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Budget 2020 a 'stop-gap' budget: IPS chief

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Economic policy think-tank, the Institute of Policy Studies (IPS) yesterday called Budget 2022 a "stop-gap" budget rather than one that would set the framework for revenue mobilization, which is imperative given the current juncture the national economy stands at.

IPS Executive Director Executive Director Dr. Dushni Weerakoon in a short but firm view of the set of policy proposals unveiled on Friday by Finance Minister Basil Rajapaksa, pointed out that reduced emphasis and thought has been given on how revenues will continue to be mobilized and how the fiscal financing needs will be met going forward.

"It appears that the government is hedging its bets that economic growth will create revenues, but with inflation expected to increase in the coming months and the government also raising its borrowing requirements from the domestic banking sector to 2.7 percent of GDP next year, it is calling the Central Bank of Sri Lanka (CBSL) to step in with higher interest rates," said Dr. Weerakoon in a short video message shared on Twitter by IPS.

She cautioned that the proposed short-term fixes with the hopes of better outcomes, in turn, will threaten economic growth prospects, weaken revenues, and leave less room for investments.

Dr. Weerakoon noted that given the fiscal stressors, it would have made more sense for Budget 2022 to accommodate structural changes to the tax system and call for greater sacrifices from those with more ability to pay so that the national economy can have a more resilient fiscal process going forward.

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