levels and promoting social development has ensured that there is virtually no starvation or destitution in Sri Lanka and the poor are protected by free health, education and income support programs.

The Gini coefficient shows inequality narrowing from 0.4973 in 1986-87 to 0.4790 in 1996-97. Relatively large pockets of poverty persist, however, especially in conflict and rural areas. In areas of conflict, the quality of life has deteriorated sharply. Over half a million people have been displaced and much of the social and physical infrastructure has been destroyed.

Decreasing unemployment

Providing full employment is a primary concern of the government. Open economic policies introduced in the late 1970s established a free trade zone to create new jobs for the people. According to figures from the Department of Census and Statistics and the Central Bank of Sri Lanka, the unemployment rate declined from 24% in 1973 to 9.1% in 1998. The employment structure has shifted from regular to casual jobs and more self-employment, with an associated increase in job insecurity.

The on-going privatisation program is having a negative impact on job security in public and semi-government organisations. Approximately 235,000 jobs were lost from 1994-1998 because of privatisation of public enterprises alone.

Unemployment among educated youth is high and over 25,000 university graduates are unemployed. The higher female unemployment rate of 17.5% is related to the fact that women are excluded from some jobs.

Many Sri Lankans work as unskilled labourers and factory workers in the Middle East and Southeast Asian countries. These workers have become the country's second largest source of foreign exchange. Poor living conditions, abuses, and cheating by unregistered recruiting agents are serious problems, especially for women working in the Middle East as housemaids and unskilled labourers. The garment industry is the largest sector of the national economy, and it too has created a number of occupational and social problems.

About 40% of the families earn their livelihood in agriculture. World Bank recommendations and government policies promoting a shift to export agriculture, discouraging small holdings, and privatizing water, among others, are hurting small farmers and increasing unemployment. Unless they are accompanied by appropriate mechanisms to strengthen the farming community and involve other sectors of economy, World Bank proposals to allow market forces in the agricultural sector will increase rural poverty.

60% of children under five suffering from malnutrition

Sri Lankans require a calculated average of 2,260 calories per/day. Availability of calories in 1996-97 was 2,331 per/day. Availability of protein, particularly animal protein, has gradually increased. There is nevertheless a high incidence of malnutrition in Sri Lanka, with 60% of children under five suffering from malnutrition island-wide. Food security is threatened by poor financial access in low-income households and poor physical access in conflict areas. Poor growth of pre-school children, high rates of low birth-weight babies, poor maternal nutritional status and micronutrient deficiencies are common nutritional problems in Sri Lanka.

¹ UN Development Programme (UNDP). *Human Development Report 2000*. New York: Oxford University Press, 2000.

Education and health

The literacy rate was recorded at 91.8% in 1996-97. School enrolment has improved in the last two decades. Total expenditure for education, as a percentage of GDP, was 2.6%. The number of national universities has increased to 13. The Sri Lanka Advanced Technical Institute was established to provide more job-oriented programs for youth. Changes are being made in curricula and methodology to meet the present market requirements, with high priority given to English language and computer education.

There are also some negative trends. Rural areas suffer from lack of facilities in remote schools and closing of schools with few students. The privatised job market favours students with sound English language skills from private international schools and town-based top ranking schools. As a remedy, the Ministry of Education is planning to replace Sinhalese or Tamil with English as the teaching medium in the schools.

National health indicators are higher in Sri Lanka than in other South Asian countries. Total expenditure for health increased by 9% in 1999 over 1998, but remained unchanged as a percentage of GDP at 1.4%. Despite improvements, the health sector encountered new challenges in the frequent re-emergence of certain communicable and emergence of non-communicable diseases. Malaria, dengue fever, and Japanese encephalitis were recorded more frequently. Most hospitals operate with a shortage of staff, medicine and other facilities, forcing patients to turn to private medical practitioners.

About 66% of the population has access to safe drinking water. In urban areas, this number is 90%, and in rural areas, 51%. Latrine facilities have improved but 6.5% of households, most of them in the estate sector, are still without latrines. A proposed policy to make water a saleable commodity will have negative impacts on availability of this vital resource. The housing supply has improved in recent years, but financial assistance to low-income housing was stopped.

Gender equity

Women's participation in governance, decision-making and development is high. In 1960, the people of Sri Lanka (then Ceylon) elected Mrs. Sirimao Bandaranaike as Prime Minister. She was the first woman prime minister in the world. Mrs. Chandrika Bandaranaike, her youngest daughter, was elected the fourth Executive President of the country and is currently in her second term. Women have held a wide range of important government posts. A Ministry of Women's Affairs has been established to work on women's issues.

Female enrolment in primary, secondary and post secondary schools is equal to men's. The female literacy rate is 89.4% and the male literacy rate is 94.3%. Greater gender disparities are found in the estate sector (*i.e.* the plantation workers), where the overall literacy rate is 76.9% and female literacy is 67.3%. In the workforce, the percentage of economically active women is low compared with that of men, but it has gradually increased from 19.8% in 1973 to 27.3% in 1996-97.

Gender equity at the household level has not been achieved and violence against women is increasing at household and community levels.

Armed conflict

The Tamil separatist group Liberation Tigers of Tamil Eelam (LTTE) has been fighting for over 18 years. More than 50,000 people have been killed in this war. Soldiers on both sides and innocent civilians have suffered heavy casualties. About 5% of the country's GDP has been spent on the war, and the defense levy has now increased from 5.5% to 6.5%, adding an additional RS 12 billion (approx. USD 136 million) to the war effort and further slowing the country's development. ■

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