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Sri Lanka's external debt higher than most other countries in Sub Region Oil will dictate short term economic progress - ESCAP Report 2015

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Presenting the report to Minister Samarasinghe: In the picture are Country Director, UNDP, Joern Soerensen, Executive Director, Institute of Policy Studies of Sri Lanka, Dr. Saman Kelegama, Former Deputy Governor, Central Bank, Dr. W.A. Wijewardena and Economic affairs Officer, ESCAP, Shuvojit Bannerjee.

By Steve A. Morrell

State Minister for Finance, Mahinda Samarasinghe, said that winning the peace, rule of law and better governance were trajectory focus areas, which will be brought about by the 19th Amendment to the Constitution.

In addition, human rights, transparency and transcending political differences would cement the climate of political progress for better economic progress. The 19th Amendment will improve Sri Lanka's image and attract more Foreign Direct Investment (FDI), he noted.

He was speaking as the chief guest at the presentation of the ESCAP report 2015, in Colombo last week.

Launching the Economic and Social Survey of Asia and the Pacific (ESCAP) report, Country Director, UNDP, Joern Soerensen, said there are around 740 million people living below the poverty line world-wide.

Sustainable development, although repeated often, had not touched the lives of such people. This void had to be bridged, he noted.

The ESCAP report did not recommend ways to bridge this gap to equalize this growing situation of lop-sided progress, but what it did suggest was building effective and open trading systems that could negate an area of despondency.

Dependency on reduced oil prices seemed to give the economy some respite from increasing minus aspects it is now exposed to. The report also said within context of the global recovery being weak, (reverting to 2008) and that domestic challenges compounded an area of rising unemployment.

Part of the reform agenda focused on creating more jobs. With half the population younger than 30 years, pressure on job creation would be high in the coming years, it noted.

Youth unemployment described at high levels was approximately 20%. Pressure on job creation would be substantially high in the short-term and would form the government's major thrust for productivity, it said.

The report said macroeconomic fundamentals were weak with large twin deficits. The current account deficit of around 5% of GDP per year, 2010 through 2014 reflected low domestic savings rates. Greater involvement of the private sector including FDI in the economy was needed to raise exports and productivity.

The plus areas for salutary mention were rapid growth in tourism and remittance receipts.

Sri Lanka's external debt-to-GDP ratio was higher than most other economies in the Sub-Region. This will make the country vulnerable to rising global interest rates in the short run, the report warned.

The US remains Sri Lanka's largest export market. However state and private sectors have to devise their own strategies to move the economy forward through joint enterprise ventures. That was more easily said than done, particularly that both sectors operated on the pre-concept of distrust between

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themselves, it further said.

"China slowing down their growth was perhaps an advantage to the South East Asian region particularly re-balancing the region's economies".

Economic Affairs Officer, ESCAP, Shuvijit Bannerjee said that apart from the US, the Euro Zone and Japan impacted on the global economy. Interestingly, the most recent phenomenon of Papua New Guinea, and their Natural Gas production, was perhaps the newest phenomenon to emerge as an economic bastion for the region.

Sri Lanka's inflation was contained at 3%, sustained by a strong market policy. The country's funding exports will form challenges which will have to feature high in the development agenda. Jobs, not merely jobs, but decent jobs as expanded by Director, ILO, Colombo, who was also present, was also adherence to the BRICS economies in Brazil, India, China and South Africa .

Minister Samarasinghe said sustainable development was embodied in the recent amendments to the Constitution, and future progress would be strengthened to move the economy forward.

Former Deputy Governor, Central Bank, Dr. W. A. Wijewardena, said the economy in its current state was critical in its quest for development.

He reiterated resource mobilization was minimal; more so banks were not lending, which was key to progress in the private sector. They were all in a projected comfort zone and were constantly making huge profits amounting billions of rupees.

Not merely the private banks, but public banks as well. Resource mobilization was currently minimal. Stemming from the banks' non-participatory policies and lack of production, the US Dollar would rise to about Rs. 139. This would be unavoidable unless money circulation.

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