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<https://www.dailymirror.lk/features/socialist-democratic-republic-of-sri-lanka-is-it-socialist/185-47352>

Socialist Democratic Republic of Sri Lanka - Is it socialist?

Presently there is a substantial discourse on whether the Democratic Socialist Republic of Sri Lanka is waning in its commitment to the institutions of democracy. This insight explores a different question, is it waning its commitments to social institutions?

The Economics of Social Commitments

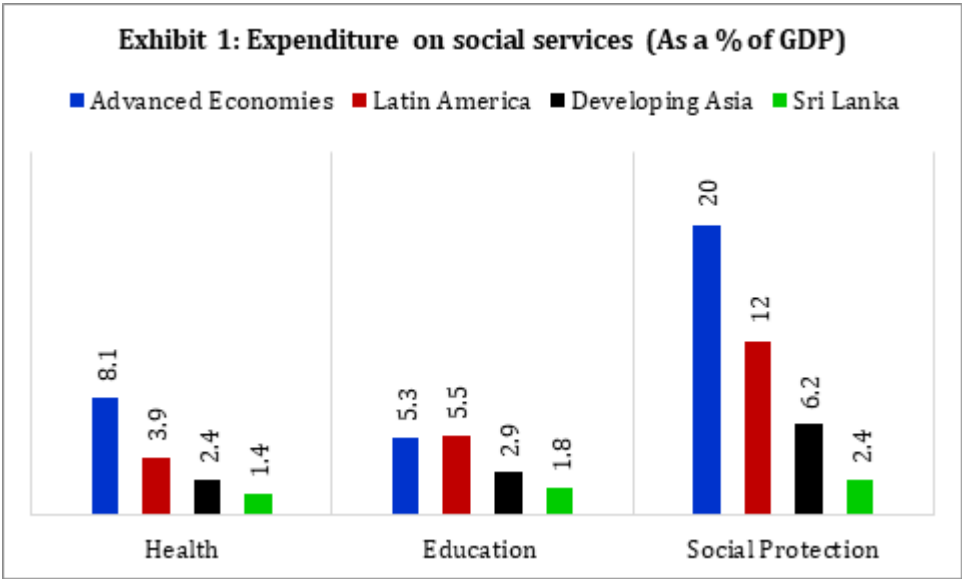
Government expenditure can be classified into three categories; expenditure on public services, social services and economic services. In this classification, social services i.e. expenditure on education, health, welfare and community services play an important role in terms of creating economic opportunities, making opportunities accessible to all and protecting the vulnerable.

In other words, expenditure on social services helps to ensure that the benefits of economic growth are better shared within a society. The economic jargon for this is “inclusive growth”. Additionally, when applied wisely (to encourage rather than discourage hard work and entrepreneurship) they also help to unleash economic potential. For example education and health care directly improve the welfare of the poor even as these services augment their human capital and productive capacity. Social protection (e.g. pension schemes) help to protect individuals from the risks and uncertainties of life, and free them to engage confidently in the social and economic life of the country.

The Asian Development Bank’s economic outlook released in April 2014, shows ‘developing’ Asia doing poorly in terms of government expenditure on health, education and social protection compared to other regions in the world. This analysis shows that while ‘developing’ Asia lags behind the rest of the world in commitments to social institutions, ‘developing’ Sri Lanka is doing even worse than the Asian average.

Asia lagging behind the rest of the world

According to ADB Outlook 2014 developing Asia lags behind advanced economies as well as its peers in Latin America in terms of public expenditure on education, health and social protection (Exhibit 1). The public spending on education averages 5.3% of GDP in advanced economies and 5.5% in Latin America but only 2.9% in Asia. The difference is more stark for public spending on health care, which equals 8.1% of GDP on average in the developed world and 3.9% in Latin America but a paltry 2.4% in developing Asia. Finally, Asian governments devote 6.2% of GDP to social protection, essentially half of Latin America’s 12% and less than a third of the 20% in advanced economies.



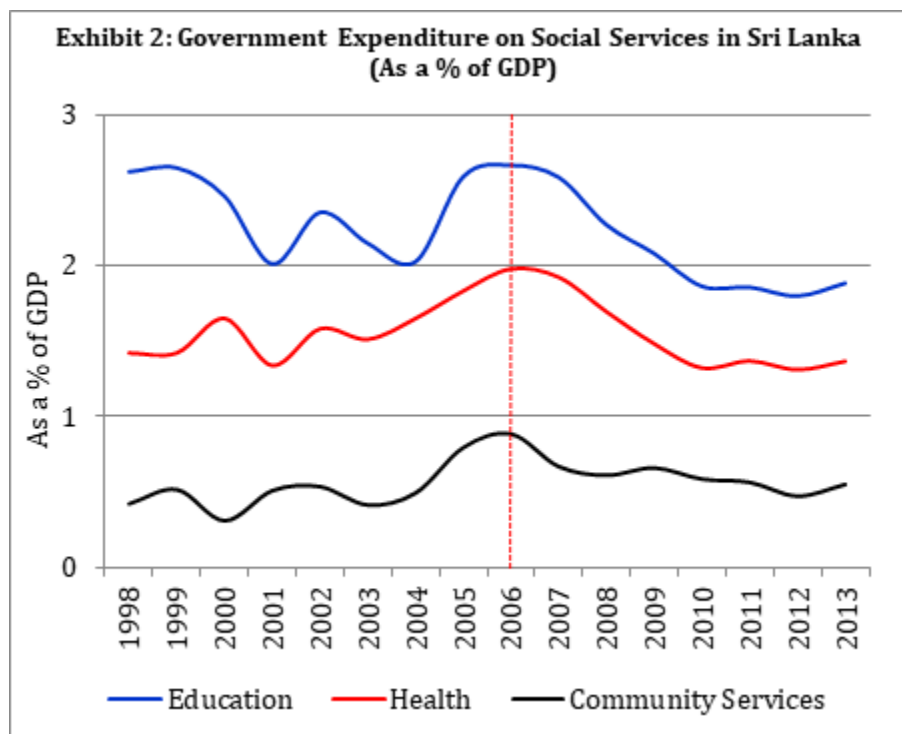
Source: ADB Outlook 2014, Central Bank Annual Report 2013

Sri Lanka lagging behind Asia

While Asia is lagging behind the rest of the world, Sri Lanka is lagging behind Asia in terms of spending on education, health and social protection (i.e. expenditure on social welfare and community services).

While the Asian average government expenditure on education as a percentage of GDP is at 2.9%, Sri Lanka stands even below the Asian average by spending less than 2% of GDP on education. The same is true of government expenditure on health. While the Asian average spending on healthcare is at 2.4% of GDP, Sri Lanka's spending is well below 1.5%. While developing Asia spends only 6.2% of its GDP on social protection, Sri Lanka spends only 2.4%.

Negative trends need to be reversed



Source: Central Bank Annual Reports

Expenditure is not only low, it has been declining during the better part of the last decade (since 2006, Exhibit 2). The expenditure on education, health and community services as a percentage of GDP has been in steady decline and

approaching record lows. This trend suggests that Sri Lanka's commitments to its social institutions are waning.

Even existing social spending is increasingly bypassing traditional social institutional structures and being channelled through new methods that are more connected to political patronage (e.g. the Rural Development Organisations in Sri Lanka have become increasingly prone to political capture). Sri Lanka has held on to many of the social protection institutions from its pre-independence days (e.g. public health care), but suffer from flagging professionalism in management and lower funding commitments. These trends spell trouble ahead for the economic potential of the country.

The expenditures on health and education are especially important. Neglecting these can have huge economic and social consequences, and more-so in the medium to long term. It is clear that the "socialist" tag attached to the name of the country is not being reflected in its current trend of policy decisions. Sri Lanka's resulting status of being a laggard in its social commitments, even in lagging Asia, is an economic problem that needs attention.

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