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Public support vital for SL's economic recovery process – CBSL Governor

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Dr. Nandalal Weerasinghe



Mahinda Siriwardana



Dr. Dushni Weerakoon



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The duration of Sri Lanka's economic recovery process depends on how successfully the governing authorities implement the relevant reforms and restructuring programme currently under discussion. Moreover, without public support for these recovery efforts, they would not prove fully successful, Central Bank Governor Dr. Nandalal Weerasinghe said.



Making the keynote address yesterday on the occasion of the launching of its 2022 'State of the Economy' report titled, 'Driving Policy Action from Crisis to Recovery', by the Institute of Policy Studies, Sri Lanka, at its Dr. Saman Kelegama Auditorium, in Colombo Dr. Weerasinghe expressed optimism that Sri Lanka could achieve economic stability going forward.

However, public support is vital for the successful implementation of Sri Lanka's economic recovery process, the Governor observed. Underscoring the importance of the media in this regard he said that it is up to the media to convey clearly to the public the issues at the heart of the economic recovery effort. Right now, this is not occurring to the desired extent. He said a vital requirement is responsible reporting and commentary by the media on the questions at hand.

The following are some extracts from Dr. Weerasinghe's address: 'The ongoing economic stabilization effort is a painful one, but whether there is an alternative to it is the question. It is up to those criticizing the state's decision to go to the IMF to come out with a viable alternative programme and this is not easy to formulate. Conspiracy theories are also being aired in some quarters to the effect that the state announced a debt default prematurely to



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bring the country under IMF control. There is no truth in this allegation. Going forward, the recovery process is going to be difficult for the country but there are some improvements in the local economy currently.

‘Recovery is possible through Sri Lanka’s debt restructuring effort but we need to have a stable banking system which our creditors could believe in. Currency and banking crises need to be averted as we forge ahead and we need to establish market access for our export products sooner rather than later.’

Answering a question from the audience with regard to the fairness of some stipulations in the envisaged tax reforms, Dr. Weerasinghe said that taxation is only a short term solution to the country’s economic worries. While it is true that very many sections could be affected negatively by some of the income criteria that would be guiding the paying of taxes from the better-off sections of the public, people living below the poverty line, who are numerous, are more gravely affected than the middle classes. The contemplated taxation measures would help in extending and sustaining welfare measures to these poverty-stricken sections.

‘But there is no denying that there is a need to widen the tax net in an equitable manner. Burden-sharing in taxation is of vital importance. Fiscal transparency is important and the same goes for corruption-reduction, the Governor said.

Speaking earlier, Secretary to the Treasury/Ministry of Finance, Economic Stabilization and National Policies K.M. Mahinda Siriwardana said, among other things, that it is vital that the ‘political will’ be demonstrated by the authorities to take necessary but unpopular decisions to take the country on the recovery track. He underscored the importance of debt restructuring and pointed out that in the short term, monetary and fiscal policy improvements are vital. Likewise, it is important to adopt consistently, monetary and fiscal policy measures in the long term.

Pointing out the importance of revenue-based fiscal consolidation, Mr. Siriwardana stressed the need to reduce the budget deficit. In this effort the raising of enhanced corporate income tax becomes important.

The same applies to personal income tax. Some proposals under the latter head when implemented, could prove very painful to some sections, but there is no alternative. Such taxation measures could go a long way in assisting the poor. He focused on the need for short term sacrifices.

Initially, IPS Executive Director, Dr. Dushni Weerakoon, flagged off the event by making a wide-ranging analysis of the state of the Sri Lankan economy. In the course of her presentation she drew attention to the risks of ‘shallow restructuring’ that could prove counter-productive to countries such as Sri Lanka. Minimizing output loss, she said, is essential. ‘Bringing inflation under control is critical to economic stabilization, she stressed. These and other issues raised by the IPS Head set the stage for the presentations by the key speakers of the morning’s session of the forum.
