

Lest we forget remembering the ‘Pathfinder Beyond the Box: A New Economic Vision for Post – COVID Sri Lanka’ presented in May, 2020

The Pathfinder Foundation produced a Report “Pathfinder Beyond the Box; a New Economic Vision for post-Covid Sri Lanka,” which was presented to senior policy makers and made available to the public in May 2020. Today, it is time to reinforce the urgency of addressing the issues raised in that report and consider the efficacy of the recommendations contained therein.

The Report presented a policy matrix which identified issues and actions in the following areas: Social Empowerment and Safety Nets; Food Security and Agriculture; Macro-Economic Management; Trade and Investment; Infrastructure; Technology; Labour; Finance; and Policy Coordination.

COVID – 19 and its impact

Sri Lanka, like many countries, has been severely affected by both the medical and the economic consequences of the pandemic. This has placed Sri Lanka in a category alongside the most vulnerable countries, with very limited buffers to absorb the effects of external and/or domestic shocks - a predicament which is the result of very many years where politics consistently overwhelmed basic economic principles.

The economy has been brought to a precarious state. Disruption to economic activities has dealt a blow to the growth momentum. This is being compounded by severe dollar illiquidity. Inflation, particularly food inflation, is accelerating. Businesses, especially MSME’s are experiencing a devastating environment. Families are confronted with major challenges in meeting their basic needs.

On the external front, gross official usable reserves have declined to the point where Sri Lanka’s foreign debt is no longer sustainable. The lack of foreign exchange is making it increasingly difficult to support a level of imports which would meet even the demand for essentials, like food and pharmaceuticals, as well as intermediate and investment goods required to support growth, employment and incomes.

Time for an immediate policy re-set

The solutions are well known and have been elaborated upon in the Pathfinder report under reference.

The effect of the combination of decades of weak economic management and the unprecedented adverse impact of the pandemic means that Sri Lanka does not have any easy options. Managing the crisis with as little pain as possible needs to be the priority.

The immediate priorities are: 1. stabilizing the economy and alleviating the painful consequences of the inevitable austerity through seeking support from the IMF and other financing that could be

mobilized once an IMF arrangement is in place; 2. restoring debt sustainability by restructuring external debt. It must be recognized that an IMF programme would not be possible without debt restructuring and debt restructuring would not be possible without an IMF programme.

The full text of the Report 'Pathfinder Beyond the Box: A New Economic Vision for Post – COVID Sri Lanka' is available via <https://bit.ly/3iSRx1L>

PATHFINDER BEYOND THE BOX: A NEW ECONOMIC VISION FOR POST-COVID-19 SRI LANKA
Act Decisively & Act Big

 <p>1. Social Empowerment & Safety Nets</p> <p>Issues</p> <ul style="list-style-type: none"> - Strained Public Health System - Job Losses and unempowered economy - Samudri not Delivering (44% of bottom half excluded) - Poor Targeting of subsidies and educational outcomes <p>Actions</p> <ul style="list-style-type: none"> - Promote telemedicine and financial literacy - Rs 10,000 monthly for 3-6 months for families who employment - Targeted programs for women in FTZ & Estates - Reform Samudri by targeting Low income Families - Data Driven allocation of welfare - Income based health insurance - Upgrade architecture of Co-ops & savings banks - Strict implementation of Ragging prohibition - Phase out small group-based loans and ive credit support to young entrepreneurs - Legal ownership of assets for Low income families 	 <p>2. Food Security & Agriculture</p> <p>Issues</p> <ul style="list-style-type: none"> - Food shortages in emergencies - Inefficient use of land and low productivity - 35-40% post-harvest losses <p>Actions</p> <ul style="list-style-type: none"> - Strengthen delivery of emergency aid via PPP & Tri Forces - Revisit Architecture and action plan for food relief - Accelerate Sura Goviya schemes - Incentives for Wet Zone farmers, milk, sugars, and poultry - Promote out grower schemes - Reduce inefficient water use in paddy production - Promote farmer associations
 <p>3. Macro Economic Management</p> <p>Issues</p> <ul style="list-style-type: none"> - Scarce Govt resources; Forex for stimulus - High Debt Service & fragment management - Loss making SOE's - Unproductive Public sector <p>Actions</p> <ul style="list-style-type: none"> - Encourage grant & Foreign Aid through building confidence in donors - Build sustainable Fiscal & Monetary Framework - Strengthen Revenue admin through better Systems - Negotiate early arrangement with the IMF - Lobby Agencies for better IMF SDR Allocations - Focus on PPP & BOT for new projects - Professional Holding company for key SOE - Sale of non-strategic Assets - Explore Debt-for-Climate Mitigation 	 <p>4. Trade & Investment</p> <p>Issues</p> <ul style="list-style-type: none"> - Red tape hampering business - Limited market access and regulatory policy - Disruption in supply chains <p>Actions</p> <ul style="list-style-type: none"> - Priority for movement in key productive sectors - Streamline business and supply chain processes - Alleviate constraints on domestic & foreign investors on land - Better Branding of Sri Lanka - Digitize government and citizen services - Resume FTA with key countries - Broad base attracting of foreign investment by drawing in Japan & Korea - Explore GSP+ with UK post-Brexit - Give priority to logistics and shipping industry - Recalibrate ban on non-essential imports - Promote more rural industrialization
 <p>5. Infrastructure</p> <p>Issues</p> <ul style="list-style-type: none"> - Slow implementation of funded projects - Lack of renewable energy programs <p>Actions</p> <ul style="list-style-type: none"> - Incentivize equity investments for infrastructure projects - Encourage more Solar Power - Explore Sri Lanka-South India grid (HVDC) - Accelerate key project implementation - Reform CEB 	 <p>6. Technology</p> <p>Issues</p> <ul style="list-style-type: none"> - High internet costs - Lack of Digital processes & Systems in Government - Lack of FinTech <p>Actions</p> <ul style="list-style-type: none"> - Internet as a public good - ICTA's role - Digital Portal and digital services - Central securitized data base for citizen ID - Mandatory G2 G digital and communication - Leverage CBSL's year for Digitization 2020 - FinTech applications in Financial institutions - Apps for tracing contacts (COVID Like issues)
 <p>8. Finance</p> <p>Issues</p> <ul style="list-style-type: none"> - Lack of long-term Credit and framework for Financial institutions - Poor bankruptcy laws - Environment not conducive for better cash flow into businesses <p>Actions</p> <ul style="list-style-type: none"> - Get flexibility in BASEL-3 and IFRS 9 - Explore partial guarantees schemes from IFIs - Debt-equity swaps - Explore strengthening or a New Institution for long term lending - Enact Bankruptcy laws and new Banking Act - Explore Credit Risk Info for more productive lending 	 <p>9. Policy Coordination</p> <p>Issues</p> <ul style="list-style-type: none"> - Inadequate communication on economic strategy - Weak Policy Coordination & Design Implementation <p>Actions</p> <ul style="list-style-type: none"> - Clear communications on economic strategy 'fit for purpose' - Multi-disciplinary Task force and to assess damage to the economy - Coordination & Implementation Committee - Reestablish National Operations Center for Monitoring all policies, programs, and projects
	 <p>7. Labour</p> <p>Issues</p> <ul style="list-style-type: none"> - Labour Laws too inflexible in emergency situations - Lagging labour productivity vs Asia counterparts - No safety nets for persons losing jobs <p>Actions</p> <ul style="list-style-type: none"> - Labour Minister policy intervention of pay cuts - Making up for lost working days by working on Saturdays - Business to invest at least 0.5 % of sales in worker training - Create Unemployment Insurance Fund - Public & Private investment in childcare, transport, etc - Modernize labor laws - Reduce annual public holidays from m25 to 13 - Labour Commissioner's forbearance in time of crisis

This Matrix explores each strategy, highlighting Opportunities and the Issues that we have to overcome to ensure positive impacts and outcomes

PATHFINDER BEYOND THE BOX: A NEW ECONOMIC VISION FOR POST-COVID-19 SRI LANKA

Act Decisively & Act Big

Cross-sector Opportunities & Action Plan

Social Empowerment & Safety Nets	Food Security and Agriculture	Macroeconomic Management	Trade and Investment	Infrastructure	Technology	Labour	Finance	Policy Coordination
<ul style="list-style-type: none"> - Promote telemedicine and financial literacy - Rs 10,000 monthly for 3-8 months for families w/o employment - Targeted programs for women in FTZ & Estates - Reform Samurdhi by targeting Low income Families - Data Driven allocation of welfare - Income based health insurance - Upgrade architecture of Co-ops & savings banks - Strict implementation of Ragging prohibition - Phase out small group-based loans and ive credit support to young entrepreneurs - Legal ownership of assets for Low income families 	<ul style="list-style-type: none"> - Strengthen delivery of emergency aid via PPP & Tri Forces - Revisit Architecture and action plan for food relief - Accelerate Sura Goviya schemes - Incentives for Wet Zone farmers, milk, sugars, and poultry - Promote out grower schemes - Reduce inefficient water use in paddy production - Promote farmer associations 	<ul style="list-style-type: none"> - Encourage grant & Foreign Aid through building confidence in donors - Build sustainable Fiscal & Monetary Framework - Strengthen Revenue admin through better Systems - Lobby Agencies for better IMF SDR Allocations - Focus on PPP & BOT for new projects - Professional Holding company for key SOE - Sale of non-strategic Assets - Explore Debt-for-Climate Mitigation 	<ul style="list-style-type: none"> - Priority for movement in key productive sectors - Streamline business and supply chain processes - Alleviate constrains on domestic & foreign investors on land - Better Branding of Sri Lanka - Digitize government and citizen services - Resume FTA with key countries - Broad base attracting of foreign investment by drawing in japan & Korea - Explore GSP+ with UK post-Brexit - Give priority to logistics and shipping industry - Recalibrate ban on non-essential imports - Promote more rural industrialization 	<ul style="list-style-type: none"> - Incentivize equity investments for infrastructure projects - Encourage more Solar Power - Explore Sri Lanka-South India grid (HVDC) - Accelerate key project implementation - Reform CEB 	<ul style="list-style-type: none"> - Internet as a public good - ICTA's role - Digital Portal and digital services - Central securitized data base for citizen ID - Mandatory G2 G digital and communication - Leverage CBSL's year for Digitization 2020 - FinTech applications in Financial institutions - Apps for tracing contacts (COVID Like issues) 	<ul style="list-style-type: none"> - Labour Minister policy intervention of pay cuts - Making up for lost working days by working on Saturdays - Business to invest at least 0.5 % of sales in worker training - Create Unemployment Insurance Fund - Public & Private investment in childcare, transport, etc - Modernize labor laws - Reduce annual public holidays from m 25 to 13 - Labour Commissioner's forbearance in time of crisis 	<ul style="list-style-type: none"> - Get flexibility in BASEL-3 and IFRS 9 - Explore partial guarantees schemes from IFI's - Debt-equity swaps - Explore strengthening or a New Institution for long term lending - Enact Bankruptcy laws and new Banking Act - Explore Credit Risk Info for more productive lending 	<ul style="list-style-type: none"> - Clear communications on economic strategy 'fit for purpose' - Multi-disciplinary Task force and to assess damage to the economy - Coordination & Implementation Committee - Reestablish National Operations Center for Monitoring all policies, programs, and projects

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