

Gist of EPW August Week 1, 2022

The Economic and Political Weekly (EPW) is an important source of study material for [IAS](#), especially for the current affairs segment. In this section, we give you the gist of the EPW magazine every week. The important topics covered in the weekly are analyzed and explained in a simple language, all from a [UPSC](#) perspective.

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1. The Sri Lankan Crisis - An Outcome of Populist Macroeconomics and Family-run Polity?

Context

The recent economic crisis took the shape of a political and constitutional crisis in Sri Lanka.

Background

- In the wake of a severe economic crisis, massive protests and rallies were held demanding the resignation of the President and Prime Minister in the island country.
- The recent [economic crisis in Sri Lanka](#) took the shape of a political crisis and forced Prime Minister Mahinda Rajapaksa to resign from office.
- Later, a huge number of protesters stormed the palatial official residence of the President and the heavily guarded Presidential Secretariat which forced President Gotabaya Rajapaksa to flee from the country.
- Experts from around the world attribute the crisis in the island nation to factors such as:
 - Huge drop in income through tourism due to the travel restrictions placed on account of the COVID-19 pandemic.
 - Depletion of the country's foreign exchange reserves.
 - Increase in the prices of food and energy as a result of the [Russian invasion of Ukraine](#).
- This article argues that the key reasons for the crisis in the country predate the pandemic and the war in Russia.

Important reasons for Sri Lanka's economic and political crisis

Fiscal Sops and the Pandemic

- The International Monetary Fund (IMF)'s report on Sri Lanka suggests that “in the context of substantial shocks, the programme supported by the IMF during 2016-19 could not resolve all of Sri Lanka's vulnerabilities”.
- Unbalanced macroeconomic policies along with a difficult external environment forced the [IMF](#) authorities to embark on an adjustment programme in 2016, supported under the Extended Fund Facility.
 - However, the drought in 2017 followed by a political crisis in 2018 and a terrorist attack in 2019 acted as roadblocks to the implementation of the programme.
- Sri Lanka further introduced various fiscal sops in 2019 which were said to be inappropriate at that moment. A few of the fiscal sops introduced were:
 - Increasing the tax-free allowance from Sri Lankan Rupee (SLR) 5 Lakhs to SLR 30 Lakhs
 - Reducing the top marginal tax rate from 24% to 18%
 - Reducing the rate of standard value-added tax from 15% to 8%
 - Reducing the corporate income tax rate from 28% to 24%
 - Removal of the economic service charge and nation-building tax
- These measures impacted the government revenues while the government expenditure increased significantly.
 - This pushed the government towards external borrowings which increased to 12.8% of GDP in 2020 as compared to 5.3% in 2018.
- Additionally, during the pandemic, the Sri Lankan government came up with relief measures like macroeconomic policy stimulus, an increase in the spending on social security and a moratorium on loan repayment.
 - These fiscal relief measures along with 2019 tax cuts measures triggered a macroeconomic crisis.
- The collapse of revenue from tourism due to the pandemic led to an increase in the [current account deficit](#) of Sri Lanka (7.1% of GDP in 2022).
- Sri Lanka received assistance from Bangladesh (\$200 million), China (\$2.8 billion), and India (\$1.4 billion) during the pandemic.
 - Sri Lanka also received new special drawing right (SDR) allocations from the IMF in August 2021 worth \$780 million but over 85% of that was converted and used for debt repayment and forex interventions. In May 2022, Sri Lanka defaulted on its debt.

Dependence on China

- Increasing reliance on Chinese loans to fund investment, especially in the infrastructure segments is said to be another key reason for the crisis.

- Chinese financial assistance is estimated to be worth \$12.4 billion between 2005 and 2014. Further, Sri Lanka's economic ties with China increased post the launch of the [Belt and Road Initiative \(BRI\)](#) of China in 2013.
- Sri Lanka and China signed various agreements which were aimed at the development of Colomb as a business hub, the Hambantota Port as a trans-shipment port and the development of a highway connecting the two cities.
 - The Hambantota Port is of strategic significance to China as its oil imports from West Asia passed through the Indian Ocean and China had concerns regarding the security of its sea lanes of communications (SLOCs).
- These investments by China increased the debt burden on the country which increased Sri Lanka's reliance on China.
- This debt-trap diplomacy of China is compared to those of colonial powers.

Democracy, ethnocracy, and the failure of governance

- The civil war between the Sri Lankan government (dominated by the majority Sinhalese), and the Liberation Tigers of Tamil Eelam (LTTE) (representing the minority Tamil community) lasted for over 25 years and had a huge impact on Sri Lanka's democratic traditions and institutions.
- After the Sri Lankan government emerged victorious in the civil war, it turned more authoritative and neglected the interests of minorities.
- Mahinda Rajapaksa, who was the President when the government won the civil war, induced his brothers Gotabaya and Basil Rajapaksa into the government and gave them important ministries.
- After losing power in 2015, the Rajapaksa family returned to power in 2019 as Gotabaya Rajapaksa was elected as the President.
- This family had significant control and influence over the government and important agencies.
- The unilateral policies such as the ban on the use of chemical fertilisers which impacted the agricultural output severely led to a further deterioration of the country's economy.

Conclusion

Sri Lanka's problems have been deep-rooted and have their origins that predate the pandemic and the Ukraine war. Various economic policies which were introduced mainly on a populist basis rather than considering economic realities, authoritative policies of family-run political establishments and heavy dependence on China are said to be the fundamental reasons for the economic and political crisis in Sri Lanka.

2. National Achievement Survey 2021

Context:

- The recent National Achievement Survey (NAS) report was released by the Ministry of Education in May 2022.
- The National Achievement Survey provides for an assessment of the current school education system by evaluating the student's progress and learning competencies as an indicator of the efficiency of the education system.

Concerns noted by the survey:

- The survey notes with concern a constant decrease in the average performance of students in subjects under study. It reports a learning gap among students in the country. As compared with NAS 2017, a slight dip has been noticed in NAS 2021 in the learning outcomes of students.
- The primary reason for this downturn in learning outcomes is the COVID-19 pandemic. The COVID-19 pandemic severely disrupted the education system, creating the most severe global education disruption in history. The shift to online education mode adversely impacted the learning process of the student. The students lost contact with their peers and friends robbing them of the opportunity to socialize with peers, faced the loss of foundational abilities due to loss of participative and activity-based learning opportunities. They also had to face absence of curricular learning for more than an academic year.
- Notably, only around half of the teachers have participated in professional development programmes conducted by state agencies. This does not augur well for providing quality education to students.
- With respect to parents' involvement in the learning process, there remains a large gap in schools using parental support in students' learning.
- With respect to gender wise assessment, girls did better than boys in most subjects.
- Considering the location-wise performance, the average scores of schools in rural areas were found to be higher than that of the average score of schools in the urban area in all Class 3 subjects. As the student progresses to higher classes the average score of schools in rural areas was significantly below than that of schools in the urban areas.

A Way Forward:

- The findings of the survey, necessitate reflecting on and updating current practices in the education system. The following measures may be tried.

Promoting life skills education:

- Life skill education must be part of the school curriculum through educational reforms.
- Life skill education helps in developing students' competencies to help them deal with daily life

challenges. This would help students internalise life values and be able to apply them to their daily contexts.

- This would allow for holistic development of the students.

Gender equality and inclusion:

- Schools need to emerge as gender-neutral spaces.
- Curriculum books need to be checked for gender-biased commentary and rectified.
- Equitable opportunities and challenges are required to be introduced to all students.
- Girls should be motivated to study science, technology, engineering, and mathematics (STEM) subjects to close the gender gap.

Parent's involvement:

- The school system must develop measures to ensure parents'/guardians' involvement in their ward's progress.
- Existent parent–teacher associations (PTAs) or school management committees (SMCs) need to be strengthened.

Inclusive education:

- India hosts 7.8 million children with disability. The education of such children with disabilities remains insufficiently addressed by the existing schooling systems. An institutionalised approach is required to deal with the special needs of children.

Student centric approach:

- There is the urgent need to revisit the school curriculum and pedagogy. The focus must be shifted from a teacher-centric to a student-centric approach. It is critical to developing a system where students are seen as partners in the learning process, not merely as passive participants.