SRI LANKA STATE OF THE ECONOMY 2017

Demographics, Labour Markets and Growth



INSTITUTE OF POLICY STUDIES OF SRI LANKA

SRI LANKA
STATE OF THE
ECONOMY
2017

INSTITUTE OF POLICY STUDIES OF SRI LANKA
100/20, Independence Avenue, Colombo 7, Sri Lanka

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Institute of Policy Studies of Sri Lanka

ISBN 978-955-7397-04-7

National Library of Sri Lanka-Cataloguing-In-Publication Data

Sri Lanka State of the Economy 2017 .- Colombo : Institute of Policy Studies of Sri Lanka, 2017
370p. ; 28cm.

ISBN 978-955-7397-04-7

i. 330.95493 DDC23

1. Sri Lanka - Economic conditions - 21st Century
2. Sri Lanka - Economic policy

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The contribution of Mufaris Omar in the preparation of the Statistical Appendices, Charmaine Wijesinghe in the preparation of infographics, Gayendri Karunaratne in providing editorial support, and Asuntha Paul in formatting the report, is gratefully acknowledged.

Dedicated to the memory of

Dr. Saman Kelegama
Executive Director
Institute of Policy Studies of Sri Lanka

January 1995 - June 2017

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Acronyms

ADB	Asian Development Bank
ADIC	Alcohol and Drug Information Centre
AEF	Asian Economic Forum
AMDP	Accelerated Mahaweli Development Programme
ASEAN	Association of Southeast Asian Nations
BMI	Body Mass Index
BPO	Business Process Outsourcing
CBD	Convention on Bio-diversity
CDCP	Center for Disease Control and Prevention
CIMA	Chartered Institute of Management Accountants
CLEO	Crown Lands Encroachment Ordinance
COP	Conference of Parties
CTB	Ceylon Tourist Board
DALY	Disability-Adjusted Life Year
DCS	Department of Census and Statistics
DIE	Department of Immigration and Emigration
DMC	Disaster Management Centre
DNP	Department of National Planning
DOA	Department of Agriculture
DOS	Department of Survey
DRR	Disaster Risk Reduction
DS	Divisional Secretariat
EIA	Environmental Impact Assessment
EPZ	Export Processing Zone
ERA	Environment Related Activities
ERPM	Examination for Registration to Practice Medicine in Sri Lanka
ES	Ecosystem Service
ETCA	Economic and Technology Cooperation Agreement
FAO	Food and Agriculture Organization
FCTC	Framework Convention on Tobacco Control
FLFP	Female Labour Force Participation
GCI	Global Competitiveness Index
GDP	Gross Domestic Product
GFSI	Global Food Security Index
GHI	Global Hunger Index

GI	Geographic Indication
GIS	Geographic Information System
GMOA	Government Medical Officers Association
GOSL	Government of Sri Lanka
GSMB	Geological Survey and Mines Bureau
HRW	Human Rights Watch
ICD	International Statistical Classification of Diseases
ICT	Information and Communication Technology
ICTA	Information and Communication Technology Agency
IFPRI	International Food Policy Research Institute
ILO	International Labour Organization
IMF	International Monetary Fund
IP	Income Poor
IPCC	Intergovernmental Panel on Climate Change
IPR	Intellectual Property Right
JAAF	Joint Apparel Association Forum
KII	Key informant interview
KPO	Knowledge Process Outsourcing
LDO	Land Development Ordinance
LFS	Labour Force Survey
LRA	Land Reform Act
LRC	Land Reform Commission
LTPA	Leisure Time Physical Activity
MDG	Millennium Development Goal
MDP	Multi-dimensionally Poor
MERE	Ministry of Environment and Renewable Energy
MET	Metabolic Equivalent of Task
MFE	Ministry of Foreign Employment
MFEPW	Ministry of Foreign Employment Promotion and Welfare
MICE	Meetings-Incentives-Conferences-Exhibitions
MO	Medical Officer
MOE	Ministry of Education
MOH	Ministry of Health
MOU	Memorandum of Understanding
MRA	Mutual Recognition Agreement
MSAPN	Multi-Sector Action Plan for Nutrition
MSDVT	Ministry of Skills Development and Vocational Training

NAFTA	North Atlantic Free Trade Agreement
NAITA	National Apprentice and Industrial Training Authority
NAP	National Adaptation Plan
NARESA	Natural Resources, Energy and Science Authority
NATA	National Authority on Tobacco and Alcohol
NBRO	National Building Research Organization
NCD	Non-Communicable Disease
NCDM	National Council for Disaster Management
NEC	National Education Commission
NIBM	National Institute of Business Management
NMNS	National Micro Nutrient Survey
NNC	National Nutrition Council
NSF	National Science Foundation
NQAAC	National Quality Assurance, Accreditation Council
NVQ	National Vocational Qualifications
NVQSL	National Vocational Qualifications Framework of Sri Lanka
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
OPD	Out Patient Department
OPEC	Organization of Petroleum Exporting Countries
OTA	Online Travel Agencies
PC	Provincial Council
PDNA	Post Disaster Needs Assessment
PEN	Package of Essential NCD
PIP	Public Investment Programme
PPP	Public-Private Partnership
QALY	Quality-Adjusted Life Year
RCEP	Regional Comprehensive Economic Partnership
S&T	Science and Technology
SAITM	South Asian Institute of Technology and Medicine
SANDEE	South Asian Network for Development and Environmental Economics
SCAQA	Standing Committees on Accreditation and Quality Assurance
SDG	Sustainable Development Goal
SEC	Securities and Exchange Commission
SLBFE	Sri Lanka Bureau of Foreign Employment
SLCB	Sri Lanka Convention Bureau

SLCDMP	Sri Lanka Comprehensive Disaster Management Programme
SLIIT	Sri Lanka Institute of Information Technology
SLITHM	Sri Lanka Institute of Tourism and Hotel Management
SLMC	Sri Lanka Medical Council
SLPB	Sri Lanka Promotions Bureau
SLTDA	Sri Lanka Tourism Development Authority
SSDP	Skills Sector Development Project
TEDP	Technical Education Development Project
TEVT	Technical Education and Vocational Training
TEWA	Termination of Employment of Workmen Act
TPP	Trans Pacific Partnership
TRIPs	Trade Related Intellectual Property Rights
TTIP	Transatlantic Trade and Investment Partnership
TVEC	Technical and Vocational Education Commission
UGC	University Grants Commission
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNFCCC	United Nations Framework Convention on Climate Change
UNIVOTEC	University of Vocational Technology
UNWTO	United Nations World Tourism Organization
VTA	Vocational Training Authority
WB	World Bank
WEF	World Economic Forum
WFP	World Food Programme
WHO	World Health Organization
WIPO	World Intellectual Property Organization
WRMPP	Western Region Megapolis Master Plan
WTO	World Trade Organization
WTTC	World Travel and Tourism Council

TOWARDS GROWTH AND STABILITY

1. Policy Perspectives

In 2017, the vicissitudes of the economic cycle brought on by fiscal and monetary policy excesses of 2015 have begun to bottom out. As the macroeconomic fundamentals improve, slow growth, weak export earnings and foreign investment inflows, and thin foreign reserves cover remain some of the more troublesome aspects on the economic front. Exogenous factors - some external and some domestic - are partly to blame. Sluggish global economic conditions abroad, and inclement weather and fiscal austerity at home combined to drag GDP growth down to 4.4 per cent in 2016. Economic growth dipped further to 3.9 per cent in the first half of 2017.

Looking ahead to 2018, the country's economic policy makers will face their most challenging test. The economy is clearly on a more robust macroeconomic base than it has been over the past two years, thanks primarily to improved state finances delivered by the government under the watchful eye of the International Monetary Fund's (IMF) Extended Fund Facility (EFF) arrangement with Sri Lanka. In the interim, however, the economy will also be encountering a set of daunting medium term challenges. Foremost amongst these is the spectre of a mounting external debt pile up that comes up for repayment from 2019 amidst lackluster export growth and foreign direct investment (FDI) flows. Thus, the government will be called on to pull off an unenviable balancing act - to continue with fiscal consolidation that involves some unpopular belt-tightening measures and implement a set of possibly 'painful' policy adjustments to reverse the steady deterioration of Sri Lanka's export competitiveness in international markets.

These competing demands place the debates on Sri Lanka's economic policy direction squarely at the centre of what is the defining global issue of today - i.e., the future of globalization, simplistically expressed as the freer flow of trade, people and capital around the world. Indeed, Sri Lanka's economic policy is heading in the direction of more integration with the global economy precisely at a time when globalization appears to be increasingly out of favour in advanced economies. Britain's vote to exit from the European Union (EU), the election of Donald Trump as US President and the ascendancy of right-wing parties across many European countries such as France, Germany and Italy are viewed as a populist rebellion against entrenched ruling political elites and technocrats. The concerns go beyond mere economics; cultural and identity issues are also at the forefront. Interest group demands for greater democracy are interwoven and identified with matters of national sovereignty. While the return of identity politics relates in particular to fears of mass migration, what is also clear is the lack of social consensus on the rise of populism. For instance, across Europe, the ideologues of populism span from right-wing anti-immigrant, anti-EU parties to left-wing anti-globalization parties.

While mass migration and the threat of global terrorism have contributed to the upsurge of populist nationalism, anti-establishment sentiments have also been nurtured by years of sluggish global growth. Thus, almost ten years after the most severe financial crisis since the Great Depression of the 1920s, economic policy could yet see a decisive shift away from globalization, and towards economic nationalism. At its simplest, the latter relies on the belief that it is better to keep jobs and capital at home, and the way to do that is by loosening the grip of global integration.

The growing backlash against globalization is not new. The failure to agree on the Doha round of global tariff reductions was an early precursor of things to come. It took another decade before the backlash against freer trade spilled over into national politics on a widespread scale. Its detractors in the US and Europe view globalization has having been good for the middle classes of China and India, but less so for Western societies. Thus, the underlying threads of economic nationalism and populist policies have gained legitimacy on the notion that what matters is not absolute achievement, but rather its relative outcomes.

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The fact that the benefits of globalization are diffused and spread across consumers and workers, while its costs are highly concentrated amongst displaced workers, means that those opposed to globalization can also reshape politics much more quickly. Indeed, it can be argued that the initial dearth of policy alternatives put forward by established political parties to the status-quo allowed extremist parties to emerge; as a result, the forces that led to the rise of populism across Europe and the US have managed to shift the debates. This is in fact despite the election of a pro-EU centrist in France's presidential election and the apparent decline of extremist parties across Europe. The relative decline of extremist parties more recently has little to do with changes in voter beliefs. Rather, it is more to do with the fact that established parties have changed their policies, in some instances adopting tougher anti-immigrant stances for instance, to lure voters back into the fold. In other instances, established political parties have been eschewed in favour of electing 'outsiders'. This too can bring its own vicious cycle of weak governments that fail to solve the myriad

problems confronting them, adding to the sense of policy disorder.

The US policy disengagements from trade deals and other multilateral agreements - such as the Trans-Pacific Partnership (TPP) and the Paris Climate Agreement - as well as the UKs decision to leave the EU is contributing to perceptions of an emerging vacuum in global leadership. Such upheavals have direct impacts in reshaping policies and strategies across other parts of the world. Indeed, Asia - led by China - is emerging as the new bastion of economic openness. The China-led Regional Comprehensive Economic Partnership (RCEP) is viewed as a possible vehicle to achieve a new round of multilateral trade liberalization in Asia, replacing TPP as a means of moving towards a Free Trade Area of the Asia and Pacific (FTAAP).

Meanwhile, governments in emerging economies can also face downside risks of the current disruptions to global trade and movement of people. Indeed, emerging economies often face heightened risks owing to fickle capital movements - finance and capital move much more quickly across borders than goods, services, and especially labour. Moreover, the current wave of populist disaffection with globalization in the US and Europe can also spillover to these countries if rising inequities across much of Asia are perceived to be aggravated by the forces of globalization.

Sri Lanka too is not immune to paradigm shifts beyond its borders. An early focus on the West in 2015 - in pursuit of both political and economic advantages - began to imperceptibly shift towards the East as Sri Lanka searched out new markets, investments and finance. Better political relations with the West and progress on issues of human rights were slow to deliver tangible economic benefits. The most significant gain finally came in the form of preferential market access with the reinstatement of the EU's Generalized System of Preferences (GSP)-plus scheme in June 2017. However, Sri Lanka's early interests in pursuing trade deals with the US, or possibly with the TPP, were abandoned for all intents and purposes for fast-track agreements with India, China and Singapore. In addition, Sri Lanka made fresh efforts to re-engage China in mega-development projects, including the resumption in 2016 of the suspended Colombo Port City project, amongst others.

Underpinning greater economic integration with Asian economies is the government's broader policy thrust to position Sri Lanka as an export-oriented economic hub at the centre of the Indian ocean. Such a strategy clearly calls for greater liberalization and deregulation of policies impacting productivity and competitiveness of goods, services, investment and labour flows. For a small developing economy such as Sri Lanka - with a domestic consumer market of a mere 20 million - external demand is critical as an enabler of sustained long-term high growth, generating demand, absorbing labour and raising productivity. Thus, the policy options for Sri Lanka are quite stark if the economy's structural failings - manifest in a steady deterioration in the competitiveness of exports - are to be reversed.

The policy space to rely heavily on public spending for growth is no longer feasible under current macroeconomic constraints. Public debt-to-GDP is on the rise, recorded at 79.3 per cent of GDP in 2016. The country's debt profile indicates an expanding foreign currency

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denominated debt stock at 34.2 per cent of GDP in 2016. Of this, non-concessional foreign debt has risen to 53 per cent of total foreign public debt, elevating the costs and risks of the overall debt portfolio. The external debt service ratio is growing incrementally, albeit with a drop in 2016 to 25 per cent through the fortuitous contraction in debt service payments rather than owing to an increase in earnings of exports of goods and services. From 2019, the Sri Lankan economy has to prepare itself to settle maturing International Sovereign Bonds (ISBs) and syndicated loans of approximately US$ 5.7 billion over three consecutive years. This alone will see the debt service ratio rise sharply unless earnings from exports of goods and services expand significantly.

After nearly two years of policy ambiguity, there are signs for renewed optimism. Considerable progress has been made in fiscal consolidation efforts since mid-2016, focused primarily on much needed revenue reforms. The passage of taxation measures, including an upward revision on Value Added Tax (VAT) from 11 to 15 per cent, has yielded stronger revenue earnings, allowing the government to lower the overall deficit to 5.4 per cent of GDP without resorting to damaging cuts in capital expenditures that have a direct bearing on medium term growth. The introduction of an Inland Revenue Act in 2017 is expected to further instill clarity and consistency to Sri Lanka's taxation policy. These efforts can keep the revenue gains coming - helping to broaden the tax base and improve tax administration - so that issues of equity in taxation can be addressed progressively. What the Treasury authorities must avoid at this point is any back-tracking in revenue reforms. Although the 2016 revenue numbers look promising - with the revenue-to-GDP ratio climbing to 14.2 per cent from a low of 11.5 per cent in 2014 - VAT collection over the same period has increased by only 3 per cent.

The stronger fiscal outcomes are also helping the Central Bank of Sri Lanka (CBSL) to set more prudent monetary and exchange rate policies. After an initial easing of monetary policy in 2015 that generated unintended consequences in fuelling an import-related consumption boom, there has been a more concerted effort to tighten policy from mid-2016

through both upward adjustments to policy rates and selling down CBSL's holdings of Treasury bills. The continued high growth in credit to the private sector and spikes in credit growth to the government, particularly to public corporations, prompted a further policy rate adjustment in March 2017. The tighter policy stance was also in direct response to rising inflationary pressures in the economy.

Year-on-year inflation, captured through both the Colombo Consumer Price Index (CCPI) and the National Consumer Price Index (NCPI) indicates upward price pressures building from end 2016, rising from around 4 per cent to 7.5-8.5 per cent by March 2017. An annual inflation rate of 4 per cent at end 2016 recorded by both the CCPI and NCPI had climbed to 5.5 per cent and 6 per cent, respectively, by mid-2017.

For the CBSL, the challenges of monetary policy are more complex as rising inflation has also been accompanied by a continuous growth slowdown. Estimates of GDP growth compiled by the Department of Census and Statistics (DCS) suggest that the Sri Lankan economy is seeing a gradual deceleration in growth from 5 per cent in 2014 to first quarter growth of 3.8 per cent in 2017. The various inflation indices also suggest that the surge in price inflation is being driven by food price increases. This is more notable in the NCPI where annual food inflation has risen from 3 per cent at end 2016 to 7 per cent by June 2017, compared to annual non-food inflation increasing from 4.6 to 5.5 per cent over the same period.

Thus, Sri Lanka's latest bout of price inflation has multiples sources, encompassing both demand-pull and cost-push elements. Tax increases, particularly the VAT hike, impact the general price of goods and services with lagged effects. Inclement weather conditions that have had adverse impacts on agricultural production contribute to market access weaknesses to drive up prices. And, amongst these cost-push factors is the added spectre of high credit growth.

On its own, cost-push factors are less likely to generate accelerated inflation unless it leads to a wage spiral. Thus, the monetary policy tightening seems more a pre-emptive measure to curb excessive credit growth, especially in view of Sri Lanka's current low growth momentum. It suggests that firms and households may be using borrowed money to buy assets, particularly property that can in turn generate an asset bubble in the economy. In all other respects, indicators of consumer demand are moderate; for instance, non-food consumer goods import expenditure has been more or less stagnant, contracting by 0.6 per cent in the first five months of 2017. In a contractionary fiscal policy environment, the risks of a steady acceleration in inflation are further muted. This leaves the monetary authorities some leeway in setting medium-term monetary policy goals to revive flagging economic growth by encouraging the private sector to borrow and invest in productive economic activities through a stable, low interest rate environment.

On the exchange rate policy front too, there has been considerable restoration of confidence on policy direction. The pre-disposition to counter depreciating pressure on the currency by running down reserves has given way to a less interventionist stance by the CBSL in the forex market as of mid-2016. Indeed, under the EFF programme, the CBSL has also been actively purchasing dollars in the market to shore up its non-debt related share of official foreign reserves.

Thus, the policy setting suggests that investors can look forward to a much improved

macroeconomic environment in the ensuing months. The nagging issue here will be the exchange rate. With official reserves down to 3 months of import cover (at US$ 5 billion) in April 2017 - the recommended minimum rule-of-thumb threshold - and the release of the third tranche of the IMF held-back as a result, Sri Lanka had little option but to raise a further US$ 1.5 billion as an ISB in May 2017. Thus, one year into the IMF programme, Sri Lanka's external sector outlook still looks fragile with official reserves of US$ 6.7 billion, sufficient for only 4 months of imports by mid-2017.

With the large volume of external debt set to mature during 2019-2022, external sector developments remain the most critical for economic stability and growth. Sri Lanka has to buttress its foreign exchange earnings to build liquidity and lower external vulnerability. It can only do this by reversing its declining competitiveness in international markets and raise the demand for the country's goods and services overseas.

Towards this end, like many other emerging economies, Sri Lanka is seeking to spur growth through trade in a challenging and uncertain global context. The government is attempting to carve out a role for the country as a goods and services hub at the centre of the Indian Ocean, signalling its intentions to locate its integration initiatives mid-point along the strategic trade and shipping route. Sri Lanka has already benefited from better market access to EU under the GSP-plus; in addition, it has gained assistance from the US under the Millennium Challenge Corporation (MCC) to address the country's economic challenges. These arrangements are reflective of the country's improved political relations with the West alongside commitments to address broader, and often contentious issues on human rights and enact related legal reforms.

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Despite the helping hand extended by the West, Sri Lanka's long-term economic interests appear inextricably linked to integration with its neighbours in the Asian region. Economic power is continually shifting to Asia as purchasing power shifts away from richer nations to emerging economies such as China, India and Indonesia. With initiatives such as the 'One Belt One Road' (OBOR) and Regional Comprehensive Economic Partnership (RCEP), Asia stands poised to mitigate the abrupt halt to the Trans-Pacific Partnership

(TPP); at the same time, China's re-balancing will ensure domestic demand stays resilient with significant scope to boost regional trade and infrastructure development.

For Sri Lanka, cordial relations with India and the resolution of early missteps in relations with China - most evident in the suspension of the Colombo Port City project in 2015 - are the lynchpin of its pivot to Asia. Economic agreements with both countries - an Economic and Technology Cooperation Agreement (ETCA) with India and a Free Trade Agreement (FTA) with China - are under negotiation, in addition to an FTA with Singapore. Aside from those currently under negotiations, many other bilateral and regional arrangements are also under discussion.

Such integration initiatives have drawn some opposition, particularly with regards to the ETCA. The disgruntlement is coalescing not only around the potential premise of freer flows of goods, services, investment and labour under these agreements, but also around the perception of asset selling by the state in some instances. A proposal to offer an equity stake in the Hambantota port to China, and proposals with India for a public-private partnership (PPP) to develop a terminal at Colombo port, as well as to build an oil refinery in close proximity to the Trincomalee port have all drawn vociferous protests from politicians, professional bodies, trade unions and other activists. Indeed, what arguably began as a backlash against trade pacts is merging into wider protests, allowing both trade unions and employers, often at loggerheads, to unite against a perceived common threat. In this interaction of economics and politics, ideological battle lines are seemingly being drawn along 'free trade' and 'sale of national assets'.

Thus, the road to economic integration, and the implied domestic deregulatory reforms associated with it, is not easy. As noted in the Sri Lanka: State of the Economy 2015 report, 'the conditions for introducing, implementing and sustaining an economic reform effort are weaker today than during past successful efforts' (p.3). The confluence of entrenched privileges, weak institutions, and coalition governing arrangements make sustained reform efforts an arduous task. Such existing conditions, when combined with ascendant anti-global, populist nationalism sentiments, calls for measured policy responses on multiple fronts.

First, Sri Lanka must not overhype the benefits of economic integration to create impossible expectations. Economic integration can have disruptive impacts when goods, services, investment and labour move at different speeds across borders; in the long-term, structural unemployment might arise as a result of clear and specific causes. Therefore, governments must recognize that there can be legitimate concerns and implement policies to mitigate them in order to avoid the risk of economic unrest spreading to cripple any meaningful reform effort. Second, Sri Lanka must adopt a more focused and strategic approach in its economic integration process if the full benefits are to be reaped as swiftly as possible. Whilst a National Trade Policy and a National Export Strategy are being formulated, much of the focus has been on FTA negotiations. Whilst the latter have a useful role, multiple FTA arrangements - with complex tariff schedules - can run counter to Sri Lanka's end objective of joining global supply networks. A simple tariff setting that allows intermediate imports to cross borders is vital, and this can be done more effectively through unilateral reforms. Formal trade

agreements can largely follow these rather than lead the progress, paving the way for efficient regulatory measures at the border dealing with customs and standards, as well as provisions to protect FDI from unplanned policy or regulatory changes.

A more nuanced approach is all the more desirable as FTAs can act as rallying points for interest groups and are often singled out for criticism by those opposed to free trade and economic integration. The adverse impacts of any FTA can be highly concentrated while the positive spillovers are spread across consumers, exporters and workers. Thus, a policy approach that aligns FTAs with a broader unilateral reform process to arrive at a more optimum mix - both in speed and sequencing of reforms - is perhaps more apt in the current volatile environment. Indeed, deriving the full benefits of an FTA will depend on a host of complementary factors: access to a cost-effective and reliable network of services infrastructure such as telecommunications, transport, and energy; an efficient institutional and regulatory environment; and a good human resource pool of professional and technical skills, to name a few.

The above factors have long been identified as constraints to growth in Sri Lanka. The country's ageing demographics and the related epidemiological transition hold important implications for reforms governing the labour market, education and health sectors, and social protection systems. The institutional and regulatory environment pertaining to land and natural resources are also often identified as binding constraints on growth. Thus, even as Sri Lanka brings public finances under better control, it faces some daunting longer-term problems to contend with. As the government gears itself to face these challenges in order to revive economic growth and generate productive employment, this year's Sri Lanka: State of the Economy report draws attention to 'Demographics, Labour Markets and Growth' as its main thematic focus.

With Sri Lanka's graduation to a low middle income economy and rising wages, continuing to compete on cheap labour is no longer a viable option. Instead, the country will need to facilitate and improve market sophistication and efficiency to improve productivity and competitiveness across the economy.

Two of the biggest constraints holding back labour market efficiency in Sri Lanka are its stringent employment protection laws and its low female labour force participation rates. Offering employment protection through high severance pay can constrain the labour market by lowering aggregate employment, increase the share of informal sector workers, and decrease employment opportunities for younger workers. Despite Sri Lanka's previous attempts at reforms in 2003 and 2005, severance pay remains high - equivalent to 39 months of salaries or more than three years of income for a worker with 20 years in a firm - compared to international practices. Thus, greater mobility of workers through severance system reforms is needed to improve the productivity of the workforce and facilitate job creation.

Female labour force participation is low in Sri Lanka at around 36 per cent, although it increases steadily with education. Given a significant body of evidence to show that increasing female participation in the economy helps growth, Sri Lanka needs to attract this talent, particularly in view of its ageing population and shrinking labour force growth.

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While education is a key factor affecting labour force participation of women, reforms require policies aimed at facilitating work place flexibility, job creation and improved working conditions. These need to be implemented hand-in-hand with policies to lessen the burden of home production activities for women, through better quality affordable child care, better transport facilities and better access to time saving technologies.

Another main constraint dampening labour market efficiency in Sri Lanka is the availability of skilled workers. This is determined by two main factors: a) the ability to educate and train individuals; and b) the ability to retain skilled workers and attract talent from abroad. With the accelerated pace of innovation and technological change, new occupations are emerging simultaneously as a need for new skills and competencies. Thus, capacity building in science and technology and innovation are more crucial today than ever before to equip people for the world of work in a complex, digital environment. With only 35 per cent of those above 20 years completing secondary level education in Sri Lanka, there are significant gaps in meeting the country's skills demand. Indeed, of the 15 years and above population, only 13.2 per cent were in science and technology related occupations. This is not surprising in view of the fact that less than 10 per cent of schools in the country have facilities to teach A-Level in the science stream. Poor quality of general and higher education systems, mismatches in the courses offered by universities and competencies needed by the private sector, lack of proper career guidance systems to advise school leavers, amongst others are some key weaknesses. Thus, Sri Lanka needs to focus on implementing policy initiatives to reform school and university curricula, and expand tertiary education in line with adequate regulatory and accreditation systems as the most urgent priorities.

Adding to the problem of skills gaps, a large number of Sri Lankan workers annually exit the labour market in search of employment overseas. Indeed, more recently, the country is seeing a shift in migratory patterns, with more and more skilled workers seeking jobs. A worker's pre-migration socio-economic situation, economic difficulties and higher earning possibilities abroad are the major push

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and pull factors for labour migration from Sri Lanka. Efforts to synchronize migration with domestic labour market developments are important; this involves measures to retain talent, reintegrate those returning and attract home grown as well as foreign grown talent. In fact, with growing labour shortages, Sri Lanka will also have to look increasingly to attracting foreign workers, hasting the need for stronger regulatory policies to receive incoming migrant workers.

At a broader level, such institutional and regulatory reforms will determine the competitiveness and productivity of economic activities across the country. One of the more buoyant industries in Sri Lanka today is tourism. In 2016, tourist arrivals to the country surpassed the 2 million mark, generating significant gains in both direct and indirect employment. Despite new source markets opening up in Asia, weaknesses in human resources, infrastructure, marketing and promotion, amongst others, means that the country is not reaping the full benefits of the post-war tourism boom. Investment opportunities in tourism are also hindered by availability of key resources such as land.

Indeed, policy reforms to meet new demands on land resources are vital. While arable land use is said to occupy 65 per cent of Sri Lanka's land area, with much of home gardens and arable lands in urban and suburbs converted for residential or commercial purposes, the actual arable area appears to be much less. As scarcity of land grows rapidly - with Sri Lanka's forest cover already below 30 per cent - a rational land policy to improve the efficiency of existing land uses is critical. Aligning land policies with the country's development priorities, adopting modern land management practices, and reviewing the legal framework

for land policy are some critical areas for attention.

Efficient land management is all the more important in view of Sri Lanka's rising vulnerability to natural disasters such as floods, drought and landslides. The impacts of global climate change are identified as a cause for this among other human-induced factors such as improper land use, planning and environmental degradation. In fact, recent IPS research finds that over three-third of farmers in the Anuradhapura district has been affected by at least one such natural disaster event during the last five years. Aligning disaster risk reduction measures with climate adaptation, incorporating them as part of development projects, and sharing data and information are some necessary measures to mitigate Sri Lanka's growing vulnerability in this area.

The above are all related to the concept of sustainable development that underlines the importance of unifying economic, social, and environmental interests when formulating national policies and strategies. As Sri Lanka gears to achieve the global agenda of the Sustainable Development Goals (SDGs) 2030, much remains to be done to integrate the related targets into the country's national policy framework and budgetary process. Significant implementation challenges are present, particularly in the areas of coordination and monitoring, awareness and capacity, data and financing. Although multiple government institutions and committees have been identified and are entrusted with different tasks related to SDG implementation, the coordination and linkages among these institutions/ committees and their roles and responsibilities still remain weak.

The SDGs also address a vital issue related to hunger and nourishment whereby the nutritional dimension is integral to the concept of food security. Sri Lanka's hunger status is considered 'serious' with a ranking at 84th position among 118 countries by the Global Hunger Index compiled by the International Food Policy Research Institute (IFPRI). The development of sustainable agriculture should be viewed as the central element of food security, with agricultural and nutrition policies closely aligned and coordinated. Reforming the current incoherent land and irrigation policies should be done to foster a shift from low value to high value agriculture while addressing the issues of low productivity, efficiency and equity implications for marginalized and vulnerable groups.

Nutritional deficiencies also have a direct bearing on health outcomes and thereby on worker productivity as well. It is estimated that out of the 8.4 million employed people in Sri Lanka, 17 per cent suffer from chronic diseases. In fact, labour force participation rates for those suffering from chronic diseases drops sharply (to 58.6 per cent for men and 23.9 per cent for women) compared to those without (78.8 per cent and 38.3 per cent, respectively). Unhealthy dietary patterns, sedentary lifestyles, tobacco and alcohol consumption, amongst others, have seen a sharp rise in the incidence of non-communicable diseases (NCDs). Despite this, inadequate human resources and financing are critical barriers in implementing the country's national NCD programme.

All the above issues, discussed in some detail in the rest of the report, require coordinated policy formulation and implementation. The policy lacuna over the last two years has taken a toll on investor confidence. Now, with public

finance management becoming more stable, the government is set to unveil its medium term economic reform agenda for renewed growth. It must be recognized, however, that a mid-term reform push is all the harder than during an initial 'honeymoon' period. For Sri Lanka, it is made even more trickier as the government presides over an IMF fiscal austerity programme simultaneously. The gains from reforms are likely to be generated in the longer-term while the adjustments costs are more immediate. The challenge for the government will be to manage this transition, balancing some quick fixes with deeper reforms.

Some relatively easy, quick fixes are available. The ones most frequently demanded by private investors relate to consistency and predictability in the policy environment, pertaining especially to taxation measures. Other demands include measures that can help to cut down red tape and bureaucracy, for instance in trade facilitation processes or investment approvals. Tangible gains must keep coming in to mitigate ambivalence towards deeper structural reforms that touch on state enterprises, land policy or the labour market.

The implementation of reforms will depend on persuading government coalition partners that the policies have been designed with sufficient reference to the concerns of ordinary voters. If political indecision makes a reform effort less achievable, the evidence will begin to confirm that the probability of a sustained upswing for the Sri Lankan economy is dim. In view of the daunting medium-term debt financing challenges that Sri Lanka must prepare to meet, the country cannot afford to lose this opportunity to put its economic house in order.

The gains from reforms are likely to be generated in the longer-term while the adjustments costs are more immediate. The challenge for the government will be to manage this transition, balancing some quick fixes with deeper reforms.

1. ප්‍රතිපත්ති දක්ම

2015 දී හඳුන්වා දුන් සීමාන්විත බදු සහ මූල්‍ය ප්‍රතිපත්තිවලින් ඇති කළ ආර්ථික චක්‍රයේ හදිසි වෙනස්වීම් 2017 වසරේදී සමනයට පත්වීමට පටන් ගත්තේය. සාර්ව ආර්ථික මූලික ලක්ෂණ වැඩි දියුණුවත්ම මන්දගාමී වර්ධනය, අපනයන ඉපැයීම්වල සහ විදේශ ආයෝජන ගලා ඒම්වල දුර්වල තත්වය, විදේශ සංචිත ආවරණයේ දුර්වල භාවය, ආර්ථික පෙරමුණ පවතින වඩාත් කරදරකාරී සමහර ලක්ෂණ ලෙස පවතී. මීට එක්තරා ප්‍රමාණයකට වගකිව යුතු වන්නේ සමහර බාහිර සහ සමහර දේශීය වූ පරිබාහිර සාධකයි. ගෝලීය ආර්ථික තත්වයේ මන්දගාමීබව සහ දේශීය වශයෙන් අයහපත් කාලගුණය සහ මූල්‍ය කප්පාදුව 2016 දී දළ දේශීය නිෂ්පාදිතය සියයට 4.4 දක්වා පහත හෙළීමට හේතු විය. 2017 පළමු භාගයේ දී ආර්ථික වර්ධනය තවදුරටත් සියයට 3.9 දක්වා පහත වැටිණ.

ඉදිරි 2018 දෙස බැලීමේ දී එය රටේ ආර්ථික ප්‍රතිපත්ති සැලසුම් කරුවන්ට වඩාත් අභියෝගාත්මක පරීක්ෂණයක් වනු ඇත. ආර්ථිකය පැහැදිලිවම ජාත්‍යන්තර මූල්‍ය සංවිධානය (IMF) ශ්‍රී ලංකාව සමග ඇති කර ගත් විස්තීර්ණ අරමුදල් පහසුකම (EFF) පරීක්ෂාව යටතේ ආණ්ඩුවට ලබා දුන් සහායට ස්තුති වන්නට රාජ්‍ය මුදල් තත්වය මූලික වශයෙන් පසුගිය වසර දෙක හා සසඳන විට වැඩි දියුණුවීමෙන් වඩාත් ශක්තිමත් සාර්ව ආර්ථික පදනමක් අත් කර ගෙන ඇත. කෙසේ වුවත් ඒ අතරතුර කාලයේ දී ආර්ථිකය මධ්‍ය කාලීන බරපතළ අභියෝග රැසකට මුහුණ දෙනු ඇත. ඒ අතුරෙන් වඩාත් වැදගත් වන්නේ අපනයන වර්ධනයේ සහ සෘජු විදේශ ආයෝජන ගලා ඒමේ පසුබෑම් තත්වයක් යටතේ 2019 සිට ආපසු ගෙවීමට ඇති විදේශ ණය ගොඩ ගැසීමේ අඳුරු සෙවනැලි ය. මේ ආකාරයට ආණ්ඩුවට වියදම් සීමා කිරීමේ ජනප්‍රිය නොවන සමහර පියවර සහ අන්තර්ජාතික වෙළඳ පොළ පහත වැටෙමින් පවතින ශ්‍රී ලංකාවේ අපනයන තරගකාරිත්වය නගා සිටුවීමට 'වේදනාකාරී' විය හැකි සමහර ප්‍රතිපත්ති ගැලපීම් පවත්වා ගැනීමෙන් සමතුලනය කිරීමේ අසීරු පියවර ගැනීමට බල කෙරෙනු ඇත.

මෙම තරගකාරී බලපෑම් ශ්‍රී ලංකාවේ ආර්ථික ප්‍රතිපත්ති යොමුව පිළිබඳ විවාදය සෘජුවම අද ගෝලීය ගැටලුව වශයෙන් නිර්වචනය කෙරෙන, එනම් ලොව පුරා වෙළඳාම, ජනතාව සහ ප්‍රාග්ධනය නිදහසේ ගලායෑම ලෙස සරලව ප්‍රකාශ කෙරෙන ගෝලීයකරණයේ අනාගතය කුමක් ද යන්න කේන්ද්‍ර කර ගනු ඇත. ඇත්තෙන්ම ශ්‍රී ලංකාවේ ආර්ථික ප්‍රතිපත්තිය ගෝලීය ආර්ථිකය සමග වඩ වඩාත් අන්තර්ග්‍රහණයවීමේ දිශාවට යොමුවන්නේ ගෝලීයකරණය දියුණු ආර්ථිකයන් තුළ වැඩි වැඩියෙන් අප්‍රසාදයට ලක්ව ඇති බවක් පෙනෙන සමයකදීය. යුරෝපා සංගමයෙන් ඉවත්වීමට බ්‍රිතාන්‍යය ඡන්දය ප්‍රකාශ කිරීම. ප්‍රංශය, ජර්මනිය සහ ඉතාලිය වැනි යුරෝපීය රටවල් බොහොමයක දක්ෂිණාංශික දේශපාලන පක්ෂ ඉදිරියට පැමිණීම, දකින්නේ පාලක දේශපාලන නායකත්වයට සහ තාක්ෂණ තන්ත්‍රයට එරෙහි ජනප්‍රිය කැරැල්ලක් සේය. එම උනන්දුව ආර්ථිකයට පමණක් සීමා වී නැත. සංස්කෘතිය සහ අනන්‍යතා ගැටලු ද පෙරමුණට පත්ව ඇත. ප්‍රුළුල් ප්‍රජාතන්ත්‍රවාදය සඳහා උනන්දුවක් දක්වන කණ්ඩායම්වල ඉල්ලීම් ජාතික ස්වෛරීත්වය පිළිබඳ කරුණු සමග අනන්‍යව බැඳී ඇති බව හඳුනා ගැනේ. අන්‍යතා දේශපාලනය ආපසු මතුවීම සමූහ සංක්‍රමණය පිළිබඳ බියක් සමග මුසුවී ඇති අතර ජනප්‍රියවාදයේ නැගීම පිළිබඳව සමාජ එකඟතාවයක් නැති බවද පැහැදිලි ය. නිදසුනක් වශයෙන් යුරෝපය පුරා ජනප්‍රිය මතවාදීන්, දක්ෂිණාංශික සංක්‍රමණ විරෝධීන් සහ යුරෝපා සංගම් විරෝධීන් ගේ සිට දක්ෂිණාංශික ගෝලීයකරණ විරෝධී පක්ෂ දක්වා පැහිරේ.

සමූහ සංක්‍රමණය සහ ගෝලීය ත්‍රස්තවාදී තර්ජනය, ජනප්‍රිය ජාතිකවාදයේ පිබිදීමට දායක වූ අතර ආයතන විරෝධී හැඟීම් වසර ගණනාවක් තිස්සේ

පැවති මන්දගාමී වර්ධනයෙන් ද පෝෂණය විය. 1920 ගණන්වල පැවති මහා ආර්ථික අවපාතයෙන් පසුව හටගත් දරුණුතම මූල්‍ය අර්බුදයෙන් වසර දහයක් පසුව වූවද ගෝලීයකරණයෙන් තීරණාත්මකව වෙන්වීමක් සහ ආර්ථික ජාතිකවාදයට යොමුවීමක් තවම දැකිය හැකිය. වඩාත් සරලව එය රඳා පවතින්නේ රැකියා ආරක්ෂා කර ගැනීම සහ ප්‍රාග්ධනය රට තුළම රඳවා ගැනීම වඩාත් හොඳය යන විශ්වාසය සහ එය කිරීමට නම් ගෝලීය අන්තර්ග්‍රහණය ලිහිල් කළ යුතුය යන්න මතයි.

ගෝලීයකරණයට එරෙහිව රැල්ලක් වර්ධනයවීම අලුත් දෙයක් නොවේ. ගෝලීය තීරු බදු අඩු කිරීමේ දෝහා වටයේ දී එකඟතාවයක් ඇති කර ගැනීමට නොහැකිවීම ඉදිරියේ දී ඇතිවිය හැකි දේ ගැන ඉඟියකි. වඩාත් නිදහස් වෙළඳාමට එරෙහි රැල්ලක් මහා පරිමාණයෙන් ජාතික දේශපාලනයට කඩා වැදීමට තවත් දායකයක් ගත විය. එක්සත් ජනපදයේ සහ යුරෝපයේ ගෝලීයකරණ විරෝධීන් දකින ආකාරයට ගෝලීයකරණය යහපත් වන්නේ බටහිර සමාජයන්ට වඩාත් අඩුවෙන් එහෙත් චීනයේ සහ ඉන්දියාවේ මධ්‍යම පන්තියට වඩාත් වැඩියෙන්ය. ආර්ථික ජාතිකවාදයේ සහ ජනප්‍රිය ප්‍රතිපත්ති යටින් දිවෙන හුය වඩාත් වැදගත් වන්නේ ඒකාන්ත සාක්ෂාත් කර ගැනීම නොව එහි සාපේක්ෂ ප්‍රතිඵලයයි.

ගෝලීයකරණයේ ප්‍රතිලාභ පාරිභෝගිකයන් සහ සේවකයන් අතර ව්‍යාප්තව පැතිර ඇති අතර එහි පිරිවැය අවතැන් වූ සේවකයන් අතර විශාල වශයෙන් ඒකරාශී වීමෙන් අදහස් වන්නේ ගෝලීයකරණයට විරුද්ධ වූවන්ට දේශපාලනය වඩාත් කඩිනමෙන් හැඩ ගැස්විය හැකි වීමය. ඇත්ත වශයෙන්ම ස්ථාපිත දේශපාලන පක්ෂවලට පවතින තත්වයට මූලිකව විකල්ප ප්‍රතිපත්ති ඉදිරිපත් කිරීමට නොහැකිවීමේ ප්‍රතිඵලයක් වශයෙන් අන්තවාදී පක්ෂ බිහිවීමට හේතු වූයේයැයි තර්ක කළ හැකිය. එම බලවේග යුරෝපය සහ එක්සත් ජනපදය පුරා ජනප්‍රියවාදය මතුවීමට තුඩු දීමෙන් විවාදය වෙනතකට හැරවීමට සමත්ව ඇත. මෙවැනි තත්වයක් පවතින්නේ ප්‍රංශයේ ජනාධිපති-වරණයෙන් යුරෝපා සංගමයට ලැදි මධ්‍යස්ථවාදය ජය ගැනීම සහ යුරෝපය පුරාම අන්තවාදී පක්ෂවල පසුබෑමක් පෙන්නුම් කිරීමේ වටපිටාවක් පැවතිය දීය. වඩාත් මෑතක දී අන්තවාදී පක්ෂවල සාපෙක්ෂ පසුබෑම ඡන්දදායකයන්ගේ විශ්වාසය වෙනස් කිරීමට හේතුවී නැත. ඊට වැඩියෙන්ම හේතු වන්නේ ස්ථාපිත පක්ෂ තම ප්‍රතිපත්ති වෙනස් කිරීමය. නිදසුනක් වශයෙන් ඡන්ද දායකයන් දිනා ගැනීමට වඩාත් දැඩි සංක්‍රමණ විරෝධී ප්‍රතිපත්ති පිළිගෙන ඇත. තවත් සමහර අවස්ථාවල ස්ථාපිත දේශපාලන පක්ෂ වෙනුවට 'බාහිර පුද්ගලයන්' තෝරා ගැනීමට වැඩි කැමැත්තක් දක්වයි. ඉන් ඔවුන්ට මුහුණ දීමට ඇති දහසකුත් ප්‍රශ්න විසඳීමට අපොහොසත් දුර්වල ආණ්ඩු පිහිටුවීමේ විෂම චක්‍රයකට හේතු වීමෙන් ප්‍රතිපත්ති ව්‍යවුල් භාවය වඩාත් වැඩි කිරීමට හේතු විය හැකිය.

ට්‍රාන්ස් පැසිපික් හවුල්කාරිත්වය (TPP) සහ පැරිස් දේශගුණික ගිවිසුම වැනි වෙළඳ ගනුදෙනුවලින් සහ වෙනත් බහුපාර්ශ්වීය ගිවිසුම්වලින් ඉවත්වීමේ එක්සත් ජනපදයේ ප්‍රතිපත්තිය මෙන්ම යුරෝපා සංගමයෙන් ඉවත්වීමට එක්සත් රාජධානිය ගත් තීරණය ගෝලීය නායකත්වයේ මතුවෙමින් පවතින රික්තය පිළිබඳ දැක්මට දායක වේ. එවැනි උද්ගතවීම් ලෝකයේ වෙනත් ප්‍රදේශ පුරාම ප්‍රතිපත්ති සහ උපාය මාර්ග නැවත හැඩ ගැස්වීම කෙරේ සෘජු බලපෑමක් කරයි. ඇත්තෙන්ම චීනයේ නායකත්වයෙන් ආසියාව ආර්ථික විවෘත භාවයේ නව බලකොටුව බවට පත්වෙමින් පවතී. චීනයේ නායකත්වයෙන් යුත් කලාපීය සවිස්තරාත්මක ආර්ථික හවුල්කාරිත්වය (RCEP) ආසියා පැසිපික් නිදහස් වෙළඳ කලාපයක් කරා (FTAAP) ගමන් කිරීමේ මාර්ගයක් ලෙස ට්‍රාන්ස් පැසිපික් හවුල්කාරිත්වය වෙනුවට ආසියාවේ බහුපාර්ශ්වීය වෙළඳ ලිහිලිකරණයේ නව වටයක් සාක්ෂාත් කර ගැනීමට හැකියාවක් ඇති මාර්ගයක් සේ සැලකේ.

මේ අතර තුර මතුවෙමින් පවතින ආර්ථික සහිත ආණ්ඩු ගෝලීය වෙළඳාමට සහ ජනතාව එහා මෙහා යෑමට පවතින අවහිරතා නිසා කඩා වැටීමේ අවදානමට මුහුණ දිය හැකිය. ඇත්තෙන්ම නැගී එන ආර්ථිකයන් බොහෝ විට ප්‍රාග්ධන සංචලනයේ අස්ථාවරත්වය නිසා වැඩි අවදානමකට මුහුණ දිය හැකිය. ඒ මූල්‍ය සහ ප්‍රාග්ධනයට භාණ්ඩ, සේවා සහ විශේෂයෙන්ම ශ්‍රමයට වඩා බොහෝ වැඩි වේගයෙන් දේශ සීමා හරහා ගලා යා හැකි නිසාය. වැඩි දුරටත් එක්සත් ජනපදයේ සහ යුරෝපයේ ගෝලීයකරණය සම්බන්ධයෙන් දැනට පවතින අසතුට ආසියාවේ බොහෝ ප්‍රදේශවල මතුවෙමින් පවතින අසමානතාවය ගෝලීයකරණයේ බලවේග විසින් තීව්‍ර කර ඇතැයි හැඟීමක් ඇති වුවහොත් මෙම රටවලට ද එම අදහස පැතිර යා හැකිය.

ශ්‍රී ලංකාවද එහි දේශ සීමාවෙන් ඔබ්බෙහි සිදුවන මෙම මූලික වෙනස්වීම්වලට ඔරොත්තු දෙන්නේ නැත. ශ්‍රී ලංකාව දේශපාලන සහ ආර්ථික පලප්‍රයෝජන සඳහා 2015 මුල් කාලයේ දී බටහිරට යොමු වුවද පසුව නව වෙළඳ පොළ, ආයෝජන සහ මූල්‍ය සම්පත් සොයා යෑමේ දී ක්‍රම ක්‍රමයෙන් නැගෙනහිරට යොමු වෙමින් පවතී. බටහිර සමග වඩාත් හොඳ දේශපාලන සම්බන්ධතා පවත්වා ගැනීම සහ මානව අයිතිවාසිකම් ගැටලු ගැන ප්‍රගතියක් අත්කර ගැනීම නියත ආර්ථික ප්‍රතිලාභ අත් කර දීමේ දී මන්දගාමී වී ඇත. අවසානයේ දී අත් වූ වඩාත් කැපී පෙනෙන වාසිය වන්නේ යුරෝපා සංගමය 2017 ජූනි මාසයේ දී සාමාන්‍යකරණය වූ වරණාත්මක පද්ධතිය (GSP) නැවත ලබා දීමත් සමග යුරෝපීය වෙළඳ පොළට වරණාත්මකව පිවිසීමේ අවස්ථාවය. කෙසේ වුවත් එක්සත් ජනපදය සමග, බොහෝවිට ට්‍රාන්ස් පැසිපික් හවුල්කාරිත්වය සමග, වෙළඳ ගනුදෙනු ඇති කර ගැනීමට කලින් දක් වූ උනන්දුව ඉන්දියාව, චීනය සහ සිංගප්පූරුව සමග බොහෝ කඩිනමෙන් ඇති කර ගත් ගිවිසුම් නිසා සියලු අර්ථයෙන් අත්හැර දැමිණ. ඊට අමතරව ශ්‍රී ලංකාව 2016 දී, අත්හිටුවන ලද කොළඹ වරාය නගර ව්‍යාපෘතිය ඇතුළු දැවැන්ත සංවර්ධන ව්‍යාපෘතිවලට චීනය නැවත සම්බන්ධ කර ගැනීමේ නව ප්‍රයත්නයක් ගැනීම වෙනත් ඒවා අතර වේ.

ශ්‍රී ලංකාව ඉන්දියානු සාගරය මධ්‍යය කර ගත් අපනයනය කෙරේ නැඹුරු වූ ආර්ථික කේන්ද්‍රයක් බවට පත් කිරීමේ දී ආණ්ඩුවේ පුළුල් ප්‍රතිපත්ති යොමුව පදනම වන්නේ ආසියානු ආර්ථික සමග වඩාත් වැඩි ආර්ථික අන්තර්ග්‍රහණය කෙරේය. එවැනි උපාය මාර්ගයක් පැහැදිලිවම භාණ්ඩ, සේවා, ආයෝජන සහ ශ්‍රම ගලා යෑමේ ඵලදායිතාවය සහ තරගකාරිත්වය කෙරේ බලපෑම් ඇති කරන වඩාත් ලිහිල්කරණ සහ නියාමන ඉවත් කරන ප්‍රතිපත්ති ඉල්ලා සිටී. දශ ලක්ෂ 20ක දේශීය වෙළඳ පොළක් ඇති ශ්‍රී ලංකාව වැනි සංවර්ධනය වන කුඩා ආර්ථිකයකට දීර්ඝ කාලීන වර්ධනයක් නොකඩවා පවත්වා ගැනීමට, ඉල්ලුම ජනනය කිරීමට, ශ්‍රමය යොදා ගැනීමට සහ ඵලදායිතාවය නගා සිටුවීමට බාහිර ඉල්ලුම තීරණාත්මක ය. ඒ අනුව අපනයන තරගකාරිත්වය ක්‍රම ක්‍රමයෙන් පහත වැටීමෙන් පෙන්නුම් කරන ආර්ථිකයේ ව්‍යුහාත්මක දුර්වලතා ආපසු හැරවීමට නොහැකිනම් ශ්‍රී ලංකාවට ඇති ප්‍රතිපත්ති විකල්ප බෙහෙවින් සීමිතය.

වර්ධනය සඳහා රාජ්‍ය වැය කෙරේ දැඩිව රැඳී සිටීමේ ප්‍රතිපත්ති අවකාශය පවතින සාර්ව ආර්ථික සීමාවන් යටතේ තව දුරටත් කළ පවත්වා ගත නොහැකිය. ද.දේ.නිෂ්පාදිතයේ රාජ්‍ය ණය අනුපාතය ඉහළ යමින් පවතී. 2016 දී රාජ්‍ය ණය ද.දේ. නිෂ්පාදිතයට සියයට 79.3 ක් විය. රටේ ණය සංයුතිය අනුව විදේශ මුදල්වලින් ලබා ගත් ණය ඉහළ යමින් පවතී. 2016 දී එය ද.දේ.නිෂ්පාදිතයට සියයට 34.2ක් විය. ඕන් සහන නැති විදේශ ණය ප්‍රමාණය මුළු විදේශ ණයවලින් සියයට 53 දක්වා ඉහළ යෑමෙන් සමස්ත ණය ප්‍රමාණයේ පිරිවැය සහ අවදානම ඉහළ නැගී ඇත. විදේශ ණය ගෙවීමේ අනුපාතයකින් වැඩි වේ. මෙය 2016 දී සියයට 25 දක්වා පහත වැටුණේ භාණ්ඩ සහ සේවා අපනයන ආදායම් වැඩි වීමකින් නොව ණය සේවා ගෙවීම් අහම්බෙන් සංකෝචනය වීමෙනි. ශ්‍රී ලංකාවේ ආර්ථිකය 2019 සිට කල් පිරෙන ජාත්‍යන්තර රාජ්‍ය බැඳුම්කර (ISB) සහ ආසන්න වශයෙන් එ ජ ඩොලර් බිලියන 5.7ක් වන ඒකාබද්ධ ණය ඉදිරි වසර තුනක් ඇතුළත ගෙවීමට සූදානම් විය යුතුය. භාණ්ඩ සහ සේවා අපනයන කැපී පෙනෙන ලෙස පුළුල් වීමෙන් ඉපැයීම් ඉහළ නොයන්නේ නම් මේ නිසාම ණය සේවා අනුපාතය තියුණු ලෙස ඉහළ යනු ඇත.

වසර දෙකකට ආසන්න කාලයක් පැවති ප්‍රතිපත්ති ව්‍යාකුලත්වයෙන් පසුව නව සුභවාදී ලක්ෂණ දක්නට ඇත. 2016 මැද භාගයේ සිට මූලික වශයෙන් බෙහෙවින් අවශ්‍ය වූ ආදායම් ප්‍රතිශෝධන කෙරේ යොමු වූ බදු මුදල් ස්ථාවර කිරීමේ ප්‍රයත්නයේ සැලකිය යුතු ප්‍රගතියක් අත් කර ගෙන ඇත. වටිනාකම් මත එකතු කිරීමේ බද්ද (වැට්) සියයට 11 සිට 15 දක්වා ඉහල දැමීම ඇතුළු බදු අය කිරීමේ පියවර සම්මත කර ගැනීම නිසා ආදායම් ඉපැයීමේ ප්‍රබල තත්වයක් ඇති විය. එමනිසා මධ්‍ය කාලීන වර්ධනය කෙරේ සෘජු බලපෑමක් ඇති කරන ප්‍රාග්ධන වියදමේ හානිදායක කපා හැරීම් සිදු නොකොට ආණ්ඩුවට සමස්ත හිඟය ද.දේ. නිෂ්පාදිතයෙන් සියයට 5.4 දක්වා පහත දැමීමට හැකි විය. 2017 දී දේශීය ආදායම් පනතක් හඳුන්වාදීම නිසා ශ්‍රී ලංකාවේ බදු ප්‍රතිපත්තියේ පැහැදිලිතාවය සහ ස්ථාවරත්වය තව දුරටත් ඇති කිරීමට සමත් වනු ඇතැයි අපේක්ෂා කෙරේ. බදු පදනම පුළුල් කිරීමට සහ බදු පරිපාලනය වැඩි දියුණු කෙරෙන මෙම ප්‍රයත්නයන්ට ආදායම් වර්ධනය පවත්වා ගැනීමට ඉවහල් වීමෙන් බදු අය කිරීමේ සමානාත්මතාවය පිළිබඳ ගැටලු ක්‍රම ක්‍රමයෙන් ආමන්ත්‍රණය කිරීමට හැකි වනු ඇත.

මෙම අවස්ථාවේ දී භාණ්ඩාගාර බලධාරීන් මග හැරිය යුතු දෙයක් වන්නේ ආදායම් ප්‍රතිශෝධන ආපසු කිසියම් ආකාරයකට ආපසු නොහැරවීමයි. 2014 දී සියයට 11.5ක් තරම් පහත් මට්ටමක පැවති ද.දේ. නිෂ්පාදිතයේ ආදායම් අනුපාතය සියයට 14.2 දක්වා ඉහළ යෑමත් සමග 2016 ආදායම් ප්‍රමාණය බලාපොරොත්තු සහගත බවක් පෙන්නුම් කළ ද එම කාල සීමාව තුළ වැට් බදු රැස්කිරීම වැඩි වූයේ සියයට 3කින් පමණි.

ප්‍රබල බදු ආදායම් නිමැවුම් ශ්‍රී ලංකා මහ බැංකුවට වඩාත් දූරදර්ශී මූල්‍ය සහ විනිමය අනුපාත ප්‍රතිපත්ති පවත්වා ගැනීමට ඉවහල් විය. අනපේක්ෂිත ආකාරයට ආනයනය පදනම් පරිභෝජන පිබිදීමකට තුඩු දුන් මුලින්ම 2015 මූල්‍ය ප්‍රතිපත්ති ලිහිල් කිරීමකින් පසුව 2016 මැද භාගයේ දී ප්‍රතිපත්ති අනුපාත ඉහළ දැමීමෙන් සහ ශ්‍රී ලංකා මහ බැංකුව සතු භාණ්ඩාගාර බිල් පත් විකිණීමෙන් ප්‍රතිපත්ති දැඩි කිරීමේ ඒකාබද්ධ ප්‍රයත්නයක් ගනු ලැබිණ. පුද්ගලික අංශයට ණය ලබා දීමේ නොකඩවා සිදු වූ ඉහළ වර්ධනයත් ආණ්ඩුවට විශේෂයෙන් රාජ්‍ය සංස්ථාවලට ලබා දුන් ණය ඉහළ යෑමත් නිසා 2017 මාර්තු මාසයේ දී තව දුරටත් බදු අනුපාත ගැලපීමට හේතු විය. ප්‍රතිපත්ති ස්ථාවරය දැඩි කිරීම ආර්ථිකයේ ඉහළ යන උද්ධමන පීඩණයට සෘජු ප්‍රතිචාරයක් ද විය.

කොළඹ පාරිභෝගික මිල දර්ශකය (CCPI) සහ ජාතික පාරිභෝගික මිල දර්ශකය (NCPI) යන දෙකින්ම හසු කර ගන්නා වසරින් වසර උද්ධමනය 2016 අග භාගයේ දී සියයට 4ක මට්ටමේ සිට 2017 මාර්තු මාසයේ දී සියයට 7.5 - 8.5 දක්වා ඉහළ යෑමෙන් ඉහළ යන මිල පීඩණය දක්වයි. 2016 අවසන කොළඹ පාරිභෝගික මිල දර්ශකය සහ ජාතික පාරිභෝගික මිල දර්ශකය යන දෙකින්ම වාර්තා වූ සියයට 4ක වාර්ෂික උද්ධමන අනුපාතය 2017 මැද වන විට පිළිවෙළින් සියයට 5.5 සහ සියයට 6 දක්වා ඉහළ ගියේය.

ඉහළ යන උද්ධමනය, වර්ධනය පහත වැටීමත් සමග දිගටම බැඳී පවතින නිසා ශ්‍රීලංකා මහ බැංකුවට මුහුණ දීමට ඇති මූල්‍ය ප්‍රතිපත්ති අභියෝග වඩාත් සංකීර්ණය. ජන සහ සංඛ්‍යා ලේඛන දෙපාර්තමේන්තුව සකස් කරන ද. දේ. නිෂ්පාදිතයේ වර්ධනය ගණනය කර ඇති ආකාරයට 2014 දී සියයට 5ක් වූ වර්ධනය 2017 පළමු කාර්තුවේ දී සියයට 3.8 දක්වා පහත වැටීමක් අපේක්ෂා කෙරේ. බොහෝ උද්ධමන දර්ශක අනුව මිල උද්ධමනයේ ඉහළ යෑමට හේතු වන්නේ ආහාර මිල වැඩිවීමයි. ජාතික පාරිභෝගික මිල දර්ශකය අනුව 2016 අග දී සියයට 3ක් වූ වාර්ෂික ආහාර මිල උද්ධමනය 2017 ජූනි වන විට සියයට 7 දක්වා ඉහළ යෑමෙන් මෙය වඩාත් කැපී පෙනේ. මෙම කාල සීමාව තුළ ආහාර නොවන වාර්ෂික උද්ධමනය සියයට 4.6 සිට 5.5 දක්වා වැඩි විය.

මේ අනුව ශ්‍රී ලංකාවේ අලුත්ම මිල උද්ධමනය ඉල්ලුම පදනම් සහ පිරිවැයෙන් තෙරපීම යන දෙකම ඇතුළත් වන විවිධ වූ මූලාශ්‍රවලින් යුතුය. බදු වැඩි කිරීම් විශේෂයෙන්ම වැට් ඉහළ දැමීම ප්‍රමාද වී ලැබෙන ප්‍රතිඵල සමග භාණ්ඩ සහ සේවා මිල පොදුවේ ඉහළ යෑමේ බලපෑමක් ඇති කරවයි. කෘෂිකාර්මික නිෂ්පාදනය කෙරේ බලපෑමක් ඇති කරවන අයහපත් කාලගුණික තත්වයන් මිල ඉහළ දැමෙන වෙළඳ පොළ දුර්වලතාවයන්ට දායක වේ. මෙම පිරිවැය තෙරපුම් සාධක අතර ඉහළ ණය වර්ධනයේ අතිරේක බියක් ද පවතී.

සර්පිලාකාර වැටුප් වැඩිවීම්වලට හේතු නොවන්නේ නම් පිරිවැය තෙරපුම් සාධක නිසාම චේගවත් වන උද්ධමනයක් ජනනය වන්නේ නැත. මේ අනුව මූල්‍ය ප්‍රතිපත්තිය දැඩි කිරීම ශ්‍රී ලංකාවේ දැනට පවතින අඩු වර්ධන ප්‍රවේගයත් සමග අධික ණය වර්ධනය සීමා කිරීමට කල් තබාම ගන්නා පියවරක් ලෙස වඩාත් හොඳින් හැඳින්විය හැකිය. ඉන් අදහස් වන්නේ සමාගම් සහ ගෘහස්ථ ණයට ලබා ගත් මුදල් වත්කම් විශේෂයෙන් දේපොළ මිලදී ගැනීමට යොදා ගැනීමය. එවිට ආර්ථිකයේ වත්කම් වටිනාකම්වල බුබුලක් ඇති කළ හැකිය. අනෙක් සියලු කරුණු සම්බන්ධයෙන් පාරිභෝගික ඉල්ලුම් දර්ශක මධ්‍යස්ථව පවතී. නිදසුනක් වශයෙන් ආහාර නොවන පාරිභෝගික භාණ්ඩ ආනයනය අඩු වැඩි වශයෙන් නොවෙනස්ව පැවතිණ. 2017 මුල් මාස පහ ඇතුළත එය සියයට 0.6කින් හැකිළිණ. සංකෝචන මූල්‍ය ප්‍රතිපත්ති පරිසරයක් තුළ උද්ධමනය දැඩිව ප්‍රවේගවත්වීම තවදුරටත් නිහඬ කරයි. මින් මූල්‍ය බලධාරීන්ට පුද්ගලික අංශයට ණය ගැනීමට සහ ස්ථාවර අඩු පොලී අනුපාත පරිසරයක් හරහා ඵලදායී ආර්ථික ක්‍රියාකාරකම්වල ආයෝජනය කිරීම දිරිමත් කිරීමෙන් අඩපණ වී ඇති ආර්ථික වර්ධනය නැවත නගා සිටුවීමේ මධ්‍ය කාලීන මූල්‍ය ප්‍රතිපත්ති නියම කිරීමට කිසියම් අවස්ථාවක් ලැබෙනු ඇත.

විනිමය අනුපාත පෙරමුණේ පවා ප්‍රතිපත්ති යොමුව සැලකිය යුතු ආකාරයෙන් ප්‍රතිස්ථාපනය කිරීමක් සිදුව ඇත. සංචිත වැය කිරීමෙන් මුදල් ඒකකය මත අවප්‍රමාණවීමේ පීඩණයට මුහුණ දීම සඳහා පෙර නැඹුරුවක් පැවතීමෙන් 2016 මැද භාගයේ සිට විදේශ විනිමය වෙළඳ පොළ ක්‍රියාත්මකවීමේ දී ශ්‍රී ලංකා මහ බැංකුවට අඩුවෙන් මැදිහත්වීමේ ආස්ථානයකට ඉඩ සැලසිණ. ඇත්තෙන්ම EFF වැඩ සටහන යටතේ ශ්‍රී ලංකා මහ බැංකුව රාජ්‍ය විදේශ සංචිතවලට අදාල ණය නොවන ප්‍රමාණය තර කර ගැනීමට වෙළඳ පොළ ඩොලර් මිලදී ගැනීමට සක්‍රීයව ඉදිරිපත් විය.

මේ ආකාරයේ ප්‍රතිපත්ති සැකසීමෙන් ආයෝජකයන්ට ඉදිරි මාස තුළ වඩාත් දියුණු වූ සාර්ව ආර්ථික පරිසරයක් කෙරේ බලාපොරොත්තු රැඳවිය හැකිය. මෙහිදී කරදරකාරී ප්‍රශ්නය වන්නේ විනිමය අනුපාතය යි. 2017 අප්‍රේල් මාසයේ දී රාජ්‍ය සංචිත තුන් මාසයක ආනයන මට්ටමට - නිර්දේශිත අවම කඩයිම් සීමාව (එ ජ ඩොලර් බිලියන 5) පහත වැටීම සහ ජාත්‍යන්තර මූල්‍ය අරමුදලේ තෙවන ණය වාරිකය රඳවා ගැනීමේ ප්‍රතිඵලයක් වශයෙන් 2017 මැයි මාසයේ දී ශ්‍රී ලංකාවට අන්තර්ජාතික ණය බැඳුම්කර මගින් තවත් එ ජ ඩොලර් බිලියන 1.5ක් ලබා ගැනීම හැර වෙනත් විකල්පයක් තිබුණේ නැත. මේ අනුව ජාත්‍යන්තර මූල්‍ය අරමුදලේ වැඩ සටහන වසරක් ක්‍රියාත්මක වීමෙන් පසුව ශ්‍රී ලංකාවේ බාහිර අංශයේ තත්වය බෙහෙවින් දුර්වල බව පෙනේ. 2017 මැද භාගය වන විට රාජ්‍ය සංචිත ප්‍රමාණය සිවු මසක ආනයන සඳහා ප්‍රමාණවත් එ ජ ඩොලර් බිලියන 6.7 කි.

විදෙස් ණය විශාල ප්‍රමාණයක් 2019-2022 කාල සීමාවේ දී කල් පිරීමට නියමිත නිසා විදෙස් අංශයේ වර්ධනයන් ආර්ථික ස්ථාවරත්වයට සහ වර්ධනයට අනිශයෙන් වැදගත් ය. ද්‍රවශීලතාවය ගොඩ නගා ගැනීමට සහ බාහිර අවදානම් තත්වය අඩු කර ගැනීමට ශ්‍රී ලංකාවට තම විදේශ විනිමය ආදායම් තර කර ගැනීමට සිදු වනු ඇත. එය කළ හැකි වන්නේ ජාත්‍යන්තර වෙළඳ පොළ පහත වැටෙමින් පවතින සිය තරගකාරිත්වය නතර කිරීමෙන් සහ රටේ භාණ්ඩ සහ සේවාවන්ට විදෙස්වල ඇති ඉල්ලුම නගා සිටුවීමෙන් පමණි.

ඒ සඳහා ශ්‍රී ලංකාව නැගී එන වෙනත් බොහෝ ආර්ථිකයන් මෙන් අභියෝගාත්මක සහ අපැහැදිලි ගෝලීය සන්දර්භයක් තුළ වෙළඳාම හරහා වර්ධනය වේගවත් කිරීමට අපේක්ෂා කරයි. ආණ්ඩුව ඉන්දියන් සාගරයේ කේන්ද්‍රස්ථානයේ භාණ්ඩ සහ සේවා මධ්‍යස්ථානයක භූමිකාවක් ගොඩ නැගීමට ප්‍රයත්න දැරීමෙන් උපාය මාර්ගික වශයෙන් වැදගත් වෙළඳ සහ නාවික ගමන් මාර්ගයේ මධ්‍ය ලක්ෂයේ අන්තර්ග්‍රහණ මූලපිරුමක් ස්ථාන ගත කිරීමේ අදහස පෙන්නුම් කරයි. ශ්‍රී ලංකාව දැනටමත් ජී ඇස් පී ප්ලස් (GSP) යටතේ යුරෝපා සංගමයට වඩාත් පහසුවෙන් පිවිසීමේ වාසිය අත් කර ගෙන ඇත. ඊට අමතරව රටේ ආර්ථික අභියෝග ආමන්ත්‍රණය කිරීමට මිලේනියම් චැලෙන්ජ් කෝර්පරේෂන් (MCC) යටතේ එක්සත් ජනපද සහාය ද හිමි කර ගෙන ඇත. මෙම වැඩ පිළිවෙළ පුළුල් සහ බොහෝවිට විවාදාත්මක මානව අයිතිවාසිකම් පිළිබඳ ගැටලු සහ අදාල නීති ප්‍රතියෝධන පැනවීමට ඇති කැපවීමත් සමග බටහිර සමග දේශපාලන සම්බන්ධතා වැඩි දියුණු කර ගැනීමෙන් පිළිබිඹු වේ.

සහාය ලබා දීමට බටහිරෙන් හස්තයක් දිගු කර ඇති නමුත් ශ්‍රී ලංකාවේ දීර්ඝ කාලීන ආර්ථික වුවමනාවන් ආසියානු කලාපයේ තම අසල්වැසියන් සමග අන්තර්ග්‍රහණය වීමට ගැලවිය නොහැකි සේ බැඳී ඇති සේ පෙනේ. වෙනස්වන බලය ධනවත් රටවලින් චීනය, ඉන්දියාව සහ ඉන්දුනීසියාව වැනි මතුවෙමින් පවතින ආර්ථිකයන්ට මාරු වෙමින් පවතින නිසා ආර්ථික බලය ද නොකඩවාම ආසියාවට යොමු වෙමින් පවතී. 'එක මාවතක් එක තීරුවක්' සහ කලාපීය විස්තීර්ණ ආර්ථික හවුල්කාරිත්වය (RCEP) ට්‍රාන්ස් පැසිපික් හවුල්කාරිත්වය (TPP) හදිසියේම අත් හිටුවීමේ පීඩාව සමනය කිරීමට ඉදිරිපත්ව සිටී. ඒ සමගම චීනයේ ප්‍රති තුලනය කිරීම, කලාපීය වෙළඳාම සහ යටිතල පහසුකම් සංවර්ධනය නගා සිටුවීමේ සැලකිය යුතු අවකාශයක් සමග දේශීය ඉල්ලුම නොවෙනස්ව පවත්වා ගැනීම තහවුරු කරනු ඇත.

ශ්‍රී ලංකාවට, චීනය සහ කලින් ගත් වැරදි තීරණ (2015 දී කොළඹ වරාය නගරය අත්හිටුවීමෙන් වඩාත් පැහැදිලිව දක්නට ලැබුණු ආකාරයට) නිවැරදි කර ගැනීමෙන් චීනය සමගත් සුහද සම්බන්ධතා පවත්වා ගැනීම ආසියාව දෙසට හැරීමේ දී කේන්ද්‍රීය වේ. ඉන්දියාව සමග ආර්ථික සහ තාක්ෂණ සහයෝගිතා ගිවිසුම (ETCA) චීනය සමග නිදහස් වෙළඳ ගිවිසුම වැනි රටවල් දෙක සමගම ආර්ථික ගිවිසුම් සාකච්ඡා වෙමින් පවතී.

රට අමතරව සිංගප්පූරුව සමග ද නිදහස් වෙළඳ ගිවිසුමක් සාකච්ඡා වෙමින් පවතී. දැනට සිදුවෙමින් පවතින මෙම සාකච්ඡාවලට අමතරව තවත් බොහෝ ද්වි පාර්ශ්වික සහ කලාපීය වැඩ පිළිවෙළ ගැන සාකච්ඡා පැවැත් වේ.

එම අන්තර්ග්‍රහණ මූලපිරුම්වලට විශේෂයෙන් එක්ටා සම්බන්ධයෙන් සමහර විරෝධතා මතුව ඇත. මෙම අසහනය ඇති කර ගන්නා ගිවිසුම් යටතේ හණ්ඩ, සේවා, ආයෝජන සහ ශ්‍රමය වඩාත් නිදහස්ව ගලා ඒමට අමතරව සමහර අවස්ථාවල රාජ්‍ය දේපොළ විකිණීම පිළිබඳව ඇති අදහස් ගැන ද කැටි වී ඇත. හම්බන්තොට වරායේ කොටස් චීනයට විකිණීමේ යෝජනාව සහ කොළඹ වරායේ පර්යන්තයක් සංවර්ධනය කිරීමට ඉන්දියාව සමග රාජ්‍ය පුද්ගලික හවුලක් (PPP) පිළිබඳ යෝජනාව මෙන්ම ත්‍රිකුණාමලය වරාය සමීපයෙන් තෙල් පිරි පහදුවක් ගොඩ නැගීමට ඉන්දියාව ඉදිරිපත් කර ඇති යෝජනා ගැන දේශපාලකයෝ, වෘත්තික ආයතන, වෘත්තීය සමිති සහ වෙනත් ක්‍රියාකාරීහු දැඩි විරෝධයක් දක්වති. ඇත්තෙන්ම පැහැදිලිවම වෙළඳ ගිවිසුම්වලට එරෙහි විරෝධය බොහෝවිට පසමිතුරන් වන වෘත්තීය සමිති සහ සේවායන් ඇති වන්නේයැයි කියන පොදු තර්ජනයට මුහුණ දීමට එක්සත් කරවයි. ආර්ථිකය සහ දේශපාලනය එකට මුසුවීමෙන් පෙළ ගැසෙන මතවාදී සටන් පෙරමුණු 'නිදහස් වෙළඳාම' සහ 'රාජ්‍ය දේපොළ විකිණීම' සමග ගැට ගැසෙන බවක් පෙනේ.

ඒ අනුව ආර්ථික අන්තර්ග්‍රහණ මාවතත් ඒ හා බැඳී ඇති දේශීය නියාමන ඉවත් කිරීමේ ප්‍රතිශෝධන පහසු නොවේ. 'ශ්‍රී ලංකාව: 2015 ආර්ථිකයේ තත්වය' හි පෙන්වා දුන් ආකාරයට 'ආර්ථික ප්‍රතිශෝධන හඳුන්වාදීම, ක්‍රියාත්මක කිරීම සහ පවත්වා ගෙන යෑමේ ප්‍රයත්න සඳහා ඇති තත්වයන් අතීත සාර්ථක ප්‍රයත්නවලට වඩා අද දුර්වල ය. (3 පිටුව) මුල් බැසගත් වරප්‍රසාදවල එකතුව, දුර්වල ආයතන සහ වැඩ පිළිවෙළ පාලනය කරන සහාග, ප්‍රතිශෝධන ප්‍රයත්න වඩාත් අසීරු කරවයි. පවතින මෙවැනි තත්වයන් මතුවෙමින් පවතින ගෝලීයකරණ විරෝධී ජනප්‍රිය ජාතිකවාදී හැඟීම් සමග බැඳුණු විට පෙරමුණු ගණනාවක සැලසුම් සහගත ප්‍රතිපත්ති ප්‍රතිචාර අවශ්‍ය ය.

පළමුව ශ්‍රී ලංකාව ආර්ථික අන්තර්ග්‍රහණයේ ප්‍රතිලාභ අත්කර ගත නොහැකි අපේක්ෂාවන් නිර්මාණය කිරීමට යොදා නොගත යුතුය. ආර්ථික අන්තර්ග්‍රහණය දේශ සීමා හරහා විවිධ වේගයෙන් භාණ්ඩ, සේවා, ආයෝජන සහ ශ්‍රමය ගලා එන විට හානිකර බලපෑම් ඇති කළ හැකිය. දීර්ඝ කාලීනව පැහැදිලි සහ නිශ්චිත සාධකවල ප්‍රතිඵලයක් වශයෙන් ව්‍යුහාත්මක විරැකියාව මතුවිය හැකිය. එමනිසා ආණ්ඩුව සාධාරණ ගැටලු විය හැකි බව පිළිගෙන කිසියම් අර්ථාන්විත ප්‍රතිශෝධන ප්‍රයත්නයක් අඩපණ කළ හැකි ආර්ථික අසහනය පැහිර යෑමේ අනතුරු මඟ හැරීම සඳහා ඒවා සමනය කිරීමේ ප්‍රතිපත්ති ක්‍රියාත්මක කළ යුතුය. දෙවැනිව ශ්‍රී ලංකාව හැකිතාක් ඉක්මණින් ආර්ථික අන්තර්ග්‍රහණයේ සම්පූර්ණ ප්‍රතිලාභ අත්කර ගැනීමට නම් ආර්ථික අන්තර්ග්‍රහණ ක්‍රියාවලිය සඳහා වඩාත් නිශ්චිත සහ උපාය මාර්ගික පිවිසුමක් යොදා ගත යුතුය. ජාතික වෙළඳ ප්‍රතිපත්තියක් සහ ජාතික අපනයන උපාය මාර්ගයක් සකස් කර ඇති අතර එහි වැඩි අවධානය යොමුව ඇත්තේ නිදහස් වෙළඳ ගිවිසුම් සාකච්ඡා කෙරේය. නිදහස් වෙළඳ ගිවිසුම්වලට ප්‍රයෝජනවත් භූමිකාවක් ඇති නමුත් සංකීර්ණ බදු ගාස්තු කාලසටහන් සහිත නිදහස් වෙළඳ ගිවිසුම් රාශියක් පැවතීම ශ්‍රී ලංකාවේ අවසාන අරමුණ වන ගෝලීය සැපයුම් ජාලයට එකතුවීමට එරෙහි විය හැකිය.

දේශ සීමා හරහා අන්තර් මාධ්‍ය අපනයනයට ඉඩසැලසෙන සරල තීරු බදු ක්‍රමයක් අත්‍යවශ්‍ය ය. එය ඒක පාර්ශ්වීය ප්‍රතිශෝධන හරහා වඩාත් ඵලදායීව කළ හැකිය. විධිමත් වෙළඳ ගිවිසුම් ප්‍රගතියේ ප්‍රමුඛ වීමට වඩා අනුගමනය කරන බවට පත්වීමෙන් රේගු සහ ප්‍රමිතීන් මෙන්ම සැලසුම් නොකළ ප්‍රතිපත්ති සහ නියාමන වෙනස්කම් වලින් සෘජු විදේශ ආයෝජන ආරක්ෂා කිරීමට දේශ සීමාවේ දී කාර්යක්ෂම නියාමන පියවර සඳහා ඉඩ සැලසිය හැකිය.

නිදහස් වෙළඳ ගිවිසුම් උනන්දුවක් දක්වන කණ්ඩායම් එක් කිරීමේ හේතුවක් වන නිසාත් නිදහස් වෙළඳාම සහ ආර්ථික අන්තර්ග්‍රහණයට විරුද්ධ අයගේ විවේචනයට තෝරා ගන්නා නිසාත් වඩාත් සියුම් පිවිසුමක් බෙහෙවින් අවශ්‍ය ය. කිසියම් නිදහස් වෙළඳ ගිවිසුමක අයහපත් බලපෑම දැඩි වශයෙන් ඒකරාශී විය හැකි අතර එහි සාධනීය ප්‍රතිඵල පාරිභෝගිකයන්, අපනයනකරුවන් සහ සේවකයන් අතර පැතිර යනු ඇත. ඒ අනුව නිදහස් වෙළඳ ගිවිසුම් ප්‍රතිශෝධනවල වේගය සහ අනුපිළිවෙළ යන දෙකේම වඩාත් ප්‍රශස්ත සංකලනයක් ඇති කිරීමට පුළුල් ඒක පාර්ශ්වීය

ප්‍රතිශෝධන සමග බද්ධ වූ ප්‍රතිපත්ති පිවිසුමක් පවතින චංචල වාතාවරණය තුළ සමහරවිට වඩාත් ගැලපේ. ඇත්තෙන්ම නිදහස් වෙළඳ ගිවිසුමක පූර්ණ ප්‍රතිඵල අත්කර ගැනීම ගැන කරුණු කීපයක් පමණක් සඳහන් කරන්නේ නම්, විශ්වාසය රැඳවිය හැකි සන්නිවේදන, ප්‍රවාහන සහ බලශක්ති වැනි සේවා යටිතල පහසුකම් ජාලයක්, කාර්යක්ෂම ආයතනික සහ නියාමන පරිසරයක් සහ වෘත්තීයවේදී සහ තාක්ෂණ කුසලතා ඇති මානව සම්පත් සංචිත වැනි අනු පූරක සාධක ගණනාවක් මත රඳා පවතී.

ඉහත සඳහන් සාධක දිගු කලක් තිස්සේම ශ්‍රී ලංකාවේ වර්ධනයට ඇති සීමාවන් ලෙස හඳුනා ගෙන ඇත. වයස්ගත වන ජනවිද්‍යා තත්වය සහ රෝට අදාල රෝග නිවාරණ තත්වය (Epidemiological) ශ්‍රම වෙළඳ පොළ, අධ්‍යාපනය සහ සෞඛ්‍ය අංශ සහ සමාජ ආරක්ෂණ පද්ධති පාලනය කෙරෙන ප්‍රතිශෝධන කෙරේ වැදගත් බලපෑම් ඇති කරවයි. ඉඩම් සහ ස්වාභාවික සම්පත් හා සම්බන්ධ ආයතනික සහ නියාමන පරිසරය වර්ධනය කෙරේ සීමාවන් ඇති කරවන ඒවා සේ හඳුනා ගෙන ඇත. එ අනුව ශ්‍රී ලංකාව රාජ්‍ය මූල්‍ය වඩාත් හොඳ පාලනයක් යටතට පත් කළ ද වඩාත් බරපතල සමහර ප්‍රශ්නවලට මුහුණ දීමට සිදු විය හැකිය. ආණ්ඩුව ආර්ථික වර්ධනය නැවත පණ ගැන්වීමට සහ ඵලදායී සේවා නියුක්තිය ජනනය කිරීම සඳහා මෙම අභියෝගවලට මුහුණ දීමට සූදානම් වන නිසා 'ශ්‍රී ලංකාව: ආර්ථිකයේ තත්වය' වාර්තාව මෙවර එහි ප්‍රධාන තේමා ලෙස අවධානය යොමු කරන්නේ 'ජනවිද්‍යා තත්වය, ශ්‍රම වෙළඳ පොළ සහ වර්ධනය' කෙරේය.

ශ්‍රී ලංකාව පහළ මධ්‍යම ආදායම් ආර්ථිකයකට පත්වීම සහ ඉහළ යන වැටුප් සමග ලාභ ශ්‍රමය මත තරගකාරීවීම තවදුරටත් සාර්ථක විකල්පයක් නොවේ. ඒ වෙනුවට වෙළඳ පොළ නව්‍යකරණය පහසුකිරීම සහ වැඩි දියුණු කිරීමේ සහ ආර්ථිකය මුළුල්ලේම ඵලදායිතාවය සහ තරගකාරිත්වයේ කාර්යක්ෂමතාවය වැඩි දියුණු කිරීමේ අවශ්‍යතාවයක් පවතී.

ශ්‍රී ලංකාවේ ශ්‍රම වෙළඳ පොළ පසුබෑමට ලක් කෙරෙන විශාලතම බාධා දෙක වන්නේ සේවා නියුක්තිය ආරක්ෂා කෙරෙන දැඩි නීති සහ ශ්‍රම බලකායේ ස්ත්‍රී සහභාගිත්වයේ අඩුකමය. සේවයෙන් ඉවත් කිරීමේ දී ඉහළ ගෙවීම් නියම කිරීම හරහා සේවා වියුක්තිය ආරක්ෂා කිරීමට ඉදිරිපත්වී සමුච්චිත සේවා නියුක්තිය පහත දැමීමෙන් ශ්‍රම වෙළඳ පොළ සීමා වී නොවිධිමත් අංශයේ සේවක සංඛ්‍යාව වැඩි කොට තරුණ සේවකයන් සඳහා රැකියා අවස්ථා අඩු කෙරේ. 2003 දී සහ 2005 දී ප්‍රතිශෝධන සඳහා උත්සාහ ගත් නමුත් ශ්‍රී ලංකාවේ සේවයෙන් අවසන් කිරීමේ ගෙවීම් - මාස 39ක වැටුපට සමාන මුදලක් හෝ සමාගමක වසර 20 ක සේවා කාලයක් ඇති සේවකයෙකු වෙනුවෙන් වසර තුනකට වැඩි වැටුප් ආදායමක් - අන්තර්ජාතික භාවිතාවන් සමග සසඳන විට ඉහළ මට්ටමක පවතී. ඒ අනුව සේවා බලකායේ ඵලදායිතාවය වැඩි දියුණු කිරීමට සහ රැකියා නිර්මාණය පහසු කිරීමට සේවය අවසන් කිරීමේ ක්‍රමයේ ප්‍රතිශෝධන හරහා සේවක සංචලතාවය වඩාත් වැඩි කළ යුතුය.

ශ්‍රී ලංකාවේ ශ්‍රම බලකායේ ස්ත්‍රී සහභාගිත්වය අධ්‍යාපනයත් සමග සීඝ්‍රයෙන් වැඩිවන නමුත් සියයට 36ක් වැනි පහත් මට්ටමක පවතී. ආර්ථිකයේ ස්ත්‍රී සහභාගිත්වය වර්ධනයට ඉවහල් වන බව දක්වෙන ප්‍රබල සාක්ෂි පවතින නිසා ශ්‍රී ලංකාව, විශේෂයෙන් වයස්ගතවන ජන සංඛ්‍යාව සහ හැකිළෙන ශ්‍රම බලකා වර්ධනය නිසා මෙම කුසලතා ආකර්ෂණය කර ගත යුතුය. අධ්‍යාපනය ශ්‍රම බලකායේ ස්ත්‍රී සහභාගිත්වය කෙරේ බලපාන මූලික සාධකයක් වන අතර වැඩපොළ නම්‍යතාවය පහසුකිරීම අරමුණු කර ගත් සහ වැඩ කරන තත්වයන් වැඩි දියුණු කිරීම අරමුණු කර ගත් ප්‍රතිශෝධන ප්‍රතිපත්ති අවශ්‍ය ය. මෙය ක්‍රියාත්මක කළ යුතු වන්නේ වඩාත් හොඳ පහසුවෙන් ලබා ගත හැකි ගුණාත්මක ළමා රැකවරණය, වඩාත් හොඳ ප්‍රවාහන පහසුකම් සහ කාලය ඉතිරි කිරීමේ තාක්ෂණයට වඩාත් හොඳින් පිවිසීමෙන් නිවස තුළ ස්ත්‍රීන් කරන නිෂ්පාදන ක්‍රියාකාරකම්වල පීඩනය සැහැල්ලු කිරීමේ ප්‍රතිපත්ති සමග අත්වැල් බැඳ ගෙනය.

ශ්‍රී ලංකාවේ ශ්‍රම වෙළඳ පොළ කාර්යක්ෂම-නාවය දුර්වල කිරීමේ තවත් ප්‍රධාන බාධකයක් වන්නේ නිපුණ සේවකයන්ගේ සුලබතාවයයි. මෙය ප්‍රධාන කරුණු දෙකකින් තීරණය කෙරේ: අ) මිනිසුන්ට අධ්‍යාපනය ලබා දීමේ සහ පුහුණු කිරීමේ හැකියාව සහ ආ) නිපුණ සේවකයන් රඳවා ගැනීමට සහ විදෙස්වලින් නිපුණතා ආකර්ෂණය කර ගැනීමේ හැකියාවයි. තාක්ෂණ නව්‍යතාවයේ වේගය සහ තාක්ෂණයේ වෙනස්වීම් ප්‍රවේගවත් වෙත්ම නව කුසලතා සහ ප්‍රවීනතා සඳහා අවශ්‍යතාවයත් සමග

නව රැකියා බිහිවේ. ඒ අනුව විද්‍යාවේ සහ තාක්ෂණයේ හැකියාවන් ගොඩ නැගීම සහ නව්‍යකරණය සංකීර්ණ, සංඛ්‍යාංක (Digital) පරිසරයක් ඇති වැඩ කිරීමේ ලෝකය සඳහා ජනතාව සකස් කිරීමේ දී අද වෙන කවදාටත් වඩා තීරණාත්මක ය. වයස අවුරුදු 20ට වඩා වැඩි අයගෙන් සියයට 35ක් පමණක් ද්විතීක අධ්‍යාපනය සම්පූර්ණ කරන ශ්‍රී ලංකාවේ නිපුණතා සඳහා ඇති ඉල්ලුම සපිරීමේ කැපී පෙනෙන හිඩැස් පවතී. ඇත්තෙන්ම අවුරුදු 15ට වැඩි ජන සංඛ්‍යාවෙන් විද්‍යාව සහ තාක්ෂණයට අදාල වෘත්තීන්හි යෙදී ඇත්තේ සියයට 13.2 කි. පාසල්වලින් සියයට 10ක් පමණක් විද්‍යා විෂය ධාරාවෙන් උසස් පෙළ ඉගැන්වීමේ පහසුකම් ඇති තත්වයක් යටතේ මෙය පුදුමයට කරුණක් නොවේ. පොදු සහ උසස් අධ්‍යාපනයේ පවතින පහත් ගුණාත්මක භාවය විශ්ව විද්‍යාලවල පාඨමාලා සහ පුද්ගලික අංශයට අවශ්‍ය ප්‍රවීනත්වය සමග ගැලපෙන්නේ නැත. වෙනත් කරුණු අතර පාසල් හැර යන්නන්ට නිසි වෘත්තීය මගපෙන්වීම් පිළිබඳ උපදෙස් නොමැතිකම මූලික දුර්වලතා-වයන්ගෙන් එකකි. ඒ අනුව ශ්‍රී ලංකාව පාසල් සහ විශ්ව විද්‍යාල පාඨමාලා ප්‍රතිගෝධනය කිරීමට සහ ගැලපෙන ආකාරයට ප්‍රමාණවත් නියාමන සහ ප්‍රතීතන පද්ධති (Accreditation System) සමග තෘතීක අධ්‍යාපනය පුළුල් කිරීම ඉතාමත් හදිසි ප්‍රමුඛතා ලෙස ක්‍රියාත්මක කිරීමට අවධානය යොමු කළ යුතුය.

කුසලතා හිඩැස වඩාත් තීව්‍ර කරමින් ශ්‍රී ලංකාවේ සේවකයන්ගෙන් විශාල ප්‍රමාණයක් විදෙස් රැකියා සොයමින් ශ්‍රම වෙළඳ පොළෙන් ඉවත් වේ. ඇත්තෙන්ම වඩාත් මෑතක දී නිපුණ සේවකයන් වැඩි වැඩියෙන් විදෙස් රැකියා සොයා යෑමේ සංක්‍රමණික රටාවේ වෙනස්වීමක් දැකිය හැකිය. ශ්‍රී ලංකාවේ ශ්‍රම සංක්‍රමණයේ පෙළඹීම් සහ ප්‍රධාන තල්ලු සහ ඇදීමේ සාධක වන්නේ සේවකයෙකුගේ පූර්ව සංක්‍රමණික සමාජ ආර්ථික තත්වය, ආර්ථික දුෂ්කරතා, සහ විදෙස්වල ඉපැයීමේ හැකියාව වැඩි වීමය. සංක්‍රමණය සමග දේශීය ශ්‍රම වෙළඳ පොළ සංවර්ධනයන් සමකාලික කිරීම වැදගත් ය. ඊට නිපුණ ශ්‍රමය රඳවා ගැනීමේ පියවර, ආපසු පැමිණෙන අය අන්තර්ග්‍රහණය කිරීම සහ දේශීයව ඇති මෙන්ම විදේශ නිපුණතා ආකර්ෂණය කර ගැනීම අයත් ය. ඇත්තෙන්ම වැඩිවන ශ්‍රම ඌණතාවයත් සමග පැමිණෙන සංක්‍රමණික සේවකයන් පිළිගැනීම සඳහා ප්‍රබල නියාමන ප්‍රතිපත්ති අවශ්‍යතාවය කඩිනම් කරමින් ශ්‍රී ලංකාවට විදෙස් සේවකයන් වැඩි වැඩියෙන් ගෙන්වා ගැනීමට සිදුවේ.

පුළුල් තලයක දී එවැනි ආයතනික සහ නියාමන ප්‍රතිගෝධන රට පුරාම ආර්ථික ක්‍රියාකාරකම්වල තරගකාරිත්වය සහ ඵලදායිතාවය තීරණය කරනු ඇත. අද ශ්‍රී ලංකාවේ වඩාත් ශක්තිමත් කර්මාන්තයක් වන්නේ සංචාරක ව්‍යාපාරයයි. 2016 දී සංචාරක පැමිණීම දශ ලක්ෂ දෙකේ සීමාව ඉක්මවා යෑමෙන් සෘජු සහ වක්‍ර සේවා නියුක්තියේ සැලකිය යුතු වැඩිවීමක් ජනනය කෙරිණ. ආසියාවේ නව වෙළඳ පොළ මූලාශ්‍ර විවෘත වුවද මානව සම්පත්, යටිතල පහසුකම්, අලෙවිකරණය සහ ප්‍රවර්ධනයේ දුර්වලතා නිසා පශ්චාත් යුද කාලීන සංචාරක පිබිදීමේ සම්පූර්ණ ප්‍රතිලාභ නෙලා නොගන්නා බව අදහස් වේ. සංචාරක කර්මාන්තයේ අයෝජන අවස්ථා ඉඩම් වැනි මූලික සම්පත් ලබා ගත නොහැකිවීමෙන් වැළකී ඇත.

ඇත්තෙන්ම ඉඩම් සම්පත් සඳහා ඇති ඉල්ලුම සපිරීමට ප්‍රතිපත්ති ප්‍රතිගෝධන අත්‍යවශ්‍ය ය. ශ්‍රී ලංකාවේ භූමි ප්‍රදේශයෙන් සියයට 65ක් වගා කළ හැකි බිම් වශයෙන් හැඳින් වුවද නාගරික සහ උපනාගරික ප්‍රදේශවල වගා කළ හැකි බිම්වලින් වැඩි ප්‍රමාණයක් නිවාස හෝ වාණිජ කාර්යන් සඳහා යොදා ඇති නිසා තත්‍ය වශයෙන් වගා කළ හැකි බිම් ප්‍රමාණය වඩාත් අඩුබව පෙනේ. ඉඩම් හිඟතාවය සීඝ්‍රයෙන් වැඩි වෙත්ම ශ්‍රී ලංකාවේ වන ආවරණය දැනටමත් සියයට 30ට වඩා පහත වැටී ඇති නිසා ඉඩම් භාවිතයේ කාර්යක්ෂමතාවය වැඩි දියුණු කිරීමට වඩාත් සුදුසු ඉඩම් ප්‍රතිපත්තියක් අත්‍යවශ්‍ය ය. ඉඩම් ප්‍රතිපත්ති රටේ සංවර්ධන ප්‍රමුඛතා සමග ගැලපීම, නවීන ඉඩම් කළමනාකරණ භාවිතා යොදා ගැනීම සහ ඉඩම් ප්‍රතිපත්තිය සඳහා වූ නෛතික රාමුව පුනරීක්ෂණය අවධානය යොමු විය යුතු සමහර තීරණාත්මක ක්ෂේත්‍රයි.

කාර්යක්ෂම ඉඩම් කළමනාකරණය වඩාත් වැදගත් වන්නේ ශ්‍රී ලංකාවේ ගංවතුර, නියඟය හා නාය යෑම් වැනි ස්වභාවික ආපදාවන්ට ලක්වීමේ අවදානම ඉහළ යමින් පවතින නිසාය. ගෝලීය දේශගුණය වෙනස්වීමේ හේතු ලෙස හඳුනා ගෙන ඇත්තේ වෙනත් කරුණු අතර අවිධිමත් ඉඩම් භාවිතය, සැලසුම් කිරීම සහ පාරිසරික හානිය වැනි මිනිසා විසින් ඇති කරන ලද සාධක හඳුනා ගෙන ඇත. ඇත්තෙන්ම ප්‍රතිපත්ති අධ්‍යයන ආයතනය විසින් මෑතක දී අනුරාධපුර දිස්ත්‍රික්කයේ කරන ලද

සම්ක්ෂණයකින් පසුගිය වසර පහ තුළ ගොවීන්ගෙන් තුනෙන් දෙකකට වඩා මෙවැනි ස්වභාවික ආපදාවන්ගෙන් එකකින් හෝ පීඩාවට පත්ව ඇත. දේශගුණික වෙනස්වීමේ දී ආපදා අවදානම අඩු කිරීමේ පියවර, සංවර්ධන ව්‍යාපෘතිවල කොටසක් ලෙස සංයුක්ත කිරීම සහ දත්ත සහ තොරතුරු හුවමාරු කර ගැනීම මෙම ප්‍රදේශයේ වර්ධනය වන අවදානම සමනය කිරීමට අවශ්‍ය පියවරයන් ය.

ඉහත සඳහන් සියල්ල ජාතික ප්‍රතිපත්ති සහ උපාය මාර්ග සකස් කිරීමේ දී ආර්ථික, සමාජයිය සහ පාරිසරික උවමනාවන් එකට එකතු කිරීමේ වැදගත්කම දක්වෙන තිරසාර සංවර්ධන සංකල්පයට (SDG) අදාල වේ. ශ්‍රී ලංකාව තිරසාර සංවර්ධන ඉලක්ක 2030 ගෝලීය න්‍යාය පත්‍රය සාක්ෂාත් කිරීමට සූදානම් වීමේ දී ජාතික ප්‍රතිපත්ති රාමුවේ සහ අයවැය ක්‍රියාවලියට අදාල ඉලක්ක අන්තර්ග්‍රහණය කිරීමට තවත් බොහෝ දේ කළ යුතුව ඇත. විශේෂයෙන්ම සම්බන්ධීකරණ සහ අධීක්ෂණ, දැනුවත් කිරීම් සහ හැකියාවන්, දත්ත සහ මූල්‍යනය යන ක්ෂේත්‍රවල ක්‍රියාත්මක කිරීමේ සැලකිය යුතු අභියෝග පවතී. ආණ්ඩුව විවිධ ආයතන සහ කමිටු හඳුනා ගෙන තිරසාර සංවර්ධන ඉලක්කවලට අදාල විවිධ භූමිකාවන් ඒවාට පවරා ඇති නමුත් මෙම ආයතන/කොමිටි අතර සම්බන්ධීකරණය සහ බැඳීම් සහ ඒවායේ භූමිකා සහ වගකීම් තවම දුර්වලය.

තිරසාර සංවර්ධන ඉලක්ක සාගින්න සහ පෝෂණයට අදාල මූලික කරුණු ආමන්ත්‍රණය කරන අතර පෝෂණ පැතිමානය ආහාර සුරක්ෂිත භාවයේ සංකල්පයට අනුකලනය වේ. අන්තර්ජාතික ආහාර ප්‍රතිපත්ති පර්යේෂණ ආයතනය (IFPRI) සකසන ලද ගෝලීය සාගිනි දර්ශකය අනුව ශ්‍රී ලංකාව රටවල් 118කින් 84 වැනි තැනට පත්වීමෙන් සාගිනි තත්වය 'බරපතළයැ'යි සැලකේ. තිරසාර කෘෂිකර්ම සංවර්ධනය කෘෂිකාර්මික සහ පෝෂණ ප්‍රතිපත්ති සමග සමීපව බැඳුණු සහ සම්බන්ධීකරණය වූ ආහාර සුරක්ෂිත භාවයේ මූලික ලක්ෂණ සේ සැලකේ. එත්මන් නොගැළපෙන කෘෂිකාර්මික සහ පෝෂණ ප්‍රතිපත්ති ප්‍රතිශෝධනය අඩු ඵලදායිතාවය, කාර්යක්ෂමතාවය සහ කොන් කරන ලද සහ අවදානමක් සහිත කණ්ඩායම්වල සමානාත්මතාව හා ඇති බැඳීම් ආමන්ත්‍රණය කරන අතර අඩු වටිනාකම් කෘෂිකර්මයෙන් වැඩි වටිනාකම්වලට මාරුවීම ඇති කරවන ආකාරයට කළ යුතුය.

පෝෂණ ඌනතාවය සෞඛ්‍ය තත්වය කෙරේ සෘජුවම බලපාන අතර එය සේවක ඵලදායිතාවයට ද බලපායි. ශ්‍රී ලංකාවේ දශ ලක්ෂ 8.3ක් වන සේවා නියුක්ත ජනතාවගෙන් සියයට 17ක් පමණ නිදන්ගත රෝගවලින් පෙළේයැයි ගණන් බලා ඇත. ඇත්තෙන්ම නිදන්ගත රෝගවලින් පෙළෙන අයගේ ශ්‍රම බලකා සහභාගිත්වය (පිරිමි සියයට 58.6ක් සහ ගැහැනු සියයට 23.9ක්) එසේ නොවන අය ගේ (පිරිමි සියයට 78.8ක් සහ ගැහැනු සියයට 38.3ක්) සහභාගිත්වය සමග සසඳන විට තියුණු ලෙස පහත වැටේ. සෞඛ්‍යමත් නොවන ආහාර රටාවන්, ව්‍යායාමයක් නැති ජීවන ශෛලීන්, දුම්කොළ සහ මත්පැන් පරිභෝජනය වෙනත් කරුණු අතර බෝ නොවන රෝගවල (NCD) තියුණු ඉහළ යෑමට හේතු වේ. එසේ වුවත් ප්‍රමාණවත් නොවන මානව සම්පත් සහ මූල්‍යනය ජාතික බෝ නොවන රෝග වැඩ සටහන් ක්‍රියාත්මක කිරීමට ඇති බාධාවන් ය.

ඉහත සඳහන් සියලු කරුණු වාර්තාවේ ඉතිරි කොටසේ කිසියම් විස්තරාත්මකව සාකච්ඡා කෙරෙන අතර ඊට සම්බන්ධීකරණය වූ ප්‍රතිපත්ති සකස් කිරීම සහ ක්‍රියාත්මක කිරීම අවශ්‍ය ය. පසුගිය වසර දෙක තුළ පැවති ප්‍රතිපත්ති නොමැතිකම ආයෝජක විශ්වාසය කෙරේ දැඩිව බලපෑවේය. දැන් රාජ්‍ය මූල්‍ය කළමනාකරණය ස්ථාවර වෙත්ම ආණ්ඩුව නව වර්ධනයක් සඳහා මධ්‍ය කාලීන ආර්ථික ප්‍රතිශෝධන න්‍යාය පත්‍රයක් ඉදිරිපත් කළ යුතුය. කෙසේ වුවත් මධ්‍ය කාලීන ප්‍රතිශෝධන ඉදිරිපත් කිරීම මුල් 'මධු සමයේ' මෙන් නොව වඩාත් අසීරු බව පිළිගත යුතුය. එය වඩාත් දුෂ්කර කාර්යක් වන්නේ ආණ්ඩුව ඒ සමගම ජාත්‍යන්තර මූල්‍ය අරමුදලේ වියදම් කපා හැරීමේ වැඩ සටහනක නිරතව සිටින නිසාය. ප්‍රතිශෝධනවල ලාභ ප්‍රයෝජන අත්විඳීමට දිගු කාලයක් ගතවන අතර ගැලපීම්වල පිරිවැය වඩාත් ඉක්මණින් දැනේ. ආණ්ඩුවට ඇති අභියෝගය වන්නේ ගැඹුරු ප්‍රතිශෝධන සහිත කඩිනම් විසඳුම්වලින් තුලනය කරමින් මෙම පරිණාමය සංක්‍රාන්තිය කළමනාකරණය කිරීමය.

සාපේක්ෂක වශයෙන් සමහර පහසු විසඳුම් ඇත. පුද්ගලික ආයෝජකයන් බොහෝවිට ඉල්ලා සිටින දෙයක් වන්නේ විශේෂයෙන්ම බදු අය කිරීමේ පියවරට අදාල ප්‍රතිපත්ති පරිසරය නොවෙනස් සහ පැහැදිලි බව සම්බන්ධයෙනි. අනෙක් ඉල්ලීම් සඳහා කාර්යාල ක්‍රියා පටිපාටි සහ නිලධාරිතන්ත්‍රයේ බලපෑම් අඩු කිරීමට ඉවහල් වන පියවර ඇතුළත්ය.

රාජ්‍ය ව්‍යවසාය, ඉඩම් ප්‍රතිපත්තිය හෝ ශ්‍රම වෙළඳ පොළ ඇතුළත්වන ගැඹුරු ව්‍යුහාත්මක ප්‍රතිශෝධන කෙරේ ඇති පරස්පරතා සමනය කිරීමට පැහැදිලි පල ප්‍රයෝජන අත්විය යුතුය.

ප්‍රතිශෝධන ක්‍රියාත්මක කිරීම, සාමාන්‍ය ජන්දදායකයන්ගේ වුවමනාවන් ප්‍රමාණවත්ව සැලකිල්ලට ගෙන ප්‍රතිපත්ති සැලසුම් කළ බව ආණ්ඩු සභාගයේ පාර්ශ්වකරුවන්ට ඒත්තු ගැන්වීම මග රඳා පවතී. දේශපාලන අතීරණයෙන් ප්‍රතිශෝධන ප්‍රයත්නය සාක්ෂාත් කර ගැනීම අසීරු කරවන්නේ නම් ශ්‍රී ලංකාවේ ආර්ථිකය නොකඩවා ඉහළ යෑමට ඇති හැකියාව අඩු බවට ඇති සාක්ෂි තහවුරු වනු ඇත. බරපතළ මධ්‍ය කාලීන ණය මූල්‍යන අභියෝගය හමුවේ රටේ ආර්ථික තත්වය නිසියාකාරව පවත්වා ගැනීමට ඇති මෙම අවස්ථාව අත් නොහැරිය යුතුය යන්නට ශ්‍රී ලංකාව මුහුණ දීමට සූදානම් විය යුතුය.

1. கொள்கை நோக்கு

2015 ஆம் ஆண்டில் அறிமுகம் செய்யப்பட்ட வரையறுக்கப்பட்ட வரி மற்றும் நிதி கொள்கைகளின் ஊடாக உருவாக்கப்பட்ட பொருளாதார வட்டத்தில் திடீர் மாற்றங்கள் 2017 ஆம் ஆண்டின் சமநிலை அடைவதற்குத் தொடங்கியது. மொத்த பொருளாதார அடிப்படை பண்புகளை மேம்படுத்துகின்ற மந்தமான வளர்ச்சி , ஏற்றுமதி உழைப்பு மற்றும் வெளிநாட்டு முதலீட்டின் உட்பாய்ச்சல்களில் மேசமான நிலைமை வெளிநாட்டு இருப்பு பாதுகாப்பின் மோசமான நிலைமை பொருளாதார முன்னணிகளில் காணப்படுகின்ற மிகவும் சிக்கல் வாய்ந்த சில பண்புகளாகக் காணப்பட்டன. இதற்குப் பகுதியளவில் பொறுப்பாக இருப்பது சில வெளியக மற்றும் சில தேசிய ரீதியிலான காரணிகளாகும். பூகோள பொருளாதார நிலையில் மந்தத் தன்மை மற்றும் தேசிய ரீதியிலான சாதகமற்ற காலநிலை மற்றும் அதிக வரிக் கொள்கை 2016 ஆம் ஆண்டின் மொத்தத் தேசிய உற்பத்தி நூற்றுக்கு 4.44 வீதம் வரை வீழ்ச்சியடைவதற்குக் காரணமாக அமைந்தது. 2017 ஆம் ஆண்டின் முதலாவது ஆரையாண்பில் பொருளாதார வளர்ச்சி மேலும் நூற்றுக்கு 3.9 சதவீதம் வரை வீழ்ச்சியடைந்தது.

முன்னோக்கிய 2018 ஆண்டினை நோக்குகின்ற போது இது நாட்டின் பொருளாதாரக் கொள்கைத் திட்டங்களைத் தீட்டுகின்றவர்களுக்கு மிகவும் சவால் மிக்கதாக உள்ளன. பொருளாதார தெளிவு சர்வதேச நிதி நிறுவனங்கள் இலங்கையுடன் ஏற்படுத்திக் கொண்டுள்ள பரந்தளவான நிதி வசதிகள் (EFF) பரீட்சிப்புக்களின் கிழ் அரசுக்கு வழங்கியுள்ள ஒத்துழைப்புக்கு நன்றி செலுத்துவதற்கு அரச நிதி நிலைமையின் அடிப்படையிலான கடந்த 2 வருடங்களுடன் ஒப்பீடு செய்கின்ற போது அதிகரிப்பில் மிகவும் வலுவானதும் வெற்றிகரமானதுமான பொருளாதார அடிப்படையொன்றினை அடைந்துள்ளது. எனினும் இதில் இடைப்பட்ட காலத்தில் பொருளாதாரம் நடுத்தர காலத்தில் மிக மோசமான சவால்கள் பலவற்றுக்கு முகங்கொடுத்துள்ளது. அவற்றில் மிகவும் முக்கியமானது ஏற்றுமதி வளர்ச்சியில் மற்றும் நேரடி வெளிநாட்டு முதலீடுகளின் உட்பாய்ச்சலில் பின்னடைவான நிலைமையின் கீழ் 2019 ஆம் ஆண்டு முதல் மீண்டும் செலுத்துவதற்குள்ள வெளிநாட்டுக்கடன்களின் அதிகரிப்பு எமது நாட்டுக்கான இருள் மயமான நிலையை தோற்றுவித்துள்ளது. இதன் படி அரசாங்கத்தின் செலவீனங்களினை வரையறுக்கும் பிரபல்யம் அல்லாத சில முன்னெடுப்புக்கள் மற்றும் சர்வதேச வர்த்தகச் சந்தை வீழ்ச்சி அடைந்து வருகின்ற நிலைமையில் இலங்கையின் எற்றுமதி போட்டித்தன்மையினை மேம்படுத்துவதற்கு (துன்பகரமாக) இருக்கக் கூடிய சில கொள்கைச் சீராக்கங்களினை பேணிக்கொண்டு சமநிலைப்படுத்தும் மிகவும் கடினமான முன்னெடுப்புக்களினை மேற்கொள்வதற்கு அழுத்தம் வழங்கப்பட்டுள்ளது.

இந்தப் போட்டித்தன்மையான அழுத்தங்கள் இலங்கையின் பொருளாதாரக் கொள்கை முன்னெடுப்புத் தொடர்பில் விவாதத்துக்கு நேரடியாக முன்வைக்கப்பட்டு பூகோள பிரச்சினை என்ற வகையில் வரைவிலக்கணப்படுத்தப்படுகின்ற, அதாவது உலகம் பூராக வர்த்தகம் மக்கள் மற்றும் மூலதனம் சுதந்திரமாக உட்பாய்கின்றமையினை எளிய கூற்று ஒன்றின் ஊடாக பூகோளமயமாக்களின் எதிர்காலம் யாது என்பது பற்றி மையப்படுத்தப்பட்டுள்ளது. உண்மையாக, இலங்கையின் பொருளாதார கொள்கை பூகோள வர்த்தகத்துடன் மிகவும் உள்ளீர்ப்புச் செய்கின்ற திசையில் செல்லுமேயாயின் பூகோளமய மேம்படுத்தப்பட்ட பொருளதாரங்களில் அதிகமான வெறுப்புகளுக்கு உள்ளாகின்றமை காணப்படும்.

ஐரோப்பிய சங்கத்திலிருந்து நீங்குவதற்கு பிரித்தானியா வாக்கினை அளித்தல் பிரான்ஸ், ஜேர்மன், இத்தாலி போன்ற ஐரோப்பிய நாடுகள் பல பசுபிக் நோக்கிய அரசியல் கட்சிகள் முன்னிலைக்கு வந்தமை சுட்டிக்காட்டுவதாவது நிர்வாகம் செய்கின்ற அரசியல் தலைமைகள் மற்றும் தொழில்நுட்பத்துக்கெதிரான பிரபல்யமான போராட்ங்கள் என்ற வடிவங்களிலாகும். இந்த முயற்சிகள் பொருளாதாரத்திற்கு மட்டும் வரையறுக்கப்பட்டிருக்கவில்லை. கலாசாரம் மற்றும் தனித்துவமான பிரச்சினைகளினை முன்வைத்துள்ளது. பரந்த ஜனநாயகத்தக்கான ஆர்வமொனறைக் காட்டுகின்ற குழுக்களின் கோரிக்கைகளில் தேசிய சுய உரிமை பற்றிய விடயங்களுடன் ஒருங்கிணைந்து பிரத்தியேக-மாகக் காணப்படுகின்றது. தனித்துவ அரசியல் மீள எழுகின்றமை சமூகங்களின் குடிபெயர்வு பற்றிய அச்சத்துடன் கலந்துள்ளதுடன் பிரபல்யத்தன்மை பிரபல்யமடையத்து வருகின்றமை பற்றிய சமூக ஒருமைப்பாடு இன்மை என்பது தெளிவாகும். உதாரணமாக, ஐரோப்பா பூராக பிரபல்யமான மாற்றுக் கருத்துடையவர்கள் தெற்கு நோக்கிய குடிபெயர்வுக்கு எதிரான எதிரப்புக்கள் மற்றும் ஐரோப்பியச் சங்கத்தின் எதிப்புக்கள் தெற்கு நோக்கிய பூகோளமய எதிர்ப்பு கட்சிவரை வியாபித்துள்ளது.

சமூக குடிபெயர்வு மற்றும் பூகோள பயங்கரவாத அச்சுறுத்தல் பிரபல்யமான இனவாத எழுச்சிக்கு பங்களிப்புச் செய்வதுடன் நிறுவன ரீதியான எதிர்ப்புணர்வு பலவருடங்கள் பூராக நிலவி வருவதுடன் இது மந்தமான வளர்ச்சிகளும் ஊக்கமளித்துள்ளன. 1920 ஆம் ஆண்டுகளில் காணப்பட்ட பாரிய பொருளாதார பின்னடைவுகளுடன் ஏற்பட்ட மோசமான நிதி சர்ச்சைகள் பத்து வருடங்களின் பின்னரும் கூட பூகோளமயமாக்கலில் தீர்க்கமான மாற்றமொன்று மற்றும் பொருளாதார இனவாதத்திற்கு முற்பட்டமை மேலும் காண முடியவில்லை. மிக எளிமையாக இது தங்கியிருப்பது தொழில் வாய்ப்புக்களைப் பாதுகாத்துக் கொள்ளல் மற்றும் மூலதன போக்கினுள் தங்கியிருக்கின்றமை மிகவும் சிறந்ததா என்ற நம்பிக்கை மற்றும் அவற்றினை செய்வதாயின் பூகோள ஒருங்கிணைப்பை இலகுபடுத்தல் வேண்டும் என்பது எல்லோருடைய கருத்தாகும்.

பூகோளமயமாக்கலுக்கு எதிரான போக்கொன்று அதிகரித்தல் புதியதொரு விடயமன்று. பூகோளரீதியான வரிகளினைக் குறைக்கின்ற டோகா சுற்றில் உடன்பாடொன்றினை எட்டிக்கொள்வதற்கு இயலாது போனமை எதிர்காலத்தில் ஏற்படக் கூடிய பாதகமாதொரு விடயமாக ஊகிக்கப்படுகின்றது. மிகவும் சுதந்திரமான வர்த்தகத்துக்கெதிரான போக்கொன்று பாரியளவில் தேசிய அரசியலினுள் உருவெடுப்பதற்கு மேலும் ஒரு தசாதப்தம் எடுத்தது. ஐக்கிய இராச்சியம் மற்றும் ஐரோப்பாவில் பூகோள மயமாக்கலுக்கு எதிரான எதிர்ப்புகளினை நோக்குகின்ற விதத்தில் பூகோள மயமாக்கலானது பயனளிப்பது மேற்கத்திய சமூகத்திற்கு குறைந்த அளவிலாகும் மற்றும் சீனா மற்றும் இந்தியா போன்ற நடுத்தர வகுப்பினரைக் கொண்ட அவ்வாறான நாடுகளுக்கு மிகவும் அதிகமாகவும் ஆகும். இனவாதம் மற்றும் பிரபல்யமான கொள்கைகளின் கீழ் நிலவுகின்ற போக்கு மிகவும் முக்கியமாக இருப்பது ஒரு தனிமைத்துவத்தினை அடைந்து கொள்வதற்கு அல்லாது அதன் ஒப்பீட்டு ரீதியான ஆக்கத்திற்காகும்.

பூகோளமயமாக்கலின் நன்மைகள் வாடிக்கை-யாளர்கள் மற்றும் ஊழியர்களுக்கிடையில் பரந்துள்ளதுடன் அதன் தாக்கம் இடம்பெயர்ந்த ஊழியர்களுக்கிடையில் பாரியளவில் ஒன்றசேர்ந்ததின் அது கருதப்படுவது பூகோள மயமாக்கலுக்கு எதிர்ப்புத் தெரிவிக்கின்ற அரசியல் மிக துரிதமாக தங்களை சுதாகரித்துக் கொள்வதற்கு இயலுமை பெற்றுள்ளது என்பது பற்றியதாகும். உண்மையாக ஸ்தாபிக்கப்பட்ட அரசியல் கட்சிகளில் நிலவுகின்ற நிலைமைகளுக்கு பிரதானமாக மாற்றுக் கொள்கைகளினை முன்வைப்பதற்கு இயலா-மையின் பெறுபேறொன்றாக அடிப்படைவாத கட்சிகள் எழுகின்றமைக்கு காரணமாக இருக்கின்றது என விவாதிக்க முடியும். அப்படியான சக்திகள் ஐரோப்பா மற்றும் ஐக்கிய இராச்சியம் பூராக பிரபல்யத்தன்மை பெறுவதற்கு ஊக்கம் வழங்குவதன் மூலம் விவாதத்தினை வேறு திசையில் மாற்றுவதற்கு இயலுமை பெற்றுள்ளது. இவ்வாறான நிலைமை காணப்படுவது பிரான்ஸ் ஜனாதிபதி தேர்தலில் ஐரோப்பா சங்கத்திற்கு கிடைத்த நடுவாண்மைத்தன்மையை வெற்றி

கொள்ளல் மற்றும் ஐரோப்பா பூராக அடிப்படைவாத கட்சிகளின் பின்னடைவைக் காட்டுகின்றமை மற்றும் அதற்கான சூழல் காணப்பட்டமையுமாகும். மிக அண்மையில் அடிப்படவாத கட்சிகள் ஒப்பீட்டு ரீதியில் பின்னடைவை அடைந்தமை வாக்காளர்களின் நம்பிக்கையினை மாற்றுவதற்கு காரணமாக அமையவில்லை. அதிலும் மேலாக காரணமாக இருப்பது ஸ்தாபிக்கப்பட்ட கட்சிகள் தமது கொள்கைகளினை மாற்றியமையாகும். வாக்களார்களை கவர்ந்திழுக்கும் பொருட்டு மிகவும் கடுமையான குடிபெயர்வு எதிர்ப்பு கொள்கையினை கடைப்பிடித்துள்ளது. மேலும், சில சந்தர்ப்பங்களில் ஸ்தாபிக்கப்பட்ட அரசியல் கட்சிகளுக்கு பதிலாக வெளியக நபர்களினைத் தெரிவு செய்து கொள்வதற்கு அதிக விருப்பத்தினை காட்டுகின்றன. அதிலிருந்து அவர்கள் முகங்கொடுப்பதற்குள்ள ஆயிரக்கணக்கான பிரச்சினைகளினை தீர்த்துக் கொள்வதற்கு இயலாது போன மோசமான அரசுகளினை உருவாக்கும் நலிவடைந்த போக்கிற்கு காரணமானமையினால் கொள்கைகளில் குழப்ப நிலைமைமை மிகவும் அதிகரிப்பதற்கு காரணமாக அமைந்தது.

டிரான்ஸ் பசிபிக் பங்காண்மை (TPP) மற்றும் பாரிஸ் காலநிலை உடன்படிக்கை போன்ற வர்த்தக கொடுக்கல் வாங்கல்களில் இருந்தும் மற்றும் வேறு பல்பகுதி உடன்படிக்கைகளிலிருந்தும் நீங்கும் ஐக்கிய இராச்சியத்தின் கொள்கை மற்றுமல்லாது ஐரோப்பிய சங்கத்திலிருந்து நீங்குவதற்கு ஐக்கிய இராச்சியம் எடுத்த தீர்மானம் பூகோள தலைமைத்துவத்தில் ஏற்பட்டு வருகின்ற போக்கு பற்றிய நோக்கிற்கு பங்களிப்புச் செய்கின்றன. இது போன்று எழுந்து வருகின்ற உலகின் வேறு பிரதேசங்கள் பூராக கொள்கைகள் மற்றும் உபாய வழிகளினை மீள வடிவமைப்பதற்கு நேரடிச் செல்வாக்கினை செலுத்துகின்றன. உண்மையாக சீனா மற்றும் சீனாவின் தலைமைத்துவத்ததில் ஆசியாவின் பொருளாதாரத்தின் திறந்த போக்கு புதிய அதிகார மையமாக உருவெடுத்து வருகின்றது. சீன தலைமைத்துவத்துடன் கூடிய வலயம் பரந்துபட்ட பொருளாதார பங்காண்மை (ஆர்.சி.ஈ.பி.) ஆசிய பசுபிக் சுதந்திர வர்த்தக வலயமொனறின் கூடாக (FDAAP) பயணம் செய்வதற்கு மார்க்கம் ஒன்றாக ட்ரான்ஸ் பசுபிக் பங்காண்மைக்கு பதிலாக ஆசியாவின் பல்பக்க வர்த்தக இலகுபடுத்தல்கள் புதிய சுற்றொன்றினை அடைந்து கொள்வதற்கு இயலுமையினை ஏற்படுத்திய வழியொன்றாக கருதப்படுகின்றது.

அதேவேளை ஏற்பட்டு வருகின்ற பொருளாதாரத்துடன் கூடிய அரசு பூகோள வர்த்தகம் மற்றும் மக்கள் இடம்பெயர்வதற்கு நிலவுகின்ற தடைகளின் காரணமாக வீழ்ச்சியுறுவதன் ஆபத்திற்கு முகங்கொடுக்கமுடியும். உண்மையாக உயிர்த்தெழுந்து வருகின்ற பொருளாதாரங்கள் அநேகமாக மூலதனப் பாய்ச்சலில் நிச்சயமற்ற தன்மையின் காரணமாக அதிக ஆபத்திற்கு முகங்கொடுக்க முடியும். இது நிதி மற்றும் மூலதனப் பொருட்கள், சேவைகள் மற்றும் விஷேடமாக உழைப்பு மிகவும் அதிகளவில் வேகமாக தேசிய எல்லைகள் ஊடாக பாய்ந்து செல்லக் கூடிய காரணத்தினாலாகும். மேலும் ஐக்கிய நாடுகளின் மற்றும் ஐரோப்பிய பூகோளமயமாக்கல் தொடர்பில் தற்போது நிலவுகின்ற விருப்பமின்மை ஆசியாவின் அநேகமான பிரதேசங்களில் எழுந்துவருகின்ற சமநிலையற்ற பூகோளமயமாக்கலின் செல்வாக்கினால் தீர்க்கப்பட்டுள்ளதாக உணர்வொன்று ஏற்பட்டிருப்பின் இந்த நாடுகளிலும் இக்கருத்த பரந்து செல்ல முடியும்.

இலங்கையும் கூட அதன் தேச எல்லைக்கு வெளியில் நிகழ்கின்ற இந்த அடிப்படை மாற்றங்களிலிருந்து விடுபடவில்லை. இலங்கையின் அரசியல் மற்றும் பொருளாதார நன்மை 2015 ஆம் ஆண்டின் அரம்ப கட்டத்தில் மேற்கத்தேயத்தை நோக்கி நகர்ந்ததுடன் பின்னர் புதிய வர்த்தகச் சந்தை, முதலீடு மற்றும் நிதி வளங்களினை தேடிக் கொள்வதில் படிப்படியாக கிழக்கினை நோக்கி பணயம் செய்தது. மேற்கத்தேயத்துடன் மிகவும் சிறந்த அரசியல் தொடர்பினை பேணிக்கொள்ளல் மற்றும் மனித உரிமைப் பிரச்சினைகள் தொடர்பில் முன்னேற்றமொன்றினை அடைந்து கொள்வதற்கு உரிய பொருளாதார பயன்களினை அடைந்து கொள்வதில் மந்தமான தன்மை ஏற்பட்டுள்ளது. இறுதியாக அடைந்த மிகவும் தெளிவாகத் தெரிகின்ற பயனாக இருப்பது ஐரோப்பியச் சங்கம் 2017 யூன் மாத்தில் எளிமைப்படுத்தப்பட்ட தடைக்கட்டமைப்பு (GSP) மீள வழங்கியதுடன்

ஐரோப்பிய வர்த்தகச் சந்தைக்கு அலங்கார ரீதியாக நுழையும் சந்தர்ப்பமாக அமைந்தது. எனினும் ஐக்கிய இராச்சியத்துடன் பெரும்பாலும் ட்ரான்ஸ் பசுபிக் பங்காண்மையுடன் வர்த்தகக் கொடுக்கல் வாங்களினை ஏற்படுத்திக் கொள்வதற்கு முன்னர் காட்டப்பட்ட ஆர்வம் இந்தியா, சீனா மற்றும் சிங்கப்பூருடன் பெரும்பாலாக மிகவும் துரிதமமாக ஏற்படுத்திக் கொண்ட உடன்படிக்கைகளின் காரணமாக சகல பொருளாதாரங்களினையும் கைவிட்டுள்ளது. மேலும் இலங்கை 2016 ஆம் ஆண்டில் இடைநிறுத்தப்பட்ட கொழும்பு துறைமுக நகர செயல்திட்டம் உள்ளடங்கலாக பாரிய அபிவிருத்தி செயல்திட்டங்களுக்கு மீண்டும் சீனாவினை இணைத்துக் கொள்ளும் புதிய முயற்சிகள் எடுக்கப்பட்டுள்ளன.

இலங்கை இந்து சமுத்திரத்தின் நடுநிலைப்படுத்தப்பட்ட ஏற்றுமதி நோக்கிய பிரதான பொருளாதார மத்திய நிலையமாக உருவாகுவதில் அரசாங்கமானது பரந்த கொள்கைகளினை முன்வைக்கும் அடிப்படையாக இருப்பது ஆசிய பொருளாதாரங்களுடன் மிகவும் அதிக பொருளாதார ஒருங்கிணைப்புக்கள் நோக்கியாகும். அவ்வாறான உபாய வழியொன்று தெளிவாக பொருட்கள், சேவைகள், முதலீடுகள் மற்றும் ஊழியம் உட்பாய்வதில் வினைத்திறன் மற்றும் போட்டித்தன்மை நோக்கி செல்வாக்குச் செலுத்துகின்ற மிகவும் இலகுபடுத்தப்பட்ட மற்றும் ஒழுங்கு முறைகளினை நீக்குகின்ற கொள்கைகளினை கோரி நிற்கின்றது. 20 மில்லியன் உள்நாட்டு வர்த்தகச் சந்தையைக் கொண்டுள்ள இலங்கை போன்ற அபிவிருத்தி அடைந்து வருகின்ற சிறிய பொருளாதாரத்திற்கு நீண்டகால வளர்ச்சியொன்றினை தொடர்ச்சியாகப் பேணிக் கொள்வதற்கு கேள்விகளினை உருவாக்குதல், உழைப்பினை ஈடுபடுத்தல் மற்றும் வினைத்திறனினை மேம்படுத்தல் வெளியக கேள்விகள் மிக முக்கியமாகும். அதன் பிரகாரம் ஏற்றுமதிப் போட்டித்தன்மை படிப்படியாக வீழ்ச்சியடைவதன் ஊடாக வெளிக் காட்டுகின்ற பொருளாதாரத்தின் கட்டமைப்பு ரீதியான மோசமான தன்மையினை மாற்றியமைப்பதற்கு இயலாது போனால் இலங்கைக்கு உள்ள கொள்கை ரீதியான மாற்றுவழிகள் பெரும்பாலும் வரையறைக்குட்பட்டதாகும்.

அபிவிருத்தி தொடர்பாக அரசு செலவு செய்தல் பெரும்பாலும் அதிகமாக தங்கியிருக்கும் கொள்கை வாய்ப்புக்கள் காணப்படுகின்ற முழுப்பொருளாதார எல்லைகளின் கீழ் மேலும் பேணிக் கொள்ள முடியாது. மொத்தத் தேசிய உற்பத்தியில் அரச கடன் சதவீதம் உயர்வடைந்து செல்கின்றது. 2016 ஆம் ஆண்டில் அரச கடன் மொத்தத் தேசிய உற்பத்தியில் நூற்றுக்கு 79.3 சதவீதமாகும். நாட்டின் கடன் உள்ளடக்கத்திற்கு ஏற்ப வெளிநாட்டு செலாவாணிகளில் பெற்றுக் கொள்ளப்பட்ட கடன் அதிகரித்து வருகின்றது. 2016 ஆம் ஆண்டில் அது மொத்தத் தேசிய உற்பத்தியில் நூற்றக்கு 35.2 சதவீதமாகும். இதிலிருந்துருந்து சலுகை இல்லாத வெளிநாட்டு கடன் அளவு மொத்த வெளிநாட்டு கடன்களில் நூற்றுக்கு 53 சதவீதம் வரை அதிகரிப்பதன் ஊடாக மொத்த கடன் அளவு மற்றும் அவதானம் அதிகரித்துள்ளது. வெளிநாட்டுக் கடன்களினை மீளச் செலுத்தும் சதவீதம் அதிகரித்துள்ளது. இது 2015 ஆம் ஆண்டில் நூற்றுக்கு 25 சதவீதம் வரை வீழ்ச்சியடைந்தது. பொருட்கள் மற்றும் சேவைகள் ஏற்றுமதி வருமானம் அதிகரிப்பின்றி கடன்சேவை கொடுப்பனவுகள் எதேச்சையாக மேற்கொள்ளப்பட்டமையின் காரணமாகவாகும். இலங்கையின் பொருளாதாரம் 2019 ஆம் ஆண்டு முதல் முதிர்வடைகின்ற சர்வதேச கடன் முறிகள் (ஐ.எஸ்.டி) மற்றும் அண்ணளவாக ஐக்கிய அமெரிக்க டொலர் 5.7 பில்லியன்களினை உள்ளடக்கிய கடன்களை எதிர்வரும் மூன்று வருடங்களினுள் மீளச் செலுத்துவதற்கு தயாராகுதல் வேண்டும். பொருட்கள் மற்றும் சேவைலகள் ஏற்றுமதி குறிப்பிடத்தகு அளவினால் அதிகரிக்கின்றமையானது உழைப்புகள் அதிகரிக்கப்படாவிடில் இதன் காரணமாக கடன் சேவைச் சதவீதம் துரிதமாக அதிகரிக்கும்.

இரண்டு வருடங்களுக்கு அண்மித்த காலத்தில் நிலவிய கொள்கைகள் சிக்கல் தன்மையின் பின்னர் புதிய சாதகமான பண்புகளினை காணக்கூடியதாகவுள்ளன. 2016 ஆம் ஆண்டின் நடுப்பகுதி முதல் பிரதானமாக மிகவும் முக்கியமான இடர்களின் மறுசீரமைப்பு நோக்கி கவனம் செலுத்தப்பட்ட வரி தொகையினை நிரந்தரப்படுத்தும் முயற்சியில் கருதத்தகு சதவீதத்தினை அடைந்து கொள்ள முடிந்துள்ளது. தொகைகளின் படி பெறுமதிசேர்வரி

(வற்) நூற்றுக்கு 11 முதல் 15 சதவீதம் வரை அதிகரித்தமை உள்ளடங்கலாக வரி அறவிடும் படிமுறை அங்கீகரித்துக் கொள்ளப்பட்டமையின் காரணமாக வருடம் பூராகவும் உழைக்கும் பிரபல்ய நிலைமையொன்று ஏற்பட்டுள்ளது. இதன் காரணமாக நடுத்தரகால வளர்ச்சி நோக்கிய நேரடித்தாக்கமொன்றினை ஏற்படுத்துகின்ற மூலதன செலவீனத்தின் பாதகமான விடயத்தினை பதிவளிக்காது அரசுக்கு மொத்த பற்றாக்குறை மொத்தத் தேசிய உற்பத்தியில் நூற்றுக்கு 5.4 சதவீதம் வரை குறைத்துக் கொள்வதற்கு முடிந்துள்ளது. 2017 ஆம் ஆண்டில் உள்நாட்டரசிறைச் சட்டமொன்றினை அறிமுகம் செய்தமையின் காரணமாக இலங்கையின் வரிக்கொள்கையின் தெளிவுத்தன்மை மற்றும் நிலையான தன்மையினை மேலும் ஏற்படுத்திக் கொள்வதற்கு முடிந்துள்ளதென எதிர்பார்க்கப்படுகின்றது. வரி அடிப்டையினை விஸ்தரிப்புச் செய்வதற்கும் வரி நிர்வாகத்தை மேம்படுத்துவதற்குமாக இம்முயற்சிகளின் ஊடாக வருமான அதிகரிப்பினை பேணிக்கொள்வதற்கு ஏதுவாக இருப்பதுடன் வரி அறவிடல் தொடர்பான சமநிலைத்தன்மைப் பிர்சிசனைகளை படிப்படியாக வெளிப்படுத்துவதற்கு இயலுமை கிடைத்துள்ளது. இச்சந்தர்ப்பத்தில் திறைசேரி அலுவலர்கள் கைவிடவேண்டிய விடயங்களாவன வருமான மறுசீரமைப்பினை மீள எந்தவொரு வகையிலும் மீளப்பெறாமையாகும். 2014 அண்டில் நூற்றுக்கு 11.5 சதவீதம் வரை கீழ் மட்டத்தில காணப்பட்ட மொத்தத் தேசிய உற்பத்தியில் வருமானச் சதவீதம் நூற்றுக்கு 14.2 சதவீதம் வரை உயர்வடைந்தமையுடன் 2016 ஆம் ஆணடில் வருமான அளவு எதிர்பார்க்கத்தக்க பிரகாரம் வெளிக் காட்டப்பட்டதுடன் இக்கால எல்லையினுள் வற் வரி சேகரிப்பு அதிகரித்திருப்பது நூற்றுக்கு 3 சதவீதத்தினால் மாத்திரமாகும்.

பிரபல்யமான வரி வருமானங்கள், இறுதிப் பொருட்கள் இலங்கை மத்திய வங்கிக்கு மிகவும் துரித சிந்தனையான நிதி மற்றும் செலவாணி சதவீத கொள்கையினை பேணிக் கொள்வதற்கு உதவிபுரிந்துள்ளது. எதிர்பாராவிதமாக ஏற்றுமதி அடிப்படைகள் நுகர்வு எழுச்சி பெறுவதற்கு ஊக்கமளித்தமை பிரதானமாக 2015 ஆம் ஆண்டின் நிதிக் கொள்கைகளை தளத்தியமையின் பின்னர் 2016 ஆம் ஆண்டின் நடுப்பகுதியில் கொள்கை சதவீதம் அதிகரித்தமை மற்றும் இலங்கை மத்திய வங்கிக்குரிய திறைசேரி உண்டியல்களினை விற்பனை செய்வதன் ஊடாக கொள்கையினை வலுப்படுத்தும் பரந்த முயற்சியொன்று எடுக்கப்பட்டது. தனியார் துறைக்கு கடன் வழங்குவதை தொடர்ச்சியாக மேற்கொண்டதுடன் உயர் வளர்ச்சியொன்றும் விஷேடமாக அரச கூட்டுத்தாபனங்களுக்கு வழங்கிய கடன்கள் அதிகரித்தமையின் காரணமாகவும் 2017 ஆம் ஆண்டு மார்ச் மாதமளவில் மேலும் வரிச் சதவீதத்தினை சீராக்குவதற்கு காரணமாக அமைந்தது. கொள்கை நிலைமையினை வலுப்படத்துவதன் ஊடாக பொருளாதாரத்தில் உயர்வடைகின்ற பணவீக்க அழுத்தத்திற்கு நேரடிப் பதிலொன்றாகவும் அமைந்ததது.

கொழும்பு நுகர்வோர் விலைச்சுட்டி (சி.சி.பி.ஐ.) மற்றும் தேசிய நுகர்வோர் விலைச்சுட்டி ஆகிய இரண்டிலும் பெற்றுக்கொள்ளப்பட்ட வருட ரீதியான பணவீக்கம் 2016 ஆம் ஆண்டின் நடுப்பகுதியில் நூற்றுக்கு நான்கு சதவீதத்தி-லிருந்து 2017 மார்ச் மாதம் அளவில் நூற்றுக்கு 7.5 தொடக்கம் 8.5 வரை அதிகரித்தமையினால் அதிகரித்து வரும் விலை அழுத்தத்தினை காணமுடிந்தது. 2016 ஆம் ஆண்டின் இறுதியில் கொழும்பு நுகர்வோர் விலைச்சுட்டி தேசிய நுகர்வோர் விலைச்சுட்டி ஆகிய இரண்டிலும் அறியப்பட்ட நூற்றுக்கு 4 சதவீத வருடாந்த சதவீதம் 2017 ஆம் ஆண்டு நடுப்பகுதியாகும் போது முறையே நூற்றுக்கு 5.5 மற்றும் நூற்றுக்கு 6 சதவீதம் வரை உயர்வடைந்தது.

அதிகரித்து வரும் பணவீக்கம் வளர்ச்சி அதிகரித்ததுடன் தொடர்ச்சியாக நிலவுகின்ற காரணத்தினால் இலங்கை மத்திய வங்கி முகங்கொடுப்பதற்குள்ள நிதி கொள்கைகளின் சவால்கள் மிகவும் சிக்கலடைந்தன. குடித்தொகை மற்றும் புள்ளிவிபரவியல் திணைக்களம் தயார் செய்த மொத்தத் தேசிய உற்பத்தியில் வளர்ச்சி ஏற்பட்டுள்ள விதத்தில் 2016 ஆம் ஆண்டில் நூற்றுக்கு 5 சதவீதமான வளர்ச்சி 2017 ஆம் ஆண்டின் முதலாம் காலாண்டில் நூற்றுக்கு 3.8 வீதம் வரை வளர்ச்சி ஒன்றினை எதிர்பார்த்துள்ளது. அனேகமான பணவீக்க குறிகாட்டிகளுக்கு ஏற்ப விலைகளின் அதிகரிப்புக்கு காரணமாக இருப்பது

உணவுப்பொருட்களின் விலை அதிகரிக்கின்றமையாகும். தேசிய நுகர்வோர் விலைச்சுட்டிக்கு ஏற்ப 2016 ஆம் ஆண்டில் நடுப்பகுதியில் நூற்றுக்கு 3 சதவீதமாக வருடாந்த உணவுப்பொருட்களின் பணவீக்கம் 2017 ஆம் ஆண்டு ஆகும் போது நூற்றுக்கு 7 சதவீதம் வரை உயர்வடைந்தமை தெளிவாக சுட்டிக்காட்டுகின்றது. இக்கால எல்லையினுள் உணவுப்பொருட்கள் அல்லாதவற்றின் வருடாந்த பணவீக்கம் நூற்றுக்கு 4.6 வீதத்திலிருந்து 5.5 வீதம் வரை அதிகரித்தன.

இதன் பிரகாரம் இலங்கையில் புதிதாக விலை அதிகரிப்புக் கேள்வி அடிப்படைகள் மற்றும் விடயங்களின் மாற்றம் ஆகிய இரண்டும் உள்ளடங்கலாக பலதரப்பட்ட மூலங்களைக் கொண்டுள்ளன. வரி அதிகரிப்புக்கள் விஷேடமாக வற் வரியினை அதிகரித்தல் தாமதமடைந்தமையின் ஊடாகக் கிடைத்த பெறுபேறுகளுடன் பொருட்கள் மற்றும் சேவைகளின் விலைகள் பொதுவாக அதிகரிக்கும் தாக்கமொன்றினை ஏற்படுத்தியது. விவசாய உற்பத்திகளின் பாலான தாக்கமொன்றினை ஏற்படுத்துகின்ற சாதகமற்ற காலநிலை, நிலைமைகள், விலைகள் உயர்வடைவதற்கு வர்த்தகச் சந்தையில் மோசமான நிலைமைக்குப் பங்களிப்புச் செய்தது. இந்த செலவீனம் விலைமாற்றங்களுக்கு காரணியாக இருப்பதுடன் உயர் கடன் வளர்ச்சியின் மேலதிக அச்சத்தினையும் ஏற்படுத்தியுள்ளது.

சம்பள அதிகரிப்புகளுக்கு காரணம் இல்லையாயின் செலவீனங்களின் அதிகரிப்புகளின் காரணங்களினால் வேகமாக அதிகரிக்கின்ற பணவீக்கம் ஏற்பட்டிருக்காது. இதன் பிரகாரம் நிதிக் கொள்கையினை இறுக்கியமை இலங்கையில் தற்பொழுது நிலவுகின்ற குறைந்த வளர்ச்சிப் போக்குடன் அதிக கடன் வளர்ச்சியினை மட்டுப்படுத்துவதற்கு எடுக்கப்பட்ட முன்னெடுப்பாக மிகவும் சிறப்பாக அறிமுகம் செய்ய முடியும். இதன் ஊடாக புரிந்து கொள்வது கம்பனிகள் மற்றும் வீட்டுத் துறைக் கடன்களுக்கு பெற்றுக் கொள்ளப்பட்ட நிதிச் சொத்துக்கள் விஷேடமாக ஆதனங்களினை கொள்வனவு செய்வதற்கு பயன்படுத்திக் கொள்வதாகும். அதன் போது பொருளாதாரத்தில் சொத்து க்களின் பெறுமதிகளில் அதிகரிப்பொன்றினை ஏற்படுத்திக் கொள்ள முடியும். ஏனைய சகல விடயங்கள் தொடர்பில் நுகர்வோர் கேள்விச் சுட்டி மத்திய சமநிலையில் காணப்படுகின்றது. உதாரணமாக, உணவுப் பொருட்கள் அல்லாத நுகர்வோர் பொருட்களின் இறக்குமதி கூடிக் குறையவில்லையாயின் உணவுப்பொருட்கள் இறக்குமதியில் தளம்பல் நிலை காணப்பட்டன. 1917 இன் முதல் ஐந்து கால மாதம் முதல் இது நூற்றுக்கு 0.6 சதவீதம் வரை வீழ்ச்சியடைந்தது. நிதிக்கொள்கைகள் சூழலினுள் பணவீக்கம் துரிதமாக அதிகரித்தமை மேலும் குறைவடைந்தது. இதன் மூலம் நிதி அலுவலர்கள் தனியார் துறையிலிருந்து கடன்களைப் பெற்றுக்கொள்ளல் மற்றும் நிலையான குறைந்த வட்டிவீதச் சூழல்கள் நோக்கி வினைத்திறனாக பொருளாதார செயற்பாடுகளில் முதலீடு செய்வதற்கு ஊக்கப்படுத்துவதன் ஊடாக தடைப்பட்டிருந்த பொருளாதார வளர்ச்சியை மீள எழச் செய்வதற்கு நடுத்தரக்கால நிதி கொள்கையினை தீர்மானிப்பதற்கு எந்தவொரு சந்தர்ப்பமும் கிடைக்கவில்லை.

செலாவாணிச் சதவீத முன்னிலையில் கூட கொள்கை முன்னெடுப்புகள் கருதத்தகு அளவில் மறுசீரமைப்பு மேற்கொள்ளப்பட்டுள்ளது. ஒதுக்கத்தினை செலவு செய்தல் நிதி அலகுகளின்படி விலைக் கழிவு ஏற்படும் அழுத்தத்திற்கு முகங்கொடுத்தல் தொடர்பாக முன் அழுத்தத்தினை மையானது காணப்படுகின்றமையால் 2016 ஆம் ஆண்டின் நடுப்பகுதி முதல் வெளிநாட்டுச் செலவாணிச் சந்தையில் செயல்படும் போது இலங்கை மத்திய வங்கிக்கு குறைவாகப் பங்களிப்புச் செய்யும் சந்தர்ப்பம் வழங்கப்பட்டது. உண்மையாக இ.இ.எப். நிகழ்ச்சித்திட்டத்தில் இலங்கை மத்திய வங்கி அரச வெளிநாட்டு ஒதுக்கங்களுக்குரிய கடனல்லாத தொகையினை மட்டுப்படுத்திக் கொள்வதற்கு வர்த்தகச் சந்தை டொலர்களைக் கொள்வனவு செய்வதற்கு தொடர்ச்சியாக முன்வந்தது.

இவ்வாறு கொள்கைகளை தயாரித்து முதலீட்டாளர்களுக்கு எதிர்வரும் மாதங்களினுள் மிகவும் முன்னேற்றமான மொத்த பொருளாதார சூழல் நோக்கிய எதிர்பார்ப்புக்களை வைக்க முடியும். இங்கு சிக்கலான விடயமாக இருப்பது வெளிநாட்டுச் செலவாணிச் சதவீதமாகும். 2017

ஆம் ஆண்டு ஏப்ரல் மாதத்தில் அரச ஒதுக்கம் மூன்று மாத இறக்குமதி மட்டத்துக்கு சிபாரிசு செய்யப்பட்ட குறைந்த தடை வரையறை (ஐக்கிய அமெரிக்க டொலர் ஐந்து பில்லியன்) வீழ்ச்சியடைந்தமை மற்றும் சர்வதேச நாணய நிதியத்தில் மூன்றாவது கடன் தவணையினை தக்கவைத்துக் கொள்ளும் பெறுபேறொன்றாக 2017 மே மாதத்தில் இலங்கைக்கு சர்வதேச கடன் பிணை ஊடாக மேலும் ஐக்கிய அமெரிக்க டொலர் 1.5 பில்லியன் தொகையினை பெற்றுக்கொண்டமை தவிர வேறு மாற்றுவழிகள் இருக்கவில்லை. இதன் பிரகாரம் சர்வதேச நாணய நிதித்தின் நிகழ்ச்சித்திட்டத்தினை ஒருவருடம் அமுல்படுத்திய பின்னர் இலங்கை வெளியக பிரிவின் நிலைமை மிகவும் மோசமான தன்மையில் காணப்பட்டது. 2017 ஆம் ஆண்டின் நடுப்பகுதியாகும் போது அரச ஒதுக்கங்கள் நான்கு மாத இறக்குமதிக்குப் போதுமான ஐக்கிய அமெரிக்க டொலர் பில்லியன் 6.7 ஆக இருந்து.

வெளிநாட்டுக் கடன்களில் பாரிளயவு 2019 தொடக்கம் 2022 ஆம் ஆண்டு கால எல்லையில் முதிர்வடைவதற்கு உள்ளமையினால் வெளிநாட்டுத் துறையில் வளர்ச்சிகள் பொருளாதார நிலைத்ததன்மைக்கு மற்றும் வளர்ச்சிக்கு மிகவும் முக்கியமாகும். திரவத்தன்மையினை கட்டியெழுப்புவதற்கு மற்றும் வெளியக வருமான நிலைமைகளினை குறைத்துக் கொள்வதற்கு இலங்கைக்கு இன்னும் வெளிநாட்டுச் செலவாணி வருமானங்களினை அதிகரித்துக் கொள்ள வேண்டி ஏற்பட்டுள்ளது. இதனை செய்து கொள்ளமுடியும் எவ்வாறெனில் சர்வதேச வர்த்தகச் சந்தை வீழ்ச்சியடைந்த காரணத்தினால் நிலவுகின்ற தமது போட்டித்தன்மையினை நிறுத்திக்கொள்ளுதல் மற்றும் நாட்டின் பொருட்கள் மற்றும் சேவைகளின் ஊடாக வெளிநாடுகளின் உள்ள கேள்விகளினை அதிகரிப்பதன் ஊடாக மாத்திரமாகும்.

இது தொடர்பாக இலங்கை வளர்ச்சியடைந்து வருகின்ற ஏனைய அனேகமான பொருளாதாரங்கள் போன்று சவால்மிகு மற்றும் தெளிவற்ற பூகோள சூழ்நிலையினுள் வர்த்தகத்தின் ஊடாக வளர்ச்சியினை அதிகரித்துக் கொள்வதற்கு எதிர்பார்க்கின்றது. அரசு இந்திய சமுத்திரத்தின் கேந்திர நிலையத்தின் ஊடாக பொருட்கள் மற்றும் சேவை தொடர்பில் மத்திய நிலை செயற்பாட்டினைக் கட்டியெழுப்புவதற்கு முயற்சி செய்து உபாய வழி என்ற வகையில் மிகவும் முக்கியமான வர்த்தக மற்றும் கடல்வழி போக்குவரத்து வழியின் மத்திய புள்ளியாக ஒருங்கிணைப்பை நிறைவு செய்வதற்கும் நிலைநிறுத்துவதற்கும் கருத்தினை வெளிப்படுத்துகின்றது. இலங்கை தற்பொழுது ஜி.எஸ்.பி.பிளஸ். இன் கீழ் ஐரோப்பிய சங்கத்திற்கு மிகவும் இலகுவாக பிரவேசிக்கும் வாய்ப்பினை பெற்றுள்ளது. மேலும் நாட்டின் பொருளாதார சவால்களுக்கு பதிலளிக்கும் முகமாக மிலேனியம் சலேனஞ்ஸ் கோப்பரேஷன் (எம்.சி.சி.) யின் கீழ் ஐக்கிய நாடுகளின் ஒத்துழைப்பினையும் பெற்றுள்ளது. இந்த நிகழ்ச்சித்திட்டங்களின் பரந்த மற்றும் விவாதத்துக்குட்பட்ட மானிட உரிமைகள் பற்றிய பிரச்சினைகள் மற்றும் உரிய சட்டதிட்டங்களை விதிப்பதற்கு காணப்படுகின்ற அர்ப்பணிப்புடன் மேற்கத்தேய அரசியல் தொடர்புகளினையும் அதிகரித்துக் கொள்வதன் ஊடாக முன்னெடுக்கப்படும்.

ஒத்துழைப்பு வழங்குவதற்கு மேற்கத்தேயத்திற்கு முன்வைக்கப்பட்டுள்ள ஆனால், இலங்கையின் நீண்டகால பொருளாதார தேவைகளுக்கு ஆசிய வலயத்தில தமது அயல் நாடுகளுடன் ஒன்றிணைவதற்கும் தவிர்ந்து கொள்ள முடியாத வகையில் இணைந்துள்ளமை காணப்படுகின்றது. உழைப்பு வலுவினை அபிவிருத்தியடைந்த நாடுகளான சீனா, இந்தியா மற்றும் இந்தோனேஷியா போன்ற வளர்ச்சியடைந்து வருகின்ற பொருளாதாரங்கள் மாற்றமடைந்து வருகின்ற காரணத்தினால் பொருளாதார அதிகாரம் தொடர்ச்சியாக ஆசியப் பிராந்தியத்தினை நோக்கிக் காணப்படுகின்றது. "ஒரே மார்க்கம், ஒரே தீர்வு" மற்றும் "வலய விளக்கமான பொருளாதார பங்காண்மை" (ஆர்.சி.இ.பி.) ட்ரான்ஸ் பசிபிக் பங்காண்மை (டி.பி.பி.) துரிதமாக நிறுத்தியமையின் அழுத்தத்தினை சமநிலைப்படுத்துவதற்கு முன்வந்துள்ளது. அதனுடன் சீனாவின் மீள் பிரவேசம், வலய வர்த்தகம் மற்றும் உட்கட்டமைப்பு வசதிகளின் அபிவிருத்திகளை மேம்படுத்துவதற்கு கருதத்தகு சந்தர்ப்பத்துடன் தேசியக் கேள்வி மாற்றமில்லாது பேணிக்கொள்வதற்கு உறுதிப்படுத்தப்பட்டுள்ளது.

இலங்கைக்கு இந்தியா மற்றும் முன்னர் மேற்கொண்ட பிழையான தீர்மானங்கள் (2015 ஆம் ஆண்டில் கொழும்பு துறைமுக நகர செயல்திட்டத்தினை இடை நிறுத்தியமை மிகவும் தெளிவாக காணக் கூடிய விதத்தில்) சீர்செய்து கொள்வதன் ஊடாக சீனாவுடன் சினேகபூர்வமான தொடர்பினை பேணிக் கொள்ளல் ஆசிய பிராந்தியம் நோக்கி பார்க்கின்ற போது மிகவும் முக்கியமானதாகும். இந்தியாவுடன் பொருளாதார மற்றும் தொழில்நுட்ப ஒத்துழைப்பு உடன்படிக்கை (ஈ.சி.டி.ஏ) சீனாவுடனான சுதந்திர வர்த்தக உடன்படிக்கை போன்றன நாடுகள் இரண்டுக்கிடையிலான பொருளாதார உடன்படிக்கைகள் கலந்துரையாடப்பட்டு வருகின்றது. மேலும் சிங்கப்பூருடனான சுதந்திர வர்த்தக உடன்படிக்கையொன்று கலந்துரையாடப்பட்டு வருகின்றது. தற்பொழுது நிகழ்ந்து வருகின்ற இந்த கலந்துரையாடல்களுக்கு மேலதிகமாக மேலும் பல இருபக்க மற்றும் வலய நிகழ்ச்சித்திட்டங்கள் பற்றி கலந்துரையாடல்கள் நடைபெற்று வருகின்றன.

இந்த ஒருங்கிணைப்பு முன்னெடுப்புகளில் விஷேடமாக எக்டா தொடர்பில் சில எதிர்ப்புக்கள் எழுந்துள்ளன. இந்த பாதகத்தினை ஏற்படுத்துகின்ற உடன்படிக்கையின் கீழ் பொருட்கள், சேவைகள், முதலீடுகள் மற்றும் ஊழியம் மிகவும் சுதந்திரமாக உள்வருவதுடன் சில சந்தர்ப்பங்களில் அரச சொத்துக்களினை விற்பனை செய்தல் பற்றி காணப்படுகின்ற கருத்துக்கள் சுருக்கப்பட்டுள்ளது. அம்பாந்தோட்டை துறைமுகத்தின் பகுதிகளினை சீனாவுக்கு விற்பனை செய்யும் பிரேரணை மற்றும் கொழும்புத் துறைமுகத்தின் இறங்குதுறையொன்றினை அபிவிருத்தி செய்வதற்கு இந்தியாவுடன் அரச தனியார் பங்காண்மை (பி.பி.பி.) பற்றிய தீர்மானம் மட்டுமல்லாது திருகோணமலை துறைமுகத்துக்கு அண்மையில் எரிபொருள் சுத்திகரிப்பு தளம் ஒன்றினை கட்டியெழுப்புவதற்கு இந்தியா சமர்ப்பித்துள்ள பிரேரணை என அரசியல்வாதிகள் தொழிற்சங்க நிறுவனங்கள் தொழிற்சங்கங்கள் மற்றும் வேறு செயற்பாட்டாளர்கள் தமது கடுமையான எதிர்ப்பை காட்டுகின்றனர். உண்மையாக தெளிவாக வர்த்தக உடன்படிக்கைகளுக்கு எதிரான எதிர்ப்புக்கள் பொரும் பாலும் தம்மோடு ஒன்றாக இருக்கின்ற தொழிற்சங்கங்கள் மற்றும் ஊழியர்களாக இருக்க முடியும் என்ற பொது அச்சுறுத்தலுக்கு முகங்கொடுப்பதற்கு ஒன்றுசேர்கின்றனர். பொருளாதாரம் மற்றும் அரசியல் ஆகிய இரண்டும் ஒன்றுடன் ஒன்று கலப்பதன் ஊடாக உருவாகின்ற கருத்து முரண்பாடுகளின் போராட்ட முன்னெடுப்பு " சுதந்திர வர்த்தகம்" மற்றும் "அரச சொத்தக்களை விற்பனை செய்தல்" ஆகியவற்றுடன் தொடர்புபட்டதாகக் காணப்படுகின்றது.

அதன் பிரகாரம் பொருளாதார ஒருங்கிணைப்பு மார்க்கத்தில் அதோடு இணைந்துள்ள தேசிய ஒழுங்கு முறைகளினை நீக்கும் செயற்பாடுகளினை மறுசீரமைத்தல் இலகுவானதல்ல. இலங்கை 2015 ஆம் ஆண்டின் பொருளாதார நிலைமையில் காட்டப்பட்டுள்ள பிரகாரம் பொருளாதார மறுசீரமைப்புக்களினை அறிமுகம் செய்தல் அமுல்படுத்தல் மற்றும் பேணிச்செல்லல் தொடர்பான முயற்சிகளுக்கு காணப்படுகின்ற சூழ்நிலை எதிர்கால வெற்றிக்கான முயற்சிகளும் கூட நலிவடைந்துள்ளன. (மூன்றாம் பக்கம்) வேரூன்றப்பட்ட வரப்பிரசாதங்களின் கூட்டு மோசமான நிறுவனம் மற்றும் நிகழ்ச்சித்திட்ட நிர்வாகம் செய்யப்படுகின்ற ஒத்துழைப்பு மறுசீரமைப்பு முயற்சிகளை மிகவும் மோசமான நிலைமைக்கு தள்ளிவிடுகின்றது. நிலவுகின்ற இவ்வாறான நிலைமைகள் மேலெழுந்து காணப்படுவதுடன் பூகோளமய எதிர்ப்பு பிரபல்யமான இனவாத உணர்வுகளுடன் இணைகின்ற போது பல்வேறு கோணங்களில் பலதரப்பட்ட திட்டங்கள், திட்டமிடப்பட்ட கொள்கை ரீதியான பெறுபேறுகள் அவசியமாகும்.

முதலாவதாக இலங்கை பொருளாதார ஒருங்கிணைப்பின் பெறுபேறினை பெற்றுக் கொள்ள முடியாத எதிர்பார்ப்புக்களை உருவாக்கிக் கொள்வதற்கு பயன்படுத்திக் கொள்ளக் கூடாது. பொருளாதார ஒருங்கிணைப்பு தேச எல்லைகளின் ஊடாக பலதரப்பட்ட விதத்தில் துரிதமாக பொருட்கள், சேவைகள், முதலீடுகள் மற்றும் உழைப்புக்கள் உள்வருகின்ற போது பாதகமான தாக்கங்கள் ஏற்படமுடியும். நீண்ட காலமாக தெளிவான மற்றும் நிச்சயமான காரணிகளின் பெறுபேறொன்றாக கட்டமைப்பான தொழிலின்மை ஏற்பட முடியும். அதன் காரணமாக அரசிற்கு

பொதுவான பிரச்சினையாக இருக்கக்கூடியதாக ஏற்றுக்கொண்டு எந்தவொரு விளக்கமளிக்கக் கூடிய மறுசீரமைப்பு முயற்சிகளை தடைசெய்யக் கூடிய பொருளாதார நிச்சயமற்ற தன்மை பரவலடைவதுடன் அவற்றை தடுத்துக் கொள்வதற்கு அவற்றினை மீளளிப்புச் செய்யும் கொள்கைகளினை அமுல்படுத்துதல் வேண்டும். இரண்டாவதாக இலங்கை மிகவிரைவாக பொருளாதார ஒருங்கிணைப்பின் முழுமையான பெறுபேறுகளினை அடைந்து கொள்ள வேண்டுமாயின் பொருளாதார ஒருங்கிணைப்புச் செயற்பாடு தொடர்பாக மிகவும் நிச்சயமான மற்றும் உபாய வழி பிரவேசமொன்றினை பயன்படுத்தல் வேண்டும். தேசிய வர்த்தகக் கொள்கை மற்றும் தேசிய ஏற்றுமதி உபாயவழி முறை ஒன்றினை தயார் செய்துள்ளதுடன் அதில் அதிக அவதானம் செலுத்தப்பட்டிருப்பது சுதந்திர வர்த்தக உடன்படிக்கைகளுக்காக கலந்துரையாடல்கள் தொடர்பாகும். சுதந்திர வர்த்தக உடன்படிக்கைகளுக்கு பயனுடைய தளமொன்று இருந்தபோதும் சிக்கலான வரி அட்டவணைகளுடன் கூடிய சசுதந்திர வர்த்தக உடன்படிக்கைகள் பல காணப்படுகின்றமை இலங்கையின் இறுதி இலக்கான பூகோள விநியோக வலையமைப்புடன் இணைந்து கொள்வதற்கு எதிராக காணப்படுகின்றது. தேச எல்லைகள் ஊடாக நடுத்தர ஏற்றுமதிக்கு வாய்ப்பளிக்கின்ற எளிய தீர்வை வரி முறைமையொன்றின் தேவை காணப்படுவதுடன் அது ஒரு சாராரின் மறுசீரமைப்பு ஊடாக மிகவும் வினைத்திறனாக மேற்கொள்ள முடியும். முறையான வர்த்தக உடன்படிக்கை முன்னேற்றத்தின் முன்னோடியாக இருப்பதற்கு மிகவும் கடைப்பிடிக்கப்படுகின்ற விடயமாக உருவெடுப்பதன் மூலம் சுங்க மற்றும் தரநியமங்கள் மட்டுமல்லாது திட்டமிடப்படாத கொள்கைகள் மற்றும் ஒழுங்குறுத்தல் மாற்றங்களின் ஊடாக நேரடி வெளிநாட்டு முதலீடுகளினை பாதுகாத்துக் கொள்வதற்கு தேசிய எல்லையில வினைத்திறனான ஒழுங்குமுறைப்படுத்தல் நடவடிக்கைகளை உருவாக்கிக் கொள்வதற்கு வாய்ப்பளிக்க முடியும்.

சுதந்திர வர்த்தக உடன்படிக்கைகள் தொடர்பில் ஆர்வம் காட்டுகின்ற குழுக்களினை ஒன்றுசேர்க்கும் நோக்கம் ஒன்றாக சுதந்திர வர்த்தக மற்றும் பொருளாதார ஒருங்கிணைப்பிற்கு எதிரானவர்களின் விமர்சனங்களினை தெரிவு செய்து கொள்வதனாலும் மிகவும் எளிய உடன்படிக்கைகள் வெகுவாக தேவையாகும். ஏதேனும் சுதந்திர வர்த்தக உடன்படிக்கையின் பாதகமான தாக்கங்கள் கடுமையாக ஒன்று சேரமுடிவதனால் அதன் சாதகமான பெறுபேறுகள் நுகர்வோர்கள், ஏற்றுமதியாளர்கள் மற்றும் ஊழியர்களுக்கிடையில் பகிர்ந்தளிக்கப்படமுடியும். அதன் பிரகாரம் சுதந்திர வர்த்தக உடன்படிக்கைகளின் மறுசீரமைப்புக்களின் துரிதம் மற்றும் தொடர் ஒழுங்கு ஆகிய இரண்டிலும் மிகவும் முன்னேற்றமான கலப்பொன்றினை ஏற்படுத்துவதற்கு பரந்ததும் ஒருதலைப்பட்சமானதுமான மறுசீரமைப்புடன் இணைந்த கொள்கை பிரவேசம் ஒன்று காணப்படுகின்ற இயங்கக் கூடிய நிலைமையினுள் சில வேளைகளில் மிகவும் பொருந்தும். உண்மையாக சுதந்திர வர்த்தக உடன்படிக்கையொன்றின் முழுமையான பெறுபேறினை அடைந்து கொள்வது பற்றிய விடயங்கள் மாத்திரம் குறிப்பிடப்படுமாயின் நம்பிக்கை வைக்கக்கூடிய தொடர்பாடல், போக்குவரத்து மற்றும் வலுச்சக்தி போன்ற சேவைகளின் உட்கட்டமைப்பு வசதிகளின் வலையமைப்புக்கள் வினைத்திறனான நிறுவன மற்றும் ஒழுங்குறுத்தல் சூழல் மற்றும் தொழிற்பயிற்சியாளர்கள் மற்றும் தொழில் திறன்கள் உள்ள மனித வளங்களின் ஒதுக்கம் போன்றவற்றின் பற்றாக்குறை முழுமையான காரணிகள் பலவற்றின் படி தங்கியுள்ளது.

மேற்குறிப்பிடப்பட்ட காரணிகள் நீண்ட காலமாக இலங்கையின் வளர்ச்சிக்கு காணப்பட்ட வரையறைகளாக இனங்காணப்பட்டுள்ளன. வயோதிபமடைகின்ற குடிசன நிலைமை மற்றும் அதனுடன் தொடர்புடைய நோய் நிவாரண நிலைமை (நுநைஅழைபஉையட) ஊழியச் சந்தை கல்வி மற்றும் சுகாதாரப் பிரிவு மற்றும் சமூகப் பாதுகாப்பு கட்டமைப்பின் நிர்வாகம் தொடர்பான மறுசீரமைப்புக்கெதிராக முக்கியமான தாக்கங்களினை ஏற்படுத்தும் காரணி மற்றும் இயற்கை வளங்கள் மற்றும் அதனுடன் தொடர்பான நிறுவன ரீதியான மற்றும் ஒழுங்குறுத்துகை சூழலில் வளர்ச்சி தொடர்பில் வரையறைகளினை ஏற்படுத்துகின்ற விடயங்களாக இனங்காணப்பட்டுள்ளன. அதன் பிரகாரம் இலங்கை அரச நிதியை மிகவும் சிறந்த

கட்டுப்பாட்டின் கீழ் கொண்டுவரப்பட்ட போதும் மிகவும் மோசமான சில சிக்கல்களுக்கு முகங்கொடுக்க வேண்டி ஏற்படலாம். அரசு பொருளாதார வளர்ச்சியை மீள உயிர்ப்பித்தெழச் செய்வதற்கு மற்றும் வினைத்திறனான சேவை வேலை வாய்ப்பினை உருவாக்குவதற்கு இந்த உருவாக்கல் தொடர்பாக இந்த சவால்களுக்கு முகங்கொடுப்பதற்கு தயாராவதால் " இலங்கை : பொருளாதார நிலைமை" அறிக்கை இம்முறை அதன் பிரதான தலைப்பாக கவனம் செலுத்தி இருப்பது குடித்தொகை நிலைமை, ஊழியச்சந்தை மற்றும் அபிவிருத்தி நோக்கியதாகும்.

இலங்கை கீழ் நடுத்தர வருமான பொருளாதாரத்திற்கு உள்வருவதானால் மற்றும் அதிகரிக்கின்ற சம்பளங்களுடன் இலாப உழைப்பின் படி போட்டித்தன்மையாக இருத்தல் மேலும் வெற்றிகரமான மாற்றுவழி ஒன்றன்று. அதற்குப் பதிலாக வர்த்தக நவீனமயப்படுத்தலினை இலகுபடுத்தல், மேம்படுத்தல் மற்றும் பொருளதாரம் பூராக வினைத்திறன் மற்றும் போட்டித்தன்மையின் செயல்திறனினை மேம்படுத்தும் தேவை காணப்படுகின்றது.

இலங்கையில் ஊழியச்சந்தையின் பின்னடைவிற்கு உட்படுகின்ற விசாலமான தடைகள் இரண்டாகும் அவையாவன: வேலைவாய்ப்பினை பாதுகாக்கின்ற கடுமையான சட்டங்கள் மற்றும் ஊழிய படையில் பெண்களின் பங்களிப்பு குறைவாக இருக்கின்றமையுமாகும். சேவையிலிருந்து நீக்கப்படும் போது உயர்கொடுப்பனவுகளினை தீர்மானித்தல் ஊடாக சேவையிலிருந்து விலகிச் செல்வதை பாதுகாத்துக் கொள்வதற்கு முன்வந்து திரண்ட சேவை வாய்ப்பினை குறைக்கச் செய்வதன் ஊடாக ஊழியச் சந்தையில் எல்லைகளை மட்டுப்படுத்தி முறைசாரா பிரிவின் சேவை அளவினை அதிகரித்து இளைஞர் சேவையாளர்கள் தொடர்பாக தொழில் வாய்ப்புக்கள் குறைவடைந்துள்ளன. 2003 ஆம் ஆண்டு மற்றும் 2005 ஆம் ஆண்டுகளில் மறுசீரமைப்பு தொடர்பாக முயற்சிகள் எடுக்கப்பட்ட போதும் இலங்கையில் சேவையிலிருந்து நீங்கும் போது கொடுப்பனவுகள் 39 மாதச் சம்பளத்திற்கு சமனான தொகை அல்லது கம்பனியொன்றின் இருபது வருட சேவையினைக் கொண்ட ஊழியர் தொடர்பாக மூன்று வருடத்துக்கு அதிகமான சம்பள வருமானம் சர்வதேச பயன்பாடுகளுடன் ஒப்பீடு செய்கின்ற போது உயர்மட்டத்தில் காணப்படுகின்றது. அதன் பிரகாரம் ஊழியப் படையின் வினைத் திறனினை மேம்படுத்துவதற்கும் தொழில் உருவாக்கத்தினை இலகு படுத்தவதற்கும் சேவையினை விட்டு நீங்குவதை முறையாக மறுசீரமைப்பு செய்வதற்குமாகும். ஊழியர் அசைவினை மிகவும் மேம்படுத்த வேண்டிய தேவை காணப்படுகின்றது. இலங்கையில் ஊழியப்படையில் பெண்களின் பங்களிப்பு கல்வியுடன் துரிதமாக அதிகரித்து வருவதோடு அதன் பங்களிப்பு நூற்றுக்கு 39 சதவீதமான மிகக் குறைவான மட்டத்தில் காணப்படுகின்றது. பொருளாதாரத்தில் பெண்களின் பங்களிப்பினை அதிகரிப்பதற்கு ஏதுவாயிருக்கின்றதாக குறிப்பிடப்படுகின்ற பிரபல்யமான சாட்சிகள் காணப்படுவதன் காரணமாக இலங்கை விஷேடமாக வயோதிபம் அடைகின்ற சனத்தொகை மற்றும் ஊழியப்படையின் வளர்ச்சியின் காரணமாக இந்த திறன்களினை கவர்ந்து கொள்ளுதல் வேண்டும். கல்வி ஊழியப்படையில் பெண்களின் பங்களிப்பின்பால் தாக்கம் செலுத்துகின்ற பிரதான காரணியாக இருப்பதுடன் சந்தையின் உண்மைத் தன்மையை இலகுபடுத்தும் இலக்கினைக் கொண்டு மற்றும் பணியாற்றுகின்ற தன்மையை மேம்படுத்துவதனை இலக்காகக் கொண்டு மறுசீரமைக்கப்பட்ட கொள்கைகள் அவசியமாகும். மிகவும் சிறந்த, இலகுவாக பெற்றுக் கொள்ளக் கூடிய பண்புசார், சிறுவர் பாதுகாப்பு, மிகச்சிறந்த போக்குவரத்து வசதிகள் மற்றும் காலத்தினை சேமித்துக் கொள்ளக் கூடிய தொழில் நுட்பங்கள் பால் மிகவும் சிறப்பாக பிரவேசிப்பதன் ஊடாக வீட்டிலிருந்து பெண்கள் செய்கின்ற உற்பத்தி செயற்பாடுகளின் அழுத்தங்களை இலகுபடுத்தும் கொள்கைகளுடன் ஒன்றாக பின்னிப் பிணைந்துள்ளது.

இலங்கையில் ஊழியச் சந்தையின் வினைத்திறனினை நலிவுபடுத்தகின்ற மேலும் ஒரு பிரதான தடையாக இருப்பது திறமையான ஊழியர்களின் குறைபாடாகும். இது பிரதான விடயங்கள் இரண்டின் ஊடாக தீர்மானிக்கப்படுகின்றது. அ) மனிதர்களுக்கு கல்வியினை வழங்குதல் மற்றும் பயிற்சியளிக்கும் இயலுமை மற்றும் ஆ) திறனுடைய ஊழியர்களை தேக்கிவைத்துக் கொள்ளுதல் மற்றும்

வெளிநாடுகளினால் திறனுடைய தொழிலாளர்களை கவர்ந்திழுக்கும் இயலுமையுமாகும். தொழிநுட்பத்தின் நவீனத்துவத்தின் வேகம் மற்றும் தொழிநுட்ப மாற்றங்களின் போக்கு மட்டுமல்லாது புதிய திறன்கள் மற்றும் புதிய நடைமுறைகள் தொடர்பாக தேவைகளுடன் புதிய தெழில்கள் உருவாகின்றமையாகும். அதன் பிராகாரம் விஞ்ஞானத்தில் மற்றும் தொழில்நுட்பத்தில் திறமைகளினை கட்டியெழுப்பல் மற்றும் நவீன மற்றும் சிக்கலான எண்ணியல் (டிஜிட்டல்) உடன் கூடிய சூழலில் பணியாற்றக் கூடிய முன்னேற்றமடைந்து வரும் உலக ஒழுங்குக்கு ஏற்ப மக்களைத் தயார் செய்யும் போது இன்று என்றுமில்லாதவாறு மிகவும் தீர்க்கமானதாகவுள்ளது. இருபது வயதுக்கு மேற்பட்டவர்களில் நூற்றுக்கு 35 வீதமானவர்கள் மாத்திரம் இரண்டாம் நிலைக் கல்வியை பூரணப்படுத்துவதுடன் இலங்கையின் திறன்கள் தொடர்பாக காணப்படுகின்ற கேள்வியினை பூர்த்திசெய்வதில் குறிப்பிடத்தகு இடைவெளியொன்று காணப்படுகின்றது. உண்மையாக 15 வயதுக்கு மேற்பட்ட சனத்தொகையில் விஞ்ஞானம் மற்றும் தொழில்நுட்பத்துடன் தொடர்புடைய தொழில் வாய்ப்புகளில் ஈடுபட்டிருப்பது நூற்றுக்கு 13.2 சதவீதமாகும். பாடசாலைகளிலிருந்து நூற்றுக்கு 10 சதவீதமானவர்கள் மாத்திரம் விஞ்ஞானப் பாடத்துறையில் உயர்தரக் கல்வியை கற்கும் வசதி உள்ள நிலைமையின் கீழ் இது பிரமிக்கத் தக்க விடயம் ஒன்று பொது மற்றும் உயர்தரக் கற்கையில் காணப்படுகின்ற குறைந்த பண்புசார் தன்மை பல்கலைக்கழக பாடநெறிகள் மற்றும் தனியார் துறையின் தேவையான தேர்ச்சிகளுடன் பொருந்துவதில்லை. வேறு விடயங்களில் பாடசாலையை விட்டு விலகிச் செல்கின்ற புதிய தொழில் சார் வழிகாட்டல் பற்றிய அறிவுறுத்தல்கள் இன்மையினால் ஆரம்ப குறைபாடுகளில் ஒன்றாகும். அதன் பிரகாரம் இலங்கை பாடசாலை மற்றும் பல்கலைக்கழக பாடநெறிகளில் மறுசீரமைப்பு செய்வதற்கும் பொருத்தமான விதத்தில் போதியளவான ஒழுங்குறுத்தல் மற்றும் அங்கீகரிப்புக் கட்டமைப்புக்கள் (யுஉஉசந-னையெவழைஎ ளுலஎவநஅ) உடன் முன்றாம் நிலைக் கல்வியை விரிவுபடுத்துவதற்கும் மிகவும் துரிதமான முன்னுரிமையாக அமுல்படுத்துவதற்கும் கவனம் செலுத்துதல் வேண்டும்.

திறன் இடைவெளியை மிகவும் சுருக்கி இலங்கையில் உழியர்களின் பாரிய தொகையினர் வெளிநாட்டு தொழில் வாய்ப்புக்களை தேடிக்கொண்டு ஊழியச் சந்தையிலிருந்து வெளியேறுகின்றனர். உண்மையாக மிக அண்மையில் திறனுடைய ஊழியர்களில் அதிகமானவர்கள் வெளிநாட்டுத் தொழில் வாய்ப்பினை தேடிச்செல்லும் குடிபெயர்வுப் போக்கில் மாற்றமொன்றினைக் காணக் கூடியதாகவுள்ளது. இலங்கையில் ஊழியர்களின் இடம் பெயர்வில் ஊக்கம் மற்றும் பிரதான கவர்ச்சிக் காரணியாக இருப்பன ஊழியர்களின் ஆரம்ப குடிபெயர்வு, சமூகப் பொருளாதார நிலைமை, பொருளாதாரக் கஸ்டங்கள் மற்றும் வெளிநாடுகளில் உழைக்கும் இயலுமை அதிகரித்தல் என்பனவாகும். குடிபெயர்வுடன் உள்நாட்டு ஊழியச்சந்தையின் அபிவிருத்திகளை சமநிலைப்படுத்தல் முக்கியமாகும். இதற்கு திறனுடைய ஊழியர்களை தேக்கிவைத்துக் கொள்வதற்கான நடவடிக்கைகள், மீள வருகின்றவர்களை உள்ளீர்த்தல் மற்றும் தேசிய ரீதியாக மட்டுமல்லாது வெளிநாட்டு திறன்களை கவர்ந்திழுத்தல் என்பன உள்ளடங்கும். உண்மையாக அதிகரித்துவருகின்ற ஊழியர் குறைபாடுகளுடன் வருகை தருகின்ற குடிபெயர்ந்த ஊழியர்களினை வரவேற்பதற்காக பிரபல்யமான ஒழுங்குறுத்தல் கொள்கைகளின் தேவைகளினை துரிதப்படுத்தல் இலங்கைக்கு வெளிநாட்டு ஊழியர்களை அதிகமாக கவர்ந்திழுத்துக்கொள்ள வேண்டியுள்ளது.

பரந்த அளவில் இவ்வாறான நிறுவன ரீதியான மற்றும் ஒழுங்குறுத்துகை மறுசீரமைப்புக்கள் நாடு பூராகவும் பொருளாதாரச் செயற்பாடுகளின் போட்டித்தன்மையும் வினைத்திறனையும் தீர்மானிக்கின்றது. இன்று இலங்கையில் மிகவும் வலுவான கைத்தொழிலாக இருப்பது சுற்றுலாக் கைத்தொழிலாகும். 2016 ஆம் ஆண்டில் சுற்றுலாப் பயணிகளின் வருகை இரண்டு மில்லியன் எல்லையினை விஞ்சி சென்றமை நேரடியாக மற்றும் மறைமுகமாக வேலைவாய்ப்பில் கருதத்தகு அதிகரிப்பினை உருவாக்கியுள்ளது. ஆசியாவின் புதிய வர்த்தகச் சந்தையின் மூலம் திறந்து விடப்பட்டதும் மனித வளம், உட்கட்டமைப்பு வசதிகள், சந்தைப்படுத்தல் மற்றும் மேம்பாடுகளின் குறைபாடுகள் காரணமாக யுத்தத்தின் பின்னரான

காலத்தில் சுற்றுலாத்துறை எழுச்சி பெற்றமை ஊடாக முழுமையான பயன்களை அடைந்து கொள்ளாமை கவனத்திற் கொள்ளப்பட்டுள்ளது. சுற்றுலாக் கைத்தொழிலில் முதலீட்டு வாய்ப்புக்கள் தொடர்பான அடிப்படை வளங்களைப் பெற்றுக் கொள்ள முடியாமையைத் தடுத்துள்ளது.

உண்மையாக காணி வளங்கள் தொடர்பாக காணப்படுகின்ற கேள்வியினை நிறைவு செய்வதற்கு கொள்கை மறுசீரமைப்பு அவசியமாகும். இலங்கையின் நிலப்பிரதேசத்தில் நூற்றுக்கு 65 சதவீதம் பயிர் செய்யக்கூடிய நிலங்களாக அறிமுகம் செய்யப்பட் போதும் நகர மற்றும் உப நகர பிரதேசங்களில் பயிர் செய்யக்கூடிய நிலங்களில் அதிகமானவை வீடுகள் அல்லது வர்த்தக்ச் செயற்பாடுகள் தொடர்பாக பயன் படுத் தப் பட் டுள் ளதன் காரணமாக உண்மையாக பயிர் செய்யக் கூடிய நிலத்தின் அளவு மிகக்குறைவாகக் காணப்படுகின்றது. காணிப் பற்றாக்குறை துரிதமாக அதிகரிக்கின்ற போதும் இலங்கையில் வன இருப்பு தற்போது நூற்றுக்கு 30 சதவீதத்திலும் பார்க்க வீழ்ச்சியடைந்துள்ளதால் காணிப் பயன்பாட்டில் வினைத்திறனினை மேம்படுத்தும் முகமாக மிகவும் பொருத்தமான காணிக்கொள்கைள் அவசியமாகும். காணிக்கொள்கைகள் நாட்டில் அபிவிருத்தி முன்னெடுப்புக்களுடன் பொருந்துதல், நவீன காணி முகாமைத்துவத்தின் ஊடாக பயன்பாட்டினை மேற்கொள்ளல் மற்றும் காணிக்கொள்கை தொடர்பாக சட்டரீதியான வரையறையினை மேற்பார்வை செய்தல் தொடர்பாக கவனம் செலுத்தப்படுவதுடன் இவை சில முக்கியமான விடயங்களாகவும் காணப்படுகின்றன.

வினைத்திறனான காணி முகாமைத்துவம் மிகவும் முக்கியமாக இருப்பது இலங்கையில் வெள்ளம் வரட்சி மற்றும் மண்சரிவு போன்ற இயற்கை அனர்த்தங்களும் ஆபத்துக்களும் அதிகரித்து காணப்படுகின்றமையினால் ஆகும். பூகோள காலநிலை மாற்றத்தின் காரணமாக இனங்காணப்பட்டுள்ள வேறு விடயங்களில் முறைகேடான காணிப்பாவனை திட்டமிடல் மற்றும் சுற்றாடல் பாதிப்புக்கள் போன்றன மனிதர்களினால் மேற் கொள் ளப் படுகின் ற விடயங் களாக இனங் காணப் பட் டுள் ளன. உண் மையாக கொள்கைகள் கற்கை நிறுவனம் அண்மையில் அனுராதபுர மாவட்டத்தில் மேற்கொண்ட மதிப்பீட்டில் கடந்த ஐந்து வருடத்தின்போது விவசாயிகளில் மூன்றில் இரண்டு பேரிலும் அதிகமானவர்கள் இவ்வாறான இயற்கை அனர்த்தங்கள் ஒன்றின் மூலம் அல்லது ஒன்றிலாயினும் பாதிப்பிற்குட்பட்டுள்ளனர். காலநிலை மாற்றமடையும் போது இடர் அவதானத்தினை குறைத்துக் கொள்வதற்கான நடவடிக்கைகளை அபிவிருத்தி செயற்பாடுகளில் ஒருபகுதியாக ஒன்றிணைத்தல் மற்றும் தரவு மற்றும் தகவல் பரிமாற்றல் செய்து கொள்ளுதல் இந்த பிரதேசத்தில் அதிகரித்துவருகின்ற ஆபத்துக்களினை குறைத்துக் கொள்வதற்கு தேவையான முன்னெடுப்புக்கள் மேற்காள்ளல் என்பனவாகும்.

மேலே குறிப்பிட்ட சகல தேசிய கொள்கைகள் மற்றும் உபாய வழிகளினை தயார் செய்யும் போது பொருளாதார சமூக மற்றும் சுற்றாடல் தேவைகள் அவற்றுடன் ஒன்று சேர்த்தல் முக்கியமாக காணப்படுகின்ற நிலையான அபிவிருத்தி எண்ணக்கருவிற்கு உரியதாகும். இலங்கையில் நிலையான அபிவிருத்தி இலக்குகள் 2030 பூகோள நிகழ்ச்சி நிரலினை அடைந்து கொள்வதற்கு தயாராகும் போது தேசிய கொள்கைகள் வேலைச் சட்டகத்தில் மற்றும் வரவு செலவுத் திட்ட செயற் பாடுகளுக் குரிய இலக்குகளினை ஒருங்கிணைத்துக் கொள்வதற்கு மேலும் அனேக விடயங்களை மேற்கொள்ள வேண்டியுள்ளது. விஷேடமாக ஒருங்கிணைப்பு மற்றும் மேற்பார்வை அறிவுறுத்தல் மற்றும் இயலுமைகள், தரவு மற்றும் நிதி ரீதியான துறைகளில் அமுல்படுத்தும் விடயத்தில் கருதத்தகு சவால்கள் நிலவுகின்றன. அரசு பலதரப்பட்ட நிறுவனங்கள் மற்றும் குழுக்களினை இனங்கண்டு நிலையான அபிவிருத்தி இலக்குகளுக்குரிய பலதரப்பட்ட பாத்திரங்கள் அவற்றுக்கு கையளிக்கப்பட்டுள்ளன. ஆனால், இந்த நிறுவனம் - குழுக்களுக்கிடையில் ஒருங்கிணைப்பு மற்றும் பிணைப்பு மற்றும் அவற்றின் பாத்திரம் மற்றும் பொறுப்புக்கள் இன்னும் மோசமான நிலையிலேயே காணப்படுகின்றது.

நிலையான அபிவிருத்தி இலக்குகள் வறுமை மற்றும் போசணையுடன் தொடர்புடைய பிரதான விடயங்களினை வெளிப்படுத்துவதுடன் போசணை

பகுதி என்ற வகையில் உணவுப் பாதுகாப்பு எண்ணக்கருவுடன் தொடர்புடையதாகும். சர்வதேச உணவுக் கொள்கை ஆராய்ச்சி நிறுவனம் (ஐ.எப்.பி.ஆர்.) தயார் செய்த பூகோள பட்டினிச் சுட்டிக்கு ஏற்ப இலங்கை 118 நாடுகளில் 84 ஆவது இடத்திற்கு வந்துள்ளமை பட்டினி நிலைமை " மிகவும் மோசமானவை " எனக் கருதப்படுகின்றது. நிலையான விவசாய மற்றும் போசாக்குக் கொள்கைகளுடன் நெருக்கமாக பிணைந்த மற்றும் ஒருங்கிணைப்புச் செய்யப்பட்ட உணவுப் பாதுகாப்பு தன்மையின் பிரதான பண்புகளாகக் கருதப்படுகின்றது. நடைமுறை பொருத்தமற்ற விவசாய மற்றும் போசனைக் கொள்கை மறுசீரமைப்பு, குறைவான வினைத்திறன், செயற்திறன் மற்றும் தரக்குறைவாக மதிப்பிடப்பட்ட மற்றும் ஆபத்துடன் கூடிய குழுக்களில் சமநிலைத்தன்மையினை ஏற்படுத்தி பொறுப்புக்களினை வெளிப்படுத்துகின்றதுடன் குறைந்த இலாபமுடைய விவசாயங்களிலிருந்து அதிக இலாபமுடைய விவசாயங்களுக்கு மாற்றமடைதல் போன்றவற்றினை மேற்கொள்ளுதல் வேண்டும்.

போசாக்கு பற்றாக்குறை, போசாக்குக்குறைபாடு, சுகாதார நிலைமையில் நேரடியாக தாக்கம் செலுத்துவதுடன் அது ஊழியர்களின் வினைத்திறனிலும் தாக்கத்தினை ஏற்படுத்துகின்றது. அது இலங்கையில் 8.3 மில்லியன்களாக இருக்கின்ற ஊழியப்படையில் சனத்தொகையில் நூற்றுக்குப் 17 வீதத்தினர் மாத்திரம் மரபு ரீதியான நோய்களால் அவதிப்படுவதாகக் கணக்கிடப்பட்டுள்ளது. உண்மையாக மரபு ரீதியான நோய்களால் அவதிப்படுகின்றவர்களில் ஊழியப்படையினரின் பங்களிப்பு (ஆண்கள் நூற்றுக்கு 58.6 சதவீதம் மற்றும் பெண்கள் நூற்றுக்கு 23.9 சதவீதம் ஆகும்.) அவ்வாறல்லாதவர்களில் (ஆண்கள் நூற்றுக்கு 78.8 சதவீதம் மற்றும் பெண்கள் 38.3 சதவீதம்) பங்களிப்புடன் ஒப்பிடுகின்ற போது துரிதமாக விழ்ச்சியடைந்துள்ளது. ஆரோக்கியமல்லாத உணவுப் பழக்கவழக்கம், தேகப்பயிற்சி அற்ற வாழ்க்கைப் போக்கு, புகையிலை மற்றும் மதுப் பாவனை வேறு விடயங்களாக இருப்பதுடன் பரவாத நோய்கள் (என்.சி.டி.) துரிதமாக அதிகரிப்பதற்குக் காரணமாக உள்ளன. எனினும் போதியவற்ற மனிதவளம் மற்றும் நிதி ரீதியான தேசிய மற்றும் பரவாத நோய் நிகழ்ச்சித்திட்டங்களினை அமுல்படுத்துவதற்குக் காணப்படுகின்ற தடைகளாகும்.

சகல விடயங்களும் அறிக்கையின் எஞ்சிய பகுதியில் விளக்கமாக கலந்துரையாடப்படுவதுடன் அதனுடன் தொடர்புடைய கொள்கைகளினை தயாரித்தல் மற்றும் அமுல்படுத்தல் அவசியமாகும். கடந்த இரண்டு வருடங்களினுள் நிலவிய கொள்கைகளின் குறைபாடு முதலீட்டு கொள்கைகள் இன்மையால் முதலீட்டாளர்களின் நம்பிக்கையில் பாதகமான தாக்கத்தினை ஏற்படுத்தியது. தற்பொழுது அரச நிதி முகாமைத்துவம் நிலைபெற்றிருக்கின்ற அரசு புதிய வளர்ச்சி தொடர்பாக நடுத்தரகால பொருளாதார மறுசீரமைப்பு நிகழ்ச்சித்திட்டத்தினை சமர்ப்பித்தல் வேண்டும். எனினும் நடுத்தரகால மறுசீரமைப்பினை சமர்ப்பித்தல் ஆரம்ப (மடு காலத்தில்) அல்லது மிகவும் கடினமான தென்பதை ஏற்றுக் கொள்ளுதல் வேண்டும். இது மிகவும் கடினமான பணியாக இருப்பது அரசு அக்கம்பனி சர்வதேச நாணய நிதியத்தின் செலவீனங்களை பதிவளிக்கும் நிகழ்ச்சித்திட்டத்தினை தொடர்ச்சியாக மேற்கொள்கின்ற காரணத்தினாலாகும். மறுசீரமைப்புக்களின் இலாப நன்மைகளினை அனுபவிப்பதற்கு நீண்டகாலம் எடுப்பதனால் சீராக்கங்களின் செலவீனங்களை மிக விரைவாக உணர்ந்து கொள்ள முடியும். அரசிற்கு காணப்படுகின்ற சவாலாக இருப்பது ஆழமான மறுசீரமைப்புடன் கூடிய துரித தீர்வுகளினை சமநிலைப்படுத்தி இந்த அளவினை முகாமை செய்வதாகும்.

ஒப்பீட்டு ரீதியாக சில வசதிகளும் காணப்படுகின்றன. தனிப்பட்ட முதலீடுகள் அனேகமாக கோருகின்ற விடயமாக இருப்பது விசேடமாக வரி அறவிடும் நடைமுறைக்குரிய கொள்கைகள் மாற்றமடையாத மற்றும் தெளிவானவது என்பதானால் ஆகும். ஏனைய கோரிக்கைகள் அலுவலக செயற்பாட்டு ஒழுங்குவிதிகள் மற்றும் அதிகார வர்க்கத்தின் தாக்கங்களினை குறைப்பதற்கு உதவிபுரிகின்ற நடைமுறைகள் என்பன உள்ளடங்குகின்றன. அரச தொழில் முயற்சிகள் காணி மறுசீரமைப்பு அல்லது ஊழியச் சந்தையில் நுழைகின்ற ஆழமான கட்டமைப்பு ரீதியான மறுசீரமைப்பு மீதான பரஸ்பர

தன்மையினை சமநிலைப்படுத்தல் தெளிவான பயன்களினை அனுபவித்துக் கொள்ளமுடியும்.

மறுசீரமைப்புக்களை அமுல்படுத்தல் பொதுவான வாக்காளர்களின் தேவைகளின் அளவினை கவனத்தில் கொண்டு திட்டங்களை மேற்கொண்டு அரசாங்கத்தின் ஒத்துழைப்பில் வகுதியினர்களுக்கு காரணங்களை தெரிவிக்கும் வழிமுறையாகக் காணப்படுகின்றது. அரசியலின் பிழையான தீர்மானங்களினை மறுசீரமைப்புச் செய்கின்ற முயற்சிகளை அடைந்து கொள்ளுதல் மிக மோசமான விடயமாக இருக்குமாயின் இலங்கையின் பொருளாதாரம் தொடர்ச்சியற்ற வகையில் அதிகரிப்பதற்குக் காணப்படுகின்ற இயலுமைகள் குறைவானது என்று காணக்கூடிய சாட்சிகள் உறுதிப்படுத்துகின்றன. மிக மோசமான நடுத்தரகால கடன் நிதியளிப்பு சவால்களின் மத்தியில் நாட்டின் பொருளாதார நிலைமையினை உரியமுறையில் பேணிச் செல்வதற்குக் காணப்படுகின்ற இந்த சந்தர்ப்பத்தினை கைவிடாது முன்னெடுத்துச் செல்வதற்கு இலங்கை தயாராகுதல் வேண்டும்.

2. Macroeconomic Performance

2.1 Introduction

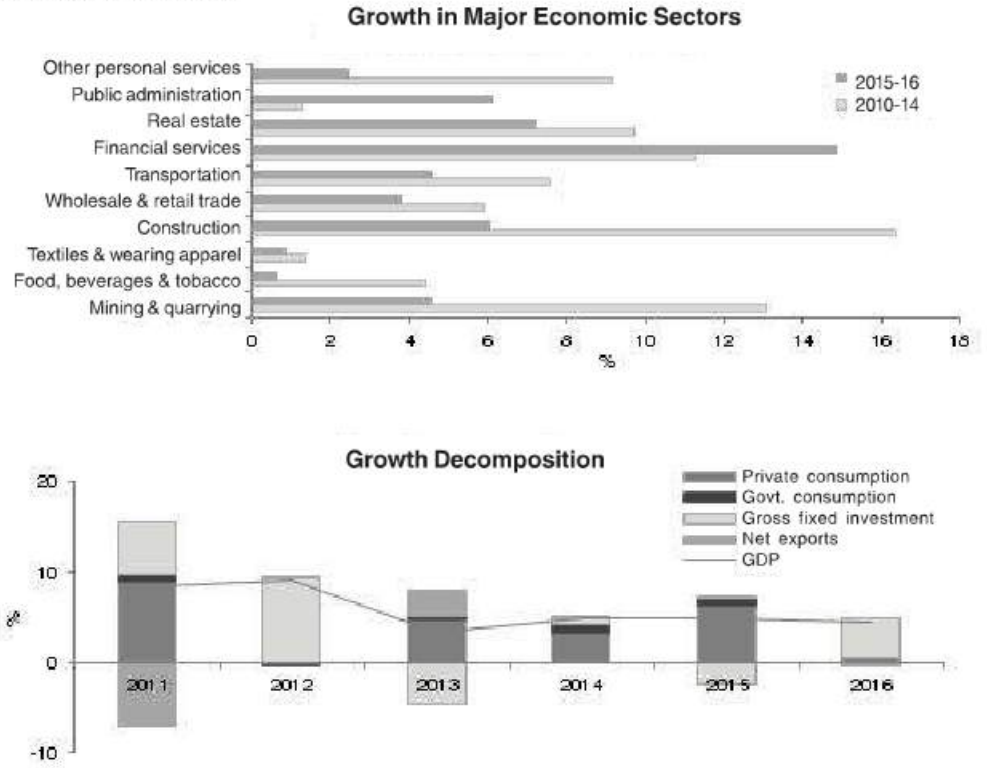
Sri Lanka's emerging macroeconomic environment post-2016 holds both pluses and minuses. On the plus side, the most critical improvement is to be seen in fiscal management. Under the IMF programme with its attendant focus on revenue mobilization, Sri Lanka's past record of a progressive decline in revenue collection has been reversed through a more streamlined tax revenue collection process in 2016. Largely as a result, the broader fiscal consolidation process is on track with a significant shrinking of the deficit financing gap. Additionally, fiscal consolidation efforts have also been supported by a more prudent monetary policy framework and exchange rate management policy. Overall, therefore, the signals of a much improved macroeconomic environment and policy stability on key fiscal and monetary policy fronts will offer investors considerable comfort in firming up medium term investment decisions.

On the downside, economic growth is continuing to slow down. According to revised GDP estimates, Sri Lanka's economic growth fell to a relatively modest 4.4 per cent in 2016, well below the projected 5.8 per cent set out under the medium-term macroeconomic framework.[1] First half 2017 estimates suggest a further slowdown to 3.9 per cent. It brings the country's recent medium-term growth trajectory to below 5 per cent for nearly five consecutive

Fiscal consolidation efforts have been supported by a more prudent monetary policy framework and exchange rate management policy.

[1] See CBSL, *Annual Report 2015*, Central Bank of Sri Lanka, Colombo.

Figure 2.1
GDP Growth Trends



Source: Compiled using data from CBSL, *Annual Report*, various years.

years. Notwithstanding the impact of inclement climatic conditions that has impacted agriculture production at periodic intervals and therefore, economic output at large, a prolonged slowdown in growth is a cause of some concern.

This is particularly so in the context of limited space available to provide a fiscal and/or monetary policy stimulus to growth. Both have been tightened over the months since mid-2016. Whilst fiscal policy will continue to be contractionary, there is scope for easing monetary policy in the coming months. However, Sri Lanka's current economic environment of low growth, but rising inflation makes setting an appropriate monetary policy stance more complex. More pertinently, the effectiveness of monetary policy in stimulating the real sectors of the economy is limited. What Sri Lanka needs is productive investments that will spur export growth in goods and services to boost overall GDP growth. Monetary policy easing in the absence of broader reforms to reallocate financial resources towards productive investment will only serve to provide a short term boost to growth via an unsustainable burst of consumption spending.

2.2 Output, Savings and Investment

Despite a perceived shift in economic policy towards an export-oriented and private investment driven focus since 2015, the Sri

Lankan economy continues to exhibit a heavy dependence on construction and related non-tradeable activities to generate growth. Aside from financial services, real estate, public administration, construction, and mining and quarrying have signaled the fastest annual average growth during 2015-16 of Sri Lanka's ten largest economic sectors (Figure 2.1). By contrast, export-oriented activities such as textiles and garments are seeing a marked slowdown in output, reflected in a general dip in export earnings overall. Not surprisingly, a decomposition of overall growth indicates that the contribution of net exports to growth has remained marginal or negative over the same period.

As in the more recent past, the overall macroeconomic policy climate in up to mid-2016 stimulated a consumption-driven growth process. Fiscal profligacy and an accommodative monetary policy combined to generate excessive credit growth and bring about pressure on the exchange rate. In this environment, coupled with policy shortcomings in clarifying budgetary tax provisions, the expected pull-in of private investment on a large scale to drive growth failed to materialize.

Thus, the overall growth outcomes for the Sri Lankan economy have remained fairly subdued. Indeed, with first quarter 2017 GDP growth declining to 3.8 per cent, the country is witnessing growth dropping to below 5 per cent for possibly the fifth consecutive year. The rebasing of Sri Lanka's national accounts compilation by the DCS has also not been without its snags. Frequent revision to quarterly and annual GDP estimates through adjustments to price deflators is also instilling a degree of confusion. Nonetheless, as the only available officially released data, the marked slowdown - in part related to inclement weather conditions that has impacted agriculture production - needs to be addressed.

A prolonged slowdown in GDP will have broader implications in projecting reasonable gains in fiscal consolidation efforts - adversely impacting ratios such as public debt - and influence investor perceptions on the medium term outlook for the country. Robust growth is also necessary to support medium term revenue generation targets to provide the necessary buoyancy to tax collection. With on-going fiscal consolidation efforts and a tighter monetary policy stance squeezing any room for a macro stimulus for growth, Sri Lanka must rely on a

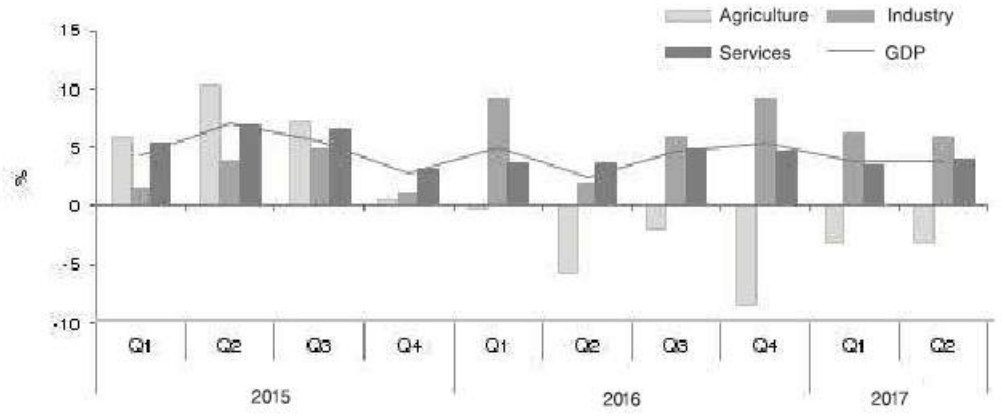
Table 2.1
Investment and Savings, 2013-2016

% of GDP	2013	2014	2015	2016
Total investment	33.2	32.3	28.4	31.5
Private[a]	22.7	22.9	n.a.	n.a.
Government[a]	6.9	6.8	n.a.	n.a.
Domestic savings	24.6	24.2	20.9	23.8
National savings	29.9	29.8	26.0	28.9

Notes: a: Based on 2002 base year national account estimates. All other estimates are based on 2010 base year national accounts.

Source: CBSL, *Annual Report*, various years.

Figure 2.2
Quarterly GDP Estimates



Source: Department of Census and Statistics, National Accounts data.

sustained economic reform effort to raise aggregate supply in the economy.

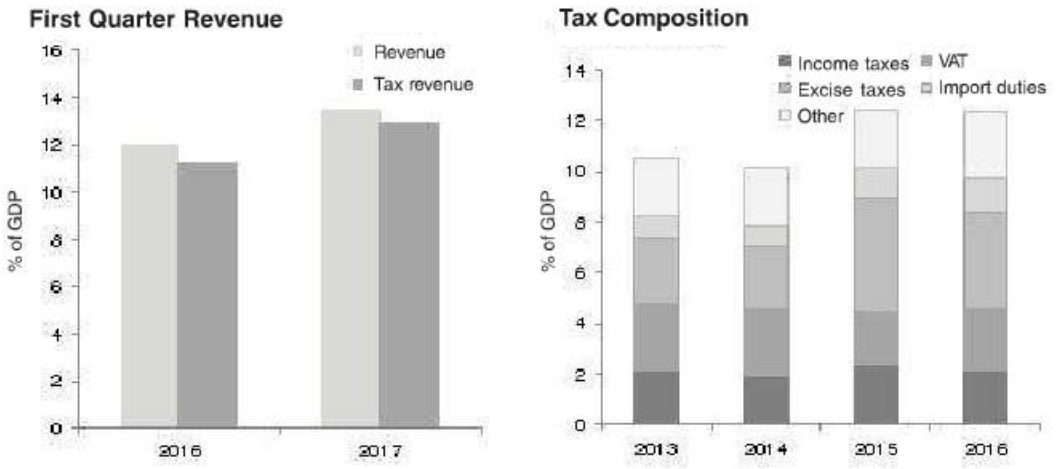
2.3 Fiscal Policy Outlook

The Sri Lankan economy faces elevated vulnerability to exogenous shocks and debt sustainability over the medium term. As such, on-going fiscal consolidation efforts, implemented from mid-2016, are generating revenue gains to the Treasury. Government tax revenue share of GDP that hit a historical low of 10.1 per cent in 2014 reversed to 12.4 per cent in 2016 on the back of increases to the VAT rate from 11 to 15 per cent and other tax amendments. Upward tax adjustment to meet immediate fiscal revenue generation targets under the IMF programme is being complemented by efforts to broaden the tax base and strengthen tax administration and compliance. Some of the notable reforms include the adoption of an Inland Revenue Act aimed at clarifying and setting guidelines on future taxation principles and the introduction of an electronic tax filing and management system - the Revenue Administration and Management Information System (RAMIS). In addition, reforms in the digital sphere intended to introduce a unique biometric identity for all nationals is also expected to help in widening the tax net and tax compliance.

The immediate returns on the tax reforms so far has been a notable jump in revenues collected from VAT, increasing by nearly 30 per cent in



Figure 2.3
Revenue Performance



Source: CBSL, *Annual Report*, various years; Ministry of Finance, Colombo.

2016. However, it must also be noted that the sharp increase is more evident as a result of the decline in VAT collection seen in 2015; taken from the 2014 base, VAT revenue increased by only 3 per cent in 2016. With a more streamlined tax system in place, revenue generation should remain buoyant in 2017. In the first quarter, revenue collection as a share of GDP is on the rise, indicative of more sustained positive gains from tax reforms.

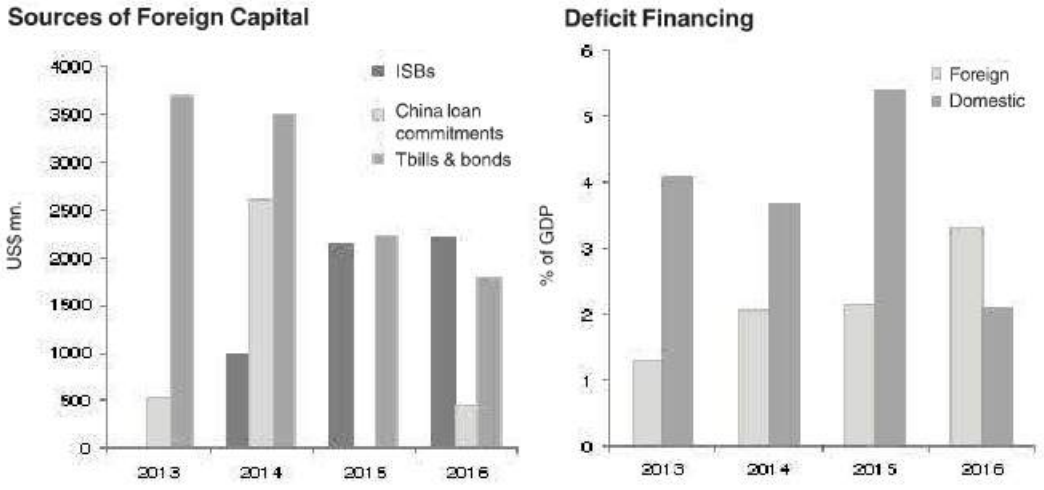
On the expenditure front, some headway has been made in holding down recurrent spending which increased to 117 per cent of total government revenue in 2015 on the back of salary hikes and higher transfer payments to households. With interest payments on debt as a share of GDP on the rise, the policy space for continued high government borrowing for fiscal purposes, including for public investment purposes, is narrowing sharply.

Table 2.2
Fiscal Indicators

	2013	2014	2015	2016
Salaries & wages, % of GDP	4.1	4.3	5.1	4.9
Interest payments, % of GDP	4.6	4.2	4.7	5.2
Transfers & subsidies, % of GDP	2.6	2.7	3.8	3.4
Recurrent spending, % of revenue	106.0	110.7	117.0	104.3
Public investment, % of GDP	5.0	4.7	5.5	5.0
Fiscal deficit, % of GDP	-5.4	-5.7	-7.6	-5.4

Source: CBSL, *Annual Report*, various years.

Figure 2.4
Foreign Capital Inflows and Deficit Financing



Source: Data from Department of External Resources and Ministry of Finance.

Sri Lanka's graduation to a low middle income economy in 2010 with restricted access to soft window development finance from multilateral agencies coincided with moves by advanced economies to stimulate economic growth through unconventional monetary policy initiatives such as quantitative easing. Countries such as Sri Lanka benefitted as ample liquidity and falling interest rates encouraged investors to look to emerging economies for higher yields. Thus, in addition to bilateral loans from new non-traditional source of development finance such as China, Sri Lanka was able to meet a higher share of its fiscal deficit financing needs through foreign finance.

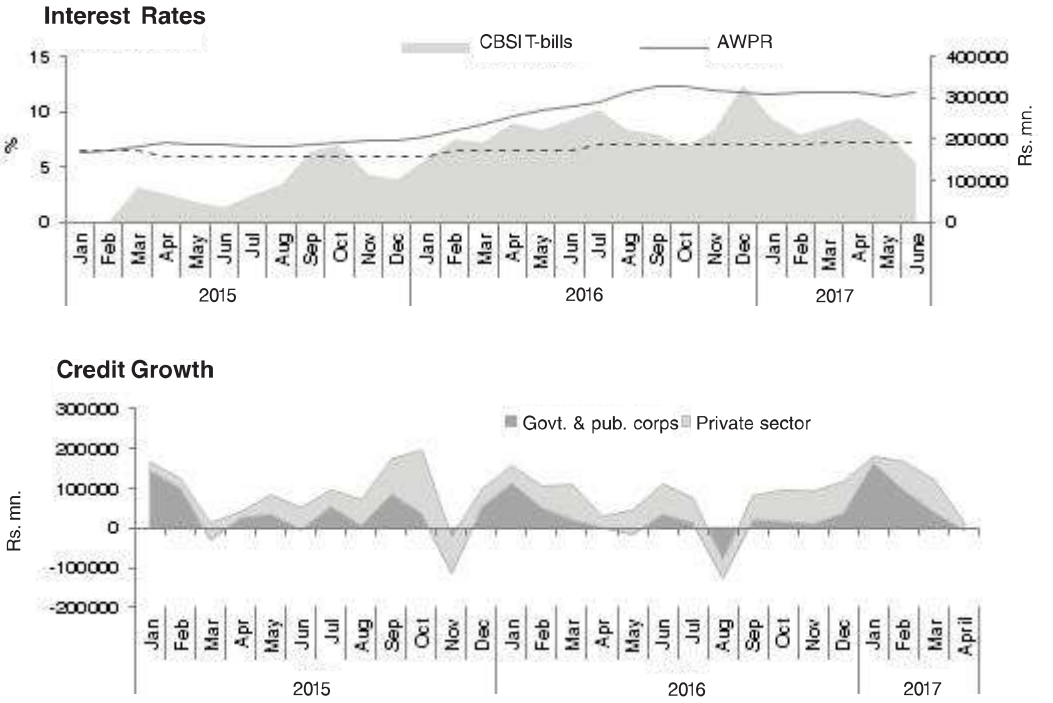
With fresh loan commitments from China drying up in 2015 in the aftermath of a temporary halt to some large scale infrastructure projects, and foreign capital inflows to Treasury bills and bonds also declining in the wake of monetary policy adjustments in the US, Sri Lanka was compelled to rely more heavily on domestic financing in 2015. At the same time, the country's reliance on International Sovereign Bond (ISB) issues also rose sharply in 2015-16, with foreign financing of the deficit rising sharply to 3.3 per cent of GDP in 2016.

Thus, despite the positive trends in revenue mobilization and the notable contraction in the overall fiscal deficit to 5.4 per cent of GDP in 2016, down from 7.6 per cent of GDP in 2015, the spill over impacts of fiscal policy management on monetary and exchange rate policies are far from resolved.

2.4 Monetary Policy and Inflation

Fiscal financing needs have often led to an accommodative monetary policy stance. A resumption of a credit cycle by end 2014 was encouraged by a downward policy rate adjustment in April 2015 as a precursor to yet

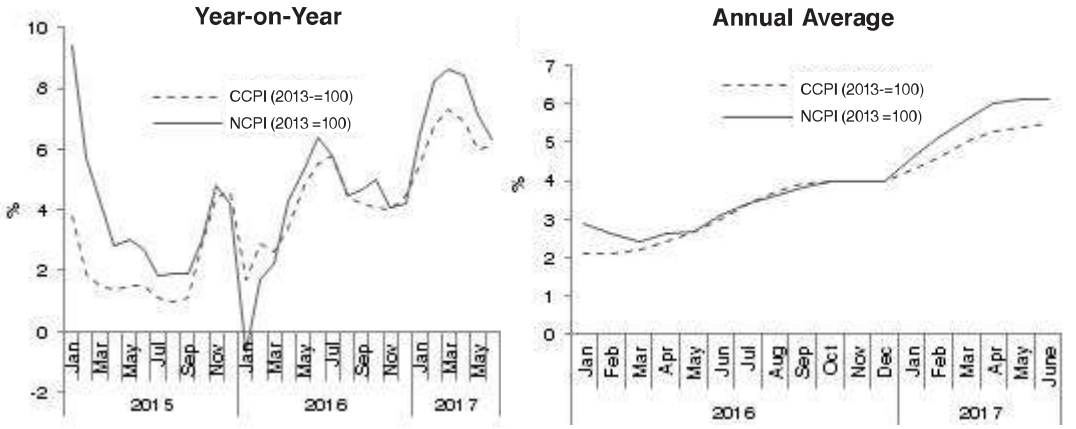
Figure 2.5
Interest Rates and Credit Growth



Source: Data from Central Bank of Sri Lanka.

another macroeconomic crisis. Import-related consumption spending exerted pressure on the exchange rate, whereby the CBSL attempted to head-off a sustained depreciation by drawing down foreign reserves and raising policy interest rates by 50 basis points (Figure 2.5). As

Figure 2.6
Inflation Trends



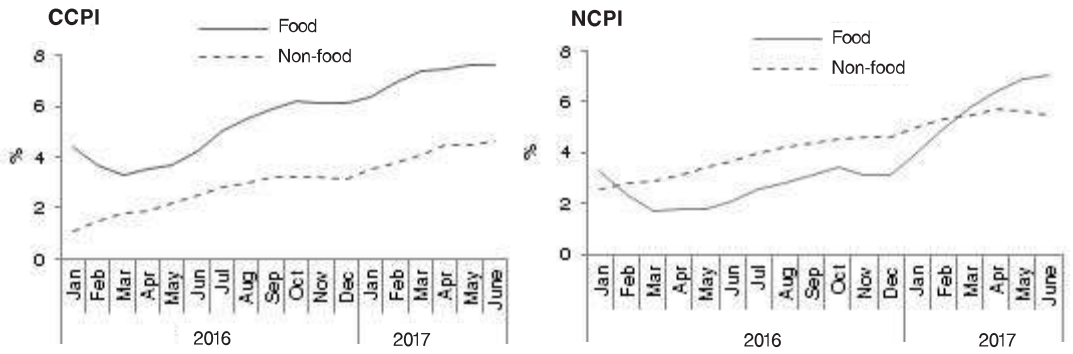
Source: Data from Department of Census and Statistics.

reserve cover dropped to 3.4 months of imports in June 2016, Sri Lanka entered into the Extended Fund Facility (EFF) arrangement with the IMF. From mid-2016, efforts to tighten monetary policy got underway with the CBSL once again raising policy interest rates by 50 basis points in July 2016 with a further 25 basis point upward adjustment in March 2017.

Both the newly formulated Colombo Consumer Price Index (CCPI) with a base year of 2013 and the National Consumer Price Index (NCPI) with the same base year are shown to be moving in tandem, although the NCPI shows a more rapid increase in inflation in 2017. The primary difference between the two indices is in the weights afforded to food and non-food categories. Food and non-alcoholic beverages carries a weight of 28.2 in the CCPI whilst it holds a much larger weight of 44 in the NCPI. The acceleration in country-wide inflation in 2017, as captured by the NCPI, is arising primarily from a notable increase in food inflation (Figure 2.7). This is not surprising in view of the inclement weather that has impacted

The acceleration in country-wide inflation in 2017, as captured by the NCPI, is arising primarily from a notable increase in food inflation.

Figure 2.7
Food and Non-food Inflation



Source: Data from Department of Census and Statistics.

on agricultural food production including the country's staple food item rice. By contrast non-food inflation has risen more rapidly in the CCPI which captures the expenditure patterns of urban household in Colombo.

Setting an appropriate monetary policy stance to combat rising inflation amidst a notable slowdown in GDP growth is always more complex. Sri Lanka's recent burst of inflation has multiple sources: an increase in the general price of goods and services brought about by tax increases; increases in food prices owing to scarcity in production as a result of unfavourable climactic impacts on the agriculture sector; and high levels of credit growth, particularly to the private sector. Some of these sources will exert a one-off impact on price levels while others will contribute to an inflationary spiral unless appropriate policy responses are put in place.

Clearly, the expansion in credit growth - and indeed in the overall money supply growth of 18.4 per cent at end 2016 with economic growth of only 4.4 per cent - was a cause of some concern. It suggests that firms and households may be using borrowed money to buy assets, particularly property that can in turn generate an asset bubble in the economy. In all other respects, indicators of consumer demand are moderate: consumer goods imports contracted by 8.4 per cent in 2016 while the growth in private consumption expenditure dropped to 4 per cent from 10 per cent in 2015.

The pre-emptive monetary tightening in the circumstances signals policy intentions to curb excessive credit expansion which can lead to destabilizing asset bubbles. It will also rein in demand-pull inflationary pressures. However, Sri Lanka's current inflationary setting suggests that there is also an element of cost-push factors that requires complementary policy measures. On its own, cost-push factors are less likely to lead to spiraling inflation on the assumption that it will not lead to a wage spiral; as prices rise, consumer may cut down on purchases or rising supply will mitigate price increases.

In Sri Lanka's current economic context of a contractionary fiscal policy on aggregate demand, there is only a moderate risk of a steady acceleration in inflation. This leaves the monetary authorities some leeway in setting medium-term monetary policy goals to revive flagging economic growth. Encouraging the private sector to borrow and invest in productive economic activities through a stable a low interest rate environment will remain a priority.

2.5 External Sector Performance and Exchange Rate Policy

Sri Lanka's monetary authorities have often sacrificed monetary-policy autonomy by adopting a constraining exchange-rate regime. The high external debt overhang as well as continued dependence on foreign currency denominated borrowing for fiscal policy support means that the country is pre-disposed to maintain a steady exchange rate even in the face of growing external sector pressures.

In overall terms, Sri Lanka's external sector performance has been poor during 2015-16, continuing the weak trends over the past decade. With export earnings growth contracting, albeit at a lower rate in 2016, the export share of GDP has continued to slip to under 13 per cent (Table 2.3). Another key area of weakness has been in attracting FDI inflows.

Table 2.3
Exports and FDI

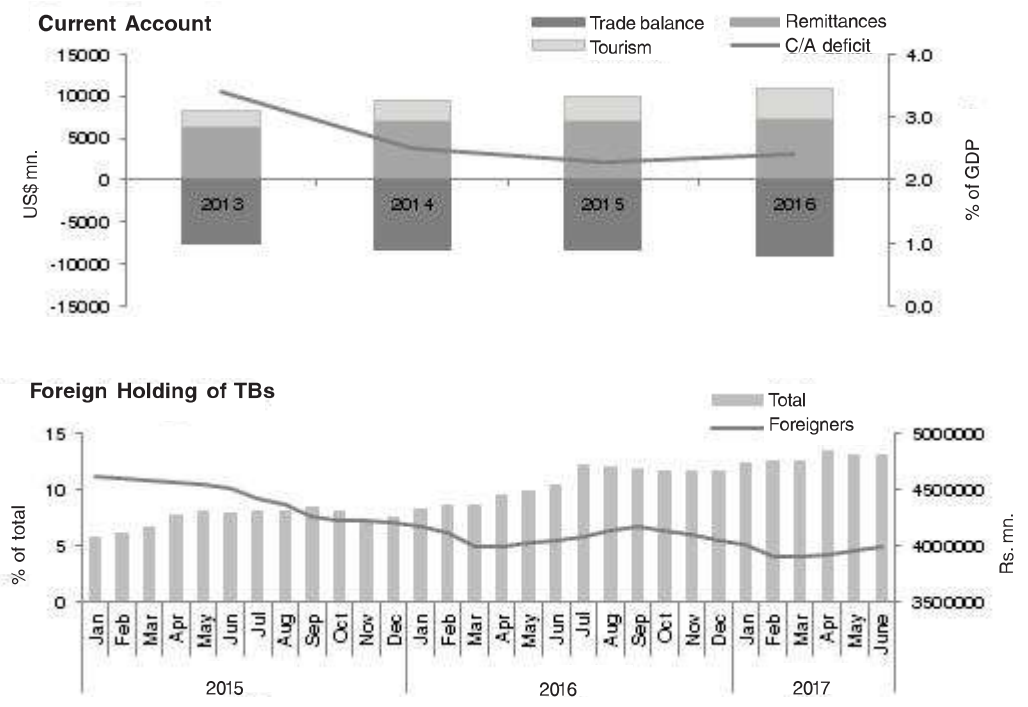
	2013	2014	2015	2016	2017 (Jan-May)
Export growth, % change	6.3	7.1	-5.2	-2.2	4.3
Export share, % of GDP	14.0	14.0	13.1	12.7	
Net FDI, US$ mn.	867.5	893.6	679.7	898.1	146.5
Net FDI, % of GDP	1.2	1.1	0.8	1.1	

Source: CBSL, *Annual Report*, various years.

While net inflows picked up in 2016 to levels prevalent in 2014, FDI remains low at 1.1 per cent of GDP. With export earnings returning to positive growth of 4.3 per cent in the first five months of 2017, Sri Lanka can perhaps anticipate a more sustained turnaround in export performance, especially with the benefits of GSP-plus in gaining preferential access to the EU market.

Despite the overall lackluster export and FDI performance, Sri Lanka's external current account position has steadied over the same period, with the deficit declining from -3.4 per cent of GDP in 2013 to 2.4 per cent of GDP in 2016 (Figure 2.8). This has come about largely as a result of steady growth in tourism earnings - from 2.3 per cent of GDP in 2013 to 4.3 per cent of GDP in 2016. By contrast, earnings from

Figure 2.8
Current Account and Capital Inflows



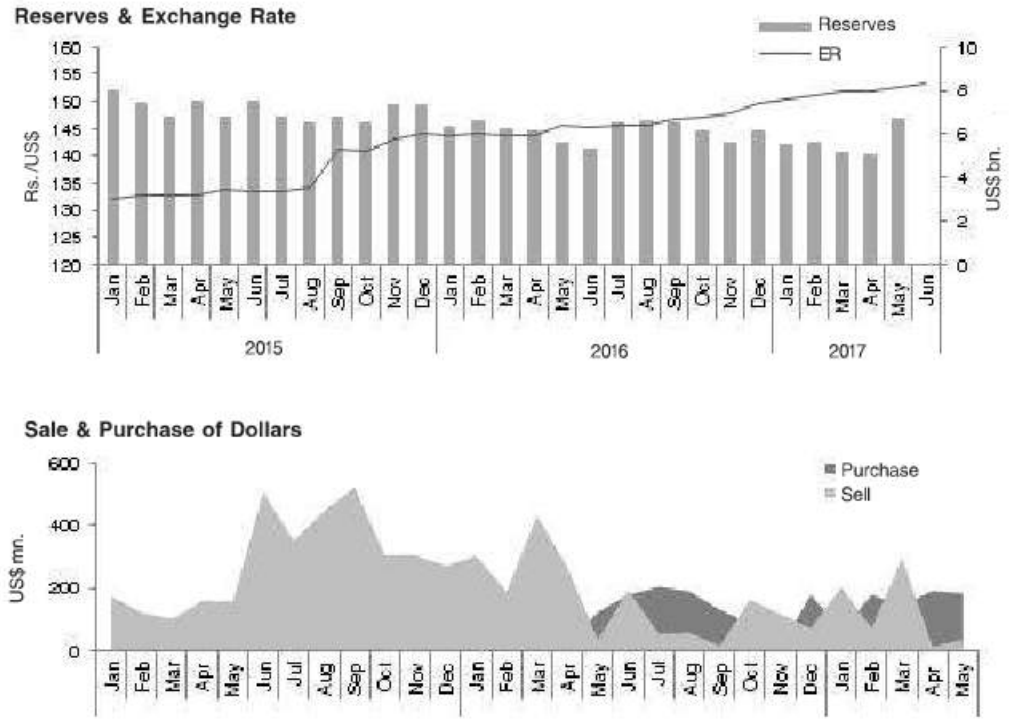
Source: Data from Central Bank of Sri Lanka.

worker remittances as a share of GDP are relatively stagnant, increasing only marginally to 8.9 per cent of GDP in 2016 from 8.6 per cent of GDP in 2013. Tourism earnings have continued to grow at 6 per cent in the first four months of 2017, whilst remittances have contracted by 6 per cent in the same period.

Foreign capital inflows were impacted not only by a slowdown in long-term foreign loans to the government, but also by a notable reduction of foreign investments into the Treasury bills and bonds market. The share of foreign holdings dropped from 11.2 per cent at the beginning of 2015 to 5.4 per cent by May 2016. Whilst the initial outflow was partly in response to domestic policy uncertainties, interest rate adjustments by the US Federal Reserve in 2016 also contributed to the momentum thereafter.

Thus, the twin impacts of monetary policy easing in April 2015 that fueled an import-related consumption spree and reduced inflows of foreign capital combined to exert continuing pressure on the exchange rate. Attempts by the monetary authorities to head-off a sustained depreciation by drawing down foreign reserves proved counter-productive. As the official reserve cover dropped to 3.4 months of imports in June 2016, Sri Lanka was compelled to enter into a three-year US$ 1.5 billion EFF arrangement with the IMF in June 2016. Immediately thereafter, the government resorted to external borrowing of US$ 1.5 billion

Figure 2.9
Exchange Rate Trends



Source: Data from Central Bank of Sri Lanka.

in the form of an ISB in July 2017 and raised a further US$ 700 million as a syndicated loan in September 2016. These capital injections helped to stem dwindling official reserves and steady the exchange rate from mid-2016.

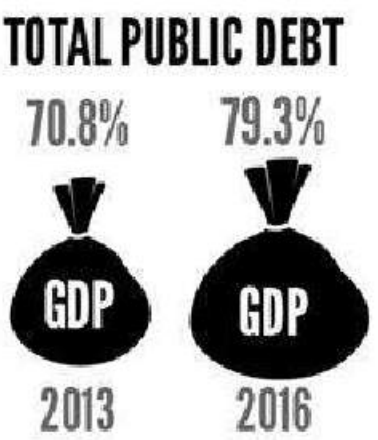
However, ten months into the EFF programme, official reserves were at a low US$ 5 billion, sufficient for only 3 months of import cover - the recommended minimum rule-of-thumb threshold. Once again, the government raised an ISB to the tune of US$ 1.5 billion in May 2017 to build the official reserves position to US$ 6.7 billion (equivalent to about 4 months of imports) by mid-2017.

Thus, Sri Lanka is not out of the woods in managing its official reserves build-up and exchange rate setting one year into its IMF programme. The release of the third tranche of the IMF loan was delayed as the country grappled with pressing external sector issues and passage of a proposed Inland Revenue Act. In the interim, the CBSL has been actively engaged in purchasing dollars from the market to build up its non-debt related official reserves position. Whilst CBSL intervention in the forex market has persisted, it has been at much reduced levels to smoothen undue volatility. Building up official reserves and managing the exchange rate remain as priorities for Sri Lanka in its overall attempts to sustain a stable macroeconomic environment and induce investor confidence on the country's medium term economic outlook. Emphasis on the above is all the more critical in view of Sri Lanka's emerging debt dynamics.

Building up official reserves and managing the exchange rate remain as priorities for Sri Lanka in its overall attempts to sustain a stable macroeconomic environment and induce investor confidence on the country's medium term economic outlook.

2.6 Debt Sustainability

The Sri Lankan economy is witnessing a growing debt overhang. Total public debt has risen to 79.3 per cent of GDP in 2016 from 70.8

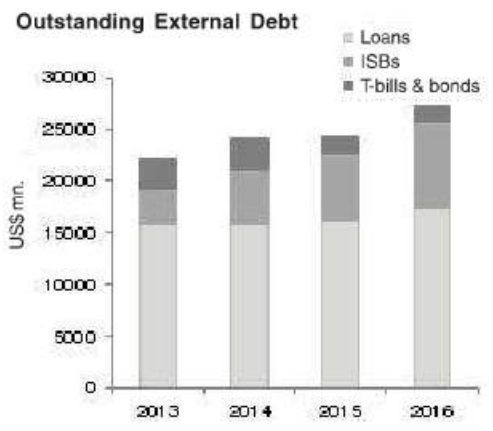


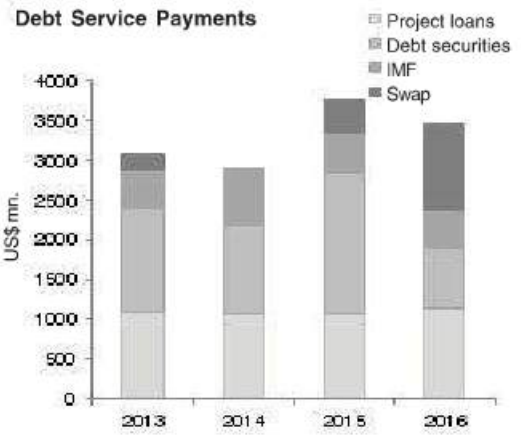
per cent of GDP in 2013. Whilst the overall composition of the public debt portfolio has not altered significantly, what is notable is that Sri Lanka's growing dependence on costly forms of foreign debt appears to be continuing despite its recognized risks and drawbacks to the economy at large.

Total general government external debt expanded by 10 per cent in 2016 to US$ 27.2 billion. Even averaging out for 2015-16, annual debt growth was 6.2 per cent compared to 4.5 per cent in the preceding two years. Given that much of the new foreign borrowing came by way of US$ 2.2 billion raised through an ISB and a syndicated loan in 2016, the share of higher cost non-concessional and commercial external borrowing has crept to 53 per cent of total public external debt, up from 51 per cent in 2015.

The increase in foreign currency borrowing is the result of both a widening funding gap and debt repayments. The notable decline in foreign investment inflows into Treasury bills and bonds has been met by issuing more ISBs and syndicated loans (Figure 2.10). At the same time, debt service payments have remained high, with a notable spike in 2015 to US$ 2.8 billion, largely from a maturing US$ 500 million ISB settlement. In 2016, however, total external debt service payments dropped to US$ 1.9 billion, keeping the total settlement of amortization and interest payments well within US 2.2 billion foreign capital market borrowings raised in the year.

Figure 2.10
External Debt





Source: CBSL, *Annual Report*, various years.

However, other competing demands such as foreign financing for budgetary needs in 2016 exceeded the estimates, requiring a fresh round of borrowing. Foreign financing of the fiscal deficit estimated at 2.3 per cent of GDP overshot to a high 3.3 per cent of GDP or approximately US$ 2.7 billion. Thus, Sri Lanka's reliance on foreign loans to drive development initiatives is on-going. Long-term loans to the government and foreign investments in Treasury bills and bonds in 2016 brought in US$ 1.4 billion and US$ 1.2 billion respectively, to cover fiscal requirements. In addition to the above, the CBSL settlement of foreign currency swaps, obtained primarily from the Reserve Bank of India (RBI) in 2015 to prop up reserves, drained a further US$ 1.1 billion as debt service payments in 2016.

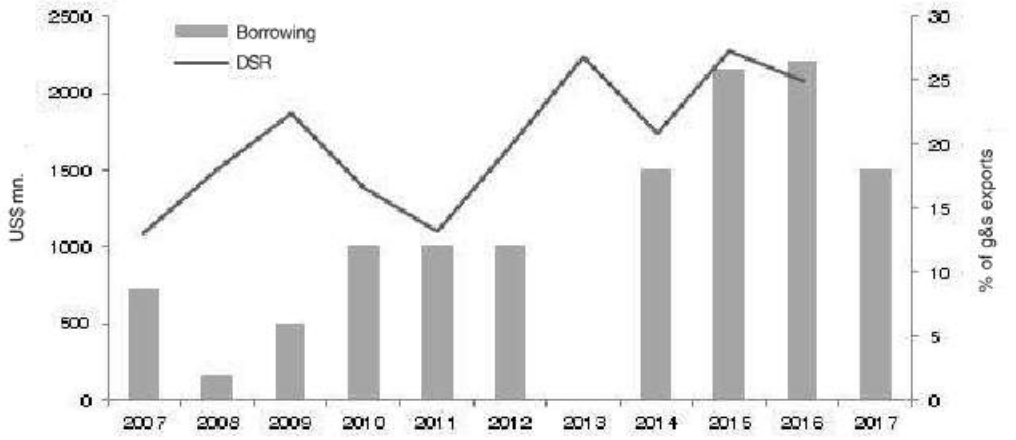
The medium-term trajectory of macroeconomic indicators suggests that debt indicators will worsen before they stand a chance of getting better. External indebtedness is typically based on two ratios - i.e., the value of total debt service to a country's national income and export earnings. These are employed given that they capture two important aspects of a country's potential capacity to service its debt; export earnings are an indicator of foreign exchange to service debt, and national income is a broad measure of income generation in an economy. By such measures, various debt indicators for Sri Lanka are worsening as GDP growth slows, and signals of a sustained recovery in exports remain elusive.

A decline recorded in Sri Lanka's debt service ratio to 25 per cent in 2016 owes more to the overall drop in debt service payments rather than to a surge in earnings from exports of goods and services. The latter is stagnating at 20 per cent of GDP for a third consecutive year.

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The combined impacts make for a risky external sector outlook for Sri Lanka in the near term even as foreign capital market borrowing continues, with US$ 1.5 billion raised in May 2017 as the latest ISB issue (Figure 2.11). Already, an estimated US$ 5.7 billion of ISBs and syndicated loans are scheduled for

Figure 2.11
Foreign Capital Market Borrowing and Debt Service Ratio



Notes: Includes ISBs and syndicated loans.
Source: Data from Central Bank of Sri Lanka.

settlement over a period of three years, beginning in 2019. Thus, the medium term risks are high in terms of Sri Lanka's capacity to withstand and ride-out any exogenous shocks to the economy.

A start has been made towards stronger debt sustainability with on-going revenue-based fiscal consolidation efforts under which the primary account deficit has shrunk from 2.9 per cent of GDP in 2015 to 0.2 per cent of GDP in 2016; debt begins to stabilize when the interest payment is exactly off-set by a primary balance. Thus, the real test of debt sustainability will come into effect with progress on fiscal consolidation efforts where improved domestic resource mobilization will lessen dependence on foreign borrowing. In the interim, the next two years are critical; Sri Lanka must urgently address the current dip in export performance and build hard currency buffers in view of its risky ISB redemption profile post-2019.

2.7 Conclusion

Sri Lanka's macroeconomic environment has suffered from fiscal dominance - high deficits and expanding levels of public debt - manifesting in high and volatile rates of inflation, interest rates and frequent balance of payments (BOP) crises. As fiscal financing shifted markedly towards dependence on foreign finance, the spill-over impacts on the macroeconomic environment have manifested in credit cycles and currency crises via monetary and exchange rate policy spheres.

Fiscal policy lies at the heart of Sri Lanka's macroeconomic crises. Imbalances in the real economy - in production, consumption, and investment - continue to produce persistent current account deficits that call for adjustments in the monetary and exchange rate spheres. In order to address these fundamental imbalances - where national expenditure exceeds national income and the production of tradeable goods and services is inadequate - a sustained fiscal

Sri Lanka must urgently address the current dip in export performance and build hard currency buffers in view of its risky ISB redemption profile post-2019.

consolidation is the key priority. It is all the more urgent in view of Sri Lanka's high and rising debt levels.

Towards this end, the current revenue-based fiscal consolidation efforts are a step in the right direction. They aim to rationalize and broaden the tax structure and tax base through a new Inland Revenue Act, and improve tax administration in the country. In addition, the financial performance of large loss-making SOEs is also receiving policy attention. If sustained, such reforms will allow a re-allocation of spending towards neglected areas such as education, health and social protection.

With the gains made in fiscal consolidation so far under the IMF's watchful eye, achieving and retaining macroeconomic stability appears more probable. Such efforts will be supported by the gradual adoption of an inflation targeting monetary policy framework and a floating exchange rate regime as spelt out in the EFF. A stronger macroeconomic base and an improved growth outlook will ease the pressing medium term challenges of debt management which the economy faces.

3. International Environment

3.1 Introduction

Year 2016 was dominated by uncertainty and pessimism on global political and economic fronts, with populist political rhetoric gaining firmer ground and resulting in the spread of nationalism and protectionism across much of the advanced world. The outlook for 2017 appears to be more favourable as both developed and developing economies are set to respond in a more determined fashion. The relatively more positive outlook, however, is underpinned by continuing uncertainty about policy outcomes associated with both the new US administration and the invoking of Article 50 by the UK to officially leave the EU (Brexit). In addition to these two key developments in international political economy, China is set to continue its domestic economic reform process, while commodity and oil prices are seeing a gradual increase with tighter financial conditions in emerging and developing economies.

With greater clarity on developments in key markets such as the US and EU, economic activity is projected to improve, by maintaining the momentum of improved economic performance during the last half of 2016.[1] As has been the case in recent years, however, global growth will rely heavily on the performance of emerging and developing economies, which are expected to grow almost twice as fast as advanced economies. That said,

The relatively more positive outlook for 2017 is underpinned by continuing uncertainty about policy outcomes associated with geopolitical developments in the US and Europe.

[1] IMF (2017), *World Economic Outlook*, International Monetary Fund, Washington D.C.

advanced economies are expected to perform stronger than what was expected earlier as a result of a reduced drag from inventories and some recovery in manufacturing output.[2] The US economy, in particular, is expected to continue its post-recession recovery at a steady pace and likely benefit further from an expected economic stimulus in year 2017. The Euro Area continues its comparatively sluggish economic growth with Germany, France, and Spain as some of the stronger performers while the rest of the region lag behind. Meanwhile, the UK is expected to grow at an even slower rate than in the previous year due to the impact of Brexit. Among other advanced economies, Japan continues to suffer from slow growth and low inflation.

Emerging and developing economies are expected to account for approximately 60 per cent of global growth for the first time since 2013.[3] India is expected to continue growing the fastest. While China's growth rate has slowed somewhat as the economy undergoes reform, projections for near-term growth have been revised upwards. Expected increases in commodity prices, particularly in oil, will further improve growth prospects for emerging and developing economies. However, there is significant variation between countries depending on their economic structures. Following weak performance in 2016, Brazil and Argentina are expected to experience a subdued recovery. Tighter financial conditions and uncertainty around US-Mexican economic relations are critical factors that will influence the outlook of Latin American emerging and developing economies.

Amidst the global turbulence, Sri Lanka's recovery from a lacklustre external sector performance appears to be in an embryonic stage. The outlook for major export-oriented industries such as apparels, textiles and rubber are improving, while projections indicate a prospective adjustment in the medium-term trade balance due to a reduced bill for imported consumer goods. However, Sri Lanka remains vulnerable to shocks in the global markets for commodities, particularly in regards to movements in oil prices. Global financial market developments, especially upward adjustment on interest rates and movements on currencies will hold important implications as Sri Lanka seeks to raise foreign capital flows into the economy. Future prospects will be heavily contingent upon the scale of fiscal reforms to restore macroeconomic stability and global investor sentiments.

3.2 Prospects for Global Economy

3.2.1 Advanced Economies: Responding to Uncertainties

The world economy is projected to grow at 3.5 per cent in 2017, faster than both the growth rate of 2015 as well as the average growth of 3.38 per cent during the past five years. In addition to the cyclical recovery in manufacturing, the global economy is also expected to benefit from buoyant financial markets. These positive expectations are largely dependent on the economic policies that are likely to be pursued by the new US

[2] *Ibid.*

[3] WB (2017), *Global Economic Prospects*, World Bank, Washington D.C.

Table 3.1
World Output (% change)

	2014	2015	2016	2017	2018
World Output	**3.5**	**3.4**	**3.1**	**3.5**	**3.6**
Advanced Economies	**2.0**	**2.1**	**1.7**	**2.0**	**2.0**
United States	2.4	2.6	1.6	2.3	2.5
Euro Area	1.2	2.0	1.7	1.7	1.6
Germany	1.6	1.5	1.8	1.6	1.5
France	0.6	1.3	1.2	1.4	1.6
Italy	0.1	0.8	0.9	0.8	0.8
Spain	1.4	3.2	3.2	2.6	2.1
Japan	0.3	1.2	1.0	1.2	0.6
United Kingdom	3.1	2.2	1.8	2.0	1.
Emerging Markets and Developing Countries	**4.7**	**4.2**	**4.1**	**4.5**	**4.8**
Russia	0.7	-2.8	-0.2	1.4	1.4
China	7.3	6.9	6.7	6.6	6.2
India	7.2	7.9	6.8	7.2	7.7
Brazil	0.5	-3.8	-3.6	0.2	1.7
ASEAN - 5	4.6	4.8	4.9	5.0	5.2

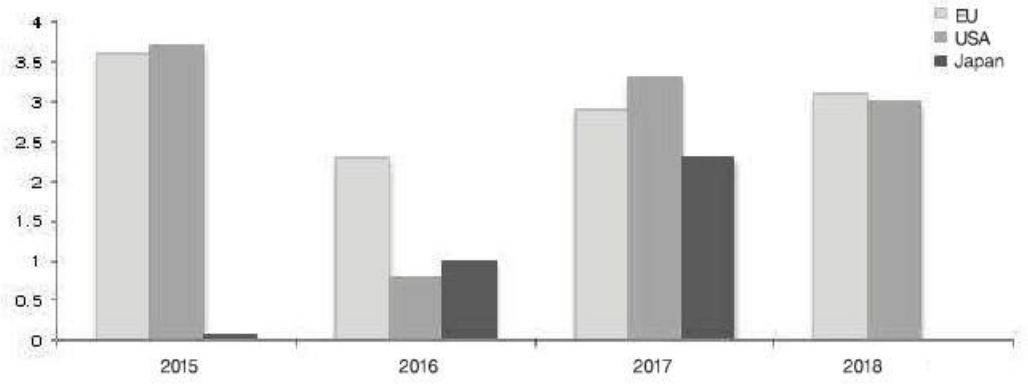
Source: IMF (2017), *World Economic Outlook*, International Monetary Fund, Washington D.C.

administration. Any setbacks from binding structural impediments such as low productivity growth and high income inequality increase can raise demands for protectionist policies in advanced economies. Combined with the ever-looming threat of international terrorism and other domestic and global security concerns, populist sentiment is gaining a stronghold in developed economies and could curtail their growth potential in the near term.

Among advanced economies, the US is expected to recover from its relatively slower progress in 2016, the result of lower than expected business and government investment. However, unemployment rates were close to pre-recession levels at 4.7 per cent by end 2016. The stronger growth estimate of 2.3 per cent in 2017 is expected from growing consumer confidence and higher rates of investment (Figure 3.1).

Expected growth, however, could diverge significantly away from its projections depending on policy outcomes. Since the election of President Trump in November 2016, markets have signalled increased confidence due to the expectation of a more business friendly economic policy. Similarly, even though the election campaign was fraught with declarations of protectionist policies such as naming China as a 'currency manipulator' and imposing higher tariffs on imports from Mexico, such concerns have been somewhat assuaged,

Figure 3.1
Total Investment, Volume (% change)



Source: EU (2017), "European Economic Forecast - Winter 2017", European Commission, Brussels.

at least for the time being.[4] The Dow Jones gained 8 per cent in the five weeks after the election, recording the biggest post-election surge in the stock market in US history. This momentum also continued into the initial period of the new administration as US consumer confidence surged to a 16 year high in February 2017.[5] Further, expectations of laxer fiscal policies and deregulation in the US have contributed to a stronger dollar and higher US treasury interest rates, improving yields elsewhere.[6]

Nonetheless, slow progress on issues such as rolling back regulations, corporate tax reforms, and a US$ 1 trillion infrastructure-spending programme has diminished the positive outlook on the new administration.[7] Even though the administration introduced its broad tax cut proposals, its successful passage remains uncertain due to opposition across the aisle.[8] Early economic indicators during the year appear to support growing scepticism about the successes of legislative measures that would spur the economy further. In the first quarter 2017, GDP growth dropped to 0.7 per cent rather than the projected 1 per cent. In addition to slow progress on the domestic policy front, uncertainties regarding US external policy have increased fears even further among the private sector. For instance, the US was reportedly close to terminate its participation in the North

[4] Swanson, A., and D. Paletta (2017), "Trump Says He Will Not Label China Currency Manipulator; Reversing Campaign Promise", *Washington Post*, April 12, 2017. Available at https://www.washingtonpost.com/news/wonk/wp/2017/04/12/trump-says-he-will-not-label-china-currency-manipulator-reversing-campaign-promise/?utm_term=.d15142d0ed05.

[5] Laya, P. (2017), "U.S. Consumer Confidence Unexpectedly Surges to a 16-Year High", Bloomberg, https://www.bloomberg.com/news/articles/2017-03-28/u-s-consumer-confidence-rises-to-highest-since-december-2000.

[6] IMF (2017), *World Economic Outlook*, International Monetary Fund, Washington D.C.

[7] Zumbrun, J. (2017), "Economic Gauges Rise Under Trump, But Some Question their Longevity", *The Wall Street Journal*, April 27, 2017. Available at https://www.wsj.com/articles/economic-gauges-rise-under-trump-but-some-question-their-longevity-1493285410?mod=e2twe.

[8] Rubin, R. (2017), "Trump Unveils Broad Tax Cut Plan", *Wall Street Journal*, April 26, 2017. Available at https://www.wsj.com/articles/mnuchin-says-trump-will-offer-biggest-tax-cut-in-u-s-history-1493213275?mod=cx picks&cx_navSource=cx_picks&cx_tag=video&cx_artPos=1#cxrecs_s .

Atlantic Free Trade Agreement (NAFTA) before changing course and agreeing to update the agreement instead. Similar threats were also made regarding the termination of the US-South Korea Free Trade Agreement (Korus). Consequently, while the overall expectation is for the US economy to grow at a significantly higher rate than in 2016, its progress is severely dependent on domestic legislative successes and greater policy stability on external affairs, especially in regards to trade.

The EU continues its sluggish recovery hampered further by the UK triggering Article 50 of the Lisbon Treaty to leave under the Brexit vote. Since the UK's referendum on Brexit, the British pound depreciated dramatically and is since trading approximately 15 per cent and 12 per cent lower compared to the US dollar and euro respectively, than it was before the referendum.[9] While the depreciation has helped British exporters in the immediate term, costs of imports have increased and have consequently had a negative impact on the manufacturing industry, which depends heavily on imported raw materials. Record low UK interest rates, reduced from 0.5 per cent to 0.25 per cent by the Bank of England following the referendum, have further contributed to the low value of the British pound.

Even though the UK did not experience a drastic economic impact following the referendum during the last quarter of 2016, it appears to be experiencing a Brexit related slowdown during the first quarter of 2017, growing by a worse-than-expected 0.3 per cent. Considerable uncertainty prevails as the British government and the EU negotiate an agreement regarding Brexit. Arguably, the economic impact of Brexit will mostly be determined by the question of British access to the European Common Market. However, the EU has noted that a trade deal will not be negotiated until final terms on Brexit on issues such as payments and citizens' rights are finalised. The surprise UK general election and the subsequently unexpected result leading to the ruling Conservative Party losing their majority in parliament have increased the uncertainty even further. Notably, growth projections for emerging and developing economies have remained largely unchanged in response to Brexit.

Elsewhere in the EU, private consumption is expected to remain the main driver of economic growth in the region, complemented by sustained improvements in employment and a rise in nominal wage growth. The Euro area is therefore projected to grow by 1.6 per cent and 1.8 per cent in 2017 and 2018, respectively. In addition to the outcome of Brexit, the future of the EU is notably influenced by domestic politics, especially in France and Germany where anti-EU populist movements have made significant gains. The pro-EU movement stemmed the populist movement and gained a significant victory in France through the election of Emmanuel Macron as President and the subsequent comprehensive victory of his centrist party during parliamentary elections. While this victory bolstered the stance of German Chancellor Angela Merkel as well, some concerns remain if this regional position of strength can be translated to a meaningful electoral victory locally.

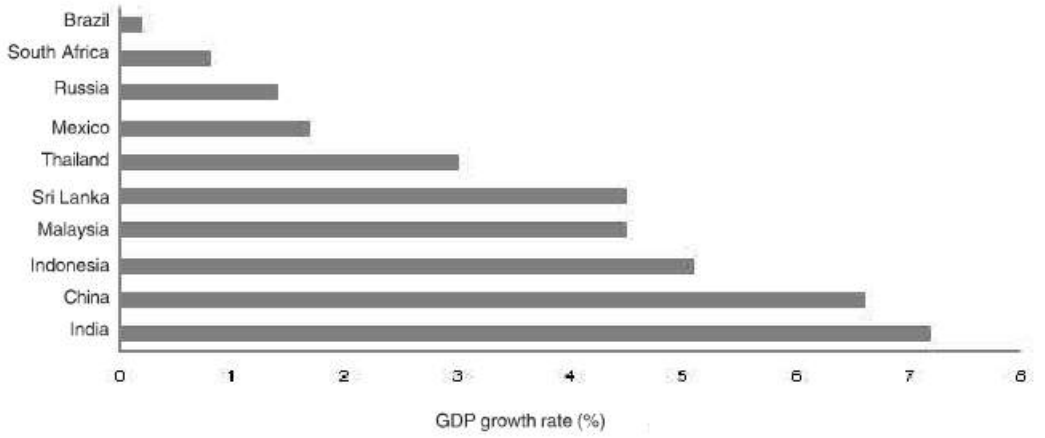
[9] Bowler, T. (2017), "How Has the Economy Fared Since the Brexit Vote?", BBC, http://www.bbc.com/ news/business-36956418.

Following two consecutive years of decline in consumption and an expected slowdown in economic growth in 2016, Japan paused its fiscal consolidation efforts. The government supported two fiscal packages during the first half of 2016, with a subsequent package estimated at 1.5 per cent of GDP for the 2016-2017 fiscal year. These fiscal packages were further complemented by a decision to delay a consumption tax hike scheduled to be implemented in April 2017. Buoyed by these fiscal packages, the Japanese economy grew by 1 per cent despite the appreciation of the yen and a decrease in business investment. The economy is expected to grow by 1.2 per cent in 2017. Faster growth will be critical for Japan to reverse its growing public debt, projected to increase up to 240 per cent of GDP by 2018.[10]

3.2.2 Emerging Economies: Mixed Performances

Even though emerging and developing economies are expected to headline global growth in 2017, performance among these countries is varied. China's growth trajectory remains strong due to continued policy support, albeit in the context of a major restructuring of the domestic economy. Economic activity in India, on the other hand, slowed due to its initiative to demonetize the Indian economy and Brazil is still recovering from a deep recession. Meanwhile, commodity exporters continue to face challenges as commodity prices increase, but remain at low-levels.

Figure 3.2
GDP Growth of Emerging and Developing Countries (Selected Economies), 2017



Source: IMF (2017), *World Economic Outlook*, International Monetary Fund, Washington, D.C.

[10] OECD (2016), *Japan Economic Forecast Summary*, Organisation for Economic Co-operation and Development, Paris.

China's economy is expected to grow at 6.6 per cent in 2017 propelled by a government stimulus. The stimulus is aimed at addressing concerns regarding a slowdown whilst the country undergoes a triple transition in moving from industry to services, shifting focus from exports to domestic markets, and from investment to consumption. However, it should be noted that a credit-led growth strategy would be detrimental to the economy in the long-run and should be seen as mostly a short-term intervention. Furthermore, an increase in capital outflows during the last quarter of 2016 due to a weakened Yuan has increased the debt risk to the Chinese economy.[11]

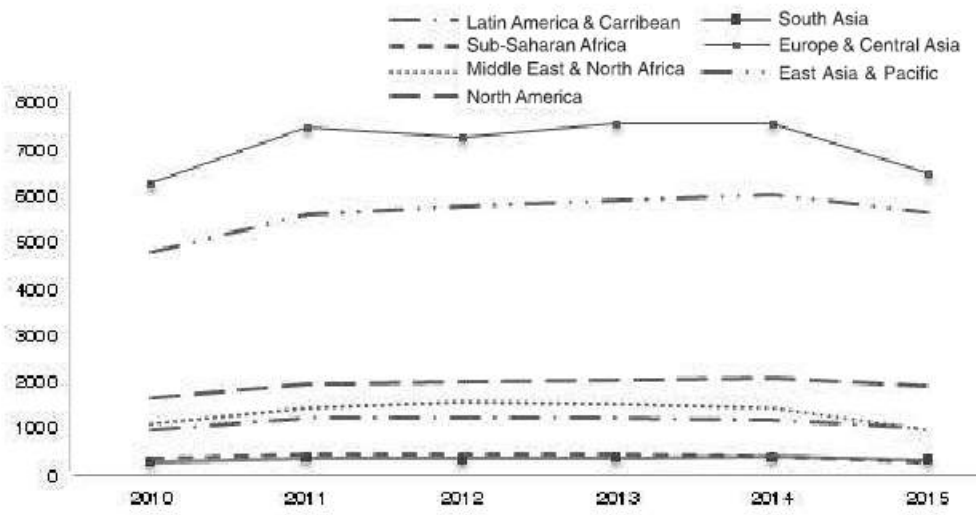
India's demonetization scheme, which voided 86 per cent of cash in circulation, created a short-term shock to the economy during the last quarter of 2016 and early 2017. However, the economy is expected to recover once cash shortages ease and grow at 7.2 per cent in 2017 with further economic reforms expected to take place. Elsewhere in Asia, emerging and developing economies are expected to perform well due to a combination of robust domestic demand and a gradual recovery in commodity prices. However, the region remains particularly vulnerable to external shocks in the US and Europe.

3.3 World Trade and Commodity Prices

3.3.1 Expected Recovery in World Trade

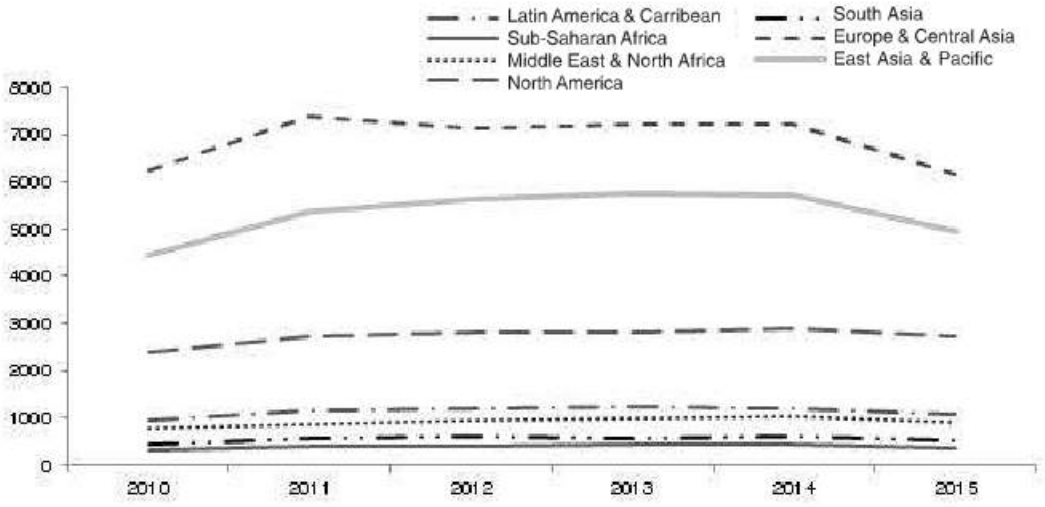
During 2016 world trade experienced a tepid performance with the ratio of trade growth to GDP growth falling below 1:1 in 2016 for the first time since 2001. This was mainly due to the slowdown in emerging market economies. Expected growth in both emerging and

Figure 3.3
Merchandise Exports by Region (US$ billions)



[11] IMF (2017), *World Economic Outlook*, International Monetary Fund, Washington D.C.

Figure 3.4
Merchandise Imports by Region (US$ billions)



Source: WTO (2017), *Trade Statistics and Outlook - April 2017*, World Trade Organization, Geneva.

developing as well as advanced economies, however, is likely to influence a rebound in international trade. The world merchandise trade volume is forecasted to grow 2.4 per cent in 2017. However, these projections are notably sensitive to developments in international political economy. Spikes in inflation leading to higher interest rates, tighter fiscal policies, and the imposition of protectionist measures to curtail trade could undermine higher growth in trade. Therefore, growth in trade is placed within a broad range of 1.8-3.6 per cent.[12]

Several risk factors converged to severely diminish the growth of international trade to an unusually low 1.3 per cent in 2016. Imports of developed countries grew by 2 per cent while those of developing economies stagnated at 0.2 per cent. Exports in both developed and developing economies recorded modest growth at 1.4 per cent and 1.3 per cent, respectively.[13] Overall, trade in Asia grew by 2 per cent while South America, the Middle East, regions in Africa, and the Commonwealth of Independent States recorded steep declines in imports.[14] Notably, exports and imports in Europe grew faster than that of North America, which has somewhat stagnated since early 2015. In fact, North America contributed just 0.1 per cent to world import growth last year. In contrast, Asia and Europe contributed 49 per cent and 39 per cent of global import demand.[15]

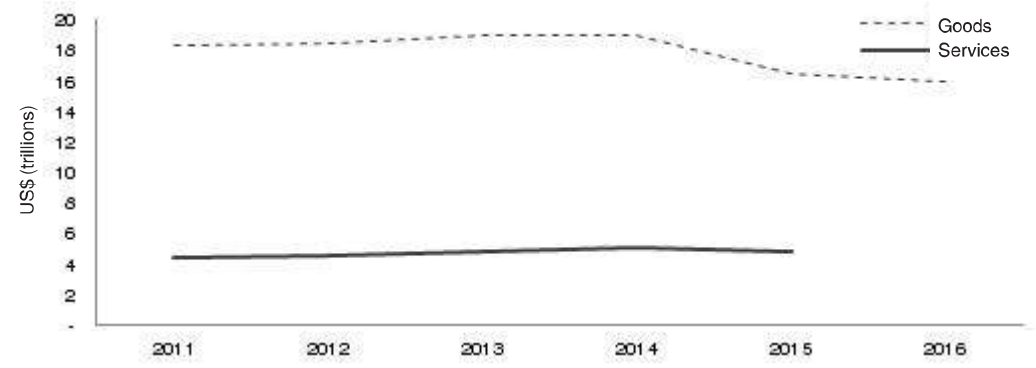
[12] WTO (2017), *Trade Statistics and Outlook - April 2017*, World Trade Organization, Geneva.

[13] *Ibid.*

[14] The Economist (2017), "Asia's Exports Rebound", *The Economist*, February 18, 2017, available at http://www.economist.com/news/finance-and-economics/21717108-trade-figures-augur-well-global-economy-asias-exports-rebound.

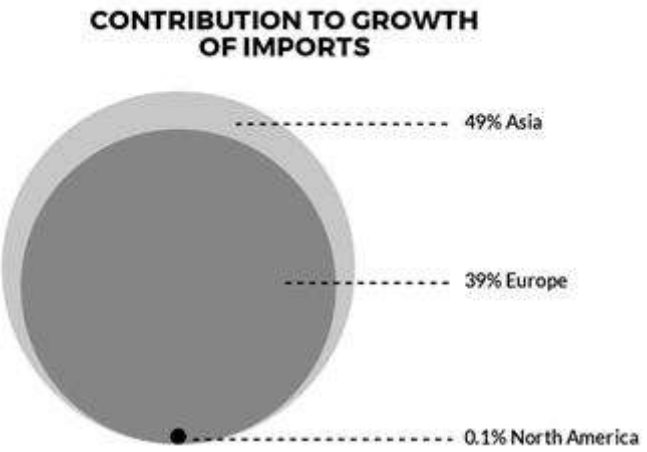
[15] WTO (2017), *Trade Statistics and Outlook - April 2017*, World Trade Organization, Geneva.

Figure 3.5
Global Exports of Goods and Services, 2011-2016 (US$ millions)



Source: WTO Statistics Database (2017).

Trade in commercial services effectively remained stagnant following a fall of 5.5 per cent in value in 2015. Among the major service categories, the dollar value of commercial service exports has grown since 2013. However, total commercial services trade grew by just 0.1 per cent in 2016 and transport services fell by 4.7 per cent. On a regional scale, Asia accounted for the largest regional year-on-year increase in services trade in 2016 for both exports and imports (0.9 per cent and 2.6 per cent, respectively).[16] Meanwhile Africa, the Middle East, and the Commonwealth of Independent States accounted for the largest declines of -0.6 per cent and -7.4 per cent growth. These trends indicate that service trade is less volatile than the merchandise trade.[17]



[16] *Ibid.*

[17] Constantinescu, C. *et. al* (2017), *Global Trade Watch: Trade Developments in 2016*, World Bank,Washington D.C.

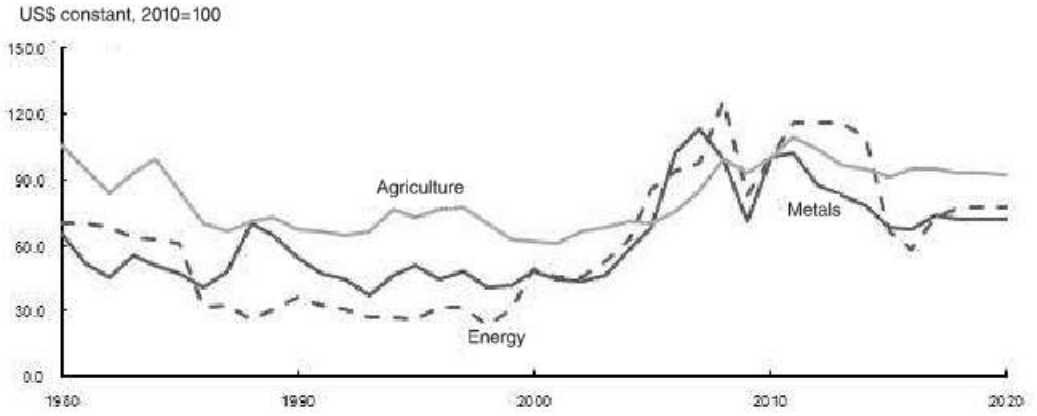
Beyond trade performance indicators, the Trump administration's decision to terminate US involvement in the Trans Pacific Partnership (TPP) is likely to significantly alter long-term trends in international trade. The TPP, which includes 12 member countries representing roughly 40 per cent of global output, was the Obama administration's signature trade legislation. The mega-regional trade agreement was expected to usher in an era of new trade norms following the stagnation of the Doha Agenda at the WTO. With the US no longer participating in the agreement, as a whole, the agreement will fail to take effect. A similar mega-regional, Trans-Atlantic Trade and Investment Partnership (TTIP), between the US and EU member countries has also failed to materialise due to irreconcilable differences between the negotiating parties and the imminent exit of UK from the EU.

The failure of both the TPP and the TTIP has created a vacuum to determine the future of global trade rules. This vacuum is expected to be filled by the Regional Comprehensive Economic Partnership (RCEP) agreement currently under negotiation between the 10 member states of the Association of Southeast Asian Nations (ASEAN) and six other nations with which it currently has existing free trade agreements. Given the participation of China and India, the agreement accounts for 46 per cent of the global population and approximately 24 per cent global GDP. Although negotiations have made scant progress so far, the withdrawal of the US from the TPP and the shift in focus of international trade away from the US has given impetus to fresh negotiations with emerging and developing economies being granted a unique opportunity to dictate the future rules of trade.

3.3.2 Gradual Increase in Commodity Prices

In response to gradual growth across economies, prices for most industrial commodities have continued to strengthen

Figure 3.6
Annual Commodity Price Indexes



Source: WB, *Commodity Markets Outlook - 2017*, Washington, World Bank, D.C.

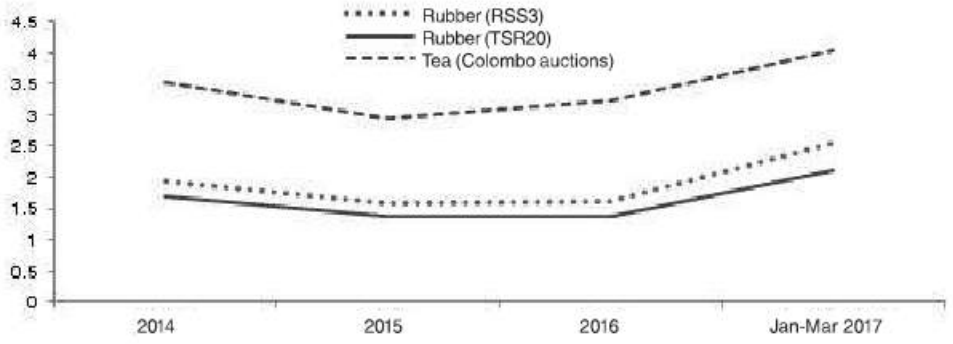
while global agricultural prices remain broadly stable. Oil prices are expected to rise to an average of US$ 55 per barrel (bbl) in 2017 from US$ 43/bbl in the preceding year.[18] Oil prices currently remain on a steady trajectory due to balancing forces: upward pressures due to production cuts agreed by the Organization of Petroleum Exporting Countries (OPEC) and non-OPEC oil producing countries and downward pressures due to high stocks enabled by the unexpected rebound of the US shale industry. Albeit gradual, the increase in oil prices will benefit net oil exporting countries while increasing balance of payments pressures on net oil importing countries such as Sri Lanka.

In other commodities, following several quarters of falling prices, there is evidence to suggest an uptick in prices. The increase in rubber prices is likely to be spurred on by improvements in manufacturing growth from the latter half of 2016, especially in the US and China.[19] Meanwhile tea prices have increased as a result of gradual increase in demand while also being affected by climatic conditions in major tea producing economies such as Kenya.

3.4 Global Investment Trends

Weak economic growth and lacklustre trade volumes also resulted in global FDI falling by 13 per cent in 2016, reaching approximately US$ 1.52 trillion. The impact of falling FDI, however, varied across regions and reflected the heterogeneity in the impact of the global economic environment on countries. Across the board, developing countries faced a 20 per cent fall in FDI flows to an estimated US$ 600 billion. Europe experienced an even more significant drop of 29 per cent to an estimated US$ 385 billion while modest gains were made in advanced economies of North America, Australia, and Japan.[20]

Figure 3.7
Trends in Selected Commodity Prices



Source: Compiled using WB (2017), Commodities Price Data (The Pink Sheet) - April 2017.

[18] WB (2017), *Commodity Markets Outlook*, World Bank, Washington D.C.

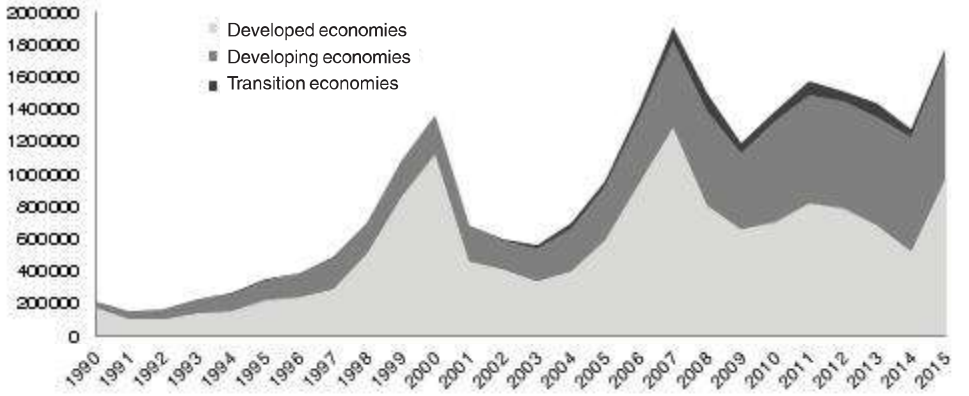
[19] Terazona, E. (2016), "China's Buoyant Car Sales Boost Rubber Price", *Financial Times*, https://www.ft.com/content/c5609618-c127-11e6-81c2-f57d90f6741a.

[20] UNCTAD (2017), *Global Investment Monitor No. 25*, United Nations Conference on Trade and Development, Geneva.

The US remained the largest recipient of FDI in 2016, attracting an estimated US$ 385 billion in inflows, followed by the UK (US$ 179 billion), and China (US$ 139 billion). Notably, even though developing economies suffered from a significant drop in FDI inflows, they comprise half of the top 10 host countries for FDI in 2016.

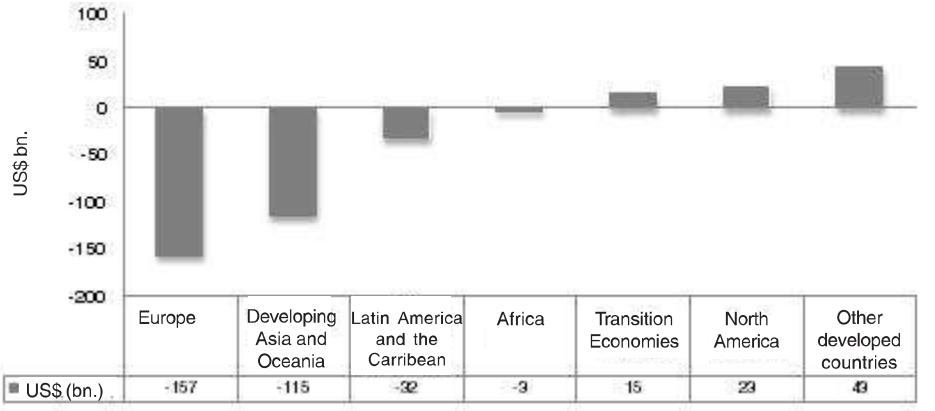
Projections for 2017 by UNCTAD indicate that FDI flows will mirror the performance of global economic growth indicators and trade volumes by experiencing a potential rebound of approximately 10 per cent. However, the increases will depend on several factors. For instance, the 'normalization' of US monetary policy may significantly alter the composition

Figure 3.8
Global FDI Inflows by Group of Economies (1990-2015)



Source: UNCTAD (2017), *Global Investment Monitor No. 25*, United Nations Conference on Trade and Development, Geneva.

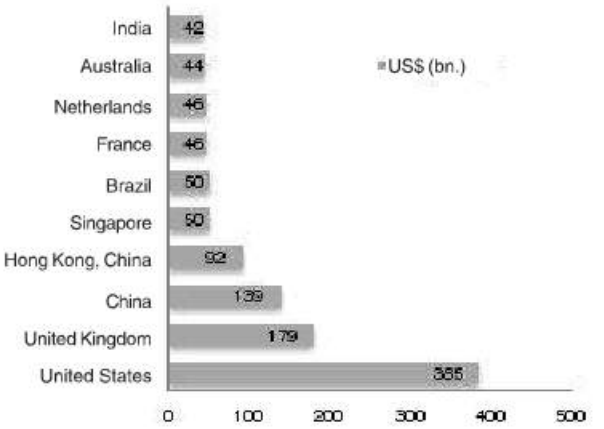
Figure 3.9
Regional Contribution to Global FDI Flows (2015-2016)



Source: UNCTAD (2017), *Global Investment Monitor No. 25*, United Nations Conference on Trade and Development, Geneva.

Weak economic growth and lacklustre trade volumes also resulted in global FDI falling by 13 per cent in 2016, reaching approximately US$ 1.52 trillion.

Figure 3.10
Estimated FDI inflows: Top 10 Host Economies, 2016



Source: UNCTAD (2017), *Global Investment Monitor No. 25*, United Nations Conference on Trade and Development, Geneva.

of capital flows and have a knock-on effect on exchange rates and the economic performance of other countries. This is particularly important for emerging and developing economies that benefitted from capital inflows while US interest rates remained low during the post-recession recovery period. Moreover, Brexit can also lead to a redistribution of capital as firms move out of the UK in order to preserve access to the European Common Market.[21]

3.5 Implications of External Environment Developments on Sri Lanka

3.5.1 Merchandize Trade Overview

Sri Lanka's external sector performance for 2016 is in line with recent lackluster trends where, barring a few outlier years, the trade balance has persistently worsened. Aggregate export earnings contracted further in 2016 to approximately 12.7 per cent of GDP in 2016,[22]

[21] Watts, J. (2017), "Third of Manufacturing Firms Want to Move Some Operations Out of UK After Brexit", *Independent*, February 22, 2017. Available at http://www.independent.co.uk/news/uk/politics/brexit-latest-third-manufacturing-firms-leave-uk-eu-article-50-report-kpmg-a7594606.html.

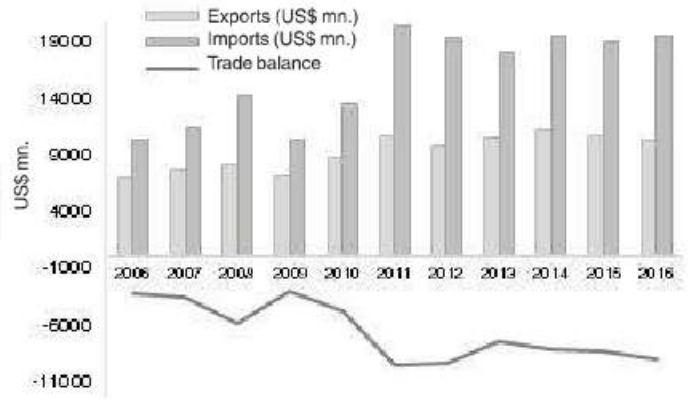
[22] WTO (2017), *Trade Statistics and Outlook* - April 2017, World Trade Organization, Geneva.

compared to 13.1 per cent in the previous year. Sri Lanka's share of world exports however remains roughly the same. As per WTO data, Sri Lanka's share of world exports remains at 0.07 per cent in 2016. The contraction in the country's export to GDP ratio is particularly concerning given the large disparity in the value of exports between Sri Lanka and its regional competitors. In comparison, Malaysia, Thailand and Vietnam had an export to GDP ratio of 67.5 per cent, 54.2 per cent and Vietnam 83.7 per cent, respectively, in 2015.[23]

Sri Lanka's merchandize export earnings contracted by 2.2 per cent in 2016 to an estimated US$ 10.3 billion, while imports grew by 2.5 per cent to US$ 19.4 billion. Thus, the trade deficit deteriorated further to 11.2 per cent of GDP from 10.4 per cent in 2015.

The US, UK, India, Germany and Italy continue to be the largest markets for Sri Lankan products. Merchandize outflows to these nations accounted for 51.8 per cent of aggregate exports in 2016 (Table 3.2).

Figure 3.11
Sri Lanka's Trade Performance



Source: CBSL, *Annual Report 2016*.

Table 3.2
Sri Lanka's Primary Export Markets

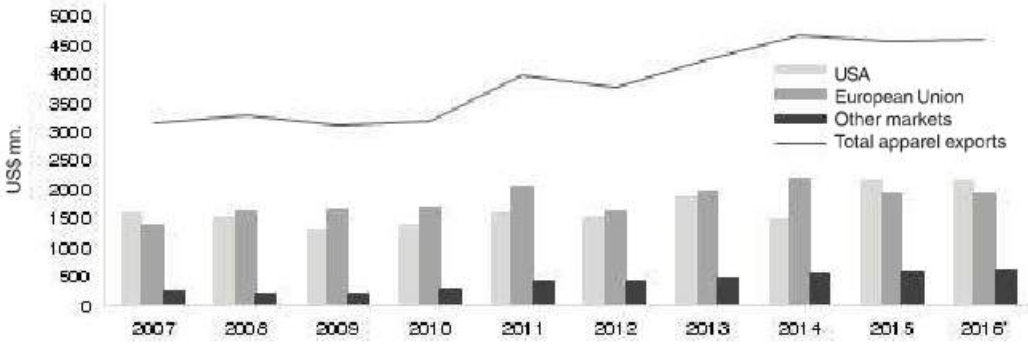
	2015		2016	
	Value ($ mn.)	Composition (%)	Value ($ mn.)	Composition (%)
US	2,810	26.6	2,810	27.3
UK	1,029	9.8	1,044	10.1
India	643	6.1	554	5.4
Germany	476	4.5	500	4.8
Italy	434	4.1	430	4.2

Source: CBSL, *Annual Report 2016*.

Sri Lanka's merchandize export earnings contracted by 2.2 per cent in 2016 to an estimated US$ 10.3 billion, while imports grew by 2.5 per cent to US$ 19.4 billion.

[23] *Ibid.*

Figure 3.12
Apparel Exports to Primary Destinations and Aggregate



Source: Data from the Export Development Board (EDB) and the Joint Apparel Association Forum (JAAF).

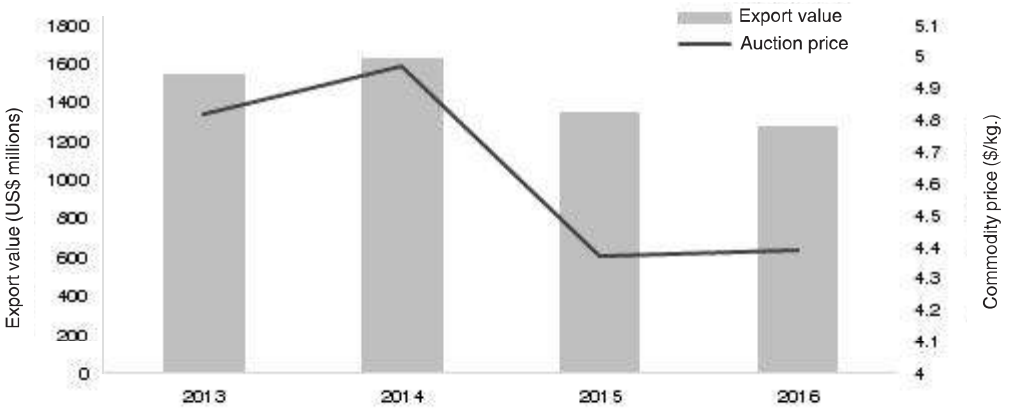
The Textile and Garments (T&G) sector remains the flag bearer for Sri Lankan merchandize exports in international markets. The annual contributions from this sector amounted to approximately US$ 4.9 billion. This amounts to 61.5 per cent of industrial exports and 47.3 per cent of aggregate merchandize exports. The T&G sector shows modest signs of recovery, with earnings expanding by 1.3 per cent in 2016.

The US continues to be the primary export market for Sri Lankan T&G for the second consecutive year, garnering a revenue share of 45.7 per cent for 2016. T&G exports into the EU, traditionally Sri Lanka's largest market for such produce, has shown a miniscule rise in value with earnings approximated to be US$ 1.9 billion in 2016. The export of T&G to other markets (including India and China) increased by 7 per cent during 2016. However, the sector remains heavily dependent on the US and EU markets, with approximately 87 per cent of export earnings derived from these destinations alone. The government's successful negotiations to regain GSP+ concessions is highly encouraging as subsequent tariff waivers will help reinvigorate sector performance. However, some apprehension is well advised; the prevailing turbulence in the European political sphere, coupled with the weakening of the pound, may offset the gains induced by renewed preferential trade concessions.

Another important export commodity for Sri Lanka is tea. Earnings from tea exports continue to be a significant foreign currency earner, garnering approximately US$ 1.3 billion worth of revenue in 2016. The sector still accounts for 55 per cent of Sri Lanka's aggregate agricultural exports and approximately 12 per cent of total merchandize exports. Revenue has been receding in recent times (recent performance indicates a 5.3 per cent year-on-year contraction in exports) with the sector routinely hampered by international price volatility, instability in primary markets and incessant supply side constraints.

Of particular concern is the deteriorating demand for Ceylon tea in primary international markets. For instance, exports to Russia - Sri Lanka's largest national market for tea - has declined from US$ 228 million in 2014 to US$ 143 million in 2016. This decline in bilateral

Figure 3.13
Tea Exports and Auction Prices

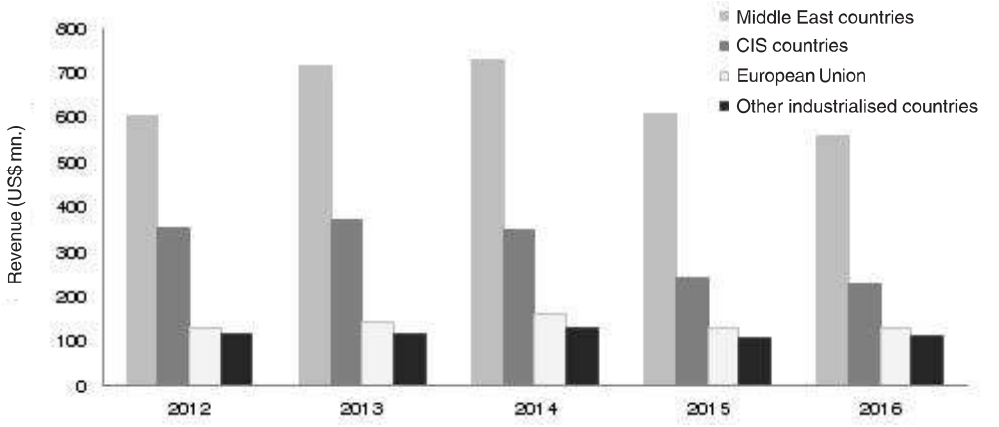


Source: CBSL *Annual Report 2016*.

export performance has been attributed to the on-going Russian financial crisis that has been sparked by dwindling commodity prices. The subsequent erosion of consumer income has incentivized a switch in consumer preference to cheaper substitutes from competitors such as India and Kenya.

Similar reasons can explain the declining export earnings in the Middle East, which is Sri Lanka's largest regional export market for tea. The Middle East is embroiled in political volatility and economic instability, severely inhibited the quantity and frequency of purchases, thus reducing sectoral revenue further. Sri Lankan tea exporters are also encountering uncertainties when exporting to the EU due to diminishing consumer confidence in several member nations and prevailing uncertainties surrounding the UK's decision to exit the bloc.

Figure 3.14
Tea Exports by Region



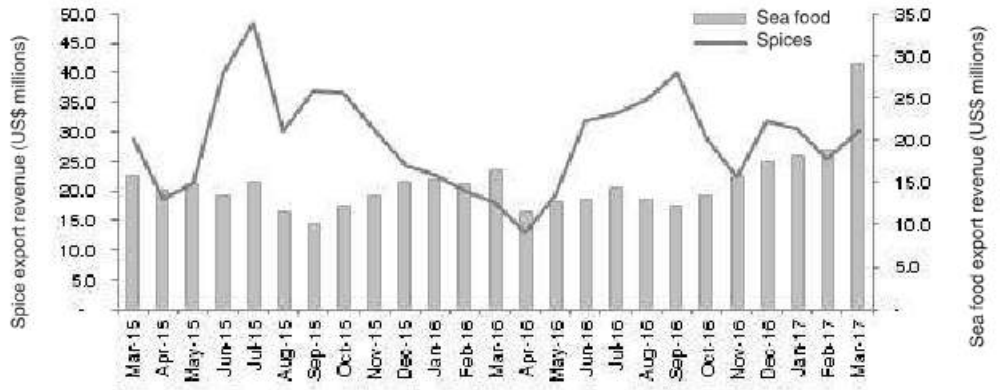
Source: CBSL, *Annual Report*, various years.

Tea prices in the Colombo auction house witnessed significant gains in 2016 and the first quarter of 2017. However, such gains do not necessarily translate into sector benefits; recent price rises have been fuelled by snags in the supply of home grown tea due to unfavourable weather conditions. Domestic tea production totalled 292 mn/kgs in 2016 which is the lowest yield since 2009. Thus, amidst domestic production issues, exporters also face a medium-term conundrum in that most of their significant markets face uncertain prospects. However, shrinking demand can be mitigated by establishing a targeted driven promotion drive to bolster the image of 'Ceylon Tea' in international markets. This will enable exporters to differentiate their produce from cheaper substitutes available in the market. Furthermore, producers must be encouraged to add further value to their produce in order to capture niche retail segments (Box 3.1).

The domestic fishing industry received a much needed boost in June 2016 when an EU fisheries ban on Sri Lankan produce - effective since January 2015 - was finally lifted. Prior to this development, domestic sea food exports were prohibited in EU markets owing to concerns that international standards set to curb illegal fishing practices were not strictly adhered to by Sri Lanka. The relaxing of restrictions has translated to increased revenues for the sector with exports earnings rising by 72 per cent year-on-year as of March 2017.[24] In contrast, Sri Lankan spice exporters experienced relatively weak fortunes in 2016

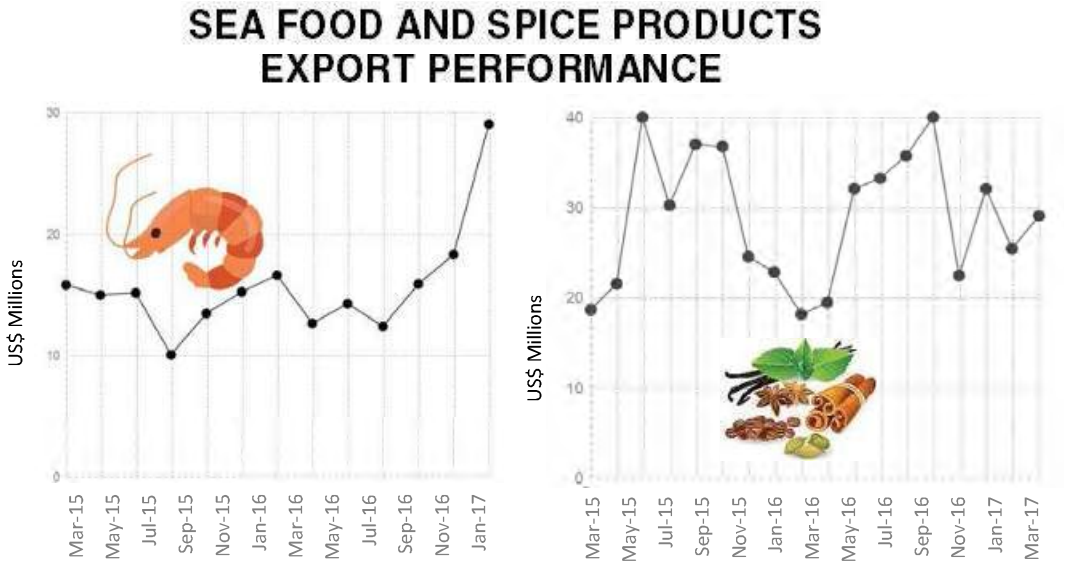
Domestic tea production totalled 292 mn/kgs in 2016 which is the lowest yield since 2009.

Figure 3.15
Sea food and Spice Products Export Performance



Source: CBSL, "External Sector Performance", various issues.

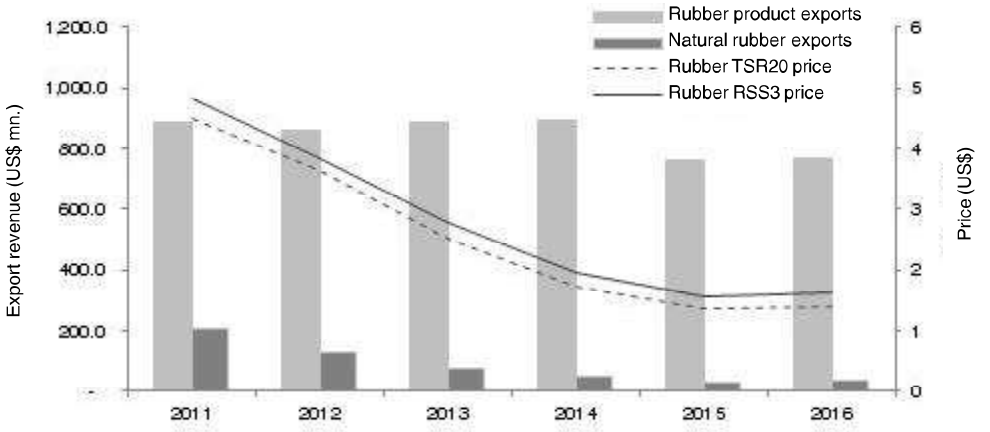
[24] CBSL, "External Sector Performance - March 2017" Central Bank of Sri Lanka, Colombo.



and the first quarter of 2017 owing to the turbulent performance of select commodities such as cloves and pepper.

The rubber sector witnessed modest growth (amounting to 2 per cent) in 2016, with natural rubber and rubber products recording export revenues of US$ 32.7 million and US$ 768 million, respectively. Thereby, natural rubber accounted for 1.4 per cent of agricultural exports while rubber products comprised 9.7 per cent of aggregate industrial exports in 2016. Such numbers are encouraging, given the drastic contraction (37 per cent) in the value of rubber and related product exports during the previous year. Furthermore, the performance brings some needed respite to a sector which has experienced declining fortunes since the turn of the decade.

Figure 3.16
Rubber/Rubber Product Export Performance and Natural Rubber Prices



Source: World Bank commodity price data; CBSL, *Annual Report 2016,* Central Bank of Sri Lanka, Colombo.

Box 3.1
150 Years of Ceylon Tea: Background, Challenges and Opportunities

Since James Taylor planted the first commercial crop of tea in the Loolecondera Estate in 1867, Sri Lanka's tea industry and the 'Ceylon tea' brand has thrived. Over the last 150 years, the tea industry has contributed significantly to the Sri Lankan economy with an average value addition of 1-1.5 per cent of GDP, whilst accounting for approximately 14 per cent of the country's aggregate export revenue over the past decade.

Sri Lanka is the world's largest producer of orthodox tea (whole leaf tea manufactured during the traditional process). Currently, tea plantations cover an estimated 221,969 hectares of land and produce approximately 292 million kilograms of tea. The sector caters almost exclusively to international markets; approximately 288 million kilograms, equated to 98.6 per cent of total production, was allocated for exports. This accounts for approximately 16 per cent of the world's total tea exports.

Tea plantations played a crucial role in shoring up Sri Lanka's economy during the colonial era and the initial decades subsequent to independence. The importance of this sector is noted by the fact that around 92 per cent of exports in 1950 were derived from the tea and rubber sectors alone. Such hegemony has disappeared over subsequent decades due to resource reallocations (favouring the more productive manufacturing and services sector), shifts in the international market and state-driven initiatives that abetted distortions in supply costs and capacity.

Supply side distortions were promulgated by the introduction of a Land Reforms Act (enacted in 1972 and amended in 1975) that enforced stringent restrictions on private holdings in agricultural lands. Thereafter, a significant proportion of available plantations were nationalized and run through government agencies. This move proved to be an impediment to sectoral development, as publicly-vested plantations were inefficiently run and failed to induce productivity gains. This compounded into tremendous losses for the state and a steady increase in the marginal cost of production. Realizing the deleterious effects of such reforms, the government permitted the privatization of plantations through resolutions passed in the early 1990s. However, the sector continues to face difficulties in maximizing returns to investment. Productivity lapses persist, and are compounded by the mismatches between trade-unions' wage expectations and plantation profitability.

As stated, the decline of tea plantations can also be attributed to the shifts in the international market. Sri Lanka faces stiff competition from India, China and Kenya which wield a comparative advantage in the production and sale of bulk tea. Thus, to be more competitive, the domestic sector needs to maximize cost-efficiency and/or shift towards a more value-added market segment.

Significant headway has been achieved in the latter. For instance, there appears to be a shift away from bulk to branded exports that emphasize domestic bagging and packaging. Furthermore, select exporters have successfully scaled the value chain and have carved niche markets in retail spaces (Dilmah being the prime example). Domestic producers have also attempted to cater towards changing consumer preferences by realigning their product portfolio. Thus, rather than depending solely on the export of traditional black tea, producers now derive multiple strands (green tea, oolong, etc.) during the production process and offer several additive-laden variants (herbal, flavoured, etc.) for the retail market.

Over the past decade, the tea industry has mulled over several paths to increase price competitiveness. In this regard, a cluster of exports and producers have campaigned intensely for the withdrawal of stringent laws that prohibit the blending of local tea with less expensive variants derived from competitor nations. This process, they suggest, will help to reduce costs and thereby increase competitiveness in international markets. However, scepticism over impact of such a move on brand 'Ceylon tea' remains.

Sources: Athukorola, P. and F. Huynh (1987), *Export Instability and Growth: Problems and Prospects for the Developing Economies*, Croom Helm Ltd.; EDB (2016), *Industry Capability Report*, Export Development Board, Colombo..

The resurgence of global rubber prices has played an instrumental role in arresting the downturn of rubber exports. The minor surge in prices during the previous year has been primarily driven by increased demand for natural rubber in select industrial sectors. Rubber product exports showed particular gains during the year due to surging car sales in China. This necessitated an increase in production of pneumatic tires, a product that Sri Lanka has increasingly specialized in.[25] Price rises have also been fuelled by an influx in the demand for rubber (synthetic and natural) in the Chinese commodity futures market. Furthermore, the rebound in crude oil prices played an inadvertent, albeit significant role as it increased the cost of producing synthetic rubber, the closest substitute to natural rubber.

The US continues to be the primary market for Sri Lankan rubber products with an export value of US$ 247 million which translates to approximately 30 per cent of aggregate rubber and rubber related exports. Other major destinations include the EU (Germany, Belgium and Italy), India and Canada.

Clearly, the above trends emphasise the urgent need to revamp Sri Lanka's export sector through appropriate policy responses aimed to tackle both demand and supply side constraints as well as trade infrastructure impediments. Tangible headway has been made in. Much relies on policy focus which has to be trained heavily on negotiating trade agreements with Sri Lanka's trading partners, especially in Asia, as a way of gaining preferential market access and encouraging greater flows of FDI. A reasonable rationale for this strategy exists; Asia's steady growth over the past few decades has ushered development and an increased propensity to consume amongst citizens in the Asian neighbourhood. This increased prosperity bodes well for Sri Lanka as it generates a viable target for its manufactured produce closer to home.

Sri Lanka has previously signed bilateral free trade agreements (FTAs) with India and Pakistan, as well as a regional trade agreement encompassing all South Asian economies - the South Asia Free Trade Agreement (SAFTA). Some of these agreements are currently under review to examine the possibility of further enhancing ties. For instance, Sri Lanka and India re-started stalled negotiations on a Comprehensive Economic Partnership Agreement (CEPA) to encompass goods, services and investment under on-going talks on an Economic and Technology Cooperation Agreement (ETCA). Concurrently, Sri Lanka is also negotiating terms for new trade agreements with Singapore and China. Negotiations with the latter began in 2014, cementing a long history of economic cooperation between the two countries (Box 3.2). In addition, as per various announcements, renewed policy maker enthusiasm has led to a burgeoning list of prospective candidates for bilateral FTAs spanning not only Asia, but other parts of the world as well.

Concluding trade agreements is an arduous and slow process, particularly as they generate opposition to opening up the domestic market to competition from trading partners. Sri Lanka's experience is no different with stiff resistance to any moves to open up movement of people

[25] "Rubber Prices Up 27% From August Low", *Asian Review*, November 9, 2016. Available at http://asia.nikkei.com/Markets/Commodities/Rubber-prices-up-27-from-August-low.

across services sectors, especially with regards to the ETCA negotiations. Policy makers need to be mindful that whilst better market access through trade agreements can be beneficial for export growth, Sri Lanka's deteriorating export performance requires broader trade policy reforms and other complementary structural reforms to enhance supply-side capacities of firms to fully benefit from FTAs.

Wide consensus for an export-oriented development model, especially over the last two years, has led to an array of state initiatives designed to bolster domestic competitiveness. For instance, the pending establishment of a 'National Trade Policy', -- a strategy guideline prepared using public and private sector insights - is expected to chart a collaborative effort to expand productive capacity and raise trade potential. Furthermore, the recent ratification of the WTO's Trade Facilitation Agreement (TFA) has paved the way for the establishment of a 'single window' trade platform to boost transparency and reduce bureaucratic hurdles. Private sector competitiveness may be further augmented by the expected enactment of a long due anti-dumping law designed to shield domestic manufacturers from unfair trade practises.

3.5.2 Commodity Prices

Crude oil markets have experienced a high degree of volatility over the past three years with prices plummeting to a 15-year low in mid-2016. Oil prices showed signs of resurgence in the last quarter of 2016 despite sporadic instances of fluctuation. The first quarter 2017 performance indicates a continuation of price resilience as barrel prices increased from US$ 32.7 in March 2016 to US$ 50 by March 2017. However, markets remain subdued in comparison to prevailing prices in the decade pre-2014 when barrel prices hovered around the US$ 80-100 mark.

Projections for 2017 are generally stable with crude oil prices expected to appreciate slightly to reach US$ 55 per barrel by the end of the year.[26] The momentum towards recovery will be contingent upon global suppliers' intent to stem excess supply. Grounds for optimism exist given OPEC's decision to cut petroleum production amongst member nations for the first time in eight years.[27] Even partial adherence by member states to production limits will help crude oil markets to revive prices.

However, such bullish forecasts are subject to variables that can be susceptible to sudden shifts. For instance, OPEC's resolve to restrict global oil production can be tested by the resurgence of Iranian crude exports subsequent to the lifting of sanctions imposed on the country. Iran has excess oil-production capacity to negate any supply side adjustments that the cartel intends to apply in the short to medium term. Furthermore, the gradual appreciation of crude oil prices may incentivize hitherto latent American shale oil producers to reinvigorate drilling operations and hence prolong market saturation. The US Federal Reserve's decision to hike interest rates might also lead to blunting market momentum as a

[26] WB (2017), "Industrial Commodities Prices to Surge in 2017", http://www.worldbank.org/en/news/press-release/2017/01/24/industrial-commodities-prices-to-surge-in-2017-world-bank.

[27] Bloomberg (2016), "OPEC Confounds Sceptics, Agrees to First Oil Cuts in 8 Years", https://www.bloomberg.com/news/articles/2016-11-30/opec-said-to-agree-oil-production-cuts-as-saudis-soften-on-iran.

Box 3.2
China-Sri Lanka Trade Relations 60 Years

Year 2016 marks the 60th anniversary of the establishment of formal diplomatic ties between Sri Lanka and China. The two nations have been erstwhile partners for development over the last six decades, with the bilateral relationship providing multifaceted gains to the Sri Lankan economy.

Sino-Lankan economic ties precede the formal establishment of ties by several centuries, with epigraphic evidence pointing to the existence of burgeoning trade ties as far back as the 7th Century. Post-independence bilateral trade ties were particularly strong thanks to the success of Sino-Lanka Trade Agreement, often colloquially referred to as the Rubber-Rice Pact of 1952. As per its terms, Sri Lanka purchased rice from China for less than a third of the then prevailing market rates while China purchased rubber per annum from Sri Lanka at a 40 per cent mark up. This was a necessary salve for both nations given the acute domestic shortage of the respective commodity in either market. The mutual success of this agreement has led to it becoming an exemplar of South-South Cooperation in the 20th Century.

The bilateral partnership rose in prominence during the concluding stages of Sri Lanka's long-drawn civil war, when China provided political support and aid during a time of much need. This assistance was much appreciated and following the cessation of hostilities in mid-2009, the then government recognized China as the premier partner in post-war development. Chinese assistance was sought for the construction of roads, bridges, railways and other vital infrastructural facilities.

In addition, the post-war period marked a rapid rise in trade between the two nations. Exports from Sri Lanka to China increased by 240 per cent for the five-year period between 2010 and 2015, while imports increased by 200 per cent over the same period. Presently, China is one of Sri Lanka's largest trading partners with aggregate trade valued of over US$ 4 billion as of 2016. Major exports to the Chinese market include articles of apparel, yarn, rubber tires and electrical transformers. Major imports include electric equipment, cotton, machinery and mineral fuels.

China has provided much needed assistance for Sri Lanka through the provision of development finance either through direct channels of the government or through financial institutions such as the Ex-Im Bank and the Asian Infrastructure Investment Bank (AIIB). Concurrently, China is the largest source of foreign investments into Sri Lanka, accounting for 25 per cent of the total FDI inflows of Sri Lanka as of 2015. Investments by Chinese companies are widely visible in apparel, telecom and infrastructure facilities. Furthermore, China has shown increased interest in incorporating Sri Lankan interests into its 'One Belt, One Road' economic initiative. As such, considerable investments have been made into Colombo Port City project, the Hambantota port and airport.

There is tremendous potential for the bilateral relationship to blossom further. For instance, China's recent effort to rebalance its economy provides an opportunity for Sri Lanka to position itself as a viable destination for excess capacity overflows. Success in this initiative will lure further FDI, and potentially spur economic development through job creation, infrastructure developments, and improved operational efficiency.

To expand trade ties further, Sri Lankan exporters will need to take advantage of the large consumer market in China. However, current prospects are inhibited by several non-tariff barriers placed by China and supply side inadequacies in domestic industries in Sri Lanka. The proposed China-Sri Lanka Free Trade Agreement may perhaps help to allay such constraints.

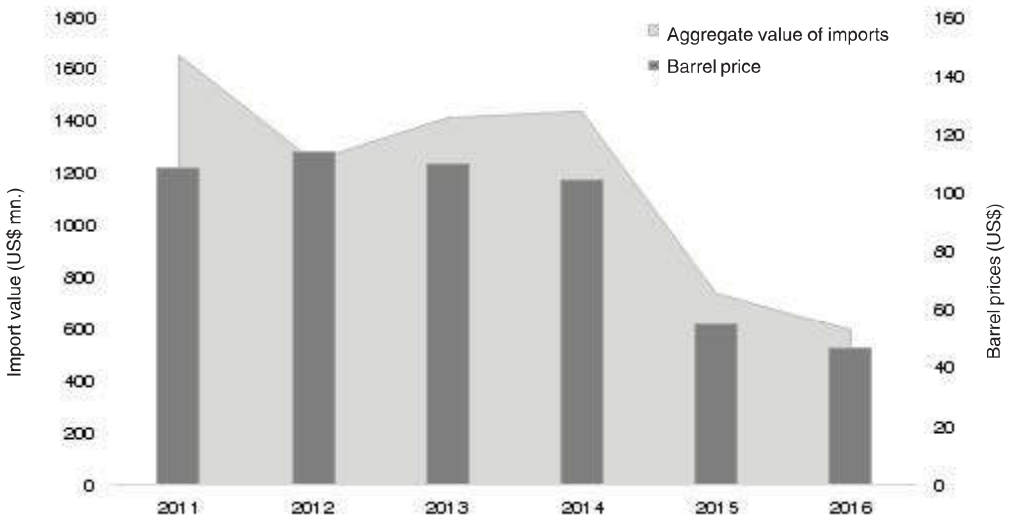
Source: Kelegama, S. (2014), *China Sri Lanka Economic Relations: An Overview,* China Report.

strengthened dollar (a consequence of rate hikes) makes crude oil more expensive for importers.

Given the fact that Sri Lanka is energy import dependent, fluctuations in the price of crude oil has wide implications on economic performance. As such, the country has benefitted greatly from the decline in the price of crude oil over the past few years. The reduction in the fuel bill has reduced the burden on the external sector and has helped dampen inflationary pressures. Thus, the modest rise in crude oil price forecasts will be of concern for authorities given the weak external sector position, particularly in regards to maintaining adequate levels of official reserves and ensuring a relatively stable exchange rate position.

The modest rise in crude oil price forecasts will be of concern for authorities given the weak external sector position.

Figure 3.17
Overview of Aggregate Oil Imports and Global Prices



Source: CBSL, *Annual Report 2016*, Central Bank of Sri Lanka, Colombo.

3.5.3 Capital Inflows: FDI and Capital Market Trends

Sri Lanka has made considerable efforts towards attracting FDI to spur export promotion and trade enhancement initiatives. Unfortunately, despite several geographic and structural advantages, the country has faced limited success over recent decades in attracting adequate investment flows. FDI inflows have exhibited a high degree of volatility, with investor sentiments appearing to be considerably sensitive to domestic issues. Moreover, investment promotion schemes have wielded limited results due to communication lapses, procedural inefficiencies and political misappropriations. Sri Lanka's struggles in attracting inward investments contrast with the fortunes of regional trade competitors such as Bangladesh, Vietnam, Malaysia, etc. These countries have received a steady flow of FDI into high value sectors, allowing them to enhance international competitiveness in vital export-oriented sectors.

Annual FDI peaked in 2011 when per annum inflows amounted to US$ 895.9 million, at approximately 1.3 per cent of GDP. However, inflows declined in subsequent years owing to factors such as policy uncertainty, inconsistent tax policies and tepid global investor sentiments. Per annum inflows dipped to US$ 679 million in 2015, but recorded a resurgence in 2016 with provisional estimates indicating an annual FDI inflow of US$ 898.1 million, amounting to 1.1 per cent of GDP. Despite such lackluster FDI trends (especially when analysed on a regional perspective) policy makers remain optimistic regarding the future potential for generating FDI. Grounds for such optimism do exist given the anticipated conclusion of high value investment agreements pertaining to the Hambantota and Trincomalee ports cum investment zones.

Data compiled by the Board of Investments (BOI) suggests that approximately 2,200 commercial projects have been approved over the past 40 years. Around 1,710 of these ventures are currently in commercial operation and in aggregate provide employment to 484,675 workers.[28] While the latter figure sounds substantial, it is pertinent to note that capital inflows over the last decade have not translated towards substantial employment generation. Cumulative employment in BOI

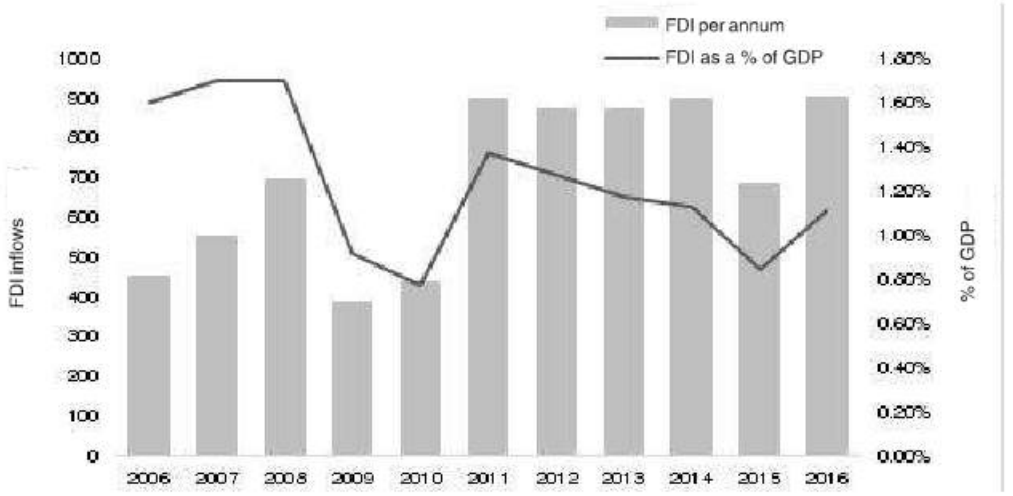
Table 3.3
Comparison of Cumulative FDI Funds

	US$ billion			
	1978	1990	2005	2015
Sri Lanka	0.001	0.455	3.238	10.359
Vietnam	0.000	0.056	22.266	102.243
Malaysia	0.500	10.721	68.756	160.985
Bangladesh	0.008	0.021	2.465	18.406

Source: WB, 'World Development Indicators' data.

[28] Cumulative figures derived from BOI databases extending to May 2016.

Figure 3.18
Annual FDI and FDI as a % of GDP



Source: CBSL, *Annual Report 2016*.

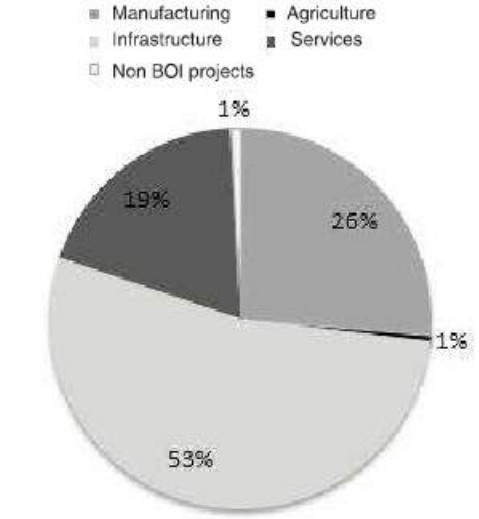
approved projects have only increased by a meagre 18 per cent over the last decade. However, the relatively low employment generation can perhaps be explained by supply side issues. A recent study reveals that Sri Lanka faces severe labour constraints especially in the manufacturing sector. The study posits that due to labour shortages there are 58 per cent vacancies in the apparel sector, 20 per cent vacancies in the food sector and 33 per cent vacancies in other manufacturing sectors.[29] This scenario has been affirmed by the BOI with estimates that there are at least 200,000 vacancies in BOI factories alone island wide.[30] Such supply side inefficiencies will have to be addressed if Sri Lanka is to reap ample dividends from FDI inflows.

A disaggregated examination of inward investment flows reveals interesting trends and patterns. Approximately 53 per cent of accumulated FDI inflows between 2005 to 2015 have been directed towards infrastructural projects, with sub-sectors such as telecommunication networks (29 per cent of aggregate) and property development (11 per cent of aggregate) being primary recipients. The manufacturing sector has accrued 26 per cent of FDI inflows in the given period with a substantial portion of funds diverted to the T&G and rubber industries. Meanwhile, the services and agriculture sectors have received 19 per cent and 1 per cent respectively of accumulated FDI inflows during the given period.

[29] Ranasinghe, A., S. Maduruwala, Su, Jen Je., and T. Senadeera (2017), "An Empirical Investigation on Labour Shortage in the Manufacturing Sector in Sri Lanka", Discussion Paper Series, Griffith Business School, Australia.

[30] "Huge HR Dilemma at All BOI Zones", *Nation*, August 6, 2016. Available at *http://nation.lk/online/2016/08 /06/ huge-hr-dilemma-at-all-boi-zones.html.*

Figure 3.19
Composition of Cumulative BOI Investments, 2005-2015

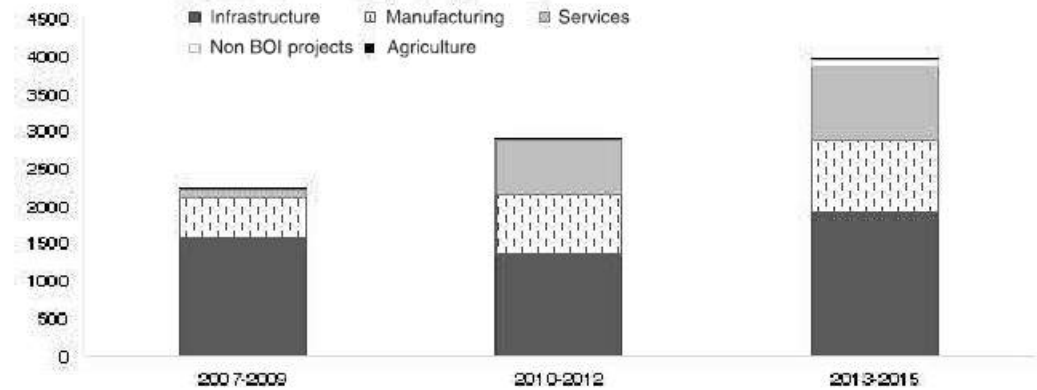


Source: Compiled using data obtained from the BOI.

Furthermore, an inspection of historical trends indicates swings in the sectoral composition of FDI (Figure 3.19). There has been a noticeable contraction in the flow of investments into infrastructural projects. However, such reductions have been mitigated by a greater share of investments into the services sector while there has been a slight reduction in the share of investment flows into the manufacturing sector. Overall, FDI trends comply with on-going shifts in sectoral emphasis as Sri Lanka veers closer towards a services oriented economy. However, given the current emphasis on stimulating growth in the manufacturing sector, it will be interesting to note how FDI inflows alter in the coming years.

Aside from FDI inflows, Sri Lanka's capital market inflows continue to exhibit signs of volatility induced by a weaker macroeconomic outlook, diminished growth projections and perceptions of policy inconsistency. Bearish sentiments have been further exacerbated by recent domestic policy oscillations and a prolongation of dull frontier market outlooks fuelled by US Federal rate hikes. Against this backdrop, Sri Lanka's external debt dependency adds another layer of complexity with low foreign currency reserves, and continued dependence on foreign financing of fiscal deficit needs through security issuances and loan procurements.

Figure 3.20
Shifts in Composition of FDI Inflows



Source: Compiled using data obtained from the BOI.

Despite prevailing issues, Sri Lanka appears to have witnessed a modest turnaround in attracting foreign capital since mid-2016, helped by renewed investor confidence following the IMF-backed fiscal consolidation efforts and signals of a more stable macroeconomic environment. A turnaround of foreign investment flows in the primary and secondary market of the Colombo Stock Exchange (CSE) is an indicator of this resurgence. The market's first half performance in 2016 was a continuation of the previous year's languid outlook as investor sentiments instigated an exodus of foreign investments into listed companies. During this six month period, capital outflows from the CSE amounted to Rs. 6.3 billion. However, the market experienced a positive foreign capital inflow of Rs. 6.8 billion in the latter half of the year. As a result, net flows for the year amounted to a surplus of Rs. 593 million, an encouraging performance given the cumulative net outflow of Rs. 5.3 billion incurred in 2015.[31] Market sentiments have remained positive during the first quarter of 2017 with cumulative inflows amounting to Rs. 4.9 billion.

Furthermore, the negative outlook amongst foreign investors on the government securities market show signs of receding as net outflows for the year amounted to US$ 323.4 million during the year 2016, in comparison to a net outflow of US$ 1.1 billion during 2015.

An examination of the most recent international sovereign bond (ISB) issuance also suggests that bullish sentiments on the government securities market have carried on to 2017. The US$ 1.5 billion offering in May 2017 was well received with bookings exceeded by US$ 11 billion and registering an oversubscription rate of 7.3 times.[32] As per reports, this heightened demand marks a quadrupling of demand when compared to similar dollar-debt issuances in the previous two years and marked the initial foray of Chinese banks in Sri Lankan bond auctions.[33] The pick up of interest resulted in a tightening of prices from an initial guidance of 6.625 per cent to 6.20 per cent.

3.6 Conclusion

Having undergone considerable uncertainty during the previous year, the global economy is expected to rebound in 2017. Expected growth will thereby afford a greater scope for opportunities in trade, investment, and capital markets. Expectations of an economic recovery, however, are not a harbinger of political-economic stability. The growth of populist sentiment in the US and Europe in particular, threatens the prospects of a rejuvenated global economy. Continuing the trend in economic recovery since the recession, emerging economies will buttress most of the global economic gains. However, these same economies are especially vulnerable to external shocks emanating from advanced economies.

A synoptic overview of Sri Lanka's external sector performance for 2016 indicates a protraction of the country's weak performance in exports and FDI. Annual export earnings

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[31] SEC (2016), *Annual Report 2015*, Securities and Exchange Commission, Colombo.

[32] CBSL (2017), "Press Release - Public Issuance Department", Central Bank of Sri Lanka, Colombo.

[33] Bloomberg (2017), "Chinese Buyers Behind Surging Demand For Sri Lanka's Latest Bonds", https://www.bloomberg.com/news/articles/2017-05-10/silk-road-lure-spurs-demand-for-sri-lanka-bond-some-see-as-risky.

contracted by 2.2 per cent to fall further to 12.7 per cent of GDP, while FDI inflows amounted to a modest 1.1 per cent of GDP. While such figures paint a sombre picture, an examination of composite data exhibits embryonic signs of rejuvenation. Sri Lanka's primary export industries such as T&G and rubber have registered growth in volume and value of merchandize outflows for the year. Furthermore, a breakdown of annual imports reveals a contraction in the demand for imported consumer goods, a significant determinant of merchandize inflows. Prospects for a more sustainable trade balance have been bolstered by renewed optimism where domestic exporters will gain access to a larger and lucrative consumer base, thanks to ongoing bilateral negotiations with Asian and European partners. However, Sri Lanka should remain cognizant of fluctuations in commodity markets; the country remains highly susceptible to volatility in the prices crude oil, tea and natural rubber.

Sri Lanka's prospects for development are heavily contingent upon its ability to procure high value FDI. History paints a gloomy picture in this regard, with the country's magnitude of investment inflows significantly lower than regional competitors. While recent emphasis on attracting investments into domestic manufacturing sectors bears some promise, the relevant authorities need to ensure that supply side irregularities are calibrated to ensure maximum results.

DEMOGRAPHICS LABOUR MARKETS AND GROWTH

4. Labour Market Reforms for Growth

4.1 Introduction

The Economic Statement of October 2016 presented by the Prime Minister envisages increasing the growth rate of the Sri Lankan economy to 7 per cent, with the objective of doubling per capita incomes by 2025. Given that the Sri Lankan economy is closely integrated with the rest of the world, achieving a sustained average growth rate of 7 per cent will only be possible if the country manages to stay competitive in the global market. With the graduation to low middle income status and rising wages, continuing to compete on cheap labour is no longer a viable option for Sri Lanka. Instead, the country will need to facilitate and improve market sophistication and efficiency to improve productivity and competitiveness of the economy.

A country's competitiveness depends on its stage of development. Based on Sri Lanka's GDP per capita and the share of raw material in exports, the Global Competitiveness Index (GCI) classifies Sri Lanka as an efficiency-driven economy. In order to improve competitiveness, countries at this stage of development need to focus more on efficiency enhancement such as higher education and skills, goods market efficiency, labour market efficiency, financial market development, technological readiness and market size.

In this Chapter, the focus will be on two main constraints that are holding back labour market efficiency in Sri Lanka: a) stringent employment protection laws; and b) low female labour force participation rates. Another main constraint dampening labour market efficiency in the country is the availability of skilled workers. The availability of skilled workers is determined by two main factors: a) a country's ability to educate and train individuals; and, b) a country's ability to retain skilled workers and attract talent from abroad. In this context, Chapters 5 and 6 of this report will delve more deeply to investigate Sri Lanka's status in producing skilled workers and its ability to retain and attract skilled workers to the workforce.

According to the Global Competitiveness Report 2016-17, efficient labour markets are one of the twelve pillars that promote competitiveness in an economy.[1] This is because efficient and flexible labour markets are able to allocate workers to their most effective use and provide them with incentives to perform to the best of their ability. An efficient labour market is also one which facilitates the

[1] Schwab, K. (2016), *The Global Competitiveness Report 2016-2017*, World Economic Forum, Geneva.

allocation and reallocation of workers quickly, with minimal cost and allow for wage adjustments with minimal social disruption. Further, efficient labour markets should recognize and reward talent and provide equal opportunities to all, to succeed based on merit. Such labour markets are able not only to improve productivity, but also to attract talent from across the globe.

The low level of efficiency in the Sri Lankan labour market is one main factor that lowered the competitiveness score of the country. Overall, Sri Lanka ranked 71 out of 138 countries in the GCI with a score of 4.2 in a 1 to 7 scale. Despite an overall ranking of 71, Sri Lanka's rank according to the labour market efficiency pillar was only 128 out of 138 countries. This indicates that labour market inefficiencies are one key factor that is holding back competitiveness in the country. The GCI framework measures labour market efficiency in a country looking at several aspects of the labour market (Table 4.1). Among these the worst performing indices for Sri Lanka are: 1)

Labour market inefficiencies are one key factor that is holding back competi-tiveness in the country.

Table 4.1
Labour Market Efficiency Pillar of the GCI for Sri Lanka in Detail

	Rank out of 138
Labour market efficiency pillar	128
Cooperation in labor-employer relations	53
Flexibility of wage determination	83
Hiring and firing practices	100
Redundancy costs	134
Effect of taxation on incentives to work	47
Pay and productivity	47
Reliance on professional management	46
Country capacity to retain talent	50
Country capacity to attract talent	91
Female participation in the labor force ratio to men	126

Source: Schwab, K. (2016), *The Global Competitiveness Report 2016-2017*, World Economic Forum, Geneva.

the cost of laying off workers; 2) female participation in the labour force; 3) hiring and firing practices; and 4) country capacity to attract talent.

The rest of the discussion will focus on three of the main factors that are holding Sri Lanka back from being competitive. Namely, redundancy costs, the female labour force participation, and hiring and firing practices. As firing practices are closely linked to redundancy costs in Sri Lanka, these will be discussed together.

4.2 Improving Labour Market Efficiency While Protecting Income

4.2.1 How Severance Pay and Hiring and Firing Practices Affect Labour Market Efficiency

Redundancy costs (often referred to as severance pay) are costs incurred by firms when firing workers. In the past, many countries ensured income security of workers by providing job protection. As such, countries develop legislation to ensure that workers are laid off only for 'just' reasons and workers are compensated monetarily when work contracts are terminated. When such compensation payments (or severance pay) are very high, it can deter firms from adjusting their work forces during market down turns or when worker skills do not match technological changes in the production process. Such high severance pay and restrictions to hiring and firing practices can impede the production efficiency of firms in several ways. These are discussed in detail below.

There is some evidence that high job protection reduces aggregate employment. Those opposed to high levels of job protection argue that high job protection reduces the ability of firms to adjust their labour force according to economic fluctuations. In the face of high job protection (due to high cost of severance pay), even when aggregate demand goes down, firms retain more than the optimal level of workers as dismissing workers is costly. This in turn also affects hiring practices. Given the difficulties in adjusting the labour force down, firms are careful when hiring workers, as a larger workforce might mean a larger number of redundant workers and unnecessary costs during economic downturns. Such behaviour by firms can reduce overall employment levels, thus increasing unemployment. However, the effect of job protection on unemployment is mixed. Reviewing the literature on the effect of job protection on aggregate employment, research suggests that there is no concrete evidence to support the argument that unemployment increases due to high job protection.[2] These show that although some emperical evidence for Latin America and the Caribbean confirms that job security increases unemployment, other studies find that job security is not significantly linked to unemployment, once other factors are controlled. This is partly due to the existence of a large informal sector, which mar the unemployment effects of job protection.

Legislation that imposes a high level of severance pay increases the share of informal sector workers in an economy. This takes place in two ways. Smaller firms will opt to stay informal so that they are better able to adjust their workforce to match the skill and worker

[2] Gill, I. S., C. Montenegro and D. Dömeland (2002), *Crafting Labour Policy: Techniques and Lessons from Latin America*, World Bank, Washington, D.C.

requirements of the firm with technological change and economic fluctuations.[3] High levels of job protection are also associated with more non-permanent employment, even by formal sector firms, as they try to avoid job protection legislation by resorting to hiring non-permanent workers. As discussed earlier, high levels of job protection make it more difficult for firms to adjust their workforce. In such instances, firms have to retain workers who do not have the skills required by the job, or they have to keep a larger than ideal workforce. Such restrictions will erode the efficiency of the firm and bring down productivity. This will in turn influence a firm's decision to hire permanent workers, as only permanent workers are covered by job protection legislation. Instead, they might opt to hire non-permanent workers who are easier to terminate and who cost less in terms of statutory payments. Evidence from countries such as Indonesia also suggests that high severance pay encourages firms to outsource employment or offer employment under temporary contracts.[4]

Compensation payments that favour more experienced workers may decrease the employment opportunities for younger workers. In many countries compensation payments are calculated as a stipulated number of months of pay for each year of service, usually with limits on maximum compensation payments. This results in compensation payments that are higher for older workers with more job tenure. As a result, even when workers need to be laid off companies may prefer to lay off younger workers, making the employment market less friendly for younger workers.[5] Reviewing the literature on the effect of severance pay on the employment of younger workers, the research evidence suggests that an increase in the level of expected severance pay reduces the employment rate of younger workers. Manning (2006) studying the effect of severance payments on employment in Indonesia also suggests that severance pay which reward long tenure workers more, discourages firms from dissmissing older workers.[6]

Studies also find high severance pay compensation levels increase the length of employment of workers. For example, in 1990 Columbia reformed its severance pay legislature by reducing the amount of compensation given to workers at dismissal, expanded the definition of 'just dismissals' to facilitate dismissals under a larger set of criteria, allowed the greater use of temporary contracts, and reduced the need for advance notice before a dismissal. These changes decreased the employment tenure of workers covered by the legislature.[7]

To summarize, high job protection affects labour market efficiency in several ways. First, it has the potential to lower aggregate employment, as firms refrain from creating employment to avoid unnecessary costs. Second, it increases the share of informal sector firms and workers. The number of informal firms is increased as firms choose to operate informally to be more flexible in adjusting their workforce to suit market

[3] *Ibid.*

[4] Manning, C. "Potential Winners and Losers from Labour Regulation in the Formal Sector", in C. Brassard and S. Acharya, *Labour Market Regulation and Deregulation in Asia*, Academic Foundation, Delhi.

[5] Gill, I. S., Montenegro, C., and D. Dömeland (2002), *Crafting Labour Policy: Techniques and Lessons from Latin America*, World Bank, Washington D.C.

[6] Manning, C. (2006), "Potential Winners and Losers from Labour Regulation in the Formal Sector", in C. Brassard and S. Acharya, *Labour Market Regulation and Deregulation in Asia*, Academic Foundation, Delhi.

[7] Kugler, A. (2000), *The Incidence of Job Security Regulations on Labour Market Flexibility and Compliance in Colombia: Evidence from the 1990 Reform*, Inter-American Development Bank, Washington, D.C.

and technological changes. The number of non-permanent workers are increased, both in formal and informal firms, as firms try to avoid job protection legislation by not offering permanent work contracts to individuals. Third, the labour market is made less efficient as job protection legislation restricts the flow of workers. Fourth, worker productivity is reduced, as firms keep existing workers rather than replacing them with workers with better skills due to the high cost of termination. Lastly, the employment prospects for more vulnerable workers and youth are lowered as firms create fewer jobs.

High severance pay systems, however, also have some positive impacts on the labour market. For those already in the formal market, it reduces the volatility in the labour market, increases the quality of jobs, and working conditions.[8] When workers are attached to a firm longer, the firms are more willing to invest in training workers. When workers are attached to a firm in the longer term, they may be more loyal to the firm and be more productive.

4.2.2 Solutions for Improving Labour Market Flexibility While Providing Income Security

Many developing countries restrict termination of workers in the formal sector by imposing high compensation payments and making the termination process cumbersome and lengthy. Initially, these initiatives were brought about with the objective of limiting unfair dismissal of workers.[9] For some developing countries, the compensation received at termination is the only form of unemployment related income support available to workers. More advanced countries, realizing the differing needs of the labour market, have come up with labour market policies to improve the flexibility of a firm to fire and hire workers while providing workers with unemployment insurance and assistance for returning to work or for reskilling to improve their labour market prospects (Box 4.1).

4.2.3 Introducing More Flexibility to Labour Markets and Income Security to Workers in Developing Countries

As discussed earlier, many developing countries still rely on job protection to ensure income security and severance pay systems to provide compensation for workers during layoffs. In addition to being inefficient, high level of job protection coupled with severance pay is not very effective as a means of providing income support during unemployment spells. First, severance pay systems are ineffective in providing adequate income support as, despite being eligible, many workers do not receive benefits.[10] Second, the same amount of compensation is paid to all workers irrespective of the unemployment duration of the workers.[11] Severance pay systems are not accompanied by other active labour market policies such as training and job search assistance that help workers to improve their employability and find alternate work faster.

Given above limitations of severance pay systems more advanced countries are moving towards flex security schemes, where firms are

[8] Gill, I. S., Montenegro, C., and D. Dömeland (2002), *Crafting Labour Policy: Techniques and Lessons from Latin America*, World Bank, Washington D.C.

[9] *Ibid.*

[10] Vodopivec, M. (2013), "Introducing Unemployment Insurance to Developing Countries", *IZA Journal of Labour Policy*, pp. 1-23.

[11] *Ibid.*

Box 4.1
What is Flex Security?

In the late 1980s, it became apparent that the traditional social protection programmes that were mainly designed for full time, longer term, career-oriented and mainly male workers are restricting the functioning of labour markets and becoming more costly to sustain. Rapid technological change and growing inter connections between economies require firms to adapt their workers quickly so that firms are able to easily match work force skills to new technologies and adjust their workforce according to changes in the market. Flex security became increasingly popular as a solution to this problem from the 1990s. Flex security provides firms more flexibility to change while providing workers with social protection and support for finding new jobs or reskilling themselves.

The concept of flex security and the objectives in providing flex security differ from country to country. For example, the main objective for introducing flex security in Denmark was to allow firms more freedom to hire and fire workers, while providing a social safety net for workers out of work as well as active labour market policies to help workers to either return to work or training. The emphasis in moving to a more flexible labour market in the Netherlands was mainly aimed at allowing firms to hire workers under different conditions, but ensuring that all workers, including non-permanent workers, are covered by a minimum level of social safety nets.

In Denmark, the changes brought about by flex security depended on the efficient functioning of three interconnected elements. First, firms were allowed more flexibility to adjust their workforce to match skills and number of workers needed by the company for efficient production of goods and services. Second, social policies improved the social security provided to the unemployed. Lastly, activation policies which were put in place to match jobs to individuals and opportunities for further training shortened the duration of unemployment. As a result, the job destruction and creation in the market increased dramatically, but there was no social unrest as workers were given unemployment insurance. At the same time, active labour market policies ensured that workers either returned to work quickly or got reskilled.

The Netherlands also provides an example of best practice in flex security. However, the main objective of flexible labour market policies in the Netherlands is aimed at improving the rights of non-permanent workers. This was in reaction to the dual system of labour market policies that existed in the country which gave strong job protection to those in permanent work contracts, but provided very little protection to those in non-permanent work contracts. The reformed labour market policies aimed to safeguard the interests of both the employers and workers by facilitating competitiveness through a four pronged approach which included flexible employment arrangements, lifelong learning opportunities, effective active labour market policies, and social protection.

Although the above mentioned flex security policies were effective in increasing worker turnover while protecting workers they have several limitations. The type of flex security policies that will work for each country is context specific and will depend on the vision for labour market development as well as existing labour policies. Implementing flex security policies is costly. Further, to be effective, sophisticated mechanisms are needed to track the unemployed and monitor their labour market participation. This is because when the compensation packages for unemployment is high there is a higher tendency for workers to avoid re-employment to benefit from unemployment insurance longer.

Source: Viebrock, E. and J. Clasen (2009), *Flexicurity: A State-of-the-Art Review*, Reconciling Work and Welfare in Europe, Edinburgh.

given greater freedom to hire and fire workers and workers are compensated during their unemployment spells through unemployment insurance and provided with training and job-search assistance for faster re-employment. However, such unemployment insurance policies may not be effective in developing countries for several reasons. First, the nature of unemployment in developing countries is different. In these countries, unemployment is more prevalent amongst the richer segments of the economy, where families are able to support the unemployed members for longer durations. In contrast, members of poorer households are all compelled to work due to poverty. Further, because of the high prevalence of underemployment and informal sector employment, monitoring 'employment' is difficult. Monitoring unemployment insurance eligibility is made even more difficult by the weak administrative capacity of labour offices in developing countries. The successful implementation of unemployment insurance requires the continuous monitoring and evaluation of the unemployment status of individuals, and their participation in job search activities. In the absence of capacity to implement unemployment insurance schemes, less advanced countries have resorted to employment protection measures to minimize the social costs of termination of work.

Studying the severance pay systems in several countries around the world, some studies propose two options for developing countries as an alternative for severance pay and unemployment insurance schemes.[12] First, following the Australian severance pay reforms of 2003, converting severance pay to a pre-funded individual account has been proposed. Under this scheme, firms make regular payments (1.5377 per cent of payroll) to individual accounts of workers specifically setup for use by the workers during unemployment spells. Workers are enrolled from the first day of employment. The scheme is also applicable to temporary workers, and benefits are not dependent on the type of termination of employment contract. As a result, the coverage and entitlements are substantially improved. If a worker with three or more years of service is terminated, the worker can either receive the accumulated fund as a lump-sum payment or choose to save it towards a future pension. In the case where a worker voluntarily quits a job or is terminated before completion of three years, no lump-sum payments are made but the accumulated funds are transferred to the insurance fund of the new employer. This differential treatment by type of termination and tenure is to ensure income support for persons with long-term tenure, and retirement support for voluntary leavers and short-term employed. This Australian system overcomes the moral hazard problem (i.e., the incentive for individuals to stay unemployed longer to receive unemployment benefits) associated with unemployment insurance schemes by internalizing savings. Under this system, as workers receive higher pension benefits when less unemployment benefits are claimed, they have an incentive to be re-employed soon.

The 2003 Australian reforms improved labour market flexibility and improved access to good jobs for marginal groups.[13] It also strengthened worker protection as unlike under the severance pay system, the risks attached to non-payment of compensation was minimized under this scheme. As unused unemployment insurance

[12] Holzmann and M. Vodopivec (2012), *Reforming Severance Pay*, World Bank, Washington D.C.

[13] *Ibid.*

funds were absorbed into pension funds, this scheme also improved pension support to workers. However, the system is criticized for inadequacy of the benefits. Also, frequent withdrawals from the account diminished the pension benefits of affected workers. In the case of Australia, the labour market efficiency improvement of the programme was not large. This is partly because the previous system did not have a large impact on labour market flexibility.

The second proposal follows the Chilean unemployment insurance reforms of 2002. Here, it has been proposed to convert the severance pay system into a hybrid system which couples individual savings accounts with pooled savings accounts for use for income security during unemployment spells.[14] Under the Chilean scheme, workers and firms contribute 3 per cent of wages towards two unemployment insurance funds, an individual savings account and a pooled savings account. The design of this scheme also recognizes and compensates for the additional vulnerabilities associated with temporary work. For non-permanent workers, the employer is responsible for making the full 3 per cent of contribution towards the two funds. For permanent workers, the employers pay 2.4 per cent of the contribution while the worker pays 0.6 per cent. From the 2.4 per cent contributed by employer, 1.6 per cent goes to the individual fund while the rest (0.8 per cent) goes towards the pooled fund. In case of unemployment, workers first access funds from their individual accounts, and under certain circumstances they can access funds in the pooled account to receive monthly payments for up to five months. The amount of compensation is defined based on their previous wages.

The 2002 Chilean severance pay reforms improved efficiency in the labour market and they were well received by workers in general, although views differed according to working histories and level of risk aversion of individuals. Older and more educated persons benefitted more from the programme, while women with interrupted work histories benefitted less. However, the coverage of the programme and its sustainability has been positive. One problem with standard unemployment insurance schemes is that receipts of benefits delay re-employment. The Chilean experience shows that workers who relied on the pooled fund also had longer unemployment spells, but this was not the case for individuals who relied only on individual funds. Unlike the individual savings only of the Australian scheme, the pooled savings component of the Chilean system allows for risk pooling.

4.3 The Need to Improve Female Labour Force Participation and Challenges

4.3.1 The Case for Greater Female Labour Force Participation

Although females comprise more than a half of the population, they account for only 40 per cent of the global work force.[15] Globally, only 50 per cent of females participate in the

[14] *Ibid.*

[15] The information in this and next paragraph is largely from: Elborgh-Woytek, K., M. Newiak, K. Kochhar, S. Fabrizio, K. Kpodar and P. Wingender (2013), *Women, Work, and the Economy: Macroeconomic Gains from Gender Equity*, International Monetary Fund, Washington D.C.

economy. The global differences in male and female labour force participation (FLFP) rates have decreased over the past couple of decades, but the gap remains large in most parts of the world.

Evidence shows that increasing female participation in the economy helps growth. For example, increasing the FLFP rate to match that of males is estimated to increase GDP by 5 per cent in the US, by 9 per cent in Japan, by 12 per cent in United Arab Emirates, and by 34 by per cent in Egypt.[16] Increasing the FLFP is especially beneficial in rapidly ageing societies, where females can fill the employment gaps created by increased labor force participation.[17] Facilitating FLFP is also prudent in countries which have large numbers of educated females, to better make use of available talent.[18] There is evidence that reducing the economic gender gap was a key contributor to growth in Europe in the past decade.[19] In contrast, low FLFP has been shown to erode economic growth. For example, East Asia and the Pacific region are estimated to have lost US$ 42-47 billion annually due to poor FLFP.[20] Better opportunities for females in the market place can encourage female education participation thereby positively influencing human development of a country. Employing females on an equal basis and equal access of inputs for women entrepreneurs will allow countries to make the best use of available talent, irrespective of gender. With ageing populations slowing or stagnating labour force growth, countries are increasingly competing to attract talent. In such a backdrop, improving the use of female talent becomes even more important for reducing inequalities, driving innovation and sustaining economic growth.[21]

4.3.2 Supply Side Factors Affecting Female Labour Force Participation

Education is a main factor affecting labour force participation of women. Education influences FLFP in several ways.[22] More educated women delay marriage and childbearing. Lower fertility enables females to participate more in the labour market. Also, education increases the earnings potential of females, raising the opportunity cost of not working more compelling.

Housework and caregiver activities will hold back the opportunity cost of participating in market work, decreasing productivity and career progression. Irrespective of the income level of the household, females are more involved in child-rearing and housework activities than men. This enables males to engage in market work more freely, thereby widening the gender gap in economic participation. In most families, females are the primary care taker of not only children but also

[16] Aguirre and others (2012) as cited in Elborgh-Woytek, et al. (2013).

[17] Kinoshita, Y., and F. Guo (2015), *What Can Boost Female Labour Force Participation in Asia?*, International Monetary Fund, Washington D.C.

[18] *Ibid.*

[19] WEF (2016), *The Global Gender Gap Report 2016*, World Economic Forum, Geneva.

[20] *Ibid.*

[21] *Ibid.*

[22] ADB (2015), *Women in the Work Force: An Unmet Potential in Asia and the Pacific*, Asian Development Bank, Manila.

of elderly members. As such, females face multiple disruptions to their market work activities, as they take time off to look after sick family members and attend to children's school activities. Such disruptions to market work reduce their productivity and their ability to move up the occupational ladder. In countries where part-time and flexible work opportunities are plenty, females may prefer to work fewer hours in order to better balance time spent on work and family. But, such decisions could slow their career advancements due to less experience at the work place, and less access to training and networking opportunities.[23]

For the large part, unlike men, females are not free to take up the best employment opportunities that the market has to offer. This is because females have to balance household activities with market work and they are more careful to choose work places and working conditions that allow them the space and freedom to attend to their household activities. Women are also more likely to be sensitive to the reputation of the work place and the working conditions than men, as society imposes greater restrictions on female employment.[24]

Location of employment can also affect the labour force participation of females. Most employment opportunities are available in urban centers. Access to these opportunities will be more difficult to females in rural areas. When transport facilities are not well developed, accessing these jobs will be time consuming and costly. Also, depending on the working hours, females may have to travel in the early hours or at night. Especially in such cases, security would be an issue.[25]

4.3.3 Demand Side Factors Affecting FLFP

Limited availability of desirable work opportunities is a critical factor affecting labour force participation of females. Males and Females tend to self-select into different industries and occupations. Such segregation is influenced by skill, responsibility, pay, status and power.[26] Men usually opt to take up jobs that are better paid, while women tend to self-select into lower paying jobs.

Evidence shows that females are more likely to participate in agriculture and services than men. For example, globally, the share of employed females in agriculture and services (37 per cent and 47 per cent, respectively) is larger than the share of males in these sectors (33 per cent and 40 per cent, respectively).[27] The employment opportunities available for females are often of low quality and are in the informal sector.[28] For example, a larger share of unpaid family workers as well as informal sector workers is females.

Further, numerous studies show that females receive lower wages compared to their male counterparts. Literature points to a significant wage gap across gender, even when controlling

[23] *Ibid.*

[24] *Ibid.*

[25] *Ibid.*

[26] Ranaraja, S. and S. Hassendeen (2016), "Demand-side Factors Affecting Women's Labour Force Participation in Sri Lanka", in ILO, *Factor's Affecting Women's Labour Force Participation in Sri Lanka*, International Labour Organization, Colombo.

[27] ADB (2015), *Women in the Work Force: An Unmet Potential in Asia and the Pacific*, Asian Development Bank, Manila.

[28] *Ibid.*

for occupation and other productive characteristics such as education.[29] The wage gap is partly explained by females opting to work in less demanding lower paid occupation categories. Lower wages could also compel females to refrain from market work, as available compensation does not meet their reservation wages.

Profits made by females in self-employment or owning companies are also smaller compared to their male counterparts. Increasing better access to employment and other productive inputs for females can also indirectly boost incomes through more and better schooling for girls, increased productivity in female owned companies, and better use of available talent.

4.3.4 Other Factors Affecting FLFP

Countries that encourage two-earner families and those that help parents balance work with family responsibilities, such as child-care, parental leave and cash benefits, are able to increase FLFP.[30]

Literature suggests several ways in which government policies can be used to boost FLFP rates.

A study done using data on 15 European countries over a 20 year period finds that social policies and institutional factors have a strong influence on FLFP by increasing the quality of available jobs, increasing the opportunities for re-entering the labour market, and increasing the opportunity costs of not participating in the labour market.[31] However, these effects are different for women with different backgrounds. For example, labour market reforms explain 25 per cent of the increase in labour force participation of young women and more than 38 per cent of the increase in labour force participation of highly educated women. However, the study also finds that the influence of labour market reforms on the labour force participation of low skilled women is small. The same study finds that introducing more flexibility to the labour market is effective in increasing female labour supply only when these reforms are coupled with social policies that facilitate greater FLFP.

4.4 Redundancy Costs and Hiring and Firing Practices in Sri Lanka

The Termination of Employment of Workmen Act (Special Provisions) Act No. 45 of 1971 (TEWA) governs how workers can be laid off in Sri Lanka for companies employing more than 14 workers and for all workers in employment for 180 or more days. According to this Act, a worker can be terminated only with the written consent of the worker or the written approval of the Commissioner of Labour. Until 2003, the Commissioner of Labour had the authority to order the employer to pay the employee a sum of money as compensation for the termination of employment by an agreed date. The TEWA was introduced during the 1971 oil price hike when the country was experiencing stagflation.

[29] Elborgh-Woytek, K. et. al., (2013), *Women, Work, and the Economy: Macroeconomic Gains from Gender Equity*, International Monetary Fund, Washington D.C.

[30] Viebrock, E. and J. Clasen (2009), *Flexicurity: A State-of-the-Art Review. Reconciling Work and Welfare in Europe*, Edinburgh.

[31] Cipollone, A., E. Patacchini, G. Vallanti (2013), *Women Labor Market Participation in Europe: Novel Evidence on Trends and Shaping Factors*, Institute for the Study of Labour (IZA), Bonn.

The main objective of the act was to limit unemployment by making termination of workers difficult and costly. This created a very unpredictable environment for employers. As they did not know the costs of laying off a worker, they could not plan for adjusting their workforce according to business fluctuations. The initial act was amended by Act No. 12 of 2003 which introduced a formula for payment of compensation for laid off workers. The formula was subsequently revised in March 2005.

The formula was useful in removing uncertainties pertaining to the compensation to be paid to each laid off worker, but it is also criticized on the grounds of being too costly for the employers compared international practices.[32] Since the formula differentiates the compensation given to workers according to the number of years of service, the generosity of the formula also varies for workers with different number of years of experience. The revised formula of 2005 is especially generous to workers with longer years of experience in the company (Figure 4.1). For example, according to the formula, a worker who has worked for 20 years in a firm would get a compensation equivalent to 39 months of salaries or more than three years of his income. In contrast, the compensation payments received by workers in other countries were much less. For example, in 2002, a worker with 20 years of experience on average received only 16 months of salary in Asian countries, 12 months of salary in Latin America, 7 months of salary in Africa, 6 months of salary in OECD and 4 months of salary in transition countries.[33] Although the generosity of Sri Lanka's formula is less for workers with a lesser number of years of experience, the compensation given is high compared to international practices.[34]

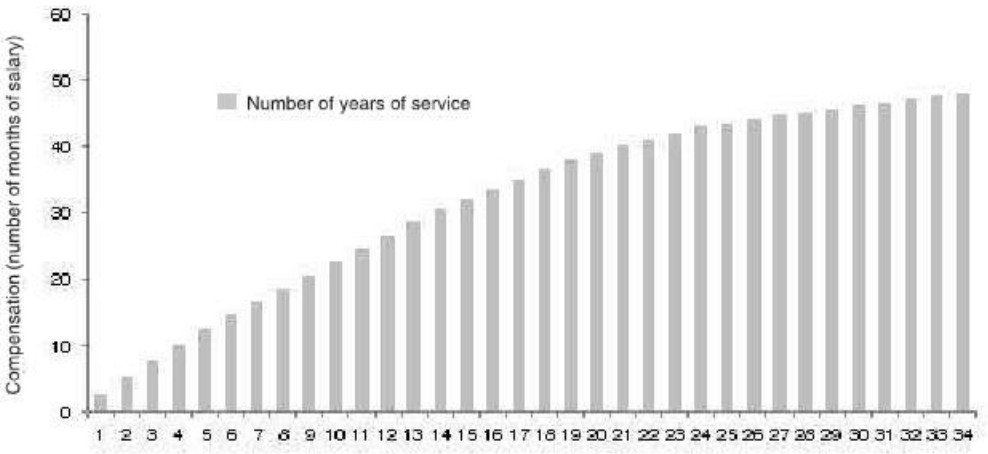


[32] WB (2006), *Social Protection Report*, World Bank, Colombo.

[33] Vodopivec, M. (2013), "Introducing Unemployment Insurance to Developing Countries", *IZA Journal of Labour Policy*, (pp. 1-23).

[34] Heltberg, R., and M. Vodopivec (2009), *Sri Lanka: Unemployment, Job Security, and Labour Market Reform*, World Bank, Colombo.

Figure 4.1
Compensation Due to a Worker at Dismissal by Number of Years of Service



Source: Author's compilation based on revised 2005 compensation formula found in The Government of Sri Lanka (2008), *Termination of Employment of Workmen (Special Provisions) Act, No.45 of 1971*, The Govenment of Sri Lanka. Adopted following graph in World Bank (2006), *Social Protection Report*.

The introduction of the formula made the severance pay system more transparent in Sri Lanka, but many companies prefer to settle dismissals without applying for separation through TEWA because of the high costs of the process and the time taken to settle applications.[35] Many companies that started the TEWA process came to a voluntary settlement before the conclusion of the TEWA process, due to the high costs and long duration of the process, and some try to side-step TEWA by trying to dismiss workers based on contrived disciplinary grounds or make the worker quit by making the work difficult for him/her. Some companies resort to voluntary retirement schemes to side-step TEWA. But, the compensation given by these companies to workers at dismissal is quite close to the compensation amounts stipulated by TEWA.

Literature suggests that TEWA reduces the flexibility of Sri Lanka's labour market. For example, a study that examines the hiring and firing behavior of firms in Sri Lanka find evidence that TEWA restricts the growth of firms with 14 workers or less.[36] This suggests that firms refrain from growing beyond 14 workers to avoid being subjected to TEWA (TEWA is applicable only for firms with more than 14 workers). However, this observed slow growth is true only for firms operating outside the Export Processing Zones (EPZs). The study concludes that as enforcement of legislation is more lax within the EPZs, the impact of TEWA on employment creation is limited. They further conclude that bigger firms also prefer to locate themselves within the EPZs to benefit from less stringent implementation of labour laws.

[35] Vodopivec, M. (2013), "Introducing Unemployment Insurance to Developing Countries", *IZA Journal of Labour Policy*, (pp. 1-23).

[36] Abidoye, B., P. F. Orazem and M. Vodopivec (2009), Firing *Cost and Firm Size: A Study of Sri Lanka's Severance Pay System*, World Bank, Washington D.C.

TEWA pays a limited role as means of providing income security during termination of work. As explained earlier due to the cumbersome nature of the process involved in the implementation of TEWA, many firms either resort to voluntary legislation. According to the Department of Census and Statistics Labour Force Survey (LFS) 2015 data, only 40.2 per cent of workers are in the formal sector. From this only workers in firms with 15 or more workers in the private sector are covered by TEWA.

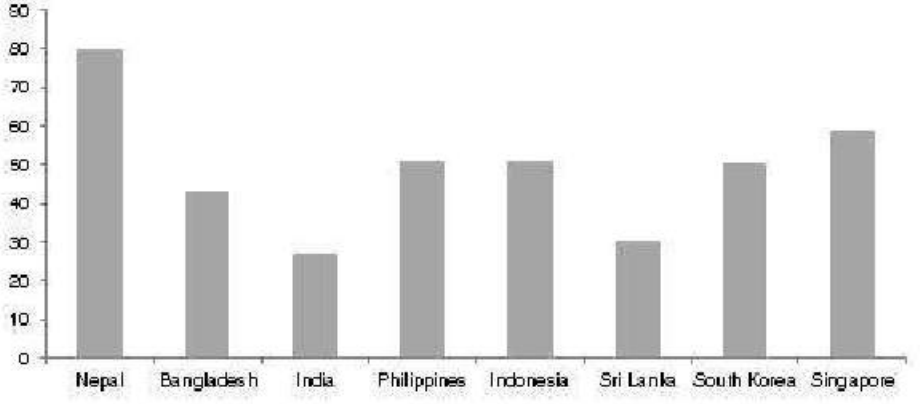
4.5 Female Labour Force Participation in Sri Lanka

4.5.1 Stylized Facts on FLFP in Sri Lanka

The FLFP rate in Sri Lanka is low and has not changed much over time. According to the LFS data, the FLFP rate was 35.9 per cent in 2015, and has fluctuated between 33 and 37 over the past 8 years. Figure 4.2 shows the FLFP rate across a selection of countries in 2015. Sri Lanka's FLFP rate is low compared to both countries in South Asia (i.e., Nepal and Bangladesh with the one exception of India), countries with similar GDP per capita (i.e., Philippines and Indonesia), and more advanced countries with higher per capita GDP (i.e., South Korea and Singapore).

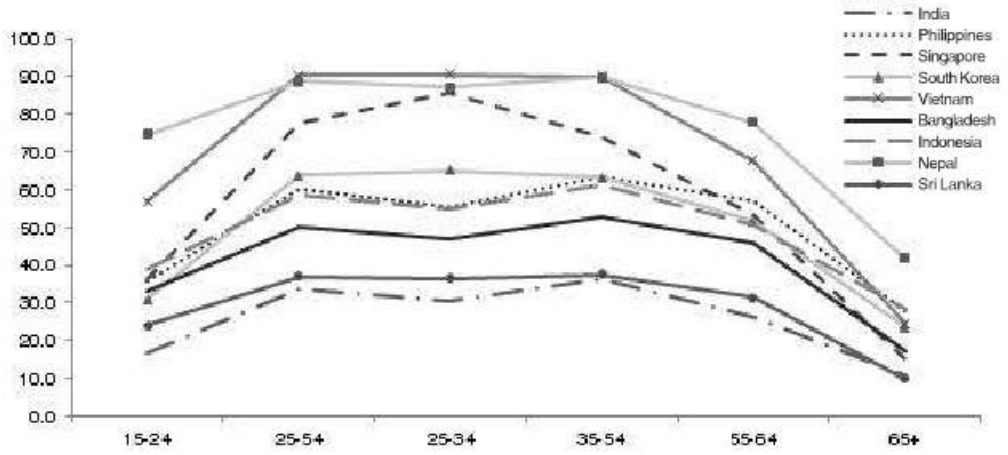
Sri Lanka records a very low FLFP rates at all ages, with only India recording a lower FLFP rate in the selected countries (Figure 4.3). Most countries show a 'M' shape graph of FLFP by age. This shape arises as typically younger females show a high level of labour force participation, but labour force participation children grow older. As discussed earlier, in countries with lower per capita incomes, such as Bangladesh and Nepal, the participation of young females in the labour market is high. In more advanced countries such as Singapore

Figure 4.2
Female Labour Force Participation Rate -2015, Selected Countries (%)



Source: Author's construction based on data from ILO (2016), *Key Indicators of the Labour Market*, Ninth Edition, International Labour Organization, Geneva.

Figure 4.3
Female Labour Force Participation, by Age Group for Selected Countries - 2015



Source: Author's construction based on data from ILO (2016), *Key Indicators of the Labour Market*, Ninth Edition, International Labour Organization, Geneva.

and South Korea, where tertiary education coverage is higher, the labour force participation of young females is lower, but rapidly increases around 25 years. In the case of Sri Lanka, the FLFP remains low for all age groups.

4.5.2 Education and FLFP

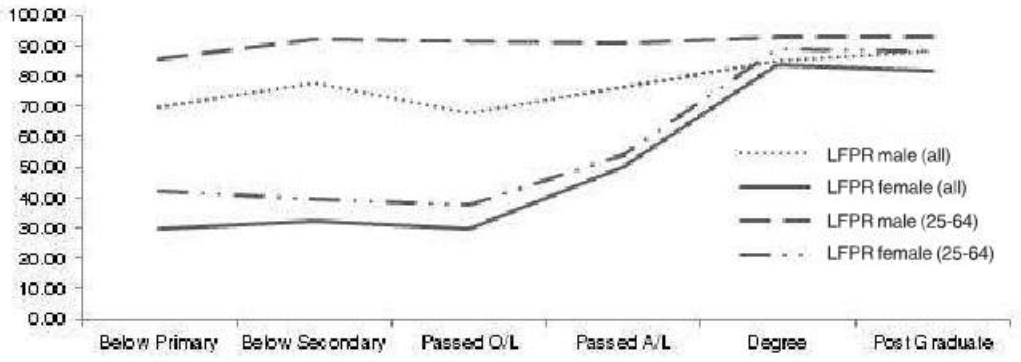
Evidence shows that low labour force participation is more an issue for low skilled females. As seen in Figure 4.4, the FLFP increases steadily with education for those with at least O-Levels. In fact, the labour force participation rates of females with degrees are on par with that of males with degrees.

Figure 4.5, corroborates these findings and further shows that the effect of education on labour force participation is seen for all districts in the country and for all types of education. For example, as seen in Figure 4.5, the labour force participation of those with only A-Levels was higher (by abour 15 percentage points) than those with only O-Levels. Further, for both those with O-Levels and vocational training and A-Levels and vocational training had higher labour force participation rates compared to those with only O-Levels or only A-Levels, respectively. These results indicate that education does matter in improving labour force participation of females.

4.5.3 Domestic Responsibilities and FLFP

Like for many other countries, the majority of household responsibilities and child care activities are the responsibility of females in Sri Lanka. This is the case in spite of the economic participation of females. For example, through a survey administered to 500 females and their husbands, a recent study finds that women spent

Figure 4.4
Labour Force Participation, by Education, Gender and Age Group



Source: Author's calculation using DCS LFS 2015 data.

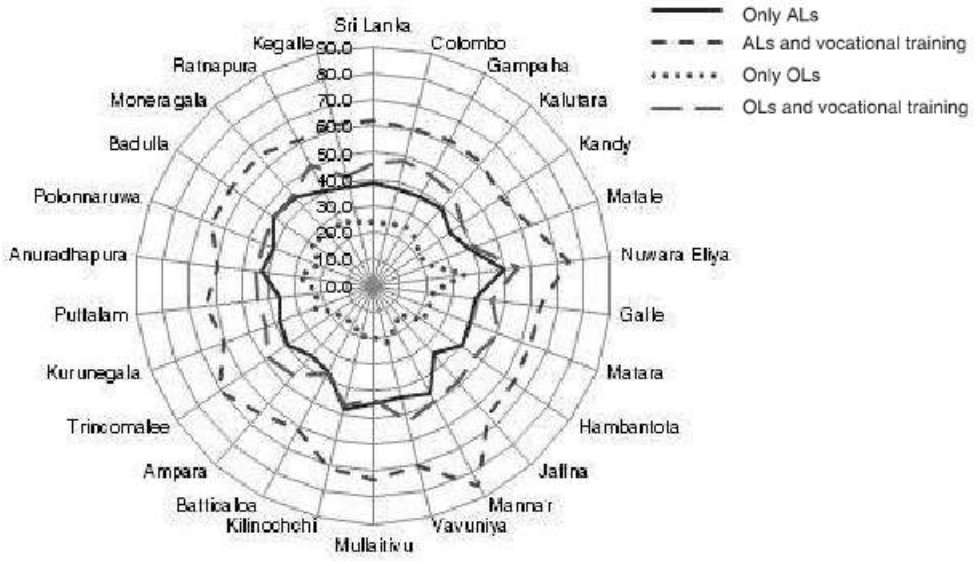
The FLFP increases steadily with education for those with at least O-Levels. In fact, the labour force participation rates of females with degrees are on par with that of males with degrees.

three to six hours a day cooking and cleaning for the household.[37] The number of hours spent on cooking and cleaning was less (five to six hours) for females who were full-time home makers, unemployed, self-employed or employed in a family business than for females engaged in market work. However, even females doing market work on average spent more than three hours a day cooking. In contrast, irrespective of the economic activity status of the wife (i.e., whether wife was employed, self-employed, helping in the family business, unemployed or a home maker), husbands spent less than one hour a day in cooking and cleaning activities on average. In addition, wives were engaged in child care activities one to three hours a day. Although husbands spent more time in child care activities than in cooking and cleaning activities, the time they spent in child care activities was less than the time spent by their wives.

Spending around six hours a day on cooking, cleaning and child care activities leaves

[37] Gunatilaka, R. (2016), "Women's Activity Outcomes, Preferences and Time Use in Western Sri Lanka", in ILO, Factors *Affecting Women's Labour Force Participation in Sri Lanka*, International Labour Organization, Colombo.

Figure 4.5
Labour Force Participation of Females, by District and Level of Education



Source: Arunatilake, N. (2016), *Census of Population and Housing - 2012.Thematic Report on Labour Market Characteristics*, United Nations Population Fund Sri Lanka and the Department of Census and Statistics, Colombo.

females little time for market work. It is not surprising that females look for more flexible work opportunities. Also, such large time constraints prevent females from engaging in training activities which could improve productivity or in seeking career progression which could impair their home production activities. Given the more severe time constraints faced by females, they also tend to choose work opportunities closer to their residences.

4.5.4 Limited Availability of Desirable Work Opportunities

Overall, 35 per cent of the employed in Sri Lanka are females (Figure 4.6). However, a much higher share of females are working as professionals (66 per cent) and clerks (52 per cent). Compared to other countries, the higher proportion of females as professionals is unusual. However, a closer look at these statistics shows that most professional females are teachers and health care service workers, rather than professionals with high wage incomes. The share of females in elementary occupations (38 per cent) was also slightly higher than the national share of females in employment. This indicates the differences in occupation choices across gender. More more likely to be engaged in elementary occupations. In comparison, the share of females working as senior officials and machine operators was much less than the overall share of females in employment.

Spending around six hours a day on cooking, cleaning and child care activities leaves females little time for market work. It is not surprising that females look for more flexible work opportunities.

By industry, females are relatively more represented (i.e., the share in industry is greater than the share in total employment) in education, health services, manufacturing, financial and insurance activities and agriculture, forestry and fishing activities (Figure 4.7). The female representation in some activities such as transportation and storage, construction and mining and quarrying was extremely low. This shows that as in other countries, females self-select into some industry categories.

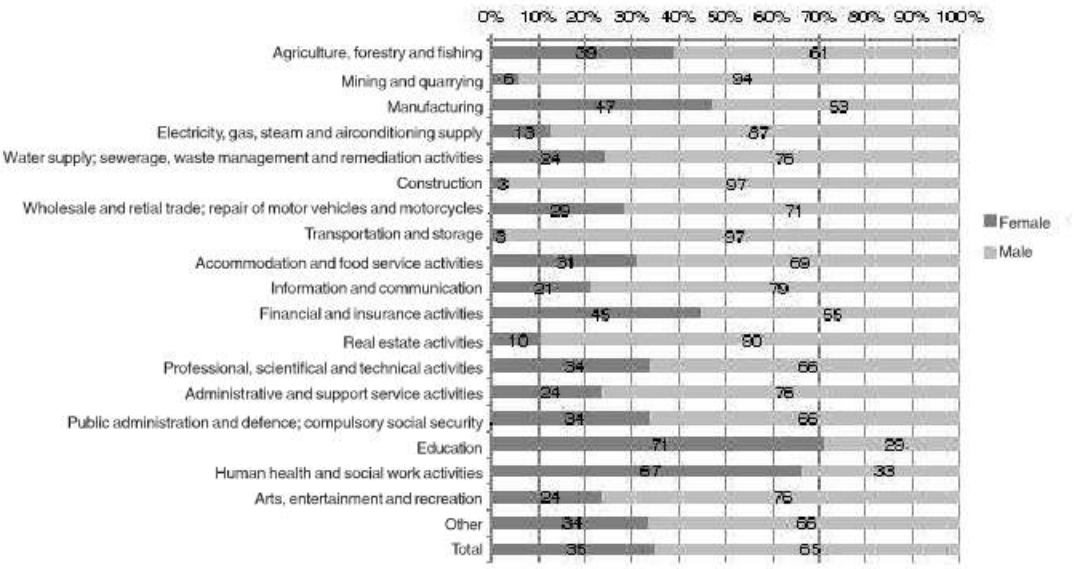
Figure 4.8 shows that the Sri Lankan labour market is still skewed towards lower skilled work categories. The share of workers in occupations requiring higher level skills is lower, while most of the workers are concentrated at the lower end of the skill spectrum. The lack of good opportunities in the types of occupations preferred by females could be a reason for the low labour force participation of females. For example, most of the job opportunities for females were in elementary occupations and

Figure 4.6
Share of Workers Across Occupations, by Gender, 2015



Source: Author's construction based on DCS LFS 2015 data.

Figure 4.7
Share of Workers Across Industries, by Gender, 2015



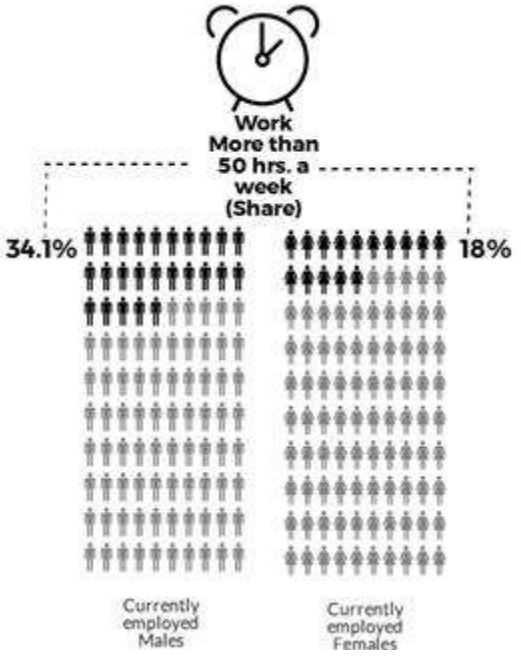
Source: Author's construction based on DCS LFS 2015 data.

in skilled agriculture and forestry sector. However, such jobs are not attractive to more educated females with better skills. The available jobs in occupations preferred by higher skilled women (i.e., professional and clerk categories) are rather limited.

Difficult working conditions associated with available work opportunities could also be reasons for the low labour force participation of females. Difficult working conditions may be due to poor quality work environment, or lack of facilities (i.e., bathrooms, running water, etc.), or it could be due to working conditions. Limited information is available on the effect of these aspects on employment. But, available data suggests that long working hours associated with available work opportunities may be a deterrent for labour force participation of females. For example, according to the LFS 2015, a little more than a third of currently employed males (34.1 per cent) worked more than 50 hours a week while less than a fifth (18 per cent) of currently employed females worked more than 50 hours a week.

4.5.5 Male Female Wage Gap

The results of Oaxaca-Blinder decompositions for male and female differences in wages show that the mean difference in male and female hourly wages was 25.4 per cent higher for males than for females in 2014. The analysis further shows that adjusting women's endowments to that of men would decrease women's wages by 9.9 per cent in 2014. This indicates that women have higher productive endowments such as education, but fail to take advantage of



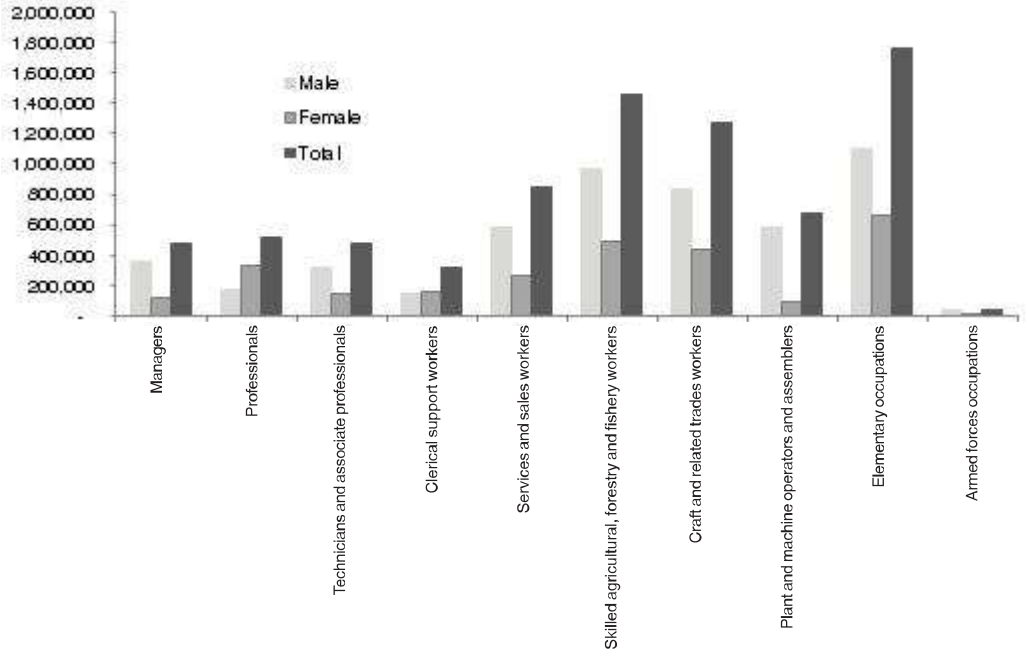
these. A large part of the wage difference is unexplained.[38]

4.6 Conclusion and Policy Recommendations

4.6.1 Improving on Stringent Severance Pay System in the Country

Sri Lanka's goal of doubling its per capita income by 2025 will only be possible with improved productivity and competitiveness. Given the current status of Sri Lanka's development, amongst other things, improving labour market efficiency is important for

Figure 4.8
Distribution of Workers Across Occupations, by Gender, 2015



Source: Author's construction based on DCS LFS 2015 data.

[38] IPS calculations, based on DCS Labour Force Survey 2014 data.

improving competitiveness of the country. This Chapter looked at how high redundancy costs coupled with stringent hiring and firing legislation and low FLFP are holding back labour market efficiency in the country.

On the effect of high redundancy costs, the analysis finds that the present severance pay system operational in the country is instrumental in reducing the flexibility of the labour market. High costs associated with the severance pay system encourage firms to stay in the informal sector and encourages the growth of non-permanent employment contracts. Also, since the implementation of TEWA is lax for firms in EPZs, larger firms tend to locate within the zone. Further, TEWA is not effective as a mechanism for compensating redundant workers, as only a small segment of employed are covered by TEWA. Even those who are covered by TEWA do not always receive the benefits to which they are eligible, as firms try to avoid payments through various means.

Evidence for other countries shows that allowing greater mobility of workers across jobs improves the productivity of the workforce and facilitates job creation. More developed countries have moved away from job protection and introduced flex security schemes to give firms more flexibility to hire and fire workers while protecting income security of workers. However, as discussed, the implementation of such schemes is not recommended for developing countries as the success of such schemes depends on the administrative capacity of a country and the sophistication level of the labour market. In countries where the informal sector is large, where there is little information on the employment status of individuals, and political influence in the labour market activities is high, it is difficult to implement such schemes.

A recent survey of severance pay systems in different countries shows that severance system reforms introduced in Chile and Australia may be more suitable for developing countries. Both these schemes rely on making contributions to individual unemployment insurance accounts. Workers are able to draw defined amounts (usually a percentage of their salary) from these accounts during times of unemployment up to a stipulated time. Any accumulated funds in these accounts go towards boosting the pension benefits of workers. Such schemes reduce the need for sophisticated monitoring, as workers are incentivized to become re-employed soon as savings from unemployment insurance funds help to boost pensions.

Sri Lankan policy makers have already recognized the need for reforming the severance pay system in the country. But, the reforms introduced in 2003 and 2005 have not achieved the desired objectives as even after the reforms, job protection available for workers is very high, reducing the flexibility of the labour market and growth of permanent formal sector jobs. Sri Lanka should learn from the best practices in reforming the severance pay system to introduce more flexibility to the labour market, while ensuring income protection of workers. Further, as shown in the analysis, such schemes can be designed to reduce the vulnerability of non-permanent workers and give them greater security in the market.

4.6.2 Improving Labour Force Participation of Females

On the labour force participation of females, the analysis finds that both demand and supply side effects are instrumental in keeping females away from market activities. First, on the supply side, difficulties in balancing home and market

On the effect of high redundancy costs, the analysis finds that the present severance pay system operational in the country is instrumental in reducing the flexibility of the labour market.

activities are a main reason for low labour force participation of females. The analysis shows that home and child care responsibilities of a household are largely shouldered by females, and that on average, females spend a large part of their time attending to these activities. This reduces the productivity of females in the market place and reduces their choice of employment opportunities. Productivity is reduced, as females are less able to invest time in formal and informal training due to time constraints. Choice of employment is lowered as females opt to choose work opportunities that are closer to their homes and those that give them the freedom to balance household activities with market place activities. This suggests that any policies for lowering the burden of household responsibilities borne by females and improved transport facilities have the potential to improve the labour force participation of females. Such policies may include good quality and affordable child care facilities, better access to electricity and modern labour saving technologies. Further, facilitating flexible working hours as well as work opportunities with lesser number of hours of work per week can also increase the labour force participation of females.

Further, the analysis shows that the wages received by females are lower compared to their male counterparts. These differences are not explained by observable characteristics. Eliminating such gender differences in wages will also help to make employment more attractive to females.

The evidence suggests that education is instrumental in improving the labour force participation of females, with higher levels of education as well as vocational training helping to improve economic participation of females. Improving education opportunities for females can increase their productivity both at home and in the work place. Also, with higher skills, females can obtain better paying jobs that could help to pay for time saving home production technologies or obtain help to assist with household activities in the market place.

The evidence suggests that education is instrumental in improving the labour force participation of females.

However, unless there is creation of jobs that are attractive to females, the effect of education on labour force participation of females would be limited. The analysis also shows that females tend to self-select into certain types of industries and occupation categories. More educated females are relatively more represented in professional and clerk occupation categories, while less skilled females are relatively more represented in elementary occupations. Across industries, education, health services, manufacturing, financial and insurance activities, agriculture forestry and fishing are the activities relatively more favoured by females.

Making jobs attractive to females can happen in two ways. Either the market can facilitate the growth of jobs more favoured by females; or the market can improve the attractiveness of jobs traditionally not favoured by females to females. The occupation distribution of employment in the country shows that the employment opportunities are mostly for lower skilled workers. Along with improving access to education, policies will need to facilitate the creation of jobs for better skilled workers to improve job prospects for females.

Lastly, lessons learned from other countries show that to successfully improve labour force participation of females, economic policies aimed at facilitating work place flexibility, job creation and improving working conditions need to be implemented hand-in-hand with policies for lessening the burden of home production activities for women, through better quality affordable child care, better transport facilities and better access to time saving technologies.

5. Bridging the Skills Gaps in Sri Lanka

5.1 Introduction

The Sri Lankan government's Economic Policy Statement of October 2016 lays emphasis on promoting economic linkages to global supply chains in pursuit of an export-led and private investment driven growth push. In the global value chain process, Sri Lanka has developed a variety of distinct economic sectors which are capable of offering high-value skills and remuneration to young job seekers in the country. Indeed, the current policy direction aims to create more opportunities for entrepreneurs and skilled professionals in sectors such as digital economy, tourism, commercial agriculture, alongside efforts towards a modern manufacturing economy. In this context, quality higher education and training are crucial in order to move up the value chain beyond simple production processes and products.

Globalization has accelerated the pace of innovation and technology. In this rapidly changing economic environment, new occupations are emerging while the need for new skills and competencies are evolving. Thus, countries aiming to integrate to a globalized world require well-educated workers who are able to perform complex tasks and adapt rapidly to evolving needs of new skills and competencies. Even lower-skilled jobs increasingly require talent and knowledge where even vocational training and secondary education must be geared to equip people for the world of work in a complex, digital environment. Thus, capacity building in science and technology and innovation are more crucial today than ever before. Therefore, schools need to teach in ways that encourage flexible thinking rather than emphasizing memorization and produce students who can think critically, solve problems, and adapt to new technologies. A major challenge countries face today is to enhance the responsiveness of education and training systems to cater these emerging skill requirements. The extent of staff training through continuous on-the-job training is also of concern to ensure a constant upgrading of workers' skills.

A country's human capital is an essential requirement towards meeting broader development goals. As Sri Lanka enters an increasingly competitive international environment with a renewed emphasis on transforming itself into a modern economy, the importance of promoting technological innovations and generating an educated workforce with market oriented skills cannot be over emphasized. High quality human resources with science and technology knowledge and a skilled labour force are necessary to keep up and improve on the country's global competitiveness. Given this back drop, this Chapter analyses Sri Lanka's

Table 5.1
Sri Lanka's GCI Ranking in Higher Education and Training

Indicator	Rank / 138	Value
Secondary education enrollment rate gross %	48	99.7
Tertiary education enrollment rate gross %	98	20.7
Quality of the education system	41	4.3
Quality of math and science education	28	4.8
Quality of management schools	38	4.7
Internet access in schools	75	4.1
Local availability of specialized training services	42	4.8
Extent of staff training	51	4.2

Note: Values are on a 1-to-7 scale
Source: Schwab. K (2016), *Global Competitiveness Report 2016-2017*, World Economic Forum, Geneva.

existing skill development issues and priority areas to be addressed in order to attain a dynamic and skilled labour force in a competitive global environment.

5.2 Staying Globally Competitive

According to the 2016-2017 rankings of the GCI, Sri Lanka is placed at 68 out of 138 countries on the higher education and training pillar.[1] The higher education and training pillar measures secondary and tertiary enrollment rates as well as the quality of education as evaluated by business leaders. It comprises eight sub-indices of the knowledge economy: secondary education enrolment rate, tertiary education enrollment rate, quality of the education system, quality of math and science education, quality of management schools, internet access in schools, local availability of specialized training services, extent of staff training.

Sri Lanka's performance in the higher education and training pillar of GCI is constrained by its limited tertiary education enrolment and limited internet access in schools. The gross tertiary education enrollment rate of 20.7 per cent puts it in 98th place while Sri Lanka also exhibits a relatively low advancement in internet access in schools (Table 5.1). As discussed before, high quality human resources with science and technology (S&T) knowledge promotes a skilled labour force which is necessary to keep up global competitiveness. Human resources with S&T is considered as a strategic measures of a country's ability to sustain economic growth, be innovative and competitive. As such, the following section will mainly focus on access to tertiary education, provision of math and science education, and information and communication technology (ICT) across schools in Sri Lanka.

5.2.1 Access to Tertiary Education

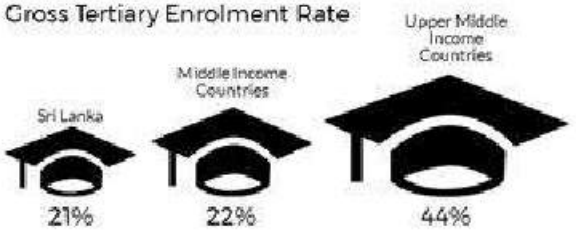
As noted above, Sri Lanka's tertiary enrolment rate is low. As of 2014, only 5 per cent of 20-24 year olds were enrolled at a university, while another 8 per cent were enrolled in other

[1] Schwab. K (2016), *Global Competitiveness Report 2016-2017*, World Economic Forum, Geneva.

educational institutions and only a 3 per cent of the same age group were enrolled in technical education and vocational training (TEVT) courses (Figure 5.1). These tertiary enrolment rates are low compared to other comparable countries in the region. For instance, Sri Lanka's gross tertiary enrolment rate (21 per cent) is below the averages for lower middle income countries (22 per cent) and upper middle income countries (44 per cent).[2]

The main reasons behind this lower tertiary enrolment include capacity constraints of the state university system, unavailability of a proper parallel higher education system with private sector involvement, and an underdeveloped TEVT sector. Given these, most of the school leavers usually find unskilled work or engage in casual jobs. For instance, only around 10 per cent of age 20 and above population in Sri Lanka has a formal professional or technical training relevant to their occupation. Further, only 4 per cent (470,000) of the age 25 above population have a degree level education.[3] This limited higher educated human capital acts as a constraint in catering to the labour market demand for advanced skilled workers.

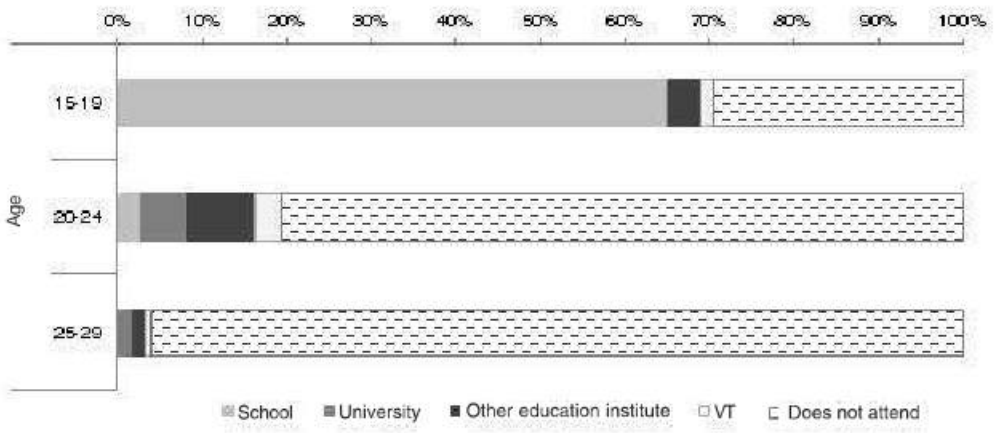
The main reasons behind lower tertiary enrolment include capacity constraints of the state university system, unavailability of a proper parallel higher education system with private sector involvement, and an under-developed TEVT sector.



[2] Gross tertiary enrolment rate is measured as total enrolment in tertiary education (ISCED 5 and 6), regardless of age, expressed as a percentage of the total population of the five-year age group following on from secondary school leaving. See World Bank, World Development Indicators 2014, http://wdi.worldbank.org/table/2.11#.

[3] Calculated based on DCS Census of Population and Housing 2012 data.

Figure 5.1
Engaged in Education 15-29 Year Olds, 2014



Source: Author's calculation using DCS LFS 2014 data.

5.2.2 Math and Science Education

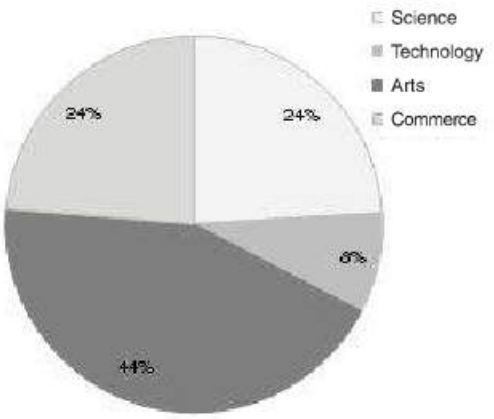
Sri Lanka performs well in the quality of math and science education in the GCI. At primary level, basic science is taught as a component part of an integrated 'Environment Related Activities (ERA)' curriculum. Science topics relevant to the local and global context are woven into the ERA syllabus. Also activity-based teaching is employed to a fair extent and science is successfully taught in primary grades. For secondary grades (6-11), science is offered as a stand-alone subject in an integrated curriculum. Practical work including hands-on laboratory experimentation is promoted as a compulsory part of the curriculum and assessed as part of the examination system. In this context, Sri Lanka's education system gives a good foundation on math and science subjects from primary grades.

However, at collegiate level, the provision of equitable access to science education is a major challenge for Sri Lanka. For instance, there are limited opportunities, to study A-Level science stream at the school level. As of 2015, out of 10,162 schools only 1,005 (less than 10 per cent) had the facilities to teach A-Level in the science stream, while there were 1,801 schools that offered only arts and commerce streams for A-Levels.[4] Consequently, many students are compelled to follow the arts subjects owing to lack of other options. For instance, even though there are job opportunities to students following science streams, only a small proportion of students pursue A-Levels in science subjects at the collegiate level (Figure 5.2). As a result, it is notable that of the 15 and above population, only 13.2 per cent were in S&T occupations (occupations falling within major ISCO 08 major groups 2 and 3).[5]

[4] DCS (2015), *Statistical Abstract 2015*, Development of Census and Statistics, Colombo.

[5] Arunatilake, A. (2016), *Labour Market Characteristics*, United Nations Population Fund, Sri Lanka.

Figure 5.2
A-Level Students by Subject Stream



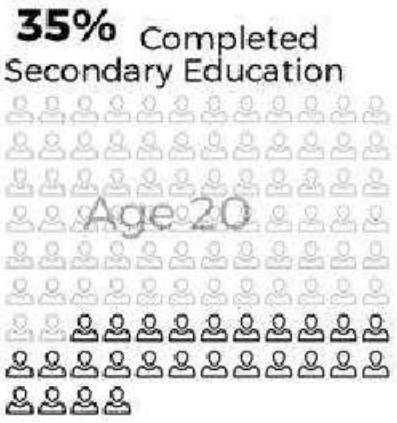
Source: MOE (2015), *Sri Lanka Education Information*, Ministry of Education, Colombo.

Also, there are supply side bottlenecks for ICT education at the school level. To empower students with knowledge commodities, the National ICT Education Drive was launched in 2005 under the Master Plan for ICT Education from 2005 to 2010. Accordingly, ICT was promoted as a tool in learning and information handling from primary grades onwards, especially in subjects such as mathematics, science and geography. Also, ICT was introduced as an optional technical subject at O-Levels. Although ICT education was promoted in the general education system as a tool in learning and information handling, there are limited ICT resourced schools. Even as of 2013, only 43 per cent of Type 2 and Type 3 schools had an ICT laboratory.[6]

Given all these supply side bottlenecks in the current education system, Sri Lanka faces considerable challenge in arming its labour force with necessary skills in ICT, S&T, research and development, etc., in order to bridge required skills deficits.

5.3 Education and Skills Mismatch

Only 35 per cent of the age 20 and above population has completed secondary level education in Sri Lanka. The level of education completed has improved considerably among younger age cohorts, when compared to older age groups (Figure 5.3). However, even among youth aged 20-29 years, only 31 per cent have succeeded at the highest level of formal education (i.e., A-Levels), while 22.5 per cent of the same age group have succeeded the prior stage (i.e., O-Levels). Further, only 3.6 per cent of the youth aged 20-29 years have completed a degree level education. These trends point to significant gaps in meeting the skills demand of the country (see box 5.1).



[6] Type 2 schools are those with classes up to O-Level; Type 3 schools are those with classes up to 5. See MOE, *Annual Performance Report 2013*, Ministry of Education, Colombo.

Box 5.1
Gaps in Meeting the Skills in Demand

A study comparing employers' perception of skills demand with the skills available in the workforce reveal serious mismatches in the demand for, and supply of, education and training.

The study conducted by the World Bank in 2014 on the skills sector in Sri Lanka reveals that 56 per cent of employers consider that high-skilled workers should have passed A-Levels, but only 18 per cent of the population has done so. Similarly, 70 per cent of employers consider that low-skilled worker should have passed O-levels, but only 35 per cent of low-skilled employees have done so.

About 60 per cent of employers expect workers in a high-skilled occupation to have completed technical or vocational education and training, and 24 per cent think low-skilled workers should have been trained. However, only 16 per cent of the population has undergone such training.

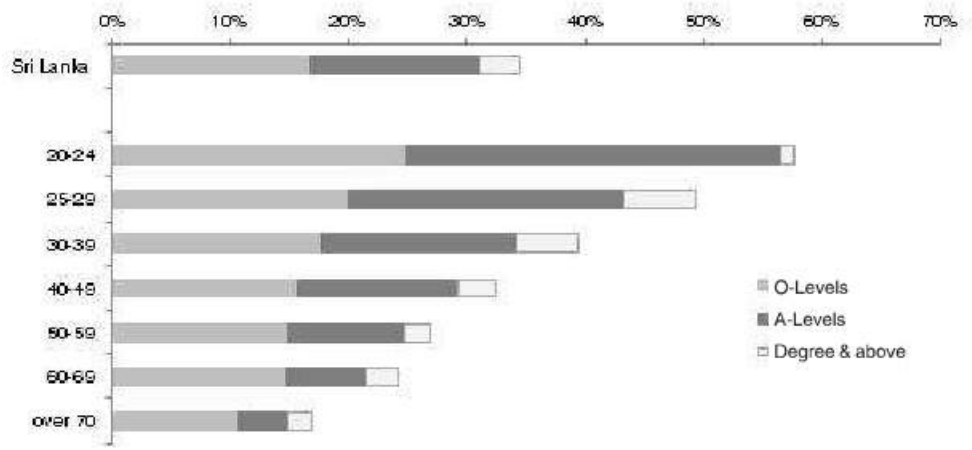
About 80 per cent of employers expect a higher-skilled worker to have sound knowledge of English and 40 per cent expect the same of less-skilled workers. However, only 20 per cent of Sri Lankans are fluent in English. Further, 75 per cent of employers expect higher-skilled worker to have computer skills and 38 per cent expect the same of lower-skilled workers. However, only 15 per cent is computer literate.

Sri Lanka is emerging as a global sourcing destination. Software and Information Technology Enabled Services (ITES), such as Business Process Outsourcing (BPO) and Knowledge Process Outsourcing (KPO) have emerged as one of the fastest growing sectors in Sri Lanka. In fact, the country was ranked 63rd among 139 countries in the 2016 Networked Readiness Index published by the World Economic Forum. It measures how economies use the opportunities offered by ICT in enhancing competitiveness and well-being. Human capital with commanding IT knowledge and communication skills are vital to support this thrust sector.

However, the demand and supply projections of the National ICT Workforce Survey of 2013 reveal a shortage in supply of a graduate workforce for 2014. According to the survey data, the number of ICT graduates in demand - a projection based on the required numbers of recruits given by respondents in the sample of the for 2014 - is 6,246, whereas the annual supply of IT graduates is around 5,778 in 2014.

Source : Dundar, H. et al. (2014), *Building the Skills for Economic Growth and Competitiveness in Sri Lanka*. World Bank, Washington, D.C.; CBSL, *Annual Report* 2016; ICTA (2013), *National ICT Workforce Survey*, Information and Communication Technology Agency of Sri Lanka.

Figure 5.3
Level of Education Completed (Age 20 and Above)



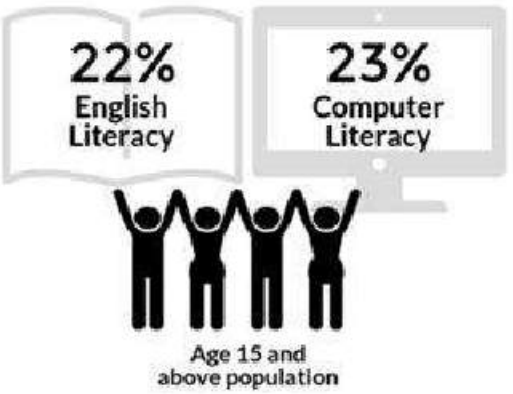
Source: Author's calculations using DCS LFS 2014 data.

ICT and English language are the most demanded soft skills in the country. Individuals competent in English have access to better quality jobs with higher salaries and benefits in the domestic labour market as well as internationally. However, the Census of Population and Housing 2012 data conducted by the DCS reveals that of the age 15 and above population, English literacy (ability to speak, read and write) and computer literacy were around 22 per cent and 23 per cent, respectively. This situation creates a gap in meeting the demand for soft skills as previously noted.

There also appears to be a wide gap between school and the world of work. As stated in the National Education Commission (NEC) sector review, Sri Lanka's education system has failed to adequately promote quality and relevant education, as well as individual orientation to the world of work.[7] The primary reason behind this skills mismatch is that the quality of the general and higher education systems - provided mainly by the public sector - does not transmit much productive skills to students. This has resulted in mismatches between the demands of the market and the skills of school and university graduates. In recent years, governments have recognized the need to break from the traditional track and to create activity-based curriculum relevant to the world of occupational work. Although attempts were made to improve the quality of education through the 1997 and 2007 curriculum reforms, there are shortcomings in curricula designing, development and implementation.[8]

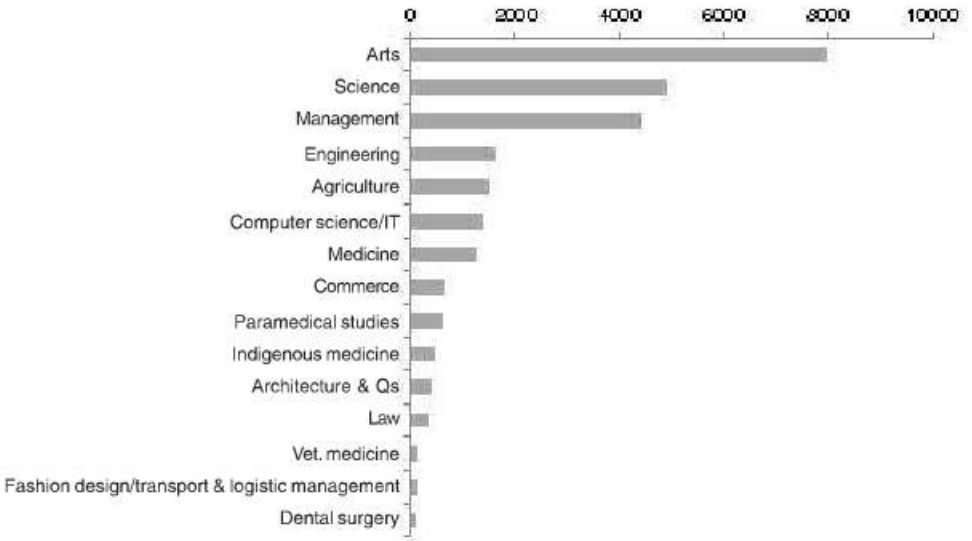
[7] NEC (2003), *Proposal for a National Policy Framework on General Education in Sri Lanka*, National Education Commission, Sri Lanka.

[8] IPS (2015), "Educational Sector Reforms to Bridge Skill Gaps", in *Sri Lanka: State of the Economy 2015*, Institute of Policy Studies of Sri Lanka, Colombo.



Sri Lanka also does not appear to produce graduates with the necessary skills needed for the job market. There is a mismatch in the courses offered by universities and competencies needed by the private sector. The lack of coordination between state universities and industry and private sector has led to a skills mismatch between graduates and the job market. A major reason for the skill mismatch is the outdated curricula, aggravated by the lack of interaction with the private sector when designing degree programmes.[9] Furthermore, of those who do attend a university, nearly one-third are studying in the arts stream (Figure 5.4). However, the Graduate Employment Census carried out by Ministry of Higher Education (MOE) reveals that arts graduates are less employable when compared to graduates of other subject streams (Figure 5.5). This is mainly due to the fact that the arts stream subjects such as religions and civilization subjects, aesthetic subjects, and history are less in demand in the

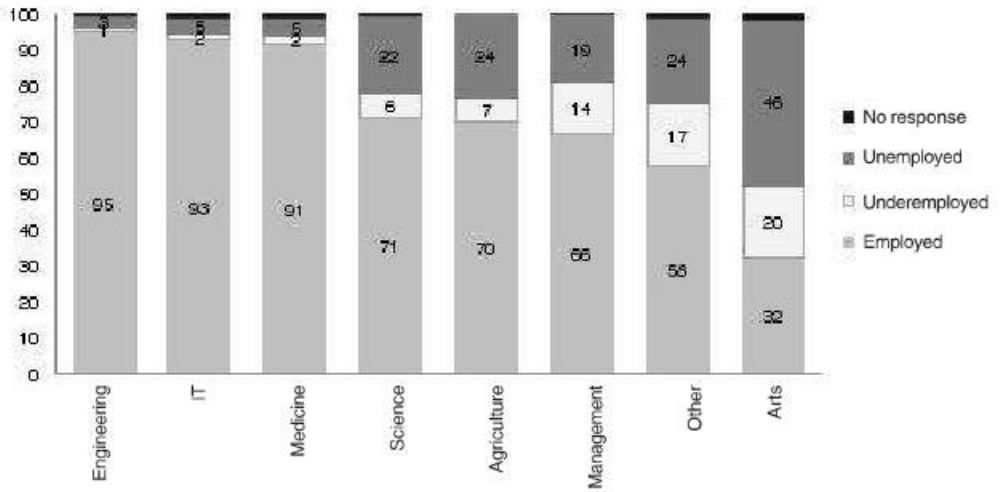
Figure 5.4
Distribution of University Admissions by Subject, 2014/2015



Source: UGC, *Sri Lanka University Statistics 2015*, University Grant Commission, Colombo.

[9] NEC (2009), *National Policy Framework on Higher Education and Technical and Vocational Education*, National Education Commission, Sri Lanka.

Figure 5.5
Employment Status of Graduates by Subject Stream



Source: Ministry of Higher Education, *Graduate Employment Census 2012*, Ministry of Higher Education, Colombo.

job market. The introduction of a new 'technology' stream for the A-Level examination from 2013 aims to provide job oriented practical knowledge and training for students, assuring them of better employment prospects after school.

Finally, there is no proper career guidance system to advise school leavers leading to an inadequate flow of information between youth and the labour market. Inadequate information flows between the youth and the labour market such as of the types of job opportunities in the labour market, limit the aspirations, and life goals of youth. Due to the existing information gap in the system, some students spend two years unnecessarily following A-Levels in fields with limited demand rather than entering vocational training, after the completion of O-Levels.

5.4 Skills Development: Tertiary Education

5.4.1 Provision of Higher Education

Higher education and training is a key for skills development in efficiency driven economies. As discussed before, the main reasons for the lower tertiary enrolment in Sri Lanka are capacity constraints of the state university system as well as the unavailability of a parallel system with private sector involvement. With the aim of increasing opportunities for higher education, the university intake which was confined to about 21,547 students in 2010 has now increased to about 28,952 in 2016.[10] Yet, of the 155,550 students who were eligible for university entrance from the A-Level stream of

[10] CBSL, *Annual Report 2016*, Central Bank of Sri Lanka, Colombo.

2015/2016, only 18.6 per cent were admitted to state universities due to limited placements.[11] Consequently, each year, about 125,000 students who qualify to enter a university have to abandon their ambitions. Other concerns include the growing political influence, campus violence and unrest among state university students, including the constant strikes, and reports of ragging. The continuous strikes and protests instigated by political parties have led to sporadic closure of universities, prolonging the time taken for students to complete their degrees.

Limited opportunities in the state sector have resulted in the emergence of a parallel system of non-state sector higher education with the establishment of private higher education institutes (HEIs), many of which are affiliated to foreign universities. The establishment of private HEIs will not only increase access to tertiary education, but will also increase the competitiveness in the sector leading to an overall increase in the quality of education offered.

The 2016 Budget proposals presented to Parliament in November 2015 stated the government's intention to encourage the establishment of private universities, and propose that these universities should be monitored by the University Grants Commission (UGC) to ensure quality. The proposals also include that at least 10 per cent of placements should be awarded free-of- charge to students who have successfully completed the local A-Level examination. The government is also looking to provide tax incentives to local counterparts of such ventures. At the same time, the government has emphasized that the prevailing free education system will not be compromised in any way.

While the expansion of tertiary education and the establishment of public-private partnerships (PPPs) are needed to keep up with growing trends in the world in adopting such strategies, the socio-political background of the country needs to be assessed in order to create an environment conducive to private sector participation. Given the long history of free educational policies in Sri Lanka, a redirection of policy to accommodate private HEIs has been subject to vast criticism. There are concerns among many stakeholders about the variability in quality among private HEIs.[12] Among other concerns is the fact that private fee-levying institutions are exacerbating the income disparity leading to inequitable access to higher education. Opponents of private intervention believe that private HEIs will turn education, which is a constitutional right, into a 'commodity'. They further highlight the absence of a quality assurance system to ensure that these private providers are subject to the same standards as the established state higher education providers.[13]

Also, with the growing number of affiliated institutes, the lack of policy and a governing authority is one which needs to be addressed. There is no legal entity or regulatory body to monitor the functions of these institutes. As such, the proposals presented in the National Policy Framework on Higher Education and Technical and Vocational Education recommends such

[11] *Ibid.*

[12] WB (2009), *Towers of Learning Performance, Peril and Promise of Higher Education in Sri Lanka*, World Bank, Colombo.

[13] "Higher Education: To Privatize or Not?", *Financial Times*, 26 August, 2016. Available at http://www.ft.lk/article/563868/Higher-education-%E2%80%93-to-privatise-or-not#sthash.7o4DnGxB.dpuf

education institutions to register under the affiliated foreign university and provide training to students for degree programmes which are to be offered and conducted by the parent university. Furthermore, the establishment of these institutes needs to be regulated by ensuring that the parent institutions and courses are recognized in the country of origin and also in Sri Lanka. To achieve this, proper guidelines need to be set for the recognition of overseas institutions. The institutes should also be subject to quality and accreditation requirements.[14]

The absence of an accreditation system for private sector higher education providers makes it difficult to regulate the quality of programmes offered by these institutions. In 2011, the government attempted to introduce new legislations under the Bill on Quality Assurance, Equalization, Qualification and Framework with the aim of uplifting the quality of the diplomas and degrees which are being offered by private sector degree awarding bodies. Under the proposed framework, degrees and diplomas awarded by the non-state sector were to be regulated to ensure quality. However, the government had to withdraw the proposed Bill owing to escalating protests from student groups and academics. Also, it should be noted that although the draft Bill had been approved by the Cabinet in 2011, its provisions have never been made fully public.

The absence of an accreditation system for private sector higher education providers makes it difficult to regulate the quality of programmes offered by these institutions.

Furthermore, public perception of private providers is important for the sustainability of private HEIs. Negative publicity about private providers with poor quality services can hinder the reputation of the sector and its ability to attract students.[15] Although, different higher education institutions have been granted authority to award degrees, there are some issues with the recognition of the status of degrees deferred by these institutes. Degree awarding institutes like the Sri Lanka Institute of Information Technology (SLIIT) and the

[14] NEC (2009), *National Policy Framework on Higher Education and Technical and Vocational Education*, National Education Commission, Sri Lanka.

[15] WB (2009), *Towers of Learning Performance, Peril and Promise of Higher Education in Sri Lanka*, World Bank, Colombo.

National Institute of Business Management (NIBM) are some non-controversial set-ups under this system, while there are others such as the South Asian Institute of Technology and Medicine (SAITM) which has garnered opposition from students and doctors alike.

In 2011, SAITM was recognized as a legitimate degree-awarding institute to award the degree of Bachelor of Medicine and the Bachelor of Surgery (MBBS) under the University Act. The highly controversial medical degree offered by the SAITM has been subject to scrutiny and criticism over the past few years. The Government Medical Officers Association (GMOA) and the Sri Lanka Medical Council (SLMC) opposes the move due to certain concerns on standards to be met and maintained, especially with regards to clinical training. This is mainly due to the fact that there is no proper monitoring mechanism to ensure the quality of the programmes offered by such institutes.

5.4.2 Sri Lanka's TEVT Sector

Sri Lanka's TEVT sector is underdeveloped. It is unable to produce enough qualified, skilled workers to respond to changing labour market needs.[16] This is partly due to the lack of a systematic link between TEVT and secondary education, leaving a majority of school leavers with no access to skills development programmes.[17] As discussed before, a majority of school leavers leave the education system after their O-Levels and A-Levels. These youth are the prime target for specific training and skills development programmes aimed at meeting the skills demands of the country. However, the transition from school to vocational training is not smooth.

In the recent past, the government initiated major reforms to restructure the TEVT system. Following the proposed reforms under the Presidential Task Force on Technical Education and Vocational Training (TEVT) in 1997, the TEVT system has undergone significant reforms mainly through the Asian Development Bank (ADB) funded projects - i.e., the Skills Sector Development Project (SSDP) and the Technical Education Development Project (TEDP) from 1999 to 2011. These reforms include aims to improve the quality and relevance of programmes by introducing National Vocational Qualifications (NVQ) standards in 2005, and registration and accreditation of courses of all vocational institutions. Furthermore, the University of Vocational Technology (UNIVOTEC) was established in 2008 to award NVQ degree equivalent qualifications. Along with that, nine Technical Colleges in the nine provinces have been upgraded to Colleges of Technology to offer national diplomas starting from 2010.[18]

The National Vocational Qualifications Framework of Sri Lanka (NVQSL) is the only recognized TEVT qualification in the country. The intention of establishing the NVQ was to create a globally competitive, skilled workforce, catering to industry-specific needs. The NVQSL meets the national skill standards, which is prepared in consultation with experts from the industry. A skill standard is a document which defines competency units pertaining to a certain

[16] ADB (2014), *Sri Lanka Technical Education Development Project*, Asian Development Bank, Manila.

[17] ADB (2005), *Technical Assistance to the Democratic Socialist Republic of Sri Lanka: Preparing the Education Sector Development Programme*, Asian Development Bank, Manila.

[18] TVEC (2012), *Corporate Plan 2013-2017*, Tertiary and Vocational Education Commission, Sri Lanka.

skill, its elements, and its standards, comprising of a range of activities required for knowledge competencies and attitudes. The competency units are identified based on the industry requirements of the occupation.

However, the lack of control and regulation in the TEVT sector is an issue that is of great concern. For example, according to a census of the TEVT sector training providers in the public sector and the non-state sector, only 86 per cent of institutes under the Ministry of Skills Development and Vocational Training (MSDVT), 19 per cent of other government training providers, and 39 per cent of non-state sector institutes are registered under the Technical and Vocational Education Commission (TVEC).[19] Many of these institutes refrain from registering due to the associated cost and their inability to meet with the infrastructure and facilities standards for registration.

Further, it reveals that only 24 per cent of the programmes conducted by the TEVT sector are accredited. While 65 per cent of training programs offered by institutions under the MSDVT have been accredited,[20] only 10 per cent and 6 per cent of the programmes offered by private sector institutes and other government institutes, respectively, are accredited. Only 26 per cent of TEVT programmes offer the NVQ qualification, which is the only recognized qualification in Sri Lanka. The remaining 74 per cent offer a variety of non-NVQ qualifications. The institutions under the MSDVT conduct 64 per cent of its programmes in NVQ while other government training institutions and private sector training institutions also conduct training programmes in NVQ but it is 10 per cent and 12 per cent, respectively.[21]

Also, due to the dominance of state sector providers, and the facilities available to them, state sector intervention is needed for long-term growth of the private sector in TEVT.[22] For example, the facilities and resources available to training providers vary significantly. In general, training institutes under the MSDVT tend to have better equipment and resources when compared to other TEVT institutes.[23] Further, fee-levying private providers can also provide training in a more cost-effective way. A validation report by the ADB reveals a number of downsides including amongst others, the lack of teachers, which hamper the actual output for technical diploma programmes; limited benefits attained from the short-term staff training due to late scheduling, large numbers to be trained, and some irrelevant training.[24]

5.5 Policy Implications

5.5.1 Reforms to Bridge Skill Gaps to World of Work

Addressing the mismatch between the skills acquired through the education system and the

[19] TVEC (2015), *Baseline Survey of the Technical and Vocational Education and Training (TVET) Sector,* Technical and Vocational Education Commission, Sri Lanka.

[20] *Ibid.*

[21] *Ibid.*

[22] NEC (2009), *National Policy Framework on Higher Education and Technical and Vocational Education,* National Education Commission, Sri Lanka.

[23] TVEC (2015), *Baseline Survey of the Technical and Vocational Education and Training (TVET) Sector,* Technical and Vocational Education Commission, Sri Lanka.

[24] ADB (2014), *Sri Lanka Technical Education Development Project*, Asian Development Bank, Manila.

requirements of the labour market are key concerns of the current education system. It is essential to reform the school and university curricula by introducing more market oriented subjects such as ICT/technological subjects as core subject in each A-Level subject stream, especially in the arts stream, in order to bridge the gap between demand and supply for these vital skills.

It is also a necessity to provide access to equal opportunities for education to all students across the country. Opportunities for education in science should be extended to remove involuntary discrimination for science education. While the number of science teaching schools needs to be increased to address equitable distribution, the technology stream should be strengthened where provision of science teaching is not possible.

State universities should change to become dynamic centers of teaching and learning that will react to changes in the market in a timely manner. Curriculum should be reformed to match the skills demands of the globalized labour market with sufficient practical applications. Linkages should be developed between universities and private sector when designing the courses, securing the relevance of training to the changing needs of enterprises and labour markets.

A minimum of two years training is recommended for students after sitting for O-Levels to address the skill gaps of school leavers. Training programme should be more work-oriented technical training in different fields such as hotel, construction, textile and garment sectors, etc. Vocational education systems should be linked with industries that can absorb these students. Therefore, training programmes should be developed with the involvement of private sector companies while the programmes should more relevant to regional development priorities. Public-private partnerships, and schemes of recruitment through vocational education and training institutes directly to the industry, are essential.

It is essential to reform the school and university curricula by introducing more market oriented subjects such as ICT/ technological subjects as core subject in each A-Level subject stream, especially in the arts stream.

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To address the labour market information gap among school leavers, awareness and absorptive capacities of industries, as well as education and training institutes needs to be developed. Raising awareness should be done at the school level after sitting for O-Levels. Through such efforts, students will be better prepared to choose between vocational training and following more academic training for A-Levels. Particular attention should be given to school leavers who do not succeed at their O-Levels. This awareness campaign should be done in a well-planned manner, with the involvement of vocational training authorities, private sector institutes, etc.

5.5.2 Reforms to Expand Opportunities for Tertiary Education

The expansion of higher education opportunities in Sri Lanka has enabled many students who would otherwise have studied abroad to graduate locally at a considerably lower cost, saving foreign reserves and minimizing the outflow of knowledge (referred to as 'brain drain'). It also has the potential to encourage foreign investment and attract students from countries in the Asian region. Facilitating the establishment of affiliated institutes and world-class private sector universities will contribute towards developing a 'knowledge economy' with a competitive skilled force.

However, policy makers have to ensure that quality and standards are not compromised through ineffective monitoring and control of private providers. The prevailing quality assurance mechanisms and regulatory systems have a very narrow coverage, excluding the vast non-state HEIs functioning independently. Under the current system, the Ministry of Higher Education and Highways facilitates Review Panels and Standing Committees on Accreditation and Quality Assurance (SCAQA) to monitor the functions, and accredit the higher education programmes conducted at institutes which are under the purview of the UGC and recognized private institutions.

Although the proposed Quality Assurance, Equalization, Qualification and Framework Bill failed, it is necessary to strengthen the regulatory mechanism of these institutes by incorporating new rules and regulations. It is

crucial, therefore, to identify desired standards of these institutions with respect to their student recruitment criteria, fee structure, academic programmes, quality assurance and accreditation, etc. As in the case of SAITM, and other institutes offering professional degrees, the first intake should be allowed only after the institute has obtained the compliance certification from the relevant professional body.

Proposed reforms spelt out in the National Policy Framework on Higher Education and Technical and Vocational Education by the NEC in 2009 aimed broadly at restructuring the governance and institutional framework of higher education in order to facilitate expansion in access, as well as improving the quality and relevance of higher education. To optimize higher education opportunities, it called for increasing the number of places in the existing higher education institutes by providing human and physical resources, as well as introducing new methods of teaching, such as distance learning. It strongly recommended the need to expand higher education through different means, including the establishment of affiliated institutions to universities, establishment of degree awarding institutions outside the purview of the UGC, and for cross-border higher education. It also called for 1) a quality assurance, assessment and accreditation system; 2) coordination with the industry sector in designing courses; and 3) promoting research and creative activity in higher education institutes.

Further, NEC 2009 recommendations included the establishment of a National Quality Assurance, Accreditation Council (NQAAC) by an Act of Parliament, as an independent body appointed by the President, to cover all areas of higher education and technical and vocational education in Sri Lanka. Setting a national standard in the country for all tertiary providers will help reduce doubt and controversy surrounding private providers. The NEC proposes that the NQAAC should be established by an Act of Parliament and its governing body should include officials from both the higher education and TEVT sector. This body is to be empowered with the right to award recognition to institutes and universities. The NQAAC will set national standards and guidelines to be followed by all tertiary education providers. They will also conduct cyclical reviews of all academic activities of these institutes to ensure the quality of all programmes offered within the higher education and TEVT sector.[25]

Further, maintaining relationships with the industry and the job market is vital for the TEVT sector. Competition from non-state sector providers also help to improve the overall quality of programmes offered within the TEVT sector. Recommendations made by the NEC on National Policy Framework on Higher Education and Technical and Vocational Education support government assistance to non-state sector providers.[26] An assessment of all TVEC registered non-state institutions will have to be carried out in order to identify areas of intervention. In order to maintain the standards of these institutions, the renewal of registration of non-state institutions should be subject to maintenance of standards on par with state

[25] NEC (2009), *National Policy Framework on Higher Education and Technical and Vocational Education*, National Education Commission, Sri Lanka.

[26] *Ibid.*

Sri Lanka should establish a National Quality Assurance, Accreditation Council by an Act of Parliament, as an independent body appointed by the President, to cover all areas of higher education and technical and vocational education in Sri Lanka.

providers. Non-state sector institutions should also share the responsibility of education and training so as to foster a more beneficial cooperation between the two sectors. Given the large number of non-NVQ qualifications offered in the country, the NEC recommends the establishment of a standardized system to recognize non-NVQ programmes under the NVQ framework. This would enable links within the sector to allow non-NVQ certificate holders to subsequently obtain NVQ qualifications. The NEC further encourages the establishment of long-term PPPs in TEVT. This would, however, require a proper institutional and legislative framework to ensure its sustainability and viability.[27]

An alternative to establishing private HEIs would be to involve the private sector in financing and managing state-sector tertiary education - i.e., encouraging PPPs within the sector. New trends include the use of choice-based policy initiatives - i.e., the use of voucher schemes and contracting educational services to private organizations. Outsourcing of services to the private sector could help reduce politicization and increase productivity in the education sector. It could further increase transparency in government spending, improve efficiency and quality in the delivery of education, and improve choice and access to education, especially to those excluded from traditional systems. Conversely, contracting could also lead to less government control, increased administration costs and open up opportunities for corruption.

Also as discussed in detail in previous reports of the Sri Lanka: State of the Economy,[28] the

[27] *Ibid.*

[28] IPS (2015), "Educational Sector Reforms to Bridge Skill Gaps", in *Sri Lanka: State of the Economy 2015*, Institute of Policy Studies of Sri Lanka, Colombo; IPS (2016), "Advancing Sri Lanka's Education System through Innovative Funding", in *Sri Lanka: State of the Economy 2016*, Institute of Policy Studies of Sri Lanka, Colombo.

country can adopt models similar to those used around the world, including the voucher systems, contracting models, and cost-sharing systems adopted in countries such as the US, Germany, Singapore, Bangladesh, China, and Malaysia. Establishing such partnerships would be beneficial to all stakeholders in increasing efficiency, creating links between educational providers and the job market, and in improving investment in Sri Lanka's higher education.

6. Retaining, Re-integrating and Attracting Talent for Growth and Competitiveness

6.1 Introduction

Sri Lanka is a growing middle income country with further potential for growth. However, the country's labour market is not yet fully geared to facilitate such a growth process. As discussed in Chapters 4 and 5 of this report, Sri Lanka needs to heavily invest in enhancing the efficiency of the labour market to improve its competitiveness; a necessary condition for such labour market efficiency is the availability of skilled workers.

Despite limitations, Sri Lanka makes significant investments to educate and train its workforce. Nonetheless, annually, a large cohort exits the Sri Lankan labour market both directly and indirectly. Direct departures occur when workers leave to pursue employment opportunities overseas, while indirect departures occur when people migrates for higher education (home grown global talent) or as a tied migrant and subsequently choose to pursue employment overseas. Both direct and indirect departures are a result of the Sri Lankan economy being closely integrated to the rest of the world, while direct departures is an outcome of the equilibrating demand and supply forces of the global market for labour. However, Sri Lanka's integration with the global market for labour is largely one sided as the economy's openness to receive foreign talent is at an incipient stage.

Against this backdrop, this Chapter focuses on Sri Lanka's ability to retain and re-integrate skilled workers, attract home grown global talent, and benefit from a global talent pool. As such, Section 2 discusses recent trends in talent movements to and from Sri Lanka, followed by push and pull factors for migration from Sri Lanka; Section 3 analyses possible approaches to synchronizing migration with the domestic labour market. The main approaches analysed are retaining talent, re-integrating talent, reversing brain drain and tapping the global talent pool. Section 4 includes a discussion about the current National labour Migration Policy in Sri Lanka and its possible future directions; and Section 5 offers a summary of the discussion and recommendations for policy directives.

6.2 Recent Trends in Talent Movements

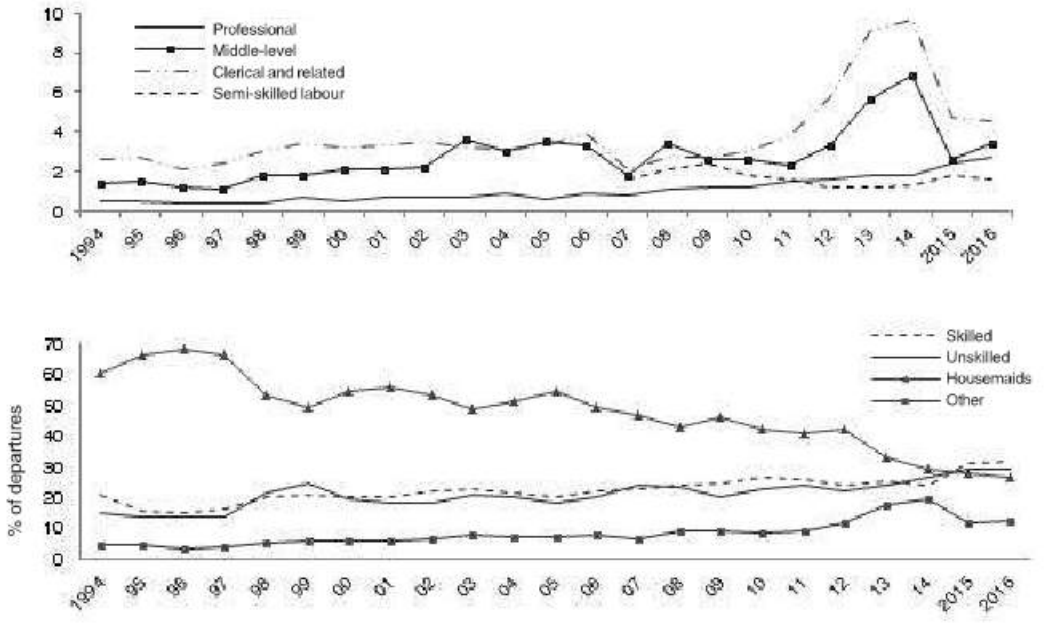
6.2.1 Worker Departures

The departure of labour market talent from Sri Lanka has experienced a shift more recently where migrant workers have become more skilled over the years. With the exception of housemaids, in the long run all other skills groups have experienced an upward trend

(Figure 6.1). In 2016, migrant worker departures in skilled and professional categories increased to reach 76,559 and 6,574, respectively. This up-skilling of migrant worker departures is a result of the combination of policy initiatives to restrain migration for housemaid occupations and skills training provided to change the profile of migrant workers. Additionally, upgrading the existing skill training to internationally recognized levels such as developing the National Vocational Qualification (NVQ) for different categories of migrant workers and equipping training centres to provide standardized training programmes have also contributed towards up-skilling of migrant workers from Sri Lanka.

Training programmes are implemented with technical support from the Ministry of Youth Affairs and Skill Development and the state and non-state technical education and vocational training (TEVT) network. Other efforts towards skills diversification include efforts by the Sri Lanka Bureau of Foreign Employment's (SLBFE) to identify market demands in destination countries by skills; liaising with private recruitment agents authorized to conduct training programmes; collaborating with state TEVT institutions; and signing a Memorandum of Understanding (MOU) with the Open University of Sri Lanka to conduct a degree programme for nursing and caregiving.[1]

Figure 6.1
Departures for Foreign Employment by Skills Groups: 1994-2016



Source: CBSL, *Annual Report*, various years.

[1] Thimothy, R., S.K Sasikumar, P. Ratnayake and P. Ang Alvin (2016), *Labour Migration Structures and Financing in Asia*, International Labour Organization, Geneva.

6.2.2 Student Departures and Intakes

The capacity constraints in the public university system in Sri Lanka have created a growing demand for alternative education options for local students. For instance, only 18.6 per cent of the students who were eligible for university education were admitted to the state universities in 2015/2016. Of those deemed not eligible to enter state universities, a proportion seeks admission to universities in developed and developing countries, including neighbouring countries such as India, Nepal, Bangladesh and Malaysia.[2] Similarly, a vast majority of Sri Lankans seeking postgraduate education prefer foreign qualifications. However, there is no systematic data available to accurately estimate the numbers of departures. Data from the Department of Education and Training in Australia indicate that in 2016, nearly 78,107 Sri Lankan national students have enrolled while another 30,671 previously enrolled Sri Lankan national students have graduated in the same year.[3] Immigration statistics compiled by the UK Home Office show that 737 study visas were issued to Sri Lankan nationals in 2015.[4] The Report of the Visa Office produced by the US Department of State indicates that 841 student visas (F1) were issued to Sri Lankans in 2016, while another 146 visas (F2) were issued for spouses and children of student visa recipients from Sri Lanka.[5] Literature suggests that those with high skills have a high tendency for an assortative mating,[6] and the likelihood of their children also being high-skilled is high. As such, F2 and similar visas in other countries are likely to carry high skilled and potentially high skilled individuals away from Sri Lanka to other countries.

In addition to the demand for foreign education by Sri Lankans, the capacity constraints in the state universities have also created a market for non-state actors in the higher education sector in the country. In recent years, there have been a rapid increase in the number of affiliated non-state sector universities and higher education institutions in Sri Lanka that offer foreign degrees or equivalent qualifications.[7] In addition to local students who were unable to gain entry to state universities, these universities also attract a small, yet growing number of foreign students. In 2015, the Department of Immigration and Emigration (DIE) had issued 4,428 new visas and extended another 4,186 previously issued visas for students and scholarship holders.[8] Similarly, in 2015, relevant authorities have processed approximately 224 student visa applications related to non-state higher education placement

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[2] CBSL, *Annual Report 2015 & 2016*, Central Bank of Sri Lanka, Colombo.

[3] Available at https://internationaleducation.gov.au/research/International-StudentData/Pages/InternationalStudentData2016.aspx. It must be noted that the data do not distinguish between resident and non-resident Sri Lankans enrolled in Australian institutions.

[4] Department of Education and Training, "International Student Data 2016", available at https://internationaleducation.gov.au/research/International-Student-Data/Pages/InternationalStudentData2016.aspx.

[5] Department of State, "Report of the Visa Office 2016", available at https://travel.state.gov/content/dam/visas/Statistics/Non-ImmigrantStatistics/NIVDetailTables/FY16%20NIV%20Detail%20Table.pdf.

[6] Choi, K. H., and R. D. Mare (2012), *International Migration and Educational Assortative Mating in Mexico and the United States*, *Demography*, 49(2), pp. 449-476.

[7] See Chapter 5 of this publication on *Bridging the Skills Gap in Sri Lanka*.

[8] DIE (2015), *Performance Report of the Department of Immigration and Emigration 2015*, Department of Immigration and Emigration, Colombo.

in Sri Lanka, while 3,091 foreigners arriving in Sri Lanka have reported education as the purpose of visit. Nearly 70 per cent of these arrivals for education in 2015 have originated from South Asia, while the Maldives stands out as a country of origin accounting for 1,524 arrivals.[9]

6.2.3 Worker Arrivals

Sri Lanka is experiencing acute skills shortages. Estimates indicate that about 150,000 individuals join the labour market every year without any training and the skills deficit is about 25,500 trainees in tourism, 4,000 craft level workers in construction, and 5,000 in light engineering and manufacturing sectors.[10] In the ICT sector, the skills gap is 468 graduates per year.[11] Recent efforts to bridge this skills shortage has seen an increased reliance on foreign labour and skills in key development projects -- ranging from the Southern Expressway to the ongoing Colombo Port City project. This increasing inflow of migrant workers is radically changing the migration profile of the country.



[9] SLTDA (2015), *Annual Statistical Report*, Tourism Development Authority, Colombo.

[10] NPD (2014), *Skills Sector Development Programme of Sri Lanka 2014-2020*, Ministry of Finance and Planning, Colombo; Chandrasiri, S. and R. Gunatilaka (2015), *The Skills Gap in Four Industrial Sectors in Sri Lanka*, International Labour Organization, Colombo.

[11] ICTA (2014), *National ICT Workforce Survey*, Information and Commission Technology Agency, Colombo.

As per the current immigration policy, residence visas for employment in Sri Lanka are issued under five categories as follows:

1. Expatriate personnel employed in projects under the BOI of Sri Lanka
2. Personnel employed at banks and their dependants
3. Volunteers/personnel attached to non-governmental organizations (NGOs)
4. Personnel employed in a project, institution or organization under diplomatic missions in Sri Lanka
5. Personnel employed in a private company and their dependants

In 2015, 10,051 foreign personnel obtained resident visas for employment in BOI projects in Sri Lanka, while another 8,512 obtained visas for employment in the private sector. A total of 1,708 foreign personnel have obtained resident visas for government service (Table 6.1).

In addition to these authorized personnel in employment, the presence of labour shortages in the domestic market creates a demand for illegal immigration for employment into Sri Lanka.[12] Given the irregular nature of this immigration, there are no valid estimates. Nonetheless, it is believed that approximately 200,000 unauthorized foreign workers are currently working in Sri Lanka, with the construction sector appearing to attract the largest share of unauthorized foreign workers.[13]

6.3 Reasons for Migration

In order to successfully retain, reintegrate and attract Sri Lankan talent to the local economy, it is important to understand the underlying reasons why workers choose to leave the

Table 6.1
Extensions and Issuances of Resident Visas for Employment in Sri Lanka - 2015

Visa Type	Extensions		New Issuance		Fax Messages Sent to Embassies		Landing Endorsement		Total	
Year	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015
Persons who are serving in BOI projects	4,015	4,083	2,364	2,733	2,948	3,138	129	97	9,456	10,051
Persons who joined government service[a]	3,760	567	3,805	475	3,382	636	49	30	10,996	1,708
Persons serving in the private sector	2,337	2,639	2,432	4,333	1,720	1,405	103	135	6,592	8,512

Notes: a: *2014/2015 data on persons in government service may differ according to the different categorizations in both reports.*

Source: Department of Immigration and Emigration, Colombo.

[12] Warakapitiya, K., (2017), "Acute Labour Shortage in Lanka; 200,000 Foreigners Working Here", *Sunday Times*, 30 April, 2017, available at http://www.sundaytimes.lk/170430/news/acute-labour-shortage-in-lanka-200000-foreigners-working-here-238900.html.

[13] Jayasuriya, S., (2017), "Imported Labour for Construction Industry", *Sunday Observer*, 30 April 2017, available at http://www.sundayobserver.lk/2017/04/30/business/imported-labour-construction-industry.



country in search of better prospects, as well as the underlying reasons as to why a specific country is chosen as a destination. The remainder of this section analyses such push and pull factors for migration in Sri Lanka. This discussion is limited to emigration because immigration to Sri Lanka is still at an incipient stage.

6.3.1 Push and Pull Factors

Until recently the majority of migrants from Sri Lanka were females, dominated by those seeking employment abroad as female domestic workers (FDW). It was only from around 2010 that the female share of departures has been consistently lower than that of males. When females made up the larger share of migrants, the dominant push factors for their migration decision was the lack of alternative employment opportunities in Sri Lanka.[14] For many, seeking foreign employment was primarily 'a survival strategy pursued largely out of desperation'.[15] Available research also finds evidence that although some migrant females 'had a tenth or twelfth-grade education, they were unemployed or underemployed in Sri Lanka before and after migrating'.[16] The same study also finds that their limited access to education and vocational training served as a barrier to obtaining adequate employment in Sri Lanka, and was therefore a factor in their decision to migrate.

Mirroring the era of female dominance, the more males dominated labour migration from Sri Lanka in more recent years also reveal that the push factors remain unchanged. Available evidence shows that a high concentration of migrant workers tends to originate from under-served communities with fewer services and in marginalized areas.[17] Workers appear willing

[14] Caritas-SEDEC (2011), *Migration of Sri Lankan Women: Analysis of Causes and Post-Arrival Assistance*, Caritas Social and Economic Development Centre, Sri Lanka.

[15] HRW (2007), *Exported and Exposed: Abuses Against Sri Lankan Domestic Workers in Saudi Arabia, Kuwait, Lebanon, and the United Arab Emirates*, Human Rights Watch.

[16] *Ibid.*

[17] ILO (2013), *Reintegration with Home Community: Perspectives of Returnee Migrant Workers in Sri Lanka*, International Labour Organization, Colombo.

to migrate repeatedly from such localities given a lack of alternative means of livelihood. Based on field research carried out in 2011, other studies also find that pre-migration socio-economic situation, economic difficulties and higher earning possibilities abroad were the major push and pull factors for labour migration from Sri Lanka.[18] Similar field-based research carried out in 2015 reiterates that the inability to find well-paid local jobs continues to serve as a critical push factor in migrant decisions.[19]

Similar to those in the left side of the skills distribution, professional migrants are also faced with nuances of the same push factors. In study focusing on 1,915 specialized medical doctors who were initially educated and trained in Sri Lanka, a prominent push factor was found to be the lack of professional opportunities to develop their careers in Sri Lanka subsequent to obtaining foreign training for specialization.[20] Additionally, the disparity in facilities in rural areas compared to Colombo severely influence medical doctors' decisions to migrate. Moreover, other facilities such as education for children and overall standard of living in rural areas are also found to be important push factors as junior doctors and those returning to Sri Lanka after foreign training are expected to take up compulsory postings appointments in rural areas.

By contrast, while the limitations in the Sri Lankan economy appear to drive skilled and talented workers out of the country, the favourable conditions in destination countries attract those contemplating foreign employment.

Persistent income gaps across destination countries and Sri Lanka, social and economic inequality, and demographic imbalances translate to pull factors for migration.

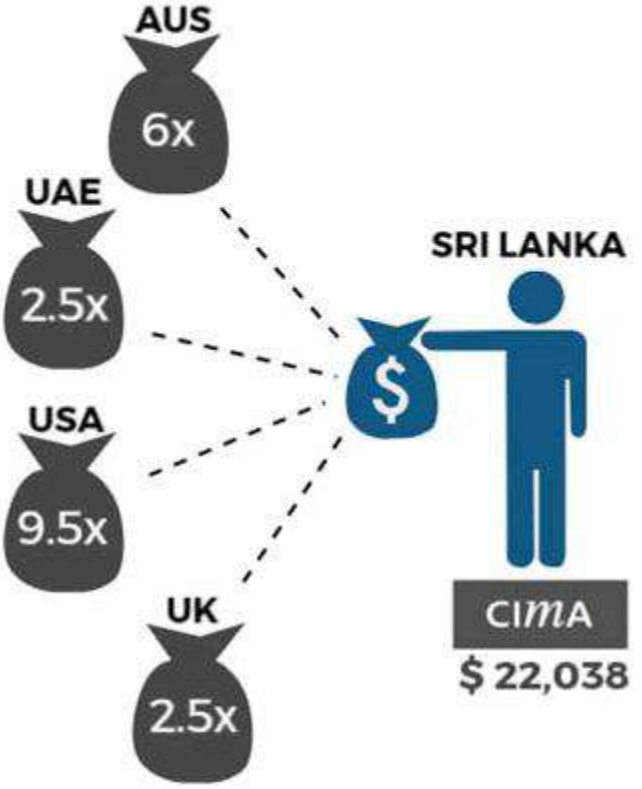
[18] Siriwardhana, C., et. al., (2015), "Impact of Economic Labour Migration: A Qualitative Exploration of Left-Behind Family Member Perspectives in Sri Lanka", *Journal of Immigrant Minority Health*, 17(3), pp. 885-894.

[19] Gamburd, Michele R., "Migrant Emplacement: Gendered Subjects, State Regulations, and the Discursive Erasure of Elders in Sri Lanka", in *Caring for Old Age*, edited by Roberta Mandoki, Heidelberg University Press, forthcoming.

[20] de Silva, P.A., et. al.,(2013), "Migration of Sri Lankan Medical Specialists", *Human Resources for Health*, 11(21).

The persistent income gaps across destination countries and Sri Lanka, social and economic inequality, and demographic imbalances translate to pull factors for migration. These are also called 'place utility' due to the capacity and desirability of destination countries to attract people. Other factors such as social networks, cheap transportation, and ease of communications,[21] and labour shortages work in tandem with these main pull factors in attracting foreign workers to destination countries.

In general, migrants are often attracted to high salaries and favourable labour market conditions in destination countries. In the case of most destination countries, the wages for a given occupation is much higher than in Sri Lanka. For instance, in 2013, the average annual earnings of a qualified CIMA member in Sri Lanka was US$ 22,038, while a similar qualified CIMA member earned an average salary of US$ 193,465 in the US, US$ 54,355 in the UK, US$ 135,409 in Australia and US$ 55,955 in the UAE (Table 6.2). This translates



[21] WB (2016), *Migration and Development - Role of the World Bank Group*, World Bank, Washington D.C.

Table 6.2
Comparison of Average Annual Earnings of Accountants - 2013

Country	Earnings in local Currency	Earnings in US$	Earnings in US$ PPP terms (adjusted by Big Mac Index)
Sri Lanka	2,881,476 (Rs.)	22,038	35,512
USA	193,465 (US$)	193,465	193,465
UK	36,146 (£)	54,355	61,274
Australia	145,971 (AUD)	135,409	132,200
UAE	213,804 (AED)	55,955	193,634

Source: CIMA Sri Lanka (2013), *CIMA Salary Survey 2013*, Chartered Institute of Management Accountants, Sri Lanka. *CIMA UK 2013a*, *CIMA UK 2013b*, *CIMA Salary Survey 2013*; CIMA UAE(2013), *CIMA Salary Survey 2013*, Chartered Institute of Management Accountants, Middle East, United Arab Emirates; CIMA Australia (2013), *CIMA Salary Survey 2013*, Chartered Institute of Management Accountants, Australia. https://www.irs.gov/individuals/ international-taxpayers/yearly-average-currency-exchange-rates.

CBSL, *Annual Report 2015*.

to annual earnings of an accountant to be nearly nine times higher in the US, two and half times higher in UK and UAE, and six times higher in Australia than in Sri Lanka. Likewise, there are notable wage differentials in other fields as well. For instance, in 2015, a Medical Officer in Sri Lanka was entitled to an annual salary of approximately of US$ 9,212 (Rs. 1,3 million),[22] while a general practitioner earned US$ 159,000 in the UK, US$ 84,000 in Australia and US$ 161,000 in the US.[23]

In addition to wage differentials, another important pull factor is the living standards in the countries of destination. When adjusted for purchasing power parity (PPP), the dollar value of earnings of an accountant in the US and UAE are comparable and are over five times that of Sri Lanka (Table 6.2). Such differences in earnings reflect the ability to acquire a higher level of consumption, a better quality of life and greater economic stability at destination countries.

Other labour market related pull factors in destination countries include access to productive employment and income opportunities, better working hours, better working environments, and more opportunities for career development. Non-economic factors such as political stability, strength of institutions and rule of law, etc., are also pull factors that attract all types of migrants to destination countries.

In contrast to migration for employment abroad, the pull factors in transforming a student migrant into a migrant worker is largely linked to the difference in the level of acceptance of qualifications from Sri Lanka. It is well

[22] Available at http://www.pubad.gov.lk/web/eservices/circulars/2015/E/03_2016(e).pdf.

[23] Sabin, Sara (2016), "10 Highest Paid Countries in the World, Blog on Medical Footprints", available at. https://medicfootprints.org/10-highest-paid-countries-world-doctors.

established that foreign education is often discounted in the destination country's labour market if the foreign education has been obtained in a country where the overall development level is lower.[24] As such, for students originating from Sri Lanka, their qualification from a developed country which now puts them on par with others in the labour market in the destination country, often serves as a push factor to pursue employment subsequent to gaining some education in the destination country. This in turn makes the alternative of returning to Sri Lanka less attractive in comparison. Other reasons for a reluctance to return include difficulties in finding appropriate employment opportunities for the skills sets developed overseas, and the inability to recover the cost of foreign education with local salaries.

6.4 Synchronizing Migration with the Domestic Labour Market

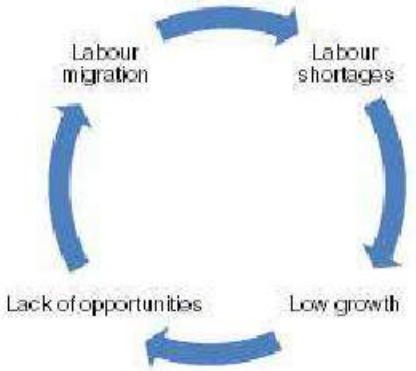
Given Sri Lanka's level of globalization and integration with the rest of the world, it is important to shift away from a more local focused labour market strategy towards a more globally attuned one. As such, it is important to synchronize migration with domestic labour market developments.

The latest projections as per the Global Competitiveness Index (GCI) indicate that the quantity and the quality of Sri Lanka's future workforce will be lower than that of the current

The latest projections as per the Global Competitive-ness Index (GCI) indicate that the quantity and the quality of Sri Lanka's future workforce will be lower than that of the current workforce.

[24] ADB (2014), *Labour Migration, Skills and Student Mobility in Asia*, Asian Development Bank, Manila.

Figure 6.2
Vicious Cycle of Skilled Labour Shortages



workforce.[25] Such dynamics of the skill-set of the workforce indicate that Sri Lanka's human capital is declining and the growth path of the economy could be adversely affected. Hence, appropriate measures are required to arrest the impending situation. Among possible measures, an important one is to broaden the scope of the labour market to benefit from the global talent pool. For this, Sri Lanka needs to actively integrate all components of its talent pool into the local market. This involves retaining talent within the country, reintegrating those returning to the country and attracting home grown as well as foreign grown talent.

6.4.1 Retaining Talent

In terms of the capacity to retain talent, Sri Lanka was placed 50 out of 138 countries in 2016 GCI ranking. Shortages in skilled labour acts in a vicious cycle as illustrated in the schematic below, as the lack of required skilled personnel limits an economy's capacity to grow, and lack of opportunities in turn promote emigration of other skilled workers as well.

In order to address macro level push factors that drive Sri Lankans out of the country, adopting broad based systemic changes that would improve the policy, regulatory, institutional, and governance environment are vital. Such policy changes will support entrepreneurship, efficient markets as well as improve the business climate and standard of living in the country. In turn, they will also help to improve economic growth and employment opportunities within the economy. In addition to these macro level changes, the labour market in Sri Lanka also needs to evolve. Clear and strong incentives for employees, meritocracy at the workplace, and equity in the business environment between women and men are identified as contributory factors in a country's attractiveness for talent.[26]

To ensure a robust environment for growth, Sri Lanka also needs capital to create ventures that will provide adequate opportunities for local talent. Agglomeration of economic activities can help, increasing the returns to scale in production and spill over benefits. To this end, Sri Lanka is focusing on designated areas for high skilled activities such as the development of a Science and Technology City that aims to provide 'infrastructure for geographic concentration of all high-tech research and development centres, incubation centres, and high-tech industries with all requisite support services and facilities, and in addition, a dedicated technological university among other major technology centres'.[27] The attraction of

[25] Schwab, K. (2016), *The Global Competitiveness Report 2016-2017*, World Economic Forum, Geneva.

[26] *Ibid.*

[27] WRMPP (2016), *Western Region Megapolis Master Plan: From Island to Continent*, Ministry of Megapolis and Western Development, Colombo.

Figure 6.3
Recruitment Matrix

	Experienced	Not Experienced
Trained	A	C
Not trained	B	D

related business activities to these areas will promote opportunities and growth for skilled and talented workers.

Moreover, as of recently, in placing Sri Lankans for foreign employment, measures to synchronize emigration with the needs of the domestic labour market have been initiated. In contrast to the previous approach of allowing emigration for employment without any alignment with the domestic labour market, starting from 2017, SLBFE has adopted a Recruitment Matrix as illustrated in the schematic diagram below to identify training and experience of potential migrants for more effective placements.

As per the recruitment matrix, only those with training and experience will be placed in foreign labour markets, while all others will be required to contribute to the local labour market prior to considering overseas employment. Hence, those with experience but no training (cell B) will be given the opportunity for "Recognition of Prior Learning (RPL), where TEVT institutions, Vocational Training Authority (VTA), etc., will provide the required recognition upon evaluation of their skills. This is to enable workers to appropriately contribute to the domestic or foreign labour market. Similarly, those with training but lacking prior experience (cell C) will be the target group for placement in

Clear and strong incentives for employees, meritocracy at the workplace, and equity in the business environment between women and men are identified as contributory factors in a country's attractiveness for talent.

the local labour market. The exposure they gain in the local labour market is expected to contribute towards the required experience for foreign jobs whilst addressing the needs of the domestic labour market. Those not trained and are also not experienced (cell D) will be initially trained and given the opportunity to acquire experience in the local labour market. The flow of recruitment from cell D to cell C to cell B to cell A in the recruitment matrix is aimed at balancing the benefits of foreign employment at the macro level while addressing the needs of the local labour market.

However, the newly introduced recruitment matrix needs to be complemented with regular information about labour shortage and surplus occupations to better balance the domestic labour market demand with the supply of foreign labour from Sri Lanka. Currently, Sri Lanka does not have a system which provides such labour market information. However, countries such as the UK and Germany regularly publish 'shortage occupations lists'. The availability of such a list in Sri Lanka will give a snapshot of available opportunities within the economy, which can help the TEVT sector in Sri Lanka to prioritize training courses offered in such labour shortage fields. Such efforts would help to better guide policy formulation in regards to the domestic labour market and foreign employment strategies.

6.4.2 Reintegrating Returnees

In addition to focusing on retaining talent, Sri Lanka should also focus on re-integrating those returning from foreign employment back into the local labour market. A large proportion of labour migrants from Sri Lanka are temporary migrants who return to Sri Lanka after certain period of work abroad. Often they return with better skills and experience, some of which may be hard to quantify or measure. For instance, construction workers return with added exposure to the use of machinery and latest technology in the industry. Similarly, some returnees may have become more disciplined

For Sri Lanka to benefit from nuanced changes in the quality of workers, as a first step it is important to reintegrate migrant returnees to the local economy.

workers, improved their attitudes towards work, become hard workers and improved their determination and perseverance.[28] In order for Sri Lanka to benefit from these nuanced changes in the quality of the worker, as a first step it is important to reintegrate the returnees to the local economy.

Currently, Sri Lanka has a comprehensive program for reintegration of returning migrants. The Sub-Policy and National Action Plan on Return and Reintegration of Migrant Workers identifies economic re-integration as one important area. Under this, two strategies are particularly relevant, namely 1) quality standardization and certification of skills of migrant workers at pre-departure and upon return; and 2) securing local employment for returnees through public-private partnerships (PPPs).

For the first strategy, standardized skills assessment and certification mechanisms are developed by the relevant agencies such as the Ministry of Foreign Employment (MFE), SLBFE, TVEC, VTA and National Apprentice and Industrial Training Authority (NAITA). Under this, the need to set up an information desk at the airport for recognition of prior learning and skills upgrading is noted in the strategy. Such identification of enhancements to the skills set of a returning migrant would enable better placement of returnees in the local labour market. Under the second strategy, the sub-policy aims to enhance the capacity of local employers to recognize skills and accept/ support returnee migrant workers. Here, the sub-policy identifies the importance of online skills matching for job opportunities for returning migrants.

However, there is evidence to suggest that 'most migrant workers do not have specialized skills and therefore they end up in unskilled occupations or informal sector activities and many returnee migrant workers remain unemployed'.[29] Moreover, research also highlights the need for reintegration programmes catering to semi-skilled and skilled returnees in particular.[30] A majority of the reintegration programmes available cater to low-skill categories such as housemaids. The dearth of reintegration programmes offered by both government and non-government agencies for the semi-skilled or the skilled returnees is noticeable, especially given the role they can play in terms of their contribution to the economy and to development overall.

6.4.3 Reversing the Brain Drain

The current reintegration efforts in Sri Lanka mainly focus on migrant workers. However, in addition to migrant workers, a growing share of students and professionals seek higher education and other qualifications in universities and institutions abroad. This loss of educated individuals from a country is identified as brain drain. Nonetheless, in recent years, many countries including India and China

[28] Jayaratne, S., N. Perera, N. Gunasekera and N. Arunatilake (2014), *Returning Home: Experiences and Challenges - The Experience of Returnee Migrant Workers of Sri Lanka*, Labour Economic Series No.17, Institute of Policy Studies of Sri Lanka, Colombo.

[29] ILO (2013), *Reintegration with Home Community: Perspectives of Returnee Migrant Workers in Sri Lanka*, International Labour Organization, Colombo.

[30] Jayaratne, S., N. Perera, N. Gunasekera and N. Arunatilake (2014), *Returning Home: Experiences and Challenges - The Experience of Returnee Migrant Workers of Sri Lanka*, Labour Economic Series No.17, Institute of Policy Studies of Sri Lanka, Colombo.

Box 6.1
Reverse Brain Drain Initiatives in India

In recent years, India has made many conscious efforts to engage its diaspora for development. These efforts were spearheaded by a separate ministry dedicated to the global community of people of Indian origin named the Ministry of Overseas Indian Affairs (MOIA) and the Overseas Indian Facilitation Centre (OIFC) However, in 2016, the MOIA was merged with the Ministry of External Affairs to avoid duplication of work. Some programmes/strategies deployed to harness the benefit of Indian across the globe are as follows;

- Overseas Citizenship of India (OCI) Scheme: introduced as an alternative for dual citizenship. Those registered under OCI is granted multiple entry, multi-purpose, life-long visa for visiting India, he/she is exempted from registration with Foreign Regional Registration Officer or Foreign Registration Officer for any length of stay in India, and is entitled to general 'parity with Non-Resident Indians in respect of all facilities available to them in economic, financial and educational fields except in matters relating to the acquisition of agricultural or plantation properties'. The main difference between dual citizenship and OCI is the absence of political rights to the latter.
- Know India Programme (KIP): familiarizes Indian-origin youth (18-30 years) with their Indian roots and contemporary India, through a three-week orientation programme organised by the Ministry. Majority of funding for KIP is provided by the MEA.
- Study India Programme (SIP): is envisaged as a means of enhancing engagement with the diaspora youth. The objective of the scheme is to enable overseas Indian youth - i.e., foreign citizens of Indian origin in the age group of 18-26 years to undergo short term courses to familiarize them with art and culture, heritage, history, economy and development of India. This aims at providing an opportunity to the overseas Indian youth to better understand and appreciate contemporary India, foster closer ties with the land of their ancestors and enhance their engagement with India. The participants are selected based on recommendations received from Heads of India Missions/Posts abroad, and a majority of the costs are covered by the programme.
- Expatriate Indians Day: dedicated day to mark the contribution of overseas Indian communities to the development of India. Celebrated on 9th January each year as the Pravasi Bharatiya Divas (PBD) its conventions are aimed at providing a platform for the overseas Indian community to engage in mutually beneficial endeavours with the government and people of India. On PBD appreciation awards are presented to outstanding individuals of the overseas Indian community for their contribution to the destination country or to India.
- India Development Foundation of Overseas Indians (IDF-OI): is a not-for-profit Trust which enables Overseas Indians to send contributions for implementation of social and development projects in India. IDF-OI has an online payment gateway to enable small and regular contributions to projects and to IDF-OI pool fund.
- Global Indian Network for Knowledge (Global-INK): an online knowledge sharing initiative aimed to expand the intellectual engagement of global Indians with their counterparts in India. Member have the opportunity to provide or seek advice, contacts, assistance and support in the areas of environment, health care, innovation and science and technology; to convert ideas, research outputs into actions; to find research collaborators; and to shape the future of India's knowledge economy.

Source: CODEV-EPFL, IDSK, JNU and ILO (2013), *Migration, Scientific Diasporas and Development: Impact of Skilled Return Migration on Development in India*, Cahier de la Coopération No. 8 (Lausanne: CODEV-EPFL).

have actively pursued strategies to reverse brain drain. The strategies adopted by these countries include awareness and networking opportunities in the country of origin, relaxing immigration and emigration policies, and offering rewards and incentives for those returning or engaging with the home country. Box 6.1 details specific measures taken in India in recent years to improve engagement with Indian origin nationals as well as those interested in India.

Similarly, Sri Lanka also has the potential to benefit from the large network of persons of Sri Lankan origin overseas. This cohort of persons of Sri Lankan origin includes first generation migrants who were born in Sri Lanka as well as subsequent generations of Sri Lankan migrants who were born overseas. With appropriate strategies, Sri Lanka can benefit immensely from persons of Sri Lankan origin in developing a talent base that would push Sri Lanka from an efficiency driven economy to an innovation driven economy.

In order to promote reverse brain drain, Sri Lanka can adopt a two pronged approach which includes both a long-term and short-term vision. In the long-term view, a fundamental strategy is to instill the importance of 'giving back to Sri Lanka' among the very young children in Sri Lanka. Specifically, it is important to make young children aware of and appreciative of the free education they receive, and make them aware of their responsibility to contribute back to the country. Other long-term approaches include increasing opportunities and macro level conditions in the country as discussed before.

The short term strategies to reverse brain drain should include liberalization of the higher education sector, relaxed immigration policies, improved awareness about available opportunities and visa procedures, and attractive schemes to engage second and subsequent generations of migrants. For instance, currently Sri Lanka has a visa scheme named 'My Dream Home' aimed at attracting senior foreigners at retirement age by promoting the favourable climatic and geographical characteristics of Sri Lanka. An analogical scheme can be developed to attract talented second generation migration named 'Know Your Sri Lanka' (KYSL) and emulate the features of KIP or SIP deployed by India.

Additionally, the existing policy of the Department of Immigration and Emigration includes resident visas for ex-Sri Lankan citizens and family members of Sri Lankan citizens. Despite their existence, these schemes are not utilized to their full potential like their Indian counterpart OCI. Similarly, Sri Lanka offers a 'Resident Guest Scheme Visa Programme' which is aimed at attracting foreign investors and professionals who could contribute to the economic and socio cultural enrichment of Sri Lanka. Nonetheless, Sri Lanka is yet to fully utilize these available avenues to address the impending skills deficit in the country. As such, greater awareness of the available options is crucial.

In addition to loss of talented persons of Sri Lankan origin, Sri Lanka is also losing foreign students produced by the local education system. As discussed before, Sri Lanka has a small yet growing population of foreign students. This is in the context of the country's efforts to achieve excellence in higher education by 2020, by becoming the most preferred country for higher education in the Asian subcontinent. Nonetheless, the vision is

geared only towards earning foreign exchange via foreign student enrolment and overlooks the associated human capital potential. As such, it is important to adopt a holistic approach where foreign students can be utilized to bridge the skills gap in the domestic labour market via opportunities such as internships and apprenticeships.

6.5 Attracting Global Talent

Despite Sri Lanka's incipient state of harnessing the benefit of the global talent pool, growing shortages in the domestic labour market is increasing the demand for foreign talent. At the policy level, available avenues to tap the pool of foreign talent include guest worker schemes, and bi-lateral and multi-lateral trade agreements. In terms of international comparisons, US immigration policy for instance allows employers to temporarily employ foreign workers in specialty occupations that require highly specialized knowledge. Within EU states, workers are allowed to move freely to provide services. Similarly, bilateral agreements such as the Japan-Philippines Economic Partnership Agreement pave the path for Filipino nurses and healthcare workers to work in Japan.[31]

Sri Lanka is attempting to adopt similar practices. The proposed Economic and Technology Cooperation Agreement (ETCA) currently under negotiation with India is the most advanced of its kind on the policy front so far. The bilateral agreement holds the potential to tap skilled workers in India whilst at the same

Short term strategies to reverse brain drain should include liberalization of the higher education sector, relaxed immigration policies, improved awareness about available opportunities and visa procedures, and attractive schemes to engage second and subsequent generations of migrants.

[31] Nozomi, Y., T. Mackey, K., Liang, A. Bryan and L. Gerlt (2014), "Policy Review: Japan-Philippines Economic Partnership Agreement (JPEPA) - Analysis of a Failed Nurse Migration Policy", *International Journal of Nursing Studies*, 51(2).

time allowing Sri Lankan nationals to access work opportunities in India. The motivation behind agreements like the ETCA is based on the theory of labour market segmentation, under which labour demands in certain sectors are met with the help of migrant workers when the labour force in the host country is either unavailable or unwilling to take on those jobs.

Under ETCA migration of workers was proposed to take place under Mode 4 - Movement of Natural Persons of the WTO General Agreement on Trade in Services (GATS),[32] which has four operating methods, namely: i) Intra-company transfers; ii) Contractual suppliers; iii) Business vistors; and iv) Independent professionals. In fact, foreign nationals are already working in Sri Lanka under the first three methods of Mode 4, as discussed in Section 6.1.3 above. The possible new component under ETCA was the migration of independent professionals.[33] However, despite industry level request to allow immigration of skilled workers from India for sectors such as IT and ship building, the same has become a controversial issue in the recent past. Concerns have been raised that the trade agreement would welcome a host of unqualified Indian professionals, inundate the labour market and capsize employment opportunities for Sri Lankan nationals. Due to the public backlash, the current negotiations on the ETCA exclude the fourth method of Mode 4 (movement of independent professionals). As such, the possible migration of skilled workers under the ETCA will likely complement Mode 3 of GATS (commercial presence), where foreign national workers' presence will be limited to intra-company transfers, contractual suppliers and business visitors. Such presence of foreign workers would be similar to the existing framework for employment of foreign nationals under BOI projects. However, in contrast to the project-wise approval by relevant authorities/ line ministries for work visas for such personnel, the ETCA would formalize the process where quotas will be allocated for each of these three methods with streamlined procedures.[34]

While it remains impossible to predict the exact impacts of agreements such as the ETCA on the labour market, the introduction of such trade agreements are likely to change the migration profile of the country in two ways, namely: a) increase the number of incoming migrant workers and thereby shift the ratio of out-bound to in-bound migrants; and b) increase the percentage of high-skilled migrant workers in the market. Together these call into question the readiness of the country to manage the volume and flow of incoming migrants in the near future.

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[32] The other modes are: Mode 1- Cross-border supply; Mode 2 - Consumption abroad; and Mode 3 -Commercial presence.

[33] Intra-company transfers refer to existing employees being transferred within the same foreign controlled company; contractual suppliers refer to employees of a juridical person (which has no commercial presence in host country) who supply a service on the basis of a contract their employer has concluded with a consumer in host country; a business visitor is a person who visits the host country for short-term stays of a few months (often limited to three months), will not be engaged in supplying the service or making direct sales to the public in the host country, and no remuneration is received in the host country; independent professionals are self-employed persons based in the territory of the foreign country, who supply services on the basis of a service contract with a consumer in the host country.

[34] Ministry of Development Strategies and International Trade, National Media Center, and Department of Government Information (n.d.) *ETCA and FTA's: Sri Lanka towards a Global Economy*.

The ability to retain skilled foreign workers, and continue to attract high-skilled migrant workers is contingent upon the d evelopment of policies that will cater to the needs of in-bound migrant workers while leveraging the potential they hold to foster economic growth and development in the country.

6.6 Regulating Inbound Migration: Sri Lanka's Policy Frame-work

Historically, migration policy in Sri Lanka has focused exclusively on regulating the outflow of migrants. This is due in part to Sri Lanka's status as a labour sending country. However, shifting dynamics hasten the need for stronger policies to increase the country's preparedness to receive incoming migrant workers. The ability to retain skilled foreign workers, and continue to attract high-skilled migrant workers is contingent upon the development of policies that will cater to the needs of in-bound migrant workers while leveraging the potential they hold to foster economic growth and development in the country. Managing the multi-dimensional challenges associated with migration, however, requires a set of comprehensive policies that are designed to maximize the benefits of migration, while minimizing the potential harmful costs associated with the movement of people across international borders.

Current migration policy in Sri Lanka - the National Labour Migration Policy (NLMP) of 2008 - focuses on three main areas, namely: 1) governance of the migration process; 2) protection and empowerment of migrant workers and their families; and 3) linking migration and development processes. The policy identifies that return migration and circulation are key opportunities for skills transfer and productive employment. Similarly, the NLMP of 2008 also notes that it would work to engage 'transnational communities to harness the resources, skills and expertise of Sri Lankans working in skilled and professional capacities overseas by providing incentives to return, contributing to home country

Sri Lanka lacks domestic regulation to determine and recognize the foreign training, skills and education of incoming workers.

development'.[35] However, these aspects on transnational communities have not yet gathered momentum in policy implementation.

At present, the NLMP explicitly excludes incoming migrants from its general purpose and scope. Hence Sri Lanka has no formal, regulatory framework to govern immigration of workers. As a result, Sri Lanka lacks domestic regulation to determine and recognize the foreign training, skills and education of incoming workers. The absence of an established protocol for training, skills and education recognition of incoming workers has been one of the central themes in the criticism levelled against the ETCA. Professional bodies related mainly to the IT sector and medical field such as the Government Medical Officers Association (GMOA) have expressed fear that in an environment where qualifications of the professionals cannot be guaranteed, less qualified/skilled workers who fail to secure employment in India would seek employment opportunities in Sri Lanka.

Similarly, NLMP also leaves out any mention of students, be it incoming or outgoing. This reflects a significant loophole which must be addressed in order to ensure the protection of migrant students. Another area that the revised NLMP ought to focus is integration of immigrant workers, as integration policies are important to attract foreign workers into host-countries. While immigration policies differ widely according to country-specific policy aims, there are several key lessons to be gleaned. Foremost, immigration policies designed to attract foreign workers must go hand-in-hand with national policy instruments that are designed to effectively integrate immigrants into host countries. Integration is considered to be the most effective way to realize the potential of migration. The introduction of such policies recognizes the responsibility of the host society to ensure the right of immigrants and newcomers to fully participate in the economic, social, cultural and political life of the country. For non-nationals, the existence of such policies also demonstrates the commitment of host-countries to protect and foster the wellbeing and development of migrant workers and their families.

[35] MFEPW (2008), *National Labour Migration Policy*, Ministry of Foreign Employment Promotion and Welfare, Colombo.

In contrast to the NLMP, the National Migration Health Policy (2012) takes into account the needs of incoming migrants.[36] However, it is severely limited in scope. Indeed, the policy sets out an imperative strategy to increase access to vital health services for all incoming migrants as well as to respond to potential health challenges arising from the movement of persons across borders, which marks an important step in the recognition of the rights of migrants workers and their families who live and work in Sri Lanka. However, the policy itself is inadequate as a stand-alone regulator as it only addresses a single, albeit important, aspect of immigration policy.

6.6.1 A Protocol for Evaluating Credentials of Incoming Workers

An important component of regulating incoming migrant workers is to adopt a framework to determine their qualifications. If Sri Lanka is to open its labour market to foreign workers, it is crucial to develop an authoritative framework that captures foreign credential evaluation beyond individual professional bodies. Such a framework would on one hand ensure that foreign workers competing with Sri Lankan nationals are equally qualified. At the same time, employers in Sri Lanka will be able evaluate a pool of equally qualified talent - consisting of both local and foreign labour - to hire a worker who is best suited for the job. Most importantly, such a macro level authoritative competent authority would ensure an impartial evaluation of credentials, from a broader perspective which goes beyond the objectives of respective professional bodies.

Currently, in selected professions such as medical doctors and lawyers, there are regulatory mechanisms to recognize foreign qualifications of Sri Lankan nationals. For instance, the Examination for Registration to Practice Medicine in Sri Lanka (ERPM) - formerly known as Act 16 - is an overseas qualification recognition process carried out by the Sri Lanka Medical Council (SLMC) in conjunction with the University Grants Commission (UGC) of Sri Lanka. Sri Lankans with foreign medical qualifications who wish to practice medicine in Sri Lanka are required to pass the ERPM. Similarly, the Law College of Sri Lanka conducts examinations to accept Sri Lankans with British qualifications to the legal profession in Sri Lanka. For instance, a Sri Lankan with a British Barrister qualification or an L.L.B. qualification can sit for the final examination of the Law College of Sri Lanka and enter the legal profession after completing the practical training and taking oaths. Perhaps these existing mechanisms targeting Sri Lankan nationals with foreign qualification can serve as a foundation in developing a framework for qualification and credential recognition of incoming foreign workers with foreign qualifications.

As indicated in the above two examples, the existing mechanisms require foreign qualified professionals to sit local examinations prior to professional activities in Sri Lanka. By contrast, Mutual Recognition Agreements (MRAs), a key element of FTAs like ETCA, enable the qualifications of migrant workers recognized by a professional body in the sending country to be mutually recognized by its counterpart in

[36] MOH (2012), *Sri Lanka National Migration Health Policy Final Draft*, Ministry of Health, Colombo.

the receiving country. This could eliminate the requirement to sit for local examinations and replace the case-by-case credential evaluation. For instance, under ASEANs regional integration in services negotiation process, MRAs are signed for many occupations such as nursing services, engineering services, architectural services, and medical and dental practitioners. As per the MRA of Nursing Services, foreign nurses from other ASEAN countries could apply for registration/licencing to practice nursing in the host country if they fulfil certain requirements including having a nursing qualification, professional registration/ licencing from the country of origin, and practical experience of over three years, to name a few. Most importantly, the MRA identifies 10 nursing regulatory authorities in the 10 member countries as bodies vested with the authority to control and regulate nurses and their practice in these countries, which will be mutually recognized by the other member countries.

If Sri Lanka is to pursue ETCA and MRAs to guide the recognition of qualifications of Indian personnel, some critical conditions to be considered are:

- the minimum level of education required (entry requirements, length of study, subjects studied)
- the minimum level of experience required (location, length and conditions of practical training or supervised professional practice prior to licensing, framework of ethical and disciplinary standards)
- examinations passed for professional competencies
- extent to which Indian country qualifications would be recognized in Sri Lanka
  - listing particular diplomas or certificates issued by pre-identified Indian institutions,
  - by reference to particular minimum requirements to be certified by authorities in India,
  - including whether the possession of a certain level of qualification would allow recognition for some activities but not others.

Similarly, the MRAs ought to outline the rules and procedures to be used to monitor and enforce the provisions of any agreement, the mechanisms for dialogue and administrative co-operation between the parties, and the means of arbitration for disputes under the MRA.

6.6.2 International Commitments

Despite the lack of domestic policies, Sri Lanka has endorsed numerous international conventions that underscore the rights of migrants in host countries. In 2005, Sri Lanka ratified the UN Convention on the Protection of the Rights of All Migrant Workers and Members which calls for states to "*take measures not less favourable than those applied to nationals to ensure that working and living conditions of migrant workers and members of their families in a regular situation are in keeping with the standards of fitness, safety, health and principles of human dignity*" (Article 70). Despite its recognition of the rights of migrant communities, the country has done little in the way of turning this recognition into policy and law.

Figure 6.4
Migration in the Sustainable Development Goals and Targets



Source: United Nations Migration Population Facts (2015).[37]

Additionally, Sri Lanka also declared its commitment to the Sustainable Development Goals (SDGs), which recognizes the important nexus between migration and development. Unlike the hitherto Millennium Development Goals, the 2030 development agenda has incorporated several targets to facilitate and regulate the safe movement of people between borders and to maximize the benefits afforded by migration (Figure 3).

The inclusion of migration related goals and targets in the SDGs speak to the centrality of migration to the international development agenda. If Sri Lanka is to honour its commitment to the SDGs, then it must work rapidly to address the loopholes in its current migration policies to acknowledge the needs and rights of all migrants, including in-bound foreign workers.

[37] UN (2013), *International Migration Policies Government Views and Priorities*, United Nations, New York.

6.7 Summary and Policy Recommendations

Currently, Sri Lanka is at an efficiency-driven stage of economic development, and aims to graduate to the 'innovation-driven' phase. However, the quantity and the quality of the future workforce in Sri Lanka is projected to be lower than that of the current workforce. This implies a future skills and talent deficit in Sri Lanka. One of the key strategies to overcome such a deficit and graduate to an innovation-driven economy is to synchronize the domestic labour market with the global pool of talent. Specific measures for such synchronizing include retaining and reintegrating talent, reversing brain drain and tapping into the global talent pool.

To achieve these measures, Sri Lanka needs to adopt long-term strategies so as to improve the country's macroeconomic conditions and create a sense of responsibility amongst its people to give back to the country while being global Sri Lankan citizens. These long-term efforts need to be complemented with near-term strategies as suggested below:

- *Develop up-to-date information of skills shortages*: To this effect, the relevant authorities such as professional/ industry associations, or Department of Census and Statistics have to release regular statistics on skills shortages in Sri Lanka. Based on such information, the Recruitment Matrix for foreign employment discussed in Section 6.3.1 can be implemented with a system of quotas for departures for foreign employment, where smaller quotas are allocated for skills groups in shortage. Such short-term restrictions on skilled labour would ensure that a sufficient supply of skilled labour remains in the local economy for productive activities. However, international experience indicates that restrictions on high-skill emigration do not address the main causes of skill shortages. Hence, it is important to note that such a quota system would only serve as a short-term solution to the issue of skills shortages.

- *Expand return and re-integration scope of the NLMP and its programmes to cover skilled and semi-skilled returnees*: Equip an influential agency to assist skilled emigrants with critical areas such as job placement, business investment, housing, and children's schooling.

- *Expand the scope of the NLMP to cover global Sri Lankans*: With such an expanded scope, the MFE or Ministry of External Affairs can establish a dedicated unit to actively engage with global Sri Lankans, and work towards their integration and assimilation with the local labour market.

- *Expand the scope of the NLMP to cover immigrants, both students and workers*: Develop an authoritative framework for foreign qualification recognition and employment regulation of skilled workers from overseas, prior to signing agreements such as the ETCA and its related MRAs. Reforming the higher education and labour market policies to facilitate the absorption of foreign students as interns and apprentices into the domestic labour supply will also help.

These recommendations provide a roadmap for current policymakers. Overall, if Sri Lanka hopes to be competitive, it must anticipate the

forthcoming changes to the country's labour market, and develop a comprehensive agenda to manage migration accordingly. The country must also recognise that migration policies cannot be formulated in isolation from developments in the global socio-political spectrum, and should actively engage with the international community to draw lessons from global experiences in order to inform domestic policy.

POLICY DEBATES: SPECIAL ISSUES

7. Propelling Tourism in Sri Lanka

7.1 Introduction

Since the 1960s, successive governments have identified the contribution of tourism industry to the economy - in terms of foreign exchange earnings, employment and income generation, government revenue, spatial development and economic growth - and placed considerable importance on the industry.[1] Similarly, the government has assigned an equal and significant importance to this sector at present, identifying it as the fastest growing industry with an aim to attract four million tourist arrivals by 2020.[2]

According to the Sri Lanka Tourism Development Authority (SLTDA), tourist arrivals have increased from 549,308 in 2005 to 2,050,832 in 2016,[3] a threefold increase in arrivals despite the heightened ethnic conflict during the mid to late-2000s. Although tourist arrivals declined marginally in 2008, arrivals surged with the cessation of fighting in 2009. In fact, between 2009 and 2016, the number of arrivals to Sri Lanka quadrupled.

Similarly, revenue from tourism rose from US$ 363.3 million in 2005 to approximately US$ 3.5 billion in 2016 with a parallel increase observed in tourist spending (from US$ 74.6 per day to US$ 170.5 over the decade). Consequently, the

The government has assigned an equal and significant importance to tourism sector at present, identifying it as the fastest growing industry with an aim to attract four million tourist arrivals by 2020.

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[1] Ratnayake, P.U., and V. Cooray (2016), "Economic Benefits Accruing From Tourism", in *Golden Jubilee of Sri Lanka Tourism*, Sri Lanka Tourism Development Authority, Colombo.

[2] Oxford Business Group (2016), "Sri Lanka's Tourism Industry Gets Ready to become a Key Economic Contributor". Available at: https://www.oxfordbusinessgroup.com/overview/rising-star-industry-poised-become-key-economic-contributor-coming-years.

[3] SLTDA (2015), *Statistical Report*, Sri Lanka Tourism Development Authority, Colombo.

portion of tourism's contribution to total foreign exchange earnings in 2016 amounted to 14 per cent. Tourist earnings now occupy a position as the third largest foreign exchange earner to the country after overseas remittances (US$ 7.2 billion) and textiles and apparel exports (US$ 4.6 billion). Apart from the foreign revenue gains, the industry generates employment in various trades associated with the sector including hotels and restaurants, travel and tour trade, airlines, retail, etc. Given the labour intensity of the industry, direct employment rose from 52,085 in 2005 to 146,115 by 2016. Indirect employment correspondingly rose from 72,919 in 2005 to an estimated 189,544 in 2016.

These trends underlie the fact the tourism industry occupies a significant position in the national economy. Indeed, it has enormous potential to grow further given that Sri Lanka still accounts for a fraction of world tourists' arrivals (0.1 per cent) and earnings (0.2 per cent) according to the UN World Tourism Organization (UNWTO).[4] Moreover, the direct contribution of travel and tourism to GDP in 2016 was US$ 4.4 billion (5.1 per cent of total GDP);[5] the figure is low compared to other competitors in the region like the Maldives (40.9 per cent), Thailand (9.2 per cent) and Mauritius (8.4 per cent), highlighting its potential to make a bigger contribution to the economy.

Although the long-term development plan for the industry is currently in draft form, the most recent Tourism Development Strategy 2011-2016 identifies a number of areas to address relating to government policy, capacity of human resource requirements, infrastructure developments, improvements in service standards, marketing and promotions, regulations, guidelines, tourist safety and improvements to domestic tourism.[6] These issues are still relevant to date and require policy attention so that Sri Lanka will be able to reach the tourist arrival numbers targeted at present.

Against this backdrop, this Chapter examines the opportunities for Sri Lanka's tourism industry. First, a background to the tourism industry globally will be detailed highlighting both the trends and projections coupled with developments in the industry. Second, the current status of Sri Lanka's tourism industry will be examined in some detail. Third, the key challenges facing the domestic industry will be identified and discussed based on key informant interviews and with reference to relevant literature. The discussion will conclude with some evidence based recommendations to address outstanding issues and thereby propel the industry to achieve a figure of four million tourist arrivals in the course of the next three years.

7.2 Tourism in a Global Context

Globally, tourism has emerged as a key driver of development, contributing to national income, creating employment, generating foreign exchange and stimulating infrastructure

[4] As cited in CBSL, *Annual Report 2015*, Central Bank of Sri Lanka, Colombo.

[5] The direct contribution of travel and tourism to GDP reflects the economic activity generated by industries such as hotels, travel agents, airlines and other passenger transportation. It also includes, for example, the activities of the restaurant and leisure industries. See World Travel and Tourism Council (2017),"Travel and Tourism Economic Impact 2017- Sri Lanka". Available at: https://www.wttc.org/-/media/files/reports/economic-impact-research/countries-2017/srilanka2017.pdf.

[6] Ministry of Economic Development (2010), *Tourism Development Strategy 2011-2016*, Government of Sri Lanka. Available at: http://www.sltda.lk/sites/default/files/English.pdf

development. Over the last six decades despite occasional setbacks, tourism has experienced continuous growth and has become the fastest growing economic sector in the world. The following discussion on global trends will focus on international tourist arrivals, receipts, top destinations, outbound tourism and long-term projections.

International tourist arrivals: According to the UNWTO, tourist arrivals rose from 25 million in the 1950s to 278 million in the 1980s, 674 million in the 2000s and 1,186 million by 2015. Of 1,186 million tourist arrivals in 2015, approximately 632 million (or 53 per cent) travelled on holiday, recreation and other forms of leisure whereas 14 per cent travelled for business and professional purposes while a further 27 per cent travelled for religious and health purposes. Over a half of total visitors travelled by air (54 per cent), followed by surface transport (46 per cent) which includes road, rail and water. The share of air transport is increasing as it has been growing at a faster rate than surface transport.

International tourist receipts: Similar to tourist arrivals, income earned from international tourism surged from US$ 2 billion in the 1950 to US$ 104 billion in the 1980s, US$ 495 billion in the 2000s and reached US$ 1,260 billion in 2015. Spending by international tourism on accommodation, food and drink, entertainment, shopping and other services and goods amounted to US$ 1,260 billion in 2015. If international passenger transport services which facilitated tourist arrivals are added on, the figure increases to US$ 1.5 trillion. International tourism now accounts for 7 per cent of overall global exports of goods and services. It ranks as the third largest export after fuels and chemicals, food and automobile products though in many developing countries, it is the leading export.

World's top tourism destinations: Destinations for tourism are ranked usually by two indicators - arrival numbers and tourism receipts. According to either indicator used, seven destinations appeared in the top 10 ranking. In fact, the top four countries in terms of both

Table 7.1
World's Top Tourism Destinations

	Rank	Tourist Arrivals (Mn)	Rank	Tourism Receipts (US$ bn.)
1	France	84.5	USA	204.5
2	USA	77.5	China	114.1
3	Spain	68.2	Spain	56.5
4	China	56.9	France	45.9
5	Italy	50.7	UK	45.5
6	Turkey	39.5	Thailand	44.6
7	Germany	35.0	Italy	39.4
8	UK	34.4	Germany	36.9
9	Mexico	32.1	Hong Kong	36.2
10	Russia	31.3	Macau	31.3

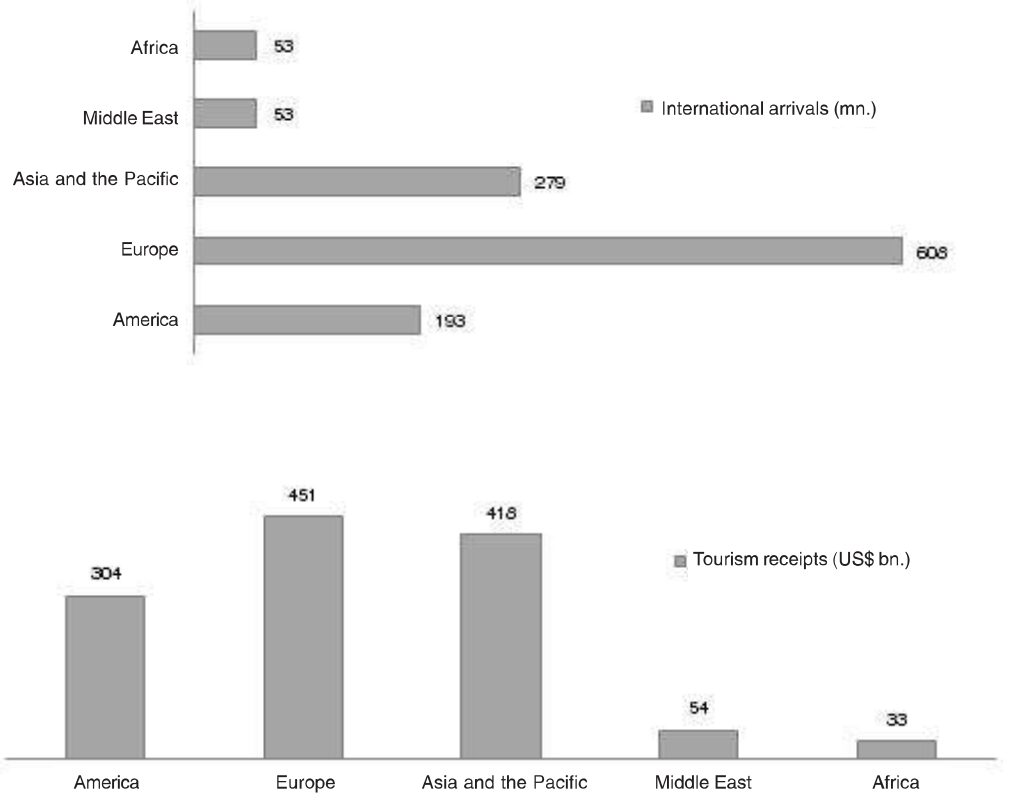
Source: UNWTO, *Tourism Highlights 2016*. Available at http://www.e-unwto.org/doi/pdf/10.18111/9789284418145.

arrivals and receipts are the same - i.e., France, US, Spain, and China (Table 7.1).

In terms of regional distribution, Europe attracted 608 million tourists in 2015, which accounts for more than a half of the world's total tourism in that year and generated receipts of US$ 541 billion (Figure 7.1). Europe was closely followed by Asia and the Pacific, which welcomed 279 million visitors and earned US$ 418 billion in 2015. This was followed by the Americas, the Middle East and Africa.

Outbound tourism: A substantial proportion of international travel happens within a travellers' region - the figure is about four out of five. Traditionally, source markets have been concentrated in advanced countries of Europe, the Americas and the Asia and Pacific. With rising income levels in many of the emerging economies and appetite for international travel, faster growth can be observed in Asia, Central and Eastern Europe, the Middle East and Latin America. However, Europe remains the world's largest source of tourists, followed by Asia and

Figure 7.1
International Tourist Arrivals and Receipts for Regions, 2015



Source: UNWTO, *Tourism Highlights 2016*. Available at http://www.e-unwto.org/doi/pdf/10.18111 9789284418145.

the Pacific (23 per cent), the Americas (17 per cent), the Middle East (3 per cent) and Africa (3 per cent). Within the regions, China, the US and the UK were the main source countries. Since 2004, China was the largest outbound market in the world and in 2015, China alone commanded almost one-fourth of the global outbound travel. The other top outbound markets in 2015 included the US (9 per cent), Germany (6.2 per cent), the UK (5 per cent), France (3 per cent), Russia (2.8 per cent), Canada (2.3 per cent), South Korea (2 per cent), Italy (1.9 per cent) and Australia (1.9 per cent).

Long-term forecasts: As per long-term growth projects for tourism, the UNWTO forecasts that tourist arrivals will continue to grow on average by 3.8 per cent a year between 2010 and 2030 to reach 1.8 billion travellers by 2030.[7] Tourist arrivals to emerging nations in Asia, Latin America, Central and Eastern Europe, Middle East and Africa are likely to grow twice (4.4 per cent a year) as fast as advanced countries (2.2 per cent per year). Therefore, the proportion of international arrivals to emerging countries is likely to exceed advanced economies prior to 2020; by 2030, 1 billion (or 57 per cent) of international arrivals will be accounted for by emerging nations compared to 43 per cent in advanced economy destinations. Strong growth in Asia and the Pacific is likely to see an increase in its share to 30 per cent by 2030 while the Middle East and Africa will also experience an increase in their shares (by 8 and 7 per cent, respectively). As a result, the shares of Europe and America will decline to 41 and 51 per cent, respectively.

With rising income levels in many of the emerging economies and appetite for international travel, faster growth can be observed in Asia, Central and Eastern Europe, the Middle East and Latin America.

[7] UNWTO (2016), *Tourism Highlights 2016*, United Nations World Tourism Organization. Available at http://www.e-unwto.org/doi/pdf/10.18111/9789284418145.

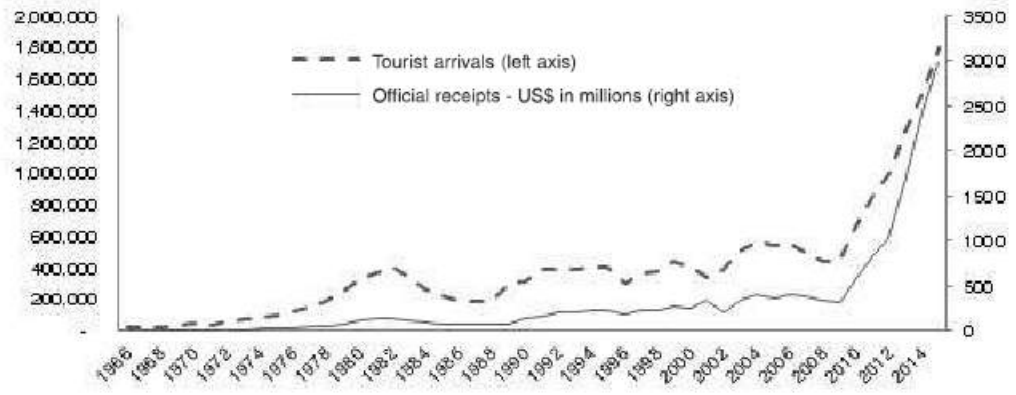
7.3 Overview of the Tourism Industry in Sri Lanka

Sri Lanka has attracted international visitors for decades being an important stop-over point between East Asia and Europe. Modern day organized tourism commenced in 1966 with the establishment of the Ceylon Tourist Board (CTB) through an Act of Parliament which in 1966. It institutionalized organized tourism in Sri Lanka, holding the CTB responsible for implementing new tourism policies and programmes initiated by the government. The responsibilities of the CTB were expanded two years later by the Tourism Development Act 1968. In 2005, the government passed Act No. 38, known as the Tourism Act to replace the 1966 Act and established the SLTDA as the country's primary tourism development entity. Other entities include the Sri Lanka Tourism Promotions Bureau, the Sri Lanka Institute of Tourism and Hotel Management (SLITHM) and the Sri Lanka Convention Bureau (SLCB). In 2016, Sri Lanka completed 50 years of organized tourism, during which period the industry has experienced growth as well as periods of stagnation at various times owing to both external and internal factors.[8]

7.3.1 Early Years

The establishment of the CTB in 1966 saw an increase in annual tourist arrivals by 24.7 per cent to 23,666 in 1967 which doubled by 1970 (Figure 7.2).[9] Political disruption as a result of an insurgency in 1971 momentarily disrupted the growth momentum, but with the launch of a tourism promotional programme in Europe,

Figure 7.2
Tourist Arrivals and Receipts, 1966-2015



Source: CBSL, *Annual Report*, various years.

[8] Lantra, N (2016), "Tourism Growth Trends During the Fifty Years from 1966", in *Golden Jubilee of Sri Lanka Tourism*, Sri Lanka Tourism Development Authority, Colombo.

[9] Samaranayake, H.M.S., N. Lantra, N., and C. Jayawardena (2013), "Forty Six Years of Organized Tourism in Sri Lanka (1966 -2012)", *Emerald Group*, 5(5), pp. 423-441.

tourist arrivals rebounded and increased to 103,204 by 1975. The introduction of the open economy in 1977 and the removal of both foreign exchange and foreign travel restrictions led to a surge in tourist arrivals which rose from 153,665 in 1977 to 407,230 in 1982 - recording more than two-fold increase in arrivals within a span of five years. Similarly, foreign earnings from tourism grew proportionately from US$ 40 million to US$ 146.6 million in 1982 - a three and a half fold increase during the same time. This period is often referred to as the 'golden era of Sri Lanka tourism'. During this period, the Western European market accounted for almost two-thirds of total arrivals to Sri Lanka, which demanded all-inclusive package holiday tours.

After an initial period of growth, the three decades that followed show fluctuations in terms of tourist arrivals. External factors such as the world economic recession in 1981/1982 depressed world travel while competition from the Maldives affected arrivals to Sri Lanka. Moreover, the onset of the civil conflict in the early 1980s coupled with political unrest led to an escalation of violence and insecurity in the northern and eastern regions in the country (as well as in the southern parts of the country in the mid-late 1980s) adversely affecting arrivals. For instance in 1988, Sri Lanka witnessed a 55 per cent decline in arrivals compared to 1982, and a corresponding decrease in income from tourism of 48 per cent.

Due to a relatively more peaceful environment in large parts of the country during 1990-95, tourist arrivals picked up. Terrorist attacks in the heart of Colombo in 1996, attacks on the international airport in 2001, etc., meant tourist arrivals fluctuated sharply. Other incidents such as the December 2004 tsunami also impacted the tourism sector with the industry suffering significant infrastructure damage along the country's key tourism coastlines. The fluctuating trend severely affected the tourism industry overall. Nevertheless, the industry continued to operate during such difficult times, including hotel development and promotion activities.

7.3.2 Post-conflict Development

A military victory over a separatist armed group in 2009 saw the re-establishment of peace and security in the country after three decades of strife. It led to a short-term unprecedented growth in tourism, with a surge in investments with international hotel chains such as Shangri-La, Movenpick, Sheraton, RIU Hotels and Resorts, Banyan Tree, Anantara, and Sheraton entering into the local tourism market in addition to supplementary establishments. Tourist arrivals rose significantly during the post war period, as shown in Figure 7.2. Inbound tourist arrivals increased from 447,890 visitors in 2009 to 1,005,605 in 2012, surpassing a milestone as a 'million tourist destination'. The numbers further increased to 1,798,380 arrivals in 2015, recording a four-fold growth over the last five years. In 2016, tourist arrivals surpassed the 2 million mark. Similarly, income from tourism simultaneously rose from US$ 320 million in 2009 to US$ 3.5 billion in 2016. Today, the industry is the third largest source of foreign revenue to the country after remittances and textiles and apparels, and contributed14 per cent of total foreign exchange earnings in 2016. The rest of the discussion examines broad trends in tourism for the period 2009-2015 with the latest available annual statistical data from the SLTDA.

Tourist arrivals rose significantly during the post war period, inbound tourist arrivals increased from 447,890 visitors in 2009 to 1,005,605 in 2012, surpassing a milestone as a 'million tourist destination'.

7.3.3 Source Markets

Tourists travel to Sri Lanka from all over the world. For decades up to 2000, the industry depended on Western Europe, which contributed about two-thirds of arrivals to the island. Asia was the second largest source of tourists accounting 20-30 per cent of arrivals. However, from 2000 onwards, a shift can be seen with Asia emerging as the dominant region (Table 7.2). The post-conflict tourism growth and the impact of the global economic downturn in 2008/2009 saw a decline in Western European travelers compared to arrivals from Asia and the Middle East. The re-establishment of peace, and the proximity to Asian and Middle Eastern countries made Sri Lanka an attractive tourist destination for these regions. The burgeoning middle class and strong economic growth in Asian countries have led to a rise in international arrivals from these countries. Asia now accounts for 45.7 per cent of the total arrivals to Sri Lanka while Western European arrivals make up 30.7 per cent of the total share in 2015. The Middle East has also emerged as an important source of tourists, increasing its share from 1 per cent at the turn of the century to almost 6 per cent by 2015.

A decomposition of Sri Lanka's top five source markets, as shown in Figure 7.3 highlights that its closest neighbour, India is the now largest source market, with approximately 316,247 arrivals (or 17.6 per cent of the market) in 2015. This is an additional 73,513 arrivals compared to 2014. In fact, India has been the top source of foreign visitors to Sri Lanka for the past decade.

In second place is China, with a market share of 12 per cent of arrivals in 2015 with 214,783 arrivals. This is an increase of 86,617 passenger arrivals in comparison to 2014 and a 2.5 percentage point increase in market share in 2015. Chinese visitors to Sri Lanka have increased rapidly since 2009, with rising incomes and a growing desire for foreign travel

Table 7.2
Tourist Arrivals by Region: 2005-2015

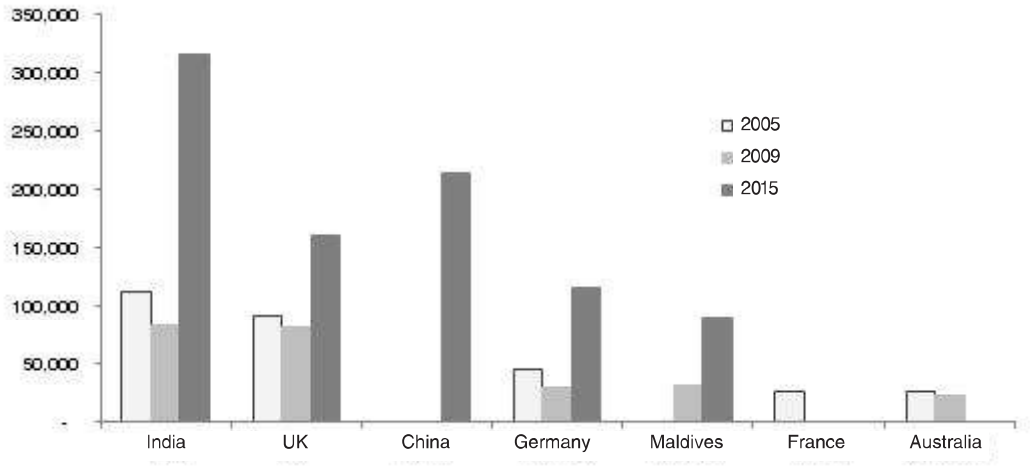
	2005	2009	2015
North America	8.5	5.6	4.7
North East Asia	6.7	7.0	15.2
Western Europe	41.4	38.0	30.7
South Asia	27.9	28.2	25.5
South East Asia	6.1	3.8	4.9
Australasia	5.4	5.8	4.0
Eastern Europe	1.7	5.9	8.3
Middle East	1.9	5.3	5.6
Other	0.6	0.5	1.0
Total	100	100	100

Source: Data from SLTDA.

in China; in 2009, just 9,899 Chinese tourists visited Sri Lanka. Together, Indian and Chinese tourists now account for one-fourth of total tourist arrivals to Sri Lanka.

In 2015, there were 161,845 arrivals from the UK accounting for 9 per cent of the market. UK moved down to third position in 2015 from the second place in 2014 with the rapid growth in tourist arrivals from China. Nevertheless, it is important to note that the numbers of arrivals from the UK has doubled from 81,682 since 2009. In 2015, other top source countries included Germany (with 115,868 visitors), the Maldives

Figure 7.3
Sri Lanka's Top Five Source Markets



Source: Data from SLTDA.

(90,617), France (86,126), Australia (63,554), Russia (61,846), US (47,211), and Japan (39,358).

7.3.4 Purpose of Visit

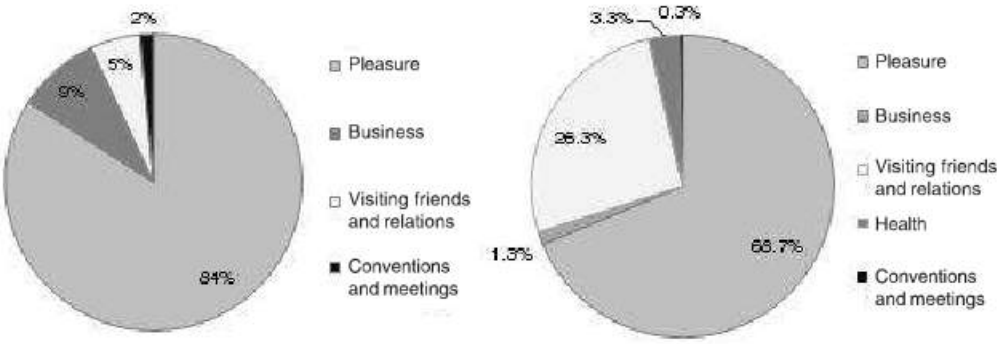
A majority of travellers visited Sri Lanka for holiday/pleasure, accounting for 68.7 per cent of the tourists in 2015 given that Sri Lanka is a diverse island offering an array of attractions and purposes (Figure 7.4). The highest proportion of visitors in the pleasure/ holiday category were from China (16.9 per cent) followed by India (14.8 per cent) and UK (8.6 per cent). Diaspora overseas visiting family has risen significantly since the end of the war; visiting friends and family now account for 26.3 per cent of the arrivals in 2015 up from 5 per cent recorded in 2009.[10] The rest was distributed among the purposes of business (1.3 per cent), health (3.2 per cent), sports (0.7 per cent), officials (0.4 per cent), MICE (0.3 per cent), education (0.2 per cent), religious and cultural (0.1 per cent) and other purposes (1.8 per cent).

A number of new tourism segments are on the rise in Sri Lanka. For example, the meetings, incentives, conferences and exhibitions (MICE) segment has become a key area of focus in the industry in recent years. However, this segment is constrained due to limitations in infrastructure, capacity and poor marketing to promote Sri Lanka as a business and MICE destination.

7.3.5 Tourist Spending

Due to changes in thinking of the type of tourism to promote towards the latter part of the 1990s - intended to move away from 'sun, sea and sand' tourism and towards other forms (nature, culture, adventure) - statistics indicate that

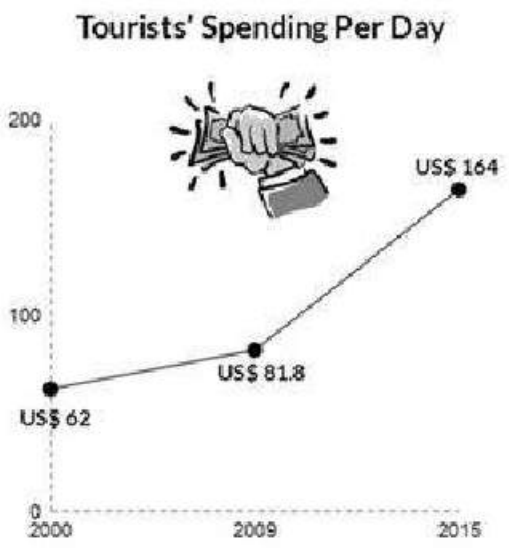
Figure 7.4
Purpose of Visit, 2009 and 2015



Source: Data from SLTDA.

[10] SLTDA (2015), *Annual Statistical Report*, Sri Lanka Tourism Development Authority, Colombo.

tourists' spending per day has risen from US$ 62 in 2000, to US$ 81.8 in 2009 and thereafter doubled to US$ 164 in 2015 over the past five years.[11] While this highlights a substantial increase in tourist spending over the years, limited availability of data constraints this analysis to examine the composition of tourists' spending in more detail. Another notable development has been a gradual shift away from package group tourism which was prevalent in the 1970s to more independent forms of tourism in recent times due to development and promotion of other forms of tourism, which generate low numbers but higher spending.[12]

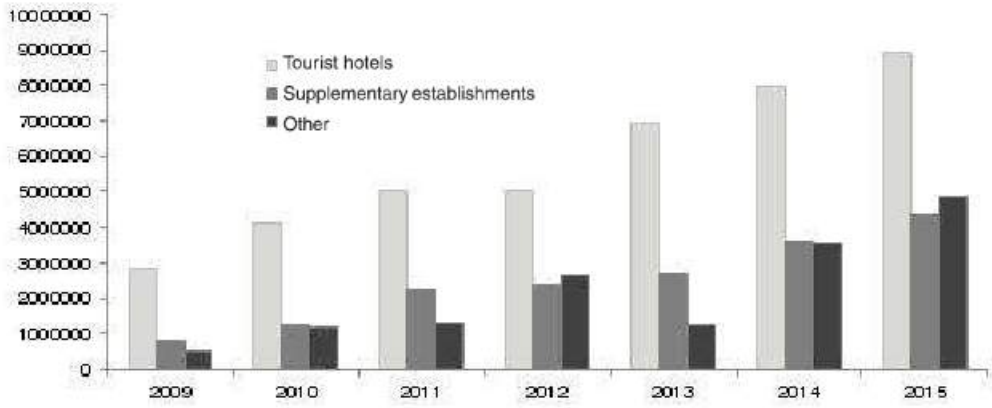


7.3.6 Average Duration of Stay and Foreign Guests Nights

Overall, the average duration of stay of tourists during 2015 increased to 10.1 nights compared to previous years where it ranged from 8.8 to 10 nights. The proportion of total tourist nights at tourist hotels (formal sector) was 8,945,380 nights in 2015 (Figure 7.5). This is an increase of more than three-fold increase since 2009, which recorded a figure of 2,818,487.

Tourists' nights at supplementary establishments (informal sector) such as guest

Figure 7.5
Total Guest Nights at Both Tourist Hotels and the Informal Sector



Source: Data from SLTDA.

[11] DCS (2015), *Statistical Abstract*, Ministry of National Policies and Economic Affairs, Colombo.

[12] Lantra, N (2016), "Tourism Growth Trends During the Fifty Years from 1966", in *Golden Jubilee of Sri Lanka Tourism*, Sri Lanka Tourism Development Authority, Colombo.

houses, home stays, apartments and bungalows show a slow yet steady increase from 779,317 nights since 2009 to approximately 4,349,313 in 2015 which is more than a five-fold increase. Furthermore, unregistered accommodations amounted to 4,868,945 nights in 2015 which also saw a ten-fold increase since 2009.

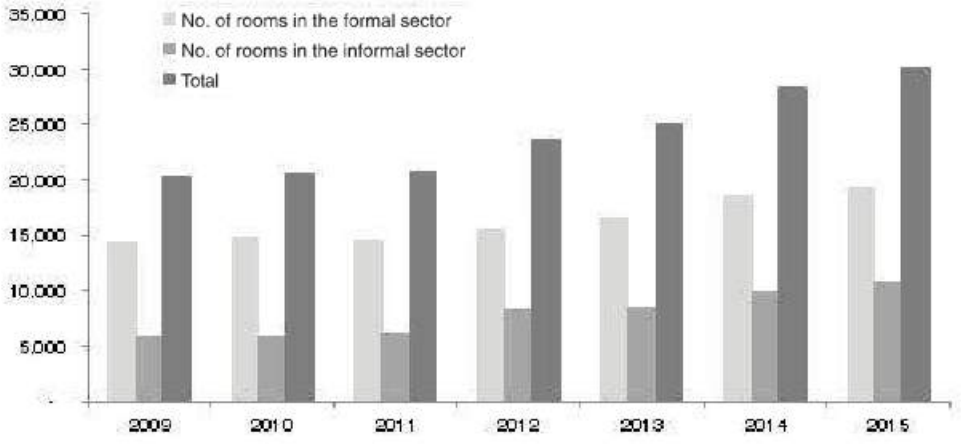
Thus, in total 49.2 per cent of tourists resided in formal sector accommodation units, while 23.9 per cent opted for informal sector establishments. The rest of them (26.8 per cent of tourists) opted to reside in 'other' accommodation establishments such as private houses. In 2009, 70 per cent of the guest nights were spent in hotels while the proportion in supplementary establishment and others were 20 and 12 per cent, respectively. Although at present a large proportion of foreign tourists prefer to reside in formal sector accommodation units, there is a growing demand to reside in informal sector establishments, as demonstrated by the changes in shares over the last five years.

7.3.7 Occupancy and Accommodation Capacity

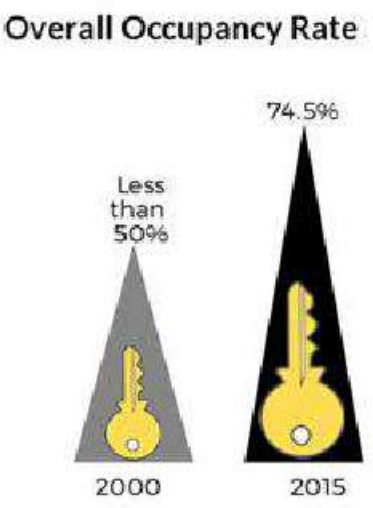
The hotel industry which was adversely affected by the long drawn out conflict, benefited from the surge in tourist arrivals seen with the end of the war. There were enough unutilized rooms to cater the sudden influx of tourist arrivals. The overall occupancy rate which was less than 50 per cent for much of the 2000s rose to over 70 per cent in recent years and stood at 74.5 per cent in 2015; occupancy rates have increased right across regions in the country in the last five years. However, the most significant increases were seen in the east coast, high country and ancient cities. The highest overall monthly occupancy rate of 82.8 per cent was recorded in December due to seasonality effects while the lowest monthly occupancy rate of 63.5 per cent in May.

In an attempt to reach an ambitious target of 2.5 million tourist arrivals by 2016, there has been an increase in the number of units and total room capacity in the formal sector; the

Figure 7.6
Accommodation Capacity during the Period 2009-2015



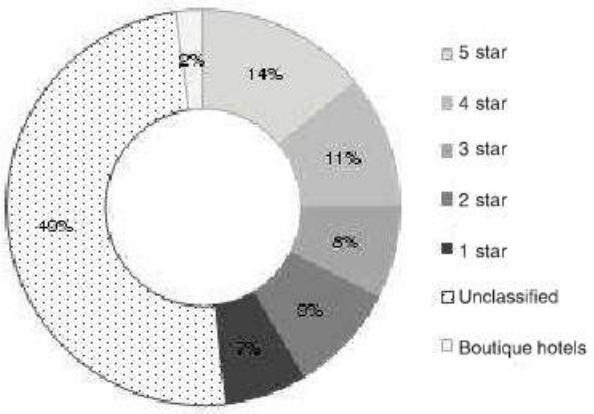
Source: Data from SLTDA.



numbers went up to 354 units/19,376 rooms in 2015 from 242 units/14,461 rooms in 2009 (Figure 7.6). Capacity in the informal sector also rose from 629 units/5,946 rooms to 1,409 units/ 10,702 rooms during the same period. Thus, a total of 30,078 room stock was available in 2015. This is a rise of almost 50 per cent in capacity compared to 2009. This figure includes the additional room capacity in the north and east of Sri Lanka, and more recently in Colombo and southern region where international hotel chains such as Shangri La, RIU hotels and resorts and Movenpick have started operations.

According to star classification of hotels, 14.1 per cent of the total room capacity is five star rated hotels, while 10.8 per cent is four star, 7.6 per cent is three star rated and 49.5 per cent is within the unclassified categories, which includes apartments and rented accommodations (Figure 7.7). It is increasingly evident that growth in the informal sector is likely to overtake the formal sector. Therefore, formal sector operators should be strategic in further constructing hotels as it may not yield a return on investment.

Figure 7.7
Star Classification of Hotels, 2015



Source: Data from SLTDA.

7.4 Challenges Confronting the Tourism Industry in Sri Lanka

Over the years, Sri Lanka has attracted many international tourists and with the end of three decades of armed conflict, there has been a record level of arrivals, creating opportunities for Sri Lanka to become one of the fastest growing tourism destinations in the world.[13] The tourism industry has now become a key driver of the Sri Lankan economy in terms of foreign exchange earnings, employment generation and attracting FDI.

[13] Fernando, S., J. Bandara, S. Liyanaarachchi and C. Smith (2014), "Managing the Tourism-led Development Strategy in Post-war Sri Lanka", *Sri Lanka Journal of Business Economics*, Vol.5.

Although Sri Lanka's tourism sector is considered to be at its 'growth stage of the product cycle', the industry currently faces a number of challenges. A rapid growth in demand has gone hand in hand with rising challenges in recent times. This section is based on interviews with stakeholders and existing literature to delineate the main challenges confronting the tourism industry. These encompass: coordination and communication among stakeholders, industry research, planning and monitoring, a clear positioning strategy for Sri Lanka, human resources, infrastructure, and price competitiveness.

7.4.1 Absence of Coordination and Communication among Stakeholders

Given that the SLTDA, Sri Lanka Promotions Bureau (SLPB), SLCB and SLITHM are under the purview of the Ministry of Tourism Development and Christian Affairs, they are all involved in tourism related responsibilities at the central level. Institutional fragmentation, however, is visible at provincial and local levels with limited coordination, consultations and cooperation with the private sector in addressing key challenges which are serious impediments to the growth in this sector. Limited awareness and participation of investors, institutions and local communities have resulted in conflicts and negative perceptions of tourism among the local communities relating to FDI.[14]

Limited awareness and participation of investors, institutions and local communities have resulted in conflicts and negative perceptions of tourism among the local communities relating to FDI.

7.4.2 Inadequate Industry Research

According to the World Travel and Tourism Council (WTTC), research on the tourism industry is essential to comprehend the travel and tourism sector globally and assess the economic contribution locally. At present, the SLTDA is responsible for gathering tourism arrivals data and this information is published on a monthly basis together with the airport exit survey conducted and published on an annual

[14] Teare, R., C. Bandara and C. Jayawardena (2013), "Engaging the Rural Communities of Sri Lanka in Sustainable Tourism", *Emerald Group*, 5(5), pp. 464-476.

basis. Apart from this, there is limited data collected on tourism in Sri Lanka. However, to do any comprehensive analysis of the sector, there needs to be a solid data base. Moreover, available data have a number of shortcomings; for example, more disaggregated data on the informal sector or accurate information on foreign guest nights in registered hotels is not available. Insufficient and unreliable data and a lack of detailed analysis affect formulating policies and decision making by policymakers, investors and businessmen in promoting the tourism sector.

Current marketing efforts and measures to boost awareness, branding and appeal of the destination require continuous consumer research of travellers and markets in order to assess their changing demands and preferences. Research should also be conducted to assess the activities through which holiday experiences could be enhanced and ascertain the extent to which Sri Lanka can improve the quality of the product offering to encourage repeat travelers and improve the brand image and identity of the country. Research should also be conducted to investigate the current strengths and areas in which more marketing and product development are needed. Stakeholders in the industry should work in collaboration to improve the quality of tourism data.

Insufficient and unreliable data and a lack of detailed analysis affect formulating policies and decision making by policymakers, investors and businessmen in promoting the tourism sector.

7.4.3 Ineffective Planning and Monitoring

Despite several decades of organized tourism in Sri Lanka, there lack methodical planning and marketing a national brand which would appeal to its international clientele. Effective planning and marketing is central to the development of the industry. Inadequate skills and technical capacities in the industry have acted as barriers in strategic planning and marketing of the industry.

A critical factor for effective tourism planning is an organized destination management mechanism, where public officials meet with private entities and communities to monitor the progress and implementation challenges. This

is unfortunately absent in the Sri Lankan context.[15] The absence of effective monitoring mechanisms to assess attractions have resulted in them been over-visited. For example, certain historical sites such as in Sigiriya and Polonnaruwa and wild life sites such as the Yala national park are overly visited, which not only disturbs the natural habitat but also degrades the site. For national parks, however, visitor use is controlled using permits made available only on a park-by-park basis. More importantly, there is minimal feedback collected at the site level on visitor numbers, profile and preferences, which are fundamental for planning and monitoring the adequacy of infrastructure and facilities/services, all of which would provide better insights to understanding tourists' preferences. Therefore, a clear and in-depth assessment of the carrying capacity of tourists at each of the popular attractions would be important in managing tourist arrivals in prevailing conditions while effectively providing knowledge on areas of further development.[16]

A clear and in-depth assessment of the carrying capacity of tourists at each of the popular attractions would be important in managing tourist arrivals in prevailing conditions.

7.4.4 Clear Positioning Strategy for Sri Lanka Tourism

Sri Lanka needs to focus on international marketing promotions to improve its global image as well as to compete amongst the other countries in the region. It is also important to sustain the existing primary markets whilst looking at emerging markets more aggressively. However, the absence of a clear and consistent marketing plan will stifle the prospects of marketing the country. In terms of destination marketing, for example, Sri Lanka has changed its tourism slogan several times within the course of a few years. More importantly, Sri Lanka's brand awareness is extremely low. Authorities are often misled by tourism marketing strategies which usually focus on developing a tourist theme, slogan or logo rather

[15] Lokuhetty, A., C. Jayawardana and D. Mudadeniya (2013), "Developing a Shared Vision for Tourism in Post- war Sri Lanka", *Emerald Group*, 5(5), pp. 486-494.

[16] Udanuwara, M., and T. Alahakoon (2015), *Cinnamon Future of Tourism Summit 2015 - White Paper*, Cinnamon Hotels and Resorts, Colombo.

than a strategy for the entire country. Ad-hoc strategies such as roadshows for the travel trade and wedding planners in India and China will only yield short-term outcomes. Clear long-term goals and strategies will only be achieved if a shared vision is inculcated among all stakeholders. This long-term strategy should be developed focusing on a permanent brand positioning of the country rather than a singular situation which focuses on the short-term. Destination branding in Sri Lanka should also take advantage of the severely underutilized digital space and mainstream media to create a strong national brand.

7.4.5 Human Resource Development

Inadequacy of human resources is a key challenge confronting the industry both in terms of the quality and quantity of staff.[17] The tourism industry at present generates approximately 330,000 (direct and indirect) employment, but this would have to be increased to approximately 800,000 by 2020 to meet the growing demand from tourist arrivals.[18] The main reason for the lack of a large pool of well-trained trained staff is that a large proportion of them relocated to overseas during the war to obtain better employment opportunities, mainly to the highly paying Middle Eastern countries, as well as decades of neglect in training tourism workforce due to civil disturbances in the country.

However, it is encouraging to note that some of those who left for better prospects overseas are returning to the industry in Sri Lanka having gained years of valuable five-star hotel experience overseas.[19] This will have a positive impact on addressing the shortfall of well-experienced professionals to some extent.

Authorities are often misled by tourism marketing strategies which usually focus on developing a tourist theme, slogan or logo rather than a strategy for the entire country.

[17] Fernando, P., and C. Jayawardena (2013), "Focusing on Realistic Tourism Targets for Post-war Sri Lanka", *Emerald Group*, 5(5), pp. 495-504.

[18] Sugathadasa, J.(2016), "The Present Status, Future Prospects and Challenges of the Tourism Industry in Sri Lanka", in *Global Jubilee of Sri Lanka Tourism*, Sri Lanka Tourism Development Authority, Colombo.

[19] Lokuhetty, A., C. Jayawardana and D. Mudadeniya (2013),"Developing a Shared Vision for Tourism in Post- war Sri Lanka", *Emerald Group*, 5(5), pp. 486-494.

Nevertheless, the current output of the SLITHM,[20] private and vocational institutions and universities are insufficient to meet the expected demand with the anticipated expansion of hotels and tourist arrivals to the country.

Despite opportunities available in the industry and SLITHM's efforts to conduct apprenticeships in Hambantota, Polonnaruwa, Bakamuna and concerted efforts by the private sector to provide scholarships for students from poor backgrounds to raise awareness of job opportunities in this sector, training institutes find it difficult to attract young people to the industry,[21] while those who do get trained migrate after working in Sri Lanka for a short period of time. Furthermore, female participation in this industry is considerably much lower than their male counterparts. Cultural barriers and social norms appear to restrict female participation in this industry.[22]

In addition, there is an issue regarding the quality of training and output though SLITHM is trying to align the training more closely with the industry through curriculum updates. For example, proficiency in English and some other foreign languages which are offered in the training programmes are not sufficient while there are issues regarding the number of qualified trainers, the standard of curriculum,[23] and resources available at facilities especially outside of Colombo. These need to be addressed especially if Sri Lanka aims to attract

Proficiency in English and some other foreign languages which are offered in the training programmes are not sufficient while there are issues regarding the number of qualified trainers, the standard of curriculum,23 and resources available at facilities especially out-side of Colombo.

[20] SLITHM established in 1964 has its main training facility in Colombo with satellite schools in Anuradhapura, Kandy, Bandarawela, Koggalla, Ratnapura and Kurunegala. In addition to SLITHM, other public sector agencies such as the Sri Lanka Vocational Training Authority and Provincial Councils also have hospitality training facilities.

[21] Sugathadasa, J.(2016), "The Present Status, Future Prospects and Challenges of the Tourism Industry in Sri Lanka." In *Global Jubilee of Sri Lanka Tourism*, Sri Lanka Tourism Development Authority, Colombo.

[22] Stakeholder interviews.

[23] Sugathadasa, J.(2016), "The Present Status, Future Prospects and Challenges of the Tourism Industry in Sri Lanka", in *Global Jubilee of Sri Lanka Tourism*, Sri Lanka Tourism Development Authority, Colombo.

the upmarket segment of tourists into the country.

With the continuous expansion of local hotel chains such as Jetwing and Aitken Spence, and more recently the establishment of international chains such as Shangri- La and Movenpick, Hyatt and Sheraton, hotels would be compelled to re-orient their business model to reduce the labour intensity of the industry such as low cost hotels. Thus, the human resource constraint remains a major challenge the industry will face in the coming years, which both the industry and the government have to immediately address. The government on its own will not be able to provide the required training. Therefore, a partnership with the private sector will be necessary to meet the growing requirement for skilled manpower in the tourism industry.

7.4.6 Infrastructure Development

Transport: Another major challenge confronting the industry is improving connectivity within Sri Lanka through road and rail and air transport. Although improvements have been made to road, rail, and air transport over the past decade, particularly since the end of the war in 2009 through the developments of the Southern and Airport expressways and other ongoing programmes, Sri Lanka has a long way to go to catch up with other favoured Asian tourist destinations like Singapore, Malaysia and Thailand. The country lags behind in terms of road and rail transport. Travelling by road is time consuming due to poor infrastructure - for e.g., access to some of the remote corners of the island continues to remain undeveloped while roads are narrow and congested with trucks, buses and lorries. The existing railway system requires not only maintaining but improving as it will help to reduce the time spent on roads to

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reach different destinations whilst providing scenic and panoramic views of the country.

Given that a road trip by bus, car or train from Colombo to Kandy (approximately 100 km) takes approximately 3-5 hours and a trip from Colombo to Arugambay by train or bus takes approximately 10 hours, improvements in air transport is equally essential with developments in new segments of tourism, and the sustained growth of independent travelers. Given that Jaffna is an emerging destination for travelers, improvements to internal flights and developments of domestic airports will further help transportation to distant areas and reduce travel times. Also, utilization of water ways can provide alternative means of addressing transportation issues in the country.

As an island nation Sri Lanka is heavily dependent on air access to bring in tourists into the country. In 2015, a total of 98.4 per cent of tourists used regular carriers as the mode of transport when travelling to Sri Lanka.[24] Tourists visiting Sri Lanka onboard charter carriers accounted for only 0.2 per cent of arrivals. The remainder (1.4 per cent) came by sea transportation. In 2015, 26 scheduled airlines operated to Sri Lanka, including SriLankan Airlines which accounted for a 35 per cent share of tourist arrivals.

The termination of SriLankan Airline's flights to key European destinations (which is one of the largest tourism source markets for Sri Lanka) recently has raised concerns within the trade about its impact on the influx of European tourists since travelers prefer direct flights on long haul travel.[25] Therefore, efforts must be strengthened to maintain and increase route capacity and frequencies to major source markets. In order to achieve the expected high number of tourist arrivals by 2020, it is also vital that viable new routes are introduced. Towards this end, the aviation policy should be aligned to attract more carriers to Sri Lanka, both regular and charter; the latter has seen a decline over time with its share reduced to less than 0.2 per cent of inbound traffic in 2015.

Plans to expand the handling capacity at Bandaranaike International Airport, which is the main passenger gateway to the country, to accommodate approximately 15 million passenger arrivals will also assist the tourism industry. The Mattala International Airport is severely underutilized. It is thus equally important to better utilize this investment as it offers an opportunity for promoting marine and wildlife tourism which are in close proximity to the airport.

Stock of Accommodation: The stock of accommodation and their standards are another key challenge in receiving 4.4 million tourist arrivals by 2020. To accommodate this daunting target, room capacities required a range around 75,000-80,000 rooms. In 2015, there were about 30,000 rooms which suggest a requirement to more than double the current capacity of rooms to meet the anticipated demand/target. Presently, the construction of approximately 22,000 rooms is in the pipeline, of which 11,645 rooms are expected to be available by the end of 2017.[26] Despite the

[24] SLTDA (2015), *Annual Statistical Report*, Sri Lanka Tourism Development Authority.

[25] Stakeholder interviews.

[26] Sugathadasa, J.(2016), "The Present Status, Future Prospects and Challenges of the Tourism Industry in Sri Lanka", in *Global Jubilee of Sri Lanka Tourism*, Sri Lanka Tourism Development Authority, Colombo

entry of international chains into Sri Lanka, which should attract high income spenders and other renowned chains to investments, capacity constraints will continue to prevail in the industry if arrivals target are met. At the same time, much of the new hotel rooms expected to come into the market in the near future will be at the luxury end of the market. Therefore, there is also some concern about oversupply at this segment of the market, which could push prices down and increase levels of competition in the coming years.[27]

Growth of the Informal Sector: The birth of Online Travel Agencies (OTA) has given rise to online and web based direct marketing which has gained traction over the last few years. This has led to approximately 25-35 per cent of bookings being generated online, and an estimated 15 per cent of bookings for visiting and business purposes being made through web based mechanisms.[28] The use of technology and OTAs has also led to the growth of informal accommodation, unregistered with the SLTDA. These include guest houses, home stays, rest houses, holiday bungalows and youth hostels. Although the exact size of the informal sector is yet unknown, it is safe to state that this proportion is escalating. According to the latest statistics published by the SLTDA, total room capacity of the informal sector which is accounted by the authorities, amounted to 10,702 rooms in 2015 which works out to be more than 30 per cent of the rooms.[29] While the formal sector of the industry is highly regulated, there is a significant informal sector operating within the industry. This unregulated growth is a cause of concern for the industry and SLTDA, as enforcement of regulations is necessary to ensure quality and standards of the tourism

Despite the entry of international chains into Sri Lanka, which should attract high income spenders and other renowned chains to investments, capacity constraints will continue to prevail in the industry.

[27] Oxford Business Group (2016), "Sri Lanka's Tourism Industry Gets Ready to become a Key Economic Contributor", available at: https://www.oxfordbusinessgroup.com/overview/rising-star-industry-poised-become-key-economic-contributor-coming-years

[28] Fernando, P. (2013), "Focusing on Realistic Tourism Targets for Post-war Sri Lanka", *Emerald Group*, 5(5), pp. 495-504.

[29] DCS (2015), *Statistical Abstract*, Ministry of National Policies and Economic Affairs, Colombo

While the formal sector of the industry is highly regulated, there is a significant informal sector operating within the industry.

product and the safety and wellbeing of tourists. This remains a challenge given that there is no proper legal documentation for these properties to provide accommodation. Thus, mainstreaming the informal sector requires attention, as a failure to do so could adversely affect the image of the country.

7.4.7 Maintaining Price Competitiveness

Tourism is one of the most competitive industries, and Sri Lanka competes with other countries in the Asia Pacific region. Rapidly increasing accommodation costs in Sri Lanka represent another challenge. Over the last few years, room rates have increased exponentially in part due to post-war tourism boom. During 2010-15, hotel charges have gone up by about 30 per cent on average. Prices of the accommodation sector increased from 6,996 in 2010/2011 to 9,119 in 2015/2016 according to the SLTDA's Tourist Prices Index.

Pricing of local hotel accommodation is considered to be over priced given its quality compared to other rival destinations in the region. For example, a five star hotel in Colombo costs approximately US$ 125 a night whereas the same would cost much lower in Manila (US$ 67), Kuala Lumpur (US$ 78), Jakarta (US$ 80), Bangkok (US$ 67) and Ho Chi Minh City (US$ 68).[30] While Sri Lanka is more expensive than many other countries for four-star and five-star accommodation, it is more competitive in terms of the price of three-star rated beach resort hotels.

Hotel rates have been a major cause of concern as the government has enforced minimum rates for Colombo and Greater Colombo hotels. This was imposed after the war ended to control price undercutting in city hotels and reflect the standard of the hotels in the absence of the war-risk factor. From 2009, all five-star hotels were required to set a minimum price of US$ 125, with varying grades down to two-star hotels at US$ 60. The system remains in place into 2016, against the wishes of many inbound tour operators, who argue that Colombo has out-priced itself against many of the competing destinations in Asia. However, there is much

[30] Fernando, S., J. Bandara, S. Liyanaarachchi and C. Smith (2014), "Managing the Tourism-led Development Strategy in Post-war Sri Lanka", *Sri Lanka Journal of Business Economics*, Vol. 5.



debate about the minimum rates; one school of thought is of the view that an absence of a minimum room rate results in price wars. A minimum rate ensures that all operators are able to survive. While another school of thought is of the view that Sri Lanka as a destination has overpriced itself and prices should be left to market forces.

7.4.8 Absence of Knowledge and Know-How

Given that home stays, bungalows and youth hostels are an emerging trend for 'Free and Independent Travellers (FIT)', these inexperienced small scale facility providers are unaware of maintaining hygiene, housekeeping and quality standards required to meet the needs of the clients. Substandard quality and service delivery could lead to negative consequences for the country's image and reputation. Therefore, training programmes,

Substandard quality and service delivery could lead to negative consequences for the country's image and reputation.

workshops and seminars by Provincial Councils (PCs) would help build technical capacities and know-how on service delivery.[31] Furthermore, PCs could highlight several activities and attractions in their respective localities to promote domestic tourism. This will compel authorities to uplift standards and divert tourists from more crowded sites to sparsely crowded sites and indirectly promote tourism within these respective districts. However, technical expertise and know-how of staff at the PC level to educate small scale entrepreneurs on best practices of the tourism industry remains questionable.

7.4.9 Changing the Tourist Mix

High end tourism: Mass tourism has been the 'bread and butter of Sri Lankan tourism for 50

[31] Stakeholder interviews.

years'. Gradually mass tourism is shrinking with fewer charter flights coming to Sri Lanka today. During the decades of conflict, Sri Lanka was treated by most tour operators and tourists as a relatively low cost value-for-money destination. Many discussions have taken place on ways of attracting high-end tourists to Sri Lanka. Attracting more high-end tourists will help to increase the average receipt per tourist, which was about US$ 164 in 2015. Although the country expects to move away from low cost tourism and focus on high end tourism, attracting quality tourists has been an issue. This will require better services, higher standards and environmentally-friendly sustainable operations in hotels and other tourist establishments. While it is important to gradually move away from the 'cheap' destination image created during the war period, it would be best to attract all types of tourists rather than 'killing the goose which lays the golden egg'.[32]

Broadening the market segment: The tourism industry is quite keen to diversify its tourism portfolio away from sun and beaches into new, emerging segments. With unique attractions in most districts, Sri Lanka has failed to fully capitalize into other segments such as tea tourism, nature tourism, sports (such as scuba diving, surfing) tourism, weddings, cruises, health and well-being tourism and MICE tourism. In particular, the MICE market is currently under-developed due to lack of conference and convention facilities, limited entertainment activities in Colombo, etc.[33] Catering to these different types of tourism will eliminate seasonal variations of tourist arrivals since MICE tourists and business travellers for example are not affected by these fluctuations. The current trends need to be further studied since demand for business meetings is increasing in sectors such as telecommunications, education, insurance and energy.

Although the country expects to move away from low cost tourism and focus on high end tourism, attracting quality tourists has been an issue.

Domestic Tourism: Domestic tourism is another growing market segment with approximately 3.5 million visitors per annum; one-third of domestic tourists are also estimated to use formal sector accommodation.[34] Due to the scarcity of data

[32] Biyagamage, H., and C. Jayawardena (2016), "Balancing the Future Success of Tourism in Sri Lanka." *Emerald Group*, 5(5), pp. 505-511.

[33] Stakeholder interviews.

[34] Fernando, P., (2013), "Focusing on Realistic Tourism Targets for Post-war Sri Lanka", *Emerald Group*, 5(5), pp. 495-504.

collection and availability, the exact proportions are unknown. Domestic travelers usually travel in groups with families, especially during school and annual holidays. The primary concern facing most domestic holiday makers, particularly at historic sites such as in Kataragama and several other beach and wild life sites, are safe and effective transport systems such as rail and bus services and other amenities such as changing rooms, comfort places, wash rooms and dining areas.

Given that domestic tourism over the years have contributed significantly to the sustainability of the industry, lesser known attractions need to be promoted in an attempt to reduce overcrowding at popular sites.

7.4.10 Sustainable Operations

The rapid deterioration of the environment in many parts of Sri Lanka is a matter for concern. With the development of new resorts and facilities, it is necessary to take adequate measures to protect, conserve and manage wild life parks, nature reserves, water bodies, beaches, and areas surrounding natural tourist attractions, if tourism is to prosper on a sustainable basis.

In fact, it has been increasingly observed that the new generation of travelers is increasingly conscious of sustainable tourism including eco-friendly practices which gives greater priority to community participation and environment protection. Although the exact numbers are yet unknown, the proportion of environmentally conscious tourists are significantly increasing.[35] These tourists will seek authentic travel experiences that allow them to experience local

It has been increasingly observed that the new generation of travelers is increasingly conscious of sustainable tourism including eco-friendly practices which gives greater priority to community participation and environment protection.

[35] Stakeholder interviews.

culture and also participate and help in achieving green practices. Therefore, most large scale hoteliers are changing their practices to include community participation to raise the living standards of society, while minimizing the negative impact on the environment.[36] While many large scale hoteliers have the capacity to embrace greening practices to ensure long-term sustainability, many small and medium enterprises due to financial and non-financial constraints are faced with grave difficulties in complying with these green practices due to the high initial cost outlay.[37] Given the dominance of digital technology and social media in promoting or tarnishing an image of an enterprise or country, small and medium enterprises are compelled to change their practices to meet the changing demand.[38] Hence, it is important that small and medium scale service providers learn best practices from their rivals, and industry giants intervene and assist smaller scale enterprises in the adoption of sustainable practices.

7.5 Conclusion and Policy Recommendations

Given Sri Lanka's stated intention to attract four million tourist arrivals by 2020, stakeholders have mixed sentiments about the prospects of achieving this target in light of various challenges. While the feasibility of achieving the target it debatable, the need for a multifaceted approach to resolve impending issues is acknowledged by all stakeholders, as well as the need to change the focus from achieving arrival targets to enhancing the quality of the tourists' experiences.

Improve relationships among stakeholders: An effective mechanism needs to be established to promote private public-partnerships, which is essential for the growth of the tourism sector. There should be transparent and effective communication coupled with a high level of coordination among the central government, PCs and private sector. The SLTDA should establish a mechanism for consultation, cooperation, coordination, reporting and an operational plan to address key challenges. Similarly, private sector representatives should join hands with the government to develop the industry.

Establish a research unit: Data collection and analysis is central for effective planning and marketing. Establishing a research unit with a comprehensive Information Management System, whilst addressing the current shortcomings in the existing data base, is paramount for the industry's development. Such a unit should work in collaboration with the private sector to analyse, and publish research regularly, which can translate into strategic planning and provide a base for effective marketing campaigns.

Collaborative planning for tourism development: Related government agencies, private sector organizations and civil society need to work together to better manage resources and enhance the quality of tourists'

[36] Miththapala, S., C. Jayawardena and D. Mudadeniya (2013), "Responding to Trends: Environmentally- Friendly Sustainable Operations (ESO) of Sri Lankan Hotels", *Emerald Group*, 5(5), pp. 442-455.

[37] Jayawardena, C. (2013), "Innovative Solutions for Future Tourism Development in Sri Lanka (2013-2026)", *Emerald Group*, 5(5), pp. 512-513.

[38] Stakeholder interviews.

experiences. Towards this end, a destination management strategy will ensure cooperation with each other so that progress could be monitored and challenges could be jointly addressed. Moreover, PCs should be further strengthened to improve the capacities of small and medium tourism enterprises to engage in developing the industry. Similarly, both large and small scale tourist operators should work in synergy with each other to yield better outcomes.

Effective marketing strategy: Continuous research would further assist in monitoring and developing targeted marketing strategies at source countries; assess the international travelers' preferences; ascertain the extent to which Sri Lanka can meet these demands and identify areas for further marketing and development. In this context, the aforementioned research unit can provide the tools necessary to develop an effective national brand as opposed to merely promoting the tourism sector. Promotional campaigns can focus on attractions unique to Sri Lanka such as whale watching, wild life, spices and culinary, people and lifestyle, culture, arts and crafts; all of which will enhance the quality of the product projected.

Quality of human resources: In the light of several human resource challenges relating to skills shortages and poor retention rates, the industry should make concerted efforts to develop career paths, fair remunerate for workers, conduct on-the-job training on a continuous basis, etc. In addition, foreign languages such as Chinese should be introduced in the training programmes to cater to the influx of new sources of tourism. Nonetheless, the effectiveness of training programmes will be dependent on the experience, availability of skilled trainers, training centre facilities, etc. Awareness campaigns can also be introduced to improve the perceptions of the tourism industry and career prospects. For example, introducing tourism as a component in school curriculum will eliminate the negative perceptions of the youth in rural communities in seeking employment in this sector.

Infrastructure development: Given that infrastructure constraints are a huge impediment, authorities need to collaborate with the private sector to ensure regular transport services are available to key attractions until the proposed infrastructure developments are complete.[39] The regularity of train services should be promoted to reduce road congestion together with the development of domestic air travel. In addition, more good high quality hotels should be constructed through promotion of FDI while authorities should take further measures to mainstream the informal sector.[40]

Monitoring and enhancing the skills of small and medium tourism enterprises: It is essential to ensure that clear regulations, stringent codes of conduct and transparent construction guidelines to ensure safety of tourists, maintain standards and prevent excessive developments. Therefore, authorities should increase awareness through workshops and training programmes to educate small scale

[39] Stakeholder interviews.

[40] *Ibid.*

operators to ensure the sustainability of the industry.[41] At the same time, technical skills/ capacities of PCs and tourist bureaus at district level should be strengthened to monitor smaller scale tour operators.[42]

Diversifying tourist attractions: Investments in interpretive centres, museums, markets, comfort stops, and good quality transport networks should be made to provide an enriched tourist experience and cater to various market segments. Tourists should also be integrated with the local communities through attractions such as visits to agriculture parks, outdoor performances, tea estates/factories, spas and meditation/yoga centres. All these initiatives will enhance the value of the product and enable Sri Lanka to target niche tourism segments. Infrastructure should be developed further to accommodate and host large scale MICE events while attractive incentives should be provided to encourage global events to be hosted in Sri Lanka.

Community engagement: Community led sustainable development could reap the benefits to all stakeholders from tourism. Specialist short courses, workshops and seminars on homestays and hospitality operations would assist in professionalising tourism so that the local community could engage in tourism development. As tourists are increasingly seeking an authentic experience, community engagement will provide an ideal opportunity for the government to involve citizens in tourism development.

[41] *Ibid.*

[42] *Ibid.*

8. Revisiting Land Policy: Reforms to Match Evolving Economic Needs

8.1 Introduction

Land policy has captured the fresh attention of policy makers in Sri Lanka. It remained a major focus of successive governments until the final decade of the 20th century. During the last two decades, the war ridden economy had other priorities. In the post-war era, the initial focus on an infrastructure-led growth model and the subsequent shift towards an export-led growth process has both necessitated heightened focus on land policy. Hence, the importance of reviewing Sri Lanka's land policy cannot be undermined.

This Chapter makes an attempt to take a fresh look at Sri Lanka's land policy from the perspectives of current realties and changing priorities for sustainable development. Of the three major sectors of the economy, agriculture is the most land intensive sector compared with the industry and services sectors. In many developing countries, a disproportionate share of the population is dependent on agricultural livelihoods. Land is the most important productive asset available to them. Despite the prominence of agricultural livelihoods, however, a majority of the farming community lives under poverty in these societies. On the other hand, even the remotest agricultural communities are fast being connected to the world economy through the forces of globalization, transforming economies around the world. As a result, new demands are created on land resources besides fulfilling livelihood needs of agrarian communities. Catering to such demands offers both challenges as well as opportunities. If policy makers take decisions that can balance the interests of competing demands, land policies will stimulate sustainable growth as a driver of economic development. Alternatively, these policies will act as barriers that retard the prospects for growth. Hence, the challenge for policy makers is to strike a balance between competing demands so that emerging opportunities for growth can be fully captured while managing underlying social, political and environmental issues as well.

This Chapter discusses the essential conceptual ideas first, looking at land resources from the perspective of prevailing conceptions of sustainable development. It makes an attempt to identify broader dimensions of policy, namely, economic efficiency, social inclusivity and environmental sustainability. This is followed by a brief review of the historical evolution of land policies in Sri Lanka. Thereafter, current situation of land resources in Sri Lanka are presented as an outcome of land policies pursued since the early period of British rule. In the final section, some directions for change in existing land policies which need urgent attention of policy makers are discussed.

If policy makers take decisions that can balance the interests of competing demands, land policies will stimulate sustainable growth as a driver of economic development. Alternatively, these policies will act as barriers that retard the prospects for growth.

8.2 Land Resources: Major Conceptual Elements

In classical economic literature, land is identified as a primary resource of the economy as one of the four factors of production. The other factors are capital, labour and entrepreneurship. Owners of land are entitled to earn rent (interest for capital; wages for labour; profits for entrepreneurship) for providing land for production activities. In the literature, land is usually taken as an umbrella term that covers a variety of other natural resources which also falls under it. It has often been interpreted to include all endowments from nature to the economy; covering resources such as forests, minerals, oil, etc., that are physically endowed in the surface, sub-surface or deep inside the land.

A recent tendency in sustainable development literature is to use the term 'natural capital' to distinguish natures' gifts from 'man made' creations. In this broad conception, land can be identified as one form of natural capital among other resources such as forests, marine resources, minerals, biodiversity, etc. The land as a form of natural capital provides necessary space and physical substrate for economic activities. This idea is closely connected to the concept of 'real estate', which is used sometimes as an alternative term for land, especially with reference to asset markets. However, the specific contribution of land to production may vary depending on the type of economic activity. For instance, in the case of agriculture, the substrate of soil fulfils an important role in the production function while in industries or services activities, it may only provide physical support for structures that ensure space for respective activities.

In a more practical meaning, land can be identified as a form of asset that fulfils an essential role in all economic activities; offering the space, contributing as a physical input (e.g., agriculture) or being the source of other productive assets (e.g., forests, minerals). In this sense, many forms of economic activities and productive resources can be identified as different land uses. From the perspective of an economic policy, these can be considered as alternative uses where land resources can be put into. The principal types of land uses may include;[1] cropland, pasture and grazing land, forest land, residential land, commercial and industrial land, mineral land, recreation land, transportation land, service areas and barren and waste land. The economic objective of land policy can be defined as ensuring the allocation of land assets in the best and highest value uses in terms of economic returns.

An important factor which determines the efficient allocation of land resources is the ability to exchange or transfer rights to the use of land. In modern capitalist economic systems, markets provide the best means of transferring rights, thereby ensuring the economic mobility of land assets. In developed economies, real estate markets fulfil this function with a reasonable efficacy even though the latter are not perfectly competitive. Quantity measured in terms of surface extent, quality and location are important parameters which determine the value of land in markets. Different lands possess variable properties and the quality of a land is determined by how these properties match requirements of different economic uses. For instance, quality parameters such as soil fertility required for agricultural uses may not be essential for industrial or commercial uses. Lands that match requirements for economic uses with highest returns usually get the best values in the market. Being a stationary resource, physical location is another factor relating to other qualitative parameters, thereby contributing to the value of a given land.

Theoretically, the main economic objective of land policy is to ensure the allocation of land in uses that generate the highest possible private and social benefits. To achieve this, lands have to be allocated in different uses in matching quantities (extents) so that the equilibrium marginal economic rents of each land use are equal.[2] Such an allocation can be considered as an economically efficient allocation of land. However, practical conditions associated with land resources indicate that achieving such an equilibrium is not an easy task. A complex situation exists in the case of various land uses and resultant market imperfections are responsible for this. Land markets may not be competitive due to many reasons, especially in developing countries. They can be distorted due to reasons such as problems associated with ownership and tenure systems, practical inability to be converted quickly in response to demand, short-term and long-term uses, social attitudes connected to wealth and kinship etc., legal barriers and poorly functioning legal systems, and a high dependency on other facilities such as infrastructure. Even in developed countries, land markets may have certain distortions. However, advancements in policy, institutional and legal systems, progressive changes in social attitudes,

[1] Barlow, R. (1978), *Land Resource Economics: The Economics of Real Estate*, Prentice Hall, New Jersey, USA.

[2] Randall, A. (1987), *Resource Economics: An Economic Approach to Natural Resource and Environmental Policy*, Wiley, USA.

improvements in infrastructure facilities and easy access to supportive services such as finance have helped to develop relatively dynamic 'real estate' markets that are responsive to changes in economic demand.

Recent concepts on sustainable development suggest that land policy cannot be formulated and assessed on the basis of economic performance alone. At least two other dimensions become important, namely, inclusivity and sustainability. The idea of inclusivity implies ensuring benefits for a wider group of population in society. Some aspects of the concept have earlier been covered under the notion of 'social equity' which has often acted as a driving force in land reform in many countries. The concept acquired a strong political and economic connotation, especially under the leftist political ideologies. Land being the major productive asset in pre-industrial, post-colonial societies, ownership of land used to be a major factor determining the distribution of economic and social welfare. As a result, leftist political movements that championed the course of social equity campaigned effectively in post-colonial societies in the developing world for land reforms aimed at the redistribution of ownership.

The concept of inclusivity is currently discussed within the framework of market-driven economies and cannot be interpreted to imply ownership redistribution as the essence of it. The share of agriculture in national income and the importance of land as a major productive asset have diminished even in non-industrial developing economies. Nevertheless, significant populations in these countries still live under poverty and a majority of them are rural people dependent on agricultural livelihoods. In addition, the numbers of urban

Recent concepts on sustainable development suggest that land policy cannot be formulated and assessed on the basis of economic performance alone. At least two other dimensions become important, namely, inclusivity and sustainability.

poor - some are migrants from rural areas - also appear to be rising. They usually live in underserved areas amidst flourishing upper- and middle-class neighbourhoods in rapidly growing cities. In this backdrop, the concept of inclusivity can be understood as assisting the poor sections left out of haphazard growth to enter the path of development and facilitating their access to unevenly distributed benefits of the growth process. Hence, in the context of land policy, the inclusivity can be defined as allocating a share of land resources for fulfilling livelihood needs and improving social facilities for poor, underserved, and vulnerable populations in both rural and urban areas.

Environmental sustainability is a major dimension which was introduced into all branches of economic policy during the last few decades and land policy is not an exception. The sustainability dimension can be brought into land policy in many ways. Among others, recent conceptual developments regarding the 'ecosystem services (ES)' approach,[3] and technical advancements in 'land use planning' (LUP) can be considered as the most promising approaches. The ES approach can be considered as a tool to broaden the conceptual horizons of land policy beyond economic and social dimensions. The LUP provides means to incorporate elements of environmental management into practical implementation of land policy. The ES approach looks at land resources as ecosystems that can provide four major kinds of services, namely; provisioning services, regulating services, cultural services, and support services. Of them, provisioning services are usually direct economic benefits to humans that can be handled through markets. Cultural services also are direct benefits to humans even though some of it may not involve markets. In contrast, regulating services are indirect environmental services that come as positive externalities to humans. Support services are ecological processes that ensure the existence of eco-systems, as an indirect stream of benefits to humans too. A key policy implication emanating from the ES approach to land policy is that by pursuing economic benefits by extracting provisioning services can lead to the loss of other ecosystem services that are essential for human well-being. Hence, safeguarding the capacity of land resources to maintain a sustained stream of ES has to be taken as a core element of land policy. The sustainability of ES of land resources can be ensured through proper land use planning. Therefore, incorporating LUP as a mandatory component of land policy is another major policy implication. The review of land policy discussed in the forthcoming sections as well as recommendations emanating from it will be based on the broad conceptual elements discussed in this section.

8.3 Historical Evolution of Land Policy in Sri Lanka

Assessing the current realities of land policy requires some understanding of the historical evolution of land policy in Sri Lanka. The current situation of land resources can be considered as a direct outcome of past policies in the last two centuries since the early period of British rule. Two major episodes of land policy can be identified accordingly; land policy during the

[3] Millennium Ecosystem Assessment (2005), *Ecosystem Services and Human Well-Being: Synthesis*, Island Press, Washington, D.C.

British era and post-independence land policy. Both are interconnected to a certain extent, where the seeds of post-independence land policy had actually been sown in the latter part of the British era. A common driving force of both is demands from the agriculture sector. Whereas the first episode was driven by the needs of export-oriented plantation agriculture, the post-independence land policy was largely influenced by the national goals of food security, rural development, and uplifting the conditions of peasant farmers. A brief review of the two major episodes is presented here.

8.3.1 Land Policy During the British Era

The Crown Lands Encroachment Ordinance (CLEO) of 1840, also popularly known as the Waste Land Ordinance, has been identified as a major milestone of British land policy in Sri Lanka.[4] This landmark legislation permanently transformed the historical path of Sri Lanka's economy, laying the foundation for an export-import economic model that prevailed in the country till the last quarter of the 20th century.[5] The essence of this policy can be summarized as follows. Having consolidated total political control over the island in 1815, the British rulers intent to secure the economic objectives of the imperial conquest through connecting the 'Colony of Ceylon' to the global economic order dominated by the British empire while generating the expenses of government within the island itself. Since the advent of colonial rule in the early 16th century, Sri Lanka used to be an important centre in the spice trade. Before the arrival of the British, the Dutch (and Portuguese before that) ruled the coastal areas and the trade in spices such as cinnamon and pepper collected from different areas of the country was a mainstay of the economy, which was otherwise dominated by self-sufficient food crop agriculture. The British rulers connected the island's economy to global trade in agricultural commodities through the introduction of plantation crops - initially coffee and subsequently tea, rubber and coconut - by encouraging companies and individuals to invest in the country. Large scale investments on plantations required land and labour resources to match them. The scattered, village-based peasant agriculture system that prevailed in the country at the time did not facilitate the supply of either land or labour. Moreover, the reluctance of the local population to get involved in plantation crops, either as providers of land or as labour, was a barrier to the British in implementing their plans.

The CLEO was designed to overcome this barrier by acquiring lands hitherto used by the peasant community and forests surrounding their villages, especially in the upcountry where suitable physical conditions for establishing plantation crops prevailed. The local farmers used these lands and forests as common property or on a usufruct basis which was held under the legal custody of the King,[6] according to traditional customary laws. The CLEO enabled the 'Crown' the right to 'take over' any land by ejecting 'any person without probable claim or

[4] Abeysinghe, A. (1979), *Ancient Land Tenure to Modern Land Reforms in Sri Lanka*, Vol. 1 & 2, Centre for Society and Religion, Colombo; GOSL (1990), *Report of the Land Commission -1987*, Sessional Paper No. II, Department of Government Printing, Colombo.

[5] Corea, G. (1975), *The Instability of the Export Economy*, Marga Institute, Colombo.

[6] Usufruct is defined as 'the right to enjoy the use and advantages of another's property short of the destruction or waste of its substance' (Oxford Dictionary) .

pretence of title, was in possession of land claimed by the Crown, provided that his possession did not extend thirty years duration' and to grant, sell or lease such land to individuals and institutions.[7] In practice, through this policy, the British rulers acquired large extents of forest and agricultural lands that had been used by the peasant community under the highland farming practice of shifting cultivation (chena) and forest gathering activities, leaving only paddy lands for which they usually possessed claims of ownership.

The commercial plantations began with coffee to be followed by tea, coconut and rubber in low, mid and upcountry regions of the wet zone. Starting from the 1830s, this trend continued until the mid-20th century. From the perspective of land resource management, the CLEO brought about major changes in the land tenure system of the country that prevailed for centuries before that. It converted a vast area of land under forests or land used for highland farming by peasant farmers into 'crown' property. A part of this land in wet and intermediate zones was immediately sold to private companies and individuals for establishing commercial plantations, converting them into private property. The rest remained as state (crown) property. Especially, the land in dry zone plains of northern, eastern and north central areas continued under state ownership. These regions were sparsely populated with vast areas under forests and the rest with scattered pockets of peasant villages. The government issued contracts for extracting valuable species of timber from the forests located in these areas. There was no economic dynamism in dry zone areas compared with the southwestern quarter of the country in wet and intermediate zones where the export-import economy based on commercial plantations flourished and a majority of the population settled.

By the early 20th century, some adverse social implications of the British land policy were evident. The policy had created an increasing mass of landless peasants in upcountry areas that lacked the opportunity to practice traditional agricultural livelihoods due to the expansion of plantations encircling their villages. The scattered peasant community in the neglected dry zone remained a poverty-stricken and disease-affected population. As a result, food supply in the country was heavily dependent on imports. The colonial government faced difficulties in ensuring undisturbed supply of food during the periods of war and food rationing schemes were introduced as a result. Feeling the pressure of growing unrest among the masses and problems in supply of food, the government appointed the First Land Commission (FLC) in 1927 to look into matters pertaining to land policy and make recommendations to overcome the emerging problems.

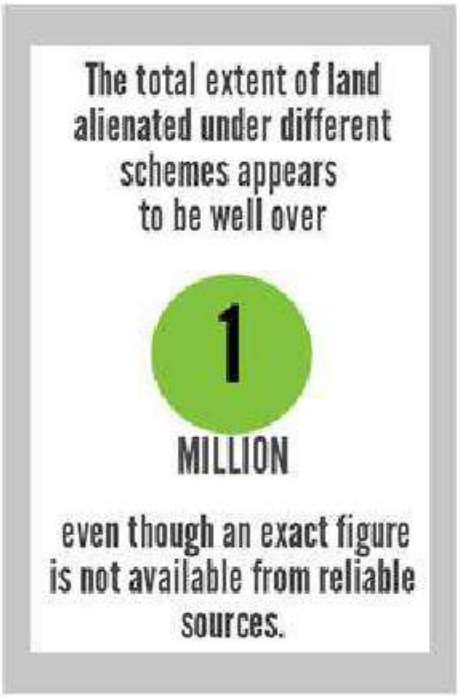
The FLC recommended a strategy of alienation of crown land to landless members of the peasant community, alongside the suggestion to initiate state-sponsored colonization in the dry zone to facilitate this policy. The Commission proposed to establish a separate institutional mechanism under a newly appointed Commissioner of Land to map out state land and alienate them under three schemes, namely; outright grants, leases under peasant proprietor systems and new tenurial

[7] Abeysinghe, A. (1979), *Ancient Land Tenure to Modern Land Reforms in Sri Lanka*, Vol. 1 & 2, Centre for Society and Religion, Colombo.

arrangements.[8] These recommendations came into effect with the adoption of the Land Development Ordinance in 1935 and the subsequent establishment of the Land Commissioner's Department. This can be considered as a major shift in land policy in Sri Lanka with far reaching consequences, the impacts of which are felt even to date. In effect, it laid the foundation for Sri Lanka's post-independence land policy too. Beginning from the late 1930s onwards, nearly about a century after the CLEO, the government pursued a policy of extensive land alienation and colonization of the dry zone under irrigated settlement schemes that culminated in the Accelerated Mahaweli Development Programme (AMDP) in the 1980s. The process initiated with the pioneer peasant colonization schemes launched under the patronage of D.S. Senanayake,[9] then Minister of Agriculture, continued under successive regimes. This can be considered as a main pillar of land policy of the government even today, although its political prominence has diminished to a significant extent.

8.3.2 Post-independence Land Policy

The alienation of state land under various land tenure schemes, settlement programmes and irrigated colonization schemes can be considered as the main component of Sri Lanka's post-independence land policy too. Successive governments carried out these programmes as major development initiatives with strong political patronage, nationally and locally. Official records indicate that a total area of 830,832 ha of land was alienated under Land Development Ordinance (LDO) during the period 1935-1985 of which the largest extents were under village expansion schemes, regularization of encroachments and major colonization schemes.[10] This was before the completion of the AMDP which alienated around 100,000 ha. Recent sources indicate that around 300,000 ha were alienated under 113 schemes under major irrigation settlement schemes other than the AMDP.[11] Overall, the



[8] Abeysinghe, A. (1979), *Ancient Land Tenure to Modern Land Reforms in Sri Lanka*, Vol. 1 & 2, Centre for Society and Religion, Colombo; GOSL (1990), *Report of the Land Commission -1987*, Sessional Paper No. II, Department of Government Printing, Colombo.

[9] Farmer, B.H. (1957), *Pioneer Peasant Colonization in Ceylon*, Cambridge, UK.

[10] GOSL (1990), *Report of the Land Commission -1987*, Sessional Paper No. II, Department of Government Printing, Colombo.

[11] DOS (2007), *National Atlas of Sri Lanka*, Department of Survey, Colombo

total extent of land alienated under different schemes appears to be well over one million ha even though an exact figure is not available from reliable sources.

Besides alienation of state lands in large scale, in the post-independence era, socialist political groups promoted a land reform agenda with the aim of furthering social equity which go beyond the alienation of state lands to the landless. Two major landmarks of this agenda were the Paddy Lands Act of 1958 and the Land Reform Act of 1972.

The Paddy Lands Act: This act sought to redress inequities and the exploitation faced by tenant cultivators of paddy lands by ensuring more secure rights of land tenure. This was introduced as a remedy for defects observed in the Paddy Lands Act of 1953. It granted more secure rights to existing tenant cultivators to prevent eviction by landlords, while also fixing the terms of rent arrangements in favour of tenants and abolishing service tenures which were deemed exploitative. Furthermore, the Act sought to enhance the productivity of paddy lands and ensure the continuity of paddy cultivation by imposing conditions against converting paddy lands to other forms of agricultural or non-agricultural uses. The Act was introduced as a progressive step to abolish perceived elements of exploitation associated with the traditional system of tenancy and was promoted by the leftist political agenda of the time, although it faced significant resistance from various stakeholders. It was a policy driven by the motivation to enhance social equity dimension of land policy. The Act was later amended as the Agrarian Services Act of 1979 and subsequently as the Agrarian Development Act of 2000. The Department of Agrarian Development is vested with the powers to implement it.

Land Reform Act: The Land Reform Act of 1972 (LRA) also was driven by similarly progressive course of social equity and was supported by the leftist political movements. According to some analysts, the justification for the Act was derived from broader issues of social justice linked to the youth unrest expressed through the 1971 insurgency, unemployment of educated youth, growing landlessness and income inequality etc.[12] The Act sought to establish a ceiling on private land ownership by stipulating limits on paddy lands (25 acres) and other agricultural lands (50 acres). Far reaching reforms were introduced by an amendment to the Act in 1975 that provided for acquisition and nationalization of large plantation estates run by foreign companies. Over 400,000 ha of estate land was acquired under this amendment.[13] A Land Reform Commission (LRC) was established to acquire and dispose of property eligible for acquisition under the LRA.

The discussion on the evolution of land policy in this section covers only the major milestones of land policy in Sri Lanka.[14] It helps to identify

[12] Abeysinghe, A. (1979), *Ancient Land Tenure to Modern Land Reforms in Sri Lanka*, Vol. 1 & 2, Centre for Society and Religion, Colombo; GOSL (1990), *Report of the Land Commission -1987*, Sessional Paper No. II, Department of Government Printing, Colombo.

[13] NARESA (1991), *Conditions and Trends*, Natural Resources Energy and Science Authority (Sri Lanka), Colombo.

[14] A large number of supportive legislations, amendments, plans, programmes and projects were implemented by successive governments to resolve issues pertaining to complex land issues in the country. It may need lengthy review to assess all these measures in detail which is beyond the scope of this Chapter.

the major directions of land policy in the country during the past two centuries and can be summarized as follows.

- Sri Lanka's land policy was overwhelmingly focused on agricultural land uses, initially on export-oriented plantation agriculture and later on domestic food production agriculture
- In the shift of policy from plantation agriculture to food production agriculture, the target groups refocussed from foreign commercial investors on large estates to traditional small-scale peasant farmers, an extreme shift of interests driven by socio-political circumstances
- Similarly, the major objectives/directions of policy also changed from a focus on economic dimension to social equity dimension. This change took place in parallel to an overall shift from an export-import economic strategy based on agricultural commodities to an import-substitution strategy based on domestic agricultural production
- Changes in post-independence era have further strengthened the tendency to focus on re-distribution of ownership and benefit sharing arrangements associated with agriculture land tenure
- Any episode of land policy in Sri Lanka since the mid-19th century to date has not given serious attention to environmental sustainability dimensions.
- Even though the broader strategy of the economy has changed from import-substitution through domestic agricultural production to an export-driven growth strategy since the late 1970s, land policy has not been revised to address the needs of this strategic shift

The current situation of land resources can be considered as an outcome of past policies and a brief evaluation is presented in the next section.

8.4 Current Situation of Land Resources

Table 8.1 provides a summary of major land uses in Sri Lanka. Confirming the agricultural bias of land policy discussed above, it shows that 65 per cent of land area is under some form of agricultural land use. Among the agricultural land use type, home gardens (15.7 per cent), paddy (12.7 per cent) and plantation crops (10.5 per cent) are the major ones. The category of sparsely used croplands (22 per cent), denotes former shifting cultivation lands that have gradually become permanent agricultural lands in many areas. Time series data indicate that the area under paddy has increased nearly three times by 2015 from what it used to be in early the 1950s.[15] The rest is accounted for by forests (28 per cent), water (4.6 per cent), barren lands (1.2 per cent) and built up areas (0.6 per cent).

A further review of information on the existing situation of land resources reveals that growing land scarcity, problems of land tenure and ownership, land fragmentation and degradation of lands are among the major policy challenges faced by land resources in Sri Lanka at present.

[15] DCS, *Statistical Abstract*, Department of Census and Statistics, Colombo, various issues.

Table 8.1
Major Land Uses in Sri Lanka

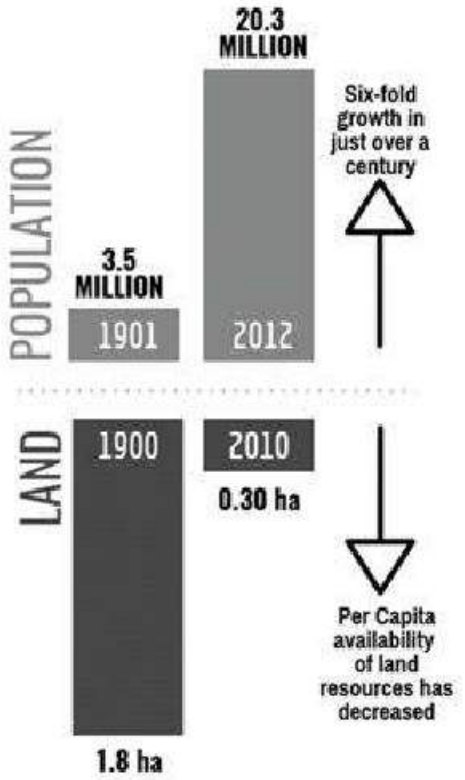
Main Land Use Type	Sub Land Use Type	2007 Extent Ha	%
Urban lands	Built up land	31,000	0.5
	Non agricultural	5,620	0.1
	Sub total	36,620	0.6
Agricultural lands	Homesteads	1,028,600	15.7
	Tea	189,800	2.9
	Rubber	183,200	2.8
	Coconut	313,700	4.8
	Mixed and perennial crops	164,325	2.5
	Paddy	844,000	12.9
	Sugar cane	13,800	0.2
	Sparsely used crop land	1,439,532	22.0
	Other crop land	76,800	1.2
	Sub total	4,253,757	65.0
Forest lands	Dense forest	1,123,700	17.1
	Open forest	403,975	6.2
	Forest plantations	86,900	1.3
	Scrubs	138,600	2.1
	Grasslands	90,600	1.4
	Mangroves/ marsh	43,480	0.7
	Sub total	1,887,255	28.8
Water		303,068	4.6
Barren land		80,300	1.2
	Total	6,561,000	100.0

Source: Land Use Policy Planning Department (2007).

8.4.1 Growing Scarcity of Land

Sri Lanka's population has increased from 3.5 million in 1901 to 20.3 million in 2012 - i.e., a six-fold growth in just over a century. Of this population, nearly one-third still depends on agriculture for their livelihoods. As a result of population growth, the per capita availability of land resources has decreased from 1.8 ha in 1900 to 0.30 ha in 2010.[16] Leaving out forests, water and barren lands, the average area of land available per household is around 0.82 ha. A significant area under home gardens category is occupied by residential facilities; and in rural and sub-urban areas around major cities and town centres, agricultural lands under crops such as rubber and coconut are being converted at a fast pace for residential, commercial or industrial purposes. Hence, the actual area under agriculture appears to be less

[16] MERE (2014), *National Action Programme (NAP) for Combating Land Degradation in Sri Lanka*, Ministry of Environment and Renewable Energy, Colombo.



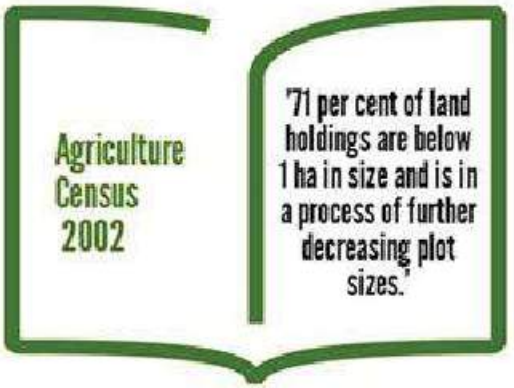
than the estimated total set out in Table 8.1, and in some areas, agricultural lands are being converted to other uses. These figures imply that scarcity of land is growing rapidly. Information given in Table 8.1 suggests that the country cannot allocate land for other economic uses without decreasing the forest cover which has already dropped below 30 per cent, unless a rational policy is devised to improve the efficiency of existing land uses.

8.4.2 Problems of Land Tenure and Ownership

Problems of land tenure have to be viewed in light of the historical evolution of land policies in Sri Lanka. The discussion on land policies showed that the tenure of a large share of lands in the country has changed from traditional common property rights system to crown property and then back into private use under different land tenure and ownership arrangements within a period of less than two centuries. This includes large-scale acquisition of commonly held lands by the state under CLEO in 1840; selling of a part of that land to companies and individuals for plantation agriculture; mapping out and demarcation of state lands under LDO; re-distribution of crown land under various land alienation schemes with different tenure arrangements for agriculture and village settlements; re-acquisition of some privately held land under land ceiling of LRA; and nationalization of plantation estates in 1975. In addition, encroachment of state land left large extents of land under 'de-facto' private tenure status without valid ownership claims for them. This has led to the creation of a complicated situation in land tenure and ownership arrangements due to lack of clear titles for many parcels of land in the country. The situation is not favourable since it reduces the economic mobility of land in response to changing demands from the economy and prevents the efficient allocation of land for highest valued uses.

8.4.3 Land Fragmentation

Growing scarcity of land due to population growth and lack of clear titles have led to a fragmentation of land. As a result, the plot size of lands has decreased to economically unviable levels in some areas. The Agriculture Census of 2002 reported that 71 per cent of land holdings are below 1 ha in size and is in a process of further decreasing plot sizes. This has negative implications on productivity of agricultural lands as well as the suitability of land for other economic uses.



8.4.4 Increased Encroachment of State Land

Increased fragmentation of land and the lack of clear titles encourage encroachment of state lands. This has been stimulated further by the state policy of regularization of encroachments. One-quarter of LDO lands alienated during 1935-1985 was given under the scheme of regularization of encroachments. This implies that encroachers first occupy the land without permission and the government offer deeds later. It has been reported that this practice is responsible for the encroachment of forest areas, leading to deforestation in the country.[17] This is not an affordable practice since the encroached lands are usually located in critical places such as reservations for catchments of reservoirs and waterways that lead to ecosystem damages.

8.4.5 Land Degradation

Growing land scarcity, increased fragmentation of land and encroachment of state lands catalyzes the process of land degradation that has already commenced. The degradation process had actually started on a major scale with the clearing of mountain forest ecosystems for the establishment of plantation crops. Soil erosion is the most critical form of degradation with severe on-site as well

Table 8.2
Soil Erosion under Different Land Uses

Land Use	Erosion (tons /ha/year)
Old seedling tea (no conservation)	40.00
Bare clean weeded clonal tea	52.60
Well managed tea (contour drains)	0.24
Tobacco (MCIZ)	70.00
Capsicum (MCIZ)	38.00
Carrot (MCIZ)	18.00
Chena (MC)	200.00
Sorghum, Pigeon pea	21.00
Kandyan mixed home garden	0.05

Notes: MC - Mid Country MCIZ - Mid Country Intermediate Zone.

Source: MERE (2014), National Action Programme (NAP) for Combating Land Degradation in Sri Lanka, Ministry of Environment and Renewable Energy, Colombo.

[17] Sri Lanka UN-REDD Programme (2015), *Assessment of Key Policies and Measures to Address the Drivers of Deforestation and Forest Degradation in Sri Lanka*, Colombo.

as off-site spillover effects. Table 8.2 shows the estimated soil losses due to erosion under different land uses.

Table 8.2 indicates that chena cultivation, tobacco, clean weeded clonal and seedling tea are erosive land uses with high soil losses. Comparatively, soil erosion from Kandyan home gardens and well managed tea lands appear to be low. Soil erosion in any location has the on-site effects of decreased fertility and a resultant decline in agricultural productivity. However, soil erosion that takes place in critical locations such as upper watershed areas and reservoir catchments create serious spillover effects such as siltation of reservoirs in addition to on-site effects.

8.4.6 Deforestation

Land policy is closely connected to deforestation, a critical environmental problem faced by the country. Large-scale deforestation in the wet zone started with the establishment of plantation crops from the mid-19th Century. This was enabled by the CLEO. A significant share of nearly one million ha of land opened up for plantation crops were earlier under wet zone forest ecosystems rich in biodiversity such as Sinharaja. The establishment of plantations has created other social effects such as depriving land for peasant communities to carry out their livelihoods and expansion of villages thereby giving rise to a landless class of peasantry in upcountry areas. The pressure created by these social effects laid the foundation for changes in the land policy recommended by the FLC and implemented under the LDO. This opened the way for the second major wave of deforestation from the mid-20th century, this time in dry zone lowland areas. Under this polcy shift, the existing forest cover in dry zone areas was identified as 'underdeveloped crown land' and the major aim of the policy was to 'develop' such lands. Deforestation took place in large scale in land alienation schemes such as irrigated colonization schemes due to the inundation of extensive areas of forest for irrigation structures, conversion of natural forests into agricultural lands, opening up forest cover for settlements and infrastructure facilities, and encroachments of surrounding forest areas by subsequent generations due to rising scarcity of land.[18]

8.5 Quest for Reforms: Some Thoughts on Directions for Change

Past changes in land policy in Sri Lanka were driven by the demands of broader economic and socio-political strategies of successive governments in pre and post-independence era. A major strategic shift in national economic policy took place in the late 1970s which is still being continued with some adjustments. Unlike past strategies that overwhelmingly depended on the agriculture sector, the present strategy advocates export-driven growth based on a diversified economic base. However, unlike in the case of previous major shifts in national policy, no serious attention was directed to change land policy to address the needs of the new economic strategy, despite some structural changes introduced in certain areas of macroeconomic and sectoral policies. As a result, the present land policy still remains biased towards an inward-looking development model based on small-scale peasant farmers.

[18] *Ibid.*

The mismatches and limitations of unaltered land policy with relation to the needs of current national development priorities are becoming visible more and more. This requires revisiting land policy to make adjustments that better cater to present economic needs.

The mismatches and limitations of an unaltered land policy with relation to the needs of current national development priorities are becoming visible more and more. This has drawn the attention of policy makers recently, and the necessity to revisit land policy and make adjustments to better cater to present needs are being emphasized. The remaining section will focus on a few thoughts on the broader directions of change to meet this policy need.

Matching land policy with present development priorities: Land policy should be re-oriented to cater to the broader objectives of sustainable development, namely: economic efficiency, inclusivity and environmental sustainability. The current land policy is an outcome of socio-political discourses that came into prominence from time-to-time in the political arena, and evolved since or became obsolete. Land policy has failed to find a balance between economic, social and environmental objectives. Some unfavourable trends observed in land resources are a direct result of these policies. During the last three decades, the discourse on sustainable development rose to prominence becoming the overarching framework of the global development agenda. The current land policy has apparently not evolved to capture the positive balance emphasized by the sustainable development concept and, therefore, cannot be expected to assist a national agenda towards sustainable development.

Rebalance the focus of land policy from agriculture to a diversified economy: The existing land policy is overwhelmingly focused on a small-scale peasant farmer based agriculture production model geared to cater to an import-substitution domestic production strategy. Despite the shift in national economic

Despite the shift in national economic strategy towards export-oriented diversified economic growth, land policy has not evolved to cater to this broader strategy and remained biased towards a peasant farmer based agriculture model.

strategy towards export-oriented diversified economic growth, land policy has not evolved to cater to this broader strategy and remained biased towards a peasant farmer based agriculture model.

Even with the strategic shift in economic policy in the late 1970s, the government preferred to continue with the existing model of land policy as exemplified by the AMDP. To address the land needs of economic diversification, it introduced strategies such as government sponsored industrial economic zones by allocating state-owned land to establish them rather than introducing policy changes which can mobilize land resources on demand through well-functioning land markets. Even in the case of land-intensive agricultural investments, the government involvement was limited to offering state lands, sometimes under huge public protest. Over time, this has developed into a corrupt system of political patronage, rent-seeking and bureaucratic red tapes which act as a major constraint against attracting genuine investors.

The best way to address the demands from a diversified economic base is to promote land markets through policy interventions which eliminate various imperfections associated with the current land policy. This requires substantial reforms in the current policy such as changing land tenure restrictions associated with alienated lands, offer clear market-transferable titles, remove barriers to competitive real-estate markets and develop a scientific land-management system within which the market will function. As the largest land owner in the country, the government can also be a participant in the land market, not through ad hoc interventions driven by political patronage, but as a competitive player in the said market.

Adoption of modern land management practices could help to alleviate inefficiencies: Land markets should be developed on the basis of a scientific land management system. Given the various physical, social and environmental factors involved, a balanced combination of efficiency, inclusivity and sustainability objectives cannot be achieved without the assistance of practical tools of scientific land use planning. This may involve: adopting a spatial strategy of zoning of land resources in a hierarchical order (e.g., national, regional, local) according to land suitability assessments; identifying appropriate economic uses for demarcated zonal categories; developing a land information system based on Geographic Information System (GIS) tools; drafting guidelines for land management practices under zonal economic activities to ensure efficiency, inclusivity and environmental sustainability; establishing zonal land markets for respective categories of economic uses within the framework of a land management system; linking the land information system with the market; establishing a monitoring mechanism for the land management system as well as land markets. Advanced economies have taken steps to establish such systems. Significant resources and skills are necessary to develop a market-based land management system. In addition, it requires reviewing and amending the existing legislative tools so that these can complement proper functioning of such a system.

Review the legal framework for removing road blocks: The current legal framework for land policy involves a complex array of legal provisions involving property laws, real estate laws, inheritance laws, etc., and various laws and regulations stipulated under legal enactments such as the CLEO, LDO and LRA

The best way to address the demands from a diversified economic base is to promote land markets through policy interventions which eliminate various imperfections associated with the current land policy.

that apply for freehold lands, as well as state lands alienated under different tenure arrangements. Cases concerning land issues are among the most time-consuming legal activities. Imperfections and complexities associated with the existing legal framework connected to land have often been identified as a barrier for well-functioning land markets. Hence, revisiting the existing legal framework associated with land policy also is an essential pre-condition for developing an efficient system of land markets.

9. Improving Natural Disaster Risk Management in Sri Lanka

9.1 Introduction

Recent incremental impacts of natural disasters substantiate the fact that disaster risk management has to be an integral part in sustainable development in Sri Lanka. Many areas of the country were negatively affected by a series of floods, droughts and landslides during the past few years. A prolonged drought continued from late 2016 to early 2017, leading to a number of economic burdens ranging from loss of livelihoods and associated vulnerability issues to increased import cost of essential food items. Though comprehensive statistics are not available to verify the overall impacts, it is clear by previous experience that disasters cause significant economic costs in many important sectors.

Impacts of global climate change partly contribute to exacerbate disaster risks as per the available scientific assessments. Prior evidence from Sri Lanka and the rest of the world also shows that unsustainable development activities increase natural disaster risks. The economic costs of disasters are on a rising trend as a result. There is a growing interest among the international community to improve the resilience of vulnerable communities under two major disciplines, namely, disaster risk reduction (DRR) and climate adaptation.

As natural disasters have become more recurrent, it is vital that Sri Lanka gears its development initiatives towards a disaster resilient path. Much progress has already been made in regard to disaster risk management in Sri Lanka, following the devastation caused by the December 2004 tsunami. However, there are areas still which need policy attention in increasing the resilience towards natural disasters. This Chapter focuses on critical issues in regard to managing natural disasters risks in Sri Lanka and policy implications for enhancing disaster risk resilience.

9.2 Disaster Risk Reduction: Concepts

The United Nations International Strategy for Disaster Reduction (UNISDR) terms a disaster as a serious disruption of the functioning of a community or a society causing widespread human, material, economic or environmental losses which exceed the ability of the affected community or society to cope using its own resources. Disasters occur owing to a combination of hazards, vulnerability and insufficient capacity to reduce potential negative consequences of risk (Figure 9.1).

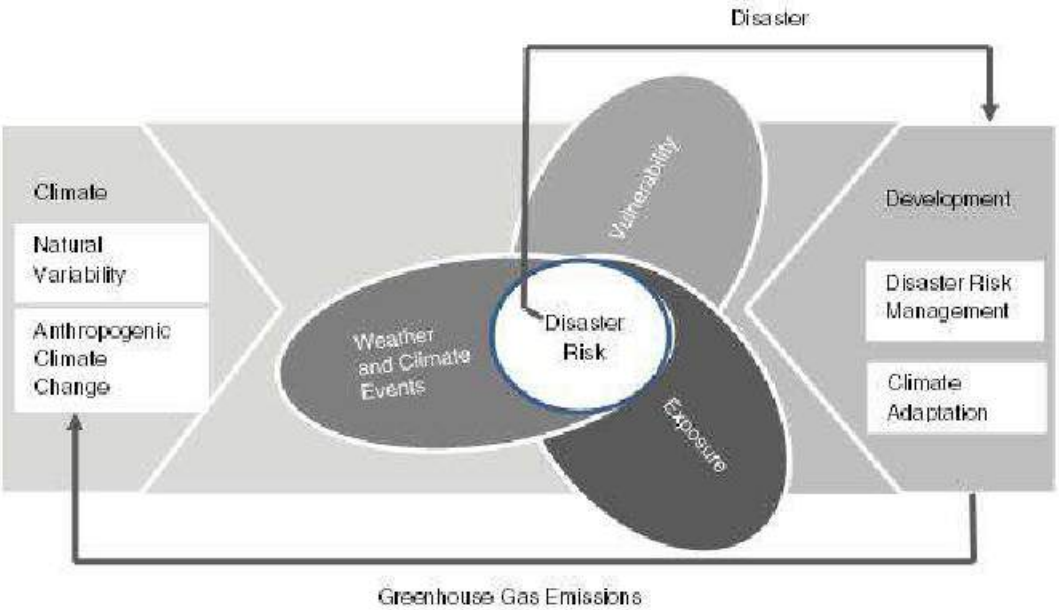
The impacts of disasters arise in the form of damages, losses and macroeconomic impacts.

Disaster damages are often referred to as total or partial destruction of physical assets during the disaster event. Disaster losses in contrast are referred to as changes in economic flows that occur after the event over a relatively longer time period. Macroeconomic impacts include the implications on the performance of the national economy, for instance on GDP, balance of payments, etc. The macroeconomic impacts are dependent on the structure of the economy and also the nature of the disaster event.

Disasters occur due to variability in the natural system and human-induced climate change processes. From a policy point of view, it is vital to understand the exact contribution of human-induced climate change towards the frequency and severity of natural disasters. Such assessments are being attempted through a fast growing discipline named climate detection and attribution. However, there is no readily available scientific information in regard to attribution of disaster impacts to climate change. Therefore, policies should consider the implications in regard to both causes, natural and human-induced.

Climate adaptation and DRR have been two growing disciplines in isolation. However, there has been considerable convergence in the recent past as it provides mutual benefits for both disciplines. It is essential that climate adaptation policies and measures are built on the existing DRR frameworks in order to be efficient and effective. On the other hand, the DRR approaches will be sustainable if they incorporate the impacts of climate change into such approaches.[1]

Figure 9.1
Disaster Risk Reduction, Climate Adaptation and Development



Source: IPCC (2012), *Managing the Risks of Extreme Events and Disasters to Advance Climate Change Adaptation: A Special Report of Working Groups I and II of the Intergovernmental Panel on Climate Change*, Cambridge University Press, Cambridge, UK and New York, USA.

[1] Venton, P., and S. La Trobe (2008), *Linking Climate Change Adaptation and Disaster Risk Reduction*, Institute of Development Studies, UK.

The concept of DRR is the modern shift with regard to disaster management in terms of both policy and practice at international and national levels. The framework comprises of five categories of actions, namely:

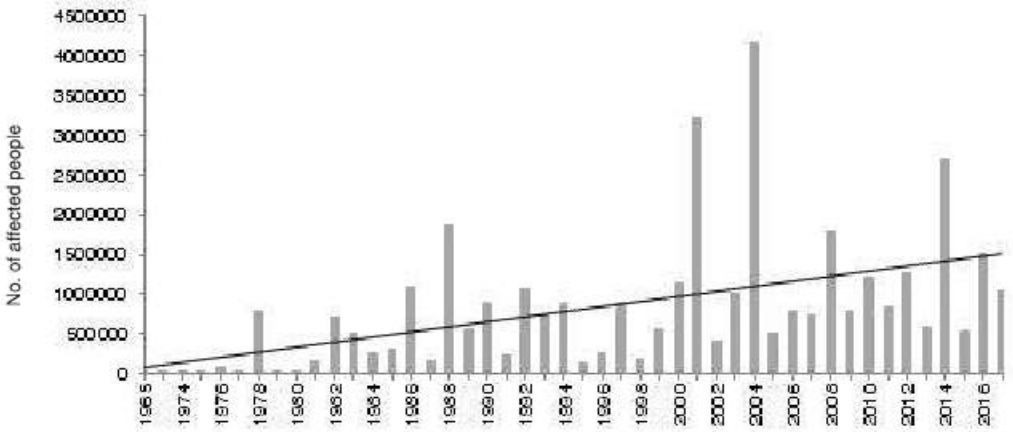
- Risk awareness and assessment - hazard analysis, vulnerability analysis
- Knowledge development - education, training, research and information
- Public commitment and institutional frameworks - organizational, policy, legislation and community action
- Application of measures including environmental management, land-use and urban planning, protection of critical facilities, application of science and technology, partnership and networking, and financial instruments
- Early warning systems - forecasting, dissemination of warnings, pre-paredness measures and reaction capacities

Disaster resilient development could be achieved by giving timely and due consideration to the national priorities for the above forms of actions.

9.3 Impacts of Disasters in Sri Lanka

The three most common and important disasters for Sri Lanka include floods, droughts and landslides. Lightning strikes, high winds/ cyclones and animal attacks are also causing substantial impacts as per the available evidence.[2] In addition, sporadic disasters, such as a tsunami are important to consider based on the magnitude of their impact. It is clearly being witnessed that the frequency and severity of climate-induced disasters have been increasing. The impacts of global climate change are identified as a cause for this among other human-induced factors such as improper

Figure 9.2
Number of People Affected by Disasters in Sri Lanka (1965-2016)



Source: Illustrated using DMC Desinventar Database.

[2] MDM (2014), *Sri Lanka Comprehensive Disaster Management Programme 2014-2018*, Ministry of Disaster Management, Colombo.

land use, planning and environmental degradation.

In terms of the number of affected people, droughts, floods cyclones, tsunami, heavy rains and landslides are the most important natural disasters recorded in Sri Lanka as per the DesInventar database managed by the Disaster Management Centre (DMC). When the total number of people affected by disasters is considered, there is a clear increasing trend from the 1960s to the present (Figure 9.2).

Certain economic indicators reveal that natural disasters pose significant negative impacts on the economy, both at micro and macro levels. There is no comprehensive mechanism at present to calculate the costs of natural disasters in an all-inclusive manner. However, certain attempts are taken to estimate the damages and losses due to disasters by the Ministry of Disaster Management with the assistance of donors. The Post Disaster Needs Assessment (PDNA) includes a damage and loss assessment of the floods and landslides that were triggered due to heavy rainfalls in 2016 (Box 9.1).

Natural disasters impact almost all economic sectors in the country at varying degrees. Recent floods and droughts particularly impacted the agriculture sector. The food production agriculture sector was badly affected by a sequence of floods and droughts during 2013-2015. In fact, in recent research conducted by the IPS, farmers in the Anuradhapura district ranked top in climate induced disasters with the risks and uncertainties faced by them.[3] Over

Box 9.1
Cost of Natural Disasters in 2016

Several districts were badly hit by torrential rainfall in mid-May 2016 in Sri Lanka. It was the heaviest rainfall recorded after 18 years for certain locations and created a multi-hazard situation leading to floods in several districts of the country as well as heavy landslides in a number of divisions in Kegalle district. Overall, 24 out of 25 districts were affected at varying degrees. As a result, there were 93 deaths recorded deaths, 117 missing individuals and over 493,000 individuals adversely affected.

A PDNA was carried out under the leadership of the Ministry of Disaster Management and Ministry of National Policies and Economic Affairs soon after, using an internationally accepted methodology. The assessment calculated both damages and losses for social, productive, infrastructure and cross-cutting sectors. The total estimated damages and losses were estimated at over Rs. 87,027 million and Rs. 12,816 million, respectively. Over 65 per cent of the damages have been in the social sectors. Productive sectors which include agriculture, fisheries, industry and services recorded around 86 per cent of the losses. The combined effects of damages and losses were highest in the social sectors followed by the productive sectors and infrastructure sectors.

Source: Sri Lanka PDNA, Ministry of Disaster Management, Ministry of National Policies and Economic Affairs, Colombo.

[3] Wickramasinghe, K. (2017), *Climate Insurance for Dry Zone Farmers in Sri Lanka*, Research Report for the Global Development Network.



three-fourth of the farmers have been affected by at least one disaster event during the last five years. Due to lack of diversification of livelihoods, the disaster leads to affected farmers adopting costly risk management strategies.

The government spends significant amount of funds on disaster relief activities. For the natural disasters that occurred in 2016, the Ministry of Disaster Management provided more than Rs. 117 million to district secretariats. Additionally, the Ministry of Defense has spent around Rs. 60 million for immediate search, rescue and relief operations.

9.4 Policy Framework

9.4.1 International Mechanism

Disaster management comes under two disciplines, namely, climate adaptation and disaster risk reduction. The Sendai Framework for Disaster Risk Reduction 2015-2030 deals with DRR aspects. The United Nations Framework Convention on Climate Change (UNFCCC) deals with climate adaptation aspects which include provisions regarding climate-induced disasters.

The Sendai Framework identifies four priority areas for local, national, regional and global level of action, namely: (a) understanding disaster risk; (b) strengthening disaster risk governance to manage disaster risk; (c) investing in DRR for resilience; and (d) enhancing disaster preparedness for effective response and to "Build Back Better" in recovery, rehabilitation and reconstruction. The Sendai Framework was endorsed by Sri Lanka in March 2015. At national level, the Sri Lanka Comprehensive Disaster Management Programme provides the basic mechanism for implementing the framework.

The Paris Agreement adopted in 2015 aims to enhance the implementation of the UNFCCC. The Agreement deals with greenhouse gas emissions, adapting to adverse impacts of climate change and financing for reducing greenhouse gas emissions and climate resilient development. Article 8 of the Agreement deals

with loss and damage associated with the adverse effects of climate change, including extreme weather events and slow onset events within a sustainable development framework. It further emphasizes the role of the Warsaw International Mechanism on Loss and Damage which was adopted in 2013 at the 19th Conference of Parties (COP19).

The sustainable development goals (SDGs) adopted in 2015 also has a direct reference to disaster management under four SDGs and five respective targets (Table 9.1). The disaster related aspects are integrated into goals dealing with poverty, food security, sustainable cities and climate change. The targets by and large are aimed at increasing the resilience of the sectors towards various negative impacts caused by disasters which hinder sustainable development of countries.

9.4.2 National Policy Framework

Similar to the evolvement of two separate disciplines for DRR and climate adaptation at international levels, there are two fields with separate policy and institutional frameworks to deal with DRR and climate adaptation in Sri Lanka as well. Both fields are comprised of several ministries and institutes directly responsible for managing natural disaster risks in Sri Lanka.

Table 9.1
SDG Goals and Targets Directly Relevant to Disaster Management

SDG Relevant to Disasters	Relevant Targets
Goal 1 End poverty in all its forms vulnerable everywhere	1.5 by 2030 build the resilience of the poor and those in situations, and reduce their exposure and vulnerability to climate-related extreme events and other economic, social and environmental shocks and disasters
Goal 2 End hunger, achieve food security and improved nutrition, sustainable agriculture	2.4 by 2030 ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disaster, and that progressively improve land and soil quality
Goal 11 Make cities and human settlements inclusive, safe, resilient and sustainable	11.5 by 2030 significantly reduce the number of deaths and the number of affected people and decrease by y% the economic losses relative to GDP caused by disasters, including water-related disasters, with the focus on protecting the poor and people in vulnerable situations 11.b by 2020, increase by x% the number of cities and human settlements adopting and implementing integrated policies and plans towards inclusion, resource efficiency, mitigation and adaptation to climate change, resilience to disasters, develop and implement in line with the forthcoming Hyogo Framework
Goal 13 Take urgent action to combat climate change and its impacts	13.1 strengthen resilience and adaptive capacity to climate related hazards and natural disasters in all countries

Source: http://www.undp.org/content/undp/en/home/sustainable-development-goals.html.

The main agencies for DRR include the Ministry of Disaster Management and its agencies namely the Disaster Management Centre and National Disaster Relief Services Centre; National Building Research Organization (NBRO); Department of Irrigation and Geological Survey and Mines Bureau (GSMB). The Department of Meteorology is responsible for provision of disaster related data and information. In regard to climate adaptation, the Ministry of Mahaweli Development and Environment and the Climate Change Secretariat under the Ministry serve as the focal point.

The subject of disaster management received substantial political commitment only after the tsunami natural disaster of 2004. It provided the impetus for the development of an institutional and policy framework for disaster risk management in Sri Lanka. The Disaster Management Act No 1 of May 2005 was enacted, with a National Council for Disaster Management (NCDM) and a Ministry of Disaster Management and the Disaster Management Centre (DMC) established in order to implement the Act. A National Disaster Management Policy and a National Disaster Management Plan were also formulated to provide a comprehensive framework for disaster management activities in the country. Given below are the key policy documents which deal with DRR and climate adaptation in Sri Lanka.

Sri Lanka Comprehensive Disaster Management Programme (SLCDMP) 2014-2018: The SLCDMP is aimed at risk-based decision making. The overall objective of the SLCDMP is to create and facilitate the enabling environment for a multi-hazard, multi-sector, multi-agency partnership oriented disaster management programme, using risk knowledge as the base, in line with global conventions and frameworks. The specific objectives are:

1. Build capacity at institutional and individual levels
2. Integrate disaster risk information based approaches in the development agenda
3. Prevent/mitigate the impacts of frequently occurring disasters on life and properties
4. Improve coordination of stakeholder groups (public, private, NGOs and others)
5. Enhance response capacity at all levels
6. Adopt an integrated monitoring and evaluation and a reporting system
7. Ensure efficient knowledge management in DRR

National Adaptation Plan (NAP) for Climate Change Impacts in Sri Lanka 2016-2025: As impacts of natural disasters cut across many sectors in the country, the NAP identifies climate-induced disaster risk management as a cross-cutting issue for climate adaptation in Sri Lanka. The areas of interest under this include climate-induced disaster risks, risk management instruments and establishing connectivity to disaster management plans. The NAP identifies regular incidents of rainfall, increased frequency and severity of floods and droughts, increased frequency of cyclones and high winds as physical effects under cross-cutting issues. It proposes adaptation options for key sectors namely, food security, water, coastal and marine, health, human settlements and infrastructure, ecosystems and biodiversity, tourism and recreation, export agriculture and industry, energy and transportation.

Nationally Determined Contributions (NDCs): Sri Lanka developed and submitted the NDCs to the UNFCCC to achieve objectives

of the Paris Agreement. Climate adaptation and loss and damage are two areas of the four identified in the NDCs. The NDCs relevant to loss and damage include, improving the forecasting capabilities, analysis of total loss and damage of climate induced disasters from year 2000 and the gap that was not compensated/recovered, establishing a local mechanism in line with the Warsaw International Mechanism for loss and damage, strengthening the existing national mechanism to recover the loss and damage to the maximum possible, and introduction of possible insurance schemes to recover the loss and damage due to adverse impacts of climate change. The target period for implementation is during 2021-2030.

Sri Lanka Post-Disaster Needs Assessment (PDNA) - Floods and Landslides May 2016: The PDNA was carried out with the aim of a 'Safer Sri Lanka'. The assessment focuses on the impacts of floods and landslides which occurred in 2016 in several districts in Sri Lanka. It includes a recovery strategy which comprises of short-term, medium-term and long-term recovery interventions.

There have been several donor funded projects which aimed at disaster mitigation measures in the country. For instance, the Climate Resilience Improvement Project (CRIP) supported by the World Bank is one such on-going project aimed at DRR.

9.4.3 Sectoral Policies

As DRR is an important cross-cutting issue, it is linked to many agencies that deal with various subjects. Thus, sectoral policies have clear linkages with DRR, though such linkages may not be explicitly stated in the policy documents. According to the NCDM, the sectors include defence, roads and highways, housing, health, irrigation, rehabilitation and reconstruction, internal affairs, fisheries and aquatic resources, economic development, science and technology, water supply, electricity, education, external affairs, environment, finance, land,

Table 9.2
Interventions for a 'Safer Sri Lanka' (PDNA, 2016)

Shorter Term Interventions	Medium Term Interventions	Long Term Interventions
• Support for affected families • Resumption of basic services • Emergency employment • Input supply for livelihoods • Resumption of full production capacities in trade and industries • Repair infrastructure • Funds for houses and assets • Urgent community preparedness and awareness	• Transitional shelters • Guidelines for displacements and relocation • Loans for micro and small businesses • Replacement of agricultural assets and infrastructure • Repair other infrastructure • Community-based disaster preparedness • Strengthening local level disaster preparedness	• Livelihood diversification • Restoration of degraded watersheds and mangroves • Relocation of affected communities • Addressing environmental risks • Developing business continuity plans • Enforce regulations • Social protection and insurance • Strengthening disaster management capacities at all levels

Source: PDNA 2016 data.

As DRR is an important cross-cutting issue, it is linked to many agencies that deal with various subjects.

social services, urban development, coastal conservation, and local government and provincial councils.[4] There are a number of policies and regulations with direct reference to DRR, such as the Mahaweli Authority Act, Flood Ordinance, and National Land Use Policy.

There are several developments in regard to integration of DRR into development planning in Sri Lanka. The DMC serves as a member of the scoping committees appointed to evaluate Initial Environmental Examination (IEE) and Environmental Impact Assessment (EIA) reports. The Integrated Strategic Environment Assessments consider disaster impacts during its process. Such assessments, including disaster risks have been conducted for Northern, Central and Uva Provinces. Disaster risk profiles are considered in developing urban development plans by the Urban Development Authority and DRR aspects are considered in Special Area Management Plans by the Department of Coast Conservation. Also, the Provisions of the Coast Conservation and Coastal Resources Management Act and the Coastal Zone Management Plan are utilized to incorporate DRR measures for plan approvals. Moreover, DRR has been incorporated to the Local Government Policy, Local Authority Act and the National Housing Policy.[5]

Disaster or climate insurance also received much attention in local forums on DRR and climate adaptation. A national natural disaster insurance scheme is being implemented by the National Insurance Trust Fund in order to provide protection to the citizens. The scheme covers lives and properties, including all households and small businesses with an annual turnover less than Rs. 10 million. The natural disasters covered by the scheme include cyclones, storm, tempest, flood, land slide, hurricane, earthquake, tsunami and any other similar natural perils, excluding drought. The death compensation for fishermen is Rs. 1 million and for other individuals it is Rs. 100,000. The maximum coverage for property damages including houses and small businesses is Rs. 2.5 million.

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[4] MDM (2014), *Sri Lanka Comprehensive Disaster Management Programme 2014-2018*, Ministry of Disaster Management, Colombo.

[5] DMC (2015), *National Progress Report on the Implementation of the Hyogo Framework for Action (2013-2015) - Interim*, Report Prepared by the Disaster Management Centre, Colombo.

A crop insurance levy came into operation in 2013 as a tool for collecting funds for the loan protection insurance scheme. Accordingly, every institution under the purview of the Banking Act No.30 of 1988, Finance Companies Act, No. 78 of 1988, Regulation of Insurance Industry Act, No. 43 of 2000 are liable for the Crop Insurance Levy. The loan protection insurance intends to cover up the agricultural loan payments obtained by the farmers from the banks.

As mentioned before, unsustainable management of environment and natural resources contribute to the occurrence and aggravating impacts of natural disasters. In this sense, the policies and regulations that deal with environment and natural resource management have clear linkages towards DRR.

9.5 Issues in Disaster Risk Management in Sri Lanka

Sri Lanka's policy framework for disaster risk management is all inclusive to cover the necessary aspects of disaster risk management. The subject has been evolving and gaining some degree of momentum following the significant disaster events that have affected the country. The international initiatives and mechanisms and Sri Lanka's commitments to them have shaped the disaster management framework to a considerable level. Though sufficient thought has been put towards disaster resilience, still significant gaps remain in relation to coordination and integration.

Disaster management is a cross-cutting issue. It is, therefore, essential to mainstream and integrate disaster management aspects in development policy and planning. This is a well thought-about area in Sri Lanka and certain steps are taken to integrate disaster management in development activities. There have been some collaborative efforts among the two groups of agencies which handle DRR and climate adaptation in Sri Lanka. However, since the two subjects are handled by two separate ministries (Ministry of Disaster Management and Ministry of Mahaweli Development and Environment, respectively), most of the work is also undertaken separately.

Though sufficient thought has been put towards disaster resilience, still significant gaps remain in relation to coordination and integration.

This leads to replication of certain elements at implementation level. The absence of a common and shared framework also puts forward constraints in investing in DRR by donors.

Involvement of the sectoral agencies is a must in DRR activities. A proper coordination mechanism should facilitate this. The disaster risk management aspects have to be streamlined to sectoral policies and regulations for their effective implementation. For instance, the National Physical Plan lacked focus on natural disasters and other climate change related issues, although it is now being revised to incorporate these.

Sri Lanka's disaster management system is now more geared towards DRR, shifting away from the previous approach of emphasizing relief interventions after disaster events. Government investment on risk reduction and disaster mitigation shows an increasing trend over the years.[6] However, there is enough evidence to prove that post-disaster activities have distributional and targeting issues. The government relief assistance for housing damage is provided only for low income families. Economically vulnerable households other than the low income households do not receive such assistance.[7] Inconsistencies in relief guidelines lead to distributional issues. Absence of pre-disaster information in regard to socio-economic status of populations living in disaster-prone areas is an obstacle for effective targeting.

Research-based evidence showed that aid distribution did not take place in an equitable manner during the 2004 tsunami due to the absence of a framework and mechanism in Sri Lanka (Box 9.2). Although significant progress in terms of setting up an institutional framework for post-disaster interventions has been made since, practical evidence shows that the needy people are not well targeted following natural disaster situations even a decade since the tsunami disaster.

The disaster risk management aspects have to be streamlined to align with sectoral policies and regulations for their effective implementation.

Vulnerability maps for drought, flood, cyclone, landslide, lightning and coastal hazards (tsunami, coastal erosion, sea surge, sea level rise) have been finalized collaboratively by the DMC in collaboration with the relevant technical

[6] *Ibid.*

[7] *Ibid.*

Box 9.2
Distributional Issues in Tsunami Aid

The 2004 tsunami is the most devastative natural disaster in the recorded history of Sri Lanka. As per official statistics, it caused over 35,000 deaths and 20,000 injuries and thousands of displacements. The incident attracted a significant amount of disaster relief and aid from other parts of the country and the rest of the world. However, Sri Lanka did not have a pre-planned mechanism to provide direction in handling post-disaster aid. There was a host of problematic issues in relation to coordination among government agencies, donors and capacity to handle aid. Targeting and distributional issues were prominent as there was no information on the pre-tsunami situation.

A survey carried out after the tsunami in the affected coastal districts revealed the issues in relation to provision of houses and boats to fishery families. There were regional disparities in allocating aid. At the micro level, receiving aid was dependent on the household's access to social networks. The statistical analysis showed that households with lost/died or injured family members were more likely to receive cheaper houses and less likely to receive boats. The tsunami experience highlighted the need for a well-coordinated system for post-disaster relief and recovery in Sri Lanka.

Sources: Gunawardena, A., and K. Wickramasinghe (2010), *Targeting and Distribution of Post-tsunami Aid in Sri Lanka: A Critical Appraisal*, SANDEE Working Paper No. 55-10, South Asian Network for Development and Environmental Economics, Kathmandu, Nepal.

agencies. These are being used at present on a pilot basis for project related activities. However, high resolution maps are required for planning activities to evaluate disaster risks for specific sites.[8] This information is lacking at present.

The vulnerability information is not effectively utilized for disaster risk management interventions which help risk reduction and damage reduction. For instance, in the case of the 2016 landslide that occurred in Aranayaka DS division in the Kegalle district, the area had been identified as a landslide prone area, not suitable for human settlements. Though disaster vulnerabilities had been identified, timely action had not been taken to relocate the households.

There are gaps also in the existing social protection system in covering disaster related social protection schemes. Crop insurance in particular has a key role given that agriculture is one of the sectors mostly affected by floods, droughts and landslides.[9] The existing voluntary crop insurance programmes offered by the government and private agencies cover disaster risks which are important for the agriculture sector including floods and droughts (Table 9.2). However, only around 3.3 per cent of cultivated paddy area was covered by crop insurance during 2001-2013.[10] Crop insurance

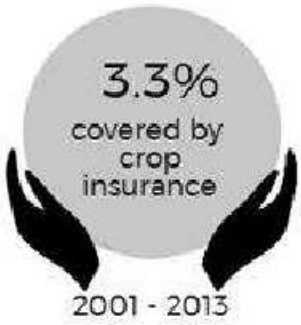
[8] *Ibid.*

[9] Wickramasinghe, K. (2013), "Role of Social Protection in Disaster Management in Sri Lanka", *Sri Lanka Journal of Social Sciences*, 35/36 (1 & 2) June/December 2012/2013.

[10] Wickramasinghe, K. (2017), *Climate Insurance for Dry Zone Farmers in Sri Lanka*, Research Report for the Global Development Network.

schemes are beset by lack of understanding and awareness, as well as lack of trust. This is particularly so because the traditional crop insurance schemes are of the indemnity-based nature where the insurance payments are calculated based on field assessments. As a result, indemnity-based insurance schemes are characterized by delays in insurance payments, lack of transparency and high operational costs, in addition to issues related to adverse selection and moral hazard. This has been the case for many of the indemnity based insurance adopted by other countries in the world.

A contributory compulsory crop insurance programme for paddy farmers obtaining the fertilizer subsidy was introduced in 2013. The farmers had to pay an additional Rs. 150 for a 50kg bag of fertilizer as a premium payment. There were many issues at farmer level in relation to a lack of understanding of the programme and failures in compensating the farmers after the floods and droughts that happened in 2013 and 2014. A recent survey carried out in the Anuradhapura district by the IPS shows that around 20 per cent of the



farmers have not received a proof document for their contribution towards the insurance.[11] Farmers were also found to lack understanding about the insurance policy owing to gaps in educating farmers about the newly introduced programme that was bundled with the existing fertilizer subsidy. In fact, it is notable that around 65 per cent of the farmers were not aware of the specific risks covered and only 36 per cent of the farmers knew about the claiming process. Though the programme is not in place at present, the experience highlights the important drawbacks which need policy attention.

Table 9.3
Crop Insurance Programmes in Sri Lanka

Provider	Type	Risks covered
Agriculture and Agrarian Insurance Board (AAIB)	Indemnity-based	Floods, droughts, pests and disease attacks, wild animal attacks
Ceylinco Insurance Company Ltd	Indemnity-based	Floods, droughts, pests and disease attacks, wild animal attacks
Sanasa Insurance Company Ltd	Index-based (partially)	Rainfall

Source: Wickramasinghe, K. (2017), *Climate Insurance for Dry Zone Farmers in Sri Lanka*, Research Report for the Global Development Network.

[11] *Ibid.*

65%
Not Aware
Specific Risk Covers



64%
Not Aware
Claiming Process

Index-insurance as opposed to indemnity-based insurance is gaining popularity as a success tool for popularizing insurance as a risk management tool. Index-insurance is based on an objective parameter (rainfall for instance) which is closely correlated with crop yield. Therefore, it eliminates problematic issues associated with indemnity-based insurance. There is a technical feasibility of implementing index insurance in Sri Lanka as per the assessments carried out based on past rainfall data and disaster impacts. There has also been an attempt by a private insurance company to pilot test a rainfall index-based insurance for paddy and tea cultivations. The progress of such schemes is largely constrained due to the absence of timely data. Lack of meteorological stations with an adequate geographical coverage is a major constraint.

There is a technical feasibility of implementing index insurance in Sri Lanka as per the assessments carried out based on past rainfall data and disaster impacts.

The dearth of disaster information and absence of an effective mechanism for data sharing is a significant issue with regard to DRR in Sri Lanka. Baseline information is essential for planning DRR activities on pre-disaster and post-disaster levels. Important aspects such as identification of economically vulnerable populations and assessment of damages for providing relief and recovery assistance are largely constrained due to absence of baseline data to depict the pre-disaster situation. In addition, there is no effective mechanism to

collect post-disaster information. Local authorities collect information in regard to losses and damages for relief operations. However, the data are not properly reported to a central entity due to the absence of a proper mechanism. Lack of reliable disaster information also leads to difficulties for insurance companies in finding re-insurers.[12]

Natural disasters are one of the outcomes of unsustainable environment and natural resource management practices. In particular, landslides are aggravated due to climate induced factors such as heavy rainfalls and also due to deforestation and forest degradation. The magnitude of the disaster impacts can be reduced by adhering to proper environmental management. The problem can otherwise expand to cause sudden, unfamiliar events similar to the incident that caused a garbage dump to collapse in Meethotamulla in April 2017 (Box 9.3).

Proper solid waste management which has to be an integral part of urban management and lack of attention given to the burning issue invited unnecessary disasters causing deaths and property damages. Improper maintenance of canal systems and inability to preserve flood retention areas were some of the issues leading to floods in urban areas during heavy rainfall incidents. The occurrence of flash floods due to issues with drainage systems has been controlled to a certain extent by adopting proper measures.

9.6 Policy Implications

Resilient development should synergize DRR and climate adaptation at the national level. A collaborative mechanism should be in place to coordinate the actions taken under DRR and climate adaptation. The DRR management activities in Sri Lanka should receive a clear policy leadership with the involvement of key

Box 9.3
Waste Disaster in Meethotamulla

The most recent evidence of not taking appropriate measures for a long discussed issue of solid waste management in the urban sector was recorded in April 2017 in Sri Lanka. A garbage dump was identified as causing significant environmental pollution and leading to health related impacts of residents living in the periphery. The abrupt collapse of the garbage dump gave rise to a tragedy. As per the situation reports issued by the DMC, 32 individuals died due to the incident. Around 98 houses were damaged and over 166 individuals had been affected.

Though there have been several attempts to get rid of the waste dump in a sustainable fashion, these did not materialize despite many public protests which were held seeking a solution to the problem. However, the incident clearly illustrates the need to take appropriate timely action on environmental issues, which otherwise can end up being disasters. The Meethotamulla tragedy should be treated as a vital opportunity to find a solution to the environmental issue of waste management, and thereby mitigate negative impacts on the economy, environment and the society.

[12] National Progress Report on the Implementation of the Hyogo Framework for Action (2013-2015) - Interim, A Report Prepared by the Disaster Management Centre.

agencies dealing with DRR and climate adaptation. This provides an enabling environment for making informed decisions and effective interventions for strengthening disaster risk management activities in Sri Lanka.

DRR should not be a standalone sector in the overall development framework of Sri Lanka. There are signs of mainstreaming the important aspects into sectoral policies and plans. The process should be further enhanced through meaningful involvement of all stakeholders. Specifically, disaster risk management should be incorporated as an element required for approval of development projects. This can be carried out in parallel to the EIA which is being carried out with regard to environmental concerns under development projects.

DRR aspects should be further strengthened using both physical measures and socio-economic instruments. Meaningful involvement of stakeholders, including the local communities is a must in designing such interventions at project level. Proper attention should be paid towards the implementation of the necessary actions based on the recovery needs identified by the recent PDNA and other policy documents. Enhancing the social protection system to address the medium and long-term recovery needs should be an important element. Implementation of an effective disaster insurance mechanism to cover vulnerable sectors has been highlighted by both international initiatives and national policy documents.

Reliable and timely data and information on disasters can provide the foundation for many disaster risk management initiatives. It is highly opportune to develop a comprehensive mechanism for sharing data and information among all users. The DMC collects and shares disaster information through its online Disaster Information Management System (DesInventar). The system can be further improved to collect disaster information from local administrative to national levels, with the partnership of all parties involved in generating such data and agencies mandated with disaster risk management functions. In addition, it is important to get research agencies and academic institutes involved in order to utilize such research-based assessments on DRR for policy formulation. At present, research occurs sporadically and such evidence based

Reliable and timely data and information on disasters can provide the foundation for many disaster risk management initiatives.

information is not effectively fed into policy formulation.

This also should be coupled with effective capacity building of the data generating agencies. For instance, the Department of Meteorology plays a crucial role in terms of providing weather and climate data and information based on scientific analysis. Increasing the number of weather stations can provide timely and reliable data for successful implementation of the index-insurance products.

In order to increase the accuracy of the information generated, it is required to produce high-resolution estimates which can be used for development planning. The Ministry of Disaster Management has already started preparing a mechanism for assessing losses and damages associated with climate-induced disasters as part of its commitment towards Warsaw International Mechanism. This initiative will also need comprehensive detailed information regarding pre-disaster and post-disaster situations.

10. Meeting the Sustainable Development Goals in Sri Lanka

10.1 Introduction

The concept of sustainable development underscores the importance of unifying economic, social, and environmental interests when formulating national policies and strategies. Today there is global consensus on the necessity to adhere to principles of sustainability, and the contemporary generations' duty to fulfil their needs without compromising the ability of future generations to fulfil theirs. As a result, the world leaders assented to the concepts of sustainability in envisioning the global development trajectory upon reaching the Millennium Development Goals (MDGs) finish line in 2015, and a transition to the Sustainable Development Goals (SDGs) 2030 Agenda thereafter.

The SDGs present an overarching and comprehensive framework that aims to provide a shared narrative of sustainable development by empowering the people, protecting the environment, fostering partnerships, and ultimately achieving global peace and prosperity. It is a transformative agenda which urges the world towards a more resilient and sustainable path, affirming that poverty is the greatest global challenge which must be overcome in order to realize sustainable development. As a signatory to the 2030 Agenda, it is important for Sri Lanka to embark on this path with a clear understanding of the current situation, existing capabilities, and the national readiness to meet these ambitious goals.

The SDGs present an overarching and comprehensive framework that aims to provide a shared narrative of sustainable development.

To this end, this Chapter commences with an introduction to the SDG framework which includes a comparison between the MDGs and the SDGs in Section 2. It discusses the relevance of each SDG within the current Sri Lankan context; Section 3 offers an in-depth analysis that aims to identify Sri Lanka's development priorities as well as national policies or strategies that could lead towards the attainment of any targets/goals. For ease of

discourse, the SDGs are discussed under the three dimensions of sustainability - i.e., social, economic, and environmental; Section 4 examines government initiatives undertaken since 2015 for the purpose of implementing the SDG framework in Sri Lanka; Section 5 enquires into the implementation challenges that need to be overcome in order to fully realize the successful execution of the SDGs in the country; and Section 6 concludes with some policy recommendations.

10.2 What is the SDG Framework?

10.2.1 From MDGs to SDGs

In 2000, the MDG framework was born out of a world-wide consensus on the need for international collaboration to promote equality and propel development on a global scale. To this end, the UN General Assembly adopted the Millennium Declaration in September 2000, declaring commitment to achieving eight MDGs by 2015. The achievement thereof was tracked via 60 indicators, rendering data comparable across the world.

The MDGs established a set of measurable, universally-agreed targets to ensure the successful achievement of global development priorities to reduce extreme poverty, achieve universal education, promote gender equality, improve child and maternal health, combat disease, and ensure environmental sustainability, while cultivating a global partnership for development. There are many notable results of global adherence to the MDG framework: the number of people living in extreme poverty in the world decreased by more than a half during 1990-2015, with the most progress taking place after 2000; the primary school net enrolment in the developing regions reached 91 per cent by 2015; the developing regions as a whole achieved the target of gender parity in primary, secondary and tertiary education; the mortality rate of children under five declined by more than a half during the period 1990-2015 (in Sub-Saharan Africa, the reduction of this rate was five times faster during 2005-2013 compared to the period 1990-1995); the maternal mortality ratio declined by 45 per cent since 1990 with most progress taking place after 2000; new HIV infections decreased by 40 per cent during 2000-2013; ozone-depleting substances have been virtually eliminated since 1990, and the ozone layer is expected to recover by the middle of this Century; official development assistance (ODA) from developed countries increased by 66 per cent during the period 2000-2014.[1]

As evinced by the progress made world-wide, significant achievements have been made on many of the MDG targets; however, it is essential to recognize that this progress has been unequal across the world and millions of the poorest and vulnerable have been left behind. Millions of people still live in poverty and lack access to basic services. Gender inequality still persists with women facing discrimination in areas such as the labour market and participation in decision-making; women are more likely to be in poverty than men. There still exist considerable disparities between the richest and the poorest households, with the children from the poorest households being twice as likely to be stunted and four times as likely to be out of school. Global development is hindered by environmental degradation and

[1] UN (2015), *Millennium Development Goals 2015*, United Nations, New York.

related issues, with those in poverty suffering the most.[2] The MDGs have also been criticised for being limited in focus and for its emphasis on a 'one-size-fits-all' development planning.[3]

However, the MDG framework is proof of the potential of a global action plan for development, and the SDGs were introduced in the aftermath of the MDGs to build on the successes of the MDGs and continue the momentum, while also introducing new areas such as climate change, sustainable consumption, peace, and justice.

The SDGs framework came into being at the UN Conference on Sustainable Development in Rio de Janeiro in 2012, with the aim of crafting a 'set of universal goals that meet the urgent environment, political and economic challenges facing our world'.[4] In September 2015, world leaders declared their commitment to a path of sustainable development by adopting the 2030 Agenda for Sustainable Development.

The SDG framework has established 17 goals and 169 targets with the aim of providing a shared narrative of sustainable development, uniting the global community, mobilizing stakeholders, promoting integrated thinking, supporting a long-term approach towards sustainable development, and fostering accountability.[5] Table 10.1 discusses in more detail the 17 SDGs and the number of targets and indicators of each goal.

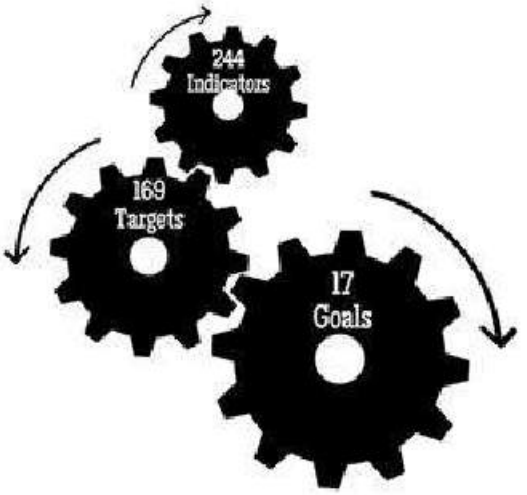


Figure 10.1
Sustainable Development 2030 Agenda



Source: http://www.undp.org.

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2 *Ibid.*

3 WHO (2015), *Health in 2015: From MDGs to SDGs*, World Health Organization, Geneva.

4 UNDP (2017), "Background on the Goals", available at www.undp.org.

5 Sustainable Development Solutions Network (2015), "Getting Started with the Sustainable Development Goals". Available at http://unsdsn.org/wp-content/uploads/2015/12/151211-getting-started-guide-FINAL-PDF-.pdf.

Table 10.1
Description of SDGs

Description	No. of Targets	No. of Indicators
Goal 1: End Poverty in All its Forms Everywhere In addition to eradicating extreme poverty, this goal is aimed at establishing social protection systems, ensuring equal rights and access to resources and basic services as well as reducing the poor's vulnerability and exposure to economic, social and environmental shocks. This goal promotes the creation of pro-poor and gender-sensitive development strategies.	07	14
Goal 2: End Hunger, Achieve Food Security and Improved Nutrition and Promote Sustainable Agriculture This goal aims at ending hunger and malnutrition, doubling the agricultural productivity and income of small-scale food producers, ensuring sustainable food production systems, rectifying distortions in the world agricultural markets and ensuring the proper functioning of food commodity markets.	08	13
Goal 3: Ensure Healthy Lives and Promote Well-being for All at All Ages This goal aims at reducing maternal and child mortality, ending epidemics, decreasing mortality from non-communicable diseases, improving mental health, reducing substance abuse, reducing traffic accident related injuries, ensuring access to reproductive services, decreasing mortality due to pollution and achieving universal health coverage	13	27
Goal 4: Ensure Inclusive and Equitable Quality Education and Promote Lifelong Learning Opportunities for All This goal aims at ensuring equal access to quality pre-primary, primary, secondary, tertiary, technical and vocational education for all and emphasizes the achievement of effective learning outcomes, relevant skills for decent employment as well as knowledge and skills necessary for the promotion of sustainable development.	10	11
Goal 5: Achieve Gender Equality and Empower All Women and Girls This goal is aimed at ensuring women's full and effective participation in all levels of decision making (i.e. private, public, economic, political). It focuses on eliminating gender discrimination and violence against women, while recognizing the value of unpaid care work.	09	15
Goal 6: Ensure Availability and Sustainable Management of Water and Sanitation for All This goal aims at ensuring access to safe and affordable drinking water as well as adequate sanitation and hygiene and recognizes the need to protect water-related eco-systems.	08	11
Goal 7: Ensure Access to Affordable, Reliable, Sustainable and Modern Energy for All This goal aims at ensuring universal access to affordable, reliable and modern energy services by increasing the contribution of renewable energy, improving energy efficiency, expanding and upgrading the relevant infrastructure and enhancing international cooperation to facilitate access to clean energy research and technology.	05	06
Goal 8: Promote Sustained, Inclusive and Sustainable Economic Growth, Full and Productive Employment and Decent Work for All This goal aims at promoting sustainable economic growth and full, productive, decent employment by promoting relevant development-oriented policies, sustainable production and consumption, universal access to financial services, and sustainable tourism while also eradicating labour exploitation and ensuring safe working environments.	12	17
Goal 9: Build Resilient Infrastructure, Promote Inclusive and Sustainable Industrialization and Foster Innovation This goal aims at promoting inclusive and sustainable industrialization, increasing the access of small-scale industries to financial services, upgrading infrastructure to make them sustainable, enhancing scientific research, and increasing access to information and communications technology.	08	12

Table 10.1 contd..../

Description	No. of Targets	No. of Indicators
Goal 10: Reduce Inequality Within and Among Countries This goal aims at empowering and promoting the social, economic, and political inclusion of all and eliminating discriminatory laws, policies, and practices (including fiscal, wage and social protection policies). On a global scale this goal aims at enhancing the representation of developing countries in the international arena, and also provides for the safe migration and mobility of people.	10	11
Goal 11: Make Cities and Human Settlements Inclusive, Safe, Resilient and Sustainable This goal aims at ensuring access to safe, affordable and sustainable housing facilities and transport systems and also provides for safeguarding cultural and natural heritage.	10	15
Goal 12: Ensure Sustainable Consumption and Production Patterns This goal includes targets such as reducing food waste, reducing waste generation, adopting sustainability reporting practices, and promoting sustainable public procurement.	11	13
Goal 13: Take Urgent Action to Combat Climate Change and Its Impacts This goal aims at strengthening resilience and adaptive capacity to climate-related hazards and natural disasters and integrating climate change measures into national policy planning.	05	07
Goal 14: Conserve and Sustainably Use the Oceans, Seas and Marine Resources for Sustainable Development This goal aims at promoting the sustainable management of marine and coastal ecosystems, fisheries, aquaculture and tourism.	10	10
Goal 15: Protect, Restore and Promote Sustainable Use of Terrestrial Ecosystems, Sustainably Manage Forests, Combat Desertification, and Halt and Reverse Land Degradation and Halt Biodiversity Loss This goal aims at ensuring the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and dry-lands. This goal promotes the integration of ecosystem and biodiversity values into national and local planning, development processes, poverty reduction strategies and accounts.	12	14
Goal 16: Promote Peaceful and Inclusive Societies for Sustainable Development, Provide Access to Justice for All and Build Effective, Accountable and Inclusive Institutions at All Levels This goal aims at reducing all forms of violence and related death, promoting rule of law at the national and international levels and ensuring equal access to justice for all, reducing corruption and bribery, developing effective, accountable and transparent institutions, ensuring responsive, inclusive, participatory and representative decision-making at all levels and, promoting non-discriminatory laws and policies for sustainable development.	12	23
Goal 17: Strengthen the Means of Implementation and Revitalize the Global Partnership for Sustainable Development This goal focuses on mobilizing financial resources for the implementation of the SDGs, promoting the development and transfer of relevant technologies and capacity building and recognises the presence of systematic issues in the implementation of the framework including the need for policy and institution coherence, multi-stakeholder partnerships, and monitoring.	19	25

Source: UN Economic and Security Council (2017), *Report of the Inter-Agency and Expert Group on Sustainable Development Goal Indicators*, United Nations, New York.

10.2.2 MDGs vs. SDGs

The SDG framework is far more complex than the MDG framework and is much broader in scope: throughout the framework, there is heavy emphasis on the need to balance the three dimensions of sustainable development, namely, the economic, social, and environmental. SDGs are built on the MDGs and reiterate commitment to full realization of all the MDGs but exceeds the scope of the MDGs: in addition to continuing development priorities such as poverty eradication, health, education, etc., the SDG framework presents an array of economic, social and environmental targets; there is commitment towards ensuring peaceful and inclusive societies; SDGs recognize the existence of deep interconnections and many cross-cutting elements across the goals and targets; most importantly, the framework itself defines its means of implementation.

The MDGs are criticized for specifying the desired outcome but not mapping out the journey on how to achieve that outcome.[6] This is a major and significant difference from the SDGs where means of implementation are defined and embedded within the framework itself: SDG 17 on 'strengthening the means of implementation and revitalizing the global partnership for sustainable development' aims to mobilize financial resources for the implementation of the SDGs, promote the development, transfer, dissemination and diffusion of necessary technologies as well as enhance international support for capacity-building in developing countries; the goal further addresses systematic issues such as the need to enhance policy and institutional coherence for sustainable development, the need to promote multi-stakeholder partnerships both globally and domestically, and the need to support monitoring systems in developing countries.

The MDG framework is further criticized for focusing on particular goals at the expense of others: for example, a report by the WHO shows that this is particularly visible with regard to the health goals under the MDGs.[7] MDGs 4, 5 and 6 aimed to reduce child mortality, improve maternal health, and combat HIV/AIDS, malaria and other diseases: this led to investments in certain disease/treatment for specific programmes, whereas investing in health systems would have equipped countries to tackle health related issues more successfully. In contrast, SDG 3 aims at 'ensuring healthy lives and promoting well-being for all at all ages' and tackles a whole array of issues including non-communicable diseases (NCDs), substance abuse, traffic accidents, quality of health care, health insurance, and universal health coverage.

The SDGs, unlike the MDGs, do not present a check-list of development goals to be achieved. Instead, the 2030 Agenda recognizes the interconnections and the cross-cutting elements across the SDGs and reflects on the need for inter-sectoral coherence and high levels of integration and coordination required for the achievement of sustainable development. The 2030 Agenda calls for cohesive nationally owned sustainable development strategies, supported by integrated national financing frameworks and by an enabling international

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[6] Nayyar, D., (2012), *The MDGs after 2015: Some Reflections on the Possibilities*, available at http://www.un.org/ millenniumgoals/pdf/deepak_nayyar_Aug.pdf.

[7] WHO (2015), *Health in 2015: From MDGs to SDGs*, World Health Organization, Geneva.

economic environment.[8] At the heart of the SDG agenda is poverty eradication through revitalized global solidarity guided by clear and measurable objectives leading to sustainable development.

10.3 Relevance of SDGs to Sri Lanka

The SDGs can be broadly categorized into the three interlinked dimensions of sustainable development: economic, social, and environmental. This section examines the national relevance of the SDGs under these three categories in terms of identified national priorities and strategies already in place geared towards their achievement. It should be noted here that, although these goals have been thus categorized for the ease of discourse, there is heavy emphasis throughout the framework on their interlinked nature and the need for simultaneous action.

10.3.1 SDGs and Social Sustainability

The SDG 1 (no poverty), SDG 3 (good health and wellbeing), SDG 4 (quality education), SDG 5 (gender equality), SDG 10 (reduced inequalities), and SDG 16 (peace, justice, and strong institutions) can be broadly identified as SDGs that promote social development.

As per national poverty statistics, Sri Lanka has made considerable progress in reducing poverty over the past decade reaching a poverty head count ratio of 6.7 per cent in 2012/2013. Additionally, the incidence of extreme poverty as per the World Bank's US$ 1.90 per day (2011 PPP) is low in Sri Lanka, accounting for only 1.9 per cent of the population. However, the incidence of moderate poverty (i.e., the percentage of the population living below US$ 3.10 per day) is considerably higher at 14.6 per cent in 2012.[9] This signifies the presence of highly vulnerable segments of the population.

At the heart of the SDG agenda is poverty eradication through revitalized global solidarity guided by clear and measurable objectives leading to sustainable development.

[8] UN Economic and Security Council (2016), *Report of the Inter-Agency and Expert Group on Sustainable Development Goal Indicators*, United Nations, New York.

[9] WB poverty data available at http://data.worldbank.org/.



Additionally, income inequality in Sri Lanka remains a persistent concern. In this context, SDGs 1 and 10 which aim to eliminate poverty and inequality are extremely relevant to Sri Lanka, particularly since the government has declared 2017 as the 'Year of Poverty Alleviation'. These two goals aim to reduce both extreme and multi-dimensional poverty, improve social protection, increase universal access to resources, enhance resilience to climate-related extreme events, focus on the income growth of the bottom 40 per cent, ensure universal social, political, and economic inclusion and eliminate all discriminatory practices and laws. SDG 10 takes the discourse on inequality one step further to address inequalities among countries as well to enhance the representation of developing countries in global decision making, and to improve ODA flows. As a developing country, the significance of these targets for Sri Lanka is self-evident.

SDG 3 presents a comprehensive approach to achieve universal health coverage. Although Sri Lanka can be identified as a country that performed well in terms of health under the MDGs (for example, with regard to reducing maternal and child mortality rates), the SDG framework offers a thorough guideline for improving the overall health system. Despite Sri Lanka's success in mitigating certain communicable diseases - evidenced by becoming certified as a Malaria free country by the WHO in 2016 - the focus on ending epidemics is important given the rising incidence of Dengue during the same year; the focus on reducing NCDs is imperative since 71 per cent of all annual deaths in government hospitals is due to chronic non-communicable diseases,[10] and Chronic Kidney Disease has been identified as a persistent and serious public health issue in Sri Lanka; the focus on improving mental health is a vital concern since, according to the WHO, Sri Lanka has recorded the world's highest suicide rate in 2015.[11]

Despite the availability of free health care services, private health care expenditure accounts for more than a half of total health expenditure which evinces the necessity to improve access to quality and affordable health care, while also improving financial risk protection. Furthermore, in the case of Sri Lanka, it is necessary to address the health implications arising from the increasing elderly population. Key health strategies identified in

[10] MOH, *Annual Health Bulletin 2012*, Ministry of Health, Colombo.

[11] WHO data available at www.who.int.

the Public Investment Programme (PIP) 2017-2020 for the medium term include increasing investment on health care, especially on developing the indigenous medicine sector and primary health care institutions, and meeting health care needs of the elderly and the estate community; introducing a national health insurance plan and implementing the National Drug Policy; improving facilities to prevent and treat communicable and NCDs and improving the quality of health care services.[12]

Education is another area under the MDGs where Sri Lanka performed satisfactorily, achieving milestones such as universal primary education and gender parity in school enrolment.[13] However, SDG 4 on education identifies several areas where Sri Lanka's performance needs to improve. A major thrust under this goal is to improve the quality of pre-primary, primary, secondary, and tertiary education as well as vocational and technical education; the goal emphasizes measuring the achievement of effective learning outcomes.

The government has recognised that improving the quality of education is crucial for the generation of a productive labour force, and has already undertaken programmes to this effect, including teacher training programmes. As per the PIP (2017-2020), Sri Lanka plans on formulating a new National Education Policy and to gradually increase investment on education to 6 per cent of GDP: among some of the key strategies proposed for developing the education sector in the medium term are, reforming the student assessment systems to measure competencies, strengthening special education, and establishing a school quality assurance system. In terms of higher education, the low enrolment rates as well as the disparity between labour market requirements and university education outcomes have been identified as fundamental challenges which the government expects to address through strategies such as improving access, quality assurance, introducing public-private partnerships (PPPs), and capacity building.[14]

Gender equality has been identified as a cross-cutting issue, and as such, achieving SDG 5 is crucial for the success of the overall SDG framework. This denotes the national pertinence of the goal for Sri Lanka. Although Sri Lanka has achieved gender parity in access to education, there are many areas where the country is lagging behind: improving female labour force participation, eliminating violence against women, recognizing the value of unpaid care work, and ensuring universal access to sexual and reproductive health can be identified as national priorities under this goal.[15] It is essential to ensure women's full and effective participation at all levels of decision making, particularly considering the low levels of female participation in the political sphere, evinced by low levels of female representation of only 6.8 per cent in the Parliament of 2010-2014.[16] A range of key strategies have been identified in the PIP (2017-2020) to improve the situation of women which include implementing special programmes for women on business development training and for women headed households, boosting childcare facilities to

[12] DNP (2017), *Public Investment Programme 2017-2020*, Department of National Planning, Colombo.

[13] UN (2015), *Millennium Development Goals Country Report 2014*, United Nations Development Programme, Colombo.

[14] DNP (2017), *Public Investment Programme 2017-2020*, Department of National Planning, Colombo.

[15] *Ibid.*

[16] UN (2015), *Millennium Development Goals Country Report 2014*, United Nations Development Programme, Colombo.

encourage female labour force participation, initiating a campaign to change attitudes towards women's participation in the labour force, enacting the Bill of Rights of Women, and appointing a National Commission on Preventing Sexual and Gender Based Violence.

SDG 5 complements the SDG 16 which promotes the establishment of peaceful and inclusive societies. SDG 16 advocates eliminating all forms of violence and ensuring responsive, inclusive, participatory, and representative decision making at all levels. These have been identified as being nationally relevant.[17] The goal further illustrates the need for developing effective, accountable and transparent institutions at all levels, reducing corruption, promoting the rule of law, and ensuring public access to information. The PIP (2017-20) has identified a range of key strategies in this regard including improving the police and security services to ensure public security, empowering and motivating public servants, ensuring accountability and transparency in the provision of a quality public service, and promoting social integration among all communities in the country by establishing harmony in political, economic, and social spheres. SDG 16 provides for the quality of a fundamental institutional framework required for the overall success of the SDG framework.

10.3.2 SDGs and Economic Sustainability

The SDG 2 (zero hunger), SDG 8 (decent work and economic growth), SDG 9 (industry, innovation, and infrastructure), and SDG 17 (partnerships for the goals) can be broadly identified under SDGs promoting economic sustainability.

In addition to addressing issues related to hunger and nourishment, which can be identified as national priorities given that nearly one-in-four persons in Sri Lanka is undernourished,[18] SDG 2 also focuses on improving agricultural productivity. This is vital in the case of Sri Lanka where nearly 30 per cent of the total labour force is engaged in agriculture related activities, but the agricultural sector suffers from various issues including low productivity, lack of diversification, land fragmentation, inefficient water management, poor storage and marketing mechanisms, and climate change related issues. In fact, in 2016, Sri Lanka's agriculture sector recorded a negative growth of 4.2 per cent, contracting its share in GDP from 7.8 per cent in 2015 to 7.1 per cent in 2016.[19]

Having recognized the need to improve agricultural productivity, several national strategies have been identified in the government's Public Investment Programme (PIP) 2017-2020. Among these are the National Food Production Programme, establishment of agricultural mega zones, strengthening of value chains development, establishment of the Agricultural Marketing Authority, establishment of the Agriculture Modernization Authority, and the formation of farmer centric large scale agro organizations and cooperatives. Given the rising incidence of climate related events such as droughts and floods that caused severe blows

[17] Tilakaratna, G., *et al.* (2017), *National Level implications of Implementation of SDGs - The Case of Sri Lanka*, Southern Voice, Occasional Paper 41, Southern Voice Secretariat, Bangladesh.

[18] World Food Programme, available at http://www1.wfp.org/countries/sri-lanka.

[19] CBSL, *Annual Report 2016*, Central Bank of Sri Lanka, Colombo.

to the agricultural productivity in the recent past, the focus of SDG 2 on implementing resilient agricultural practices and maintaining ecosystems, leading to strengthened capacity for adaptation to climate change is also extremely pertinent. Sri Lanka has already identified key strategies to promote new hybrid and high yielding varieties of crops and establish seed cultivation farms.[20]

SDG 8 aims to achieve higher levels of economic productivity through diversification, innovation, and focusing on labour-intensive sectors. This goal further aims to sustain economic growth at a nationally appropriate level, promote decent job opportunities, and achieve full and productive employment for all citizens. The national relevance of SDG 8 is apparent, given the Sri Lankan context where, in 2016, GDP growth was a modest 4.4 per cent, youth unemployment was 21.6 per cent, with the persistent and prominent presence of a gender gap in labour force participation where the female labour force participation rate was a low 35.9 per cent compared to that of males at 75.1 per cent.[21]

The high level of unemployment among females, youth, and the educated population, the increasing rate of work related accidents and deaths, welfare of migrant workers, insufficient social security coverage of workers, and the need for labour market reforms to address the needs of the demographic changes have been identified as challenges facing Sri Lanka's labour market. In this context, the PIP (2017-2020) has identified several strategies to promote decent job creation, improve labour productivity through skills development, develop a pension scheme for all workers by amalgamating existing schemes, enhance skills of migrant workers and explore new markets. Furthermore, SDG 8 focuses on promoting sustainable tourism which is imperative due to the growth in the tourism industry evinced by the fact that tourist arrivals crossed the two million milestones in 2016 for the first time.

Building resilient infrastructure, a major thrust under SDG 9, can be identified as a national priority, considering the several ambitious infrastructure programmes that have been launched with the aim of developing Sri Lanka's physical infrastructure (e.g., seaports, airports, power, ICT, and broadband infrastructure). This goal further focuses on promoting sustainable and inclusive industrialization, raising the industry share of employment and GDP and increasing small-scale industries' access to financial services, which are of particular significance to Sri Lanka, since the industry sector currently employs 27 per cent of the labour force and contributes to 26.8 per cent of the GDP.[22] In this regard, the country's small and medium enterprise (SME) policy framework can be highlighted under which the government aims to create a significant number of globally competitive, innovative, technologically-driven, sustainable SMEs, while also paying special attention to green growth, entrepreneurship development, and female entrepreneurship.[23]

SDG 17 is of overarching significance to the whole SDG framework as it deals with the implementation of the SDGs in terms of resource mobilization, enhancing technology, building

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[20] DNP (2017), *Public Investment Programme 2017-2020*, Department of National Planning, Colombo.

[21] CBSL, *Annual Report 2016*, Central Bank of Sri Lanka, Colombo.

[22] *Ibid.*

[23] DNP (2017), *Public Investment Programme 2017-2020*, Department of National Planning, Colombo.

capacity and solidifying a global partnership to achieve all the goals. The goal underlines the need for domestic resource mobilization and improving the domestic capacity for tax and other revenue collection; this is an imperative as Sri Lanka has been underperforming in terms of tax revenue collection which amounted to 12.4 per cent of GDP in 2016. This goal further focuses on attracting external resources in terms of FDI and remittances; although workers' remittances recovered from its declining trend during the last year and grew by 3.7 per cent in 2016, low levels of FDI inflows have been identified as an issue in Sri Lanka, highlighting the relevance of this goal. SDG 17 also addresses the attainment of long-term debt sustainability as crucial, given that Sri Lanka's total outstanding debt increased by 10.4 per cent in 2016 and amounts to 79.3 per cent of GDP.[24]

Among key strategies identified in the PIP (2017-2020) with respect to the achievement of this goal are to introduce tax reforms; establish 45 economic zones island-wide to boost various economic activities; improve the welfare of migrant workers by enhancing their skills, linking relevant authorities to ensure their safety, and encouraging research-based policy formation on migrant labour; and restructure government debt to reduce the annual debt service burden.

10.3.3 SDGs and Environmental Sustainability

SDG 6 (clean water and sanitation), SDG 7 (affordable and clean energy), SDG 11 (sustainable cities and communities), SDG 12 (responsible consumption and production), SDG 13 (climate action), SDG 14 (life below water), and SDG 15 (life on land) can broadly be identified as SDGs promoting environmental sustainability.

These goals are inter-related and focus on efficient and sustainable utilization of resources and the maintenance of ecosystems: SDG 6 discusses the management of drinking water sources and sustainable sanitation practices; SDG 7 promotes the conversion to sustainable energy sources; SDG 12 endorses sustainable consumption and production patterns, and is of timely relevance to Sri Lanka as it addresses the issue of waste disposal practices; SDG 14 targets the sustainable management of marine resources, and SDG 15 focuses on the sustainable management of terrestrial ecosystems. All of these have been classified as nationally relevant, especially considering Sri Lanka's weak performance in terms of environmental issues under the MDGs.[25]

Sri Lanka has achieved the MDG target with currently 86 per cent of the population having access to safe drinking water with 87 per cent of households having sanitation coverage.[26] Nevertheless, there are considerable regional disparities in access to water and sanitation. As such, relevant public investment will focus on addressing these disparities, giving a higher priority to areas with a high prevalence of Chronic Kidney Disease; the government further plans on increasing pipe sewerage facility coverage up to 7 per cent of the total urban population; with respect to the energy

[24] CBSL, *Annual Report 2016*, Central Bank of Sri Lanka, Colombo.

[25] Tilakaratna, G., *et al.* (2017), *National Level implications of Implementation of SDGs - The Case of Sri Lanka*, Southern Voice, Occasional Paper 41, Southern Voice Secretariat, Bangladesh.

[26] DNP (2017), *Public Investment Programme 2017-2020*, Department of National Planning, Colombo.

sector, Sri Lanka hopes to generate sustainable energy options, minimize the carbon foot print, and utilize renewable energy sources as alternative electricity generation options.[27]

The PIP (2017-2020) includes the government's environment management strategy which is formulated closely in-line with the SDG framework. This strategy is aims to tackle deforestation, air, water, coastal, and marine pollution, human elephant conflict, waste management, and disaster management. Under this, the government plans to strengthen environment policies, establish a robust solid waste management mechanism, encourage green energy production and usage, ensure wildlife-human coexistence through appropriate mitigation measures, conserve environmentally sensitive ecosystems, raise environmental awareness, establish a multi-hazard early warning system, establish insurance schemes for economically important sectors, and ensure preparedness, response and rescue in the face of disasters.

SDG 13 on climate adaptation is a cross-cutting issue, the achievement of which is crucial to the realization of the overall SDG framework. The goal promotes the adoption of disaster risk reduction strategies, and the integration of climate change measures into national policymaking. Given the high incidence of climate-related extreme events in the recent past, this goal is of critical relevance to Sri Lanka. However, SDG 13 deals with global environmental problems which cannot be mitigated simply through national-level actions; it requires comprehensive international collaboration and commitment.[28]

SDG 11 provides an image of an idealistic city which could emerge from the adherence to the SDG framework. This goal can be considered as a microcosm of the framework as it advocates universal access to safe and affordable housing and basic services, civil participation in a democratic process of urban planning and management, preservation of natural and cultural heritage, minimization of disaster related damages, reduction of the environmental impact of cities, universal access to safe public spaces, and policies that address inclusion, resource efficiency and climate adaptation. The Western Megapolis Plan can be identified as a relevant key strategy. Under this, the government is planning to transform the Western region into the most attractive and clean Megapolis in South Asia by developing it as a financial and business hub. Other key strategies highlighted in the PIP 2017-2020 include the Strategic City Development Programme to improve selected urban services, the Emerging Township Development Programme to increase inter/intra urban connectivity, and strengthening the Urban Regeneration Programme to ensure quality living of urban under-served populations and to liberate viable prime lands for urban development programmes.

10.4 Government Initiatives to Implement the SDG Framework in Sri Lanka

The government has taken a number of initiatives during the past year to implement the SDG framework in Sri Lanka.

[27] *Ibid.*

[28] Tilakaratna, G., *et al.* (2017), *National Level implications of Implementation of SDGs - The Case of Sri Lanka*, Southern Voice, Occasional Paper 41, Southern Voice Secretariat, Bangladesh.

The Ministry of Sustainable Development and Wildlife (MSDW) has been identified at present as the focal point for the SDGs responsible for monitoring and coordination and supervision of the implementation of SDGs in Sri Lanka. The selection of the focal point for SDGs appears to have largely coincided with the name of the ministry. With regard to the MDGs, the Department of National Planning (DNP) assumed the primary role in coordinating, monitoring and leading the implementation of the goals. However, at present the DNP has been entrusted with the task of preparing a baseline/situational analysis report on the SDGs in Sri Lanka, which is expected to be presented to the Parliament in 2017. The report is expected to provide a detailed analysis of the availability of data for the 244 indicators related to the 17 SDGs as well as the existing strategies and programmes related to the 17 goals and the 169 targets, and identify gaps in data and strategies to achieve the SDGs by 2030.

This report by the DNP will attempt to analyse the current situation with regard to each goal/target and the progress that can realistically be achieved by Sri Lanka during the lifespan of the SDGs. The goals will be categorized into three groups: those that can be achieved in the short-term (2015-2020), the medium-term (2020-2025), and the long-term (2025-2030), based on their current status and the presence of any policies already underway that can contribute to their fulfilment. For example, there are several on-going national policies and strategies which can pave the way to achieve some of the targets related to health (SDG 3) and education (SDG 4); these can be expected to make considerable progress in the short or medium-term. By contrast, there are goals and targets related to environment, the measurement of which is yet to be even conceived of, let alone be achieved, and hence can only be expected to be achieved in the long-term.

The report is also expected to link the government budget to SDGs and identify gaps in strategies/programmes and resources with regard to each SDG (and target). For example, there are several education related programmes and projects funded by the government that are related to the SDG 4 on the quality of education. All these programmes and their budgetary allocations will be taken into account when identifying any gaps in strategies and resources. There are also some goals/targets for which programmes are yet to be identified and implemented. As such, the report is expected to identify any gaps related to each of the 17 SDGs and their targets. The DNP will be working with the relevant ministries, departments and the DCS in the preparation of this report.[29]

A Parliamentary Sub-committee on Sustainable Development has been appointed to implement the SDG framework in Sri Lanka. This committee has identified 4 thematic clusters, each headed by a Minister or a Deputy Minister. The four clusters and the SGDs covered under each cluster are: (i) Economic Sustainability (SDGs 2, 8, 9, 11 and 17); (ii) Fundamental Needs (SDGs 3, 4, and 6); (iii) Just and Fair (SDGs 1, 5, 8, 10, 11 and 16); and (iv) Environment and Stability (SDGs 7, 11, 12, 13, 14 and 15). Although this thematic clustering is somewhat different to the three dimensions of sustainable development, i.e., economic, social, and

[29] Based on interviews with the DNP.

environment, it seems that the goals under the social dimension have been divided into two clusters, i.e., Cluster 2 and 3, while Cluster 1 and 4 are broadly in line with the dimensions of economic and environment sustainability discussed in Section 10.3.

In addition, A Bill of Sustainable Development has been presented to the Parliament in early 2017.[30] This Bill provides for the development and implementation of a national policy and strategy on sustainable development, and the establishment of a Sustainable Development Council charged with the duty of formulating the national sustainable development strategy. As per this Bill, every government agency is required to prepare a Sustainable Development Strategy in accordance with the national policy and report the progress thereof to the Council. The Bill further compels all government authorities to conduct a social and environmental audit on new development projects. However, this Bill has currently been held up due to various political reasons.

10.5 Implementation Challenges

There are several challenges related to the implementation of the SDG framework in Sri Lanka including coordination and monitoring, data, financing, awareness and capacity building.

10.5.1 Coordination, Monitoring, and Supervision

Given the holistic nature of the SDG framework, and the need for simultaneous action, the importance of an efficient and effective coordination mechanism cannot be overstated. The successful implementation of SDGs requires coordination with various ministries, departments, international organizations, statistical offices and other stakeholders which necessitate strong leadership and a robust leading institution/committee. The selected lead organization needs to have the capacity to coordinate with all ministries, department, and multilateral and private organisations, as well as the DCS in order to evaluate and monitor the progress and facilitate implementation. This should ideally be guided by a national level committee representing key ministries involved in the SDG process and other experts, and established for the purpose of advising, guiding, and ensuring the overall supervision of implementation and progress.

In Sri Lanka, although multiple government institutions and committees have been identified and are entrusted with different tasks related to SDG implementation, the coordination and linkages among these institutions/ committees and their roles and responsibilities still remain weak. Strengthening and defining clearly their roles and responsibilities in the implementation process are essential to avoid duplication of tasks and for the efficient use of resources.

10.5.2 Data Challenges

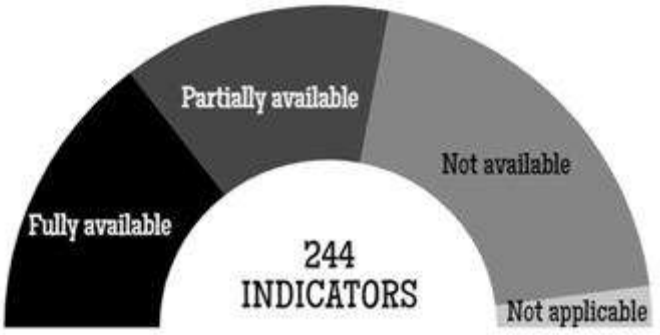
For the successful achievement of any goal, the quality of the evaluation and monitoring mechanism as well as the quality of data is vital. The 2030 Agenda presents 244 indicators to measure the achievement of the 17 goals and

[30] Sri Lanka Sustainable Development - A Bill - Presented by the Minister of National Policies and Economic Affairs on 9 January 2017.

their 169 targets. An appraisal carried out by the DNP has revealed that Sri Lanka currently has required data to measure about 70 of these 244 indicators - including data available with the DCS as well as ministries such as health and education, while there are about 65 other indicators for which required data is partially available.[31] There is a small number of indicators (about 8-10) that may not be applicable for Sri Lanka. However, the data necessary for a considerable number of indicators are not currently available. In this case, it would be necessary to rely on international organizations in terms of technical support, in order to build the relevant data gathering capacities. In addition, it may be beneficial to consider the utilization of Big Data for the measurement of the SDGs where possible (Box 10.1).

10.5.3 Financing SDGs

Given the gamut of goals, SDGs require substantially more resources than what was required to achieve the MDGs. Achieving the MDGs was less challenging for Sri Lanka, given



Although multiple government institutions and committees have been identified and are entrusted with different tasks related to SDG implementation, the coordination and linkages among these institutions/ committees and their roles and responsibilities still remain weak.

[31] Based on interviews with the DNP.

Box 10.1
Using Big Data for the SDGs: The Power of Using Appropriate Tools and Technology

The SDG framework requires highly disaggregated data for more effective, evidence-based planning and policymaking. This is where Big Data comes into play. Big Data is a source of up-to-date, real time information and the UN has identified its potential to support the monitoring of the SDGs through improving the timeliness and the relevance of indicators without compromising the impartiality and methodological soundness. Being timelier and more cost-effective than traditional methods of data collection, Big Data has the capacity to make the data cycle match the decision cycle.

'The Big Data and the 2030 Agenda for Sustainable Development: Achieving the Development Goals in the Asia and the Pacific Region' meeting was held during December 2015 in Thailand for the purpose of enhancing understanding on the global and regional state of Big Data, including technological possibilities, policy opportunities and challenges, and to identify potential avenues for engagement on Big Data issues at the regional level and as related to the 2030 Agenda. One of the key conclusions of the meeting was that 'the volume, variety and velocity of Big Data offers an opportunity to assess information holistically, across the three dimensions of sustainable development and the 17 SDGs of the 2030 Agenda.

An example of how Big Data can be employed to monitor SDGs is to use satellite images and night-lights to estimate poverty as well as energy consumption, providing internationally comparable data which can be updated more frequently; another example is to use cell phone records to estimate poverty maps and to predict socio-economic levels; internet-based data can be used to estimate the consumer price index and poverty rates.

However, there are many challenges associated with the usage of Big Data. These include legislative issues with regard to access to the data, privacy issues with regard to managing public trust, financial issues in terms of the maintenance/storage of large volumes of data, and methodological issues related to the quality of data and the suitability of statistical methods.

Additionally, in the case of Sri Lanka, lack of awareness can be cited as a major constraint to fully utilizing the potential of Big Data. The Big Data discourse in Sri Lanka needs to be mainstreamed, its issues and potential subjected to public discourse, resulting in the adoption of a set of standards with regard to collection and utilization of Big Data. Furthermore, Sri Lanka faces considerable barriers with regard to the lack of the necessary experts.

Sources: UNSTATS Website; UNESCAP, *Big Data and the 2030 Agenda for Sustainable Development: Achieving the Development Goals in the Asia and the Pacific Region*; Letouzé (2015), *Reflections on Big Data and the Sustainable Development Goals: Measuring and Achieving Development Progress in the Big Data Era*.

that the country had an advantage in areas of education and health, due to government policies such as universal free education and free health services that were implemented as early as in the 1940s. Thus, the country was well positioned to achieve the MDGs within the timeframe without having to generate or redirect large amounts of money from other sectors.[32] However, SDGs are more ambitious and broader in scope; hence, achieving them will require additional resources including scientific and technical support.

[32] Tilakaratna, G., et al. (2017), *National Level implications of Implementation of SDGs - The Case of Sri Lanka*, Southern Voice, Occasional Paper 41, Southern Voice Secretariat, Bangladesh.

Given the limited budgetary capacity of the government, it is important to explore other possible sources of financing, such as ODA, remittances, climate finance, new financial instruments, and PPPs.[33] In fact, Sri Lanka intends to promote PPPs as a main source of financing sustainable development.[34] In order to facilitate PPPs, Sri Lanka has undertaken several policy measures including the establishment of a PPP Unit at the Ministry of Finance in January 2017, with the aim of attracting private investment for public infrastructure projects.[35]

10.5.4 Building Capacity and Raising Awareness

Raising awareness on SDGs among relevant stakeholder and building capacity of relevant government institutions are necessary for successful implementation of the SDGs in Sri Lanka. The current level of awareness among government authorities appear to be rather low and this needs to be rectified especially considering the fact that almost two years have passed since Sri Lanka became a signatory to this global agenda. As the SDG framework calls for the participation of all stakeholders, public awareness must also be improved. Furthermore, the capacities of the relevant ministries need to be improved in terms of monitoring and coordination. Improving the capacity of the focal point and strengthening its linkages with all other government bodies while also improving the inter-linkages between all relevant government bodies are also other implementation challenges of SDGs.

10.6 Conclusion and Recommendations

Sri Lanka is among the 193 countries which adopted the 2030 Agenda on Sustainable Development at the UN Sustainable Development Summit in 2015. The SDGs comprise of 17 goals and 169 targets aimed at ending poverty and hunger, addressing inequality, improving access to health and education, building strong institutions and partnerships, taking action on climate change and the environment, etc.

As discussed, all 17 SDGs and the majority of their targets are relevant to Sri Lanka. However, successful implementation requires integrating them into the country's national policy framework and the national budget. Although a number of existing policies and strategies and those identified under Public Investment Programme 2017-2020 seem to be in line with the SDG framework, these policies/strategies in each area (e.g., education, health, energy) have to be reviewed systematically to identify any gaps and to develop strategies accordingly.

Sri Lanka has taken some important initiatives during the past year to implement the SDG framework. Yet, there are many issues and implementation challenges, particularly in the areas of coordination and monitoring, awareness and capacity, data and financing, which need to be addressed to ensure successful implementation and achievement of SDGs in Sri Lanka.

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[33] *Ibid.*

[34] Interviews with the DNP.

[35] CBSL, *Annual Report 2016*, Central Bank of Sri Lanka, Colombo.

Successful implementation of the SDGs will also require participation of a range of stakeholders, including various government ministries and departments, international organizations, private sector and civil society organizations, academia and the general public. Partnership and stakeholder participation is also crucial to share knowledge/expertise and monitoring of SDGs as well as to mobilize financial and technical resources. Moreover, strengthening the capacity of relevant institutions including the identified lead institutions, the DCS and various ministries, departments and other organizations involved in compilation and analysis of data related to the SDGs is important, to ensure effective implementation and monitoring of progress at the national and subnational levels.

11. Tackling Food Insecurity: Achievements and Challenges Ahead

11.1 Introduction

The UN Food and Agriculture Organization (FAO) estimates that about 795 million people of the 7.3 billion population in the world, which is about one-in-nine, do not have access to sufficient food for a healthy life.[1] More than 98 per cent of the undernourished people are living in developing countries. The UN World Food Programme (WFP) estimates that hunger kills more people every year than three of the World's biggest health risks; malaria, AIDS and tuberculosis combined.[2] The fight against hunger and achieving food security has been one of the key objectives of global development agendas over the years. The MDGs, adopted in 2000, aimed to eradicate extreme poverty and hunger by 2015. The SDGs that the world committed to achieve by the end of 2030 also have given increased focus on ending hunger, achieving food and nutrition security and promoting sustainable agriculture, especially under Goal 2.

While considerable progress has been made in several indicators of the MDGs in Sri Lanka, both the hunger related indicators - proportion of population below the minimum level of dietary energy consumption (prevalence of undernourishment) and the prevalence of underweight among under age 5 children - failed to achieve the desired results of halving between 1990 and 2015. Based on the FAO statistics, the prevalence of undernourishment declined only from the base year value of 30.6 per cent in 1990 to 22 per cent in 2015. Similarly, prevalence of underweight among under age 5 children declined only from 33.8 per cent in 1993 to 26.3 per cent in 2012.[3] These figures indicate the need for more focus on further improvements, especially among regions and various socio-economic groups, in which severe disparities still prevail.

Despite the fact that Sri Lanka has done commendably well on most human development indicators and health indicators, the food security situation in the country has not indicted much progress over the years as depicted by the two most widely used food security indices; Global Hunger Index (GHI) and Global Food Security Index (GFSI). The GHI developed by the International Food Policy Research Institute (IFPRI) ranks Sri Lanka at 84th position among 118 countries. When the

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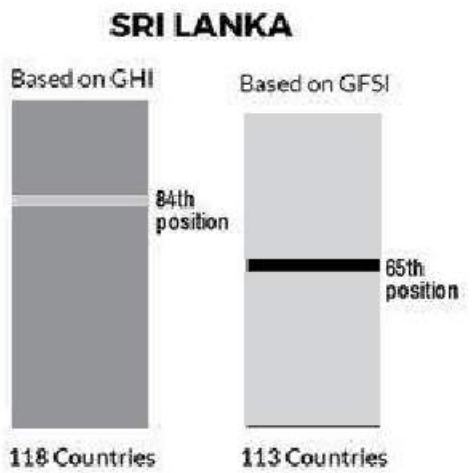
[1] World Hunger and Poverty Facts and Statistics (2016), available at http://www.worldhunger.org/2015-world-hunger-and-poverty-facts-and-statistics/.

[2] FAO (2010), *Updated Comprehensive Framework for Action, High-Level Task Force on the Global Food Security Crisis*, Food and Agriculture Organization, Rome.

[3] FAOSTAT, available at http://www.fao.org/faostat/en/#data.

average GHI score values of 2008 and 2016 are compared, a slight worsening of the hunger situation is seen with a 5 per cent increase in the GHI index score from 24.4 to 25.5.[4] While Sri Lanka is no longer in the 'alarming' category according to the GHI, its hunger status is still classified as 'serious'. The GFSI constructed by the Economic Intelligence Unit (EIU) of The Economist shows a marginal progress in the index score from 2012 to 2016 to remain at 65th position among 113 countries and to be categorized as a moderate performer in 2016.[5]

A multitude of different policies and programmes has being implemented by different institutions to nationalize the SDGs towards achieving food security. The recent additions to such efforts include the Public Investment Programme (2017-2020), Multi-Sector Action Plan for Nutrition (MSAPN 2017-2020) and Food Production National Programme (2016-2018). However, the objectives of food security in Sri Lanka are yet to be achieved and the ways of tackling food insecurity is either not known or ignored in policy circles. Hence, identifying the existing challenges for food security in Sri Lanka and to recommend a feasible set of recommendations is the major focus of this Chapter.



11.2 Food Security: Concepts and Definitions

The concept of food security has evolved over the years to reflect the advancements in world thinking. As captured in the FAO Draft Declaration of the World Summit on Food Security 2009,[6] food security exists 'when all people at all times have physical, social and economical access to sufficient, safe and nutritious food which meets their dietary needs and food preferences for an active and healthy life'. This definition covers the four main aspects - food availability, food access, food stability and food utilization - that are important to ensure food and nutrition security of an individual. A distinction is made between transitory and chronic food security in designing policies to address food insecurity.[7] Food security is often misconceived as synonymous to chronic food security which arises due to a continuously inadequate diet associated with longer term issues such as poverty. However, the food stability aspect of the current definition

[4] GHI Ranking, available at http://ghi.ifpri.org/countries/LKA/.

[5] FSI Ranking, available at http://foodsecurityindex.eiu.com/Country/Details#Sri%20Lanka.

[6] FAO, "Draft Declaration of the World Summit on Food Security", Food and Agriculture Organization, Rome.

[7] FAO (2008), "An Introduction to the Basic Concepts of Food Security", available at http://www.fao.org/docrep/013/al936e/al936e00.pdf.

addresses the transitory food security which is associated with short-term shocks related to off-seasons, natural disasters such as drought and floods, inflationary years and so forth.

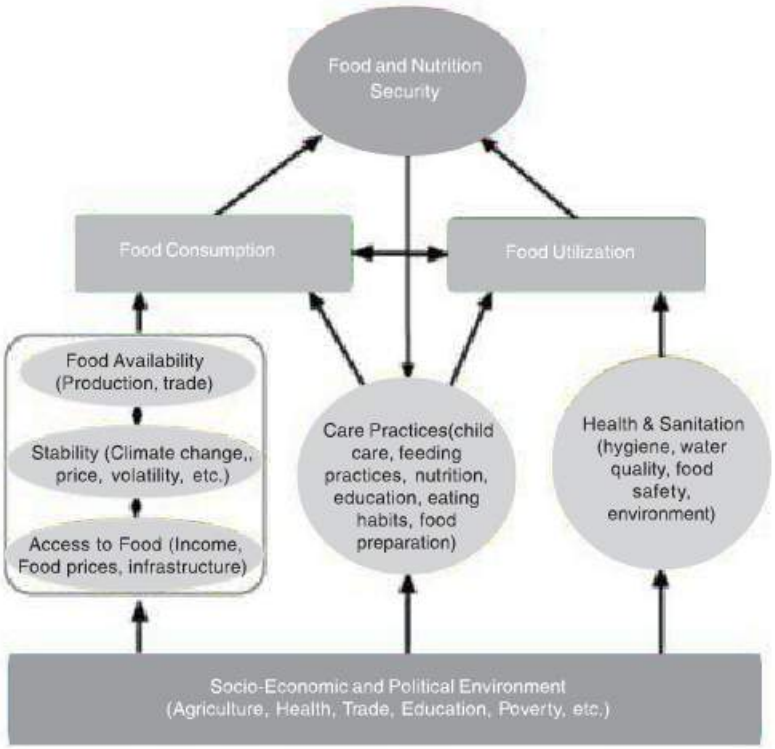
Due to widespread confusion about the complementarities between food security and nutrition security, food security is often considered necessary, but not sufficient to ensure nutrition and to prevent malnutrition.[8] However, people tend to ignore the fact that the nutritional dimension is integral to the concept of food security with the introduction of food utilization aspect in the above FAO definition that is widely adopted today. The food utilization aspect implies that the consumed food must have a positive nutritional impact on people so that the body can make optimal use of the nutrients for its different functions and entails proper cooking, storage and hygiene practices; individual's health, water and sanitation; and feeding, care giving and sharing practices within the household. Thus, the current definition clearly comprehends that nutrition security is also achieved when the food security is met.

The conceptual framework depicted in Figure 11.1 was developed based on the above definitions and concepts in order to understand the major factors determining and affecting food security in Sri Lanka. As shown, food security is a complex phenomenon where interrelations are not often linear and the causes of food security are multifaceted with a range of immediate, underlying and basic causes. Food consumption (dietary intake) and utilization of food are often considered as the immediate causes that determine food security of a family, which means inadequate dietary intake and improper/unhealthy utilization of food by households may cause food insecurity in a family. Inadequate dietary intake could be primarily a result of insufficient food availability and poor access by households, where both can be affected by instability in the long-run. Food availability is basically determined by the local food production and imports, while accessibility could be either economic or physical and depends on the individual's capability to purchase food at the household level. Household income and food prices are the two major factors that determine economic access to food by the households, while infrastructure/access to markets could impact physical access to food. Food stability ensures the access to food at all times and covers the physiological, economic, social or political vulnerabilities of the population to food security.

Improper utilization of food by an individual or a family could be due to poor health conditions and unhygienic conditions that include inferior quality water, poor sanitation and lack of food safety and quality. Care practices such as child care, feeding practices, nutrition education, food preparation, eating habits, etc., can impact both the dietary intake as well as food utilization. These underlying causes are affected by basic causes such as agriculture, health, trade, education and poverty which determine the social, economic, and political context that the households are living in.

[8] Ruel, M. (2013), "Food Security and Nutrition: Linkages and Complementarities", in Eggersdorfer, M. *et al.*, (eds.) *The Road to Good Nutrition: A Global Perspective*, available at http://www.vitaminsinmotion.com/fileadmin/data/pdf/RTGN/RTGN_chapter_02.pdf

Figure 11.1
Conceptual Framework for Food Security Situation in Sri Lanka



Source: Author's illustration based on Thibbotuwawa. M. et al. (2017), *National Strategic Review of Food Security and Nutrition towards Zero Hunger*, World Food Programme, Colombo.

11.3 Is Sri Lanka Really Food In(Secure)?

Using the conceptual framework in Figure 11.1, this section reviews the current food security situation in Sri Lanka to understand if the country is food secure or not.

11.3.1 Increased Food Production and Imports

Domestic food availability in Sri Lanka is dependent on local production and imports of food crops, livestock products and fish. Table 11.1 shows the average national food supply in Sri Lanka in 2014. Domestic agriculture provides more than 80 per cent of the food requirement. Rice is the staple diet item of Sri Lankans. Other food crops such as pulses, roots and tuber crops, vegetables and green leaves and fruits play a supplementary role. Sri Lanka is nearly self-sufficient in rice and the local production of other main food sources that include vegetables, root crops, and fruits exceed 75 per cent of the total availability. Sri Lanka also produces a variety of pulses that include mungbean, cowpea, black gram and soybean; pulses show a low share of local supply (31 per cent) due to heavy importation of dhal and chick pea.

Table 11.1
Food Availability in Sri Lanka, 2014

Items	Production		Gross Imports		Available Supply[a]	Food Net[b]	Food (g/day)
	Quantity ('000 mt)	% Supply	Quantity ('000 mt)	% Supply			
Cereals	4,835.4	90.3	522.0	9.7	5,356.8	3,477.3	469.4
Roots and Tubers	421.9	77.4	123.2	22.6	545.1	411.6	54.9
Sugar	54.9	9.3	539.0	90.9	592.9	556.5	75.1
Pulses and nuts	73.2	31.2	161.7	68.9	234.9	224.5	30.3
Vegetable (including onions)	1,055.7	86.4	184.3	15.1	1,221.4	1,109.0	149.7
Fruits	609.8	94.8	62.5	9.7	643.1	631.9	85.3
Meat	162.1	98.3	2.8	1.7	164.8	164.8	22.3
Eggs	92.8	100.0	0.0	0.0	92.8	91.1	12.3
Fish	582.2	91.5	75.3	11.8	636.1	329.1	44.4
Milk	307.4	77.3	90.0	22.6	397.8	298.7	40.3
Oil and fats (including coconut)	939.4	102.4	18.5	2.0	917.5	755.2	101.9
Total	**9,134.7**	**84.6**	**1,779.2**	**16.5**	**10,803.1**	**8,049.8**	**1,085.9**

Notes: a: (Production + Imports) - (Change in Stocks + Exports); b: Quantities for seed, animal feed, waste, processing and manufacturing are excluded.

Source: DCS, *Food Balance Sheets 2014*, Department of Census and Statistics, Colombo.

Fish and poultry meat are the major animal protein sources of the Sri Lankan diet. Domestic production share of animal protein products exceed 98 per cent except for processed products such as dried fish, canned fish and powdered milk. Imported canned fish along with growing inland fish products are popular in inland areas with little access to fresh fish.

Sugar is the biggest imported food item followed by wheat flour, milk products and fish in value terms.[9] These four items accounting for 56 per cent of the total food and beverages import cost of Rs. 273,257 million (9.7 per cent of total imports) in 2016 generate a significant burden on the local economy.[10] The import value of sugar amounted to Rs. 49,919 million. Sri Lanka relies heavily on imported milk powder (Rs. 36,338 million) to meet its growing consumer demand due to the insignificant amount of local production. A significant amount of foreign exchange is spent annually on the import of dried and canned fish as well. The annual value of fish product imports reached Rs. 34,130 million in 2016. Wheat flour products that include bread are the major substitutes for the staple food, which is rice. Since wheat is not cultivated in Sri Lanka, the country spends a significant value (Rs. 33,536 million) on wheat imports. Moreover, some amount is also spent on importing a few supplementary foods items that are not produced in sufficient quantity locally such as dhal, potatoes, onions and chilies.

[9] CBSL, *Annual Report 2016*, Central Bank of Sri Lanka, Colombo.

[10] Wheat and maize which have been categorized as intermediate goods in CBSL *Annual Report 2016* have been considered under food and beverages for statistical purposes.

Although food imports have been increasing in absolute terms, their share in total available supply has been declining. Also, the share of food imports in total imports and total exports has been declining slightly or has been constant in recent years. This implies that domestic food production is moving in a positive way and that the value of agricultural exports sufficiently covers the food import value without placing much pressure on the balance of payments.

11.3.2 Improvements in National Nutrition Availability

The effect of improved availability is reflected in enhanced nutrition supply at the national level. The quantities of average daily per capita availability of calorie, protein and fat by major food commodities is presented in Table 11.2. The daily food intake of an average Sri Lankan comprises of 2,863 kilocalories of energy, 75 grams of proteins and 49 grams of fat. About 56 per cent of the available calorie and 45 per cent of total available protein are provided by cereals due to bulk consumption of staple food rice and wheat flour which is the major substitute for rice. The average Sri Lankan consumer consumes around 300g of rice daily. Oils and fats and sugar are the next two significant providers of calorie. Fish is the main source of animal protein and it contributes more than pulses, meat, milk and eggs due to the high availability of marine and fresh water fish.

Available data indicate that per capita daily calorie and protein intakes have increased from 2,430 kcals in 2005 to 2,730 kcals in 2015 and from 60g in 2005 to 73g in 2015, respectively (Table 11.3). These consumption levels easily meet the minimum per capita dietary energy and protein requirements of daily per capita calorie and protein levels of 2,030 kcal and 53 grams, respectively.

Table 11.2
Per Capita Daily Availability of Nutrition

Food Item	Calories Per Day	Protein (g/ day)	Fat (g/day)
Cereals	1627.20	34.39	1.75
Roots and tubers	71.57	0.61	0.09
Sugar	300.34	0.99	0.00
Pulses and nuts	111.35	7.82	2.01
Vegetable	82.74	3.88	0.54
Fruits	86.74	1.09	0.26
Meat	27.63	5.59	0.63
Eggs	21.38	1.63	1.63
Fish	76.33	13.17	2.09
Milk	91.80	4.59	5.08
Oil and fats	366.34	3.03	34.76
Total	2,863.42	75.53	48.84

Source: DCS, *Food Balance Sheets 2014*, Department of Census and Statistics, Colombo.

Table 11.3
Fluctuation of Per Capita Availability of Calories and Protein

	2005	2006	2007	2008	2009	2010	2011	2012	2013/14	2015
Calories (Kcal)	2,430	2,419	2,369	2,552	2,434	2,688	2,573	2,691	2,863	2,730
Protein (g)	60	60	60	61	62	67	66	69	75	73

Source: DCS, *Food Balance Sheets 2005-2015*, Department of Census and Statistics, Colombo.

11.3.3 Developments in Economic and Physical Access to Food

The availability of adequate food and supply of nutrition at national level does not necessarily ensure food security unless there is enough physical and economic access to food by households. The level of income and poverty determine to a significant extent access to enough food at the household level, and poor outcome of both could lead to malnutrition outcomes. Mean household incomes have registered substantial increases over the years, increasing from Rs. 12,803 in 2002 to Rs. 45,878 in 2012/2013 at current prices while the incidence of poverty in the country declined steadily from 22.7 per cent in 2002 to 6.7 per cent in 2012/2013 (Table 11.4). The long-term upward trend in household income levels along with the continuing downward trend of overall poverty levels give an indication of improved economic access to food. However, the real impact of these parameters is highly dependent on food price volatility which will be discussed later.

General infrastructure such as roads and specific infrastructure such as storage facilities and food distribution outlets are required to ensure that nationally available food reaches households adequately. The road network in Sri Lanka has expanded significantly over the last decade. The total number of road kilometers has increased from 26,351 km in 2005 to 31,280 km in 2015.[11] However, there is significant district inequality in road density,

Table 11.4
Trends in Household Income and Poverty

Survey Period	Mean Household Income (Rs./month)	Incidence of Poverty (%)
2002	12,803	22.7
2006/2007	26,286	15.2
2009/2010	36,451	8.9
2012/2013	45,878	6.7

Source: DCS, *Household and Income Expenditure Survey*, Department of Census and Statistics, Colombo (various years).

[11] CBSL, *Economics and Social Statistics 2016*, Central Bank of Sri Lanka, Colombo.

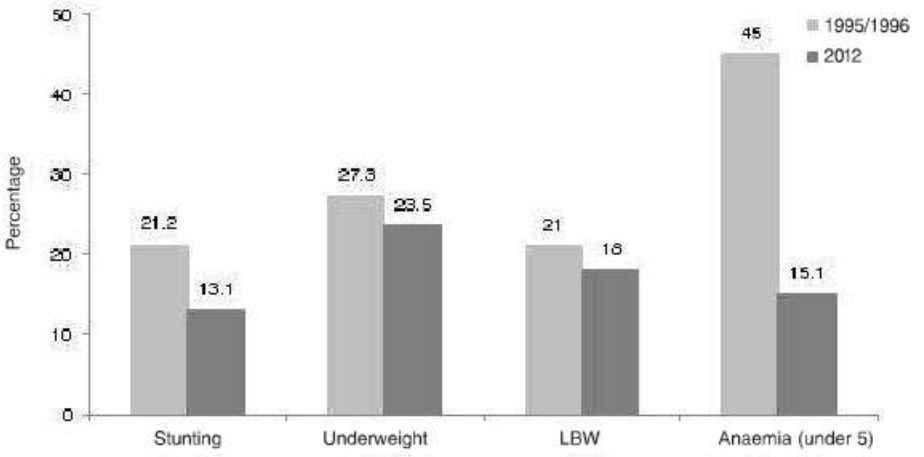
where there are serious road accessibility problems when transporting beyond the Western Province, Eastern Province, Mullaitivu and Mannar districts in the Northern Province and Monaragala district in the Uva Province. Apart from density, road quality and width are the major gaps affecting access to food markets in rural areas, especially in the estate sector and certain areas in upcountry districts. Moreover, storage facilities and milling capacities as well as refrigeration and canning facilities have not improved much over the years to ensure better access to food.

11.3.4 Achievements in Food Utilization and Nutritional Outcomes

The availability of sufficient food and nutrition at the national level and the means to acquire enough food at the household and individual level do not ensure proper utilization of food to achieve better nutritional outcomes. Malnutrition provides a good indicator to see whether food security prevails at the household level.

Continued support towards providing free universal health services has led to a steady improvement in Sri Lanka's health indicators compared to other countries in the region, particularly in relation to maternal mortality (32.5 per 100,000 live births), infant mortality (8.6 per 1,000 live births) and life expectancy (74.3 years in 2013).[12] Also, child and maternal nutrition status have shown some progress over time (Figure 11.2). The stunted and underweight population among children under age 5 declined from 21.2 per cent to 13.1 per cent and from 27.3 to 23.5 per cent, respectively,

Figure 11.2
Reduction in Malnutrition



Source: Jayatissa, R., M. Gunathilaka and D. Fernando (2012), *National Nutrition and Micronutrients Survey 2012*, Ministry of Health and UNICEF, Colombo.

[12] CBSL, *Annual Report 2015*, Central Bank of Sri Lanka.

during the period 1995/1996-2012. Low birth weight declined from 21 per cent in 1993 to 18 per cent in 2012. Anaemia in children has declined from 25.2 per cent in 2009-2010 to 15.1 per cent in 2012. These improvements have been ably supported by the continuous progress in access to health services and water and sanitation and hygiene (WASH) programmes.

11.3.5 Malnutrition and Its Disparities

Despite the achievements discussed above, a high prevalence of malnutrition is the major outcome concern in terms of achieving food security. As depicted in Figure 11.1, inadequate dietary intake and unhealthy food utilization are the major immediate factors for the prevalence of malnutrition in Sri Lanka which is caused by a range of agricultural and socio-behavioural factors. About 4.7 million people, equivalent to 22 per cent of the population, are estimated to be undernourished. The gravity of the problem is further accentuated by the fact that only Afghanistan with 26.8 per cent undernourished population performs poorer than Sri Lanka among all the South Asian countries. The Maldives (5.2 per cent) and Nepal (7.8 per cent) have the lowest shares of undernourished population (Table 11.5).

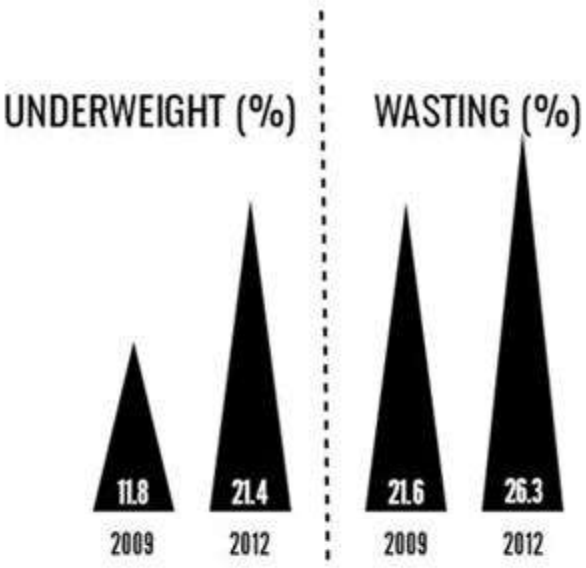
Wasting (weight-for-height), stunting (height-for-age), and underweight (weight-for-age) in children under five years of age are the most widely used malnutrition indicators. The FAO indicates that the prevalence of wasting and underweight in Sri Lanka has increased from 11.8 per cent to 21.4 per cent and 21.6 per cent to 26.3 per cent, respectively, from 2009 to 2012 (Figure 11.3). Also, the level of stunting has stagnated during the survey years from 2000 to 2009 until it showed a sharp drop in 2012. The Global Nutrition Report 2016 indicates that Sri Lanka is among the highest wasting prevalence countries in the world, ranking 128 out of 130 countries.[13]

Table 11.5
Prevalence of Undernourishment in South Asia (3 Year Average)

Country	Share of Undernourished Population (%)
Afghanistan	26.8
Bangladesh	16.4
India	15.2
Maldives	5.2
Nepal	7.8
Pakistan	22
Sri Lanka	22

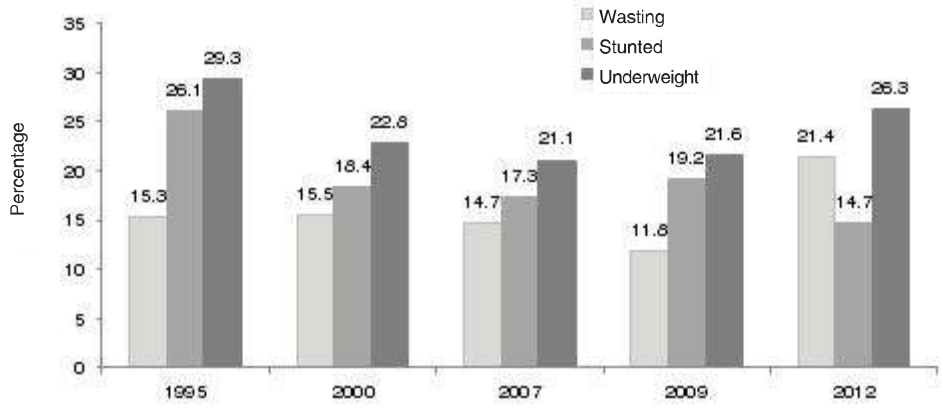
Source: FAOSTAT, available at http://www.fao.org/faostat/en/#data/FS.

[13] IFPRI (2016), *Global Nutrition Report 2016: From Promise to Impact: Ending Malnutrition by 2030*, International Food Policy Research Institute, Washington D.C.



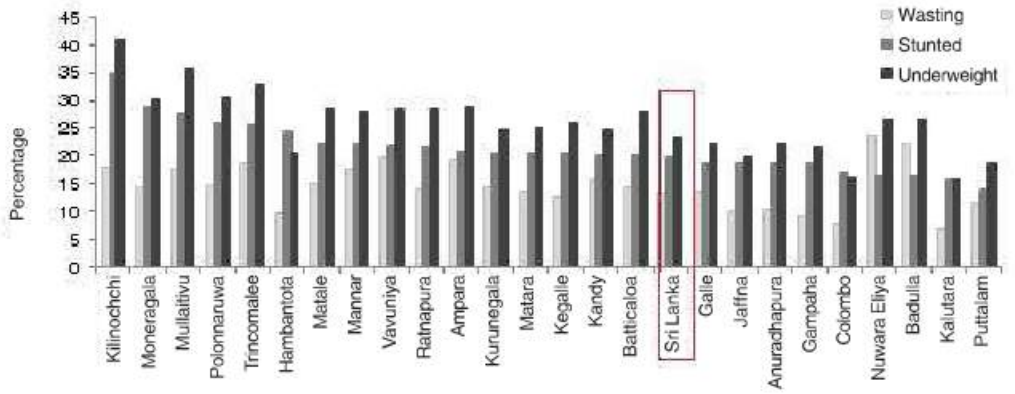
Moreover, severe regional disparities are to be found in the prevalence of malnutrition (Figure 11.4). The districts of Kilinochchi (34.9 per cent) and Monaragala (28.8 per cent) show the highest wasting prevalence while wasting rates in 16 out of 25 districts are higher than the national average. The level of stunting also shows great disparity ranging from 23.8 per cent in Nuwara Eliya to 6.8 in Kalutara and 9 per cent among the wealthiest quintile to 18 per cent among the poorest quintile. Overall, the estate sector, war affected districts, and certain farming areas represent the worst levels of under nutrition.

Figure 11.3
Prevalence of Wasting, Stunning and Underweight in Children under 5 years



Source: FAOSTAT, available at http://www.fao.org/faostat/en/#data/FS.

Figure 11.4
Disparity of Malnutrition



Source: Family Health Bureau, *Annual Report 2013*, Ministry of Health, Colombo.

11.4 Challenges and Threats in Achieving Food Security in Sri Lanka

The preceding analysis indicates that there are serious concerns with respect to household food security especially with respect to access and utilization of nutritious food in certain areas. Even if a person's food intake is adequate today, he or she is still considered to be food insecure if they face inadequate access to nutritious food on a periodic basis. This section focuses on the major challenges that have an impact on ensuring food security in Sri Lanka.

11.4.1 Yield Stagnation

Despite improved food availability in the country, whether Sri Lanka is producing enough food is a serious challenge due to the constantly rising national requirement owing to population growth and the growth of real per capita income. Therefore, the challenge is not just to ensure food security to an estimated 4.7 million people estimated to be undernourished in 2015, but also to feed one million more people expected to inhabit the country by 2030. Increasing production could be achieved by either increasing the land extent or by improving productivity or a combination of both. However, the extents cultivated for major food crops have been constant since 2000 due to lack of new

Table 11.6
Recent Trends in the Expansion of Arable Land and Irrigated Area

Year	2009	2010	2011	2012	2013	2014
Arable land (%)	19.1	20.7	19.9	20.7	20.7	19.1
Irrigated area (%)	9.1	9.1	9.1	9.6	10.1	9.1

Source: FAOSTAT, available at http://www.fao.org/faostat/en/#data/FS.

Table 11.7
Yield Trends of Major Selected Food Crops

Food product	Yield (t/ha)					
	2010	2011	2012	2013	2014	2015
Rice	4.5	4.0	4.4	4.3	4.3	4.4
Maize	3.2	3.2	3.7	3.1	3.4	3.7
Sorghum	1.2	1.4	1.5	1.4	1.4	1.7
Green gram	1.2	1.2	1.3	1.3	1.3	1.3
Cowpea	1.1	1.2	1.4	1.3	1.3	1.4
Soya bean	1.8	1.5	1.2	1.8	1.7	1.8
Black gram	1.0	0.8	1.0	0.9	0.9	0.9
Ground nuts	1.5	2.0	2.0	2.0	2.1	1.7
Red onion	11.9	11.8	11.9	12.1	13.0	12.5
Big onion	11.4	10.8	12.7	13.2	14.3	12.2
Chilies	3.7	3.4	4.0	4.8	4.6	4.7

Source: Based on DCS crop yield data. .

arable land which is partly a result of limited expansion in irrigated areas in recent times (Table 11.6).

As Table 11.7 shows, the yield levels of domestically grown food crops, including rice, have stagnated during recent times at unimpressive levels even by developing country standards. Only sorghum and cowpea have shown over 5 per cent average yield growth while rice and black gram have negative yield growth during the last five years. Therefore, domestic production will not be able to meet national requirements even under present levels of per capita food consumption, creating serious stability problems in food availability and access in future unless there is a substantial increase in present yield levels.

Use of unimproved varieties and outdated cultivation technologies due to the lack of investment on research and development (R&D) along with small scale cultivations, poor marketing and infrastructure facilities, and lack of policy and institutional support have led to yield stagnation. As a result, it has restricted the potential for increasing the domestic food supply in parallel to the rising demand for food.[14]

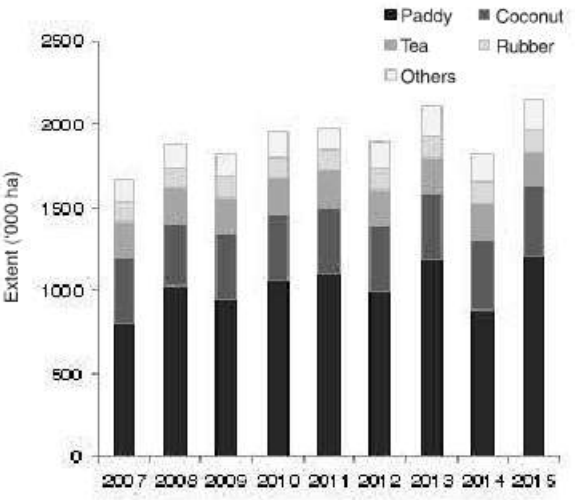
11.4.2 Lack of Diversification Towards Nutritious Food

Sri Lanka's land use pattern as set out in Figure 11.5 gives an idea about the diversification trends in the country. As shown, the production base is limited and dominated by a few crops that include paddy, tea, rubber and coconut. Though farmers have a tendency to diversify into livestock, especially poultry and into horticulture (fruits and vegetables), the diversification at the farm level has been still

[14] Thibbotuwawa, M., et al. (2017), *National Strategic Review of Food Security and Nutrition towards Zero Hunger*, World Food Programme, Colombo.

Domestic production will not be able to meet national requirements even under present levels of per capita food consumption, creating serious stability problems in food availability and access in future, unless there is a substantial increase in present yield levels.

Figure 11.5
Land Use Pattern in Sri Lanka



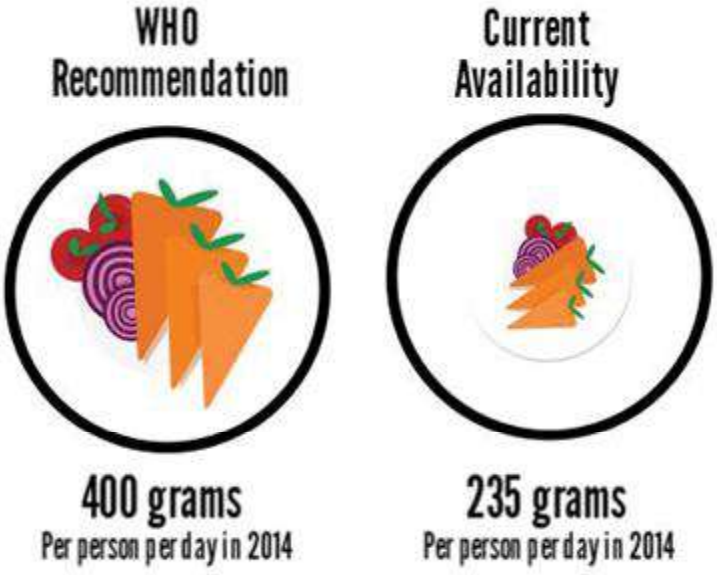
Source: http://www.statistics.gov.lk/agriculture/index.html.

limited due to various constraints such as young people leaving agriculture, lack of market orientation in cultivation, problems related to resources such as land and water, market imperfections, uncompetitive agricultural enterprises and other opportunities created by rapid growth of the non-farm sector.[15]

The lack of diversification has created a significant gap between what is available for the people to eat and what needs to be available to ensure proper nutrition levels. The general recommendation by the WHO for daily intake of fruit and vegetables is more than 400 grams per person per day.[16] Information from the Food Balance Sheet 2014 for Sri Lanka

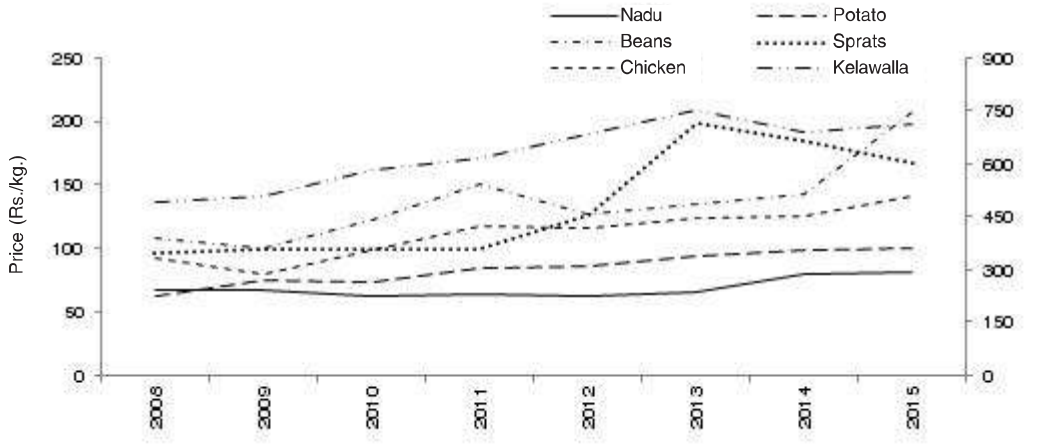
[15] Weerahewa, J., M. Thibbotuwawa and P. Samaratunga (2015), "Dynamics of Transforming Agriculture in Sri Lanka: Trends, Challenges and Opportunities". Paper presented at the Indian Agricultural Economics Association Research Forum, Mumbai, India, 3 December 2015.

[16] WHO (2003), *Diet, Nutrition and the Prevention of Chronic Deceases*, World Health Organization, Geneva.



suggests that the total supply of fruit and vegetables available is only 235 grams per person per day,[17] well below the recommended rate for daily intake. Similarly, the national availability of other nutritious food such as meat, fish, etc., remains a worry in terms of ensuring food security. Even addressing the estimated potential loss of 30-40 per cent from supply

Figure 11.6
Average Nominal Retail Prices of Selected Food Commodities



Source: HARTI, *Food Commodity Bulletin*, Hector Kobbekaduwa Agrarian Research and Training Institute, Colombo.

[17] DCS, *Food Balance Sheet 2014*, Department of Census and Statistics, Colombo.

source to the table will not be able to fill this huge gap.[18]

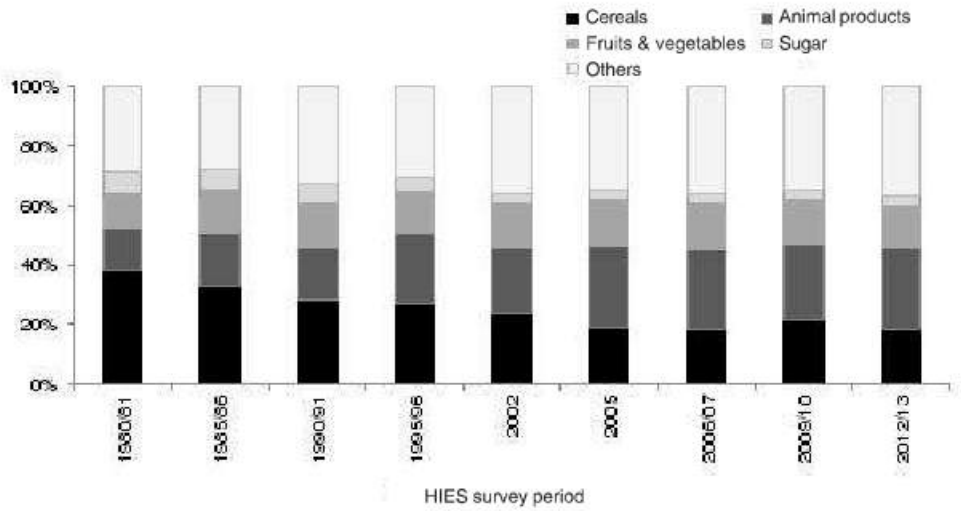
11.4.3 High Cost of a Nutritious Diet

Given that agriculture is a biological production process, often undertaken by a large number of small producers, heavy volatility of agricultural prices has been a general phenomenon in developing countries. Figure 11.6 shows the changes in the nominal retail price of some selected food commodities. The nominal prices of all food commodities show increasing trends that could be attributed to a shift in demand as a result of a growing population and rising real disposable incomes, and in certain cases due to taxation effects.

Moreover, there is also added demand due to shifts in consumer preferences resulting from urbanization, income growth, the emergence of supermarkets and the westernization of diets. These have an impact on price volatility of some healthy food categories such as fish and livestock products, and fruits and vegetables. For example, Sri Lankan consumers have shown a shift in consumption pattern from carbohydrate staples towards protein food such as meat, fish, eggs, fruits and vegetables (Figure 11.7). Supply side factors that affect the cost of a nutritious diet include climate change impacts and ad hoc changes of import duties and non-tariff barriers.[19]

Despite the fact that real prices of food commodities might have mixed results, the

Figure 11.7
Changes in Food Consumption Patterns



Source: DCS, *Household and Income Expenditure Survey*, Department of Census and Statistics, Colombo (various years).

[18] Institute of Post Harvest Technology, *Annual Report 2011*, Ministry of Agriculture, Colombo.

[19] Weerahewa, J., *et. al.* (2015), "Dynamics of Transforming Agriculture in Sri Lanka: Trends, Challenges and Opportunities". Paper presented at the Indian Agricultural Economics Association Research Forum, Mumbai, India, 3 December 2015.

impact of increasing nominal food prices on food security cannot be underestimated. Higher food prices can raise the cost of a diet causing poor households to limit their food consumption and shift to less nutritious and unhealthy diets. Also, there are regional and seasonal differences in the affordability of a nutritious diet. The WFP finds that more than 50 per cent of households in the Eastern Province could not afford an adequately nutritious diet in 2014 while this ranges from 39 per cent and 48 per cent (between the Yala/Maha cultivation and harvesting seasons) in the Uva Province.[20] Only about a quarter of the Western Province households could not afford a nutritious diet.

11.4.4 Income Inequality

The pattern of income distribution has become a major challenge in ensuring food security in Sri Lanka. Despite high growth rate in household income levels, the distribution of income has not been equitable in recent times. Income distribution, as represented by the Gini co-efficient, has worsened slightly from 0.47 in 2005 to 0.48 in 2012/2013 for household income.[21] The data indicate that more than a half of total household income in the country is shared among only 20 per cent of total households of the country (Table 11.8). The data further show that more than a half of estate sector households are among the poorest 40 per cent households in the country, receiving only 28.5 per cent of estate sector household incomes. Even though only 24.6 per cent of urban sector households are among the poorest 40 per cent during the same period, they receive only 5.9 per cent of urban household incomes which indicates not only sectoral inequality issues, but also issues among income deciles. Apart from the sectors, income disparities are evident across provinces, particularly between the Western Province and other provinces, the war-affected districts and the rest of the country.[22]

Higher food prices can raise the cost of a diet causing poor households to limit their food consumption and shift to less nutritious and unhealthy diets.

11.4.5 Climate Change and Vulnerabilities

Farmers have been facing climate related shocks quite frequently in recent times.

[20] HARTI and WFP (2014), *Minimum Cost of a Nutritious Diet in Sri Lanka*, Hector Kobbekaduwa Agrarian Research and Training Institute, Colombo.

[21] CBSL, *Sri Lanka Socio-Economic Data 2016*, Central Bank of Sri Lanka, Colombo.

[22] Thibbotuwawa, M., *et al.* (2017), *National Strategic Review of Food Security and Nutrition towards Zero Hunger*, World Food Programme, Colombo.

Table 11.8
Distribution of Income Shares Over Income Deciles and Sectors

Decile Group	Income Group (Rs.)	Percentage of Households (%)				Share of Income (%)			
		Total (%)	Urban (%)	Rural (%)	Estate (%)	Total (%)	Urban (%)	Rural (%)	Estate (%)
1	Less than 10,836	10.0	4.5	11.0	14.1	1.5	0.5	1.8	3.3
2	10,836 - 16,531	10.0	6.3	10.6	13.8	3.0	1.2	3.5	6.3
3	16,532 - 21,286	10.0	6.3	10.6	13.8	4.1	1.7	4.8	8.8
4	21,287 - 25,903	10.0	7.5	10.4	13.0	5.1	2.5	5.9	10.1
5	25,904 - 30,814	10.0	8.1	10.3	12.2	6.2	3.3	7.0	11.4
6	30,815 - 36,758	10.0	9.3	10.2	10.1	7.3	4.5	8.2	11.2
7	36,759 -45,000	10.0	10.9	10.0	8.3	8.9	6.4	9.8	11.1
8	45,001 - 57,495	10.0	12.1	9.6	6.3	10.9	8.8	11.8	10.4
9	57,496 - 83,815	10.0	15.6	9.0	4.9	14.9	15.4	14.9	11.0
10	More than 83,815	10.0	19.4	8.3	3.5	38.0	55.8	32.3	16.5

Source: DCS, *Household and Income Expenditure Survey 2012/2013*, Department of Census and Statistics, Colombo (various years).

Research has predicted that the temperature and rainfall variability are continuously increasing. Regional climate model projections indicate consistent increases of temperature (1.0°C-1.1°C in 2030, 1.3°C-1.8°C in 2050, and 2.3°C-3.6°C in 2080) and precipitation (3.6-11.0 per cent in 2030, 15.8-25 per cent in 2050, and 31.3-39.6 per cent in 2080).[23] These changes along with the increased frequent occurrence of extreme rainfall events such as droughts and

Table 11.9
Impact of Climate Change on Rice Yield in Sri Lanka

Agro-climatic Zone	Current Yield (kg/ha)		% Change in 2030		% Change in 2050		% Change in 2080	
	Maha	Yala	Maha	Yala	Maha	Yala	Maha	Yala
Dry-Low	3,498	3,863	-4.2	-6.5	-16.1	-19.8	-29.1	-34.2
Intermediate-Low	4,885	4,612	-2.7	-3.5	-10.6	-15.1	-24.8	-31.5
Intermediate-Mid	4,992	4,761	-1.9	-3.1	-9.3	-12.7	-22.5	-30.3
Intermediate-Upland	3,492	2,955	-1.3	-2.7	-7.5	-11.4	-20.3	-27.5
Wet-Low	3,910	3,711	-0.9	-1.5	-6.0	-10.4	-19.4	-25.1
Wet-Mid	3,538	2,795	-0.8	-1.4	-3.6	-8.2	-18.3	-23.6
Wet-Upland	3,134	2,706	5.7	3.1	2.1	-2.0	-8.6	-12.4

Source: Ahmed, M. and S. Suphachalasai (2014), *Assessing the Costs of Climate Change and Adaptation in South Asia*, Asian Development Bank, Manila.

[23] Ahmed, M. and S. Suphachalasai (2014), *Assessing the Costs of Climate Change and Adaptation in South Asia*, Asian Development Bank, Manila.

Income disparities are evident across provinces, particularly between the Western Province and other provinces, and the war-affected districts and the rest of the country.

floods could have negative impacts on agriculture and food security.[24] Studies have projected that climate change will negatively affect rice yields in different agro-climatic zones of Sri Lanka (Table 11.9).

The projected drop in rice yields could vary from 1.3 per cent in upcountry intermediate zones during the Maha season to 6.5 per cent in low country dry zones during the Yala season by 2030. Similar variations could be seen in 2050 and 2080 projections. Overall, the projected yield drop is higher in the Yala season and low country dry and intermediate zones which are predominantly agricultural, indicative of the significant impact of climate change on Sri Lanka's food security.

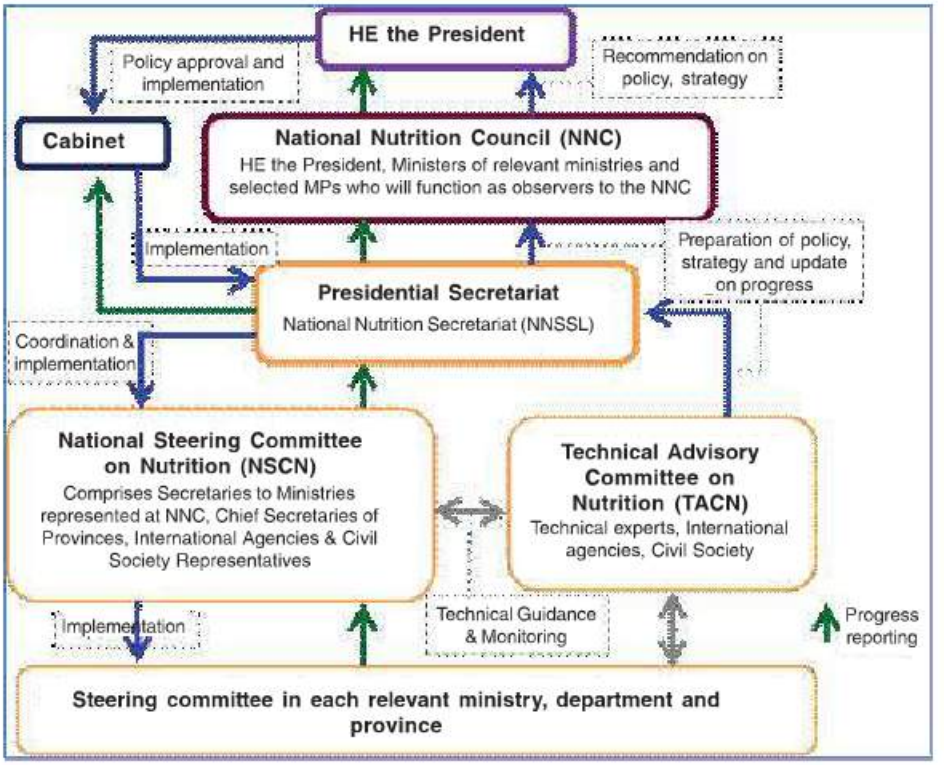
11.5 Where Has Sri Lanka Gone Wrong?

Historically, actions and strategies focused on ensuring food security and nutrition in Sri Lanka were handled separately under the National Agricultural Policy of the Ministry of Agriculture, the National Nutrition Policy of the Ministry of Health and several other policy documents of various ministries that are directly and indirectly related to food security and nutrition. The main focus of the past agricultural policies and programmes were restricted to achieving the coveted goal of self-sufficiency through increased production of a limited commodity basket while disregarding the importance of balancing domestic production and trade in ensuring food security as well as nutrition sensitiveness in agriculture. Moreover, there are serious limitations in addressing inefficiencies in land and irrigation inputs; information asymmetry; limited financial services; market imperfections; and agricultural mitigation and adaptation. Also, ever increasing government spending on popular measures such as inefficient subsidies on fertilizer has continuously crowded out the most important investments like R&D and agricultural infrastructure.

[24] Punyawardena, B.V.R. (2012), "Impact of Climate Change on Agriculture in Sri Lanka and Possible Response Strategies", CLIMATEnet, Institute of Policy Studies of Sri Lanka, available at http://climatenet.blogspot.com/2012/09/impact-of-climate-change-on-agriculture_17.html.

Considerable progress has been made in health due to the sound policies adopted by consecutive governments to strengthen the country's public health care system over the years. Also, the health sector initiatives have proven to be effective for providing supplements as a targeted short-term approach to the high prevalence of deficiencies of micronutrients such as iron, zinc, vitamin A, and iodine.[25] However, those efforts failed to deliver the required nutrition outcomes in the country at a macro level primarily due to lack of human resource capacities and failures in providing adequate nutrition counselling and education.[26] Moreover, the problem of food insecurity does not lie in the domain of agriculture and health sector policy alone, as some social issues such as poverty and limited access to productive resources, scarce non-agricultural income possibilities, ageing population, low female labour force participation and informalization of work can add to food security risks.[27]

Figure 11.8
National Nutrition Council and Related Structures



Source: National Nutrition Secretariat of Sri Lanka (2013), *Vision 2016: Sri Lanka, A Nourished Nation: Multi-sector Action Plan for Nutrition*, National Nutrition Secretariat of Sri Lanka, Colombo.

[25] WB (2007), *Malnutrition in Sri Lanka : Scale, Scope, Causes, and Potential Response*, World Bank, Washington, D.C.

[26] Weerasinghe, M., and S. Bandara (2015), *Health and Socio-economic Determinants of Malnutrition in the Plantation Sector of Sri Lanka: A Review*, Working Paper Series No. 21, Institute of Policy Studies of Sri Lanka, Colombo.

[27] Tilakaratna, G. (2014), *Social Protection and the MDGs in Sri Lanka: Implications for the Post-2015 Agenda*, Southern Voice on Post-MDG International Development Goals, Centre for Policy Dialogue, Dhaka.

Health sector initiatives failed to deliver the required nutrition outcomes at a macro level due to lack of human resources and inadequate nutrition counseling.

Due to the limitations of the system such as insufficient institutional coordination and the absence of a central theme which contribute to the continuance of deep rooted food insecurity and malnutrition among the population, the National Nutrition Council (NNC) was established in 2011 as the main body responsible for food security in the country (Figure 11.8). Its functions come under the direct purview of the President of Sri Lanka, which facilitates for better coordination of nutrition related activities of all relevant ministries. The NNC has prepared a Multi Sector Action Plan for Nutrition (MSAPN) for 2013-2016 within which different ministries and other stakeholders have specific mandates to be implemented within their policy frameworks and strategies. However, there is still little cross-sectoral collaboration at the community level across health, agriculture, education, and poverty reduction/social development sectors.[28]

11.6 Conclusion and Policy Recommendations

The foregoing analysis clearly reveals that food security in Sri Lanka still remains an unachieved social and economic goal in spite of numerous interventions by consecutive governments to rectify the situation. This situation is undoubtedly a consequence of the inherently multidimensional nature of the problem that calls for simultaneous action from multiple directions by numerous organizations which is lacking at present.

The fact that around 30 per cent of the labor force of Sri Lanka is still engaged in agriculture

[28] IPS (2016), *Sri Lanka: State of the Economy 2016*, Institute of Policy Studies of Sri Lanka, Colombo.

Food security in Sri Lanka still remains an unachieved social and economic goal due to the consequences of the inherently multidimensional nature of the problem.

and is producing about 80 per cent of the food requirement for over 20 million people should not be ignored when drawing up development policies and strategies for Sri Lanka; particularly those relating to end hunger and to reduce malnutrition. Therefore, the development of sustainable agriculture should be viewed as the central element of food security as Sri Lanka has a large food production sector which is the backbone of the country's food availability, accessibility and stability. It is mandatory that nutrition and health interventions are undertaken concurrently in order to ensure food utilization. As such, in targeting long-term sustainability of food security, food security and nutrition security policies should not be treated separately. Instead, national agricultural and national nutrition policies should be designed and implemented in close consultation with each other.

In pursuing food security policies, public investment allocations should be transitioned from output and input price subsidies towards strengthening economically profitable and socially justifiable interventions, particularly agricultural infrastructure development (e.g., irrigation and storage facilities) and agricultural research and extension. Private sector participation and public- private partnerships (PPPs) should be promoted where feasible to create a facilitatory environment, especially to improve healthy food preferences and efficient and stable modern value chains through different approaches such as trader-farmer contracts, dedicated economic centres and contract grower systems. Reforming the current incoherent land and irrigation policies should be done to foster a shift from low value to high value agriculture while addressing the issues of low productivity, efficiency and equity implications for marginalized and vulnerable

groups. Developing a national strategic food reserve (buffer stocks), prioratizing implementation of the national climate adaptation plan and community-based resilience-building, strengthening existing indemnity-based insurance programmes and promoting index-based agricultural insurance programmes would be important initiatives to stabilize food availability and access.

Since the aforementioned developments in food systems are sustainable long-run solution to the food security problem, social protection programmes including income safety nets, food aid, etc., should be used as short-run measures to address the welfare of vulnerable groups such as the poor, malnourished and victims of natural disasters and social emergencies. Health sector initiatives for food security policies and strategies should essentially include interventions to alleviate chronic malnutrition and related health problems comprising the provision of food and nutrient supplements for the needy and providing health and nutrition education particularly to children and mothers, promoting nutritious traditional food items and habits, etc., in order to tackle the issue of improper food utilization.

The entire food security process is emanating from the socio-economic and political environment which facilitates it as well as constrains it. Conflicting priorities and contrasting policies have been a major source of policy failure in the past. Also, as is clear by now, large numbers of different agencies are involved in enforcing and implementing food security policies and programmes resulting in serious problems of coordination. Therefore, a food security policy package should be adopted by the state as one of the top policy priorities for a stipulated time horizon. Finally, the problem of coordination and inter-agency friction has to be eliminated by downsizing the number of agencies or/and integrating all the policies and programmes in individual ministries related to food security in Sri Lanka under a single institutional umbrella, at the highest levels of political authority in the country.

12. Addressing the Challenge of Non Communicable Diseases in Sri Lanka

12.1 Introduction

Health is an important aspect in achieving capacity for personal development and economic security of individuals as well as households. The World Health Organization (WHO) deems health to be 'the basis for job productivity, the capacity to learn in school, and improve the capability of individuals to grow intellectually, physically, and emotionally'.[1] Apart from its intrinsic value and important contribution towards human development, health is a central input into economic development and poverty reduction. Health has a direct benefit on an economy - a one year increase in life expectancy is associated with a 4.3 per cent increase in GDP, while a 1 per cent increase in health investment is associated with a 0.78 per cent gain in GDP.[2]

A healthy labour force is the key for a strong and sustainable economic development, but NCDs are increasingly acting as a constraint in forming a healthy workforce.

While the world is fighting against health challenges such as communicable diseases, parasitic diseases, and nutritional deficiencies for a long time, recent changes in demographic, epidemiologic, socio-economic and ecological spheres have created a new set of health challenges to the world - i.e., that of non-communicable diseases (NCDs). The WHO estimates that NCDs kill 38 million people each year around the globe. NCDs directly affect productivity of a person, lowering his/her

[1] WHO (2001), *Macroeconomics and Health: Investing in Health for Economic Development*, Report of the Commission on Macroeconomics and Health, World Health Organization, Geneva.

[2] WHO (2008), *Health in Asia and the Pacific*, World Health Organization, Regional Office for South-East Asia, New Delhi.

earning potentials as well as weakening the labour force of the whole country.

A healthy labour force is the key for a strong and sustainable economic development, but NCDs are increasingly acting as a constraint in forming a healthy workforce. In Sri Lanka, it is estimated that out of the 8.4 million employed people, 17 per cent (1.4 million) are suffering from chronic diseases.[3] Indeed, the evidence points to a higher labour force participation rate amongst those who are not suffering from any chronic disease. The labour force participation rates for those who are not having any chronic disease were 78.8 per cent for males and 38.3 per cent for females; but, for those who are having a chronic disease it drops to 58.6 per cent and 23.9 per cent, respectively.[4]

In this context, this Chapter aims to examine the increasing importance of NCDs for Sri Lanka. Section 2 provides an introduction to NCDs; Section 3 examines NCD risk factors; Section 4 discusses the economic cost of NCDs; Section 5 deals with preventive measures for NCDs, including measures taken in Sri Lanka as well as other innovative measures; Section 6 concludes.

12.2 Non Communicable Diseases (NCDs): The Background

NCDs are defined as 'diseases that have one or more of the following characteristics: they are permanent, leave residual disability, are caused by nonreversible pathological alterations, require special training of the patient for rehabilitation, or may be expected to require a long period of supervision, observation and care'.[5] At present, the world is experiencing a declining trend in deaths attributable to communicable, maternal, pre-natal and nutritional conditions mainly due to the advances that have taken place in medical science and in health care service delivery channels. However, the death toll attributed to NCDs is increasing and accounts more than a half of the total deaths globally. According to the WHO, NCDs kill 38 million people each year around the globe, and three-quarters of deaths due to NCDs are reported from low and middle income countries. Cardiovascular diseases (like heart attacks and stroke), cancers, chronic respiratory diseases (such as chronic obstructive pulmonary disease and asthma) and diabetes are the main four types of NCDs which are responsible for most of the deaths from NCDs. In terms of significance, cardiovascular diseases account for most NCD deaths (17.5 million people annually), followed by cancers (8.2 million), respiratory diseases (4 million), and diabetes (1.5 million).[6] In 2012, it was estimated that 52 per cent of deaths under age 70 was caused by NCDs (Figure 12.1). Indeed, NCDs currently cause more deaths than all other causes combined and the numbers are projected to increase from 38 million in 2012 to 52 million by 2030.

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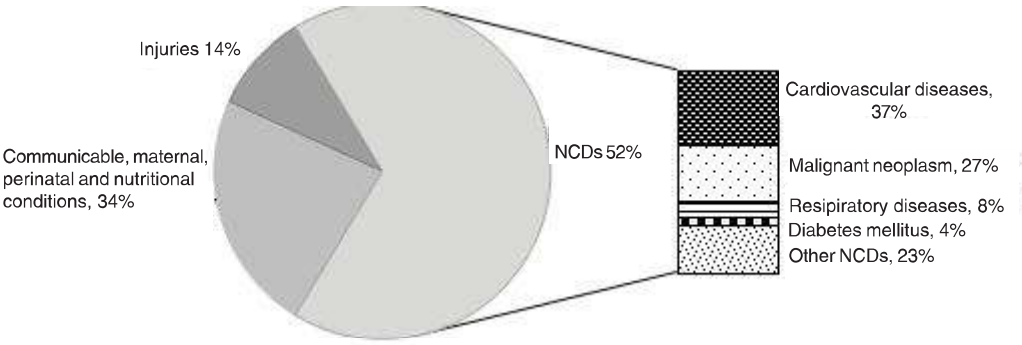
[3] DCS (2016), *National Survey on Self-Reported Health-2014*, Department of Census and Statistics, Colombo.

[4] *Ibid.*

[5] WHO (2007), *Integrating Poverty and Gender into Health Programmes: Module on Non Communicable Diseases*, World Health Organization, Geneva.

[6] WHO (2015), "Non Communicable Diseases", available at http://www.who.int/mediacentre/factsheets/fs355/en/.

Figure 12.1
Proportion of Global Deaths Under Age 70 Years, by Cause of Death, Comparable Estimates-2012

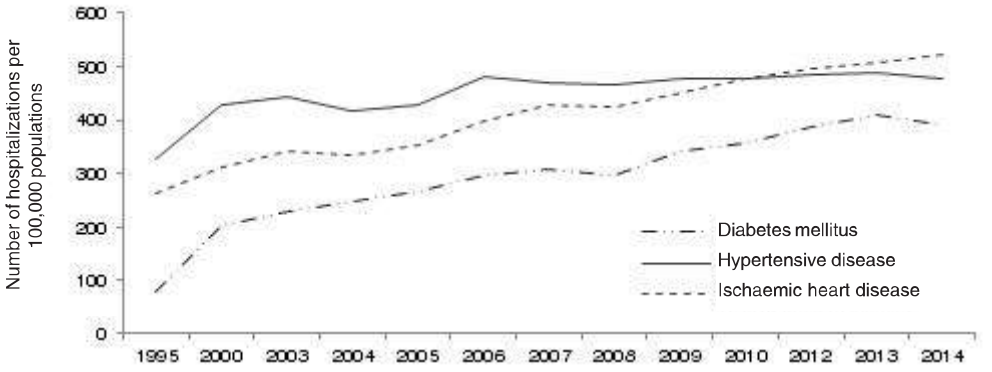


Source: WHO (2014), *Global Status Report on Non-communicable Diseases*, World Health Organization, Geneva.

Similar to the global context, Sri Lanka too is experiencing a rising trend in the incidence of NCDs and deaths attributed to NCDs (Figures 12.2 and 12.3).

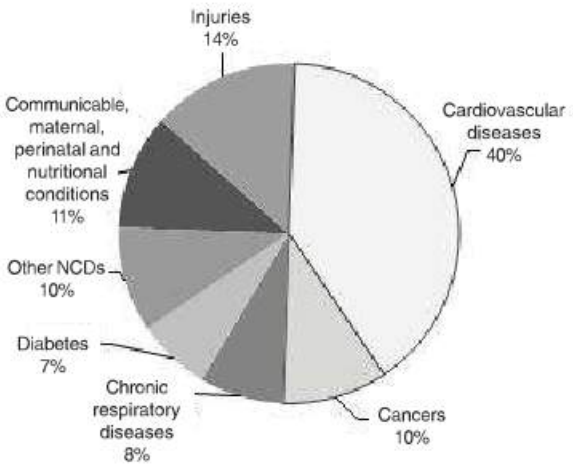
It is estimated that 75 per cent of total deaths reported in 2014 were due to NCDs, where cardiovascular diseases, cancers, chronic respiratory diseases, and diabetes accounted for a considerable share of the death toll (Figure 12.3).

Figure 12.2
Trends in Hospitalization for Selected NCDs 1995-2014



Source: MOH, *Annual Health Bulletin*, Ministry of Health, Colombo (various issues).

Figure 12.3
Proportional Mortality (% of Total Deaths All Ages, Both Sexes) - Sri Lanka 2014



Source: WHO (2014), *Non-communicable Diseases, Country Profiles- Sri Lanka*, World Health Organization, Geneva.

12.3 Understanding NCDs: Risk Factors

Identifying and understanding the risk factors of NCDs are extremely important in taking preventive measures and addressing the issue of NCDs effectively. A risk factor is an 'aspect of personal behaviour or lifestyle, an environmental exposure, or a hereditary characteristic that is associated with an increase in the occurrence of a particular disease, injury, or other health condition'.[7]

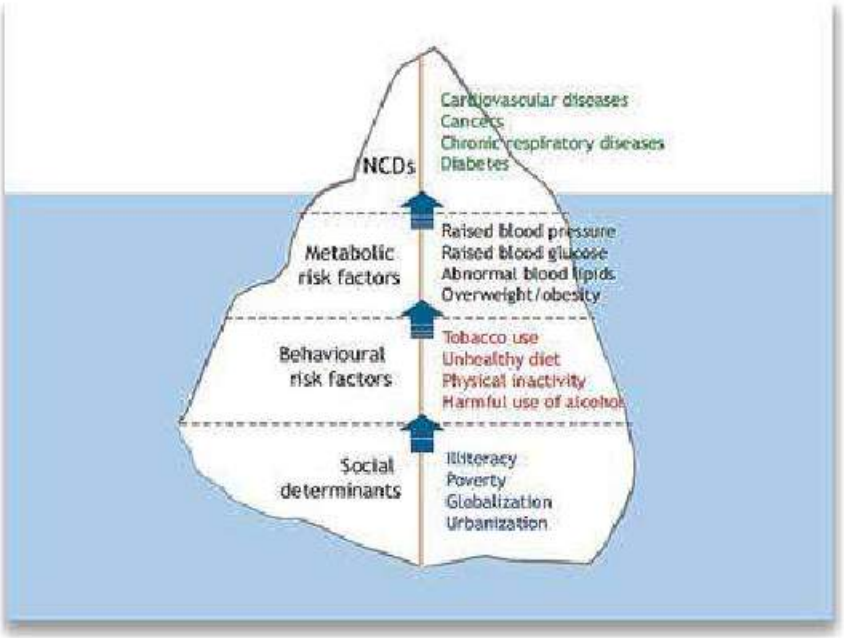
NCD risk factors can be broadly grouped into two categories: 1) modifiable risk factors (also known as behavioural risk factors); and 2) metabolic risk factors. Modifiable risk factors are behavioral risk factor that can be reduced or controlled by intervention, thereby reducing the probability of disease. Physical inactivity, tobacco use, alcohol use, and unhealthy diets (increased fat and sodium, with low fruit and vegetable intake) are the four major modifiable risk factors.

The modifiable risk factors in turn lead to four key metabolic risk factors: raised blood pressure, overweight/obesity, hyper-glycemia (high blood glucose levels) and hyperlipidemia (high levels of fat in the blood).[8] Apart from the modifiable risk factors and metabolic risk factors, infections, environmental factors like pollution and exposures such as to asbestos can also act as NCD risk factors. NCDs are only a tip of a huge iceberg (Figure 12.4). Social determinants such as population ageing, poverty, globalization, and urbanization are the driving factors of NCDs which influence people's exposure and vulnerability to NCDs and thus influencing the health outcomes. These socio-economic factors which lie at the bottom of the NCDs iceberg are complex as well as crosscutting issues and harder to tackle effectively.

[7] CDCP (2014), "Principles of Epidemiology in Public Health Practice", Centers for Disease Control and Prevention, available at https://www.cdc.gov/ophss/csels/dsepd/ss1978/glossary.html.

[8] WHO (2011), *Non-communicable Diseases in the South-East Asia Region: Situation and Response*. World Health Organization Regional Office for South-East Asia, New Delhi.

Figure 12.4
Schematic Representation on an Iceberg of NCDs



Source: WHO (2011), *Non-communicable Diseases in the South-East Asia Region: Situation and Response*, World Health Organization Regional Office for South-East Asia, New Delhi.

12.3.1 NCD Risk Factors in the Sri Lankan Context

During the last few decades life-style habits of an average person in Sri Lanka have changed dramatically due to rapid socio-economic and demographic changes in the country. Negative changes in food consumption patterns, inadequate engagement in physical activities, and exposure to polluted environments are such noticeable changes exposing the people to NCD risk factors than before. These trends are examined in the Sri Lankan context below.

Smokers are more likely to develop heart disease, stroke, and lung cancer than non-smokers. Smoking is estimated to increase the risk of coronary heart disease and stroke by two to four times, and increase the risk of developing lung cancer by 25 times for males and 25.7 times for females.[9] Globally, six million people die annually due to tobacco related illnesses from direct use of the product while another 600,000 are estimated to die owing to second hand smoking (second hand smoking is that tobacco smoke which is exhaled by a smoker or is given off by burning tobacco and is inhaled by persons nearby - referred also as passive smoking).[10] The estimated annual mortality form tobacco-related illnesses in Sri Lanka, is about 20,000 deaths - i.e., approximately 57 people die per day due to

[9] CDCP (2016), "Health Effects of Cigarette Smoking", Center for Disease Control and Prevention. Available at https://www.cdc.gov/tobacco/data_statistics/fact_sheets/health_effects/effects_cig_smoking/.

[10] ADIC (2015), "Burden of Tobacco", Alcohol and Drug Information Centre. Available at http://www.adicsrilanka.org/myths-and-realities/tobacco/burden-of-tobacco/.

During the last few decades life-style habits of an average person in Sri Lanka have changed dramatically due to rapid socio-economic and demographic changes in the country.

tobacco use - spending roughly Rs. 208 million per day on cigarettes.[11]

Harmful use of alcohol is also one of the world's leading risk factors for morbidity, disability and mortality. It is a component cause of more than 200 disease and injury conditions as described in the International Statistical Classification of Diseases and Related Health Problems (ICD). The harmful use of alcohol encompasses several aspects of drinking such as the volume of alcohol drunk over time; the pattern of drinking that includes occasional or regular drinking to intoxication; the drinking context if it increases the public health risks; and the quality or contamination of alcoholic beverages.

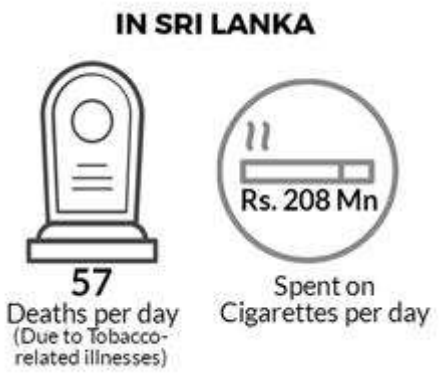
Per capita consumption of alcohol in Sri Lanka has been increasing over the years (Table 12.1). The average per capita alcohol consumption of males records a relatively high value (7.3 liters) compared with most other regions. A National NCD Risk Factor survey conducted in Sri Lanka in 2008 estimated a prevalence of alcohol use of 26 per cent among males aged

Table 12.1
Alcohol Per Capita (15+) Consumption (In Liters of Pure Alcohol)

	Average 2003-2005	Average 2008-2010
Sri Lanka		
Recorded	1.8	2.2
Unrecorded	0.4	1.5
Total	2.2	3.7
Total males/females	7.3	0.3
Southeast Asian region	2.9	3.5
African region	6.2	6.0
American region	9.2	8.4
Eastern Mediterranean region	0.7	0.7
European region	11.9	10.9
Western Pacific region	5.4	6.8

Source: WHO (2014), *Global Status Report on Alcohol and Health*, World Health Organization, Geneva.

[11] *Ibid.*



between 17-64 years; by 2014 it was found that the prevalence of current drinkers were 39.6 per cent among males and 2.4 per cent among females.[12]

Tobacco and alcohol consumption of the younger age population is also considerably high in Sri Lanka. An estimated 25 per cent and 23 per cent of young people (15-24 years) currently use tobacco and alcohol, respectively. Considerable shares of people in the older age groups are also currently users of tobacco and alcohol (Figure 12.5). The majority of users began to use tobacco and alcohol at a very young stage of the 16-20 age group (Figure 12.6).

Figure 12.5
Current Usage of Tobacco and Alcohol- 2015

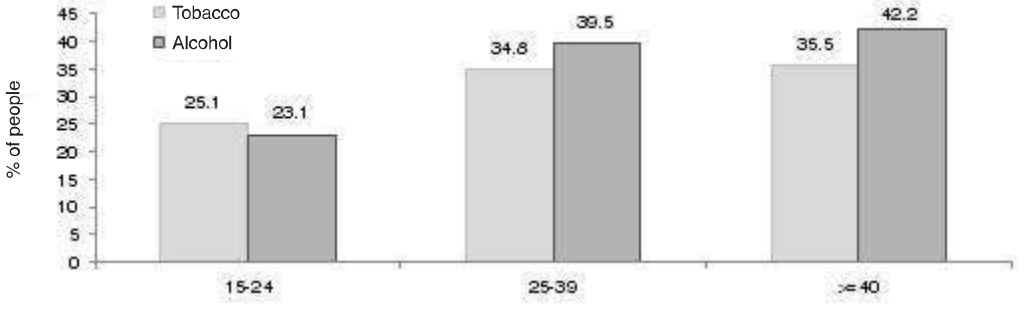
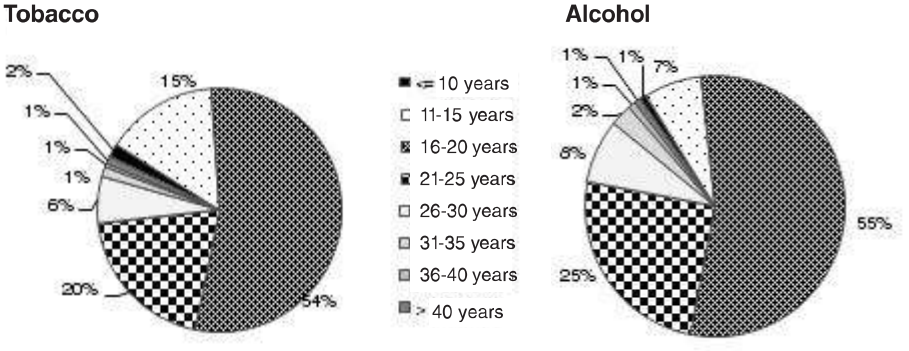


Figure 12.6
Age of Initiation- Tobacco and Alcohol



Source: ADIC (2015), "Trend Survey 2015 Fact sheet", Alcohol and Drug Information Centre, Colombo.

[12] Somatunga, L.C., et al. (2014), "National Alcohol Use Prevalence Survey in Sri Lanka", *Journal of the Postgraduate Institute of Medicine*, 1(1).

Unhealthy diets are another area of concern. An unhealthy diet fails to provide the body with the correct amounts and types of nutrients for maximum health. Too many or too few calories create an unhealthy diet. The WHO recommendations for a healthy diet include eating more fruit, vegetables, legumes, nuts and grains while cutting down on salt, sugar and fats. It is also advisable to choose unsaturated fats, instead of saturated fats and towards the elimination of trans-fatty acids.

Sri Lanka's dietary patterns suggest that there has been a shift away from roots and tubers, fruits and cereals, towards sugars, pulses, oil, and animal products.[13] Rapid urbanization, changes in life-style patterns, increasing availability as well as affordability are the main reasons behind the increased consumption of more energy-dense foods that are high in saturated fats, trans-fats, sugars and salt.[14] The recommended sugar consumption for Sri Lanka is about 25 grams/6 teaspoons of sugar per non-diabetic person per day, but the current average per person sugar consumption is 36 grams per day.[15] High levels of dietary sodium (consumed as common salt, sodium chloride) are associated with raised blood pressure and adverse cardiovascular health. While the WHO recommended daily salt intake is 5g, Sri Lankans consume about 11.4g of salt per day.

Physical inactivity is also harmful. Any bodily movement produced by skeletal muscles that requires energy expenditure is identified as a physical activity. Globally, physical inactivity is the fourth leading risk factor, causing an estimated 3.2 million deaths.[16] Regular moderate- intensity physical activity - such as walking, cycling, or participating in sports - reduces the risk of cardiovascular diseases, diabetes, colon and breast cancer, and depression.

In the case of Sri Lanka, it is found that only 82 per cent of males and 80 per cent of females in the Colombo district have sufficient physical activity.[17] This was also achieved mainly through domestic and transport related activity and only 21.7 per cent carried out at least some activity for leisure. The level of urbanization has a negative relationship with sufficient physical activity. It is found that Body Mass Index (BMI) differs significantly between urban and rural sectors, where urban living is associated with obesity independently of most other demographic, socio-economic and lifestyle characteristics of the population.[18] Thus, it is particularly important to target the urban population when developing strategies to reduce the prevalence of obesity.

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[13] Wijesekere, G., (2015), *Changing Patterns of Food Consumption in Sri Lanka: 1985 2009*, ASARC Working Paper 2015/02, Australian National University, Canberra.

[14] MOH (2015), "Salt and NCD", *Weekly Epidemiology Report*, 42(42), Ministry of Health, Colombo.

[15] Bandara, S. (2016), "Beat Diabetes in Sri Lanka: Too Much Sugar is Not That Sweet", *Talking Economics*, Institute of Policy Studies of Sri Lanka. Available at http://www.ips.lk/talkingeconomics/2016/04/07/beat-diabetes-in-sri-lanka-too-much-sugar-is-not-that-sweet./

[16] WHO (2017), "Physical Activity", available at http://www.who.int/topics/physical_activity/en/.

[17] De Silva, W. S., D. Fernando and J. Gunatilake (2016), "Pattern of Physical Activity Among Sri Lankan Adults in the District of Colombo: A Cross-sectional Study", *Asia Pacific Journal of Public Health*, 28(8).

[18] Arambepola, C., S. Allender, R. Ekanayake and D. Fernando (2008), "The Association between Urban Living and Obesity Independent of Population and Lifestyle Characteristics in an Urban Area", *Tropical Medicine and International Health*, 13: pp.448-457.

Overall, a summary of the prevalence of risk factors in Sri Lanka indicates that females are more prone to the above discussed NCD risk factors than males (Table 12.2). Although alcohol and tobacco consumption is very much less amongst Sri Lankan women compared to men, the main reason for the high prevalence of other risk factors (obesity, high blood pressure, high sugar level, and heart diseases) among females could be insufficient level of physical activity given the fact that there is no significant difference between men and women on dietary patterns.[19] Insufficient physical activity (defined as < 150 minutes of moderate-intensity activity per week, or equivalent) is 22.5 per cent for men and 38.4 per cent for women. Further, the median time spent on physical activity by men is 124.3 minutes per day whereas women spent only 42.8 minutes per day.[20] Another study shows the same pattern where the mean weekly total metabolic equivalents of tasks (MET) minutes of physical activity for males (5,464) is significantly higher than for females (4,205).[21] A survey done among overweight or obese women aged 18-60 found that about 91 per cent of participants showed sedentary physical activity level and only 8 per cent of participants showed a light physical activity level.[22] The same survey found that the time spent on leisure time physical activity (LTPA) is low (91 per cent spent less than 90 minutes/week on walking, 100 per cent were not engaged in swimming and 93 per cent were not involved in any aerobic physical exercises) and responsiveness of not participation on washing, cooking and

Table 12.2
NCD Screening Activities, Distribution of Risk Factors by Sex - 2014

Risk Factors	% of People Detected	Sex Breakdown of People Detected	
		Male	Female
Smokers detected	6.63	93.3	6.7
Tobacco chewers detected	15.13	50.7	49.3
Alcoholics	6.84	95.5	4.5
BMI 25-29.9	24.20	23.3	76.7
BMI>30	6.98	19.8	80.2
BP>= 140/90mg/dl	22.01	29.7	70.3
Blood glucose >=126mg/dl	11.97	29.5	70.5
CVD 20-30	0.77	36.2	63.8
CVD > 30	0.41	31.0	69.0

Notes: Total number of people screened is 383,161; BMI - Body Mass Index (BMI categories: underweight = <18.5, normal weight = 18.5-24.9, overweight = 25-29.9, obesity = BMI of 30 or greater; BP - blood pressure; CVD - Cardiovascular diseases.

Source: MOH (2014), Annual Health Bulletin 2014, Ministry of Health, Colombo

[19] WHO (2015), *Non Communicable Risk Factors: STEP Survey Sri Lanka 2015*, World Health Organization Regional Office for South Asia, New Delhi.

[20] *Ibid.*

[21] Katulanda, P., *et al.* (2012), "Physical Activity Patterns and Correlation Among Adults from a Developing Country: The Sri Lanka Diabetes and Cardiovascular Study", *Public Health Nutrition*, 16(9).

[22] Manuha, M.I., N.Z. Iqbal, B. M. Nageeb and P. A. Paranagama (2013), "Association of Physical Activity and Sedentary Lifestyle with Overweight and Obesity Among Adult Women in Sri Lanka", *World Applied Science Journal*, 24(6).

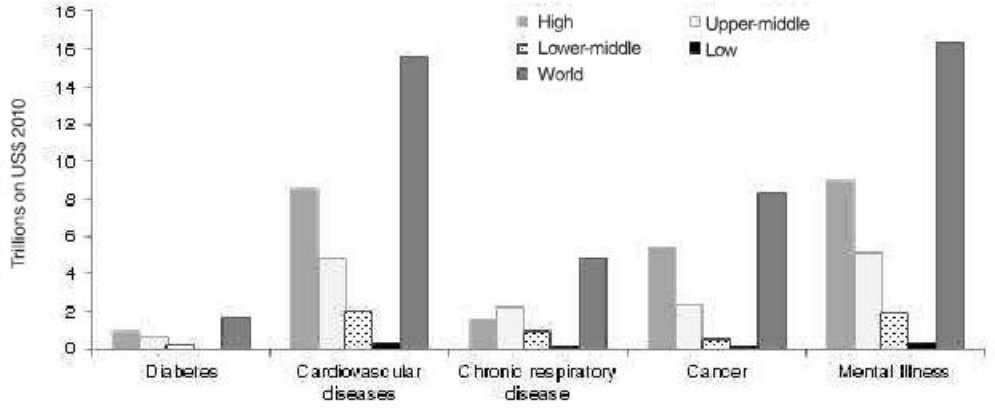
gardening were 33 per cent, 13 per cent, and 89 per cent, respectively.

12.4 Economic Costs of NCDs

The economic burden of NCDs is much larger than communicable diseases due to their nature, permanency, after effects such as disabilities, and requirement of long-term medication and care. There have been several attempts to estimate the global economic impacts of NCDs given the long-term macroeconomic impacts on labour supply, capital accumulation and GDP worldwide, with the consequences most severe in developing countries. It is estimated that during 2011-2025, cumulative economic losses due to NCDs under a 'business-as-usual' scenario in low and middle-income countries will be US$ 7 trillion and this amount far offsets the annual US$ 11.2 billion cost of implementing a set of high-impact interventions to reduce the NCD burden.[23]

The economic burden of NCDs is much larger than communicable diseases due to their nature, permanency, after effects such as disabilities, and requirement of long-term medication and care.

Figure 12.7
Economic Burden of NCDs, 2011-2030



Source: Bloom, D.E., et al. (2011), *The Global Economic Burden of Non-communicable Diseases*, World Economic Forum, Geneva.

[23] WEF (2011), *From Burden to 'Best Buys: Reducing the Economic Impact of Non-Communicable Diseases in Low- and Middle-Income Countries*, World Economic Forum, Geneva.

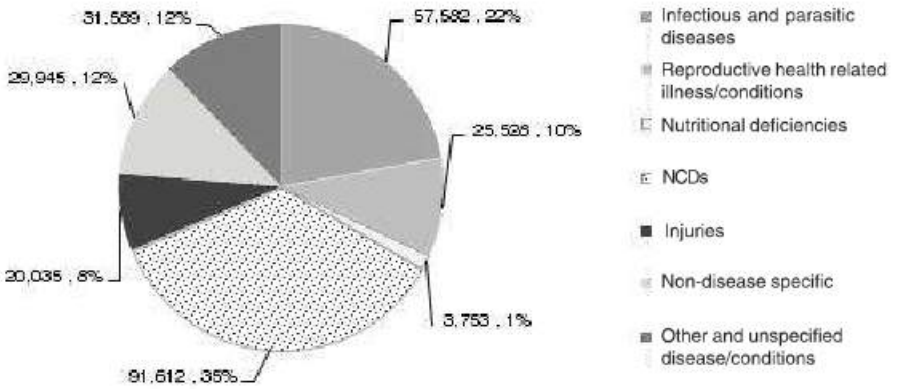
Globally, the labour units lost owing to NCD deaths and the direct medical costs of treating NCDs have reduced the quality and quantity of the labour force and human capital. In the US, men with chronic disease worked 6.1 per cent fewer hours and women worked 3.9 per cent fewer hours while obesity increased individual annual health care costs by 36 per cent, smoking by 21 per cent and heavy drinking by 10 per cent.[24] Economic and statistical analysis of the NCD cost burden have demonstrated that the current costs are very high and are projected to grow. Productivity losses death and/or disability related to NCDs are substantial as evident from Figure 12.7 and Table 12.3.

Table 12.3
Breakdown of Output Losses by Disease Type and Income Category, 2010 and 2030, (Trillions Constant 2010 US$)

Country income	Cancer		Chronic Respiratory Disease		Cardio-Vascular Diseases		Diabetes		Mental Illness		Total	
	2010	2030	2010	2030	2010	2030	2010	2030	2010	2030	2010	2030
High income	1.7	2.2	1.5	2	5.4	7.2	0.7	1	5.5	7.3	14.8	19.7
Upper middle income	0.6	1.9	0.5	1.8	1.9	6.3	0.3	0.9	1.9	6.5	5.1	17.4
Lower middle income	0.3	0.6	0.2	0.5	0.9	1.9	0.1	0.3	0.9	2	2.4	5.3
Low income	0.1	0.1	0.1	0.1	0.2	0.4	0	0	0.2	0.4	0.5	1
World	2.2	4.9	2.4	4.5	8.3	15.8	1.2	2.2	8.5	16.1	22.8	43.4

Source: Bloom, D.E., *et al.* (2011), *The Global Economic Burden of Non-communicable Diseases*, World Economic Forum, Geneva.

Figure 12.8
Distribution of Current Health Expenditure by Broader Categories of Illnesses, 2013



Notes: Given in Rs. million and percentage share.

Source: MOH, NIM (2016), *Sri Lanka Health Accounts 2013*, Ministry of Health, Nutrition and Indigenous Medicine, Colombo.

[24] Bloom, D.E., *et al.* (2011), *The Global Economic Burden of Non-communicable Diseases*, World Economic Forum, Geneva.

In 2013, Sri Lanka spent 35 per cent of the country's current expenditure on health on NCDs. In rupee terms it amounted to 91,612 million (Figure 12.8).

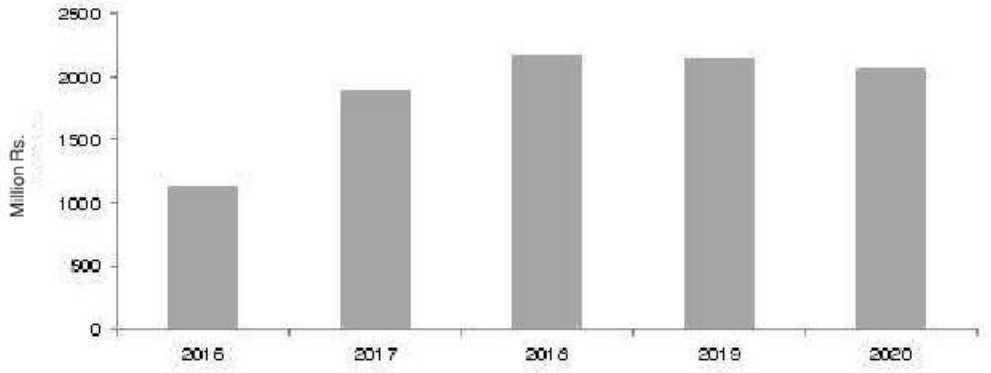
The Sri Lanka National Multi-sectoral Action Plan for the Prevention and Control of Non-communicable Disease (NCD MAP) 2016-2020 is aimed to prevent and control NCDs through a multi-sectoral approach. It has been estimated that the total cost of the implementation of the NCD MAP would be Rs. 9.3 billion (Figure 12.9). However, it is suggested that these estimates would increase further when infrastructure requirements are included.

Given Sri Lanka's relatively low public spending on health, increasing NCD care cost burden would further pressurize out-of-pocket health expenditure by households. A study which assessed the availability and prices of essential medicines for chronic diseases in older people in 11 countries in the Asia-Pacific region including Sri Lanka found that the median availability of any medicine (innovator brand or lowest priced generics) in the public sector was 35.5 per cent compared with 56.7 per cent in the private sector whereas medicines were more available in the private sector, but at an excessive price.[25] The total household cost for a single hospital admission for a kidney disease patient was estimated to be Rs. 3,700 and total household cost accounting for the total direct costs and lost income due to a single clinic visit for a patient was Rs. 500.[26]

12.5 Preventive Measures for NCDs

NCD preventive measures mainly focus on modifiable risk factors such as tobacco use,

Figure 12.9
Trend Cost of NCD MAP Implementation Plan



Source: MOH, NIM and WHO (2016), *Cost Estimates of Implementing the National Multi-sectoral Action Plan for the Prevention and Control of Non-communicable Diseases 2016-2020*, Ministry of Health, Colombo.

[25] Nguyen, T.A., *et al.* (2015), "Availability and Prices of Essential Medicines for Chronic Diseases in Older People in the Asia Pacific Region", *Journal of Pharmaceutical Policy and Practice*, 8(1)

[26] Senanayake, S. J., et al, (2017), "Out of Pocket Expenditure in Accessing Healthcare Services Among Chronic Kidney Disease Patients in Anuradhapura District", *Ceylon Medical Journal*, (forthcoming).

harmful use of alcohol, unhealthy diet, and physical inactivity. The WHO's Global Action Plan for the Prevention and Control of NCDs presents six objectives and nine targets to be achieved by 2020 (Box 12.1).

The WHO focuses its NCD prevention activities under four main themes namely; tobacco free initiative, health promotion, surveillance and population-based prevention, and mHealth

Box 12.1
Global Action Plan for the Prevention and Control of NCD 2013-2020

Objectives

1. To raise the priority accorded to the prevention and control of NCDs in global, regional and national agendas and internationally agreed development goals, through strengthened international cooperation and advocacy.
2. To strengthen national capacity, leadership, governance, multi-sectoral action and partnerships to accelerate country response for the prevention and control of NCDs.
3. To reduce modifiable risk factors for NCDs and underlying social determinants through creation of health-promoting environments.
4. To strengthen and orient health systems to address the prevention and control of NCDs and the underlying social determinants through people-centred primary health care and universal health coverage.
5. To promote and support national capacity for high-quality research and development for the prevention and control of NCDs.
6. To monitor the trends and determinants of NCDs and evaluate progress in their prevention and control.

Targets

1. A 25 per cent relative reduction in risk of premature mortality from cardiovascular diseases, cancer, diabetes, or chronic respiratory diseases.
2. At least 10 per cent relative reduction in the harmful use of alcohol, as appropriate, within the national context.
3. A 10 per cent relative reduction in prevalence of insufficient physical activity.
4. A 30 per cent relative reduction in mean population intake of salt/sodium.
5. A 30 per cent relative reduction in prevalence of current tobacco use in persons aged 15+ years.
6. A 25 per cent relative reduction in the prevalence of raised blood pressure or contains the prevalence of raised blood pressure, according to national circumstances.
7. Halt the rise in diabetes and obesity.
8. At least 50 per cent of eligible people receive drug therapy and counseling (including glycemic control) to prevent heart attacks and strokes.
9. An 80 per cent availability of the affordable basic technologies and essential medicines, including generics, required to treat major NCDs in both public and private facilities.

Source: WHO (2013), *Global Action Plan for the Prevention and Control of Non-Communicable Diseases 2013-2020*, World Health Organization, Geneva.

(mobile health).[27] Tobacco free initiative focuses on international attention, resources and action on the global tobacco epidemic. Under health promotion actions across sectors for health and health equity, the reduction of health risks and the promotion of healthy lifestyles are encouraged. Surveillance and population-based prevention works on comprehensive policy formulation, programme implementation and environmental interventions targeting the general public more than just the high-risk individuals. Using mobile-based technologies to promote healthy behavioural changes in population is carried out under the Health initiative.

The WHO estimates that scaling up a set of 'best buy' intervention across all low and middle income countries would cost approximately US$ 11.4 billion per year.[28] This is equivalent to US$ 1, US$ 1.50, and US$ 3 per person living in low-income, lower middle-income, and upper middle-income countries, respectively. When expressed as a proportion of current health care spending, the average annual cost of implementing such a package only amounts to 4 per cent in low-income countries, 2 per cent in lower middle-income countries and less than 1 per cent in upper middle-income countries.

12.5.1 Preventive Measures for NCDs in Sri Lanka

As a crucial step in fighting against NCDs, Sri Lanka published the National Policy and Strategic Framework for Prevention and Control of Chronic NCDs in 2009. The overall goal of the policy is to 'reduce the burden due to chronic NCDs by promoting healthy lifestyles, reducing the prevalence of common risk factors, and providing integrated evidence-based treatment options for diagnosed NCD patients'.[29] The policy aims to reduce premature mortality (less than 65 years) due to chronic NCDs by 2 per cent annually for 10 years by expanding evidence-based curative services and individual and community-wide health promotion measures for reducing risk factors.

Sri Lanka has established a NCD Unit as the national focal point for prevention and control of acute and chronic NCDs in the country to achieve these policy objectives. The initiatives launched include a NCD Screening Programme (screen people in Healthy Lifestyle Centres (HLCs), conduct workplace screening, and conduct mobile screening), establishing 742 HLCs in primary health care institutes, mobilizing youth for NCD prevention in collaboration with the Ministry of Youth Affairs and Skills Development and National Youth Services



[27] WHO (2017), "Prevention of Non-communicable Diseases", available at http://www.who.int/ncds/prevention/introduction/en.

[28] WHO (2011), *Scaling Up Action Against Non-Communicable Diseases: How Much Will It Cost?*, World Health Organization, Geneva.

[29] Ministry of Healthcare and Nutrition Sri Lanka (2009), *National Policy and Strategic Framework for Prevention and Control of Chronic Non-Communicable Diseases*. Ministry of Healthcare and Nutrition, Colombo.

Council, including pictorial health warnings covering 80 per cent of the cigarette packet and commencing an island-wide NCD Risk Factor Surveillance (STEPS) with the WHO in 2014. As an innovative approach, the Ministry of Health has piloted a 'Package of Essential

Box 12.2
Primary Health Care Strengthening Approach in Addressing Non Communicable Diseases in Sri Lanka

The Ministry of Health conducted an initial pilot project in three districts (Hambantota, Polonnaruwa and Nuwara Eliya) based on a primary care strengthening approach to address chronic NCDs. This approach is intended to develop a health service which is organized around good quality primary level services that would offer the greatest potential to address NCDs whilst addressing personalized and family centered care.

The Key objectives in adopting this approach are:

- To achieve universal coverage for health services to address the present burden of NCDs
  - o Expected impact - reduce preventable mortality due to chronic NCDs
- To minimize catastrophic health spending in low-middle income groups
  - o Expected impact - reduce out-of-pocket expenditure for health
- To improve efficiency in resource utilization for health
  - o Expected impact - increased utilization of primary level services for continuing care needs of chronic NCDs.
- To improve quality of care
  - o Expected outcome - overall patient satisfaction for continuing care needs

The pilot project brought about several contributions as key health systems development processes, guidelines and tools:

1. Revision of essential drugs list to manage premier NCDs at primary level hospitals (divisional hospitals and primary medical care units)
2. NCD management guideline at primary care level using a multiple risk approach (includes referral criteria to specialized centers)
3. Emergency care guideline for primary care level
4. Life style modification guideline (a handbook) for primary level health care workers in all three languages
5. Guideline to establish lifestyle modification centres (healthy lifestyle clinic)
6. Life style modification tools (to be used in life style modification when guiding patients)
7. A personal health record (and a clinic record) to be made available subsequently to all citizens
8. Community screening guideline and referral card

Greater community awareness through individual and settings approach and social marketing were found very important and effective tactics in addressing the NCD challenge. The project introduced eight healthy lifestyle targets in line with the WHO strategy of common risk factor approach. The eight (referred to as Super 8), signifies the importance of collectively mentioning and addressing all risk factors as empowerment is needed in all risk areas; healthy eating, physical activity, stop tobacco and alcohol.

Source: MOH (2014), *Annual Health Bulletin 2014*, Ministry of Health, Colombo.

NCD (PEN) Implementation' with the help of the WHO in 2011. The PEN uses the primary health care approach for NCD prevention and control, and is intended for use in low-resource settings, where strong partnerships with key stakeholders is identified as the key success of the project.[30] Another project was initiated based on primary health care strengthening approach (Box 12.2).

Apart from the individual based approaches over the last few years, Sri Lanka has also taken some innovative and encouraging population-based approaches in preventing NCDs. These include building recreational sites and jogging tracks in urban areas. The Urban Development Authority (UDA) took the initiative to build recreational cites and jogging tracks in urban areas from 2012. These places provide recreational spaces to relax and exercise for city dwellers. The large numbers to be seen using these recreational areas indicate the considerable demand for such leisure facilities.

Other measures include a color-coding system known as 'traffic light' for beverages that was introduced in 2016. Under this system, it is compulsory to label beverages to indicate red if the product has 11g of sugar per kilo, amber if it has between 2-11g of sugar per kilo and green for beverages with less than 2g of sugar per kilo. By introducing such regulations, it is expected to enable people to make informed choices and limit their sugar consumption.[31] Further, sugar and tea or coffee should be served separately according to the new regulations.

In addition, other initiatives include social marketing to create awareness through media campaigns and other engagement activities. International days like World Health Day, World Heart Day, and World Diabetes Day are marked locally along with attempts to educate the general public.

Successive governments have consistently used alcohol and tobacco pricing with the objective of reducing consumption. Apart from that, it is also used extensively as a tool to boost government revenue. As a recent amendment to alcohol and tobacco pricing policy, the government increased the excise duty on cigarettes and liquor in 2015. It is argued to have led 4-5 per cent drop in cigarette consumption as result of this price increase.[32] Further, a 15 per cent VAT was introduced on liquor and cigarettes in November 2016. In 2016, production in the tobacco sub-sector recorded a decline of 3.2 per cent and the beverages sub-sector declined by 13.4 per cent (mainly due to the lower production of liquor, being the largest category of this sub-sector).[33]

Cigarette consumption is seen to have increased from 3,571 billion in 2014 to 3,932 billion in 2015. This is an increase of 361 million cigarettes - i.e., almost 1 million cigarettes more,

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[30] WHO (2015), Health Partnership-Case Studies: Tackling Non-Communicable Diseases - Sri Lanka's Biggest Killer, World Health Organization Regional Office for South East Asia, New Delhi.

[31] "Warning Signals on Beverages from 1 June." *Sunday Times*, 01 May, 2016, available at http://www.Sunday times.lk/160501/news/warning-signals-on-beverages-from-june-1-191733.html.

[32] "Cigarettes Relation between Price and Consumption." *Ceylon Today*, 31 October 2016, available at http://www.ceylontoday.lk/print20160701CT20161030.php?id=8348.

[33] CBSL, *Annual Report 2016*, Central Bank of Sri Lanka, Colombo.

per day, consumed in 2015 compared to 2014. Hence, setting up a moderate and systematic method to increase prices can mitigate the increase in affordability that comes with average income growth. The National Authority on Tobacco and Alcohol (NATA) together with local and WHO experts have proposed a tobacco tax rates formula to be considered by the government in this context. It recommends as best practice under the Framework Convention on Tobacco Control (FCTC) that excise duty should account for at least 70 per cent of the retail price of cigarettes. The estimated tax revenue under the proposed tobacco tax rates could be Rs. 120 billion per year by 2017. The proposed tax deterrent which will make cigarettes more expensive is expected to reduce the number of daily smokers in the country by 200,000 adults, representing a 14 per cent decrease. In addition, it is argued that this will deter 70,000 of Sri Lanka's youth population (those below 15 years) from starting to smoke. The proposed rates also look at averting at least 70,000 deaths due to smoking from among the 200,000 adults who quit the habit.[34]

Despite all these initiatives to prevent and control NCDs, Sri Lanka's health sector still faces barriers in implementing its national NCD programme. Issues in the health system, human resources and financing are the most critical barriers.[35] The lack of an adequate NCD/risk factor surveillance system, a unified screening methodology and tools, standard guidelines for care, drugs and best practices, a cohesive and

Despite initiatives to prevent and control NCDs, Sri Lanka's health sector still faces barriers in implementing its national NCD programme. Issues in the health system, human resources and financing are the most critical barriers.

[34] Attygalle, R., (2015), "Tobacco Industry and Taxation", *The Island*, 30 May 2015, available at http://www. island.lk/index.php?page_cat=article-details&page=article-details&code_title=125676.

[35] Panapitiya, L., (n.d.), "Non-communicable Disease Prevention and Control in Sri Lanka", University of Kelaniya, available at http://medicine.kln.ac.lk/depts/publichealth/Fixed_Learning/HEB/Media%20Seminar%20Presentation/World%20 Heart%20DAy/disease_prevention_control_in_sri_lanka.pdf

cost-effective preventive sector programme, a monitoring and evaluation system are some of the barriers. Improving central level capacity, gaps in recruiting and training staff for NCD care at primary and secondary care, and knowledge constraints are some human resource related issues.

Knowledge and practices of NCD prevention strategies that are applicable in ward settings are found to be poor among the majority of Medical Officers (MO).[36] Only 43.7 per cent of MOs possessed a 'good' level of knowledge regarding NCD prevention, only 41.4 per cent were able to name three NCDs that could be screened for, and only 18.4 per cent were aware of the location of screening services. The lack of funding for development of district level NCD implementation units and district level activities, and limited funding for social marketing campaigns are some financial constraints faced by the health sector.

The target set by the National Policy and Strategic Framework for Prevention and Control of Chronic NCDs in 2009 was to reduce premature mortality (less than 65 years) due to chronic NCDs by 2 per cent annually for 10 years. Although published figures are not available to measure the total progress of achieving this target, available data indicate that the country is achieving mixed results for individual NCDs, where the average increase in number of deaths is positive for some NCDs and negative for others. For example, the average hospital deaths due to diabetes mellitus has decreased by 1.2 per cent, but the average hospital deaths due to hypertensive disease and ischemic heart disease have increased on average by 3.4 per cent and 3.6 per cent respectively during 2009-2015.[37]

12.5.2 Innovative Measures to Prevent NCDs

The World Health Assembly in May 2012 set a global target to reduce deaths under 70 from NCD by 25 per cent by 2025. There are nine targets to be achieved by 2020 under the Global Action Plan for the Prevention and Control of Non-communicable Diseases. NCD Unit has also declared six monitoring NCD indicators for Sri Lanka. Given that NCDs are reaching an epidemic proportion with high prevalence and the huge burden it placed on the economy and society, actions against the NCDs should be taken immediately. In this regard, innovative approaches will be a key element in fighting against NCDs. The innovative methods in combatting NCDs may act on the metabolic risk factors, on the behavioural risk factors, or on the social determinants of NCDs. Innovation can happen in various forms; biological technology, information technology, medical devices, changes in the workforce, greater involvement of patients, greater involvement of civil society, and organizational innovations. In order to have an effective impact, innovation must diffuse widely and the main drivers of diffusion include professional discussion, markets, consumers, governments, international organizations and businesses (Table 12.4).

[36] Wellapuli, N., and N. Gunawardena (2015), "Knowledge, Attitudes and Practices of Medical Officers in Two Selected Teaching Hospitals in the Colombo District in the Application of Non-Communicable Disease Prevention Activities in the Ward Setting", *Journal of the Postgraduate Institute of Medicine*, 2(12).

[37] MOH(2017), *Annual Health Bulletin 2015*, Ministry of Health, Nutrition and Indigenous Medicine, Colombo.

Table 12.4
Drivers of Diffusion

Driver	Diffusion Mechanics
Professional discussion	If innovations disrupt the way that professionals deliver a service or orthodox medical practice, then diffusion will be slow. Agreement is required on the framework of health-service delivery for this to work Markets drive innovations through industries- rapidly if value is proved; businesses that lag or resist will fail
Market economics	Markets work differently in health systems. Nevertheless, to become mainstream, innovations must prove value and savings, that require developments in the payment system Consumers have a big role in scaling-up innovations- adopting those that make their lives easier
Consumers	Up to now, patients have not had a role in pulling innovations into health systems; this will change, as consumers now have raised expectations and increased awareness of innovations
Governments	Governments have a role to play in diffusing innovations- but they cannot compel adoption They can control and shape diffusion by adjusting regulatory levers and by promoting quasi markets
International organizations	Typically, a health system is a reflection of a nation's identity But health, science and consumer behaviour are increasingly globalized, and disregard/ transcend national boundaries. Sustainable and proven innovations will diffuse across countries
Businesses	Business is a major employer, and companies can influence the health of their staff Businesses sell products- which can be either good or bad for our health Businesses have relationships with consumers- which again can be either good or bad for our health

Source: Smith, R., P. Corrigan and C. Exeter (2012), *Countering Non-Communicable Disease through Innovation*, Report of the Non-communicable Disease Working Group 2012, Global Health Summit.

Innovative methods and approaches for NCD prevention are being introduced and practiced in different countries and in different settings. The Global Health Summit in 2012 identified seven immediate steps that should be taken to trigger innovative solutions to prevent NCDs, namely; (1) expanding and improving the database of innovations; (2) developing a business case for self-management; (3) working with a government to diffuse at least one innovation; (4) working with finance and health ministers to make health, economic, and business cases for investment in innovation; (5) attempting to build a social movement around one of the innovations; (6)working specifically on innovations in areas where the taxonomy shows to have few innovations; and (7) building a global collaboration to implement and trial one innovation to tackle an NCD.[38] Table 12.5 presents some innovative approaches and critical success factors in NCD management. Innovation in NCD prevention can happen at any level; primary, secondary, or tertiary.

[38] Source: Smith, R., P. Corrigan and C. Exeter (2012), *Countering Non-Communicable Disease through Innovation*, Report of the Non-communicable Disease Working Group 2012, Global Health Summit.

Table 12.5
Examples for Innovations on NCD Prevention at Different Prevention Levels

Name	Innovation	Strategy	Key findings
Strategies to promote healthy eating behaviour, Singapore Health Promotion Board- *Prevention level: Primary*	Encouraging Singaporeans to eat healthy by using novel tools adopted by market research companies, and engaging local food manufacturers and hawkers to develop and sell healthier foods though the board's 'Ask For' programme	Advancing health promotion initiatives upstream by engaging local food manufacturers to co-develop healthier foods	Up streaming of education, health promotion initiatives and interventions as shown by successful health programme promotion at the national level
Enactment of a 'sin tax' on tobacco products, Department of Health, Philippines- *Prevention level: Primary*	Utilization of strategic means and political will by pro-sin tax reformers to push forth their agenda; signed into law in December 2012 after 16 years of review and revisions	Building a critical mass base for supporting efforts of tobacco control advocates and pushing of the tobacco tax law through engaging lawmakers' support and civil society participation	The confluence of a popular administration with a firm political will and closely coordinated actions between the policy holders and the tobacco reform advocates from civil society is crucial in mobilizing supporters from the government and people to bring about change
'Gotong Royong' behavioural change model, Melaka State Health Department, Ministry of Health, Malaysia- *Prevention level: Primary*	Using the concept of 'gotong royong' – the spirit of volunteerism, selflessness, and working together for the benefit of the community; villagers of Malacca were given RM 4,000 (approx.US$1,250) per village to print materials, train volunteers in health education, nutrition, and exercise	Identifying village heads who are keen in leading the project and providing support and education to train the volunteers	Sense of ownership, community empowerment, and a spirit of volunteerism were important factors in making the community health programme a success
Community-based hypertension management, Vietnam National Heart Institute- *Prevention level: Secondary*	Development of an alternative care delivery methods for chronic patients post discharge using tele-health system used by the Eastern Health Alliance for its Health Management Unit	Training the MAs and nurses facilitating referral system from the rural area to the hospital	The success of the programme is contributed by 1) successful engagement of the whole community, 2) support from committed local authorities and medical expertise, and 3) training of committed health care workers
Tele-health interventions to chronic patients, Eastern Health Alliance, Singapore- *Prevention level: Secondary*	Development of an alternative care delivery methods for chronic patients post discharge using tele-health system used by the Eastern Health Alliance for its Health Management Unit	Identifying discharged chronic patients through the Relationship Management Program; the system monitors the health of the patient and alerts the health care provider if the patient's test results showed worsening condition, visiting for consult or missing a medical appointment will be monitored as well	Alternative methods are needed to explore care delivery for patients while also being aware of the patient's needs during their illness journey
Digital retinal photography for diabetics in rural communities, Center of Excellence (COE) for Retina Diseases, Rajavithi Hospital & Institute of Medical Research and Technology Assessment (IMRTA), Department of Medical Services, Ministry of Public Health, Thailand- *Prevention level: Tertiary*	Alternative solutions are explored to bring DR screening into the villages so that more people could benefit	Identify committed village volunteers who are not medically trained to learn and perform the DR screening	A strong political will is needed to implement the diabetic blindness prevention project to the community
Improving care of pediatric patients with diabetes, Indonesian Pediatric Endocrinology Chapter, Indonesian Pediatric Society (IDAI) and Indonesian Association of Families with Diabetes Mellitus Children (IKADAR) - *Prevention level:*	The project lead skillfully capitalized on data to seek funds and also utilized multi-prong approaches for outreach programmes to create awareness	Identifying the childhood diabetes problem with data, reach out to the funding bodies to present the case and seek funding; building capacity among health care providers and engaging stakeholders and family in awareness programmes	Education and awareness creation for the patients and convincing stakeholders are key to successful programme implementation

Source: Lim J., M. Chan, F. Alsagoff and H. Duc (2014), "Innovations in Non-communicable Diseases Management in ASEAN: A Case Series", *Global Health Action*, 7(10).

Experiences from other countries clearly indicate that education and awareness, strong political will, community participation and empowerment and most importantly, the engagement and commitment at all levels are the key success factors of innovation approaches to NCD prevention.

12.6 Conclusion

NCDs have become the leading cause of death, killing 38 million people annually around the globe. In Sri Lanka, 75 per cent of total deaths are attributed to NCDs. Over the years, the prevalence of NCDs has increased owing to many socio-economic factors. Population ageing, poverty, globalization, urbanization, changes in life-style patterns and changes to ecological systems are some of the reasons behind the rapid increase in the prevalence of NCDs. Sri Lanka now encounters an epidemiological challenge which needs to be addressed urgently.

NCD prevention and management are of critical importance for many reasons. First and foremost it should be achieved to ensure the healthy living and wellbeing of all. Unlike other communicable diseases, the NCDs place a huge economic and social burden on the patient as well as on the patient's household. The need for long-term care and medication, and risks of permanent disabilities place the patient in an economically vulnerable position. As a country, NCDs also place a huge burden on health spending. Apart from that, NCDs affect human development, impairing productivity and skills development of the workforce and thereby the ability to participate in labour force activities.

Cardiovascular diseases, cancers, chronic respiratory diseases and diabetes are the main

Experiences from other countries clearly indicate that education and awareness, strong political will, community participation and empowerment and most importantly, the engagement and commitment at all levels are the key success factors of innovation approaches to NCD prevention.

four types of NCDs which are responsible for the majority of the deaths. The risk factors behind NCDs are broadly divided into two categories; modifiable risk factors and metabolic risk factors. Physical inactivity, tobacco use, alcohol use, and unhealthy diets are the four major modifiable risk factors. High blood pressure, overweight/obesity, hyperglycemia and hyperlipidemia are the main metabolic risk factors. The prevalence of modifiable risk factors as well as metabolic risk factors are high among Sri Lankans.

The estimated productivity loss and economic cost are high. It is also evident that it is economically effective to invest in prevention measures than can offset the curative costs and productivity losses due to NCDs. Addressing the behavioural risk factors at the primordial and primary levels is cost effective than addressing them at the secondary or tertiary prevention levels.

Sri Lanka has initiated individual as well as community based approaches in NCD prevention. Formulating a national policy on NCDs, establishing a NCD Unit as the national focal point, and multi-sectoral collaborations are some of the key steps taken. However, the country's health sector continues to face challenges in taking preventive measures against NCDs. Issues in the health system, human resources, and financing the NCD preventive programmes are identified as the main challenges in this regard. Although Sri Lanka is known as a low spender on health, in future additional funds would be needed to finance NCD prevention and control. Budgetary measures should be taken now itself to make necessary allocations for NCD prevention and control to proceed.

Innovative methods and approaches are important factors for effective NCD prevention. Innovation can take various forms (such as biological technology, information technology, medical devices, changes in human resources, and organizational innovations) and at different levels (i.e., primary, secondary and tertiary). The diffusion of innovations is also very important and should involve every stakeholder. Global examples as well as local pilot projects emphasize that education and awareness, community participation, engagement and empowerment, strong political leadership are the key success factors for effective innovative methods and approaches.

POLICY BRIEFS

13. Shadow Education

13.1 Introduction

Policymakers have long recognized the central role played by education in reducing economic and social inequalities and promoting inclusive economic growth. However, the focus has been mostly limited to mainstream education, ranging from kindergartens and primary and secondary schooling to the tertiary sector. The rising importance of private supplementary tutoring - also known as 'shadow education' - has been largely ignored. The term shadow education derives from the fact that private supplementary tutoring mimics mainstream education.[1] For instance, private tutoring exists only because mainstream education exists, while the size and scope of supplementary tutoring change according to similar changes in mainstream education.[2]

A wide variety of types of private tutoring exists. At one end of the spectrum is one-on-one tutoring, usually provided in the homes of either tutors or students. At the other extreme rooms overflow with students who are crammed into large lecture theatres with microphones or video screens operating in. Alternatively, students may receive tuition in small, medium-sized, or large groups. In addition to face-to-face instruction, tutoring can be provided by phone, television, and the internet, extending across national and even continental borders.

Although the scale and nature of shadow education can have far-reaching implications for academic achievement, socio-economic inequalities, and even economic development, it has received minimal attention or policy focus to date.

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[1] Bray, M. (1999), *The Shadow Education System: Private Tutoring and its Implications for Planners*, UNESCO International Institute for Educational Planning, Paris.

[2] Bray, M., and C. Lykins (2012), *Shadow Education: Private Supplementary Tutoring and its Implications for Policy Makers in Asia*, Asian Development Bank, Manila.

Table 13.1
Regional Patterns of Shadow Education

Region	Patterns
East Asia	The region where shadow education is most visible. It has long been a central part of the education system and deeply engrained in culture, largely due to Confucian traditions which value education and stress diligence. Tutoring mainly caters to high achievers.
South Asia	Tutoring has become an established part of daily life, especially in urban areas. Tutoring is viewed by teachers as a means of supplementing low teacher salaries.
Africa	Shadow education has become more visible, in part reflecting teacher awareness of revenue-generating opportunities in an education system with weak accountability and supervision.
Former Soviet countries and Eastern Europe	Private tutoring was modest in scale until the early 1990s, after which it significantly expanded when the collapse of economies forced teachers to earn additional income to stay above the poverty line. Students across the range of academic ability are involved.
Western Europe, North America and Australasia	Tutoring remains relatively modest in scale compared to other regions. However it has considerably expanded as policymakers have emphasized competition between schools, and parents have seen benefits of private tutoring. Some governments have promoted tutoring to help low achievers.
Latin America	Tutoring is relatively modest except at the upper secondary level, which reflects traditions in education systems.

Source: Bray, M. (2009), *Confronting the Shadow Education System: What Government Policies for what Private Tutoring?*, UNESCO International Institute for Educational Planning, Paris.

Although the scale and nature of shadow education can have far-reaching implications for academic achievement, socio-economic inequalities, and even economic development, it has received minimal attention or policy focus to date. The aim of this Policy Brief is to examine the patterns and drivers of shadow education, shed light on its positive and negative dimensions, and draw attention to some broad implications for policymakers. The focus is limited to tutoring in academic subjects that is provided for a fee and which takes place outside the usual school hours.[3] The focus is also restricted to tutoring for students at the primary and secondary levels - which is the most prevalent type of tutoring - although shadow education at higher levels does exist.

13.2 Patterns of Shadow Education

The past few decades have seen considerable expansion in private supplementary tutoring in many parts of the world. A general overview of the situation in different regions is presented in Table 13.1 above.

[3] Other forms of tutoring include tutoring in sports or music outside those that are assessed subjects for progression in education systems, and tutoring provided free of charge by teachers, family members, and community groups.

The past few decades have seen considerable expansion in private supplementary tutoring in many parts of the world. A general overview of the situation in different regions is presented in Table 13.1 above.

Table 13.2
Intensity and Demographic Variations of Shadow Education

Countries	Indicator	Patterns
Kyrgyz Republic	Seasons and number of hours	41 per cent of a surveyed sample of students received private tutoring regularly throughout the year, 20 per cent received them occasionally, and 12% did so just before examinations. The majority of students (57 per cent) spent 1-2 hours per week with a private tutor (Bagdasarova and Ivanov, 2009).
China and Singapore	Grade at school	This largely depends on the nature of the selection Singapore processes at various stages in the education system. While secondary students receive more intensive tutoring than primary students in China (Xue and Ding, 2009), the situation is the opposite in where the Primary School Leaving Examination is the key determinant of the secondary school streams that students will enter (Tan, 2009).
Bangladesh and India	Public/private l nature of schoo	38 per cent of pupils in government primary schools received private tutoring compared with 12 per cent in non-government schools in Bangladesh (Nath, 2011). In Uttar Pradesh, India, 10 per cent of grade 1 children in private schools were receiving tutoring compared with 4 per cent in government schools, a disparity maintained in all reported grades (Pratham, 2011).
Kyrgyz Republic Sri Lanka	Location	62 per cent of surveyed students from urban areas and received tutoring, compared with 38 per cent from rural areas in the Kyrgyz Republic (Silova, 2009). In Sri Lanka, the proportions receiving tutoring were roughly the same at around 65 per cent in both urban and rural locations (Pallegedara, 2011).
Bangladesh, India, Japan, China, Kyrgyz Republic, Korea	Gender	Gender imbalances in tutoring in favour of males have been found at the primary school level in Bangladesh (Nath, 2008) and at both the primary and secondary levels in India (Ghosh and Rana, 2011), Japan (OECD, 2011) and China (Liu, 2012). However, girls receive more tutoring in the Kyrgyz Republic and Korea (Bagdasarova and Ivanov, 2009; Kim and Lee, 2010).
Malaysia and Lanka	Ethnicity	Students of Chinese ethnicity were more likely to Sri receive tutoring compared to Malays in Malaysia (Jelani and Tan, 2012), while Sinhalese students received more tutoring than their Tamil counterparts in Sri Lanka (Gunasekara, 2009; Pallegedara, 2011).
Georgia, Central Cental Asia, Sri Lanka	Subjects	Mathematics and foreign languages were the top subjects for which tuition was received by senior secondary students in Georgia and Central Asia (EPPM, 2011; Silova, 2009). Mathematics, science, and English were the most sought after subject for tutoring in Sri Lanka among grade 10 students (Suraweera, 2011).

Source: Compiled using Bray, M., and C. Lykins (2012), *Shadow Education: Private Supplementary Tutoring and its Implications for Policy Makers in Asia*, Asian Development Bank, Manila.

13.3 Drivers of Shadow Education

The main driver of demand for shadow education is the belief that greater investments in education will facilitate superior performance in major examinations and entrance to prestigious secondary schools and universities. Some specific drivers of shadow education include:

- Transition points in the education system - the competition to get into limited schools and universities or to better quality ones generates demand for shadow education at specific stages.
- School quality - real and perceived inadequacies in mainstream schooling, including poor teaching quality, large class sizes, and the existence of double-shift schools, which require the covering of full syllabuses in half-day classes.
- Smaller families and increased wealth - decreasing family size in Asia leaves families with more resources to spend on extra tutoring. Evidence for an inverse correlation between family size and private tutoring has been reported in many countries including the Philippines, China, Japan, and Vietnam.[4]

Private tutoring is supplied by a diverse range of sources, from family members, neighbours, and older students, to classroom teachers, global organizations, and web-based firms. The private tutoring industry has emerged as a key employment provider partly owing to low barriers to entry. A major driver of the provision of supplementary tutoring is low teacher salaries, which have been observed to hover around the poverty line in countries such as Cambodia, Georgia, Kazakhstan, Lao PDR, and Tajikistan.[5]

13.4 Impact of Shadow Education

13.4.1 Academic Achievement

The most obvious impact of shadow education is in academic achievement. However, while the implicit assumption is that private tutoring contributes positively towards academic attainment, much depends both on the quality of tutoring and the ability and motivation of students. Research in this area is hindered by factors such as lack of comprehensive data on different types of private tutoring, and the wide range of overlapping variables that also influence learning outcomes. Several studies conducted in the Republic of Korea - where comprehensive data on tutoring are available - have found positive but small effects from investment in tutoring, while the relationship disappears when controls are added on student background. [6] Across countries, the general view is that private tutoring does help, and that if learning improvements are not significant, the solution is to try harder with existing tutors or to find better replacements.[7]

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[4] Bray, M., and C. Lykins (2012), *Shadow Education: Private Supplementary Tutoring and its Implications for Policy Makers in Asia*, Asian Development Bank, Manila.

[5] *Ibid.*

[6] Sohn, H., *et al.* (2010), "Longitudinal Relationship Among Private Tutoring, Student-Parent Conversation, and Student Achievement", *KEDI Journal of Educational Policy*, 7(1).

[7] Bray, M., and C. Lykins (2012), *Shadow Education: Private Supplementary Tutoring and its Implications for Policy Makers in Asia*, Asian Development Bank, Manila.

13.4.2 Broader Skills and Values

Shadow education involves the risk of reducing education to mere academic achievement, whereas education is a much broader concept including physical, aesthetic, and social development through sports, music and arts, and relationships with members of society. The emergence of private tutoring leaves little room for cultivating such aspects of education, and may even take away from wider forms of personal and social development, as has been observed by many teachers in Hong Kong.[8] Corruption in the shadow education system is another area of concern. There have been instances where school teachers who also provide private tutoring disclose examination questions in advance during tuition classes.[9] Such practices can have a strong negative influence on young students who are exposed to dishonesty and immoral behaviour at an early stage in life.

On a more positive note, private tutoring can be instrumental in developing a child's self-esteem and sense of achievement. Tutoring can be particularly important to slow learners who require additional support to keep up with their peers. Tutoring can also encourage desirable traits such as *self-discipline. Japan's shadow education system, which emphasizes diligence and learning*, has contributed significantly towards the country's economic progress.[10]

13.4.3 Economic and Social Inequalities

Shadow education can maintain and intensify economic and social inequalities. More affluent households are able to secure and access private tutoring in greater quantity as well as quality compared to poorer households. Shadow education can thus pose a threat to free public education systems which aim to ensure equal educational access to all students. In extreme situations, students tend to believe that supplementary tutoring is essential and could choose to drop out from mainstream schooling when their parents are unable to afford tutoring, as has been observed in slum areas in Delhi.[11] In such circumstances, private tutoring hinders students from access even to free public education.

13.4.4 Inefficiencies of the Education System

At first glance it might appear that private tutoring is more efficient than mainstream schooling owing to the provision of specialized services to customers who value them most, operation in a marketplace, and employment of cost-effective teaching methods. However, several factors raise doubts about the efficient use of resources. First, as discussed above, there is no strong evidence that private tutoring always generates gains in learning, whereas it also focuses on narrow domains of achievement. Second, inefficiencies can be generated if students pay more attention to fee-charging tutors than to school teachers operating under the free education system. Moreover, students who spend long hours at tuition classes may have limited energy to pay full attention in school. Third, school teachers who also engage in tutoring might spend more effort on their private tuition classes or might deliberately limit the content taught during regular school hours

[8] *Ibid.*

[9] Transparency International (2011), *Forms and Effects of Corruption on the Education Sector in Vietnam*, Transparency International, Germany.

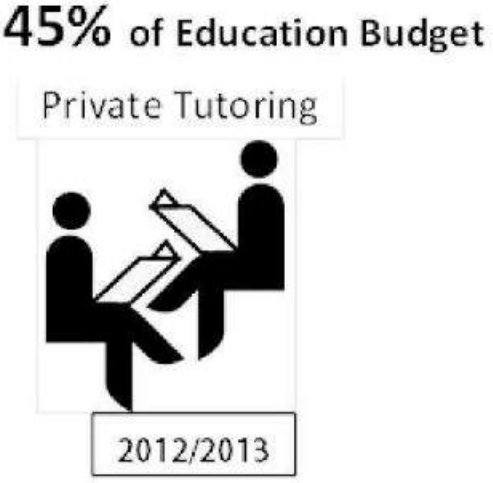
[10] Dierkes, J. (2011), "Supplementary Education in Japan", IIAS Newsletter, University of Leiden, Netherlands.

[11] Chugh, S. (2011), *Dropout in Secondary Education: A Study of Children Living in Slums of Delhi*, NEUPA Occasional Paper 37, National University of Educational Planning and Administration, New Delhi.

to ensure demand for tuition classes. Lastly, the shadow education system can create inefficiencies by eliminating talent from the mainstream system. In Hong Kong, for example, some of the most famous tutors are former school teachers who have left the school system in favour of tutoring.[12]

13.5 Shadow Education in Sri Lanka

Sri Lanka has long traditions of private tutoring, and similar to many East Asian countries, it has become a social norm.[13] In fact, official documentation voicing concerns about shadow education in Sri Lanka dates back to 1943 (Box 13.1). A comparison of expenditure on private tutoring based on 1995/1996 and 2006/2007 Household Income and Expenditure Survey



Box 13.1
Private Tutoring in Sri Lanka: A Longstanding Concern

The challenges of private tutoring were observed in Sri Lanka as early as 1943. A Special Committee on Education was especially critical of the examination-oriented coaching centres that operated alongside the schools. The committee felt that the emphasis of these centres on memorization-based learning undermined the general purposes of education. The report stated that 'parents frequently provide private coaches whose whole justification is that they will get their pupils through examinations. Coaching establishments which do not pretend to educate at all, flourish. We strongly deprecate the practice too frequently adopted by many parents of supplementing the school work by private coaching. In the end it destroys its object by making the student incapable of originality and initiative.'

Despite these warning signals, since that era, tuition centres and other forms of supplementary tutoring have grown rapidly. Private tutoring has now become deeply engrained in the culture.

Source: Adapted from Bray, M., and C. Lykins (2012), *Shadow Education: Private Supplementary Tutoring and its Implications for Policy Makers in Asia. Asian Development Bank, Manila; Report of the Special Committee on Education* (1943), Sessional Paper XXIV, Ceylon Government Press, Colombo.

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[12] Bray, M., and C. Lykins (2012). *Shadow Education: Private Supplementary Tutoring and its Implications for Policy Makers in Asia*, Asian Development Bank, Manila.

[13] Pallegedara, A. (2011), *Demand for Private Tuition Classes under the Free Education Policy: Evidence Based on Sri Lanka*, MPRA Paper no. 31969, Munich Personal RePEc Archive. Available at https://mpra.ub.uni-muenchen .de/31969/ 1/MPRA paper_31969.pdf.

Private tutoring does not always generate gains in learning. It also focuses on narrow domains of achievement.

(HIES) data shows that the percentage of households spending on private tuition increased substantially from 23 per cent to 64 per cent over the two time periods.[14] Private tutoring also features as the largest component of the household education budget, with a recorded share of 45 per cent in 2012/2013.[15]

The highly competitive nationally qualifying examinations of Sri Lanka's education system, namely the grade five scholarship examination and the O-Level and A-Level examinations, generate high demand for shadow education at these transition points. Other factors driving demand for private tutoring include social competition to enroll in popular schools, limited higher education opportunities with only around 18 per cent of A-Level qualified students being able to obtain admission to state universities, low school quality and teacher salaries, a low share of 8.6 per cent of expenditure on education as a percentage of total government expenditure compared to an average of 16.4 per cent in lower middle income countries,[16] and overloaded school curriculums.[17]

The investigation of the impact of shadow education on educational outcomes in Sri Lanka has been limited by data unavailability. In terms of its impact on broader skills and values, public concern in Sri Lanka has centered on the disregard of spiritual domains. Subsequently, in 2010, the Sabaragamuwa Provincial Council prohibited private tutoring of children between the ages of 5 and 16 between 8:00 am and 2:00 pm on Sundays and on the monthly Poya holidays.[18] Available data on private tuition expenditure suggest that households in the lower expenditure quartiles have caught up with tuition expenditure of the richer quartiles overtime (Figure 13.1), possibly driven by the emergence of lower cost tutoring options. Nevertheless, there are bound to be wide variations in the quality of tutoring between different expenditure quartiles.

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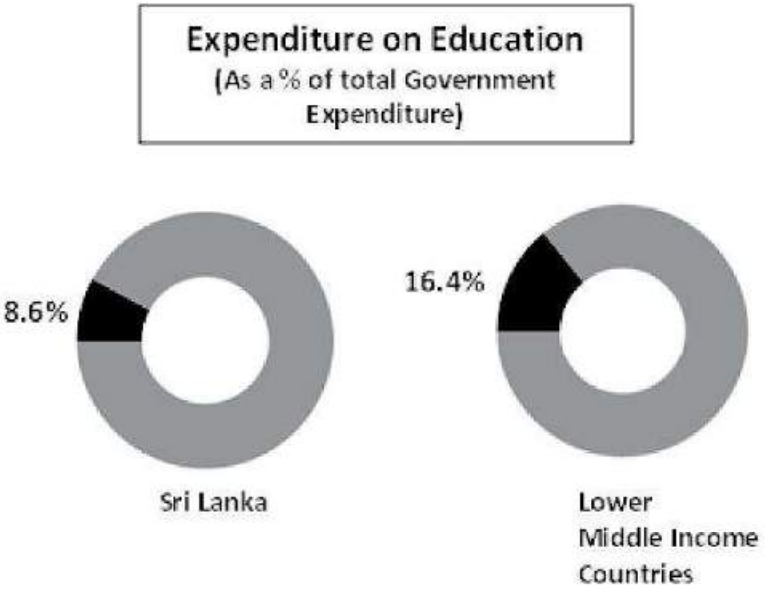
[14] *Ibid.*

[15] Jayawardena, P., (2016), *Bridging Skills for Employment in Sri Lanka*, ADB Country Diagnostic Report, Asian Development Bank, Manila.

[16] WB (2017), "World Development Indicators", available at http://databank.worldbank.org/data/home.aspx.

[17] "Parents, Administrators, Civil Society Slam Lankan Education System", *Business Times*, 6 March 2011, available at http://www.sundaytimes.lk/110306/BusinessTimes/bt08.html.

[18] "Sabaragamuwa Bans Poya Tuition", *Daily Mirror*, 6 May 2010, available at http://www.dailymirror.lk/news/3576-sgamuwa-bans-poya-tuition.html.



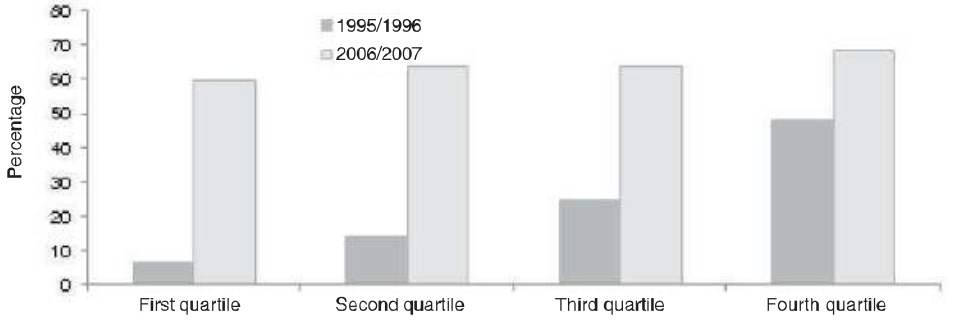
13.6 Implications for Policymakers

Shadow education has so far been a largely neglected phenomenon; yet, its increasing influence in many countries suggests that it cannot be ignored any longer. In better preparing to accommodate this growing sector, policymakers might find it useful to consider the following points:

13.6.1 Obtaining Data and Monitoring Trends

A starting point for policymakers is to recognize the existence, nature, and implications of shadow education. This requires obtaining comprehensive data on the scale, scope, and intensity of private tutoring. Good quality data will facilitate the undertaking of robust research into the drivers and impacts of shadow

Figure 13.1
Share of Household Expenditure on Private Tuition by Expenditure Quartiles in Sri Lanka



Source: Pallegedara, A. (2011), *Demand for Private Tuition Classes under the Free Education Policy*: Evidence based on Sri Lanka, MPRA Paper no. 31969, Munich Personal RePEc Archive. Available at https://mpra.ub.uni-muenchen.de/31969/1/MPRA_paper_31969.pdf.

education, and will aid in designing appropriate policies to encourage its positive dimensions and limit the negative ones.

Data collection can be done at minimal cost by modifying existing surveys to include specific questions on the production, consumption, and effectiveness of private tutoring. For example, in Sri Lanka, data on production can be obtained by including the option of 'private tutor' as a category under the main occupation in the Labour Force Survey (LFS) conducted by the DCS. A category for private tutoring expenditure already exists under the HIES, which provides a measure of consumption. This can be expanded to include further information such as the type and intensity of tutoring, and the level at which it is consumed.

13.6.2 Reforming Curriculums and Assessment and Selection Systems

Given that shadow education is largely driven by overloaded school curriculums and systems of assessment and selection, changes in these systems are needed in altering the nature and role of private tutoring. Some countries have sought to eliminate watershed assessments at the primary level. Sri Lanka's grade five scholarship examination has received criticism in subjecting young students to continuous tutoring and robbing them of their childhood.[19] The main objective of the examination – to provide subsidies to economically disadvantaged talented students to pursue education in better schools – can still be met by replacing the exam with an assessment method of identifying commendable students with consistent performance on the entire school curriculum, including extracurricular activities

Given that shadow education is largely driven by overloaded school curriculums and systems of assessment and selection, changes in these systems are needed in altering the nature and role of private tutoring.

[19] Sedere, U.M. et al. (2016), *Study on Evaluation and the Assessment System in General Education in Sri Lanka*, National Education Commission, Colombo.

such as sports, music, and aesthetics.[20] Similar changes in assessment approaches can also be experimented with higher level examinations.

13.6.3 Initiating School-Level Programmes to Support Learning

In minimizing negative impacts of shadow education, initiatives such as the After School Programme (ASP) implemented in Korea can be considered.[21] Launched in 2004, the ASP was financed primarily by the government, with the curricula - consisting of both academic and extracurricular activities - determined at the school level, and instructors comprising of both school teachers and other tutors. Evaluations of the ASP indicate several positive outcomes including reducing disparities in access among locations and income groups, better academic performance, and reduced average household shadow education expenditure.[22]

13.6.4 Devising and Implementing Regulations

The positive aspects of shadow education can be strengthened by introducing government regulations, which are largely lacking in many countries despite heavy regulations for mainstream schooling.[23] In Sri Lanka, the only existing law appears to be that of prohibiting private tutoring for children on Sundays and Poya days, where any individual violating the law would be subject to a Rs. 5,000 fine and a six-month imprisonment.[24] An encouraging development in this regard is a recent report prepared by the National Education Commission (NEC), which proposes several measures to monitor and regulate private tutoring in Sri Lanka. These include the setting up of an authority within the Ministry of Education to provide for the regulation, registration, and inspection of premises and facilities used for private tuition groups of 20 or more, the licensing of individuals engaged as private tutors, and specifying penalties for violating legal provisions.[25] Regulations are also important for school teachers who provide private tutoring, particularly in ensuring that tutoring does not negatively affect the quality of teaching at school.

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[20] *Ibid.*

[21] Bray, M., and C. Lykins (2012), *Shadow Education: Private Supplementary Tutoring and its Implications for Policy Makers in Asia*, Asian Development Bank, Manila.

[22] Bae, S. et al. (2009), "The Relationship between After-School Programme Participation and Student's Demographic Background", *KEDI Journal of Educational Policy*, 6(2).

[23] These include minimum qualifications for teachers, physical facilities, main components of syllabi, class size, admissions procedures, and financial management.

[24] "Sabaragamuwa Bans Poya Tuition", *Daily Mirror*, 6 May 2010, available at http://www.dailymirror.lk/news/3576-sgamuwa-bans-poya-tuition.html.

[25] Jayasekera, S.A. (2017), "Education System NEC Proposes Far-Reaching Reforms", *Daily Mirror*, 31 January 2017, available at http://mirrorcitizen.dailymirror.lk/2017/01/31/education-system-nec-proposes-far-reaching-reforms.

14. Aging and Health in Sri Lanka: Challenges and Policy Responses

14.1 Introduction

The change in population size and age structure resulting from a dramatic decline of two vital demographic determinants - mortality and fertility - and international migration has brought about a rapid change in Sri Lanka's demographic profile. During the late 1930s and early 1940s, infectious disease outbreaks decelerated as a result of advancements in health services with expanding access to quality services, leading to a reduction in mortality. Moreover, implementation of a national family planning programme and increasing access to education, health and other socio-economic conditions led to a reduction in fertility rates in the country during the 1960s. As a consequent of both drivers, there were significant improvements to life expectancy at birth for both sexes over the years, albeit with a widening gap between men and woman.

An increase in the proportion and absolute number of elderly in the population - and a declining share of children and working age population - have also been influenced by international migration trends overtime. Sri Lanka's Census of Population 2012 carried out by the DCS estimates that approximately 500,000 nationals are overseas on a net basis. They are most likely to be in the prime working age group seeking temporary employment overseas, with a significant share occupied by

Overall, a country's population ageing has impacts which go beyond from age structures to related economic, social, and health challenges.

females as well. Overall, a country's population ageing has impacts which go beyond from age structures to related economic, social, and health challenges.[1, 2] This Policy Brief discusses the pace of population ageing in Sri Lanka, its key economic concerns, in particular with regards to health consequences and policy responses.

14.2 Is Sri Lanka an Exception in the Population Ageing Process?

Sri Lanka is considered as one of the fastest aging countries in the world; growth of the elderly population is far faster - almost double - compared to other countries in the region.[3] The most critical phenomenon which many low and middle income countries experience is that the elderly population growth is faster than that of economic growth. Population ageing primarily appeared in wealthy and industrialized countries. In high income countries like Japan and Germany for instance, more than one-quarter of population is projected to be 65 and above by 2050.[4] The same trend however, is expected to be seen in Sri Lanka though it is still a low middle income economy.[5] While the same phenomenon can be observed in other countries of the region like Bhutan, Maldives, and Bangladesh, the pace is very much slower.[6]

Many low and middle income countries experience is that elderly population growth is faster than that of economic growth.

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1 De Silva, W.I. (2012), "Sri Lankan Population Change and Demographic Bonus Challenges and Opportunities in the New Millennium", South Asia Human Development Sector Report No.37, World Bank, Washington D.C.

2 UN (2015), *World Population Aging 2015*, United Nations, New York.

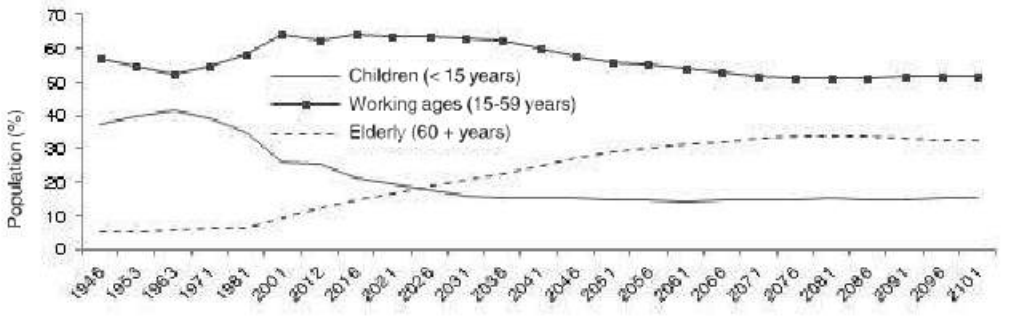
3 Siddhisena K.A.P. and S.D. DeGraff (2009), "A Pace of Its Own: The Demography of Ageing in Sri Lanka", *Population Ageing*, Vol.2: (pp.77–99).

4 Lee, R., A. Mason, and C. Cotlear (2010), *Some Economic Consequences of Global Ageing: A Discussion Note for the World Bank*, Health, Nutrition and Population (HNP) Discussion Paper, World Bank, Washington D.C.

5 De Silva, W.I. (2012), *Sri Lankan Population Change and Demographic Bonus Challenges and Opportunities in the New Millennium*, South Asia Human Development Sector Report No.37, World Bank, Washington D.C.

6 UN (2015), *World Population Aging 2015*, United Nations, New York.

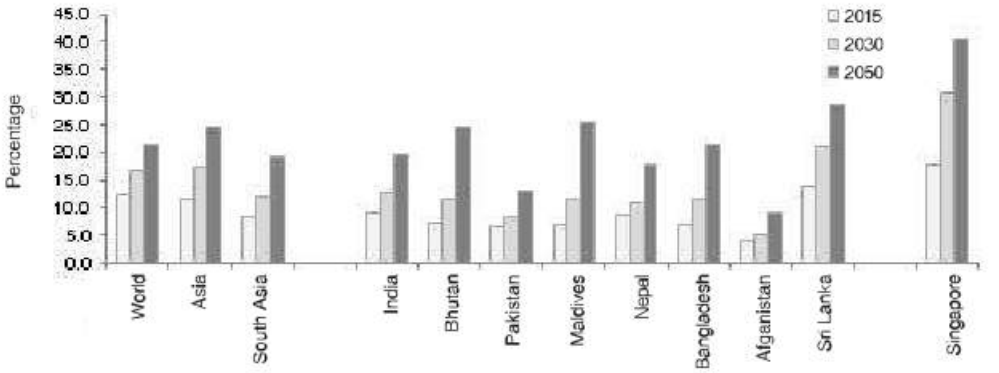
Figure 14.1
Percentage Distribution of Population by Broad Age Categories, 2001-2101



Source: DCS (2014), *Census of Population and Housing 2012*, Department of Census and Statistics, Colombo (for 1946-2012); de Silva, I. (2007). Population Projection of Sri Lanka for the New Millennium 2001-2101, Institute for Health Policy, Colombo (for 2016-2101).

Even though ageing is a common factor in all countries, a couple of facts make the process different from one country to another. The pace of ageing varies across countries, and subsequently, the size of the ageing cohort among countries differs. These two facts in turn determine the extent of ageing effects on social and economic aspects. Intrinsically, Sri Lanka is a striking example where the growth of the ageing population is far ahead compared to many other countries. Ageing began in industrialized countries over the last 50 years while the Asia has experienced the same, but within a shorter period of 20-30 years. During the period 1970 to 2005, the average annual growth rate of older population (60+) of more

Figure 14.2
Percentage of Population Aged 60 Years and Above in Selected Asian Countries and the World, 2015, 2030 And 2050



Source: UN (2015), *World Population Ageing 2015*, United Nations, New York.

Ageing began in industrialized countries over the last 50 years while Asia has experienced the same, but within a shorter period of 20-30 years.

developed regions was 1.2 per cent while during the same period, Asia and Sri Lanka reported an annual increase of 2.3 per cent and 2.8 per cent, respectively.[7] The process of population ageing is gradually shifting to developing countries. Of the world's elderly population (60+), about 66.8 per cent lived in developing countries in 2000; this is projected to increase up to 80 per cent by 2050.[8] More than a half of the ageing cohort is concentrated in the Asian region. By relative comparisons, Sri Lanka has witnessed the rapid growth of an ageing bulge (Figure 14.2).

At present, 2.5 million (12.4 per cent) of Sri Lanka's total population are aged 60 and over - i.e., one in every seven Sri Lankans are aged 60 and over.[9] Further, this is expected to increase to one in every five and one in every three for 2030 and 2050, respectively. Corresponding figures for the world are lower compared to Sri Lanka - one in eight in 2015 and one in six by 2050.

With the increase of an ageing cohort in general, there are many challenges. First, a common scenario in the world is that life expectancy at birth for females is higher than that for males. A female reaching her 60th year is expected to live 21.6 more years while a male reaching to 60 year is likely to live fewer years (19.1 years). This is evident even among the older age groups in Sri Lanka; there has been a decline in the sex ratio of the elderly population with the number of males per 100 females dropping from 112.9 in 1981 to 82.4 in 2011. The ratio is expected to drop further to 77.9 by 2031.[10] Comparatively, widowhood is prevalent among elderly women, possibly because of higher life

[7] UN (2001), *World Population Ageing 1950-2050*, United Nations, New York.

[8] UN (2015), *World Population Ageing 2015*, United Nations, New York.

[9] DCS (2014). *Census of Population and Housing 2012*, Department of Census and Statistics, Colombo.

[10] de Silva, W. I. (2012), *Sri Lankan Population Change and Demographic Bonus Challenges and Opportunities in the New Millennium*, South Asia Human Development Sector Report No. 37, World Bank, Washington D.C.



Population ageing not only affects structural changes in the population but it also impacts a country's macroeconomic conditions.

expectancy, wives being younger than husbands in general, and a higher frequency of re-marriage by widowers than widows.[11] As such, feminization of the elderly population is an issue of concern given the low labour force participation rate and low social security coverage of the elderly population in Sri Lanka.[12]

The age composition of the elderly population is also an important feature which should be considered when preparing policy measures. Of the total elderly population, the proportion of young elders (those aged 60-74 years) is more than 75 per cent. They are still able to engage in economic activities in the labour force. However, this trend cannot be expected after 2021. The proportion of 'old old' (those aged 75+) will rise; this cohort essentially requires the support of others with basic life activities.

Population ageing not only affects structural changes in the population but it also impacts a country's macroeconomic conditions. Labour force participation and productivity of older workers (60+) starts to diminish with age. The workforce also reduces as labour force exits consequent to compulsory retirement ages. Thus, the size of the working population in an

[11] *Ibid.*

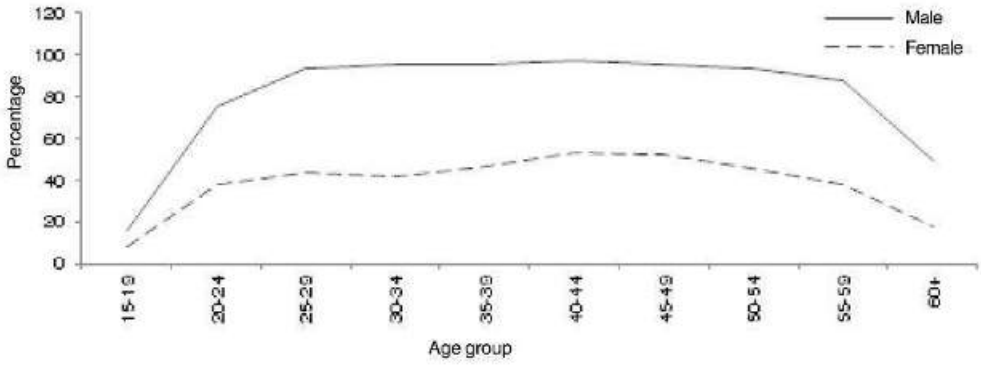
[12] IPS (2015), "Reforming Sri Lanka's Social Protection System", in *Sri Lanka: State of the Economy 2015*, Institute of Policy Studies of Sri Lanka, Colombo.

economy that is mainly populated by older people (60+) begins to shrink. As such, a couple of adverse effects are observed. The national output in such a nation is likely to be lower than that of an economy with a large proportion of a prime working age population.[13] A depletion of personal income at older ages is another impact. Eventually, both effects lead to a substantial increase in old age dependency.

Of Sri Lanka's total elderly population (2.5 million), about 2.5 per cent engage in economic activities.[14] More than 50 per cent of them are self-employed and a significant proportional share of elders (7 per cent) does unpaid activities. As such, almost one-third of the elderly population lives below the poverty line.[15]

As shown in Figure 14.4, total dependency is projected to increase gradually from 2006 in Sri Lanka. However, a rapid increase is expected to begin from around 2036 onward. In this process, the contribution of old age dependency is significant. The number of elderly people per 100 working age people is projected to be almost double to that of child dependency after 2041. Currently, there is one elderly person for four working aged people (27 per cent) while one child has to be taken care of by three working people.[16] This scenario will reverse by 2051 - i.e., there will be one elderly person for two working people and one child for each three working persons.

Figure 14.3
Labour Force Participation by Working Age Group, 2016



Source: DCS, *Labour Force Survey* (4th Quarter 2016), Department of Census and Statistics, Colombo.

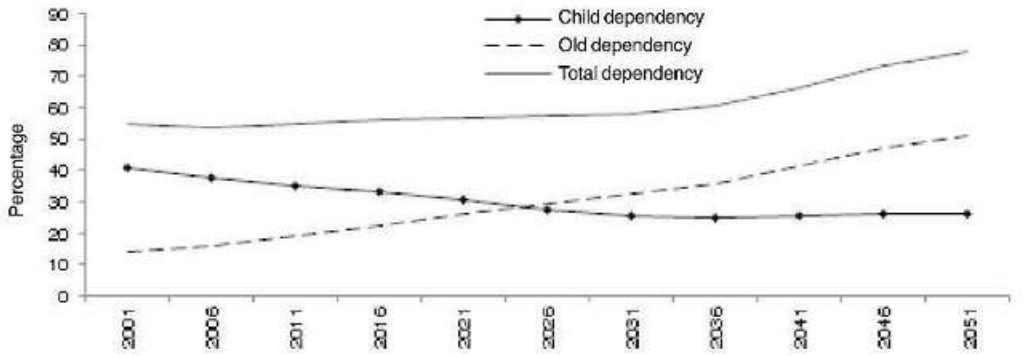
[13] Lee, R., A. Mason and C. Cotlear (2010), *Some Economic Consequences of Global Ageing: A Discussion Note for the World Bank*, HNP Discussion Paper, World Bank, Washington D.C.; Bloom E. D. (2014), "Macroeconomic Implications of Population Ageing and Selected Policy Responses", *Lancet*, Vol. 385, pp.649-57.

[14] Satharasinghe, J. A. (2015), *Senior Citizens of Sri Lanka*, National Secretariat for Elders, Sri Lanka.

[15] Siddhisena K. A. P. and S. D. DeGraff (2009), "A Pace of Its Own: The Demography of Ageing in Sri Lanka", *Population Ageing*, Vol. 2, pp.77-99.

[16] de Silva, I. (2007), *Population Projection of Sri Lanka for the New Millennium 2001-2101*, Institute of Health Policy, Colombo.

Figure 14.4
Estimated Dependency Ratios, 2001-2051



Source: De Silva, I. (2007), *Population Projection of Sri Lanka for the New Millennium 2001-2101*, Institute for Health Policy, Colombo.

The elderly in developing countries tend to be solely dependent on public transfers - social security allowances, pensions, health services, etc. However, the situation differs in Sri Lanka where only 17.1 per cent of elders are covered by the statutory pension system.[17] The rest relies on family transfers, asset incomes and public transfers. The first two means no longer exist fully due to disruptions in traditional family support, and assets being given customarily to children. Therefore, a considerable number of elders are still willing to accept cash or in-kind transfers from the state. At the same time, increasing health expenditure and long-term care cost is inevitably associated with ageing. In particularly, NCDs and disability is prevalent among older age groups. Thus, financing the health care needs of elders requires more resources. Sri Lanka with a rapidly ageing population will need such resources even more acutely than other developing countries at comparable stages of development.

14.3 Health Consequences of Ageing in Sri Lanka

Increasing longevity can be a contributor to better human resource accumulation but it can happen only if elders are enjoying good health. This still remains a challenge regardless of income levels mainly because of the adverse health effects of ageing. Health consequences of ageing have three underlying issues - morbidity and mortality patterns change, while long-term care needs rise. Ageing increases the risks of many diseases and disorders. Further, preventing such diseases is hard as physical and intrinsic capacities deteriorate inevitably with ageing; these are further influenced by environmental factors. Concurrently, geriatric syndromes arise as a consequence of physical and biological changes (i.e., frailty, urinary incontinence,

[17] UN (2015), *World Population Ageing 2015*, United Nations, New York.

delirium, pressure, etc.) further aggravating the adverse health status of elders. In particular, sensory, cognitive, and immune functions are also impacted by ageing. Accordingly, the global disease profile has transformed from acute and infectious diseases to chronic and degenerative diseases. This process is called epidemiological transition.

NCDs are a leading cause of morbidity, disability and mortality across the world; regardless of income levels, NCDs are highly associated with ageing. NCDs accounted for 75 per cent of all deaths in Sri Lanka and almost 40 per cent of these occur due to cardiovascular diseases (CVD).[18] A similar pattern is observed even among the elderly group aged 60 and above. Nine out of each 10 elders are suffering from some kind of chronic disease(s), with a similar prevalence rate reported by developed and Asian regions.[19] As Figure 14.5 shows, NCDs are responsible for the largest proportion of deaths of many elders (88 per cent) in general and deaths for each age category. Injuries and infectious diseases each cause only 6 per cent of total deaths.



Nine out of each 10 elders are suffering from some kind of chronic disease(s).

Figure 14.5 (a)
Percentage of Deaths by Major Disease Categories, 2015

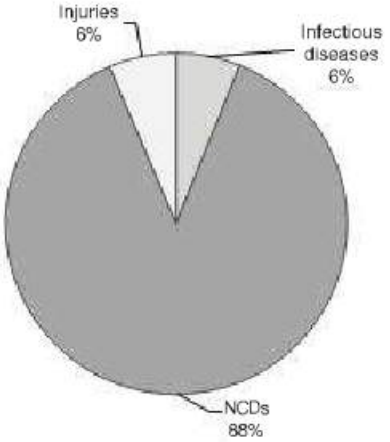
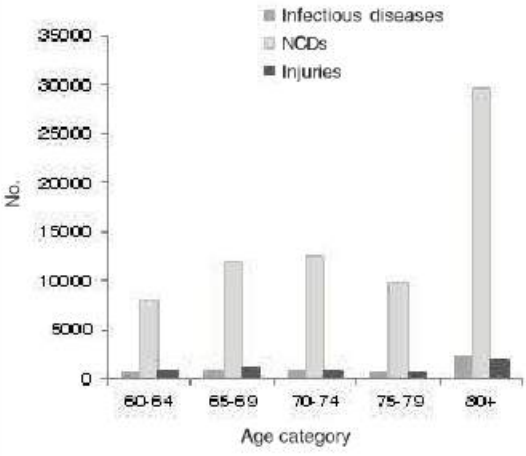


Figure 14.5 (b)
Number of Deaths by Major Disease and Age Categories, 2015



Source: IHM (2016), *Global Burden of Disease Study 2015 (GBD 2015) Results*, Institute for Health Metrics and Evaluation, Seattle. Available at http://ghdx.healthdata.org/gbd-results-tool.

[15] WHO (2014), *Non-communicable Diseases (NCD) Country Profiles*, World Health Organization, Geneva.

[19] IHM (2016), *Global Burden of Disease Study 2015 (GBD 2015) Results*, Institute for Health Metrics and Evaluation, Seattle.

Figure 14.6 (a)
Prevalence of Selected Diseases by Age Categories, 2015

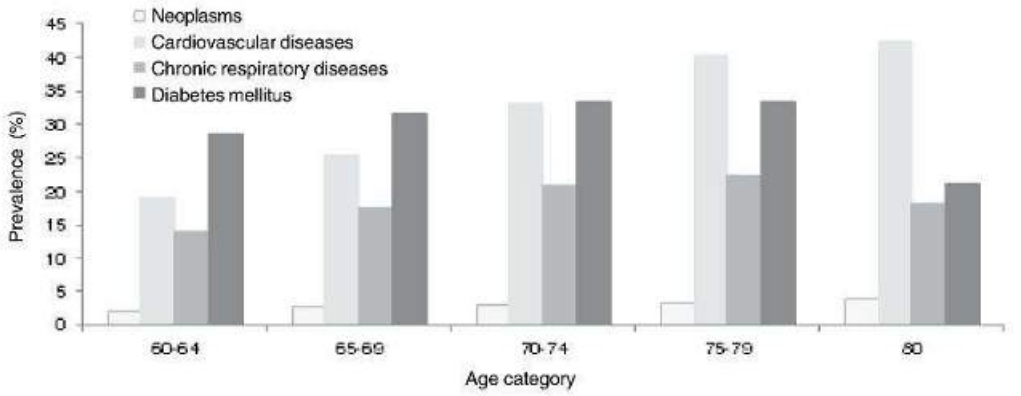
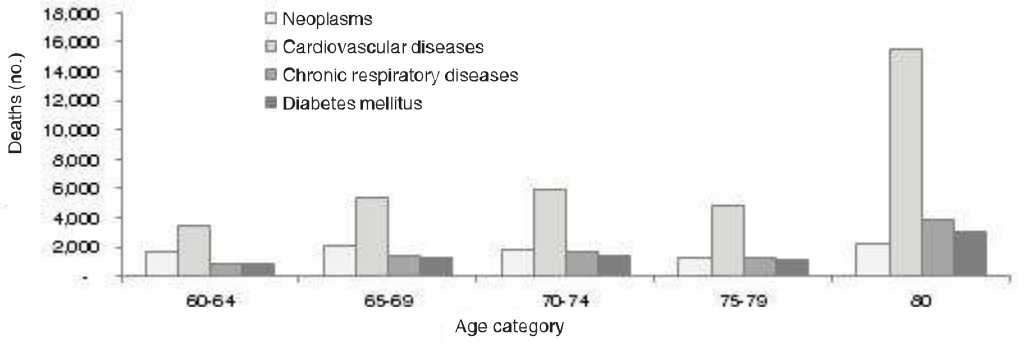


Figure 14.6 (b)
Number of Deaths by Selected Diseases and Age Categories, 2015



Source: IHM (2016), *Global Burden of Disease Study 2015 (GBD 2015) Results*, Institute for Health Metrics and Evaluation, Seattle. Available at http://ghdx.healthdata.org/gbd-results-tool.

In terms of the morbidity pattern, CVD and diabetes are almost equally prevalent among the of 60-74 year age group, and CVD further increases in the subsequent ages while cases of diabetes decrease (Figure 14.6). In contrast, deaths due to CVD are significantly higher compared to that of other diseases. Importantly, the prevalence of CVD is relatively higher in Sri Lanka compared to high income countries.

Another crucial health condition of the elderly people is Alzheimer disease and other forms of dementia. The prevalence of dementia rises with age. As such, its prevalence among 'young aged' (60-74 years) is relatively low (2 per cent on average) while it is significantly higher in the 'old old' group (5.5 per cent in 75-79 age group and 11.5 per cent in 80+). The prevalence of major depression among elders appears to

be very low (<1%), but the burden is likely to be higher in the future.[20]

In addition to mortality and morbidity measures, the burden of such health issues is further quantified in terms of quality-adjusted life years (QALYs) or disability-adjusted life years (DALYs). Both these indicators measure the number of years lost due to disease (YLDs). Accordingly, almost a three-quarter of the disease burden in Sri Lanka is due to NCDs in 2015.[21] NCDs account for nearly 90 per cent of the disease burden among the elderly while 31 per cent is due to CVDs. Importantly, YLDs due to NCDs among the elderly people is close to one million which is nearly a half of the total life lost in all ages due to NCDs. Of the disease burden of elders, Alzheimer disease and other types of dementia account for 3 per cent while major depression is about 1 per cent. Obviously, these diseases are highly associated with ageing and as such, of total life lost due to Alzheimer and dementia, the highest proportion (nearly 95 per cent) is concentrated in the old age groups.

Disability is an inseparable condition of ageing. For instance, nearly 439,000 life years of those aged 60+ experienced some form of disability due to NCDs in 2015. This is just one quarter of disability of all ages.[22] However, the disability burden due to CVD is considerably higher among elders, accounting for almost a half of total disability years due to CVD for all ages. Elderly people with disability living in poor resource settings die sooner than those who live in rich countries.[23] As such, the burden of disability is relatively higher among low and middle income countries than that of rich countries. Therefore, older people with disability essentially require long-term care with or without a full time care giver's assistance.

Moreover, ageing is also prone to increase risks of experiencing more than one chronic condition at the same time. This is known as multi-morbidity or co-morbidity. Multi-morbidity brings significant impacts in older ages as well as the public health system. The condition of multi-morbidity is associated with higher rates of health care utilization as well as higher costs. In contrast, polypharmacy is a very common consequence of co-morbidity where a patient is being treated simultaneously with multiple drugs for one or more diseases. Therefore, patients are at a higher risk of getting adverse drug interaction and side effects. This would prevent the patient from using effective pharmacological therapies. Like NCDs, elderly people are susceptible to getting infectious diseases due to immunosenescence (the progressive deterioration of immune function with age) and frailty.

14.4 Challenges and Policy Responses

No country can be free from the adverse health effects of ageing. As such, there is a responsibility to initiate effective policy measures to overcome the emerging health consequences of ageing. This section is confined to the public health response for

[20] IHM (2016). *Global Burden of Disease Study 2015 (GBD 2015) Results*, Institute for Health Metrics and Evaluation, Seattle.

[21] *Ibid.*

[22] *Ibid.*

[23] WHO (2015). *World Report on Ageing and Health*. World Health Organization. Geneva.

prevention, promotion and management of emerging disease prevalence of ageing.

Sri Lanka has committed to ensure elders' wellbeing by adopting various national policies and Acts. The Protection of the Rights of the Elders Act No. 9 of 2000 and the Protection of the Rights of the Elders (Amendment) Act No 5 of 2011 were adopted by the Ministry of Social Services. Following the Second World Assembly on Ageing held in 2002 and the subsequent Madrid International Plan of Action on Ageing, a National Charter and National Policy on Elders was initiated by Sri Lanka in 2006. The aim of the policy is to ensure the well-being of elders by strengthening their legitimate place in society and helping them to maintain a quality of life with purpose, dignity and peace. Since both Acts and the policy do not adequately address health aspect of the elders, the Ministry of Health (MOH) has recently launched the National Elderly Health Policy (NEHP) for Sri Lanka with the intention of providing a comprehensive elderly health care service to all citizens.

In addition, a comprehensive review of the existing health service system is important to see how the health system responds to elderly care needs. For many years, Sri Lanka has been providing a 'children and mother oriented' health care services, and a large public health programme to tackle infectious disease outbreaks. As such, Sri Lanka is placed well ahead of other countries in the region in terms of vital health statistics. Despite the rapid change in the morbidity pattern, the health service system was not reoriented; as a result, the health system is not adequately equipped in terms of physical and human resource to address emerging health issues of ageing, particularly NCDs.

However, the situation can still be corrected by remedial measures within and beyond the health sector. In terms of health sector rectifications, curative care services have to be redefined while prevention and health promotion have to be delivered through public and community health systems. Elders had to seek ambulatory and inpatient care from conventional clinics and wards and follow all the processes as others do. Setting up a separate treatment and drug counter at Out Patient Departments (OPDs) of every hospital was introduced by the MOH. A similar proposal was made to upgrade hospital wards as 'elderly friendly' wards. However, the functioning capacity of such wards and counters are very limited due to lack of human resources, a high turn-over of patients, logistic barriers, etc.[24] Importantly, they are also not elderly friendly settings; unavailability of disability access wash rooms, devices and access ramps, etc., have been noted.

Sri Lanka recently invested in building a state-of-the-art tertiary care geriatric hospital, but it is still under construction. The absence of such a hospital delays starting geriatric medicine programmes. Lack of trained health personnel on geriatric care is one of the main obstacles for the utilization of designated facilities for elders. So far, the MOH is able to offer postgraduate diplomas in geriatric care only for medical doctors. However, a single staff category being trained is not adequate to provide a comprehensive geriatric care package. Therefore, other medical staff such as nurses,

[24] MOH (2016), *Institutional Survey and Community Survey in Selected Areas of Sri Lanka on Elderly Health Care*, Ministry of Health, Colombo.

physiotherapists, occupational therapists, speech and language therapists, and other assistive staff (attendants) should also be trained. Further, there is a shortage of essential equipment for managing elderly care needs that needs to be addressed.

While facilitating the prevailing curative service network at secondary and tertiary care levels, the MOH can further reorient the primary care service network. Integrating primary prevention and primary care of elders health issues into the primary care network could also be a cost effective mechanism, as cost of disease management at the primary care level is very low compared to that of secondary or tertiary levels.[25] As per the referral system, the first point of contact should be at the primary care institution, but this is not happening in practice. People often tend to by-pass such facilities due to a misconception of poor quality health services being provided by these small hospitals, and seek care from larger health facilities (secondary and tertiary hospitals). This phenomenon then over-crowds and over-burdens big hospitals on the one hand, while primary care facilities idle and remain under-utilized. It leads to additional health costs on patients due to time and money spent on longer distance travel to a large hospital, as well as work time and wages lost, etc. Therefore, strengthening the primary health care network can reduce resource wastage of both service providers and the receivers. However, this should also be done with some caution by providing prerequisites (medical equipment, trained staff, and essential medicines).

Population ageing also tends to raise demand for long-term care. Thus far, long-term elderly care (secondary care) is not provided through the public health system. Those in need of such care are looked after by family or private care givers. This leads to high out-of-pocket health spending by households. However, the NEHP identifies long-term elderly care as a priority area and proposes to establish a minimum of

Integrating primary prevention and primary care of elders health issues into the primary care network could also be a cost effective mechanism.

[25] MOH (2017), *National Elderly Health Policy*, Ministry of Health, Colombo.

two long-term elderly care institutions in each province.

While providing curative services, disease prevention and health promotion interventions should also be carried out. At present, awareness campaigns of different forms (e.g., posters, seminars, drama, advertisements via printed and electronic media) are carried out by hospitals and the public health system. The same mechanism can also be used to make the public more aware of risk factors and lifestyle modifications required, particularly on NCDs, to promote 'healthy ageing'. In addition, public health officers are an effective means to spread knowledge on preparing for 'active ageing'. At present, the MOH conducts seminars on active ageing for pre-retiree groups within the MOH. The same can also be expanded to other sectors as well.

Accumulating physical resources is important, but these can be used effectively with the attitudinal changes. Acceptance of the conditions of ageing rather than viewing it as another social crisis is important. To do so, a comprehensive social marketing to change community attitudes or norms should be carried out targeting school children, health service providers, other service providers (e.g., banking, transport, public service institutions, private nursing care institutions, day care/long-term care centres, etc.).

Other sectors beyond health can also lower the economic and social costs of population ageing. Despite elders' inherent physical inabilities, environment and infrastructure facilities can also influence the disability of elders.[26] Following to the WHO approach on 'age friendly cities', infrastructure systems and the living environment need to be 'person-centred'. As such, transportation, housing and urban development, information and communication, recreational areas, and health and community services should be developed as elderly friendly settings.[27] Accordingly, Sri Lanka essentially needs inter-sectoral action towards developing an elderly friendly environment, particularly with the involvement of ministries handling transport and urban development, road development, housing and construction, etc.

[26] WHO (2011), *Global Health and Ageing*, World Health Organization, Geneva.

[27] WHO (2015), *World Report on Ageing and Health*, World Health Organization, Geneva.

15. Child Poverty in Sri Lanka

15.1 Introduction

Reducing child poverty and eradicating extreme child poverty are important and urgent tasks for any country, including developed countries. While substantial progress has been made in reducing poverty globally, disaggregated data shows that many children all over the world are still affected by poverty and lag behind. It is important to understand that child poverty differs from adult poverty in that it has different causes and effects. The impact of poverty during childhood can have adverse effects on children, which are irreversible.

Extreme child poverty can lead to an intergenerational poverty cycle.[1] It is heartening to note that the global community has recognized the importance of eradicating extreme poverty for all people everywhere and reducing at least by half, the proportion of men, women and children of all ages living in poverty, in all its dimensions under Goal 1 of the SDGs. It is also important to note that for the first time in global goals, child poverty has been specifically recognized and targeted.

As such, it has become an urgent requirement to have a closer look at the present status of child poverty in Sri Lanka. This Policy Brief, based on IPS research,[2] will attempt to provide an in-depth analysis on the extent of child poverty based on different poverty lines, disaggregated by regions and 'socio-economic groups' or 'population groups' using HIES 2012/2013 data compiled by the DCS. The analysis attempts to identify the lagging regions in which poor and most vulnerable children are located in Sri Lanka and to which population groups they belong to. The analysis also identifies the types and extents of deprivations poor children are facing. The analysis covers children under 19 years in order to capture all children in the school going age.

15.2 Child Poverty in Sri Lanka

In 2007, the UN General Assembly defined children in poverty to be 'deprived of nutrition, water and sanitation, access to basic health care services, shelter, education, participation and protection, and that while a severe lack of goods and services hurts every human being, it is most threatening and harmful to children, leaving them unable to enjoy their rights to reach their full potential and to participate as full members of the society'.[3] Based on this,

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[1] UNICEF (2014), "Child Poverty in the Post 2015 Agenda," Issue Brief, UNICEF, New York.

[2] Nanayakkara, W., and Y. Ellepola. *Child Poverty in Sri Lanka and Related Issues*. Working Paper Series, Institute of Policy Studies of Sri Lanka, Colombo (forthcoming).

[3] www.unicef.org/media/media_38003.html.

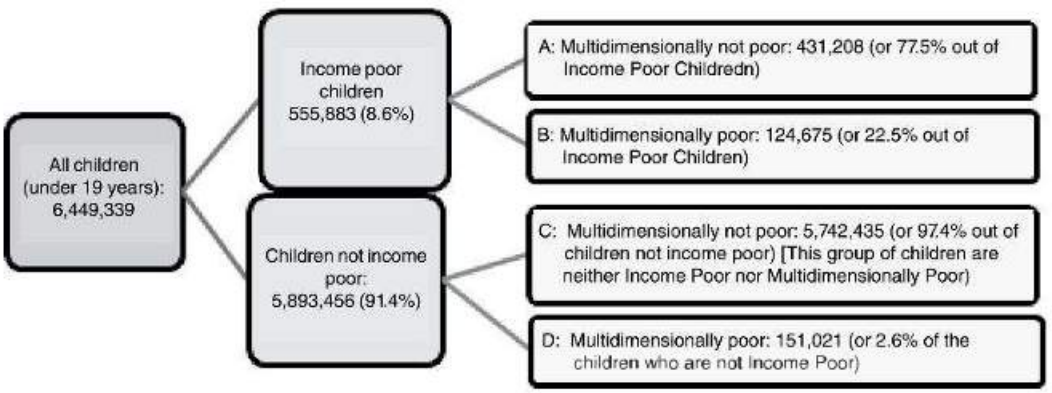
measuring child poverty can no longer be lumped together with general poverty assessments, which often focus solely on income levels. As such, it is necessary to take into consideration a multi-dimensional approach that looks at various deprivations in regards to education, health and living conditions. When these concerns are combined with income poverty, it covers all forms of poverty and deprivations.

Thus, in assessing child poverty, it is important to identify the socio-economic background of children who are most vulnerable and poorest, where they are located, what types of deprivations they face, etc., to develop suitable strategies to help such children get out of poverty and related deprivations. If Sri Lanka, is to achieve SDG Goal 1 by 2030, all forms of poverty (based on the national definition of poverty) have to be reduced by half and extreme poverty (based on the global poverty line),[4] has to be eradicated not only for children but also for people in all other age groups as well. To achieve this, it is necessary to identify the lagging regions and vulnerable population groups, so that they could be accurately targeted to ensure that no one will be left behind.

15.2.1 Children in Income Poverty and/or Multi-dimensional Poverty

An analysis of available data show that some children who are income poor (IP) are also multi-dimensionally poor (MDP) and vice versa. As such, children under 19 years who are living in IP or MDP households are considered as 'poor children'.

Figure 15.1
Children under 19 Years: Income Poor and / or Multidimensionally Poor, and Non-Poor - 2012/2013



Source: Authors computation based on DCS, *Household Income and Expenditure Survey-2012/2013*. Department of Census and Statistics, Colombo.

[4] US$ 1.25 (2005 PPP) or US$ 1.90 (2011 PPP) a day per person recommended by the UN in October 2015.

Table 15.1
Summary: Comparison of Child Poverty for Children (under 19 years) Based on Different Poverty Measures/ Poverty Lines (National and Global) - 2012/2013

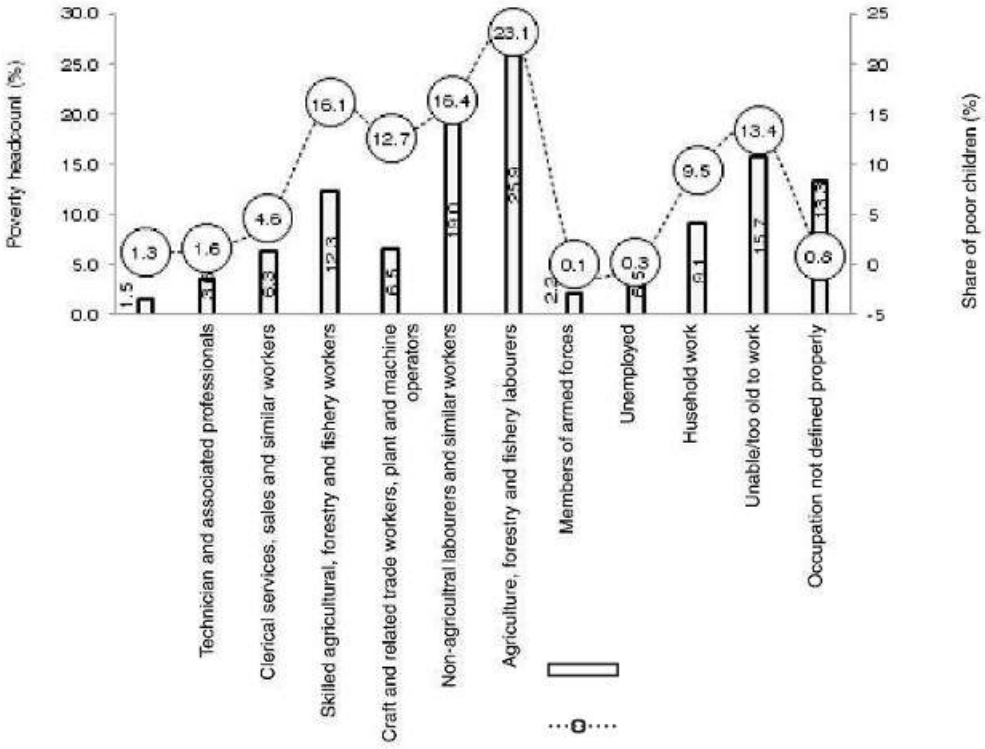
Poverty Line/ Measure	Equivalent Value in Rs. in 2012/2013 at National Level (Per Person Per Month)	Children Below the Specified Line/ Measures		Increase in Number of Children and Per-centage Increase	Remarks
		Number	%		
Moderate Poverty- S2.00 a day (2005 PPP)	Rs. 4960.20	1,508,302	23.4		Previous International Poverty line used to measure Moderate Poverty (World Bank)
Moderate Poverty - S3.10 a day (2011 PPP)	Rs.4490.00	1,145,065	17.8		Newly recommended International Poverty Line to measure Moderate Poverty (WB)
Extreme Poverty - S1.25 a day (2005 PPP)	Rs.3100.00	295,039	4.6		Previous International Poverty line used to measure Extreme Poverty (WB) → Need to be brought to zero level by 2030
Extreme Poverty - S1.90 a day (2011 PPP)	Rs.2765.00	165,506	2.6		Newly recommended International Poverty Line to measure Extreme Poverty (WB) Need to be brought to zero level by 2030
National Poverty Line (PL) (Income Poverty)	Rs.3624.00	555,884	8.6		National PL used to measure Income Poverty [NPL is equivalent to S1.46 (2005 PPP) & $2.48 (2011 PPP)
If National Poverty Line increased by 10%	Rs.3986.80	791,929	12.3	236,045 (42.5%)	If the NPL is increased by 10% there will an increase of 236,045 children
If National Poverty Line increased by 20%	RS.4348.80	1,040,015	16.1	484,131 (87.15%)	If the NPL is increased by 20% there will an increase of 484,131 children
Multidimensional Poverty Relative Poverty	--	275,695 851,708	4.3 13.2		Combined deprivation score more than 33.3 % Children living in house-holds below half the National Median household income:Children in Relative Poverty
Income Poverty and / or Multidimensional Poverty	--	706,904	11.0		"**Poor Children**" in this analysis is based on this measure. It covers " Income Poor **and/ or** Multidimensionally Poor Children"

Source: Authors computations based on DCS, *Household Income and Expenditure Survey 2012/2013*, and World Bank, 'povcalnet.'

Of the estimated 6.5 million children under 19 years in Sri Lanka, only 8.6 per cent are found to be IP (the balance 91.4 per cent is not IP). Of the IP, 22.5 per cent are MDP as well. The balance 77.5 per cent is only IP (Figure 15.1). Among the children who are not IP, there are MDP children who too need to be considered when developing strategies to reduce poverty and to eradicate extreme poverty. Out of the 5.9 million children who are not IP, 2.6 per cent is found to be MDP. As such, all children who are in income poverty and /or multidimensional poverty - i.e., all children coming under A, B and D in Figure 15.1 - are considered as 'poor children' in Sri Lanka. Altogether, there are 707,000 such children, accounting for 11 per cent of the total number of children under 19 years in the country.

Table 15.1 provides a summary on incidence of poverty based on different poverty lines (both national and global). It includes information on the type of poverty line, equivalent value in Sri Lankan rupees (in 2012/2013), per person per month, number of children below the specified poverty line, the headcount or the percentage of poor children based on each poverty line, etc.

Figure 15.2
Percentage of Poor Children under 19 Years within Each Population Group and Share of Poor Children by Population Group - 2012/2013

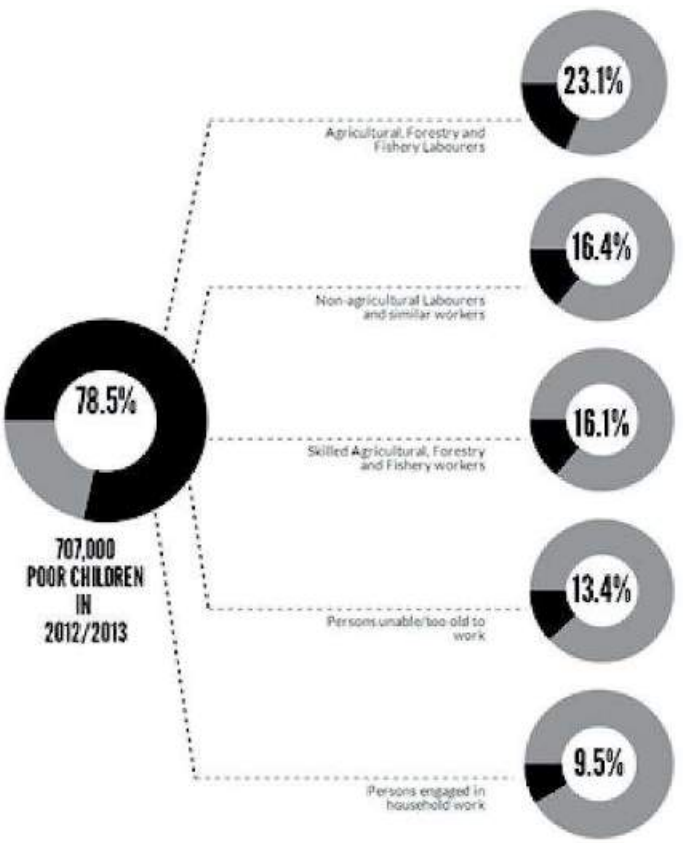


Source: Authors computation based on DCS, *Household Income and Expenditure Survey-2012/2013*. Department of Census and Statistics, Colombo.

15.3 Who are the Poorest Children in Sri Lanka?

It is important to identify children belonging to what types of socio-economic groups (SEGs) or population groups (PGs) are most vulnerable and poorest. For this purpose, households were classified into 12 PGs based on the occupation or the activity of the household head (Figure 15.2). The children in households affected by IP, MDP or both IP and MDP were considered together in-order to make the analysis simpler. Any member in a household belonging to the 11 main PGs (the last category can be disregarded as only 0.7 per cent falls into it) given in Figure 15.2 is considered to be in that particular PG. Based on the above classification, it is possible to identify the PGs with high rates of child poverty in the country.

Child poverty is found to be highest among households headed by the agricultural, forestry and fishery labourers (25.9 per cent), followed by non-agricultural labourers and similar workers (19 per cent). Other PGs with significantly high child poverty levels are households headed by those who are unable/too old to work (15.7 per cent) and skilled agriculture, forestry and fishery workers (12.3 per cent). It is important to consider not only the headcount or the percentage of poor children within each PG, but also the share of poor children under each such PG to get a clearer picture on distribution of poor children, among the groups.



The highest share of poor children is in households headed by agricultural, forestry and fishery labourers (23.1 per cent), followed by non-agricultural labourers and similar workers (16.4 per cent), skilled agricultural, forestry and fishery workers (16.1 per cent), persons unable/too old to work (13.4 per cent), and persons engaged in household work (9.5 per cent). Poor children in these five PGs account for 78.5 per cent of the 707,000 poor children in the country in 2012/2013.

The analysis clearly shows that almost 40 per cent of poor children are living in households headed by those engaged in agricultural and related activities; 79.2 per cent of poor children are in the rural sector and another 13 per cent are in the estate sector. Agriculture is the main driving force of the rural economy. As such, sustainable poverty and hunger reduction are inconceivable without growth in the rural economies given that a large number of poor children are living in households engaged in agriculture and related activities.

15.4 Where are the Poorest Children in Sri Lanka?

It is important to identify the regions in which poorest and most vulnerable children are living, as it would be useful in developing suitable strategies to reduce child poverty.

15.4.1 Child Poverty in Urban, Rural and Estate Sectors

Out of the estimated 706,902 poor children under 19 years in Sri Lanka, 79.2 per cent is to be found in the rural sector, while 13 per cent is in the estate sector. The balance 7.8 per cent is in the urban sector (Table 15.1). The estate sector has the highest incidence of child poverty (27.1 per cent), followed by the rural sector (11.2 per cent) and lowest in the urban sector (5 per cent). In the estate sector, the incidence of MDP (18.2 per cent) is higher than the incidence of IP (13.8 per cent). This indicates that living conditions and access to services for the children in the estate sector need to be improved further if child poverty is to be reduced.

Table 15.2
Number of Children (under 19 years), Number of Poor Children, Shares of all Children and Poor Children and the Headcounts by Sector - 2012/2013

Sector	Total no. of Children (undue 19 Years) in each District/Sector	Share of children (undue 19 Years) in each District/Sector	No. of Poor Children[a] (undue 19 Years) in each District/Sector	Share of Poor Children* in each Sector	Poverty Headcount (% Poor Children (under 19 Years) within each Sector)			
					Poor Children: IP and/or MDP	IP Only	MDP Only	Both IP and MDP
1	2	3	4	5	6	7	8	9
Urban	1,097,070	17.0	54,937	7.8	5.0	2.3	2.1	0.5
Rural	5,011,208	77.7	559,529	79.2	11.2	7.5	1.6	2.0
Estate	341,061	5.3	92,438	13.0	27.1	8.9	13.3	4.9
Sri Lanka	6,449,339	100.0	706,902	100.0	11.0	6.7	2.3	1.9

Notes: a: Children who are IP and/or MDP.

Source: Authors computation based on DCS, Household Income and Expenditure Survey-2012/2013. Department of Census and Statistics, Colombo.

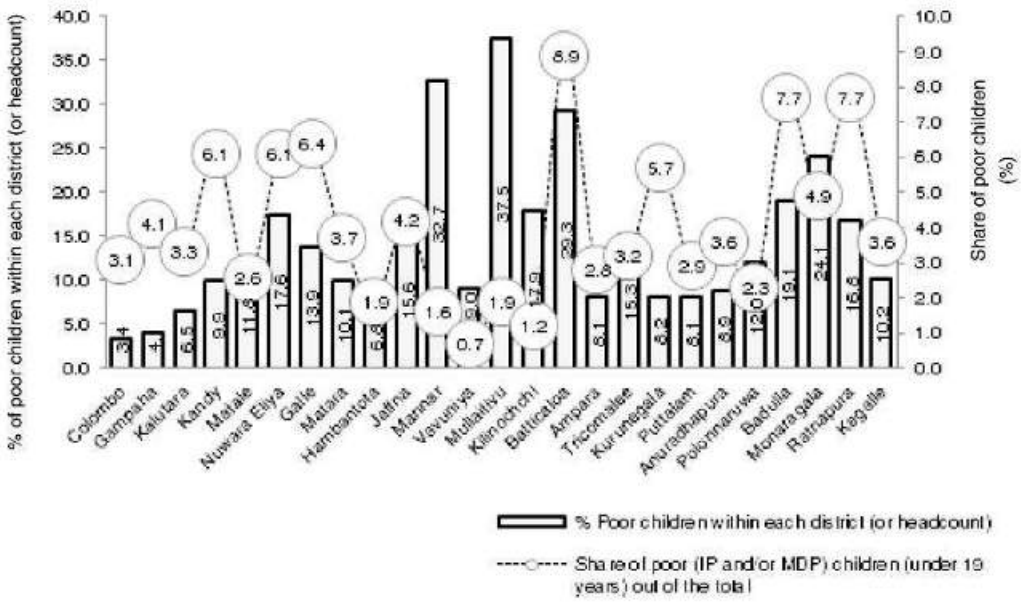
15.4.2 District Variations in Child Poverty

As 11 per cent of the children in the country are affected by IP and/or MDP, it is important to know how they are distributed among the districts given significant regional variations. In some districts, the incidence of child poverty is very much higher than that at the national level. However, it is important to note that it is necessary to look at not only the child poverty headcounts, but also the absolute numbers or share of poor children in each district, when developing strategies to reduce child poverty (Figure 15.3). Some districts with a high incidence of child poverty may have only a small number of poor children while some districts with a low incidence of poverty may have a large number of children affected by poverty.

The Batticaloa district with 63,000 out of the 706,902 poor children under 19 years in Sri Lanka has the highest share (8.9 per cent) of children affected by poverty. The incidence of child poverty or the poverty headcount is also high (29.3 per cent) in this district, thus making it the worst district. Although the incidence of child poverty is highest in Mullaitivu district (37.5 per cent), followed by Mannar (32.7 per cent), the shares of poor children in these two districts are 1.9 and 1.6 per cent, respectively.

Apart from Batticaloa, other districts with large numbers of poor children are Ratnapura (7.7 per cent), Badulla (7.7 per cent), Galle (6.4 per cent), Nuwara Eliya (6.1 per cent), Kandy (6.1 per cent) and Monaragala (4.9 per cent). Thus, Figure 15.3 clearly shows the importance of considering both the poverty headcount and

Figure 15.3
Income Poor and/or Multidimensionally Poor Children under 19 years: Share and Headcount (Bar) by District - 2012/2013



Notes: Poor Children defined as those who are IP and/or MDP.

Source: Authors computation based on DCS, Household Income and Expenditure Survey-2012/2013. Department of Census and Statistics, Colombo.

The Batticaloa district with 63,000 out of the 706,902 poor children under 19 years in Sri Lanka has the highest share (8.9 per cent) of children affected by poverty. The incidence of child poverty or the poverty headcount is also high (29.3 per cent) in this district, thus making it the worst district.

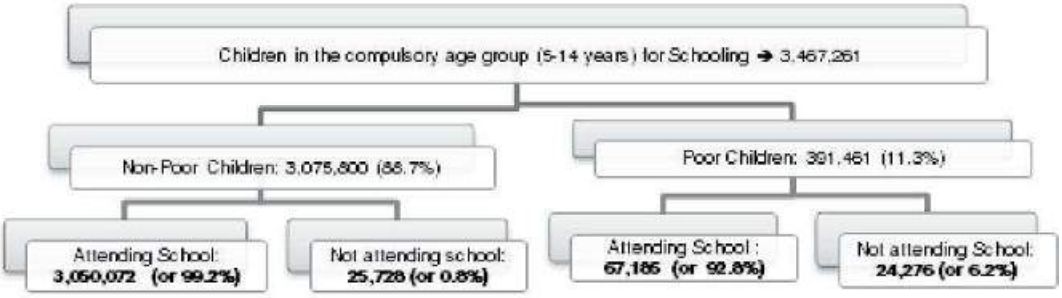
the share of poor children in each district when developing strategies to reduce child poverty throughout the country.

15.5 Access to Education and Children Not Attending School

Although education is free for all children in Sri Lanka, poorer children face various difficulties in continuing their education for a full period of 13 years in school. Data show that a significant number of children leave school education after the compulsory age for schooling (5-14 years). Data also show that it is not only the poor children who leave school education early, but some of the children in the non-poor category as well. Of a total 3.5 million children in the age group 5-14 years, 391,461 (or 11.3 per cent) are poor. Of them, 6.2 per cent are not attending school (Figure 15.4). Although the percentage is relatively low, it also shows that poor children are nearly eight times more likely to not attend school than the non-poor children in the same age group.

Many children leave formal school education after 14 years of age, as the compulsory age group for schooling in Sri Lanka ends after completing 14 years. Although it had been recommended that the compulsory age should be increased to 16 years, it is still to be implemented. It is observed that 23.8 per cent of poor children aged 15-16 years are not attending school, indicating that nearly one-fourth of poor children who should be in school in this age group have left school education, even without attempting O-Levels (Figure 15.5). Poor children in the 15-16 age group are almost three times more likely to leave formal school

Figure 15.4
School Attendance of Children in the Compulsory Age Group (5-14 years) for Schooling: Attending / Not Attending School - 2012/2013



Source: Authors computation based on DCS, *Household Income and Expenditure Survey-2012/2013*. Department of Census and Statistics, Colombo

education, compared to non-poor children in the same age group. The percentage increases to as high as 64.7 for poor children in the ages 17-18 years, showing that they are leaving school after Grade 11, either completing or without completing O-Levels.

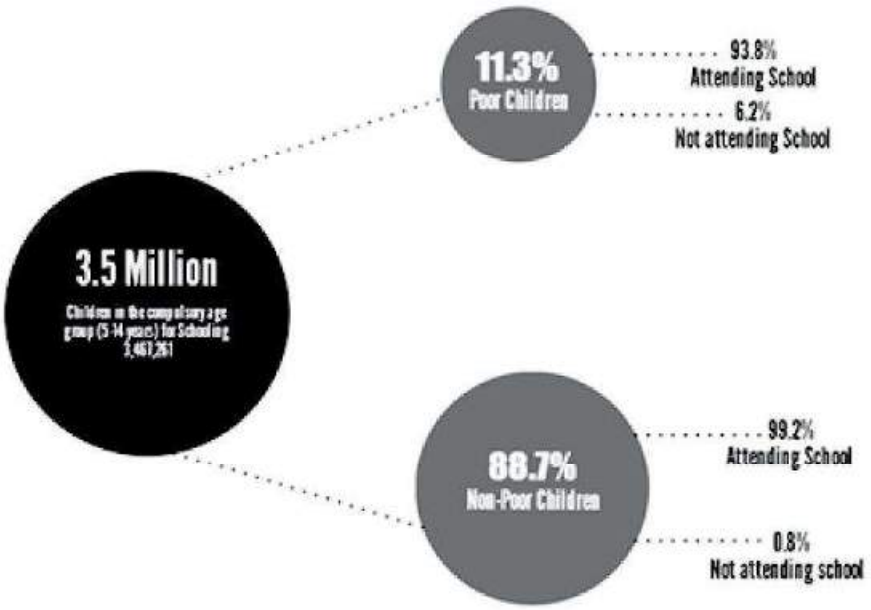
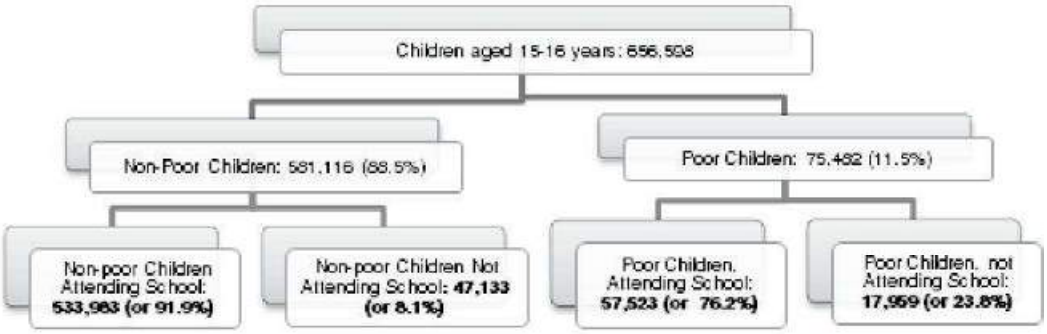
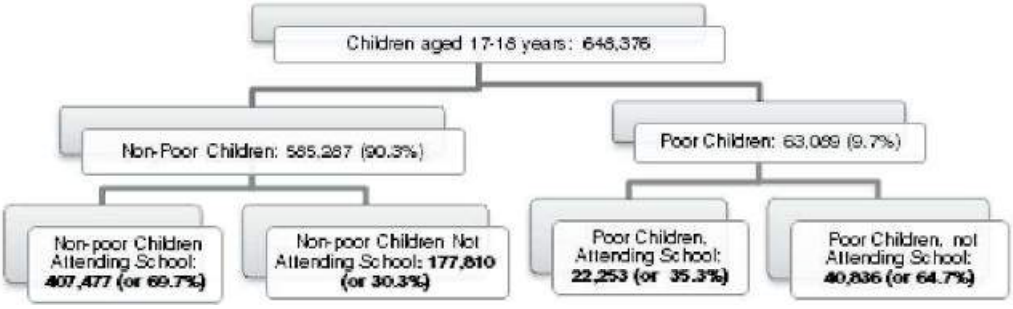


Figure 15.5
School Attendance of Children in the Age Group (15-16 years): Attending/Not Attending School - 2012/2013



Source: Authors computation based on DCS, *Household Income and Expenditure Survey-2012/2013*. Department of Census and Statistics, Colombo

Figure 15.6
School Attendance of Children in the Age Group (17-18 years): Attending /Not Attending School - 2012/2013



Source: Authors computation based on DCS, *Household Income and Expenditure Survey-2012/2013*. Department of Census and Statistics, Colombo

Poor children in the age group 17-18 years are twice more likely to leave formal education compared to non-poor children in the same age. From Figure 15.6, it can be observed that it is not only poor children who leave formal school education after 16 years of age, but also nearly one-third of non-poor children as well, which need the attention of policy makers.

Poor children in the 15-16 age group are almost three times more likely to leave formal school education, compared to non-poor children in the same age group.

15.6 Policy Recommendations

Poor children who need the highest priority: They are to be found in households headed by persons engaged in agricultural and related activities, either as agricultural workers or labourers, non-agricultural labourers, persons unable to work or too old to work and persons engaged in household work, are the most vulnerable. They account for nearly 80 per cent of the total number of poor children in Sri Lanka. Importance of agriculture: The largest proportion (36.9 per cent) of the poor in IP or MDP and nearly 40 per cent of poor children are living in households engaged in agricultural and related activities. As such, sufficient attention needs to be given to improve the agricultural sector in order to improve the living conditions of the people engaged in agricultural and related activities and their families. To achieve this, it would be necessary to increase the agricultural productivity by improving extension services, introduce new technology and farming techniques, which helps farmers; provide necessary advice and assistance to setup agro based industries, which could create new employment opportunities for rural youth; continuously improve rural infrastructure and marketing facilities, so that the farmers could easily find markets for their produce.

Need to reduce persisting income inequality in Sri Lanka to reduce child poverty: Income inequality in Sri Lanka is high and has remained more or less unchanged for more than three to four decades. While the share of household income of the poorest 10 per cent of households has remained less than 2 per cent, the corresponding share of the richest 10 per cent of households has remained around 38 per

cent.[5] Data indicate that 81.5 per cent of poor children are in the first per capita expenditure decile and another 7.5 per cent are in the second decile. For sustainable reduction of child poverty, as well as overall poverty levels in the country, it is necessary to reduce income inequality. As such, developing the rural economy, creating accessible, productive and rewarding jobs in all regions, including in the rural sector, without any discrimination, is the key to minimize poverty and reduce inequality.

Quality education for all to reduce poverty: Education reduces poverty, boosts economic growth and increases income. Education is one of the most important investments a country can make in its people and its future. Quality education provides children with knowledge and life skills needed to realize their full potential. Equal access to quality education to all, plays a key role in eradicating poverty and it plays a central role to give the poor children a better chance of decent and fulfilling life.

Compulsory education up to 14 years of age has benefitted the children in Sri Lanka which helped in achieving near universal primary education. While 98.6 per cent of the children (5-14 years) attend school, 6.2 per cent of poor children in this age group are not attending school. After 14 years, significant numbers of poor children are leaving formal school education. Poor children aged 15-16 years are nearly three times more likely to be leaving school education than non-poor children in that age group, which indicate that they receive education only up to Grade 8 or 9. After 16 years of age, nearly two-thirds of poor children leave school education, either completing O-Levels or without completing. Increasing the compulsory age for schooling to 16 years which has been discussed for many years will benefit poor children as they will then have at least 11 years of education.

Although education is free for all children, a significant number of poor children leave school education after 14 years. One solution could be to develop an independent and voluntary sponsorship programme to help poor children, without any political interference, so that richer persons who are interested and willing to help such children could do so. As these children are living with their parents, it may not be easy to make suitable arrangements, like in the case of well organised institutions like 'SOS Children's Villages, where volunteers and well-wishers could easily sponsor a child directly.

Importance of precise targeting in social protection programmes: The analysis clearly identifies the socio-economic groups or population groups and the regions in which most of the poor children are located. They are the most deserving for assistance under social protection programmes. As reduction of child poverty or eradicating extreme child poverty may also depend on precise targeting of most vulnerable groups, welfare programmes like Samurdhi may need to be streamlined to include the poorest groups.

[5] Can Sri Lanka Eradicate Poverty and Reduce Income Inequality by 2030, Wimal Nanayakkara, 2016.

16. TRIPs Agreement and Food Security: A Sri Lankan Perspective

16.1 Introduction

Food insecurity is a major challenge for Sri Lanka.[1] According to the food insecurity classification adopted by the World Food Programme (WFP), 0.5 per cent of households were found to be severely food insecure, 11.8 per cent moderately food insecure and 87.6 per cent food secure in Sri Lanka in 2011.[2] With food security defined as 'when all people at all times have access to sufficient, safe, nutritious food to maintain a healthy and active life',[3] the supply aspects of food availability becomes important. Food availability is mainly determined by domestic food production and food imports. Domestic food production is determined by a number of factors that include the availability of quality seeds and planting materials and the penetration of technology within the agriculture sector. These in turn, either directly or indirectly, can be influenced by prevailing Intellectual Property Rights (IPRs) regimes.

The importance of IPRs - protection granted to creators of Intellectual Properties (IPs) - has increased over the last three decades in a number of fields in agriculture, including agriculture biotechnology, plant variety

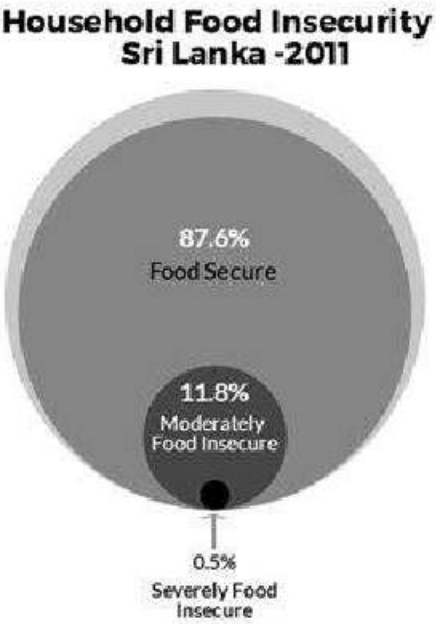
Widely used IPs in agriculture are patents, plant breeders' rights, traditional knowledge and geographic indications (GIs).

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1 See Chapter 11 on "Tackling Food Insecurity: Achievements and Challenges Ahead".

2 UNICEF (2012), *National Micro Nutrient Survey 2012*, United Nations International Children's Emergency Fund, Colombo.

3 World Food Summit, available at : http://www.fao.org/wfs/index_en.html.



protection, and plant breeders' rights.[4] Widely used IPs in agriculture are patents, plant breeders' rights, traditional knowledge and geographic indications (GIs). These seek to give incentives - mainly to private sector actors - to develop seeds and other planting materials with the aim of improving both agriculture productivity and production, and thereby also raise food security within a country. The WTO's Trade Related Intellectual Property Rights (TRIPs) Agreement is the main agreement that provides due recognition to IPRs.[5] As such, this Policy Brief aims to examine the implications of the TRIPs Agreement on food security in Sri Lanka.

16.2 TRIPs Agreement Relating to Agriculture and Food Security

The TRIPs Agreement protects seven categories of IPs, namely: copyrights, geographical indications, industrial designs, patents, trademarks, and undisclosed or confidential information. WTO members are required to ensure that their laws comply with minimum standards laid down in the TRIPs Agreement.[6] Countries can enforce IPR rules and regulations through civil and administrative procedures or criminal procedures in their respective jurisdictions.

The most important section in the TRIPs Agreement with regard to agricultural is concerned with patentable subject matters. Accordingly, members may exclude plants and animals from patentability, but should grant patents on microorganisms and processes for non-biologically or microbiologically developing plants and animals. Further, members must grant some form of protection towards new plant varieties by either patents or an effective sui generis system,[7] or a combination of the above two. The TRIPs Agreement excludes patentability of 'plants and

[4] Cullet, P. (2003). *Food Security and IPRs in Developing Countries*, IELRC Working Paper, International Environment Law Research Center (IELRC), Switzerland.

[5] In addition, there are a few other international conventions which provide protection for plant varieties, seeds, farmers, etc., and contribute towards food security such as the International Convention for the Protection of New Varieties of Plants (UPOV Convention) and the Convention on Bio Diversity (CBD).

[6] Developed countries had to implement TRIPs within one year of coming into force of the Agreement on 1 January 1995, whereas developing countries had a grace period of four years (i.e., by 1 January 2000 which was later extended to 2006), and least developed countries have a 10 year transition period which could be extended for a further period.

[7] Defined as its own kind, indicating that countries have the flexibility to put in place a protection regime appropriate to their local contexts and needs.

animals' including transgenic plants,[8] animals, planting materials, etc. According to the Agreement, agricultural innovations could be protected either by grant of a patent and/or by grant of a plant variety right through a sui generis law.

The International Convention for the Protection of New Varieties of Plants (UPOV Convention) is the only IP treaty which directly focuses on agriculture. The plant breeders' rights model developed in the UPOV Convention is seen as an acceptable sui generis system that fulfills the requirements of the TRIPS Agreement in this field.[9] Further, in 2001, the Doha Declaration extended the discussion on patentability, stating that the TRIPs Agreement should also consider the relationship with the UN Convention on Convention on Bio Diversity (CBD), the protection of traditional knowledge and folklore.[10] GIs are also important IPRs in the context of food security. GIs provide protection for specific products, geographical area or a region. At present, TRIPs offers a two-tier system of protection; all GIs are protected under the general regime whereby rights of holders are protected against designation or presentation of their specialized knowledge.

In general, the legal protection offered by IPRs under TRIPs is one of the most important incentives for private sector involvement in agro-biotechnology. TRIPs are thus essential in enhancing participation of the private sector in the development of improved seed and plant varieties which produce higher yields and

The International Convention for the Protection of New Varieties of Plants (UPOV Convention) is the only IP treaty which directly focuses on agriculture.

[8] Transgenic plant or an animal relates to an organism that contains genetic material into which DNA from an unrelated organism has been artificially introduced.

[9] Cullet, P. (2003), *Food Security and Intellectual Property Rights in Developing Countries*, IELRC Working Paper, International Environment Law Research Center, Switzerland.

[10] QMIPRI (2004), *The Relationship between Intellectual Property Rights (TRIPs) and Food Security*, Queen Mary Intellectual Property Research Institute, UK.

thereby help support food security needs of a country.

16.3 TRIPs in Food Security: Global Implementation and Trends

Three decades ago, IPRs were not very popular in the field of agriculture because agricultural management in many countries was on the basis of a free exchange of germ plasm and knowledge, a system wherein IPRs did not fit well.[11] Further, it was generally recognized that agriculture was substantially different from other fields of technology as it deals with farmers who save seeds from previous crops. IPRs were gradually introduced into agriculture in two main stages. First, a number of developed countries adopted IP protection for plant varieties (plant breeders' rights) which is derived from the patent model. Second, with the development of agro-biotechnology, a number of developed and developing countries adopted patent protection for biotechnology.

Whilst a number of developed and developing countries have attempted or are in the process of implementing different strategies concerning both IPRs and food security, developed countries introduced IPRs in agriculture well before developing countries.[12] It is also not practical to compare them in implementing IPRs strategies for agriculture as the socio-economic conditions of developing countries are significantly different to those of developed countries.[13]

Two main stages of IPRs were introduced into agriculture. First, a number of developed countries adopted IP protection for plant varieties which is derived from the patent model. Second, a number of developed and developing countries adopted patent protection for biotechnology.

[11] *Ibid*.

[12] Correa, C.M. (2012), *TRIPS-Related Patent Flexibilities and Food Security: Policy Guide*, International Centre for Trade and Sustainable Development, Switzerland.

[13] Cullet, P. (2003), *Food Security and Intellectual Property Rights in Developing Countries*, IELRC Working Paper, International Environment Law Research Center, Switzerland.

As genetic engineering took-off, there was a marked shift in approaches towards genetic material and related knowledge with regards to IPRs. This occurred initially in the US which was the first country to accept the patentability of artificially created life forms. Thereafter, the patentability of plants was accepted. Furthermore, the US Patent and Trademark Office granted the first patent for a transgenic animal in 1998.[14] These trends were followed by Europe, whereby most developed countries today provide patent protection for every innovation relating to agriculture and the food sector.

Some developing countries too have incorporated IPR laws and strategies to their national policies as well as signing on to several international treaties. For example the Indian Patents Act includes a new requirement concerning the disclosure of geographical origin of biological materials used in an invention. To protect traditional knowledge of its people including in agriculture, the Philippines adopted a framework in their Indigenous Peoples Rights Act. More recently in 2016, Kenya also passed an Act to protect Traditional Knowledge and Cultural Expressions of its people.

Box 16. 1 illustrates four country examples, including two developed countries (Australia and the US) and two developing countries (Thailand and India) of IPR systems and their protection methods relating to the agriculture sector and food security.

In summary, IPRs tend to facilitate control over seeds and related knowledge on agri-businesses. In general, farmers have to pay fees to acquire protected seeds together with the associated restrictions on saving, replanting and selling saved seeds. However, it is essential that farmers should retain control over plant varieties so that they may continue to innovate, improve and adapt varieties.

16.4 TRIPS, Agriculture and Food Security: Where Are We?

Sri Lanka passed its Intellectual Property Act No.36 in 2003 to comply with the TRIPs Agreement to replace the Intellectual Property Act No. 52 of 1979. The new Act introduced several types of property rights including copy rights, related rights, expression of folklore, industrial designs, marks, patents, unfair competition, undisclosed information, geographical indication, etc. The Act states that 'plants, animals and other micro-organism other than transgenic micro-organism and an essentially biological process for the production of plants and animals other than non-biological and microbiological processes shall not be patentable'. However, an invention can be patentable if it is new, involves an inventive step, and is industrially applicable. Thus, new plant varieties can be identified as a new innovation and can be patentable.[15]

[14] *Ibid.*

[15] Hirimuthugodage, D. and P.A. Samaratunga (2016), *Intellectual Property Rights In Protecting New Plant Varieties and Farmers' Traditional Knowledge: The Case of Rice in Sri Lanka*, Working Paper Series No: 24, Institute of Policy Studies of Sri Lanka, Colombo.

Box 16.1
Country Case Studies on IPRs Relating to Food and Agriculture

Australia

Farming in Australia is highly industrialized. Approximately 70 per cent of Australian farms are still family owned and many farmers are becoming 'out workers' for large agribusinesses by providing specific good or services for such business. At present, 70 per cent of R&D of new plant varieties in Australia is undertaken by public organizations and most of them are funded by licensed foreign and local seeds companies. Australia's IP regime which is relevant to agriculture is consistent with:

- International agreements to which it is a member, in particular WTO TRIPs Agreement and the UPOV. The most important forms of domestic plant IP protection are plant breeder's rights and patents.
- Plant Breeder's Rights Act 1994

USA

There are two farming sectors in the US, namely, 'family farming' and 'corporation farming'.

Three types of protection are available for plant varieties:

- Plant Variety Protection Act 1970
- Plant Patent Act 1930
- Utility Patents under the general patent law.

The first two are patent legislation that offers protection for plants and the third one provides protection in the form of plant breeder right.

Thailand

There are three types of farmer groups in Thailand; crop farmers, fruit growers and orchid growers. Rice and corn farmers are prominent in crop farming. Earlier farmers used traditional varieties of rice and corn but many farmers today have moved to hybrids as traditional varieties have been unproductive. In Thailand, plant breeding is undertaken by both public and private sectors. At present, the Rice Research Institute within the Ministry of Agriculture and Cooperatives controls overall rice research and development in Thailand. Almost all new varieties used have come from the public sector. The government is reluctant to encourage private sector involvement in rice research because of the presence of multinational companies. At present, seed companies are selling seeds to the subsidized market and the open market.

The most important legislation for plant protection in Thailand is:

- Plant Protection Act 1999, which is based on the UPOV Convention 1978, protecting both new breeds of plants and local plants.

India

Framing in India is predominantly subsistence farming and the farming community is the largest seed producer, providing about 85 per cent of the country's annual requirement of over 6 million tons of seed. Both public and private sectors are engaged in R&D in breeding varieties. The Indian Agriculture Research Institute is one of the most important government organizations in developing plant varieties. It has developed a number of hybrid varieties, grains and vegetables using crop improvement and genetic engineering techniques. In addition to public sector organizations, India has a number of non-profit NGOs whose objective is to produce varieties for public good.

- Protection of Plant Varieties and Farmers' Rights Act, 2001.
- India's Act allows four types of varieties to be registered reflecting the interests of actors: New Variety, Extant Variety, Essentially Derived Variety and Farmers' Variety. This Act grants the protection for Indian breeders and farmers the right to claim IP over their varieties.

Source: World Intellectual Property Office, Geneva.

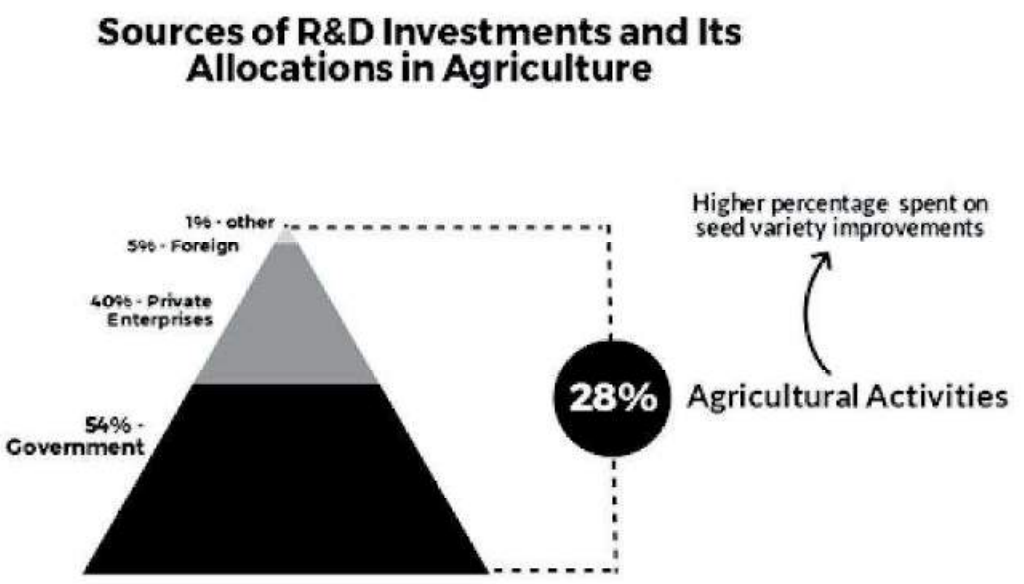
Sri Lankan farmers mainly use two types of rice seeds. A majority of farmers (nearly 90 per cent) use rice seed produced by themselves from their previous crop or borrow from neighbouring farmers. Farmers are aware of the importance of good quality seed for high productivity, thus, they try their best to obtain quality seeds. According to the provisions of the National Seed Policy of 1996, the private sector can also be involved in seed production and marketing. However, with regard to the rice sector, the government and farmers are primarily involved in the production of rice seed. There are nearly 800 farmers engaged in rice seed production with a majority of them being contract seed growers of the Department of Agriculture (DOA) in the past. As such, they possess the technical know-how to produce quality seeds and are recognized as good seed producers at the village level.

The DOA is the main institution responsible for breeding new varieties and developing crop protection methods in Sri Lanka. Private sector participation in seed production and distribution were introduced after the enactment of the Seed Act No. 22 of 2003. The DOA encourages farmers to produce their own seeds; by doing so, farmers save money that would otherwise be spent on purchasing new seeds and also save time searching for new varieties. Moreover, the DOA provides extension services for farmers on new seeds and suitable varieties for their cultivation. However, in order to improve productivity and thereby to increase agriculture production, new seed varieties, new crops, new technology, etc., need to be identified.

The DOA is the main institution responsible for breeding new varieties and developing crop protection methods in Sri Lanka.

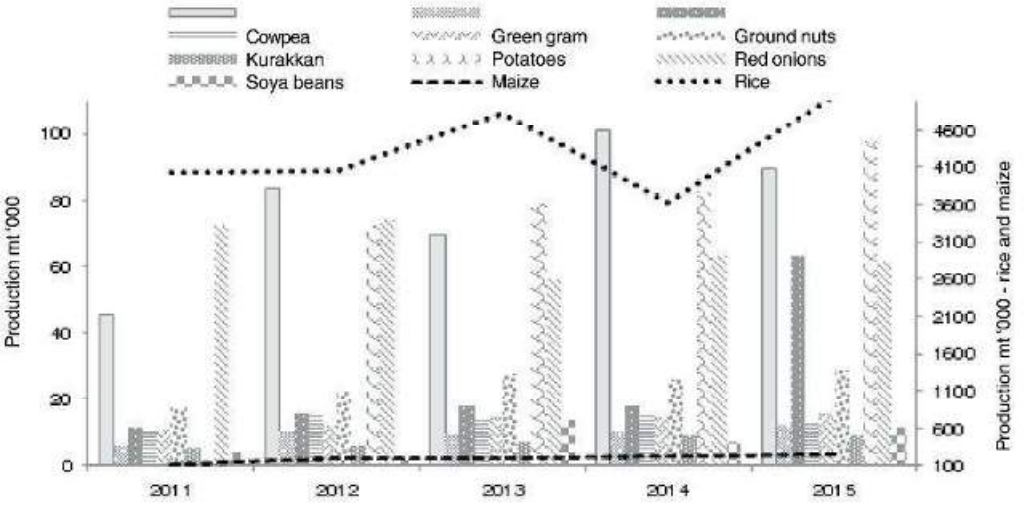
In 2013, 54 per cent of R&D investments originated from the government and 40 per cent from the private enterprises.[15] Nearly 28 per cent of R&D expenditure was spent on agricultural activities and higher percentage of that spent on seed variety improvements. Commodity-wise, a higher percentage goes to plantation crops, although a substantial percentage goes to rice crops as well. Overall, investments on R&D remain insufficient to improve productivity levels of the main food

[15] NSF, *R&D Survey 2013*, National Science Foundation, Colombo.



crops. Protecting farmer's traditional knowledge in developing new seed varieties is important. Sri Lanka's 2003 IPR Act offers a sui generis form of protection to folklore. Moreover, as stated previously, traditional knowledge could also be protected through GI. However, Sri Lanka has not yet used GI to protect any food crops.

Figure 16.1
Production of Major Food Crops



Source: DCS, "Agriculture Data Base", Department of Census and Statistics, Colombo.

Table 16.1
Average Yield (mt/ ha)

	Average Yield (mt/ ha)				
	2011	2012	2013	2014	2015
Rice	4	4.3	4.3	4.3	4.4
Big onions	13.2	15.5	16.5	14.8	15.9
Black gram	0.7	0.9	0.8	0.8	1
Cowpea	1.1	1.3	1.3	1.3	1.3
Green gram	1.2	1.2	1.3	1.2	1.3
Ground nuts	1.8	1.9	1.8	1.8	1.6
Kurakkan	1	1.2	1.2	1.2	1.3
Maize	2.7	3.4	3.1	3.6	3.7
Red onions	11.8	12.1	12.1	12.9	12.6
Soya beans	1.6	1.1	1.7	1.7	1.8

Source: CBSL, *Annual Report*, various years.

Thus, despite the TRIPs Agreement offering several options to improve agriculture production and productivity by ensuring protection for farmers, plant varieties, investments on R&D, etc., Sri Lanka has not been successful in taking full advantage of it due to several gaps as explained above. The continued use of less improved varieties, lack of investments in R&D, lack of commercialization, etc., have resulted in low production and productivity of most of the domestically grown crops. Recent trends in local production and yield levels of some selected plant-based food show that productions of all crops are stagnating (Figure 16.1). Moreover, the yield levels of some selected crops are also stagnant (Table 16.1). Such trends, pose risks to ensuring food security in the country.

16.5 Way Forward

As a member of the WTO and a signatory to the TRIPs Agreement, Sri Lanka is required to implement the stipulated rules and regulations, to be in line with it. However, the TRIPs Agreement has not imposed restrictions on selecting protection methods, giving countries absolute discretion in selecting the most suitable methods for their economies and agricultural systems. Therefore, countries have an opportunity to formulate their own systems based on current circumstances and future priorities.

In complying with the TRIPs Agreement, Sri Lanka passed an IPR Act in 2003. However, the Act has excluded patent protection for animals and plants which can be considered as most relevant to the agriculture sector in relation to increasing production. Thus, it is important to provide protection for plants and animals by way of sui generis system following UPOV and CBD Conventions.

Presently, most farmers in Sri Lanka depend on hybrid varieties of seeds for higher yields. Thus, providing opportunities for new plant breeders

by protecting their rights is most vital in achieving higher agricultural productivity. An effective and productive IPR system is considered as an important element for agricultural advancement.

Sri Lanka drafted a Protection of New Plant Varieties Act in 2000 which was subsequently not implemented. Once again in 2011, the Ministry of Agriculture with the Intellectual Property Rights Office drafted another Protection of New Plant Varieties Act which is also lost in the Bill stage.

As a developing country, Sri Lanka must take advantage of the arrangements provided by the TRIPs Agreement and adopt a sui generis plant variety protection law which will support the development of the indigenous agriculture sector and subsistence farming communities to improve agriculture production. The most feasible option would be to adhere to the UPOV Convention when passing an Act, which will in turn allow farmers to save and reuse seeds obtained from cultivation of protected varieties.

Further, as mentioned above, developing and improving plant varieties requires freedom to undertake research and breeding where patented materials are involved. Thus, the IPR Act needs to make available laws to permit the commercialization of the newly obtained varieties and provide an assurance to private investors that their investments are secured. In addition, to protect IPRs, a strong institutional system is also required to make agricultural R&D more effective and attractive amongst private investors, especially to help attract new technology and more foreign investments to the sector.

Simultaneously, it is vital to implement a recent draft policy on traditional knowledge and cultural expressions. It has also been suggested that GI may be of particular interest to countries like Sri Lanka when achieving, a comparative advantage in agricultural products, processed foods and beverages. However, these benefits should be weighed against the expenses of enforcement actions of GI.

APPENDICES

Appendix A: Macroeconomic Indicators (Statistical Base)

Table A1: Socio-Economic Indicators

1. Basic indicator	Unit					
Area:	Sq. km.	65,610				
Mid year population (2016)	('000)	21,203				
Population growth rate (2015)	%	n.a.				
Life expectancy at birth (2015)	years	75				
Infant mortality rate (2013)	per 1000 live births	8.2				
Gross school enrolment ratio (2005)(a)	%	62.7				
Adult literacy rate (2014)	%	93.2				
Human development index (HDI) (2015)	Value	0.766				
Human poverty index (HPI) (2005)	Value	17.8				
2. Output, labour force and employment		**2012**	**2013**	**2014**	**2015**	**2016(e)**
GNP at current market prices	Rs. bn.	7,424	8,448	9,545	-	-
GDP at current market prices	Rs. bn.	8,732	9,592	10,361	10,952	11,839
GDP per capita at current market prices	US$	3,351	3,609	3,821	3,843	3,835
Labour force (n)(p)	Mn.	7.8 (l)	8.0 (l)	8.0 (l)	8.2 (l)	8.3 (l)
Labour force participation (n)(p)	%	52.5 (l)	53.7 (l)	53.2 (l)	53.8 (l)	53.8 (l)
Unemployment (n)(p)	%	4.0 (l)	4.4 (l)	4.3 (l)	4.7 (l)	4.4(l)
3. Real output growth (g)						
GDP	%	9.1	3.4	5	4.8	4.4
Agriculture, forestry, and fishing	%	3.9	3.2	4.9	4.8	-4.2
Mining and quarrying	%	24.6	7.6	2.2	-5.2	14.4
Manufacturing	%	3.2	2.3	2.3	4.9	1.7
Construction	%	21.2	7.5	6.6	-2.7	14.9
Services	%	11.2	3.8	5.2	5.7	4.2
4. Prices & wages						
CCPI (2002 – 100) - annual average (m)	% change	-	-	-	-	-
CCPI (2006/07 = 100) - annual average	% change	7.6	6.9	3.3	0.9	3.7
WPI - annual average	% change	3.5	9.2	3.2	1	4.2
Implicit GNP deflator (g)	% change	8.9	6.7	5.1	-	-
Real wage rates (q)						
Workers in wages boards trades	% change	13.8	-1.2	0.4	1.9	-3.6
Government employees	% change	-3.7	-2.7	6.7	27	-0.1
5. Consumption, investment, and savings (g)						
Consumption	% of GDP	72.8	75.4	75.8	79.1	76.2
Gross domestic capital formation	% of GDP	39.1	33.2	32.3	28.4	31.5
Gross domestic savings	% of GDP	27.2	24.6	24.2	20.9	23.8
Gross national savings	% of GDP	33.3	29.9	29.8	26	28.9
Net imports of goods and services	% of GDP	-11.9	-8.6	-8.1	-7.5	-7.6
6. Government finance (g)						
Revenue	% of GDP	12.0	11.9	11.5	13.3	14.2
Expenditure & net lending	% of GDP	17.8	17.4	17.3	20.9	19.7
Current expenditure	% of GDP	13.0	12.6	12.8	15.5	14.8
Capital expenditure & net lending	% of GDP	4.9	4.8	4.6	5.4	4.9
Current a/c balance	% of GDP	-0.9	-0.7	-1.2	-2.3	-0.6
Budget deficit						
Primary deficit	% of GDP	-0.9	-0.8	-1.5	-2.9	-0.2
Overall deficit (before grants)	% of GDP	-5.6	-5.4	-5.7	-7.6	-5.4
Public debt						
External	% of GDP	31.7	30.9	30	32.4	34.2
Domestic	% of GDP	37	40	41.3	45.3	45.1

	Unit	20112012	2013	2014	2015	2016(e)
7. External trade						
Terms of trade	% change	-1.5	4.6	4.3	2.7	3.7
Import price index	% change	-5.8	-4.7	-1.5	-11.8	-5.1
Export price index	% change	-7.3	-0.3	2.7	-9.4	-1.5
Import volume index	% change	0.5	-1.5	9.5	10.6	7.9
Export volume index	% change	-0.2	6.7	4.3	4.6	-0.7
8. External finance (g)						
Trade balance	% of GDP	-13.8	-10.2	-10.4	-10.4	-11.2
Current account balance	% of GDP	-5.8	-3.4	-2.5	-2.3	-2.4
Capital & financial account balance	% of GDP	6.4	4.2	-1.9	-2.8	-2.6
Foreign direct investments	% of GDP	1.3	1.2	1.1	0.8	1.1
Foreign portfolio investments	% of GDP	0.4	0.3	0.2	-0.1	0.0
Import capacity	Months of imports (d)	5.4	5.7	6.1	5.9	5.2
External debt	% of GDP	54.2	53.7	54.1	55.7	57.3
Debt-service ratio	% of exports	19.7	26.8	20.8	27.3	25
9. Exchange rates (year end)						
U.S.A.	Rs./US$	127.2	130.8	131.0	144.1	149.8
U.K.	Rs./UK Pound	205.5	215.6	204.0	213.6	184.0
Japan	Rs./Yen	1.5	1.2	1.1	1.2	1.3
European Union	Rs./Euro	168.1	180.5	159.4	157.4	157.9
India	Rs./Rs. Indian	2.3	2.1	2.1	2.2	2.2
SDR	Rs./SDR	195.3	201.4	189.9	199.6	201.4
10. Money supply						
Narrow money supply (M1)	% change	2.6	7.7	26.3	16.8	8.6
Broad money supply (M2)	% change	17.6	16.7	13.4	17.8	18.4
Domestic credit	% change	21.7	13.7	10.5	23.5	16.4
External banking assets	% change	-126.3	-195.5	119.8	-2071.2	22.4
11. Interest rates						
Treasury bill yield rates						
3 month	% per annum	10.0	7.5	5.7	6.5	8.7
12 months	% per annum	11.7	8.3	6.0	7.3	10.2
Call money rates	% per annum	9.8	7.7	6.2	6.4	8.4
Average prime lending rate	% per annum	14.4	10.1	6.3	7.5	11.5
Commercial banks saving	% per annum	10.5	9.1	8.0	8.0	9.0
NSB saving	% per annum	5.0	5.0	5.0	5.0	4.3
Commercial banks fixed deposits	% per annum	17.0	16.0	12.0	15.0	15.0
NSB fixed deposits	% per annum	12.5	9.5	6.5	7.3	11.0
12. Share Market Indicators						
Annual turnover	Rs. bn.	213.8	200.5	340.9	253.3	176.9
Companies listed	No.	287	289	294	294	295
Market capitalisation	Rs. bn.	2,168	2,460	3,105	2,938	2,745
Net purchases by non-nationals	Rs. mn.	38,661	22,783	21,217	-5,372	338
Share price indices						
CSE share	(Index, 1985 – 100)	5,643.0	5,912.8	7,299.0	6,894.5	6,228.3
CSE sensitive(f)	(Index, 1998 Dec = 1000)	5,119.1	-	-	-	-

Notes:
(a): Combined first, second, and third level gross enrolment ratio.
(b): Excluding Northern and Eastern Provinces.
(c): Average of four quarters.
(d): Months of same year imports.
(e): Provisional.
(f): The Milanka Price IndexMPI was introduced in January 1999, (1998 December – 1000) to replace the Sensitive Price Index. With effect from 1 January 2013, the MPI was replaced by S&P SL 20 index (2004 Dec – 1000)
(g): From 2003, data are based on GDP estimates compiled by the Department of Census and Statistics and from 2010 onwards rebased GDP estimates (base year 2010) have been used.
(h): Excluding Northern Province.
(i): Excluding Mullaitivu and Killinochchi districts.
(j): From 2007 onwards, trade indices have been calculated with a wider coverage using 2010 as the base year.
(k): Estimates from 2006 onwards are based on National Accounts data of the Department of Census and Statistics.
(l): Data covers the entire island.
(m): The rebased CCPI (2006/07 – 100) has replaced CCPI (2002 – 100).
(n): In July 2016, Department of Census and Statistics published a re-weighted and revised labour force data series for 2011 onwards.
(p): Data up to 2011 for household population aged 10 and above while that of 2012 onwards for those aged 15 and above.
(q): Real wage rate indices for government employees are based on NCPI (2013 – 100) and real wage rate index for workers in wages boards trades is based on CCPI (2006/07 – 100).
(r): The data is based on the base year 2010 GDP estimates of the Department of Census and Statistics.

Sources: IPS database; Central Bank of Sri Lanka, *Annual Report*, various issues; Colombo Stock Exchange, *Annual Report*, various issues Dept. of Census and Statistics, *Quarterly Report of the Sri Lanka Labour Force Survey*, various issues.

Table A2: Gross Domestic Product (GDP), Mid-year Population (POP), Per Capita GDP (PGDP), and their Growth Rates, 1994-2016

	Constant Prices (c)			Growth Rates		
	GDP	PGDP	POP(b)	GDP	PGDP	POP
	Rs. mn.	Rs.mn.	('000)			
1994	636,061.5	35,552.0	17,891	5.6	4.2	1.4
1995	670,742.2	36,984.0	18,136	5.5	4.0	1.4
1996	695,934.0	37,954.5	18,336	3.8	2.6	1.1
1997	739,763.0	39,840.7	18,568	6.3	5.0	1.3
1998	774,796.0	41,247.7	18,784	4.7	3.5	1.2
1999	808,340.0	42,419.2	19,056	4.3	2.8	1.4
2000	857,035.0	44,866.2	19,102	6.0	5.8	0.2
2001	843,794.0	44,889.8	18,797	-1.5	0.1	-1.6
2002	877,284.0	46,365.6	18,921	4.0	3.3	0.7
2003(c)	1,733,222.0	90,399.1	19,173	5.9	4.6	1.3
2004	1,827,597.0	94,036.4	19,435	5.4	4.0	1.4
2005	1,941,671.0	98,843.0	19,644	6.2	5.1	1.1
2006	2,090,548.0	105,274.9	19,858	7.7	6.5	1.1
2007	2,232,656.0	111,415.5	20,039	6.8	5.8	1.2
2008	2,365,501.0	116,837.9	20,246	6.0	4.9	1.1
2009	2,449,214.0	119,613.9	20,476	3.5	2.4	1.1
2010	6,413,668.0	310,213.7	20,675	8.0	7.0	1.0
2011	6,932,720.0	332,793.4	20,892	8.4	7.3	1.0
2012	7,588,517.0	371,530.8	20,425	9.1	11.6	0.9
2013	7,846,202.0	381,161.1	20,585	3.4	2.6	0.8
2014	8,235,429.0	396,486.9	20,771	5.0	4.0	0.9
2015	8,633,890.0	411,804.3	20,966	4.8	3.9	0.9
2016(d)	9,012,026.0	425,035.4	21,203	4.4	3.2	1.1

Notes: (a): Up to 2002 data are based on 1996 prices, from 2003 onwards data are based on 2002 prices and from 2010 onwards data are based on 2010 prices.

(b): From 2001 figures are based on Census of Population and Housing - 2001.
From 2012 figures are based on Census of Population and Housing - 2012.
From 2014 figures are provisional.

(c): From 2003, data are based on GDP estimates compiled by the Department of Census and Statistics and from 2010 onwards rebased GDP estimates (base year 2010) have been used.

(d): Provisional.

Source: Central Bank of Sri Lanka, *Annual Report*, various issues.

Table A3: Structure and Growth of Output, 2010-2016

1. Structural of output	Unit	2010	2011	2012	2013	2014	2015	2016(a)
Agriculture, forestry and fishing	% of total output	8.5	8.2	7.8	7.8	7.8	7.8	7.1
Manufacturing, mining and quarrying and other industries	% of total output	21.4	20.7	20.0	20.0	19.5	19.3	19.2
Construction	% of total output	5.2	6.1	6.8	7.1	7.4	6.9	7.6
Wholesale and retail trade, transportation and storage, accommodation and food service activities	% of total output	22.8	23.6	23.6	23.5	23.1	23.1	22.9
Information and communication	% of total output	0.5	0.5	0.5	0.5	0.5	0.6	0.6
Financial and insurance activities and real estate activities (including ownership of dwelling)	% of total output	10.1	10.2	10.6	11.1	11.4	12.3	12.8
Professional services and other personal service activities	% of total output	11.0	11.1	11.7	12.3	12.2	11.9	11.4
Public administration, defense, education, human health and social work activities	% of total output	10.3	9.5	9.6	8.7	8.8	8.7	8.7

2. Real output growth	Unit	2011/10	2012/11	2013/12	2014/13	2015/14	2016/15((a)
Agriculture, forestry and fishing	% growth	4.6	3.9	3.2	4.6	4.8	-4.2
Manufacturing, mining and quarrying and other industries	% growth	5.1	5.5	2.9	2.6	3.9	3.8
Construction	%growth	26.3	21.2	7.5	10.6	-2.7	14.9
Wholesale and retail trade, transportation and storage, accommodation andes food service activiti	% growth	12.6	9.1	2.7	3.5	4.8	3.4
Information and communication	% growth	6.8	8.5	7.7	11.6	10.9	8.0
Financial and insurance activities and real estate activities (including ownership of dwelling)	% growth	9.3	13.1	8.8	7.5	13.3	8.4
Professional services and other personal service activities	% growth	9.4	15.0	9.0	4.2	1.8	0.7
Public administration, defense, education, human health and social work activities	% growth	0.0	10.2	-5.5	5.5	3.6	4.9
GDP	% growth	8.4	9.1	3.4	5.0	4.8	4.4

Notes: (a): Provisional.

Source: Department of Census and Statistics, National Accounts of Sri Lanka.

Table A4: Value Added in Industry and Industrial Production, 2010-2016

	2010	2011	2012	2013	2014	2015	2016(a)
1. Value added, current prices (Rs. mn.)							
Food, beverages & tobacco products	433,769	604,367	798,849	801,748	759,354	851,869	858,934
Textiles, wearing apparel and leather related products	264,905	289,134	346,377	365,685	415,363	396,724	383,411
Wood and of products of wood and cork except furniture	26,318	28,203	23,397	27,365	22,269	27,947	26,879
Paper products, printing and reproduction of media production	26,094	28,325	26,989	28,261	36,585	37,897	41,361
Coke and refined petroleum products	22,281	5,872	40,339	66,064	66,690	20,399	2,406
Chemical products and basic pharmaceutical products	69,450	41,293	54,254	62,740	74,134	70,385	84,870
Rubber and plastic products	63,237	66,871	85,188	74,995	77,754	80,133	96,811
Basic metals and fabricated metal products	31,665	29,705	32,086	34,300	33,635	38,600	48,848
Machinery and transport equipment	35,909	34,119	33,735	34,584	33,421	41,758	46,804
Electricity, gas, steam and air conditioning supply	68,491	67,665	78,833	90,539	77,639	82,793	86,660
Construction	336,381	451,714	621,140	715,455	813,689	828,388	932,260
Total	1,378,520	1,647,268	2,141,187	2,301,736	2,410,533	2,476,893	2,609,264
2. Composition of industrial production (%)							
Food, beverages & tobacco products	31.5	36.7	37.3	34.8	31.5	34.4	32.9
Textiles, wearing apparel and leather related products	19.2	17.6	16.2	15.9	17.2	16.0	14.7
Wood and of products of wood and cork, except furniture	1.9	1.7	1.1	1.2	0.9	1.1	1.0
Paper products, printing and reproduction of media prod	1.9	1.7	1.3	1.2	1.5	1.5	1.6
Coke and refined petroleum products	1.6	0.4	1.9	2.9	2.8	0.8	0.1
Chemical products and basic pharmaceutical products	5.0	2.5	2.5	2.7	3.1	2.8	3.3
Rubber and plastic products	4.6	4.1	4.0	3.3	3.2	3.2	3.7
Basic metals and fabricated metal products	2.3	1.8	1.5	1.5	1.4	1.6	1.9
Machinery and transport equipment	2.6	2.1	1.6	1.5	1.4	1.7	1.8
Electricity, gas, steam and air conditioning supply	5.0	4.1	3.7	3.9	3.2	3.3	3.3
Construction	24.4	27.4	29.0	31.1	33.8	33.4	35.7
Total	100	100	100	100	100	100	100

Notes: (a): Provisional.

Source: Department of Census and Statistics, National Accounts of Sri Lanka.

Table A5: Major Agricultural Crops, Production and Prices, 1994-2016

	Tea			Rubber			Coconut		Paddy	
	Production	Price		Production	Price		Production	Price(a)	Production	Price(b)
	Mn. kg.	Colombo (net) Rs/kg.	Export (f.o.b.) Rs/kg.	Mn. kg.	Colombo (RSS 1) Rs/kg.	Export (f.o.b.) Rs/kg.	Mn.nut	Rs./nut	'000 Mt	Rs./bushel(c)
1994	242.2	65.12	91.32	105.3	50.36	51.81	2,622	5.67	2,684	135.00
1995	245.9	72.21	102.31	105.7	72.04	83.69	2,755	6.08	2,810	135.00
1996	259.0	103.88	139.56	112.5	67.88	79.73	2,546	9.42	2,061	135.00
1997	277.4	119.40	158.39	105.8	56.71	75.42	2,631	9.63	2,239	135.00
1998	280.7	134.35	184.94	95.7	49.83	67.72	2,504	8.31	2,692	135.00
1999	284.2	115.31	162.39	96.6	45.35	53.73	2,828	9.95	2,857	135.00
2000	306.8	135.53	184.73	87.6	54.91	66.87	3,096	7.35	2,860	135.00
2001	296.3	143.96	208.89	86.2	54.77	66.17	2,796	7.05	2,695	-
2002	310.6	149.30	216.26	90.5	68.76	69.53	2,392	12.06	2,859	-
2003	304.8	149.05	221.01	92	93.60	105.25	2,562	9.98	3,071	-
2004	309.4	180.74	248.38	94.7	127.20	127.26	2,591	11.03	2,628	-
2005	317.2	185.84	263.81	104.4	140.99	147.98	2,515	13.04	3,246	-
2006	310.8	198.87	279.97	109.2	202.23	204.70	2,785	12.08	3,342	-
2007	305.2	279.10	364.28	117.6	234.22	234.48	2,869	16.26	3,131	-
2008	318.7	301.63	430.55	129.2	269.51	278.39	2,909	23.46	3,875	-
2009	291.0	360.80	470.11	136.9	211.65	202.30	2,853	18.23	3,652	-
2010	331.4	371.54	496.27	152.9	403.02	377.54	2,584	24.64	4,301	-
2011	327.5	360.68	510.41	158.2	508.80	535.40	2,808	39.15	3,894	-
2012	328.4	392.40	563.94	152	416.47	420.74	2,940	28.80	3,846	-
2013	340.0	445.83	623.91	130.4	376.90	389.91	2,513	29.36	4,621	-
2014	338.0	459.01	649.44	98.6	286.05	362.83	2,870	39.08	3,381	-
2015	328.8	401.46	593.08	88.6	248.17	342.03	3,056	54.54	4,819	-
2016(d)	292.6	473.15	639.88	79.1	239.28	294.33	3,011	41.16	4,420	-

Notes: (a): Average export price of the three major coconut products only.
(b): Guaranteed price.
(c): 20.9 kg. of paddy – 1 bushel of paddy.
(d): Provisional.

Source: Central Bank of Sri Lanka, *Annual Report*, various issues.

Table A6: Labour Force Participation of the Household Population All Island, 2004-2016

	Household population (10 yrs. & over)	Labour force	Labour force participation	Labour force			
				Employed		Unemployed	
	No. mn.	No. mn.	rate (%)	No. mn.	Rate	No. mn.	Rate
2004							
q1 (b)	16.3	8.0	49.0	7.3	91.9	0.7	8.1
q2 (e)	16.5	8.0	48.6	7.3	91.0	0.7	9.0
q3 (e)	16.7	8.0	47.8	7.3	91.5	0.7	8.5
q4 (e)	16.7	8.2	48.8	7.5	91.8	0.7	8.2
2005 (c)	16.9	8.1	48.3	7.5	92.3	0.6	7.7
2006 (d)							
q1	14.8	7.6	51.7	7.1	92.8	0.5	7.2
q2	14.8	7.5	51.1	7.1	93.7	0.5	6.3
q3	15.0	7.6	50.7	7.1	93.6	0.5	6.4
q4	15.0	7.6	51.0	7.1	93.7	0.5	6.3
2007(d)							
q1	15.0	7.5	49.8	7.0	93.8	0.5	6.2
q2	15.0	7.4	49.0	6.9	93.5	0.5	6.5
q3	15.0	7.5	50.2	7.1	94.4	0.4	5.6
q4	15.1	7.6	50.1	7.2	94.5	0.4	5.5
2008 (a)							
q1	16.3	8.0	49.1	7.6	94.9	0.4	5.1
q2	16.3	8.0	49.0	7.6	94.5	0.4	5.5
q3	16.3	8.2	50.3	7.7	94.5	0.4	5.5
q4	16.4	8.2	49.7	7.7	94.6	0.4	5.4
2009 (a)							
q1	16.6	8.2	49.2	7.7	94.5	0.5	5.5
q2	16.5	8.0	48.3	7.5	93.8	0.5	6.2
q3	16.7	8.1	48.7	7.6	94.1	0.5	5.9
q4	16.6	8.1	48.5	7.6	94.3	0.5	5.7
2010 (a)							
q1	16.9	8.1	48.2	7.7	95.0	0.4	5.0
q2	16.8	8.1	47.9	7.6	94.6	0.4	5.4
q3	16.8	8.0	47.4	7.6	95.1	0.4	4.9
q4	17.0	8.3	48.8	7.9	95.5	0.4	4.5
2011 (a)							
q1	16.9	8.1	48.0	7.8	95.7	0.3	4.3
q2	17.2	8.3	48.3	8.0	95.8	0.4	4.2
q3	17.1	8.3	48.3	7.9	96.1	0.3	3.9
q4 (f)	-	-	-	-	-	-	-
2012 (e)							
q1 (f)	-	-	-	-	-	-	-
q2	17.8	8.3	46.4	7.9	96.1	0.3	3.9
q3	17.8	8.4	47.2	8.1	95.9	0.3	4.1
q4	18.1	8.7	48.1	8.4	96.1	0.3	3.9
2013 (e)(g)							
q1	16.4	8.9	54.2	8.5	95.4	0.4	4.6
q2	16.4	8.9	54.2	8.5	95.6	0.4	4.4
q3	16.4	8.8	53.8	8.4	95.6	0.4	4.4
q4	16.4	8.7	53.0	8.3	95.9	0.4	4.1
2014 (e)							
q1	16.4	8.8	53.4	8.4	95.9	0.4	4.1
q2	16.5	8.8	53.6	8.4	95.5	0.4	4.5
q3	16.6	8.9	53.2	8.5	95.8	0.4	4.2
q4	16.6	8.8	52.9	8.4	95.6	0.4	4.4
2015 (e)							
q1	16.6	8.9	53.6	8.5	95.3	0.4	4.7
q2	16.6	9.0	54.3	8.6	95.5	0.4	4.5
q3	16.7	9.0	53.8	8.6	95.0	0.5	5.0
q4	16.7	8.9	53.6	8.6	95.7	0.4	4.3
2016 (e)							
q1	15.4	8.3	54.1	8.0	95.8	0.3	4.2
q2	15.4	8.2	53.3	7.8	95.4	0.4	4.6
q3	15.6	8.4	53.8	8.0	95.5	0.4	4.5
q4	15.5	8.4	54.0	8.0	95.8	0.3	4.2

Notes: Up to 4th quarter 2002, data excludes both Northern and Eastern provinces.
(a) Including Eastern province but excluding Northern province.
(b) Excluding Vavuniia,Mullaitivu ,Kilinochchi districts.
(c) Quarterly labour force survey was conducted as a one off survey in August 2005.
(d) Excluding Northern & Eastern provinces.
(e) All the districts are included.
(f) Labour Force Survey was not conducted for this quarter.
(g) All persons of age 10 years and over are considered to be in the working age (Labour Force) , before 2013. However, this was changed as age 15 and over from 2013 onward.

Source: Department of Census and Statistics, *Quarterly Report of the Sri Lanka Labour Force.*

Table A7: Gross Domestic Fixed Capital Formation, 1994-2016

	Private(a) (Rs. mn., current market prices)	Public(b)	Total	Private(a) (As % of GDP)	Public(b)	Total	Private(a) (At constant prices(c)(d))	Public(b)	Total	Private(a) (Growth in real terms)	Public(b)	Total
1994	136,649	17,611		23.6	3.0		1660.4	214.0		18.7	-21.7	
1995	147,280	23,595		22.1	3.5		1651.1	264.5		-0.6	23.6	
1996	160,181	23,328		20.9	3.0		1601.8	233.3		-3.0	-11.8	
1997	186,930	29,923		21.0	3.4		1721.5	275.5		7.5	18.1	
1998	221,754	33,960		21.8	3.3		1882.5	288.3		9.4	4.6	
1999	266,518	35,210		24.1	3.2		2165.1	286.0		15.0	-0.8	
2000	311,460	41,132		24.8	3.3		2372.1	313.3		9.6	9.5	
2001	267,298	42,346		19.0	3.0		1811.0	286.9		-23.7	-8.4	
2002	298,731	31,812		18.9	2.0		1867.1	198.8		3.1	-30.7	
2003(e)	318,909	46,285		17.5	2.5		1896.0	275.2		1.6	38.4	
2004	422,060	51,262		20.2	2.5		2306.3	280.1		21.6	1.8	
2005	478,917	94,347		19.5	3.8		2369.7	466.8		2.7	66.7	
2006	624,972	105,938		21.3	3.6		2778.9	471.0		17.3	0.9	
2007	714,084	170,604		20.0	4.8		2785.0	665.4		0.2	41.3	
2008	852,708	262,602		19.3	6.0		2858.6	880.3		2.6	32.3	
2009	838,629	308,811		17.3	6.4		2655.6	977.9		-7.1	11.1	
2010(f)	-	-	1,522,847			23.7	-	-	4,493	-	-	-
2011	-	-	1,896,225			26.3	-	-	5,390	-	-	20.0
2012	-	-	2,533,056			29.0	-	-	6,497	-	-	20.5
2013	-	-	2,809,789			29.3	-	-	6,782	-	-	4.4
2014	-	-	2,874,377			27.7	-	-	6,743	-	-	-0.6
2015	-	-	2,906,996			26.5	-	-	6,764	-	-	0.3
2016(g)	-	-	3,263,243			27.6	-	-	7,330	-	-	8.4

Notes: (a): Private sector and public corporations.
(b): Government and public enterprises.
(c): Current series deflated by GDP deflator.
(d): Up to 1995 data are based on 1982 prices. From 1996-2002 data are based on 1996 prices. 2003-2009 data are based on 2002 prices. 2010 onwards data are based on 2010 prices.
(e): From 2003, data are based on GDP estimates compiled by the Department of Census and Statistics.
(f): From 2010, data are based on the base year 2010 GDP estimates of the Department of Census and Statistics.
(g): Provisional.

Source: Central Bank of Sri Lanka, *Annual Report*, various issues.

Table A8: Saving and Investment, 2002-2016

	2002	2003 (c)	2004	2005	2006	2007	2008	2009	2010(d)	2011	2012	2013	2014	2015	2016(a)
(As % of GDP)															
Gross domestic capital formation	21.2	22.0	25.3	26.8	28.0	28.0	27.6	24.4	30.4	33.4	39.1	33.2	32.3	28.4	31.5
Gross domestic savings	14.4	16.0	16.4	17.9	17.0	17.6	13.9	17.9	23.1	20.2	27.2	24.6	24.2	20.9	23.8
Net imports of goods and non-factor services (b)	6.7	6.0	8.8	8.9	11.0	10.4	13.7	6.5	-7.3	-13.2	-11.9	-8.6	-8.1	-7.5	-7.6
Net factor income from abroad	-1.5	-0.9	-1.0	-1.2	-1.4	-1.1	-2.4	-1.2	-1.1	-1.0	-1.8	-2.4	-2.3	-2.6	-2.8
Net private transfers	6.6	6.4	6.5	7.1	6.7	6.8	6.3	7.0	6.5	7.1	7.9	7.6	7.8	7.7	7.9
Gross national savings	19.5	21.5	22.0	23.8	22.3	23.3	17.8	23.7	28.5	26.3	33.3	29.9	29.8	26.0	28.9
Foreign savings	5.1	5.5	5.6	5.9	5.3	5.7	3.9	5.8	5.4	6.1	6.1	5.3	5.6	5.1	5.1

Notes: (a): Provisional.
(b): Also referred to as external inflow or the resources gap.
(c): From 2003, data are based on GDP estimates compiled by the Department of Census and Statistics.
(d): From 2010 ,data are based on the base year 2010 GDP estimates of the Department of Census and Statistics.

Sources: IPS database; Central Bank of Sri Lanka, *Annual Report*, various issues.

Table A9: Summary of Government Fiscal Operations, 2004-2016

(As % of GDP)	2004	2005	2006	2007	2008	2009	2010(d)	2011	2012	2013	2014	2015	2016(b)
Revenue	15.4	16.1	16.3	15.8	14.9	14.5	14.6	14.3	13.9	13.1	11.4	13.3	14.2
Grants	0.4	1.4	1.0	0.9	0.7	0.5	0.3	0.2	0.2	0.2	0.1	0.1	0.1
Expenditure													
Current expenditure	19.2	18.7	18.6	17.4	16.9	18.2	16.7	15.4	14.9	13.9	12.7	15.5	14.8
Capital & net lending	4.3	6.0	5.6	6.1	5.7	6.7	6.1	6.0	5.6	5.4	4.5	5.4	4.9
Current account balance	-3.9	-2.7	-2.4	-1.6	-2.0	-3.7	-2.1	-1.1	-1.0	-0.8	-1.2	-2.3	-0.6
Primary deficit	-2.2	-3.6	-2.9	-2.6	-2.2	-3.5	-1.7	-1.4	-1.1	-0.8	-1.5	-2.9	-0.2
Overall deficit (before grants)	-8.2	-8.7	-8.0	-7.7	-7.7	-9.9	-8.0	-6.9	-6.5	-5.9	-5.7	-7.6	-5.4
Financing budget deficit													
Foreign financing	1.8	2.0	1.4	2.8	-0.1	4.8	4.4	3.4	3.8	1.4	2.0	2.2	3.3
Domestic financing	5.8	5.2	5.6	3.6	7.1	5.1	3.6	3.5	2.7	4.5	3.6	5.4	2.1
Market borrowings	5.5	5.0	5.6	3.6	7.0	4.9	3.4	3.6	2.7	4.4	3.8	5.4	2.1
Bank	2.1	1.1	2.7	0.4	4.4	1.0	-	2.9	1.7	3.4	1.2	2.7	1.2
Non-bank	3.4	3.9	2.9	3.1	2.6	3.8	3.5	0.7	0.9	1.0	2.5	2.7	0.9
Other borrowings	0.2 -	0.2	-	-	0.1	0.2	0.2	-0.1	-	0.1	-0.1	-	-
Privatisation proceeds(a)	0.1	-	-	-	-	-	-	-	-	-	-	-	-

Notes: (a): Since 1994, privatization proceeds have been shifted from the capital expenditure and net lending category to the financing section.
(b): Provisional.
(c): From 2003, data are based on GDP estimates compiled by the Department of Census and Statistics.
(d): From 2010 ,data are based on the base year 2010 GDP estimates of the Department of Census and Statistics.

Source: Central Bank of Sri Lanka, *Annual Report*, various issues.

Table A10: Money Supply and Underlying Factors, 1997-2016

	Unit	1997	1998	1999	2000	2001	2002	2003(b)	2004	2005	2006
1. Financial depth											
Narrow Money Supply	M1/GDP	9.6	9.5	9.8	9.4	8.7	8.8	8.9	9.0	9.4	8.8
Broad Money Supply	M2/GDP	32.4	31.1	32.4	32.2	32.0	32.3	31.9	32.9	33.6	33.8
2. Monetary Expansion/Contraction											
Narrow Money Supply	% growth	9.8	12.1	12.8	9.1	3.2	14.0	16.0	16.6	22.4	12.6
Broad Money Supply	% growth	13.8	9.7	13.3	13.0	11.4	13.2	13.8	18.5	19.6	20.7
3. Causal Factors											
3.1 External Banking Assets	Rs. mn.	89,292	93,724	83,892	59,448	80,019	101,717	129,487	129,152	167,147	185,005
	% growth	44.3	5.0	-10.5	-29.1	34.6	27.1	27.3	-0.3	29.4	10.7
3.2 Domestic Credit	Rs. mn.	323,046	369,517	432,888	549,927	638,876	680,396	731,872	895,942	1,067,385	1,382,004
	% growth	10.5	14.4	17.1	27.0	16.2	6.5	7.6	22.4	19.1	29.5
3.2.1 to Government	Rs. mn.	45,250	64,618	93,915	147,304	201,311	192,994	176,236	220,462	249,565	357,289
	% growth	-4.0	42.8	45.3	56.8	36.7	-4.1	-8.7	25.1	13.2	43.2
3.2.2 to Private Sector	Rs. mn.	263,198	294,868	325,927	364,369	396,754	444,371	519,444	634,310	801,149	993,159
	% growth	14.5	12.0	10.5	11.8	8.9	12.0	16.9	22.1	26.3	24.0
3.3 Other Liabilities	Rs. mn.	-79,874	-97,425	-106,660	-136,035	-163,867	-168,544	-181,111	-207,515	-246,438	-348,644
	% growth	-19.5	-22.0	-9.5	-27.5	-20.5	-2.9	-7.5	-14.6	-18.8	-41.5

Contd.

	Unit	2007	2008	2009	2010(c)	2011	2012	2013	2014	2015	2016(a)
1. Financial depth											
Narrow Money Supply	M1/GDP	7.4	6.3	7.0	6.3	6.1	5.2	5.1	5.9	6.5	6.6
Broad Money Supply	M2/GDP	32.1	29.1	31.8	28.3	30.4	29.7	31.9	33.4	37.0	40.7
2. Monetary Expansion/Contraction											
Narrow Money Supply	% growth	2.7	4.0	21.4	20.9	7.7	2.6	7.7	26.3	16.8	8.6
Broad Money Supply	% growth	15.6	11.7	19.9	18.0	20.9	18.3	18.0	13.1	17.2	18.9
3. Causal Factors											
3.1 External Banking Assets	Rs. mn.	225,989	88,760	358,554	390,284	150,916	112,395	133,808	318,203	206,923	167,111
	% growth	22.2	-60.7	304.0	8.8	-61.3	-25.5	19.1	137.8	-35.0	-19.2
3.2 Domestic Credit	Rs. mn.	1,607,786	1,897,500	1,907,748	2,262,861	3,037,970	3,696,131	4,200,783	4,640,146	5,732,034	6,671,677
	% growth	16.3	18.0	0.5	18.6	34.3	21.7	13.7	10.5	23.5	16.4
3.2.1 to Government	Rs. mn.	374,100	582,907	640,326	627,185	833,610	1,045,232	1,301,342	1,435,900	1,759,492	1,972,133
	% growth	4.7	55.8	9.9	-2.1	32.9	25.4	24.5	10.3	22.5	12.1
3.2.2 to Private Sector	Rs. mn.	1,184,519	1,267,601	1,194,189	1,491,099	2,005,860	2,358,421	2,534,343	2,758,199	3,449,577	4,204,430
	% growth	19.3	7.0	-5.8	24.9	34.5	17.6	7.5	8.8	25.1	21.9
3.3 Other Liabilities	Rs. mn.	-431,759	-452,423	-503,460	-548,895	-644,287	-741,230	-706,605	-779,418	-867,954	-1,034,843
	% growth	-23.8	-4.8	-11.3	-9.0	-17.4	-15.0	4.7	-10.3	-11.4	-19.2

Notes: Data have been reclassified starting from 1990. For more information, see *Annual Report 1995*, Central Bank of Sri Lanka.
(a): Provisional; (b): From 2003, data are based on GDP estimates compiled by the Department of Census and Statistics; (c): From 2010, data are based on the base year 2010 GDP estimates of the Department of Census and Statistics.

Source: Central Bank of Sri Lanka, *Annual Report*, various issues.

Table A11: Interest Rates, 2003-2016

(%, end of period)	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Bank rate	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00
Treasury bills, yield rates														
3 month	7.35	7.25	10.10	12.80	21.30	17.33	7.73	7.24	8.68	10.00	7.54	5.74	6.45	8.72
12 month	7.24	7.65	10.37	12.96	19.96	19.12	9.30	7.55	9.31	11.69	8.29	6.01	7.30	10.17
Repurchase rate	7.00	7.50	8.75	10.00	10.50	10.50	7.50	7.25	7.00	7.50	6.50	6.50	6.00	7.00
Call money rate														
Maximum	8.25	10.63	10.98	15.13	40.00	20.00	9.05	8.35	9.10	9.85	7.75	6.50	6.40	8.44
Minimum	7.38	9.50	10.50	12.75	16.00	13.25	8.00	7.75	8.75	9.50	7.50	6.00	6.40	8.40
Weighted average prime lending rate	8.95	10.17	12.14	14.74	17.00	19.17	11.10	9.27	10.49	14.29	9.96	6.35	7.40	11.73
Commercial bank saving														
Maximum	7.25	7.75	10.25	10.50	16.50	16.50	10.50	9.50	8.50	10.50	9.14	8.00	8.00	9.00
Minimum	2.10	3.00	3.00	3.00	3.00	3.00	1.50	1.50	1.00	0.75	0.75	0.50	0.50	0.50
NSB saving	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	4.25
Commercial bank fixed deposit (one year)														
Maximum	7.75	9.75	11.50	14.00	20.00	20.25	19.00	17.00	11.00	17.00	16.00	12.00	15.00	15.00
Minimum	5.00	5.50	5.50	5.50	8.50	8.50	7.25	5.05	5.35	5.00	6.00	3.95	3.95	4.50
NSB fixed deposit (one year, paid on maturity)	7.00	8.00	9.00	11.00	15.00	15.00	9.50	8.50	8.50	12.50	9.50	6.50	7.25	11.00

Sources: Central Bank of Sri Lanka, *Annual Report*, various issues.
Central Bank of Sri Lanka, *Bulletin*, various issues.

Table A12: Basic Indicators of the General Price Level, 1996-2016

	CCPI (2002 = 100) (b)	% change	CCPI (2006/07 = 100) (c)	% change	CCPI (2013 = 100) (d)	% change	NCPI (2013 = 100) (e)	% change	WPI (1974 = 100)	% change	GDPD (1996 = 100)	% change
1996									1,145.1	20.5	100.0	12.1
1997									1,224.3	6.9	108.6	8.6
1998									1,298.7	6.1	117.8	8.4
1999									1,295.3	-0.3	123.1	4.4
2000									1,317.2	1.7	131.3	6.7
2001									1,471.2	11.7	147.6	12.4
2002	100.0								1,628.9	10.7	160.0	8.4
2003	105.8								1,679.1	3.1	168.2	5.1
2004	115.3	9.0							1,889.0	12.5	183.0	8.8
2005	128.1	11.0							2,105.9	11.5	202.1	10.4
2006	140.8	10.0							2,351.5	11.7	224.9	11.3
2007	163.1	15.8							2,924.4	24.4	256.4	14.0
2008	199.9	22.6	129.2						3,653.6	24.9	298.3	16.3
2009	206.8	3.4	133.6	3.5					3,500.9	-4.2	315.8	5.9
2010	219.1	5.9	141.9	6.2					3,893.0	11.2	338.9	7.3
2011	226.5	6.9	151.5	6.7					4,306.5	10.6	351.8	3.8
2012	-	-	162.9	7.6					4,457.3	3.5	389.9	10.8
2013	-	-	174.2	6.9					4,867.9	9.2	414.3	6.3
2014	-	-	179.9	3.3	105.1		105.5		5,022.1	3.2	426.3	2.9
2015	-	-	181.5	0.9	107.4	2.2	109.5	3.8	5,072.7	1.0	429.8	0.8
2016(a)	-	-	188.3	3.7	111.7	4.0	113.8	3.9	5,284.0	4.2	445.2	3.6

Notes: (a): Provisional.
(b): Represents the consumption basket of urban households within the Colombo District. Compilation of this index was discontinued since June 2011.
(c): Represents the consumption basket of urban households within the Colombo District. Compilation of this index was discontinued since January 2017.
(d): Represents the consumption basket of urban households within the Colombo District.
(e): Represents the consumption basket of households in the entire island.
CCPI: Colombo Consumers Price Index.
WPI: Wholesale Price Index.
NCPI: National Consumer Price Index
GDPD: GDP Deflator.

Sources: Department of Census and Statistics.
Central Bank of Sri Lanka, *Annual Report*, various issues.

Table A13: Wage Rate Indices, 1995-2016 (December 1978 = 100)

	Workers in wages boards trades(a)		Government employees(b)	
	Nominal	Real(d)	Nominal	Real(e)
1995	740.3	107.7	792.5	115.4
1996	801.7	100.7	818.2	103.0
1997	849.1	97.3	906.5	104.0
1998	953.3	99.9	1,001.4	104.9
1999	977.6	97.8	1,001.4	100.2
2000	1,000.4	94.3	1,084.7	102.1
2001	1,049.3	86.6	1,310.8	108.1
2002	1,126.5	84.9	1,525.3	115.0
2003	1,205.2	85.4	1,525.0	108.1
2004	1,233.0	81.3	1,872.1	123.3
2005	1,329.7	78.5	2,417.5	142.7
2006	1,358.2	70.5	3,150.8	163.5
2007	1,648.8	73.6	3,828.4	171.6
2008	2,070.4	75.5	4,116.1	150.4
2009	2,171.4	76.7	4,502.8	159.1
2010	2,865.3	95.3	90.6	107.7
2011	2,996.1	93.3	96.7	107.6
2012	3,662.0	106.2	100.0	107.1
2013	3,869.2	104.9	106.3	104.1
2014	4,012.2	105.3	117.5	111.1
2015	4,127.1	107.3	154.8	141.1
2016(c)	4,127.9	103.5	160.8	140.9

Notes: The wage rates used in the calculation of index numbers are minimum wages.
(a): Combined index for workers in agriculture, industry and commerce, and services.
(b): The nominal wages index (1978 – 100) covers non executive government employees and school teachers only. The new index (2012 = 100) used from 2010 onwards covers all levels of public sector employees, under the disaggregation of senior, tertiary, secondary and primary levels.
(c): Provisional.
(d): Based on CCPI (2002 – 100) from 2007 to 2009 and based on CCPI (2006/07 – 100) from 2010 onwards.
(e) Based on CCPI (2002 – 100) from 2007 to 2009 and based on CCPI (2006/07 – 100) from 2010 to 2011 and based on NCPI (2013 = 100) from 2012 onwards.

Source: Central Bank of Sri Lanka, *Annual Report*, various issues.

Table A14: Sri Lanka's Direction of Foreign Trade, 1999-2016

	Unit	1999	2000	2001	2002	2003	2004	2005	2006	2007
1. Exports to selected countries and groupings										
U.S.A	US$mn.	1,792	2,193	1,926	1,763	1,777	1,869	1,988	2,006	1,970
U.K.	US$mn.	604	737	590	640	779	777	880	1,018	
Germany	US$mn.	216	230	198	199	232	274	272	329	438
Japan	US$mn.	159	230	186	140	162	158	145	164	160
EC	% of total exports	35.3	33.4	27.2	30.0	30.0	32.5	30.9	33.7	37.6
Germany	% of exports to EC	16.2	15.2	15.4	14.1	15.1	14.6	13.9	14.2	15.2
UK	% of exports to EC	45	48.5	44.8	41.6	41.6	41.6	39.6	37.9	35.4
ASEAN	% of total exports	3.1	3.5	2.5	2.5	2.0	2.2	2.3	2.8	3.0
Singapore	% of exports to ASEAN	37.9	38.7	48.1	60.3	62.7	68.6	54.4	38.5	34.4
Malaysia	% of exports to ASEAN	6	5	5.7	7.2	11.9	7.1	9.9	12.7	15.5
SAARC	% of total exports	3.8	4.2	3.3	5.4	6.8	8.8	10.3	8.7	8.5
India	% of exports to SAARC	33.7	30.6	45.6	66.4	70.0	77.3	86.7	81.6	79.8
NAFTA	% of total exports	49.8	50.5	42.9	39.4	36.6	34.4	33.3	30.9	27.6
USA	% of exports to NAFTA	95.1	95.4	95.1	94.6	94.6	94.5	94.1	94.2	93.3
Canada	% of exports to NAFTA	3.1	3.1	3.4	3.3	3.4	3.6	3.7	3.6	3.7
APEC	% of total exports	56.3	57.8	55.2	51.5	48.4	44.9	43.6	42.3	39.2
USA	% of exports to APEC	84.1	83.5	73.8	72.6	71.5	72.2	71.9	68.9	65.8
Japan	% of exports to APEC	7.5	8.7	7.1	5.8	6.5	6.1	5.2	5.6	5.3
Singapore	% of exports to APEC	2.1	2.3	2.2	3.0	2.7	3.3	2.9	2.6	2.7
2. Imports from selected countries and groupings										
Japan	US$mn.	561	646	337	355	448	412	380	430	413
India	US$mn.	512	600	602	834	1,073	1,439	1,835	2,173	2,610
Hong Kong	US$mn.	459	516	501	491	560	619	648	659	725
U.S.A	US$mn.	216	235	267	218	198	240	205	201	412
U.K.	US$mn.	251	311	221	263	273	312	277	303	230
Taiwan	US$mn.	347	390	323	288	276	291	279	275	264
EC	% of total imports	19.4	18.8	16.0	15.2	16.5	15.7	14.5	13.7	12.4
Germany	% of imports from EC	15.8	16.5	15.9	13.2	13.0	15.4	13.9	15.8	16.4
UK	% of imports from EC	29.1	32.8	25.5	28.6	24.8	24.8	21.6	21.5	16.5
ASEAN	% of total imports	21.1	21	19.4	19.1	19.8	20.0	20.5	21.7	17.4
Singapore	% of imports from ASEAN	48.2	46.7	44.8	46.0	46.2	51.2	48.2	52.9	56.9
Malaysia	% of imports from ASEAN	18	20.5	22.7	21.7	25.6	24.1	25.7	23.7	14.4
SAARC	% of total imports	14.2	14	13.2	15.5	17.6	19.7	22.4	22.9	24.9
India	% of imports from SAARC	81.4	84.8	84.4	89.2	91.5	91.4	92.6	92.4	92.7
NAFTA	% of total imports	5.5	6	5.4	3.9	3.5	3.6	3.2	4.1	4.4
USA	% of imports from NAFTA	89	84.1	91.5	93.8	85.4	84.4	71.2	48.0	83.5
Canada	% of imports from NAFTA	9.3	15.6	8.2	5.8	14.3	15.3	28.0	51.5	16.1
APEC	% of total imports	53.4	54.9	55.6	52.1	49.2	46.4	44.0	43.8	46.3
USA	% of imports from APEC	9.1	9.2	8.4	7.0	5.7	6.1	4.9	4.1	7.9
Japan	% of imports from APEC	23.6	23.2	10.6	11.4	13.0	10.4	9.2	9.1	7.9
Singapore	% of imports from APEC	19	17.8	12.9	13.8	15.1	17.6	17.8	20.2	21.4

Cont./

	Unit	2008	2009	2010	2011	2012	2013	2014	2015	2016(a)
1. Exports to selected countries and groupings										
U.S.A	US$mn.	1,869	1,576	1,701	2,145	2,126	2,494	2,731	2,801	2,810
U.K.	US$mn.	1,090	1,024	990	1,112	1,059	1,078	1,116	1,029	1,044
Germany	US$mn.	405	347	400	510	455	468	498	476	500
Japan	US$mn.	139	139	171	223	217	224	237	216	202
EU	% of total exports	37.4	38.5	33.3	33.9	33.0	31.5	31.4	28.7	30.1
Germany	% of exports to EU	13.4	12.7	13.9	14.3	14.1	14.3	14.3	15.7	16.1
UK	% of exports to EU	35.9	37.6	34.4	31.1	32.8	32.9	32.0	34.0	33.7
ASEAN	% of total exports	3.2	3.9	5.5	6.9	4.1	2.8	3.9	2.8	3.5
Singapore	% of exports to ASEAN	29.0	31.4	107.7	36.1	25.3	35.6	32.6	27.9	32.0
Malaysia	% of exports to ASEAN	16.8	17.0	15.4	13.5	17.4	15.9	10.4	12.4	10.1
SAARC	% of total exports	6.9	6.2	7.2	6.6	7.8	7.4	7.9	8.4	8.0
India	% of exports to SAARC	74.5	73.0	76.8	74.1	74.4	70.4	70.9	72.2	67.0
NAFTA	% of total exports	24.9	24.1	21.6	22.4	24.3	26.4	27.1	29.3	30.3
USA	% of exports to NAFTA	92.4	92.2	91.5	90.5	89.6	90.8	90.6	90.7	90.0
Canada	% of exports to NAFTA	4.4	4.3	5.0	5.4	6.1	5.5	5.7	5.9	5.8
APEC	% of total exports	37.8	37.7	37.5	38.5	38.3	39.9	41.6	43.4	44.5
USA	% of exports to APEC	60.9	59.0	52.6	52.7	56.8	60.2	58.9	61.2	61.3
Japan	% of exports to APEC	5.2	5.2	5.3	5.5	5.8	5.4	5.1	4.7	4.4
Singapore	% of exports to APEC	2.5	3.3	15.8	10.1	2.7	2.5	3.0	1.8	2.5
2. Imports from selected countries and groupings										
Japan	US$mn.	426	224	584	1,025	552	668	941	1,389	950
India	US$mn.	3,447	1,820	2,570	4,431	3,640	3,171	4,023	4,268	3,815
Hong Kong	US$mn.	695	517	580	632	605	430	351	365	466
U.S.A	US$mn.	279	239	168	266	234	416	492	471	539
U.K.	US$mn.	250	254	267	304	297	281	290	364	327
Taiwan	US$mn.	231	201	264	352	365	435	443	460	496
EU	% of total imports	12.5	12.6	10.9	9.2	9.3	9.2	8.2	8.9	9.4
Germany	% of imports from EU	16.0	19.3	17.2	18.3	17.9	23.1	20.6	20.6	23.9
UK	% of imports from EU	14.2	19.8	18.2	16.4	16.7	16.9	18.3	21.6	18.0
ASEAN	% of total imports	18.3	18.3	19.2	16.1	14.8	19.2	16.9	14.1	15.0
Singapore	% of imports from ASEAN	48.2	57.1	60.7	65.2	59.3	48.6	38.3	40.0	40.4
Malaysia	% of imports from ASEAN	13.9	15.4	14.9	21.0	28.6	16.5	22.6	19.1	21.9
SAARC	% of total imports	26.0	20.1	21.4	23.7	21.0	19.9	22.3	24.4	21.9
India	% of imports from SAARC	94.0	88.6	89.3	92.1	90.2	88.4	92.7	92.3	90.0
NAFTA	% of total imports	4.7	5.3	3.3	3.2	3.0	3.6	4.2	4.1	4.1
USA	% of imports from NAFTA	42.2	48.2	37.4	41.1	41.2	64.0	60.8	60.8	67.1
Canada	% of imports from NAFTA	57.3	51.3	62.2	58.4	58.1	35.2	38.3	37.8	31.4
APEC	% of total imports	45.2	45.4	45.9	45.0	43.6	52.7	53.5	54.8	55.6
USA	% of imports from APEC	4.4	5.6	2.7	2.9	2.8	4.4	4.7	4.5	5.0
Japan	% of imports from APEC	6.7	4.8	9.5	11.2	6.6	7.0	9.1	13.4	8.8
Singapore	% of imports from APEC	19.5	23.0	25.4	23.3	20.1	17.7	12.1	10.2	10.9

Note: (a): Provisional.

Sources: International Monetary Fund, *Direction of Trade Statistics*, various issues; Central Bank of Sri Lanka, *Annual Report*, various issues and Trade Map -http://www.trademap.org/.

Table A15: Structure of Commodity Imports, 1997-2016

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
1. Consumer goods										
Value (US$ mn.)	1,084.0	1,128.0	1,131.0	1,261.0	1,126.0	1,189.0	1,344.0	1,440.0	1,503.0	1,782.0
Growth	5.2	4.1	0.3	11.5	-10.7	5.6	13.0	7.1	4.4	18.6
% of total imports	18.5	19.2	18.9	17.2	18.8	19.5	20.1	18.0	17.0	17.4
1.1 Food										
Value (US$ mn.)	642.0	596.0	551.0	566.0	545.0	566.0	564.0	596.0	611.0	757.0
Growth	7.5	-7.2	-7.6	2.7	-3.7	3.9	-0.4	5.7	2.5	23.9
% of total imports	10.9	10.1	9.2	7.7	9.1	9.3	8.5	7.5	6.9	7.4
1.2 Other										
Value (US$ mn.)	442.0	532.0	581.0	696.0	581.0	623.0	780.0	844.0	891.0	1,024.0
Growth	2.1	20.4	9.2	19.8	-16.5	7.2	25.2	8.2	5.6	14.9
% of total imports	7.5	9.0	9.7	9.5	9.7	10.2	11.7	10.6	10.1	10.0
2. Intermediate goods										
Value (US$ mn.)	3,235.7	3,108.0	3,168.0	3,916.0	3,430.0	3,622.0	3,948.0	4,828.0	5,458.0	6,161.0
Growth	8.9	-3.9	1.9	23.6	-12.4	5.6	9.0	22.3	13.0	12.9
% of total imports	55.2	52.8	53.0	53.5	57.4	59.3	59.2	60.4	61.6	60.1
2.1 Petroleum										
Value (US$ mn.)	539.5	345.0	500.0	901.0	731.0	789.0	838.0	1,209.0	1,655.0	2,070.0
Growth	12.4	-36.1	44.9	80.2	-18.9	7.9	6.2	44.3	36.9	25.1
% of total imports	9.2	5.9	8.4	12.3	12.2	12.9	12.6	15.1	18.7	20.2
2.2 Textiles										
Value (US$ mn.)	1,386.9	1,397.0	1,320.0	1,471.0	1,320.0	1,321.0	1,372.0	1,514.0	1,531.0	1,546.0
Growth	18.7	0.7	-5.5	11.4	-10.3	0.1	3.9	10.3	1.1	1.0
% of total imports	23.7	23.7	22.1	20.1	22.1	21.6	20.6	18.9	17.3	15.1
3. Investment goods										
Value (US$ mn.)	1,324.0	1,477.0	1,565.0	1,737.0	1,081.0	1,169.0	1,320.0	1,670.0	1,869.0	2,246.0
Growth	10.1	11.6	6.0	11.0	-37.8	8.1	12.9	26.5	11.9	20.2
% of total imports	22.6	25.1	26.2	23.7	18.1	19.1	19.8	20.9	21.1	21.9
4. Total imports										
Value (US$ mn.)	5,864.0	5,889.0	5,979.0	7,320.0	5,974.0	6,103.0	6,672.0	8,000.0	8,863.0	10,254.0
Growth	7.8	0.4	1.5	22.4	-18.4	2.2	9.3	19.9	10.8	15.7

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	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016(a)
1. Consumer goods										
Value (US$ mn.)	1,665.0	2,006.0	1,565.0	2,476.0	3,654.0	2,995.0	3,182.0	3,853.0	4,713.0	4,319.0
Growth	-6.6	20.5	-22.0	58.2	47.6	-18.0	6.2	21.1	22.3	-8.4
% of total imports	14.7	14.2	15.3	18.4	18.0	15.6	17.7	19.8	24.9	22.3
1.1 Food										
Value (US$ mn.)	803.0	1,089.0	933.0	1,322.0	1,567.0	1,304.0	1,368.0	1,634.0	1,628.0	1,627.0
Growth	6.1	35.6	-14.3	41.7	18.5	-16.8	4.9	19.4	-0.4	-0.1
% of total imports	7.1	7.7	9.1	9.8	7.7	6.8	7.6	8.4	8.6	8.4
1.2 Other										
Value (US$ mn.)	862.0	918.0	632.0	1,155.0	2,087.0	1,691.0	1,814.0	2,219.0	3,086.0	2,692.0
Growth	-13.8	6.5	-31.2	82.8	80.7	-19.0	7.3	22.3	39.1	-12.8
% of total imports	7.6	6.5	6.2	8.6	10.3	8.8	10.1	11.4	16.3	13.9
2. Intermediate goods										
Value (US$ mn.)	6,983.0	9,019.0	6,158.0	8,054.0	12,275.0	11,578.0	10,554.0	11,398.0	9,638.0	9,870.0
Growth	13.3	29.2	-31.7	30.8	52.4	-5.7	-8.8	8.0	-15.4	2.4
% of total imports	61.8	64.0	60.3	59.9	60.6	60.3	58.6	58.7	50.9	50.9
2.1 Petroleum										
Value (US$ mn.)	2,516.0	3,392.0	2,184.0	3,041.0	4,795.0	5,045.0	4,308.0	4,597.0	2,700.0	2,481.0
Growth	21.5	34.8	-35.6	39.2	57.7	5.2	-14.6	6.7	-41.3	-8.1
% of total imports	22.3	24.1	21.4	22.6	23.7	26.3	23.9	23.7	14.3	12.8
2.2 Textiles										
Value (US$ mn.)	1,724.0	1,788.0	1,529.0	1,812.0	2,321.0	2,266.0	2,046.0	2,328.0	2,296.2	2,705.0
Growth	11.5	3.7	-14.5	18.5	28.1	-2.4	-9.7	13.8	-1.4	17.8
% of total imports	15.3	12.7	15.0	13.5	11.5	11.8	11.4	12.0	12.1	13.9
3. Investment goods										
Value (US$ mn.)	2,597.0	2,852.0	2,093.0	2,758.0	4,286.0	4,590.0	4,253.0	4,152.0	4,567.0	5,198.0
Growth	15.6	9.8	-26.6	31.8	55.4	7.1	-7.3	-2.4	10.0	13.8
% of total imports	23.0	20.2	20.5	20.5	21.1	23.9	23.6	21.4	24.1	26.8
4. Total imports										
Value (US$ mn.)	11,296.0	14,091.0	10,207.0	13,451.0	20,269.0	19,190.0	18,003.0	19,417.0	18,935.0	19,400.0
Growth	10.2	24.7	-27.6	31.8	50.7	-5.3	-6.2	7.9	-2.5	2.5

Notes : (a): Provisional.
Categories are reclassified from 2007 based on National Import Tariff Guide - 2010

Sources: Central Bank of Sri Lanka, *Annual Report*, various issues; IPS database.

Table A16: Structure of Commodity Exports, 1997-2016

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
1. Agricultural exports										
Value (US$ mn.)	1,060.0	1,088.0	947.0	1,005.0	932.0	938.0	965.0	1,065.2	1,153.8	1,292.7
Growth	10.3	2.6	-13.0	6.1	-7.3	0.6	2.9	10.4	8.3	12.0
% of total exports	22.8	22.7	20.5	18.2	19.3	20.0	18.8	18.5	18.2	18.8
1.1 Plantation crops										
Value (US$ mn.)	916.0	918.0	783.0	850.0	796.0	771.0	815.0	903.3	970.4	1,098.2
Growth	10.5	0.2	-14.7	8.6	-6.4	-3.1	5.7	10.8	7.4	13.2
% of total exports	19.7	19.1	17.0	15.4	16.5	16.4	15.9	15.7	15.3	16.0
1.1.1 Tea										
Value (US$ mn.)	719.0	780.0	621.0	700.0	690.0	660.0	683.0	738.9	810.2	881.2
Growth	16.9	8.5	-20.4	12.7	-1.4	-4.3	3.5	8.2	9.6	8.8
% of total exports	15.5	16.3	13.5	12.7	14.3	14.0	13.3	12.8	12.8	12.8
1.1.2 Rubber										
Value (US$ mn.)	79.0	44.0	33.0	29.0	24.0	27.0	39.0	51.3	46.9	93.1
Growth	-24.0	-44.3	-25.0	-12.1	-17.2	12.5	44.4	31.5	-8.6	98.5
% of total exports	1.7	0.9	0.7	0.5	0.5	0.6	0.8	0.9	0.7	1.4
1.1.3 Coconut kernel products										
Value (US$ mn.)	82.0	56.0	84.0	77.0	41.0	41.0	48.0	38.6	48.8	52.8
Growth	1.2	-31.7	50.0	-8.3	-46.8	0.0	17.1	22.1	-16.7	8.2
% of total exports	1.8	1.2	1.8	1.4	0.9	0.9	0.9	1.0	0.8	0.8
1.2. Minor agricultural crops										
Value (US$ mn.)	145.0	170.0	165.0	155.0	136.0	168.0	150.0	161.9	183.4	194.6
Growth	9.9	17.2	-2.9	-6.1	-12.3	23.5	-10.7	7.9	13.3	6.1
% of total exports	3.1	3.5	3.6	2.8	2.8	3.6	2.9	2.8	2.9	2.8
2. Mineral exports										
Value (US$ mn.)	90.0	60.0	64.0	97.0	86.0	90.0	84.0	120.0	143.3	119.9
Growth	-6.3	-33.3	6.7	51.6	-11.3	4.7	-6.7	42.9	19.4	-16.3
% of total exports	1.9	1.3	1.4	1.8	1.8	1.9	1.6	2.1	2.3	1.7
3. Industrial exports										
Value (US$ mn.)	3,436.0	3,607.0	3,551.0	4,283.0	3,710.0	3,631.0	3,977.0	4,506.1	4,948.4	5,401.1
Growth	14.3	5.0	-1.6	20.6	-13.4	-2.1	9.5	13.3	9.8	9.1
% of total exports	74.1	75.2	77.0	77.6	77.0	77.3	77.5	78.3	78.0	78.5
3.1 Textile & garments										
Value (US$ mn.)	2,274.0	2,460.0	2,425.0	2,982.0	2,543.0	2,424.0	2,575.0	2,808.9	2,894.5	3,080.4
Growth	19.6	8.2	-1.4	23.0	-14.7	-4.7	6.2	9.1	3.0	6.4
% of total exports	49.0	51.3	52.6	54.0	52.8	51.6	50.2	48.8	45.6	44.8
3.2 Petroleum products										
Value (US$ mn.)	97.0	73.0	74.0	98.0	68.0	73.0	65.0	99.6	130.9	188.4
Growth	-6.7	-24.7	1.4	32.4	-30.6	7.4	-11.0	53.2	31.4	43.9
% of total exports	2.1	1.5	1.6	1.8	1.4	1.6	1.3	1.7	2.1	2.7
4. Total commodity exports inc. petroleum										
Value (US$ mn.)	4,639.0	4,798.0	4,610.0	5,522.0	4,817.0	4,699.0	5,133.0	5,757.2	6,346.7	6,882.7
Growth	13.3	3.4	-3.9	19.8	-12.8	-2.4	9.2	12.2	10.2	8.4
5. Total commodity exports excl. petroleum										
Value (US$ mn.)	4,542.0	4,725.0	4,536.0	5,424.0	4,749.0	4,626.0	5,068.0	5657.6	6215.8	6694.3
Growth	13.8	4.0	-4.0	19.6	-12.4	-2.6	9.6	11.6	9.9	7.7

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016(a)
1. Agriculture exports										
Value (US$ mn.)	1,507.2	1,854.8	1,690.3	2,306.4	2,527.8	2,331.5	2,381.1	2,793.9	2,481.5	2,326.10
Growth	16.6	23.1	-8.9	36.4	9.6	-7.8	10.7	8.2	-11.2	-6.3
% of total exports	19.7	22.9	23.9	26.7	23.9	23.9	24.8	25.1	23.5	22.6
1.1 Plantation crops										
Value (US$ mn.)	1,275.8	1,567.6	1,449.9	1,779.6	1,963.3	1,745.9	1,818.1	2,030.0	1,718.3	1,653.4
Growth	16.2	22.9	-7.5	22.7	10.3	-11.1	4.1	11.7	-15.4	-3.8
% of total exports	16.7	19.3	20.5	20.6	18.6	17.9	17.5	18.2	16.3	16.0
1.1.1 Tea										
Value (US$ mn.)	1,025.2	1,271.5	1,185.1	1,440.6	1,490.9	1,411.9	1,342.2	1,628.3	1,340.5	1,269.00
Growth	16.3	24.0	-6.8	21.6	3.5	-5.3	9.2	5.6	-17.7	-5.3
% of total exports	13.4	15.7	16.7	16.7	14.1	14.4	14.8	14.6	12.7	12.3
1.1.2 Rubber										
Value (US$ mn.)	109.4	125.1	98.6	173.2	206.4	125.1	71.3	45.3	26.1	32.7
Growth	17.5	14.4	-21.2	75.7	19.2	-39.4	-43.0	-36.5	-42.4	25.3
% of total exports	1.4	1.5	1.4	2.0	2.0	1.3	0.7	0.4	0.2	0.3
1.1.3 Coconut kernel products										
Value (US$ mn.)	60.3	82.4	58.2	55.4	-	-	-	-	-	-
Growth	14.2	36.7	-29.4	-4.8	-	-	-	-	-	-
% of total exports	0.8	1.0	0.8	0.6	-	-	-	-	-	-
1.2. Minor agricultural crops										
Value (US$ mn.)	231.5	287.3	240.4	71.6	88.7	76.0	101.3	165.2	160.4	114.1
Growth	19.0	24.1	-16.3	-70.2	23.9	-14.3	33.3	63.1	-2.9	-28.9
% of total exports	3.0	3.5	3.4	0.8	0.8	0.8	1.0	1.5	1.5	1.1
2. Mineral exports										
Value (US$ mn.)	127.8	97.8	88.7	24.2	32.9	61.3	51.6	59.5	28.4	29
Growth	6.6	-23.5	-9.3	-72.7	36.0	86.3	-15.8	15.3	-52.3	2.1
% of total exports	1.7	1.2	1.3	0.3	0.3	0.6	0.5	0.5	0.3	0.3
3. Industrial exports										
Value (US$ mn.)	5,967.3	6,158.0	5,305.4	6,096.1	7,991.7	7,371.2	7,749.4	8,262.0	8,017.1	7,940.10
Growth	10.5	3.2	-13.8	14.9	31.1	-7.8	5.1	6.6	-3.0	-1.0
% of total exports	78.1	75.9	74.9	70.7	75.7	75.4	74.6	74.2	76.0	77.0
3.1 Textile & garments										
Value (US$ mn.)	3,339.6	3,468.7	3,274.2	3,356.0	4,191.2	3,991.1	4,508.3	4,929.9	4,820.2	4,884.10
Growth	8.4	3.9	-5.6	2.5	24.9	-4.8	13.0	9.4	-2.2	1.3
% of total exports	43.7	42.8	46.2	38.9	39.7	40.8	43.4	44.3	45.7	47.4
3.2 Petrolium products										
Value (US$ mn.)	168.9	254.9	134.7	263.4	552.7	463.0	427.7	338.0	373.9	286.9
Growth	-10.4	50.9	-47.2	95.5	109.8	-16.2	-7.6	-21.0	10.6	-23.3
% of total exports	2.2	3.1	1.9	3.1	5.2	4.7	4.1	3.0	3.5	2.8
4. Total commodity exports inc. petroleum										
Value (US$ mn.)	7,640.0	8,110.6	7,084.5	8,625.8	10,558.8	9,773.5	10,394.3	11,130.1	10,546.5	10,309.70
Growth	11.0	6.2	-12.7	21.8	22.4	-7.4	6.4	7.1	-5.2	-2.2
5. Total commodity exports excl. petroleum										
Value (US$ mn.)	7471.1	7855.7	6949.8	8362.4	10006.1	9310.5	9966.6	10792.1	10172.6	10022.8
Growth	11.6	5.1	-11.5	20.3	19.7	-7.0	7.0	8.3	-5.7	-1.5

Note: (a): Provisional.

Sources: Central Bank of Sri Lanka, *Annual Report*, various issue; IPS database.

Table A17: Tourism, 1997-2016

	Unit	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Tourist arrivals	No.	366,165	381,063	436,440	400,414	336,794	393,171	500,642	566,202	549,308	559,603
Excursionist arrivals	No.	18,265	27,629	28,335	44,518	60,084	63,560	82,066	110,000	119,618	128,719
Tourist nights	000	3,680	3,944	4,479	4,056	3,342	3,989	5,093	5,742	4,754	5,793
Earnings	Rs. mn.	12,980.0	14,868.0	19,297.3	19,162.2	18,863.3	24,202.0	32,810.0	42,666.3	36,377	42,586
	US$ mn.	216.7	230.5	274.9	252.8	211.1	253	340	416.8	362.3	410
Receipts per tourist per day	US$	58.6	59.5	61.4	62.3	63.1	63.4	66.8	72.2	74.6	83.4
Average duration	Nights	10.1	10.4	10.3	10.1	9.9	10.1	10.2	10.1	8.7	10.4
Accommodation											
Rooms	No.	12,370	12,770	12,918	13,311	13,626	13,818	14,137	14,322	13,162	14,218
Beds	No.	22,944	23,373	24,216	24,953	25,595	25,956	26,511	26,854	24,740	27,117
Occupancy rate, graded	%	49.1	52.8	57.6	52.3	42.1	43.1	53.2	59.3	45.4	47.8
Sri Lanka nationals											
Arrivals	No.	482,850	481,793	521,073	514,448	487,356	493,947	560,602	646,990	683,169	734,421
Departures	No.	530,712	518,050	496,963	524,212	505,341	533,565	561,126	680,248	727,301	756,735
Employment											
Direct	No.	34,006	34,780	36,560	37,943	33,710	38,821	46,761	53,766	52,085	55,649
Indirect	No.	47,608	48,692	51,184	53,120	47,194	54,349	65,465	75,272	72,919	77,909

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	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016(a)
Tourist arrivals	No.	494,008	438,475	447,890	654,476	855,975	1,005,605	1,274,593	1,527,153	1,798,380	2,050,832
Excursionist arrivals	No.	98,432	87,695	89,526	112,497	119,875	126,523	140,009	138,097	195,134	116,244
Tourist nights	000	4,940	4,166	4,075	6,548	8,560	10,056	10,909	15,119	18,163	20,918
Earnings	Rs. mn.	42,519	37,094	40,133	65,018	91,926	132,427	221,147	317,479	405,492	512,294
	US$ mn.	384.4	319.5	349.3	575.9	838.9	1038.3	1715.5	2431.1	2980.6	3,518.50
Receipts per tourist per day	US$	79.1	76.7	81.8	88	98	103	156.5	160.8	164.1	168.2
Average duration	Nights	10.0	9.5	9.1	10.0	10.0	10.0	8.6	9.9	10.1	10.2
Accommodation											
Rooms	No.	14,604	14,793	14,461	14,714	14,653	15,510	16,223	18,078	18,954	21,888
Beds	No.	27,300	28,698	28,344	28,978	28,844	30,880	32,284	35,976	37720	45,965
Occupancy rate	%	46.2	43.9	48.4	70.1	77.1	71.2	71.7	74.3	74.5	74.8
Sri Lanka nationals											
Arrivals	No.	817,524	900,815	914,584	1,081,417	1,210,951	1,210,914	1,200,778	1,263,494	1,361,877	1,485,004
Departures	No.	862,011	966,337	962,786	1,122,212	1,239,290	1,268,792	1,261,711	1,311,063	1,356,411	1,447,786
Employment											
Direct	No.	60,516	51,306	52,071	55,023	57,786	67,862	112,550	129,790	135,930	146,115
Indirect	No.	84,722	71,828	72,899	77,032	80,899	95,007	157,600	170,100	183,506	189,544

Notes: (a): Provisional.

Source: Ceylon Tourist Board, *Annual Statistical Report*, various issues; Central Bank of Sri Lanka, *Annual Report*, various issues.

Table A18: Monthly Tourist Arrivals, 2005-2016

	2005		2006		2007		2008		2009		2010	
	No.	Growth	No.	Growth	No.	Growth	No.	Growth	No.	Growth	No.	Growth
January	38,187	-23.5	52,103	36.4	56,553	8.5	56,916	0.6	38,468	-32.4	50,757	31.9
February	36,645	-15.9	52,687	43.8	43,051	-18.3	40,551	-5.8	34,169	-15.7	57,300	67.7
March	50,418	31.2	54,746	8.6	35,031	-36.0	38,049	8.6	34,065	-10.5	52,352	53.7
April	42,261	37.8	49,776	17.8	33,039	-33.6	29,747	-10.0	26,054	-12.4	38,300	47.0
May	40,878	35.5	43,825	7.2	26,307	-40.0	31,140	18.4	24,739	-20.6	35,213	42.3
June	45,699	42.3	44,066	-3.6	30,810	-30.1	27,960	-9.3	30,234	8.1	44,730	47.9
July	56,745	12.3	55,354	-2.5	44,142	-20.3	32,082	-25.3	42,223	28.0	63,339	50.0
August	51,216	5.25	2,931	3.3	44,742	-15.5	30,672	-31.4	41,207	34.3	55,898	35.7
September	43,536	-15.5	38,485	-11.6	37,104	-3.6	29,529	-20.4	37,983	28.6	47,339	24.6
October	44,095	-25.8	38,815	-12.0	37,011	-4.6	35,103	-5.2	37,575	7.0	52,370	39.4
November	48,457	-25.4	37,591	-22.4	45,102	20.0	36,901	-18.2	44,311	20.1	72,251	63.1
December	51,171	-22.7	39,224	-23.3	61,116	55.8	48,925	-19.9	56,862	16.2	84,627	48.8
Total	549,308	-3.0	539,603	1.9	494,008	-11.7	438,475	-11.2	447,890	2.1	654,476	46.1

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	2011		2012		2013		2014		2015		2016(a)	
	No.	Growth	No.	Growth	No.	Growth	No.	Growth	No.	Growth	No.	Growth
January	74,197	46.2	85,874	15.7	110,543	28.7	146,575	32.6	156,246	6.6	194,280	24.3
February	65,797	14.8	83,549	27.0	113,968	36.4	141,878	24.5	165,541	16.7	197,697	19.4
March	75,130	43.5	91,102	21.3	113,208	24.3	133,048	17.5	157,051	18.0	192,841	22.8
April	63,835	66.7	69,591	9.0	80,737	16.0	112,631	39.5	122,217	8.5	136,367	11.6
May	48,943	39.0	57,506	17.5	74,838	30.1	90,046	20.3	113,529	26.1	125,044	10.1
June	53,636	19.9	65,245	21.6	90,279	38.4	103,175	14.3	115,467	11.9	118,038	2.2
July	83,786	32.3	90,338	7.8	107,016	18.5	133,971	25.2	175,804	31.2	209,351	19.1
August	72,463	29.6	79,456	9.7	123,269	55.1	140,319	13.8	166,610	18.7	186,288	11.8
September	60,219	27.2	71,111	18.1	90,339	27.0	105,535	16.8	143,374	35.9	148,499	3.6
October	69,563	32.8	80,379	15.5	107,058	33.2	121,576	13.6	132,280	8.8	150,419	13.7
November	90,889	25.8	109,202	20.1	109,420	0.2	119,727	9.4	144,147	20.4	167,217	16.0
December	97,517	15.2	122,252	25.4	153,918	25.9	178,672	16.1	206,114	15.4	224,791	9.1
Total	855,975	30.8	1,005,605	17.5	1,274,593	26.7	1,527,153	19.8	1,798,380	17.8	2,050,832	14.0

Note: Monthly growth figures reflect percentage changes compared to the same month in the previous year.
(a): Provisional.

Source: Ceylon Tourist Board, *Annual Statistical Report*, various issues and Monthly Statistical Bulletin, 2012.

Table A19: Tourist Arrivals by Country of Residence, 2005-2016

	2005		2006		2007		2008		2009		2010	
	No.	Growth	No.	Growth	No.	Growth	No.	Growth	No.	Growth	No.	Growth
North America	46,457	56.1	35,323	-24.0	28,355	-19.7	24,311	-14.3	24,948	2.6	40,216	61.2
Canada	21,185	44.8	14,623	-31.0	11,869	-18.8	10,258	-13.6	10,707	4.4	21,123	97.3
U.S.A.	25,272	67.1	20,700	-18.1	16,486	-20.4	14,053	-14.8	14,241	1.3	19,093	34.1
Western Europe	227,191	-20.1	228,445	0.6	194,448	-14.9	167,187	-14.0	170,123	1.8	256,861	51.0
Germany	46,350	-20.4	47,402	2.3	35,042	-26.1	30,625	-12.6	29,654	-3.2	45,727	54.2
United Kingdom	92,629	-13.1	88,306	-4.7	94,060	6.5	81,331	-13.5	81,594	0.3	105,496	29.3
France	26,653	-11.1	22,693	-14.9	8,091	-64.3	10,594	30.9	15,886	50.0	31,285	96.9
Italy	10,192	-46.0	12,424	21.9	11,451	-7.8	9,126	-20.3	7,514	-17.7	11,423	52.0
Netherlands	15,156	-29.4	19,360	27.7	17,526	-9.5	13,030	-25.7	11,291	-13.3	17,861	58.2
Asia	223,351	12.8	242,132	8.4	202,480	-16.4	173,039	-14.5	174,534	0.9	244,124	39.9
Japan	17,148	-12.7	16,189	-5.6	14,274	-11.8	10,075	-29.4	10,926	8.4	14,352	31.4
India	113,323	7.8	128,370	13.3	106,067	-17.4	85,238	-19.6	83,634	-1.9	126,882	51.7
Pakistan	11,029	14.4	11,145	1.1	10,204	-8.4	7,885	-22.7	7,373	-6.5	9,148	24.1
Australasia	29,738	12.0	25,127	-15.5	22,924	-8.8	21,839	-4.7	26,068	19.4	37,290	43.0
Australia	25,986	11.8	21,849	-15.9	20,241	-7.4	19,536	-3.5	23,239	19.0	33,456	44.0
Other(a)	22,571	-17.6	28,376	26.6	45,801	60.3	52,099	13.8	52,217	0.2	75,985	45.5
Total	549,308	-3.0	559,603	1.9	494,008	-11.7	438,475	-11.2	447,890	2.1	654,476	46.1

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	2011		2012		2013		2014		2015		2016(b)	
	No.	Growth	No.	Growth	No.	Growth	No.	Growth	No.	Growth	No.	Growth
North America	49,057	22.0	59,236	20.7	65,616	10.8	72,653	10.7	84,943	16.9	98,376	15.8
Canada	24,671	16.8	29,329	18.9	30,926	5.4	33,282	7.6	37,732	13.4	44,122	16.9
U.S.A.	24,386	27.7	29,907	22.6	34,690	16.0	39,371	13.5	47,211	19.9	54,254	14.9
Western Europe	315,210	22.7	373,063	18.4	421,037	12.9	479,007	13.8	552,442	15.3	643,333	16.5
Germany	55,882	22.2	71,642	28.2	85,470	19.3	102,977	20.5	115,868	12.5	133,275	15.0
United Kingdom	106,082	0.6	114,218	7.7	137,416	20.3	144,168	4.9	161,845	12.3	188,159	16.3
France	48,695	55.6	56,863	16.8	64,388	13.2	78,883	22.5	86,126	9.2	96,440	12.0
Italy	13,527	18.4	15,871	17.3	17,982	13.3	21,116	17.4	24,293	15.0	29,791	22.6
Netherlands	23,966	34.2	26,754	11.6	22,281	-16.7	24,196	8.6	32,742	35.3	41,373	26.4
Asia	333,841	36.8	380,289	13.9	509,653	34.0	650,810	27.7	822,272	26.3	938,697	14.2
Japan	20,586	43.4	26,085	26.7	29,923	14.7	39,136	30.8	39,358	0.6	43,110	9.5
India	171,374	35.1	176,340	2.9	208,795	18.4	242,734	16.3	316,247	30.3	356,729	12.8
Pakistan	14,724	61.0	16,056	9.0	25,336	57.8	25,424	0.3	32,300	27.0	29,965	-7.2
Australasia	46,467	24.6	57,776	24.3	60,836	5.3	65,252	7.3	71,672	9.8	83,851	17.0
Australia	41,728	24.7	51,614	23.7	54,252	5.1	57,940	6.8	63,554	9.7	74,496	17.2
Other(a)	111,400	46.6	135,241	21.4	217,451	60.8	259,431	19.3	267,051	2.9	286,575	7.3
Total	855,975	30.8	1,005,605	17.5	1,274,593	26.7	1,527,153	19.8	1,798,380	17.8	2,050,832	14.0

Notes: (a): Latin America & the Caribbean, East Europe, Africa, and Middle East.
(b): Provisional.

Source: Ceylon Tourist Board, *Annual Statistical Report*, various issues and Monthly Statistical Bulletin, 2012.

Table A20: Balance of Payments, 2005-2016

	Unit	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016(a)
1. Trade balance	US$ mn.	-2,516	-3,370	-3,657	-5,981	-3,122	-4,825	-9,710	-9,417	-7,609	-8,287	-8,388	-9,090
	% of GDP	-10.3	-11.9	-11.3	-14.7	-7.4	-8.5	-14.9	-13.8	-10.2	-10.4	-10.4	-11.2
2. Services balance	US$ mn.	338	257	302	401	391	707	1,099	1,262	1,180	1,880	2,325	2,879
	% of GDP	1.4	0.9	0.9	1.0	0.9	1.2	1.7	1.8	1.6	2.4	2.9	3.5
3. Income, net	US$ mn.-	-299	-389	-358	-972	-488	-617	-647	-1,219	-1,751	-1,808	-2,013	-2,184
	% of GDP	-1.2	-1.4	-1.1	-2.4	-1.2	-1.1	-1.0	-1.8	-2.4	-2.3	-2.5	-2.7
4. Net private transfers	US$ mn.	1,736	1,904	2,214	2,565	2,927	3,608	4,583	5,339	5,619	6,199	6,167	6,434
	% of GDP	7.1	6.7	6.8	6.3	7.0	6.4	7.0	7.8	7.6	7.8	7.7	7.9
5. Net official transfers	US$ mn.	93	101	97	101	77	52	60	53	21	28	27	19
	% of GDP	0.4	0.4	0.3	0.2	0.2	0.1	0.1	0.1	0.0	0.0	0.0	0.0
6. Current account balance	US$ mn.	-650	-1,499	-1,402	-3,886	-214	-1,075	-4,615	-3,982	-2,541	-1,988	-1,883	-1,942
	% of GDP	-2.7	-5.3	-4.3	-9.5	-0.5	-1.9	-7.1	-5.8	-3.4	-2.5	-2.3	-2.4
7. Capital and financial a/c	US$ mn.	1,224	1,808	2,097	1,774	2,594	2,877	4,262	4,393	3,135	-1,478	-2,266	-2,092
	% of GDP	5.0	6.4	6.5	4.4	6.2	5.1	6.5	6.4	4.2	-1.9	-2.8	-2.6
Capital account	US$ mn.	250	291	269	291	233	164	164	130	71	58	46	26
8. Financial account	US$ mn.	974	1,517	1,828	1,483	2,361	2,713	4,098	4,263	3,064	-1,536	-2,312	-2,117
Long-term	US$ mn.	798	907	1,251	1,016	1,304	2,379	3,308	2,587	2,314	1,968	1,158	1,893
Foreign direct investment	US$ mn.	234	451	548	691	384	435	896	871	868	894	680	898
Private long-term (net)	US$ mn.	11	-35	31	74	79	149	175	724	605	429	9	96
Government long-term	US$ mn.	554	491	672	252	840	1,796	2,237	992	841	646	470	898
9. Short-term	US$ mn.	176	610	577	466	1,058	334	790	1,676	750	-432	1,154	-164
Foreign portfolio investment	US$ mn.	60	51	101	60	-6	-230	-171	272	226	178	-60	24
10 Other (b)	US$ mn.	-72	-105	-165	728	346	-881	-708	-412	-594	393	-476	-201
11. Overall balance	US$ mn.	501	204	531	-1,385	2,725	921	-1,059	151	985	1,369	-1,489	-500
	% of GDP	2.1	0.7	1.6	-3.4	6.5	1.6	-1.6	0.2	1.3	1.7	-1.8	-0.6

Notes: (a): Provisional.
(b): Valuation adjustments, errors, and omissions.
(c): From 2003, data are based on GDP estimates compiled by the Department of Census and Statistics.
(d): From 2010 ,data are based on the base year 2010 GDP estimates of the Department of Census and Statistics.

Source: Central Bank of Sri Lanka, *Annual Report*, various issues.

Table A21: Exchange Rate Behaviour, 2005-2016

Currency	Unit	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Nominal exchange rates													
U.S.A.	S.L. Rs. per US$	102.12	107.71	108.72	113.14	114.38	110.95	113.90	127.16	130.75	131.05	144.06	149.80
Japan	S.L. Rs. per Yen	0.87	0.91	0.97	1.25	1.24	1.36	1.47	1.48	1.25	1.10	1.20	1.29
U. K.	S.L. Rs. per Pound	175.94	211.29	217.15	163.28	181.75	171.41	175.45	205.47	215.58	204.04	213.57	184.04
European Union	S.L. Rs. per Euro	120.96	141.58	160.27	159.45	163.72	147.56	147.42	168.13	180.45	159.42	157.37	157.87
India	S.L. Rs. per Ind. Rs.	2.27	2.44	2.77	2.36	2.46	2.48	2.15	2.33	2.11	2.07	2.17	2.21
24 currency													
Nominal effective exchange rates (NEER)	NEER 2006 = 100 (a)	104.06	110.94	98.96	100.07	99.85	100.00	99.84	90.44	91.39	91.99	96.61	92.46
Real effective exchange rate (REER)	REER 2006 = 100 (a)	97.43	81.02	78.07	95.19	97.36	100.00	102.00	93.63	101.13	103.77	109.50	106.94

Notes: (a): From 2006 onwards, NEER (2010 = 100) and REER (2010 = 100).

Sources: Central Bank of Sri Lanka, *Annual Report*, various issues.

Sri Lanka: State of the Economy 2017
Demographics, Labour Markets and Growth

The IPS' annual flagship report *Sri Lanka: State of the Economy* provides a critical assessment of the country's economic performance and near term outlook for growth and macroeconomic stability. Each year, the report also examines crucial medium term policy priorities to achieve sustained growth and strengthen socio-economic development outcomes for the country.

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ISBN 978-955-7397-04-7