Think tank urges Sri Lanka to focus on productivity-driven growth path

16 October 2020 09:30 am - 0 - 190

Dr. Dushni Weerakoon

- **Urges govt. to lure in foreign direct investment to key industries**
- **Stresses SL cannot afford to continue with protectionist measures**
- **Stresses need for seamless tariff regime and to revisit govt.'s spending policy**
- **Points out building firewalls essential to face external volatilities**

By Shabiya Ali Ahlam
As Sri Lanka's massive debt burden limits the government's ability to extend a sizeable stimulus package beyond the coronavirus recovery stage, the country was urged to look at a more sustained growth path that is built on productivity-driven growth.

While it is imperative for the post crisis recovery growth to be infused with technology, Colombo-based economic think tank, Institute of Policy Studies (IPS), stressed that a productivity-driven growth path would deliver better jobs and better living standards as Sri Lanka looks to move to the upper middle-income status.

Calling for increased government spending in key sectors, IPS Executive Director Dr. Dushni Weerakoon said that to jump start the economy, the government should look at bringing in foreign direct investments (FDI) into key industries such as construction.

"It is well known that Sri Lanka is an ageing economy and the labour force is shrinking. We have to focus on skills, technology, productivity and focus on construction to drive growth," Dr. Weerakoon said during a webinar panel discussion held yesterday in conjunction with the release of IPS' annual flagship report 'Sri Lanka: State of the Economy 2020'.

"Sri Lanka can do that. That is the recovery path for us. However, we need to be mindful and regard it as a temporary recovery strategy and not lean on it in the post recovery phase as the main driver of growth,"
she added.

On the country's trade policy, Dr. Weerakoon pointed out that Sri Lanka is not the only nation rethinking its stance in this regard, but the nation should be cautious of the fact that regional peers are also looking to restructure policies to function better in the new normal.

She asserted that Sri Lanka cannot afford to miss out by holding on to protectionist measures in key sectors.
"To join the global production structure, we need a seamless tariff regime for the entry and exit of raw materials, intermediate goods, and final goods. I would say to look at these (the current trade policy) as temporary measures and once we see a recovery we must rethink other means of directly addressing external sector pressures the country faces," she said.

Furthermore, the senior economist stated that the tax and the government's spending policy would need to be revisited to put the public finances in shape, and failing to do so would slow down the country's efforts in getting "better". Required is also for Sri Lanka to build firewalls so that there is some level of assurance that the economy will not be as vulnerable, as it currently is, to external shocks such as those brought about by the COVID-19 pandemic.