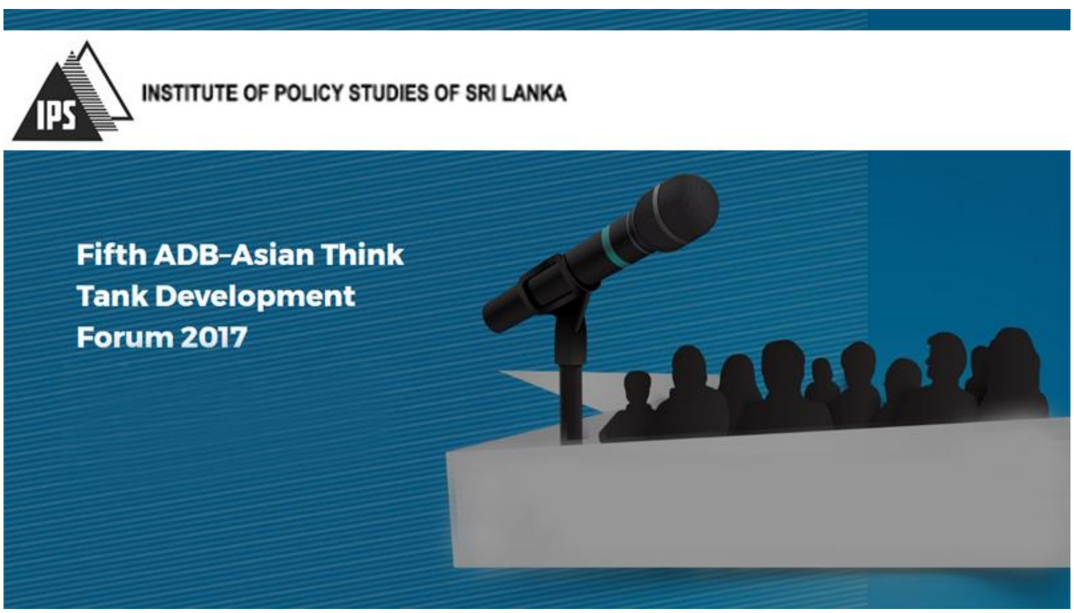
URGENT NEED TO REORIENT ECONOMY - IPS

24 September, 2017 0 (/#facebook) (/#twitter) (/#email)

By Lalin Fernandopulle (/authors/lalin-fernandopulle)

Business (/business)



Sri Lanka’s fiscal position is poor compared to other countries in a similar economic standing, a senior research officer of the Institute of Policy Studies (IPS) said at the ADB-Asian Think Tank Development Forum 2017 last week.

He said there is an urgent need to reorient the economy towards a more sustainable means of development finance.

The think tank notes that government revenue stood at around 12 percent of the GDP while it was around 26 percent of the GDP in emerging and developing economies and around the same percentage in emerging and developing Asia in 2016. The percentage of government revenue to the GDP in emerging and developing economies has been declining in the recent years.

On the other hand the government’s gross debt has marginally declined from around 80 percent in 2005 to around 78 percent of the GDP in 2016.

Gross debt of the government in emerging and developing Asia and in emerging and developing economies has increased from around 41 percent to around 49 percent of the GDP.

The IPS further notes that since 2000-2016 government revenue mobilization has failed to even adequately cover public recurrent expenditure.

The Fiscal Management Responsibility Act which was passed in 2003 was discarded after the tsunami. Since 2009, fiscal deficit has progressively fallen, but driven mostly by high GDP growth.

In the sectoral composition of the GDP the agricultural sector has declined from 30.4 percent in 1975 to 8.2 percent in 2015, while industrial sector has marginally grown from 26. 4 percent to 27.3 percent during the same period.

The service sector has shown a steady growth from 43.2 percent to 57.3 percent. However, services sector growth has been in domestic non-tradeables such as wholesale and retail trade (25% of GDP), transport, storage and communication services – that are not export revenue generating.

The foreign direct investments have recorded growth from around US$ 450 million in 2006 to around 900 million in 2016. While exports have been recording a slow growth from around US$ 6.5 billion in 2006 to around US$ 10. 5 billion in 2016 import expenditure has increased from US$ 10 billion to around US$ 21 billion during the same period.