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Govt. yet to unveil long-term development agenda: Dr. Lakmini

Fernando

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- **Sri Lanka's policy setting needs a change**
- **Sustainable Development Goals can support this vision as a planning tool**
- **To date, no single country is on track to achieve the SDGs by 2030**
- **SL has achieved SDG 4 on quality education, SDG 13 on climate action**
- **Reported progress needs modifications to show ground realities**
- **Political leadership crucial, without which no development is attainable**
- **SL should learn from its experience with Millennium Development Goals**
- **Sri Lanka requires a huge sum of money to achieve the SDGs by 2030**

"Since 1960, with almost similar years of schooling, Sri Lanka ended up with a per capita income of $ 4,000, while the Republic of Korea and Singapore received $ 33,000 and $ 67,000 in 2022. So, Sri Lanka's policy setting needs a change," asserted Institute of Policy Studies of Sri Lanka (IPS) Research Fellow Dr. Lakmini Fernando, in an interview with *The Sunday Morning*.

Given that Sri Lanka intends to become a developed country by 2048 and with the Government yet to unveil its long-term development agenda, Dr. Fernando pointed out that the Sustainable Development Goals (SDGs) could support this vision as a planning tool.

"Successful mainstreaming of global goals to the national development agenda and extending 2030 targets to national goal setting would provide the basis for this exercise. Eventually, it is not only about realising the SDGs but the certainty that an average citizen is living a decent life," she added.

As things stand, realising the SDGs requires an additional investment requirement of $ 1.4 trillion or 12.5% of GDP by 2030. "Certainly, Sri Lanka requires a huge sum of money to achieve the SDGs by 2030... With an estimated revenue of Rs. 4.3 trillion and expenditures of Rs. 7.8 trillion, Budget 2024 will face great difficulty in financing the majority of its proposals. The way forward is allocating scarce resources to match the true development needs of the country," Dr. Fernando emphasised.

Following are excerpts of the interview:

Where does Sri Lanka currently stand in terms of achieving the SDGs? Is it gaining or losing ground, especially in the backdrop of the economic crisis and post-pandemic?

Since its adoption in 2015, the progress of SDGs has been unequal across countries. The Sustainable Development Reports for 2022 and 2023 show that the pandemic and other overlapping crises have stalled the progress. To date, no single country is on track to achieve the SDGs by 2030. The level and the trends in SDG progress suggest that, on average, countries with higher per capita income have better SDG outcomes.

According to the SDG Index, which measures the overall SDG performance, Sri Lanka records an above world average score of 0.72 and 0.16 before and after the pandemic. So far, Sri Lanka has achieved two SDGs: SDG 4 on quality education and SDG 13 on climate action. Yet, school/university closures, and lower investments in climate change adaptation and mitigation collectively suggest that reported progress needs modifications to show the existing ground realities.

Considering the severity of multiple crises in Sri Lanka, this progress creates much ambiguity on the sensitivity of SDG monitoring and reporting mechanisms. The existing systems might require serious modifications to better capture the country's prevailing socio-economic and political underdevelopment. If the real picture is not captured, it is doubtful whether Sri Lanka will be able to achieve the anticipated qualitative improvements in the 2030 Agenda.

What are the main challenges the country is facing in realising these goals?

Inherently, SDGs are complex and interrelated with 17 goals, 169 targets, and 248 indicators. In Sri Lanka, data is readily available only for 46 SDG indicators through the Department of Census and Statistics. Realising these goals requires country-specific and wide-ranging efforts from implementation to follow-up.

To be specific, this includes mainstreaming the SDGs to national development planning and budgeting and addressing the investment and capacity gaps. In achieving this, political leadership is crucial, without which no development is attainable.

Uncertainty in long-term national planning: in realising the SDGs, the first step is integrating the SDGs into national development planning, followed by financing, implementation, monitoring, and evaluation. Sri Lanka, with no clarity over the national development agenda, might get trapped by 'failing to plan is planning to fail'.

Insufficient investment in SDGs: to reach the key SDGs, low-income countries require an additional 15% of GDP by 2030. Our estimates show that this is around $ 1.4 trillion or 12.5% for Sri Lanka. Yet, with an average public investment of 5-7% of GDP, allocating funds for the SDGs will be quite challenging, so a 'national development framework' complemented with an 'investment framework' is binding to ensure readiness and sufficient flow of funds to the SDGs.

Inefficient institutions and capacity gaps: Sri Lanka is a small island economy with a population of 22 million. Yet, there is a practice of multiplying institutions without proper use of existing institutions. This grows inefficiencies mainly due to the duplication of work, resource wastage, and weakening of the public sector. Sri Lanka can use the SDGs and UN assistance, financial or technical, to improve the existing institutions and systems. We should learn from our own experience with the Millennium Development Goals and international best practices to enhance the institutional quality and work-flow.

Has the Government implemented any strategies to ensure Sri Lanka realises or moves closer to realising the goals?

Budget Call 2024, which provides the guidelines for preparing annual budget estimates, has clearly indicated that the budget estimates should be prepared in line with the SDGs. The Sustainable Development Council has issued classification guidelines to tag expenditure estimates to the SDGs. Each line ministry has a focal point officer to perform SDG-related tasks.

Sri Lanka requires an additional investment requirement of $ 1.4 trillion or 12.5% of its GDP by 2030 to achieve the SDGs, according to your research. Given the ongoing economic crisis and the recently-unveiled Budget 2024, where do things stand in terms of SDG funding?

Certainly, Sri Lanka requires a huge sum of money to achieve the SDGs by 2030. A comprehensive publication exploring this topic titled 'Public Investment for Closing the SDG Financing Gap: Sri Lankan Perspective' will be released on Tuesday, 28 November, and will be available on www.ips.lk. The main aim of this research is to assess the SDG investment gap to enhance readiness in ensuring sufficient flow of funds.

With an estimated revenue of Rs. 4.3 trillion and expenditures of Rs. 7.8 trillion, Budget 2024 will face great difficulty in financing the majority of its proposals. Although 5.4% of GDP is allocated for public investment, it may be reduced. This is because public investment is only 3.9% and 2.8% of GDP in 2022 and 2023 and capital spending cuts are natural during a crisis. Also, high debt repayment commitments and no productive/structural change in the economy will collectively make funding SDGs a daunting task. Therefore, the way forward is allocating scarce resources to match the true development needs of the country.

This study shows that public investment allocation in economic, social, and environmental dimensions is 80:19:1 and has long been skewed towards infrastructure development. Inconsistency in expenditure allocations is common in Budget 2024. The finance sector, which contains only a single ministry – the Ministry of Finance, Economic Stabilisation, and National Policies – receives 62% of total capital expenditure allocation (Figure 1). The next highest allocation of 24% is for commercial infrastructure. Yet, social infrastructure (i.e. education, health, etc.) and environment allocations are limited to 5% and 0.1% of total capital expenditure.

Although public investment is inadequate, its role in SDG financing and economic recovery cannot be overlooked. Crisis creates an opportunity to introduce development transformation. This study proposes a number of good practices that support such transformation.

These include reprioritising projects by assessing project readiness and impacts, establishing a well-coordinated efficient system of planning, budgeting, monitoring, and evaluation, following scientific methodology for project appraisal to ensure the selection of high-impact projects for funding, maintaining an up-to-date project pipeline, providing online public access to these development projects, and allocating sufficient funds for maintenance to sustain the quality of projects. These operational changes would help improve efficiency and transparency in public finance utilisation.

What are the options Sri Lanka could and should look at in terms of enhancing SDG financing?

Enormous resource mobilisation is essential for SDG financing. As public investment is scarce, private investments, which are either traditional or non-traditional, are options to look at. It is more advantageous to receive non-debt creating capital receipts.

This study highlights several mechanisms for SDG financing: blended financing, international tax reforms, globally-earmarked taxes, increased official development assistance, and giving pledges.

As governance quality highly correlates with investment inflow, creating a favourable investment climate is necessary for attracting new funds. Hence, combating corruption and improving governance would enhance Sri Lanka's eligibility to receive these funds.

Where does Sri Lanka stand on the SGDs in comparison to the region?

Overall, advanced economies are closer to achieving the targets than any other country group. Sri Lanka shows moderately satisfactory SDG progress compared to the East and South Asia regions.

Progress in SDG 16 on Peace, Justice, and Strong Institutions shows that strengthening public sector and statistical capacities are major concerns for developing countries. Comparatively, Latin America and the Caribbean region have better functioning institutions and per capita incomes among developing countries. Yet, their SDG progress is lower to that of Sri Lanka, which raises concerns over Sri Lanka's SDG progress.

As a nation, no one disagrees that Sri Lanka needs qualitative improvements in almost all sectors, if we are to provide decent living standards for our people.

Are the SDGs enough of a priority at present or should the Government give them more importance and, if yes, why?

Since 1960, with almost similar years of schooling, Sri Lanka ended up with a per capita income of $ 4,000, while the Republic of Korea and Singapore received $ 33,000 and $ 67,000 in 2022. So, Sri Lanka's policy setting needs a change. Considering the diverse development needs and rarity of funding, this change to traditional development strategy should be evidence-based and data-driven.

Sri Lanka intends to become a developed country by 2048 and the Government is yet to unveil its long-term development agenda. In this context, the SDGs could support this vision as a planning tool. Successful mainstreaming of global goals to the national development agenda and extending 2030 targets to national goal setting would provide the basis for this exercise.

Eventually, it is not only about realising the SDGs but the certainty that an average citizen is living a decent life.

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