

## A hard time

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Neo-liberal economic policies, the 18-year armed conflict between government forces and the LTTE movement, and mismanagement and corruption resulting from politicisation of government institutions can be identified as underlying causes of the slowdown and reversal of socio-economic development. Privatisation has not created an economic boom and has not expanded the job market, while the historic investment in human development is being reverted.

### Pathetic economic growth and political instability

Sri Lanka did not make much progress in social development in 2001. Poor economic performance and an unstable political environment in 2001 contributed to the further deterioration of the economy and social development of Sri Lanka. Economic growth was pathetic, with a negative 0.6% growth rate for 2001. The GDP dropped by 3.7% in the last quarter of the year.

A power struggle between the ruling party and the opposition created an unstable political environment, which weakened economic development. The eighteen year long war in the north and east further disrupted economic development. The government allocates a significant portion of its funds to the war. The Liberation Tigers of Tamil Elam (LTTE) attack on the Sri Lankan Air Force Base and the Colombo International Airport caused severe damage and discouraged foreign investors. Regular power cuts created unfavourable conditions for industries and disrupted people's daily lives. Prices of essential commodities and services gradually increased throughout the year.

These factors contributed to the loss of the People's Alliance government in the general parliamentary elections held on 12 May 2001. The election campaign was very violent, with more than 2,200 violent incidents reported and 43 civilians assassinated during the pre-election campaign. The situation is still uncontrolled; the total number of assassinations (pre- and post-elections) reached 60 at the end of the year.

### Deterioration of investment in human development

Sri Lanka achieved and maintains remarkable success in human development in the fifty years since independence. The level of social development, as measured by key indicators such as life expectancy and adult literacy rates, is still well ahead of the other countries at the same income levels, and stands out even when compared with middle-income countries.

Social development cannot be brought about suddenly, but is rather the outcome of long-term policies and programmes. While conditions for social development were initially favourable, Sri Lanka's success is mainly the consequence of continuous emphasis on human development. Universal welfare programmes such as free education, free health care and free rice rations introduced even before independence contributed significantly to human development.

In the late 1970s, these universal programmes were fully or partially replaced by target-oriented programmes and the introduction of neo-liberal economic policies. These policies have not had the expected trickle-down effect, and have negatively impacted economic and social development.

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### The *Samurdhi* poverty alleviation programme

The National Poverty Alleviation Programme, *Samurdhi*, has been in operation since 1995 with a primary objective of alleviating poverty. It continued its activities in 2000, providing direct cash grants to more than two million low-income families, although this is only half the number of poor families in the country.

In addition to its income supplement programme, *Samurdhi* has organised other programmes aimed at improving the socio-economic conditions of low-income groups. These include: a community and infrastructure development project; savings programmes; social infrastructure programmes; training and entrepreneur development programmes; and self-employment schemes. The alleviation of poverty is a major challenge for the government. Serious efforts are needed to ensure sustainable livelihoods by generating employment and increasing farm incomes.

### Questionable official definition of unemployment

According to the Central Bank, the unemployment rate has dropped gradually to 8.4%. However, some disagree with the Central Bank's definition of unemployment. Alternative sources say that unemployment in Sri Lanka has increased by about 50% compared with that of 1994.

Privatisation has not created an economic boom and has not expanded the job market because of poor planning and the negative external environment (war and power crisis). Furthermore, political appointments by the ruling People's Alliance have led to over-recruitment of staff in some government establishments, putting a heavy burden to those institutions. At the same time, privatisation of other government establishments resulted in a loss of jobs

because of redundancy. Privatisation under the Structural Adjustment Programme, which led to shutdown of 745 small-scale industries in 2001 alone, has changed of the nature of jobs from permanent to more casual and contractual jobs, and threatened job security.

Market economic policies such as removing subsidies and barriers on food imports and minimising government intervention in the market are disadvantageous to small-scale farmers. This situation is expected to worsen if World Bank recommendations such the privatisation of irrigation and agricultural extension services are implemented.

### **Low allocation of funds impacts on health sector**

The government of Sri Lanka has made significant contributions to the improvement of the health sector. The number of hospitals increased from 558 in 1999 to 578 at the end of 2000. The number of doctors increased from 55,436 to 58,310 from 1999 to 2000. The number of patients per doctor has decreased from 3,197 to 3,090.

However, there are still shortcomings in the health sector. The main reason for this is low allocation of government funds to the health sector. The share for the health sector in Sri Lanka is only 1.4% of GDP, compared with 3.0% and 6.9% GDP in middle and high-income countries respectively. The situation is exacerbated by a shortage of medicines, doctors, qualified nursing and technical staff in the hospitals, and the inability of poor people to get treatment at private hospitals.

### **Food insecurity and malnutrition**

Malnutrition is a serious problem in Sri Lanka. Pregnant and nursing mothers and pre-school children are most vulnerable to protein-energy malnutrition, iron deficiency anaemia, vitamin A, iodine and other micro nutrient deficiencies. Food insecurity is one of major reasons for malnutrition. According to the Department of Census and Statistics, Sri Lanka achieved food security in terms of availability. But poor financial and physical access to food is responsible for food insecurity and malnutrition. A drastic price increase in essential food commodities and stagnation or deterioration of real wages and incomes of the people created poor financial access to food. Furthermore, unfavourable conditions created by the ethnic war with the LTTE threaten physical access by people in those areas to adequate and nutritious food.

### **Water and sanitation**

The objective of the National Water Supply Policy of Sri Lanka is to provide safe drinking water to its population by 2010. The investment needed in the water sector to achieve these goals has been estimated at LKR 85 billion (USD 900 million). However, projected government investment in the water sector over the next ten years is an estimated LKR 45 billion (USD 480 million). At present, 67% of the population has access to safe drinking water.

The demand for piped water grows with population expansion, urbanisation and growth of industry and commercial activities. There still exists a large unmet demand in this respect, as piped water is presently available to only about one-third of households. The aim of the Third Water Supply and Sanitation Project is to improve the health and well being of one million people in rural Sri Lanka by improving water supply and sanitation facilities and providing education on hygiene.

Areas in the rural dry zone of Sri Lanka do not get adequate water for domestic consumption. A severe drought in August 2001 affected several agricultural areas in Sri Lanka, and as a result about 300,000 families have suffered immense hardship. According to the Department of Social Services, people in the south-eastern part of the country suffered greatly from the drought.

### **Women's contribution to economy**

Sri Lanka can be proud of having produced the first female premier in the world in 1961. From 1994 to 2000, two women, a daughter and mother respectively, held the two top positions in the country – the presidency and premiership, and the present president of Sri Lanka is a woman. This does not mean, however, that women enjoy full rights. Women's participation in decision-making and governance is still not adequate. Women's educational attainments and labour force participation have improved significantly, but still there are differences with male participation.

Females make an important contribution to the national economy. Foreign employment, where two-thirds of the workers are female, makes the largest contribution to the national income. The majority of the people working abroad are employed as housemaids and unskilled labourers in the Middle East. Many live in harsh conditions and are often cheated, ill treated by unauthorised job agencies, and subjected to sexual harassment. The Sri Lankan government has not found a way to protect them.

### **Impact of war**

The war has had a negative impact on the national economy and the livelihoods of innocent people. Heavy war expenditures are hard for a poor country to bear. People suffer from direct and indirect taxes imposed by the government to meet war expenditures. According to government sources, more than 60,000 people, both armed and civilian, have died in the war. Some sources report that innocent civilians are more vulnerable in the war, since three-fourths of war victims are civilians. Furthermore, many people have become disabled, lost their property, or lost their livelihoods. Recruitment of children as soldiers is a social problem created by the war. As a result of the war, many people have immigrated to other countries. Many people live in refugee camps under poor conditions. Unfortunately, neither the government nor the LTTE has paid adequate attention to finding a solution to the problem. ■

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