Chapter 9

Monitoring and Evaluation of Economic and Social Progress

Improvements in the quality of life of the population is recognized as the ultimate goal of any society. This means a shift from a plain emphasis on increasing the quantity of goods and services produced, to a broader emphasis on improved health and educational standards, providing better housing and sanitation and other basic needs of the population and utilizing effectively the most important resource that the country has, human beings. These involve a process commonly known as Economic and Social Progress.

The conceptualization of Economic and Social Progress is in many ways a philosophical one. Its meaning has a multitude of interpretations in economic literature. According to one commonly used definition, it is a complex process consisting of social change, cultural mobilization, economic growth, technical modernization and democratic participation. It involves fundamental changes in the structure of the economy and is attainable only if the people themselves are mobilized. In realization of this objective, the main task is to mobilize the idle latent forces of the rural population, who are the vast majority. Economic growth which is defined simply as a rise in national or per capita income

or product is therefore a necessary condition for Economic and Social Progress, but by no means a sufficient condition.

The Nature of Economic and Social Progress

In the analytical and theoretical approaches to welfare, there has been a perceptible departure from the narrow confines of conventionally defined social welfare functions. The study of Economic and Social Progress has evolved away from the macro and towards the micro emphasis. The shift characterized a greater attention being focussed on the individual, on rural areas and agriculture, on the distribution of income and poverty and on the socio-political forces affecting them. A variety of socio-economic indicators has been developed to evaluate Economic and Social Progress and improvements in the quality of life brought about by it. These indicators in turn serve as a means to monitoring and evaluating Economic and Social Progress.

A pertinent and fundamental question when discussing Economic and Social Progress is whether the process involves an improvement of living conditions or welfare of the individual citizens. If so, to what extent and in what ways? The limitations of GNP and its rate of growth as indicators of economic well-being are now well appreciated. GNP does not reveal how the benefits of economic activity are distributed. Consequently, the refocussing of attention on micro economic aspects of Economic and Social Progress with specific concern for poverty and inequality is inevitable. There are two approaches to this assessment of Economic and Social Progress. One approach is to emphasize growth but to weigh the growth performance by the distributional record. Another approach is to emphasize changes in poverty and inequality as the principal indicators of welfare.

In a welfare function in which growth performance is weighed by distributional record, it is customary to use measures such as per capita income, indices of relative inequality or measures of absolute poverty. The actual choice of the social welfare function is however enmeshed with value judgements, which is inescapable. The benefits of growth may also be measured by attainment of such basic needs as nutrition, by physical quality of life indicators, by health statistics and by educational attainments and literacy levels of the population.

Statistical Development for the Monitoring and Evaluation of Economic and Social Progress

Having discussed the nature of Economic and Social Progress, the next logical step is to discuss the role of statistical development in that process. It was emphasized that the objective of Economic and Social Progress is not simply economic growth, but sustained improvement in the level of living of the people. The level of living is a multi-dimensional concept. Per capita income and expenditure and their growth are key indicators of welfare but so are employment and education, health and nutrition, housing and sanitation, and the satisfaction of other basic needs.

The major determinants of Economic and Social Progress are the policies and programmes of the government. It is however recognized that in an imperfect world government interventions may be imperfect in their implementation. Moreover, the impacts of interventions cannot be expected to boost up the levels of living of the intended beneficiaries of these government actions automatically. Rather, one must anticipate unexpected, even unintended consequences. The need for data for programme monitoring and evaluation therefore becomes evident. The use by planners and policy makers of statistics as indicators of Economic and Social Progress implies that these statistics effectively summarize the state and changing conditions of society, pinpoint social problems, and monitor effects of government policies and programmes.

The use of statistical data for planning and policy formulation has implications for both the way data are collected and the way the results of the analysis of the data are presented. Recognizing that welfare is a multi-dimensional concept has implications for surveys. Specifically, a multi-purpose household survey will be necessary to capture the different dimensions of welfare. Efforts must be made to produce a set of tabulations and present the analysis of data so as to be useful for policy analysis and recommendations. Since the emphasis is on distributional aspects of welfare, tabulations must reflect the distribution of levels of living over various socio-economic groups and their changes over time.

For socio-economic statistics needed for the monitoring and evaluation of Economic and Social Progress to be meaningful, they must be complete, accurate, consistent and timely. Lack of relevant, reliable and

timely information is often regarded as a stumbling block to effective monitoring and evaluation. Sri Lanka is blessed with an abundance of reliable data which makes the task of monitoring and evaluation a lot easier. Nonetheless, improvements in socio-economic statistics are called for, from time to time, in response to social and political imperatives and as practical guides for early action. A durable capability needs to be established to carry out surveys on a continuing basis as a means to ongoing monitoring and evaluation. This involves the integration and further development of existing capabilities.

The Role of the Central Bank in Statistical Development

The activities of the Central Bank in the process of statistical development include the estimation of the level and rate of growth of the country's national income, the collection, compilation and analysis of price and employment data, monitoring of imports through Letters of Credit data and collection of primary data on socio-economic variables through sample surveys.

National Economic Accounting

In the social sciences, the data system most fully developed for cross-national comparison in general welfare is that of National Accounts Statistics. They are based on an underlying consistent and coherent model of socio-economic interrelationships. National income per capita was indeed considered to be the most appropriate measure, when economic growth was regarded as both a necessary and sufficient condition for development.

The origins of national economic accounting go back to the work of Sir William Petty in 1665 and the subsequent work on "Tableau Economique" of Francois Quesnay, the French physiocrat. The great surge in national economic analysis, however, took place during the three periods of the Great Depression, World War II and the period of postwar reconstruction and expansion. The Central Bank first prepared an estimate of Sri Lanka's Gross National Product (GNP) in 1951.

The essence of national economic accounting is that it provides a way of looking at the total sum of a country's economic activity. Gross National Product (GNP) is the aggregate flow of goods and services available in a country from current production plus net factor income from abroad,

in a given time period. The total output of goods and services is currently estimated by the Central Bank using the Product and Expenditure approaches. These estimates, together with other subsidiary social accounts, represent the main stocks and flows that occur within the national economy and between the national economy and the rest of the world. These stocks and flows are concerned with domestic production, consumption and accumulation, as well as capital transactions and the balance of payments with the outside world. Their use facilitates analysis, policy formulation, prediction and control.

In studying the overall performance of the economy, the other major economic aggregate of importance is the inflation rate, because nominal GNP can increase at a rapid pace but much of this increase can come from inflation and rising price levels. Changes in real magnitudes eliminate the influence of price changes and reflect true changes in physical goods and services produced within the economy. A "real magnitude" is the value expressed in the price of an arbitrarily chosen base year. The Central Bank's present estimates of Real GNP are based on 1982 prices and relative values as weights.

Collection and Compilation of Price Data

One basic area of improvement in national economic accounting efforts of the Central Bank is in the collection of price data and the development of indices that make possible the expression of "real aggregates". Annual and quarterly data on prices and wages representative of the entire country and its various regions have been collected under the Country-Wide Data Collection System since its inception in 1978. Information on retail prices of consumer goods, prices of agricultural inputs, producer prices of major agricultural commodities and wage rates in the informal sector and small scale construction activities are gathered from representative centres in the country by 100 school teachers specially trained for the purpose. The availability of time series data on these variables has also facilitated the analysis of prices and wages on a regional basis over time, and the computation of several indices, notably the Wholesale Price Index.

The Central Bank compiles several indices principally to monitor price developments and changes in patterns of foreign trade. These indices include the (1) Implicit GNP Deflator, (2) Wholesale Price Index, (3) Index of Cost of Construction, (4) Wage Rate Indices for Government

Employees and (5) Trade Indices on Price, Volume and Value of Exports and Imports. The Bank is also responsible for the computation of sectoral sub-indices of the Colombo Consumers' Price Index compiled by the Department of Census and Statistics. The Bank's publications also give a detailed commodity-wise breakdown of the Index. The Central Bank also publishes the Wage Rate Indices for workers in Wages Boards Trades compiled by the Department of Labour.

Labour Force Statistics

Labour force statistics play an important role in the assessment of the country's economic performance and in the measurement of the general welfare of the population. The Central Bank conducts an annual survey of public sector institutions to obtain data required for assessing the employment situation in the public sector. With respect to the private sector, EPF statistics are used to assess employment in the organized private sector. These estimates are supplemented by employment data available from the annual Survey of Business Activities and Planned Investments conducted by the Central Bank and by data on employment in GCEC enterprises. Regular time series data on unemployment are hard to come by. Nonetheless, the Consumer Finances and Socio Economic Survey Series of the Central Bank provides a rich source of data on employment, unemployment and under-employment, for the survey years.

Import Monitoring System

Emerging patterns of foreign trade following the liberalization of the economy in November 1977 prompted the Central Bank to set up an Import Monitoring System in 1978. The system, based on the analysis of Letters of Credit data, provides an advance indication of the likely total imports and the types and categories of such imports. The system helps to ascertain the likely foreign exchange commitments prior to actual imports. It is also used as a forecasting tool and for the preparation of balance of payments projections.

Collection of Primary Data Through Sample Surveys

The Central Bank has a long experience in carrying out household surveys successfully. The Consumer Finance Survey of 1953 undertaken by the Bank was the first in a planned regular series of socio- economic surveys. The survey was repeated at ten-year intervals upto 1973 and,

after a lapse of only five years, in 1978/79. Reflecting its broader scope compared to the previous surveys in the series, the 1978/79 survey was designated the Consumer Finances and Socio-Economic Survey. Rapid changes in the structure of the economy and emerging patterns of consumption and income distribution following the 1977 policy reforms prompted the Central Bank to conduct the next survey in the series in 1981/82 after a lapse of only 3 years. The last survey in the series was conducted in 1986/87.

Over the last four decades, the Consumer Finances and Socio Economic Survey of the Central Bank of Sri Lanka has evolved into a large national sample survey, collecting a broad spectrum of socio-economic data. These surveys have formed a comprehensive and rich statistical base for monitoring and evaluating Economic and Social Progress. Detailed information has been collected in this series of surveys on demographic characteristics, employment, unemployment, under-employment and other labour force characteristics, housing and health conditions, income, expenditure, savings, investments and indebtedness. On a historical and regular basis, the series of Consumer Finances and Socio-Economic Surveys is perhaps the single most important source of information for the analysis of socio-economic conditions. The data so collected form a solid basis for monitoring and evaluating the country's progress and comparative changes in socio-economic conditions in the country as a whole, as well as its three main sectors, Urban, Rural and Estate, five socio-economic zones or regions, and different socio-economic groups.

The Consumer Finances and Socio-Economic Survey series provides a reliable basis for studies on levels and changes in income and expenditure, poverty and welfare and income distribution. For a comparison of the economic status of households and income distribution in two or more periods to be meaningful, the data must be conceptually alike and be representative of comparable groups in the population. While the Consumer Finance Surveys periodically have adopted new features into their design and have grown in size, such changes do not seriously impair the overall comparability of the data. The surveys have a good coverage as the data are collected from a national sample representative of the entire population and the constituent socio-economic groups. An attempt has been made in these surveys to capture as adequately as possible, the non-market activities of

household members, including value of home garden produce consumed. Notwithstanding these strengths, the specific dimensions of the data need to be recognized and addressed. There are problems associated with the randomness of sampling and the biased non-responses among sample returns. For those who do respond, under-reporting of income, particularly certain types of income such as interest, dividends, property income and transfer income is not uncommon. Another source of under-reporting is non-monetary income, chiefly own consumption by farm households and imputed rents on owner occupied homes.

Apart from the Consumer Finances and Socio Economic Survey, numerous surveys are conducted by the Central Bank to assess capital formation, investment planning, industrial production, and effectiveness of credit delivery under different credit schemes. The Bank has also conducted, from time to time, investigative types of surveys on particular aspects of the economy.

Conclusion

Welfare is taken to be a multi-dimensional concept that goes well beyond the single dimension of productivity as represented in Gross National Product (GNP) per capita. Furthermore, national accounting is reported in national or sectoral aggregates and tells little about the distribution of production (income), consumption and accumulation. These estimates are an average for the entire national population and so fail to reflect the distribution of social welfare. To fill this void, the Central Bank has, over time, endeavoured to evolve a system of statistics on the distribution of income, consumption and accumulation that would be consistent with, and complementary to, the System of National Accounts. Thus, the emphasis has shifted from a concern for maximizing growth to one for redistribution and poverty alleviation and the associated problem of inequality and the quality of life. The whole ambit of data collection and compilation in the Central Bank, as it is currently constituted, is geared towards recording the progress in the achievement of declared goals of our society, focussed on individual equity and social justice.

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