

–Pathfinder Beyond the Box–

A new
ECONOMIC
VISION

for Post-COVID-19 Sri Lanka

RECOMMENDATIONS SUBMITTED TO
H.E. PRESIDENT GOTABAYA RAJAPAKSA
BY THE PATHFINDER FOUNDATION
APPOINTED STUDY GROUP-APRIL 2020

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CONTENTS

Narrative	4
Study Group Report	
Policy Matrix at a Glance	8
Policy Matrix in Detail	9
Members of the Study Group	23
Submissions of Contributors	27

PATHFINDER BEYOND THE BOX:
A NEW ECONOMIC VISION FOR POST-COVID-19 SRI LANKA

28 April 2020

This note was prepared by a study group convened by the Pathfinder Foundation to examine the economic implications of the COVID-19 pandemic and a way forward for Sri Lanka. The note draws on inputs from representatives of academia/research institutions and the business community in Sri Lanka. The principal authors of this note and the other members of the study group are listed in Annex 1. A separate document with inputs from study group members is also provided.

1. The global economy is facing a deep contraction

The nature of the COVID-19 crisis is unprecedented as it entails both a public health emergency and a global economic shock. The IMF *World Economic Outlook 2020* (released on 14 April 2020) projects that the global economy is likely to fall sharply by -3% in 2020, far worse than during the 2008-2009 global financial crisis. Its impact could be as devastating as the Great Depression of the 1930s with 25% unemployment in developed countries. Worryingly, the economic outlook in 2020 for the US, the EU and the UK looks negative. Asia may do a bit better in 2020 with positive but historically low growth in China and India but Japan may be hit hard. It is noteworthy that the Chinese economy contracted by 6.8% in Q1 2020 and the IMF forecasts annual growth to decline from 6.1% in 2019 to 1.2% in 2020. Furthermore, job losses in the US amounted to over 20 million during the last three weeks.

A crisis of this magnitude is not going to be reversed quickly. Realistically the global economy may only reach some kind of "new normal" growth, helped by massive policy support and when a vaccine is available (in some 12-18 months). The speed of recovery globally may not be uniform across regions, countries and sectors. Sri Lanka's pathway of global integration should take account of this to maximize opportunities while minimizing potential adjustment costs.

2. The Sri Lankan economy is likely to face a challenging economic outlook

The evolving economic scenario for Sri Lanka could unfold to be even worse than the most difficult time during the 30-year civil conflict. Sri Lanka's growth in 2020 will be less than the historically low rate recorded in 2019. The IMF WEO 2020 projects -0.5% growth in 2020 (down from 2.3% in 2019). Moreover, a V-shaped recovery in Sri Lanka

in 2021 seems doubtful given many domestic and international risks and uncertainties; a more likely outcome seems a U- shaped recovery with a period of flat growth.

Overall, the focus should be on protecting human life, constructing a bridge to restore economic stability in the short-run and laying a sound foundation for robust, sustainable and inclusive growth in the medium-term. These were the parameters for the work of the Study Group.

The highest priority is that the hardship of the population should be mitigated to the extent possible. The sharp economic downturn coupled with a slow recovery implies a growing risk of mass unemployment and rising poverty in Sri Lanka. This would cause misery to the population and have devastating social consequences. Domestically, there could also be significant financial strains from the over-stretched public health system and payments to the poor and vulnerable.

A second priority must be attached to building fiscal and external reserve buffers to increase resilience by de-risking the economy going forward. As a small relatively open economy with twin deficits, Sri Lanka is being severely affected by this exogenous shock. The lack of fiscal space is constraining the capacity of the government to respond. It is channeling mitigation measures through the CBSL and domestic financial institutions. At this perilous juncture, the authorities need “to go big” in terms of borrowing domestically (including from CBSL) and from official development partners to overcome the lack of fiscal space. Such borrowing should be strictly allocated to fund social protection and productive investment. The effects of the global output collapse are being transmitted to Sri Lanka through falling demand for exports, capital outflows, falling remittances, a halt in tourism and a loss of business confidence. High external debt payments denominated in US\$ amidst dwindling reserves complicate the external economic landscape in Sri Lanka.

A third priority is that the investment climate needs improvement so that the private sector can restructure businesses to reap new opportunities and to create jobs. The COVID-19 pandemic has led to the closure of a large swathe of the economy. This has had an unprecedented impact on economic activity resulting in widespread disruption of livelihoods and businesses, large and small. Given the binding fiscal constraints related to the solvency of the country and the current constitutional limitations which constrain fiscal space, it is recommended that these firms are granted concessional loans guaranteed by the Government/CBSL based on credit lines from the International Financial Institutions. Urgent priority should be attached to this to avoid massive job losses.

3. The government's initial response was useful to support the Sri Lankan economy.

The government took steps to support the Sri Lankan economy in the aftermath of the COVID-19 pandemic. These include: various fiscal and monetary stimulus measures, banning inessential imports, seeking financial assistance from important donors, assistance for selected sectors and establishing a new special deposit bank account for foreign exchange remittances. These are important building blocks in the formulation of a strategic approach to the COVID-19 crisis.

4. A refined strategy offers the best chance of resetting the Sri Lankan economy and building its resilience.

Most economies and companies globally are fundamentally re-orienting their economic strategies in response to the COVID-19 induced economic crisis. Sri Lanka can draw lessons from its own past and international experience to formulate a new economic vision for a post-COVID-19 economy.

The refined strategy should be pragmatic and non-ideological in nature. It should draw lessons from the low growth, muted investment, high unemployment and black-market prices associated with the inward-looking policies of the 1970-77 era as well as the increased vulnerability to external economic shocks, climate risks, increased inequality, reduced social protection and pandemics of the period since the opening up of the economy in 1977. The refined strategy should also exploit all Sri Lanka's factor endowments and the skills of its people. Finally, it should leverage the advantage of a strategic geographical location and a friendly non-aligned foreign economic policy towards a range of countries and international institutions.

In recent decades, influential voices have argued that the role of the state in managing the economy should be downsized. However, the COVID-19 pandemic demonstrates that when societies face massive challenges, it is only the state that has the capacity to respond effectively. In a world where climate related natural disasters and health pandemics are becoming more frequent and intense, action needs to be taken at the national, regional and multilateral levels to create the institutional capacity and financing mechanisms to deal with sudden and unforeseen threats. Sri Lanka has an institutional legacy which can be modernized for this purpose. However, careful consideration should be given on resetting the role of the state in the new normal of the post-CORVD-19 world. It should be calibrated in such a way that inefficiency and corruption are minimized and the role of the private sector as the primary engine of growth and wealth creation is not stifled.

All countries would need to adjust to a more regional and local approach in a post- COVID-19 world. In this changed world, each country would need to develop its own social contract and formulate its development strategy autonomously. In doing so, the highest priority must be attached to making pragmatic policy choices based on a rational assessment of costs and benefits rather than on vested interests and ideological biases.

5. In operational terms, it is helpful to think of the refined strategy in two phases

These are: (a) immediate actions to stabilize the economy (over next 2-3 months), and (b) items to reform the economy (beyond 3 months into the medium/long term). A mix of macroeconomic, structural, pro-poor and climate-friendly economic policies is required to build a post-COVID-19 Sri Lankan economy. These are outlined in the policy matrix below. It is also vital that such policies are properly coordinated and monitored.

It is suggested that a Task Force of Officials be appointed under the President's Office mandated to assess the economic damage caused by the COVID-19 pandemic and to develop these ideas into an actionable national economic strategy. They could be assisted by a multidisciplinary Advisory Group of Experts who could provide technical advice and help with monitoring outcomes.

Establish a Committee of Secretaries of Development Ministries, chaired by the Secretary to the President, to improve consistency and predictability of policy making as well as priority-setting and co-ordination for implementation.

PATHFINDER BEYOND THE BOX: A NEW ECONOMIC VISION FOR POST-COVID-19 SRI LANKA

Act Decisively & Act Big

 <p>1. Social Empowerment & Safety Nets</p> <p>Issues</p> <ul style="list-style-type: none"> - Job losses and unempowered economy - Samurdhi not delivering (44% of bottom half excluded) - Strained public health system - Poor targeting of subsidies and educational outcomes <p>Actions</p> <ul style="list-style-type: none"> - One off cash payments for Rs 10,000 for families w/o employment - Targeted programs for women in FTZs, estates & healthcare - Reform Samurdhi by targeting low income families - Data driven allocation of welfare - Income based health insurance - Promote telemedicine and financial literacy - Upgrade architecture of Co-ops & savings banks - Credit support to young entrepreneurs - Strict implementation of ragging prohibition - Legal ownership of assets for low income families 	 <p>2. Food Security & Agriculture</p> <p>Issues</p> <ul style="list-style-type: none"> - Food shortages in emergencies - Inefficient use of land and low productivity - 35-40% post-harvest losses <p>Actions</p> <ul style="list-style-type: none"> - Strengthen delivery of emergency aid via PPP & Tri Forces - Boost agri-logistics to establish field warehousing - Revisit architecture and action plan for food relief - Accelerate Sura Goviya schemes - Incentives for Wet Zone farmers, milk, sugars, and poultry - Promote out grower schemes - Reduce inefficient water use in paddy production - Promote farmer associations
<p>3. Macro Economic Management</p> <p>Issues</p> <ul style="list-style-type: none"> - Scarce govt resources; forex for stimulus - High debt service & fragmented debt management - Loss making SOE's - Unproductive public sector <p>Actions</p> <ul style="list-style-type: none"> - Build sustainable fiscal & monetary Framework - Strengthen revenue admin through better systems - Encourage foreign aid for budget support - Negotiate early arrangement with the IMF - Lobby agencies for better IMF SDR Allocations - Focus on PPP & BOT for new projects - Professional holding company for key SOEs - Sale of non-strategic assets - Explore debt-for-climate mitigation 	<p>4. Trade & Investment</p> <p>Issues</p> <ul style="list-style-type: none"> - Red tape hampering business - Limited market access/non-tariff barriers overseas - Disruption in supply chains <p>Actions</p> <ul style="list-style-type: none"> - Priority for adjustment in key productive sectors - Streamline business regulations - Digitize government and citizen services - Alleviate domestic & foreign investors constraints on land - Better branding of Sri Lanka - Broad base foreign investment by drawing in Japan & Korea - Resume FTA with key countries - Explore GSP+ with UK post-Brexit - Give priority to logistics & shipping industry - Recalibrate ban on non-essential imports - Promote more rural industrialization
<p>5. Infrastructure</p> <p>Issues</p> <ul style="list-style-type: none"> - Slow implementation of already funded projects - Lack of renewable energy programs <p>Actions</p> <ul style="list-style-type: none"> - Accelerate implementation of key funded projects - Incentivize equity investments for infrastructure projects - Encourage more solar power and reform CEB - Implement legal framework for the Colombo Port City project 	<p>6. Technology</p> <p>Issues</p> <ul style="list-style-type: none"> - Improve internet services throughout Sri Lanka - Lack of digital processes & systems in government - Lack of FinTech <p>Actions</p> <ul style="list-style-type: none"> - Internet as a public good throughout Sri Lanka - Replace 1991 Telecom Act and create a modern regulator - ICTA's role - Digital portal and digital services - Implement interoperability platform for digitalized government - Central securitized data base for citizen ID - Mandatory G2 G digital and communication - Leverage CBSL's year for Digitization 2020 - FinTech applications in financial institutions
<p>8. Finance</p> <p>Issues</p> <ul style="list-style-type: none"> - Lack of long-term credit and framework for financial institutions - Poor bankruptcy laws - Environment not conducive for better cash flow into businesses <p>Actions</p> <ul style="list-style-type: none"> - Get flexibility in BASEL-3 and IFRS 9 - Explore partial guarantees schemes for affected firms from IFI's - Debt-equity swaps - Explore strengthening or a new institution for long term lending - Enact bankruptcy laws and a new Banking Act - Explore credit risk info for more productive lending 	<p>7. Labour</p> <p>Issues</p> <ul style="list-style-type: none"> - Labour laws too inflexible in emergency situations - Lagging labour productivity vs Asia counterparts - No safety nets for persons losing jobs <p>Actions</p> <ul style="list-style-type: none"> - Labour Minister policy intervention on executive pay cuts - Labour Commissioner's forbearance in time of crisis - Making up for lost working days by working on Saturdays - Reduce annual public holidays from 25 to 13 - Business to invest at least 0.5 % of sales in worker training - Create Unemployment Insurance Fund - Public & private investment in childcare and safe transport for women - Modernize labor laws
<p>9. Policy Coordination</p> <p>Issues</p> <ul style="list-style-type: none"> - Inadequate communication on economic strategy - Weak policy coordination & design implementation <p>Actions</p> <ul style="list-style-type: none"> - Clear communications on economic strategy 'fit for purpose' - Task Force of Officials under the President's Secretary to assess damage to the economy - An Advisory Group of Experts and a Coordination Committee - Reestablish National Operations Center for monitoring policies, programs, and projects 	

This Matrix explores each strategy, highlighting opportunities and the issues that we have to overcome to ensure positive impacts and outcomes

Policy Matrix in Detail

Policy Matrix for Post COVID19 for Sri Lanka		
Problem	Short term (2-3 months)	Medium/Long term
1. Social Empowerment & Safety Nets		
<ul style="list-style-type: none"> Job losses in low-income families and rising poverty 	<ul style="list-style-type: none"> A one-off cash payment of Rs.10,000 to one female in a household where no one is either in employment or in self-employment. Design targeted programmes to address the particular vulnerabilities of women working in FTZs, estates and healthcare sector 	<ul style="list-style-type: none"> Unlock invisible capital for low-income families through provision of legal ownership of assets
<ul style="list-style-type: none"> Samurdhi programme not delivering for the poor (over 44% of the bottom quartile excluded from the Welfare Assistance Component and 5-15% of the top quartiles receiving benefits) 	<ul style="list-style-type: none"> Reform the Samurdhi Programme to better target recipients from low-income families 	<ul style="list-style-type: none"> Phase out the current small group-based loans under the Samurdhi Programme and add an economic activity generation component with sufficient credit support to young entrepreneurs

<ul style="list-style-type: none"> • Inefficient delivery of income transfer programmes to the poor 	<ul style="list-style-type: none"> • Introduce biometric ID scheme immediately (similar to the Aadhar card in India) • Open bank accounts for all citizens 	<ul style="list-style-type: none"> • Rationalize/consolidate the 40+ payments under the Welfare Board • Enhance financial literacy programmes
<ul style="list-style-type: none"> • Poor targeting of subsidies for tertiary education whereby the higher income groups benefit disproportionately in a context of severe fiscal constraints • Poor educational outcomes despite high enrolment ratios 	<ul style="list-style-type: none"> • Introduce means-tested fees for university courses supported by a student loan scheme while maintaining free education for students from low-income families • Ensure strict implementation of the Prohibition of Ragging and Other Forms of Violence in Educational Institutions Act, No. 20 of 1998. 	<ul style="list-style-type: none"> • Modernise curricula by strengthening vocational and technical streams • Accelerate use of technology as a means of encouraging students to become self-directed learners • Emphasize STEM subjects and business studies at tertiary level (science, technology, engineering and mathematics) • Mandate that a minimum component of teaching (e.g. 20%) should be on-line • Make internships in the private sector a compulsory part of relevant degree courses
<ul style="list-style-type: none"> • COVID-19 Pandemic straining public health system (free at the point of entry) and need for better preparedness for future pandemics 	<ul style="list-style-type: none"> • Promote telemedicine in public hospitals. Each hospital should have phone lines manned by health professionals. Public clinics should shift to a system of giving appointments • Permit private hospitals to treat COVID-19 patients and private laboratories to undertake testing 	<ul style="list-style-type: none"> • Undertake a study of the healthcare system with a view to learning lessons from the COVID-19 Pandemic • The Ministry of Health, in consultation with the private sector, should explore options for the way forward including strengthening public hospitals and selectively using public-private sector partnerships. Emphasis should be given to dealing with future pandemics

		<ul style="list-style-type: none"> ● Introduce an income based compulsory health insurance for those who are above a certain inclevel
<ul style="list-style-type: none"> ● EPF and ETF ● Dangerous under-funding of state pensions constitutes a ticking inter-generational time-bomb 	<ul style="list-style-type: none"> ● Suspend EPF/ETF employer and employee contributions for 3 months to boost cash flow infirms and households 	<ul style="list-style-type: none"> ● Unify EPF andETF and address conflicts of interest in the current management of the EPF ● Explore a phased pathway towards developing a contributory pension scheme for the public sector in consultation with trade unions, drawing on experience of other countries with strong public sector unions which have been able to achieve this (e.g. India)
<ul style="list-style-type: none"> ● Local or grass-roots level economic empowerment 	<ul style="list-style-type: none"> ● Study lessons from successful cooperative movements in Sri Lanka in the past and abroad, as well as recent initiatives which have made encouraging progress (e.g. Northern Province). This would be to promote a market-driven rural economy throughout Sri Lanka 	<ul style="list-style-type: none"> ● Upgrade and empower the existing architecture of cooperative societies and cooperative savings banks to promote grass-roots level savings, production and distribution
2. Food Security and Agriculture		
<ul style="list-style-type: none"> ● Food shortages during emergencies especially for the poor 	<ul style="list-style-type: none"> ● Strengthen delivery of emergencyfood relief through coordinated mobilisation of the public sector, armed forces, the private sector and charities ● Access supplies, resources and expertise of the World Food Programme 	<ul style="list-style-type: none"> ● Develop a sustainable architecture for emergencyfood relief during health and natural emergencies ● Sura Goviya Schemes could be accelerated (similar to what CIC Agri businesses host)

<ul style="list-style-type: none"> ● COVID-19 crisis has exposed shortcomings related to food security 	<ul style="list-style-type: none"> ● Better Marketing of the home garden programme (e.g. Saubhagya Programme) through a telephone helpline, website and TV education and extension support 	<ul style="list-style-type: none"> ● Reduce import dependence for food crops by allowing wet zone farmers the freedom to decide on the crop mix and strengthen farm-level extension support <p>Increase milk, sugar and poultry production to reduce import dependence</p>
<ul style="list-style-type: none"> ● Inefficient use of land, low productivity and sub-optimal crop mix and need for a forward-looking post-COVID-19 Strategy 	<ul style="list-style-type: none"> ● Undertake a rapid response study to review land use and crop mix, including the estate sector, and to develop strategies to increase food production/agro-industries 	<ul style="list-style-type: none"> ● Amend obsolete land laws to release greater value ● Explore producing total paddy requirement in the dry zone using good agricultural practices ● Promote outgrower system for production of cash crops (fruit and vegetables) on the fragmented land holdings of the wet zone <p>Explore ways of reducing inefficient water use in paddy production</p>
<ul style="list-style-type: none"> ● Address 35-40% post-harvest losses 	<ul style="list-style-type: none"> ● Address post-harvest losses through public-private partnerships (wholesalers, retailers and online providers) for improving storage, refrigeration and transport ● Boost agri –logistics to establish field warehousing to facilitate quality assaying/ collateral management linked to bank funding to farmers 	<ul style="list-style-type: none"> ● Increase productivity through promotion of farmer associations ● Explore ways of increasing the linking of farmers with supermarkets and other large scale agri-processing (e.g. through mobile phone technology)

3. Macroeconomic Management		
<ul style="list-style-type: none"> ● Macroeconomic instability and policy uncertainty 	<ul style="list-style-type: none"> ● Clear statement from the Ministry of Finance and CBSL about frameworks for formulating consistent and predictable macroeconomic policies 	<ul style="list-style-type: none"> ● Develop a sustainable fiscal and monetary framework for the medium-term with a focus on building up the revenue base and a credible debt sustainability framework
<ul style="list-style-type: none"> ● Scarce government revenue and foreign exchange for economic stimulus measures 	<ul style="list-style-type: none"> ● Encourage grant foreign aid and concessionary development assistance to be given for budget support rather than for projects for the next one year. ● “Borrow big” from international financial institutions (IFIs) to fill the external financing gap including emergency assistance from the IMF, and ADB; bilateral sources. ● Initiate negotiations on a new IMF programme to boost confidence of domestic economic agents as well as foreign creditors and investors. In addition, it would serve to catalyse other financing (both World Bank and commercial). ● During the COVID -19 crisis the IMF programmes will give much greater priority to growth, employment and social protection and less to stabilisation/austerity. This could well change with the passage of time. It is timely, therefore, to initiate the negotiations as early as possible. ● Give high priority to domestic resource mobilization including CBSL financing and borrowing from other domestic sources 	<ul style="list-style-type: none"> ● Strengthen revenue base, including through full operationalising of the Revenue Administration Management Information System (RAMIS) ● Consider linking annual vehicle revenue license to engine size and age of vehicle ● Lobby for IMF SDR allocation as in 2009; try to convince like-minded countries to join the initiative (e.g. NAM, BIMSTEC, SAARC, IORA) ●

<p>High debt repayments and fragmented institutional infrastructure for debt management</p>	<ul style="list-style-type: none"> ● Request a multilaterally agreed two-year moratorium on debt repayments to IFIs and bilateral donors so that governments can plan with some clarity. China holds a quarter of the bilateral debt of eligible countries and can play a leadership role ● Continue separate bilateral discussions on debt relief with China, India and Japan ● Join others to call on the IMF and World Bank to mobilize the private sector around a voluntary plan for addressing debt owed to private creditors. It would be unconscionable if resources are released through relief on official debt is used to pay private creditors rather than fund health care and welfare programmes for the poor. <p>Explore SWAP arrangements from regional central banks, including the SAARC SWAP from the Reserve Bank of India</p>	<ul style="list-style-type: none"> ● Suspend borrowing for new large infrastructure projects. Focus on PPPs, especially BOTs. ● Establish an independent debt management office ● Use the Active Liability Management Act (ALMA) to manage the cost and maturity structure of outstanding debt ● Explore debt for climate change mitigation SWAPs with international philanthropic organisations to preserve forests and ocean reserves
<ul style="list-style-type: none"> ● Loss-making state-owned enterprises (SOEs) straining the national budget and undermining state bank balancesheets 	<ul style="list-style-type: none"> ● Explore cost-saving measures in SOEs – e.g. stop free provision of water, electricity etc. to other SOEs and the public sector ● Adopt pricing structure based on objective and transparent criteria ● Ensure vigilant monitoring of Statements of Intent of SOEs by the MoF and COPE. 	<ul style="list-style-type: none"> ● Create a holding company like Temasek for key SOEs and hire professional management to operate them semi-commercially. All options may be considered after careful study of the Temasek experience including broad based ownership through new capital injection while maintaining state control. ● Formulate a plan for realising budgetary financing through sale of non-strategic assets (e.g. hotels and hospitals) when market conditions are conducive to achieve realistic valuations.

		<ul style="list-style-type: none"> Formulate an urgent plan to arrest the losses being incurred by Sri Lankan Airlines in the context of the current plight of the global airline industry. It is going to be even more difficult than before to attract a strategic investor. It is therefore important to consider all options.
<ul style="list-style-type: none"> Unproductive public expenditure 	<ul style="list-style-type: none"> Stop tax concessions to import luxury vehicles given to politicians and other groups until financial crisis is over. All capital projects should be appraised by the National Planning Department before they are included in the national budget with the approval of the proposed Committee of Development Secretaries 	
4. Trade and Investment		
<ul style="list-style-type: none"> Rapidly changing business conditions in response to the COVID crisis 	<ul style="list-style-type: none"> Identify priority sectors which require earliest possible release from restrictions on movement (e.g. construction, farming, pharmaceuticals, exports and retail) Support the private sector to switch production to Personal Protection Equipment, medical equipment and establishment of emergency facilities 	<ul style="list-style-type: none"> Strategic review of sectoral adjustment to a post-COVID world to be undertaken jointly by the GOSL and business associations to identify threats and opportunities (medium-term) Branding Sri Lanka and developing a coordinated approach to promotion of exports, FDI and tourism across state promotion agencies, the Ministry of Foreign Relations and business associations

		<ul style="list-style-type: none"> ● Rationalize locations of overseas missions to align with national economic priorities and strengthen economic diplomacy functions and skills ● Attract Japanese and Korean foreign investment relocating away from China
<ul style="list-style-type: none"> ● Red tape hampering business activity (Sri Lanka ranked 99th out of 190 countries on the World Bank's Doing Business Index in 2020) and fragmented business support for SMEs 	<ul style="list-style-type: none"> ● Streamline redundant business procedures affecting business start-up and operation. ● Build on work already done by BOI on various elements of the DBI ● Alleviate constraints faced by domestic and foreign investors in regard to accessing land for business purposes. This is often cited as the most intractable problem inhibiting both domestic and foreign investment. (Work has been undertaken under the previous government to establish a land bank) 	<ul style="list-style-type: none"> ● Facilitate trade through full implementation of the Single Electronic Window at Customs ● Digitise all government services for business and establish helplines for the general public ● Attach priority to upgrading the logistics industry and shipping services (such as ship bunkering) in order to take advantage of Sri Lanka's strategic location in the Indian Ocean ● Explore a well-resourced mechanism to provide business development services for SMEs including private provision of such services.
<ul style="list-style-type: none"> ● Temporary ban on non-essential imports and promotion of efficient rural industrial production 		<ul style="list-style-type: none"> ● Removal of the temporary ban on non-essential imports should be calibrated in a transparent manner to the recovery of foreign exchange while protecting consumer welfare through competitive domestic production ● Provide incentives to promote expansion of rural industrialization through increased production for the domestic market as well as linkages to export villages

<ul style="list-style-type: none"> ● Limited market access for exports of goods and services and limited regulatory policy coherence with key trading partners ● Minimization of disruption of essential supply chains 	<ul style="list-style-type: none"> ● Activate Sri Lanka-Singapore FTA and explore getting 'everything but arms' market access to the Indian market which they have granted to Bangladesh ● Diversify sources of essential imports, food and important intermediate goods to reduce risk of supply disruption 	<ul style="list-style-type: none"> ● Establish a dedicated and well resource trade negotiation wing under the Department of Commerce which does strategic studies and carries out negotiations ● Resume FTA negotiations with China, India and Thailand to diversify export markets and reduce current dependence on US and Europe which account for almost 60 percent of total exports ● Explore a mirror scheme for GSP+ with the UK post-Brexit
5. Infrastructure		
<ul style="list-style-type: none"> ● Slow implementation of funded infrastructure projects 	<ul style="list-style-type: none"> ● Accelerate implementation of already funded infrastructure projects. For instance, the expansion of BIA; the Central Expressway, the East Terminal at the Colombo Port and extension of the road network. This would assist in mopping up some of the displaced labour 	<ul style="list-style-type: none"> ● Implement legal framework for the Colombo Port City project and accelerate inbound investment from regional countries ● Focus on financing infrastructure projects through equity rather than borrowing
<ul style="list-style-type: none"> ● The lack of renewable energy and Sri Lanka's high fuel import bill 	<ul style="list-style-type: none"> ● Encourage widespread adoption of solar power in house holders and business throughout Sri Lanka to reap benefits of significant energy cost reduction 	<ul style="list-style-type: none"> ● Reform the Ceylon Electricity Board, with the aim of strengthening renewable energy

6. Technology		
<ul style="list-style-type: none"> ● Improve internet services which vary throughout the country 	<ul style="list-style-type: none"> ● Ensure a competitive pricing formula for the internet throughout the country 	<ul style="list-style-type: none"> ● Conduct a study on providing the internet as a public good throughout Sri Lanka. Explore all options including island-wide broadband and 5G technology ● Replace 1991 Telecom Act to establish a modern regulatory agency thereby providing stable investment conditions to roll out high capacity fiber+wireless networks across the country ● Implement interoperability platform to enable digitalized government ● Promote 'Island-wide/Ubiquitous Availability'– a key driver of this being Spectrum Availability and Universal Service Motivators ● Explore upgrading the role of the Sri Lanka Information Communication Technology Authority (ICTA) as a key facilitator of digitization in the country and implement its technology platform
<ul style="list-style-type: none"> ● Lack of digital government processes and systems 	<ul style="list-style-type: none"> ● Make it mandatory to use digital tools like email and chat for communication between government officials and between the government and citizens. ● Introduce digital self-service for public services that are similar to the digital process and system for the renewal of car licenses 	<ul style="list-style-type: none"> ● Create a digital portal like Denmark's "Easy Account" to enable e-invoicing between government and suppliers. ● Create a securitized central database for citizen identification and make it mandatory for citizens to input their data either individually or through their local authority.

<ul style="list-style-type: none"> • Lack of tracing technology to manage pandemics like COVID-19 	<ul style="list-style-type: none"> • Consider the creation of an app for tracing contact during the COVID-19 pandemic, like Singapore's TraceTogether app • Set up a team to study the possibility of developing a COVID-19 Contact Tracing Blockchain, similar to the UAE and Honduras 	
<ul style="list-style-type: none"> • Lack of FinTech for contactless transactions 	<ul style="list-style-type: none"> • Communicate the need for a robust FinTech environment in support of the CBSL's Year for Digitization in 2020 • Increase limits for FinTech based financial transactions 	<ul style="list-style-type: none"> • Provide concessions to financial institutions that incorporate new FinTech like the ability to deposit a cheque or raise money for a business start-up via smartphones.
<h2>7. Labour</h2>		
<ul style="list-style-type: none"> • Strict labour laws make it difficult for business to retrench labour and exit business activities in an increasingly volatile business environment at home and abroad which requires increased flexibility • Actions taken by companies to stay afloat during the crisis are unlawful 	<ul style="list-style-type: none"> • Labour Minister to convene national tripartite dialogues (a) with business associations about executive pay cuts following the example of leading corporates; and (b) between business and trade unions about wage reduction/restraint and orderly exit • Labour Commissioner to exercise forbearance in relation to Labour Statutes to enable cash starved businesses to stay afloat through downsizing. 	<ul style="list-style-type: none"> • Modernize labour laws through tripartite discussions on flexibility issues (e.g. ability to amend salaries, no-pay leave, etc.; and allow reduction in workforce by paying full gratuity plus an extra amount as termination payment). Current labour laws lead to a reduction of overall standards in the country as they incentivise casualisation of the labour force in the formal sector and disincentivise informal sector enterprises from entering the formal sector which would create more opportunities for firm growth.

<ul style="list-style-type: none"> ● Lagging labour productivity relative to competitors in Asia 	<ul style="list-style-type: none"> ● Making Saturday working compulsory in the private sector till end 2020/1 to catch up for the days lost through lockdowns 	<ul style="list-style-type: none"> ● Reduce the number of annual public holidays from 25 to 13 ● Encourage business to allocate at least 0.5% of sales on worker training ● Strengthen the capacity and functioning of the National Productivity Secretariat and increase ties with the Asian Productivity Organization
<ul style="list-style-type: none"> ● There is no safety-net to provide time for a person who has lost his/her employment to find a new job and, if required, reskill himself/herself ● Low levels of female labour force participation at a time when the population has begun to age 	<ul style="list-style-type: none"> ● Public and private investment in child-care facilities, safe transport for females and change to the law on working hours 	<ul style="list-style-type: none"> ● Create an unemployment insurance fund through a 3 percent contribution (2 percent from employer and 1 percent from employee)- computed on EPF inflows

8. Finance		
<ul style="list-style-type: none"> ● Creating more conducive conditions to meet business cash flow requirements 	<ul style="list-style-type: none"> ● CBSL should continue to explore how regulatory frameworks can be adjusted to accommodate the role given to the financial system in responding to the economic shocks created by COVID-19. In this connection it can be explored whether there can be further flexibility in the implementation of BASEL-3 and IFRS-9 (in consultation with CA Sri Lanka) ● Explore partial guarantee schemes for affected firms financed by credit lines from IFIs to encourage banks to lend through a sharing of credit risk ● Permit banks to effect debt-equity swaps to ease cashflow constraints of listed companies. Banks may realise their equity in the medium-term either through exiting via the CSE or buy-backs by the borrower 	<ul style="list-style-type: none"> ● Continue to seek ways to use Credit Risk Information Bureau (CRIB) to further productive lending ● Undertake further research to improve the transmission of monetary policy ● Undertake research on the pros and cons of CBSL issuing long-term Rupee bonds to companies to create liquidity to pay wages
<ul style="list-style-type: none"> ● Lack of long-term credit on competitive terms 		<ul style="list-style-type: none"> ● Explore the best option for establishing an institutional mechanism for providing long-term development financing through either a new institution or mobilising the legacy of DFCC and NDB in this area (including through a possible merger). The government has leverage through its shareholdings in the two institutions.

<ul style="list-style-type: none"> ● Lack of an efficacious and speedy bankruptcy law ● ● Lack of an effective resolution framework for financial institutions 		<ul style="list-style-type: none"> ● Enact a bankruptcy law like the Chapter 11 in the US for non-financial firms ● Accelerate enactment of the new Banking Act being prepared by the CBSL
9. Policy Coordination		
<ul style="list-style-type: none"> ● Inadequate communication about economic strategy to mitigate COVID-19 	<ul style="list-style-type: none"> ● Formulate a clear communication strategy to explain the measures being taken in the short-run to protect human lives and businesses as well as the action being taken to develop an economy that is “fit for purpose” in the post-COVID-19 world. This should be led and coordinated by the Presidential Media Unit. 	
<ul style="list-style-type: none"> ● Weak policy coordination for designing and implementing policy actions 	<ul style="list-style-type: none"> ● Appoint a Task Force of Officials under the President’s Secretary mandated to assess the economic damage caused by the COVID-19 pandemic and to develop these ideas into an actionable national economic strategy. ● They could be assisted by a multidisciplinary Advisory Group of Experts who could provide technical advice and help with monitoring outcomes ● Establish a Committee of Secretaries of Development Ministries, chaired by the Secretary to the President, to improve consistency and predictability of policy making as well as to strengthen priority-setting and co-ordination for implementation 	<ul style="list-style-type: none"> ● Re-establish a national operations centre for monitoring of all policies, programmes and projects. It could be located under the Secretary to the President/Secretary Ministry of Finance

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A special thank you to Mr. Mohamed Mushin for his assistance with the *Policy Matrix at a Glance*.

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1. Government - ISP (internet service providers) initiative to improve and strengthen Internet coverage of the country and to move into public administration, meetings and communication, online shopping, higher education and other forms of interactions from physical to virtual environments. Direct and indirect benefits to the government and to the economy/society are massive.
2. A system of “working from home” as enabled by the above is appropriate for public sector, private sector, and other organizations, while international organizations already practice this method for their staff to limit their physical presence and to avoid work interruptions and transport issues. This will go effectively with the introduction of on-line application and approval procedures.
3. Centralized National Information System (i) to feed/update basic information of all 21 million people of Sri Lanka to a database by a central authority (Census Department?) and (ii) to share such information with all other relevant agencies – Inland Revenue Department, Motor Traffic Department, Passport and ID, Police, + Samurdhi, subsidies and other. Initial data would come from grass-root level – GN/DS and Registrar of Birth, Marriages, and Death. Population Census is just a mouse click, while efficiency and accuracy is maximum, and no room for manipulation.
4. Encourage all public, private, and other offices / places to maintain minimum environmental and sanitary standards, including hand-washing and sanitizing facilities at the entrance. This may not cost much because the public visits are expected to be limited with above digitalization initiatives. The existing environmental and health instructor systems of the country can monitor the progress.
5. It is also better to encourage people to wear “face masks” in public gatherings, public transport and other essential places, and to direct our garment producers to supply face masks to the local market.

Dr. Sujata N Gamage - *Senior Research Fellow, LIRNEasia*

1. Government

- Provincial Councils will cease to exist. Local Government will be strengthened by redefining present DSDs as local government units with a mayor elected for each DSD by popular vote and present DSD secretariats serving as the secretariat of the Mayor. DSD Councils will be elected strictly for legislative purposes. Council will be staffed by policy and planning personnel and each councilor will be given an allowance and an assistant for policy and legislation. The mayor will be responsible for all public services within the DSD including early childhood, primary and secondary education, health, and environmental services in addition to the present duties of the DSDs (similar to Indonesia).
- The National government's role will be limited to policy planning and monitoring and encouraging DSDs to outperform each other (except in Finance, Defence, External Affairs and Inter DSD infrastructures and regulation). Line ministries for subjects such as education, health, social, environmental, digital services will be limited to setting national policies and monitoring the performance of DSDs.

2. Education

- Education and childcare from 6 months to 16 years will be the responsibility of each DSD but monitored by a National Ministry of Early childhood, Primary and Secondary Education. All educational premises serving the needs of working families with children aged 6 months to 16 years will remain open from 6AM to 6 PM. The NIE, Dept of Education and other national service agencies under the Ministry will be partially funded by fees for services paid the DSDs and accountable for their performance in providing curricular, training and examination services.
- All 16-24 youth will be the responsibility of the Ministry of Post-Secondary Education and Youth Services. All post-secondary education institutions shall be independent institutions operating under appropriate National Commission, Industry Council etc. A National Education Council, a Constitutional body responsible for Parliament will be responsible for coordinating policies all education and training policy and advising the Education and Sector Council in the Parliament.

Dilani Gunewardena - *Ph.D., Professor of Economics, Department of Economics and Statistics, Faculty of Arts, University of Peradeniya.*

Expected scenario in post-COVID19 era

- No clear demarcation of the end -- more like something we will ease into, with fluctuations
- A lot of uncertainty, and therefore high risk
- Continued need for social protection
- Low levels of demand - stemming from uncertainty, travel restrictions, and lack of income of those who have lost sources of income
- Unemployment and disguised unemployment - many discouraged workers, especially women

Goals of a post-COVID 19 policy package

- Mitigate suffering (social protection)
- Stimulate demand
- Reduce risk

Five areas under which policies and programmes are recommended:

1. Social protection

- Provide transfers of Rs. 5,000/= (or the rupee amount of the district poverty line) for minimum 3 months duration, extendable for maximum six months to all households and individuals on ANY government transfer scheme: Samurdhi, disasters, old-age benefits
- Unemployment insurance - any individual who was engaged in casual work and is currently unemployed and was unable to find work in the 4 weeks prior to the announcement of the - lump sum payment of 20,000/= (or alternatively four monthly installments of Rs. 5,000). This should include informal sector workers including domestic workers and other more "invisible" types of work that especially women are engaged in. Grama Sevaka to certify current unemployment status.
- Note: there may be considerable leakage here (to the currently informally employed), but most likely these people underwent considerable hardship during the lockdown period and this sum may help to offset loans etc.

2. Stimulate demand and remove supply bottlenecks

- Sectors most affected by the lockdown and continuing uncertainty/international mobility restrictions to be identified. These are most likely:
 - Tourism
 - Hospitality
 - Other service sectors
 - Exports
- Sectors with enduring demand or increased demand also to be identified. These are most likely:
 - Food
 - Health
 - Education
- Producer subsidies/incentives to be provided for **flexibility**/promoting resilience: firms avoiding shutdown by repurposing their facilities and using workforce for new products/services (subsidies or tax holidays on products/services). This may involve switching from one aspect to another (e.g. hotels expanding their food services) or moving from export-oriented products to producing for the local market (but with sufficient evidence of a switch).
- Producer subsidies/incentives to be provided for improving supply chains: either existing firms in the industry or new firms engaged in improving high quality storage/transport of produce.

3. Infrastructure

- Continue/accelerate infrastructure projects to improve supply chain efficiency.
- This includes road networks/currently committed expressways as well as communications technology, especially incentives for cost-reduction strategies for the latter (i.e. give incentives to companies that are able to charge lower prices to the public).
- Supporting and expanding road and rail infrastructure across the country will reduce private costs to firms that are making use of rural labor or rural produce/products and expand supply while stimulating rural demand.

4. Education

- Streamline online services. Material produced by national/provincial departments for the educational learning management system (LMS) to be increased/improved.
- Provide incentives for local production of Khan Academy type instruction in local languages.
- Taskforce based on existing national agencies and chains of command to come up with a plan/strategy for minimizing the disruption and catching up on lost time caused by the lockdown in the current (recovery) situation and similar future scenarios.
- Link up with service providers to reduce cost/provide free educational online services

5. Gender, especially care economy/unpaid work/informal work

- A cross cutting issue across all of these is that of gender.
- As data is collected on the impact of the coronavirus induced lockdown, it is important to disaggregate by gender, and to be sensitive to invisible sectors of the economy, especially in unpaid work and care work.
- Whether in hospitals (nurses, attendants) or at home (caring for sick, elderly, children at home from school) the largest single group affected by the coronavirus and the lockdown is most likely to have been women. The toll on their time, energy and own health is likely to have been considerable.
- Women are often engaged, whether as workers or entrepreneurs in the informal sector and in services. This has several implications;
 - They are likely to have been engaged in daily or casual work (e.g. as domestic workers), and this is often less invisible than men's casual work. As they would have lost many days of service, they should be recipients of social protection. When recipients are households, they are likely to be overlooked as household heads are typically considered to be the male.
 - They are likely to be engaged in services for which there will be less demand (dressmaking, personal care services such as hairdressing, beauty services etc.). On the other hand, women will also be disproportionately in food services for which demand is likely to continue. Women should not be overlooked in incentives for producers who switch type of production, especially to micro and small and medium entrepreneurs.

In addition to these five, it is clear that continued investment in the health sector is required, and taskforces with qualified personnel (again, existing agencies and chains of command essential) could design the nature of the required investment.

Prof. Ariyaratne Herath – Dept. of Economics & Statistics, University of Peradeniya

1. Investments on specific production sectors that is essential to the defeat of the crisis in post pandemic economy:
 - The economy should maintain basic amenities like water supply, fuel and electricity without a major collapse. Better to move renewable energies as much as possible.
 - As lesson learnt in the crisis duration (imports are restrictive due to the breakdown of the international trade and transport), should be encouraged to produced locally towards achieving food autonomy. Hence, what is necessary is not an increase in production in general but specific production associated with the food security.
2. Services sector improvements: Since Sri Lankan service sector is currently contributing around 56% to the GDP, it is necessary to introduce business development package including reduction of red tapes on business registration and operational levels. This will encourage private sector engagements further.
3. Sector-based concessions: financial and business development supports should be provided to the skilled local producers. This will control import expenditure and promote SME sector exports. Innovative entrepreneurs should be identified. The package already announced by the Government included general concessions. It should be the concession on entrepreneurs primarily engaged in agricultural and SME production that are directly associated with the fight against poverty including towards plantation workers. In case of Sri Lanka, more than 50% of the value creation is by households and household linked sectors that engage in the production of basic needs.
4. Enhance trade relationships with emerging Asian countries. This will help to minimize risks related to the trade and fulfilling raw material requirements of local industries. It will also help with market access.
5. Encourage digitalized government services: This will spur the economic activities in all sectors and reduce government sector employments and operational cost.

Prof. Saroj Jayasinghe - *Faculty of Medicine, University of Colombo.*

1. Preamble

- The precise period to apply severe restrictions required is uncertain. Estimates vary but could be by end April or mid-May 2020.
- If we are to succeed, the concept of a police curfew should be further modified (i.e. limited number of persons allowed to go out of a household, social distance, use masks, frequent hand-washing etc). 'Release' from curfews is extremely dangerous due to gathering of crowds
- If we succeed in mitigation or suppression, we can gradually release the lock downs. The timing will depend on the likely trajectory of the epidemic, the state's capacity to cope, the impact on the economy, and the demands by people. If we do not succeed in mitigation or suppression of the epidemic, we have to continue with lock downs or take calculated risks with gradual release of the lock downs in specific areas. See the example from Kerala which is planning a phased exit strategy in districts in a phased manner. This is to become operative once the nationwide lockdown is lifted on 14th of April (Ref 1)

2. We will be required to continue with the following:

- Cancellation of mass gatherings (e.g. weddings)
- Ability to test 1000s using antibody test or PCR. Th choice and exact methodology will vary (Ref 2)
- Inward travel to country limited to Sri Lankans, after screening / quarantine. Cargo will require screening and / or a disinfection process
- Limited travel within country at least to and from hot spots
- Universal social distancing and use of masks
- No Air Conditioning in work areas including office spaces and public transport
- Develop a strategy based on the classification of areas and occupations. This should be worked out. A case by case analyses based on certain principles will be more effective than a one-size-fits-all strategy.

3. Classification of Areas: This is arbitrary and based on number of new cases and numbers in quarantine centres and undergoing home quarantine. For example, we could have three areas: Low-Medium-High s. (Ref 3)

- Low prevalence areas
- High prevalence areas

4. Classification of occupations (arbitrary)

- High risk occupations: crowded and / or interacts with many outsiders
- Low risk occupations: agriculture

5. Matrix to decide on release of lock downs in offices and factories

		OCCUPATION	
		Low risk	High risk
GEOGRAPHIC AREA	Low prevalence areas	RESUME prevent import of cases (screen people, regular health checks, restrict travel, etc)	Distancing, hygiene
	High prevalence areas	Exit and entry screening. Orderly resumption of work (screen with tests, regular health checks, restrict travel)	Exit and entry screening. Distancing and hygiene

- Exit screening from quarantine or going out from areas.
- Entry screening: temperature / test

References:

1. “The COVID-19 hotspots in the 7 districts such as Thiruvananthapuram, Kasaragod and Kannur will be under tight vigil as far as public movement is concerned. But, the other districts which have reported a decline in the number of positive cases can relax the lockdown restrictions in a proper four-phased manner.

Phase 1: only locally run buses allowed.

Phase 2: inter-district movement of the buses allowed.

Phase 3: buses from other state allowed to enter.

Phase 4: Trains and international flights allowed

Each will last for 15 days and will end in the month of July 2020.

<https://www.financialexpress.com/infrastructure/railways/keralas-special-task-force-suggests-4-phase-easing-of-covid-19-lockdown-indian-railways-trains-to-start-last/1923392/>

2. The PCR test identifies the presence of infection but takes 6 hours. It tests for parts of the virus RNA and therefore is the most sensitive. This test is invaluable if we are to contain the spread (e.g. test all those in home quarantined areas and send them to quarantine centres as soon as they are detected positive). The rapid antibody test becomes positive after a few days and is not useful to see if a person has the infection at that moment. However, the test is cheaper and can be done in about 15 minutes. After a period, a large proportion of the population would have got infected (mostly asymptomatic). At that stage, the test can be used to screen large numbers and allow them to commence work.

3. <https://www.indiatoday.in/india/story/extend-covid-19-lockdown-over-three-phases-kerala-expert-committee-tells-centre-1664411-2020-04-07>

A district in Kerala qualifies for Phase 1

- a) No more than ONE new case in that district for the entire previous week from date of review
- b) Increase is less than 10% in the number of persons under home surveillance
- c) There are no hotspots of Covid infection anywhere in the district

Phase 2

- a) No more than ONE new case in that district for the entire previous 2 weeks from date of review
- b) Increase is less than 5% in the number of persons under home surveillance
- c) There are no hotspots of Covid infection anywhere in the district

Phase 3

- a) No new case in that district for the entire previous 2 weeks from date of review
- b) Decrease of more than 5% in the number of persons under home surveillance
- c) There are no hotspots of Covid infection anywhere in the district.

POST COVID-19 CONTEXT – LONG TERM

PREAMBLE

- With the release of the curfews and lockdowns the country can limp back to normalcy. The strategy will depend on the likely trajectory of the epidemic, availability of vaccines or treatment, the state's capacity to cope, the impact on the economy, and demands by people. In case we do not succeed in complete elimination, we will need to continue with reintroduction of curfews or lockdowns or take calculated risks in specific areas

WE WILL BE REQUIRED TO CONTINUE WITH THE FOLLOWING:

- Cancellation of mass gatherings (e.g. weddings) unless there is a vaccine or effective treatment.
- Ability to freely test for the virus (public and private sector).
- Continue to limit inward travel.
 - Introduce testing prior to issuing visas
 - Airlines may introduce screening of passengers and crew at airports of entry using temperature and questionnaires. They may include a recent PCR or antibody test.
 - All in-bound after screening/quarantine. Cargo will require screening and/ or disinfection process
- Limited travel within country at least to and from hot spots
- Universal practice of social distancing and use of masks
- No air-conditioning in work areas including office spaces and public transport
- Continue to monitor areas of high risk
- Develop a strategy based on the classification of areas and occupations. This should be worked out. A case by case analyses based on certain principles will be more effective than a one-size-fits-all strategy.
- Those having antibodies (IgG against Covid) will be deemed to be safe. Those with PCR positive for Covid are infectious and should be home-quarantined or sent to quarantine centres or hospitalized. This will raise several legal and ethical issues.

A few other proposals given below are applicable in the long-term too.

POST COVID-19: Is it a window of opportunity for social transformation?

The Covid epidemic has shown us that new processes or procedures are feasible in Sri Lanka. For example, for the past several years, there have been recommendations to implement more on-line teaching in the universities. However, it was the lock-down and curfew that accelerated its implementation. The immediate post-Covid period, therefore, gives Sri Lanka a window of opportunity to introduce pilot projects and system-wide changes to introduce transformative changes in the state and society.

The suggestions below should be considered within the context of broader strategies listed by the government in its policy statements. This could be marketed with a suitable slogan, e.g. ‘Towards a modern disciplined society’ and will be operative for a short period of a few months. The window of opportunity is likely close soon after the elections, when political forces begin to play a stronger role.

Education and Higher Education

- Mandate that IT is a compulsory subject for ALL schools
- Mandate that a minimum component of teaching (e.g. 20%) should be on-line. This could be implemented through the Ministries of Education and University Senates (and UGC).

Public Administration

- Work from home. Flexible working hours could be introduced with strict controls of performance. This will require an IT infrastructure and Performance Based incentive structures
- Offices should shift towards e-forms and decentralized operations. Set targets for these.

Governance

- Changes to governance. The epidemic which accelerated at a time when the Parliament was dissolved, provided a unique opportunity for the academia, technocrats and professionals to play advisory roles in the functioning of the state. Institutionalizing the beneficial aspects of this will require amendments to regulations. This could be through the establishment of advisory boards to each Ministry and for national policy level. The National Education Commission is an example.
- The existing independent commissions (e.g. Police Commission) could be strengthened with specific regulations to prevent political control seeping into its functioning. For example, regulations could state that members of independent commissions have to periodically sign a conflict of interest statement that explicitly requires them to list their financial benefits or relationships with the political establishment, business interests and foreign officials. This is standard practice in postgraduate examinations in medicine and when submitting research to journals. In the latter instance each author has to declare a detailed list of potential conflicts of interest, with the submission of each and every research paper. Such actions promote independence, though it may not eliminate undue influences.

Health

Telemedicine should be promoted with each public hospital. Each hospital should be required to have a facility for people to phone and obtain information on health matters, clinics and other services. All clinics should shift to a system of giving appointments.

Food and Trade

- Promote the utilization of railways to transport produce and goods within the country. This could reduce the power of the middle-man who has an unhealthy influence on the price paid to farmers, the point of sale price and market shares. Models include mobile based communication systems established in India to link producers with retailers and consumers.
- A mobile service for home deliveries could be established using the cooperatives. This needs to be worked out as a model even in remote rural areas. This will provide opportunities for employment to a large group of persons. Incentives should be given to the poorer segments to be involved in this distribution process (e.g. provide locally produced tricycles to distribute food).
- Home-gardening on a mass scale to be promoted, including urban gardens and promotion of greenspaces.

Transport

- Enforce time-tabling of domestic bus transport.
- Urban areas should be reserved for pedestrians, at least on some designated days
- Bicycle tracks and walking pathways could be introduced to urban areas to reduce reliance on vehicles
- Increase number of walking tracks to promote physical exercise

Civic action

Public discipline and legislations to reduce jay-walking, promote wearing of masks, prevent spitting in public places and throwing waste in public areas.

Dr. Sisira Pinnawala - *Department of Sociology, University of Peradeniya*

Post-Corona Economic Recovery- Employment and Welfare dimensions

1. Job losses will be a major crisis with immediate political repercussions. The increased unemployment levels will lead to increased demand for Social Welfare Assistance. The existing welfare burden will increase putting further pressure on the already strained Welfare budget. Considering that informal sector accounts for around 60% of the country's employment the worst affected of the impending crisis will be the low- income groups in rural communities and in the urban fringe and the middle-income groups in the gig economy¹.

2 Social Protection Reforms

Short-term Reforms. The short-term priority of the recovery effort should be on providing Welfare Assistance as the most affected are the extreme poor that depends on the informal sector. Though the current welfare budget is very high none of the Social Assistance programmes provide adequate support to meet even the basic needs of the beneficiaries. The biggest Cash Transfer Programme (Welfare Assistance component of the Samurdhi Programme) in the country is a total failure. It is suffering from poor targeting with over 44% of the bottom quartile excluded from Welfare Assistance and around 5-15% of the top quartiles receiving benefits.

Long-term Reforms². In the long-term the country needs reforms in its Social Protection System. Instead of targeted welfare assistance programmes that are needed, Sri Lanka spends a large amount of money to provide public utilities and services free of charge in the name of welfare. This is wrong use (misuse) of welfare assistance on the one hand and subsidizing the rich at the expense of the poor on the other. Rethinking is needed in the provision of these services with attention to funding, which is provided entirely by the state hence not adequate, and quality of services which is poor.

- a. Income based³ compulsory Health Insurance for those who are above a certain income level.
- b. Income based tuition payment scheme for the education sector
- c. Welfare concessions (free water, electricity etc.) given to certain establishments except for those given to really deserving ones, should be stopped

¹ This document treats gig economy and traditional informal sector as two analytically different phenomena.

² This will be controversial but benefits far outweigh the cost including political. Will require national consensus bringing together all political parties.

³ Payment to be determined using a formula taking into account income and dependents.

3. Create employment opportunities for those who have lost their livelihood.

A Plan to Revive the Formal Sector. Well-coordinated programme with clear objectives and sufficient funds to revive the businesses in the long-term. This should not be only about providing support i.e., credit, tax concessions, institutional support and legal reforms but also creating a structure to monitor progress.

Re-strategize the Poverty Alleviation Programme (Samurdhi Programme). Instead of alleviating poverty by creating economic activities to uplift the poor the Samurdhi Programme has institutionalized rural poverty. Though figures are not available it is believed that the majority Samurdhi recipients remain in the programme till they die.

- Phase out the current small group-based loans and add an economic activity generation component with sufficient credit support to young entrepreneurs.

Adopt strategies to improve performance of the Agriculture Sector. This is important as Sri Lanka is still overwhelmingly rural and relies on agriculture to provide livelihood opportunities for the vast majority of its labour force. It goes without saying therefore that the country needs a better performing agriculture sector which still is the backbone of our economy. It also must not be forgotten that except for a very few countries like Singapore all major economies have achieved their present level with the support of a strong agriculture sector during early stages of development.

Improving the performance of our agriculture sector will mean moving away from input driven production and adopting market driven production. This will require pooling of resources that in turn will help production units to achieve economies of scale which our agriculture sector dominated by small holder farmers is lacking. Two possible strategies are Farmer Companies and Farmer Cooperatives (not Cooperative Farms). There are lessons to learn from the failure of Cooperative/Collective Farms. Amul India and Fonterra New Zealand are success stories Sri Lanka to emulate.

4. Generating Funds.

Solution to the crisis will require sacrifices but unlike in the past the burden should not be on the poor.

Wage freeze and pay cut. This should be across the board and apply to all public sector employees including those who are holding political (President downwards) and are earning over LKR 125,000 (?) gross salary at a percentage and for a duration to be decided.

Withdrawal of Non-essential Privileges. Stop wasteful expenditure such as tax concession to import luxury vehicles given to politicians and other groups to begin with.

5. Prepare a Recovery Plan and Establish a Taskforce

Appoint **a non-partisan yet politically aware** Team of Experts to prepare a comprehensive Recovery Plan. The Taskforce should have both powers and resources to bring the best talent in the country and most importantly should be free of political interference.

Prof. Mallika Pinnawala – Dept. of Sociology, University of Peradeniya

1. Environment - Issue - Accumulation of solid waste at the Household

Adverse effect(s)

- Breeding of mosquitoes
- problem of stray dogs etc.
- Causes air and water pollution
- Affects aesthetic beauty

Possible solution/s

- Distribute compost bin to all households, especially to those in urban and suburban areas. Keep a compost bin for at least one for five houses in a common & easy access place if HH has no enough space to keep bins their own.
- Educate and encourage community members to sort at the households by providing suitable facilities (separate bins).
- Establish resource centres to buy / accept non degradable waste. (Recyclable waste can be bought and processed and other waste can be properly disposed)

2. Education - *Issue - Putting Interrupted academic programmes in state universities back on track*

Adverse effect(s)

- Anti-social behaviour caused by frustration among youth

Possible solution(s)

- Expand facilities for distance learning at Universities
- Start Separate TV channel (CDCE, UoP has already contacted Sri Lanka Telecom to provide this service through SLT Vision com Private Limited and the work is in progress)

3. Social - *Issue - Increase of undesirable habits and behaviour (domestic violence and drugs for example)*

Adverse effect(s)

- Increased drug us, domestic violence
- (Women and children are the most affected)

Possible solution(s)

- Expand rehabilitation programmes
- Provide legal framework as necessary eliminating loopholes
- Introduce Mobile counselling

Prof. Rohan Samarajiva - Chair, LIRNEasia

- Reduce import bill by eliminating electricity generation using diesel and increase reliance on solar and wind.¹
 - Break up CEB to remove biggest barrier to reforming energy sector.
 - Link Sri Lanka to South Indian grid using a HVDC cable so that the base for using wind and solar will be larger.
- Double internet use to 70 percent.
 - Replace 1991 Telecom Act to establish a modern regulatory agency thereby providing stable investment conditions to roll out high capacity fiber+wireless networks across the country
 - Implement interoperability platform to enable digitalized government
- Prevent Central Bank from stifling use of financial technology in the name of protecting the banks they regulate.
 - Raise the minimum thresholds for financial transactions per day using mobile money.
- Enter into trade agreements covering goods, services and investment, giving emphasis to fast-growing Asian countries. This will help deal with risks, such as critical inputs being withheld and also those associated with climate change. It will also help with market access.²
- Make all land parcels fully transferable, unlocking invisible capital per Hernando de Soto.³

¹ <http://www.ft.lk/opinion/Contributions-from-research-to-solve-Sri-Lanka-s-problems/14-669293>

² <https://echelon.lk/considerations-for-formulating-a-trade-policy-for-sri-lanka/>

³ <https://www.cato.org/publications/commentary/mystery-capital>

Dr. Muttukrishna Sarvananthan - *Founder and Principal Researcher, Point Pedro Institute of Development and Senior Lecturer in Economics, University of Jaffna*

In Sri Lanka as well as globally, women are the worst hit by the economic fallout from the ongoing pandemic, COVID-19.⁴ This is because women account for the largest proportion of the informal labour force in all the countries (both developed and developing), including Sri Lanka.⁵ The informal jobs, including daily wage jobs and self-employment, are the first economic casualty of any natural or human-made disaster such as the current one.⁶ The jobs of around one million Sri Lankan women in the Middle-East and elsewhere are at risk. Moreover, women are at the forefront of the health care of the infected throughout the world, and indeed the carers of children and elderly in their respective homes as well.⁷ Besides, there is growing evidence of domestic violence and intimate partner violence against women in their self-quarantined homes and shelters throughout the world, including in Sri Lanka.⁸

In order to compensate for bearing the disproportionate burden of the economic and social cost of the pandemic, we propose that the government should pay a one-off cash payment of Rs.10,000 to one FEMALE from each family who are NOT in a monthly paid job either in the public, private, or non-governmental sector and/or who are NOT in a registered self-employment or business. The government and private sector should finance this one-off cash transfer to one of the most vulnerable groups in the society by withholding ONE-MONTH salary of all public, private, and non-governmental sector employees who are on a monthly paid job.

The consumption of alcohol and tobacco exacerbates the infection of the corona virus.⁹ Therefore, the government should also immediately RESCIND the reduction of corporate

⁴ http://faculty.wcas.northwestern.edu/~mdo738/research/COVID19_Gender_March_2020.pdf;
https://www.ilo.org/global/topics/coronavirus/impacts-and-responses/WCMS_739050/lang--en/index.htm

⁵ <https://www.ictd.ac/blog/covid-coronavirus-tax-breaks-informal-economy-workers/>

⁶ <https://www.forbes.com/sites/naomicahn/2020/04/05/women-and-the-frontlines-of--covid-19/#802ce287030d>

⁷ https://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_741060/lang--en/index.htm;
<https://blogs.lse.ac.uk/wps/2020/03/25/women-peace-and-security-in-the-time-of-corona/>;
<https://www.forbes.com/sites/naomicahn/2020/04/05/women-and-the-frontlines-of--covid-19/#802ce287030d>

⁸ <https://blogs.lse.ac.uk/wps/2020/03/25/women-peace-and-security-in-the-time-of-corona/>;
<https://www.forbes.com/sites/naomicahn/2020/04/05/women-and-the-frontlines-of--covid-19/#802ce287030d>

⁹ [https://www.thelancet.com/journals/lancet/article/PIIS0140-6736\(20\)30526-2/fulltext](https://www.thelancet.com/journals/lancet/article/PIIS0140-6736(20)30526-2/fulltext)

income tax on alcohol, casino, and tobacco businesses and industries from 40% to 28%, which has been effective from January 2020. Moreover, the abolishment of PAYE income tax, effective from January 2020, also should be withdrawn with immediate effect in order to bolster government revenue.

As Visaka Dharmadasa says, “It is time for governments to stop putting so much into taking lives, and focus on saving lives.”¹⁰ Accordingly, the huge defence budget of Sri Lanka should be pruned with immediate effect. The Sri Lankan Airlines should be sold to an international competitive bidder as a cost saving measure as well as to earn some foreign currency.

Representatives of Business Community:

Mr. Krishan Balendra - *Chairman, John Keells Holdings*

1. SOE reform
2. Global tourism promotion campaign
3. Developing a strategic plan for driving export growth.
4. Modernizing labour laws
5. Completion of critical infrastructure projects like Colombo Airport expansion, East Terminal at Colombo Port and Central Expressway

Key initiatives for economic recovery post COVID19

1. Plan for the re-launch of Sri Lanka’s global tourism promotion campaign
 - The timing and messaging for the relaunch will be critical – Sri Lanka’s situation needs to be under control to allow inbound/outbound travel
 - The key source markets targeted also need to be in a similar position to allow travel
 - Restoring confidence in source markets
 - Sharpen market research to identify strong segments/new markets which are likely to recover faster
 - Work closely with industry to develop a series of packages that can be launched at short notice. Packages can include special rates for airfare, accommodation, F&B etc.

¹⁰ <https://blogs.lse.ac.uk/wps/2020/03/25/women-peace-and-security-in-the-time-of-corona/>

- Promote safety for international tourists – primarily managed through efficient detection and testing at ports of entry (testing fee can be absorbed through embarkation fee/TDL)
2. Developing a strategic plan to drive export growth
 - Targeting sectors which could fast track economic recovery and growth (such as Pharma, electrical components etc.)
 - Tax free status to boost value added and efficient agriculture, and agriculture supply chains such as warehousing, cold storage, distribution, e-commerce based channels and agricultural inputs
 - Allocate land for such industries hit by disruption
 - Tax free concessions for a considerable period of time to boost value added products
 3. Promoting sustainable FDI to Sri Lanka, leveraging on regional supply chains
 - Attract FDI into sectors where MNCs are looking to develop an alternate supply chain to reduce supply chain risks and disruptions (Eg: USD 2 bn provided by Japan to relocate Japanese companies out of China)
 - Establishment of EPZ and customized packages for these targets (particularly at Hambantota)
 - Establishing REITS – this should include practical tax structures with no foreign shareholding restrictions
 4. Modernizing labor laws to allow flexibility
 - Ability to amend salaries, no-pay leave, etc.
 - Allow reduction in workforce by paying full gratuity plus an extra amount
 - Adequate social net to be developed if above can be done
 5. Completion of critical infrastructure projects such as the Colombo Airport expansion, East Terminal at the Colombo Port and Central Expressway
 - Proceeding with ongoing infrastructure projects which have been planned and approved, such as the Central Expressway, elevated highways, vital power projects and port projects.
 - For Eg; both the Colombo port and airport are nearing full capacity. Reaching out for private sector/BOT partnerships will be possible given the interest shown by many parties
 - Structuring projects to follow PPP or BOT models –
 - will boost FDI as well whilst maximizing efficiency through private sector partnerships
 - will also expedite execution through private sources of funding

Mr. Nimal Cooke - Executive Director, The Maharaja Organization

1. Provide and or facilitate tax breaks / bank loan relief (write offs) for say 2 years on balances existing as at 28/2/2020.
2. Relax labour laws for retrenchment under Force Majeure.
3. Make it easy to lease lands required for new investments to generate FDI
4. Encourage more participation from chambers of commerce in policy matters.
5. Reduce dependence on costly SOEs. CEB / CPC / UL etc.

Joint submission - Rajendra Theagarajah and Nimal Cook.

Key issues during and post - Covid 19

People

- higher standards of personal protection measures in daily life
- Danger of debt trap
- Loss of jobs / temporary loss of income
- Fewer opportunities for new jobs
- Need to rethink use of high-density public transport for urban commuting

Business

- Delay in recoup of past losses
- Limits to borrowing capacity
- Fluctuating rupee
- Uncertainty in interest rates
- Un/ under-utilized capacity
- New ways of payments / distribution and logistics
- Drop in asset prices / limit the ability to leverage

Banks

- liquidity
- Rising NPAs in the horizon
- Increasing risk passes on to bank balance sheets by govt
- Lukewarm / cautious investor sentiment
- Cost curtailment / re-examine defer capex investments

Macro Economy

- pressure on debt servicing
- Fiscal deficit widening
- Exports significantly reduced due to subdued global demand
- Drop in tourism in the near future
- Reduced inflow of remittances

Challenges to Govt

- continuation of development agenda
- Safeguarding of vulnerable segments of society (ie Daily wage earners and informal sector which feeds the supply chains)

Possible solutions

1. Short term (2-6 months) curtailing of non-essential imports this easing BOP pressure. If necessary increase this banning period up-to 2 years for passenger motor vehicles (last year the vehicle import bill was approximately USD 800 m)
2. Explore possibility of a Tax and Exchange control amnesty (not what they recently announced) targeting those who may want to benefit from this
3. Work with IMF and create a sovereign special purpose vehicles to buy back part of the USD 15 bn international sovereign bonds (maturity of 2022-2030) currently trading at deep discounts of 40-50% so that you reduce external listed debt at a deep discount
4. Limit any further pressure on banks to assume incremental risks on their balance sheets (which the govt should take) and increase the stability and confidence of public depositors (bank deposits contribute to as much as 90% of a banks funding structure)
5. Govt has stakes in good strategic assets such as NDB/,DFCC/ HNB/ Seylan all listed - separately they have 100% ownership in bOC PB SLIC as prime financial sector assets. Consider listing 10-15% of the letter 3 and together with the first 4 shares pool all these into a SPV and issue ETFs (exchange traded futures) to investors through HK or Singapore. The investor will only benefit from the underlying dividends of these shares and price movement for capital gains but the ultimate ownership will remain with the local SPV- may not be popular but could raise a decent amounts in USD
6. Final option is politically sensitive but workable- ie Defer the General elections for 2-3 years and redeploy the allocation for elections cost back into the economy.

Mr. Sheran Fernando - *Motor Traders Association*

INTRODUCTION

The purpose of this article is to present five simple strategies that could set Sri Lanka on an alleviated growth trajectory in a post COVID-19 world.

This pandemic is unique because economists, statisticians and data analysts cannot formulate a credible model to define when the world will normalise. Without knowing when normalcy can occur, the global cost of the pandemic cannot be worked out.

No one doubts the fact that the pandemic will end.

In a motor race, when there is an accident, a safety car is brought out. While the safety car is on the track, no one can overtake. Hence, the lead that everyone built up is brought to nothing and when the safety car exits the circuit and racing recommences, even the car that was running last, has another chance to improve track position.

When COVID-19 leaves us, we should be able to change our growth trajectory and grow rapidly. This article presents five strategies that could change this growth trajectory.

Many futurists are envisioning a world that is less consumeristic and more savings-oriented. A world where food security is more important. A world that is more crisis-ready. People could be more health and wellness focused. Maybe even more spiritual. Definitely more sustainable, with a lighter carbon footprint.

COVID-19 AND THE SRI LANKAN ECONOMY

The pandemic is likely to enable Sri Lanka to negotiate a moratorium on her debt which could be around US\$ 5 billion. The saving from the reduction in oil prices could be as much as US\$ 2.5 billion. On the other hand, our exports of US\$ 10 billion will decline, as will our earnings of US\$ 2 billion from tourism and our foreign wage remittances of US\$ 7 billion. However, the net position for Sri Lanka could be neutral or even advantageous.

PROPOSAL 1

PRIVATE SECTOR TO FUND/PARTLY FUND EXPENDITURE ON HEALTH CARE.

Sri Lanka will need to spend money on healthcare which will include Personal Protection Equipment (PPE) for health care workers and social workers. Equipment such as ventilators



will also be needed. Emergency facilities will be needed as backup.

If the Sri Lankan Private Sector can fund or at least assist to fund this expenditure in return for a three-times tax deductibility of the money each individual company spends, this could take some load off of this expenditure from the Government.

The Government could then concentrate their expenditure on safeguarding and supporting the lower income groups and the companies that need support.

PROPOSAL 2

ENSURE THE VALUE OF EXPORTS IS GREATER THAN THE VALUE OF IMPORTS.

Presented below is a detailed table of Sri Lanka's imports (Appendix I). The details are presented so that the reader will see how effectively import substitution can lead to a material difference in our balance of payments.

Vehicles, which are seen by every government as the "Evil" that rapes Sri Lanka of her foreign exchange, only accounts for US\$ 700 million (Jan-Nov 2019), whilst the value of food and beverage imported in the same period was US\$ 1.3 billion. Whilst tourism will require some imported food, there definitely seems to be potential for effective import substitution. Similarly, whilst Sri Lanka exports US\$ 5 billion of garments we have also imported US\$ 250 million worth of clothing and accessories. If Sri Lanka allows exporters to sell more than the 5% of exports currently allowed, in the local market, a large proportion of this expenditure could be saved. Allowing BOI companies to sell more on the local market can be applied across the board, and similarly, non-export companies must be incentivised to become export substitution industries. Benefits given to exporters via BOI and EDB could be granted to them, in an attempt to reduce imports. Sri Lanka will also need to restructure the exports to cater to the post COVID-19 world. We will need to monitor and adapt to changes in demand and the trends of the new era.

PROPOSAL 3

RESTRUCTURING OF STATE-OWNED ENTERPRISES (SOES) FOR GREATER TRANSPARENCY AND EFFICIENCY.

I cannot fathom the political sensitivity of SOEs, but I am cognisant of it. Hence, I am only proposing to bring the SOEs under Holding Companies that are incorporated as Public Limited Company (PLC) under the Sri Lanka Companies Act Number 7, of 2007.

The Holding Companies could be for Tourism, Health, Financial or 'Other'. These holding

companies could be 100% government owned. Temasek Holdings Private Ltd., the model used by Singapore could be a model that we could follow

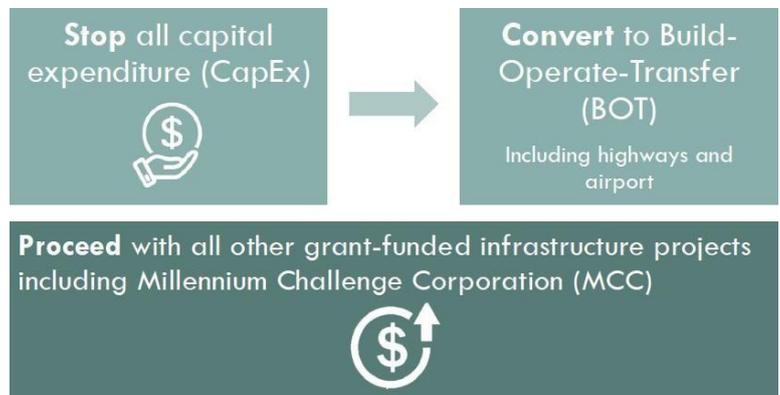
The PLC structure will bring the SOEs under a PLC, which dictates governance norms via the Companies Act. Using the governance norms used by the Private Sector will bring in greater transparency and efficiency into the SOEs.

This restructuring will enable any Government that wants to broaden the equity base of the holding companies or to bring in strategic investment to the SOE to do so.

PROPOSAL 4

TEMPORARILY HALT ALL CAPITAL EXPENDITURE (CAPEX).

Sri Lanka can pursue all available grant funding such as the infamous and much talked about Millennium Challenge Corporation (MCC) grant. Apart from grant funding, Sri Lanka can achieve CapEx via Build Operate Transfer (BOT) project undertakings. Airport upgradation and new highways can be funded through the BOT route.



PROPOSAL 5

RESTRUCTURE, RETRAIN AND RE-LEGISLATE.

Legislation should be passed for the Government servants to Work from Home (WFH). Their tasks can be set and work can be monitored digitally. This can bring in more transparency and also efficiency. Further, all offices can be downsized, leading to further efficiency.

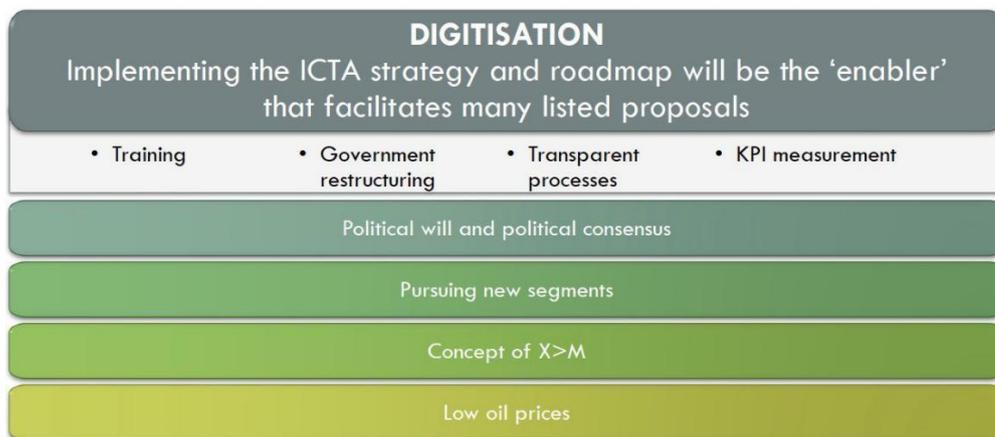
Government employees can be given mandatory training in IT, HR, Customer Service and fields that are defined as important and useful. They can even be trained in entrepreneurship, with a view to restructuring the Government Service when such politically sensitive exercises can be entertained.

We have around 1.5 million trishaw drivers. They could train as primary health care workers. Farmers could retrain to enable them to be more tech savvy and use more modern techniques.

CONCLUSION – AN ENABLING PLATFORM

These proposals are not meant to be exhaustive and they are presented as broad concepts.

The platform that can enable these proposals to be evaluated is technology. The Sri Lanka Information Communication Technology Authority (ICTA) has developed and is implementing a very effective technology platform that will enable many of the proposals presented here to be implemented. The fast tracking of the ICTA initiative through increased funding will in turn fast track Sri Lanka’s revised development trajectory. The second enabling platform is political consensus. When faced with combating an international crisis, Sri Lankan politicians’ collaboration on broad policy will be of huge national benefit.



Mr. Diren Hallock - DRH Logistics International

Logistics Sector (Multimodal International Freight forwarding sector)

1. Given the shrinkage of imports/exports virtually, ALL Logistics service providers are faced with severe working capital shortage. Hence the logistics sector will find it difficult to make new freight bookings with Airlines or Shipping lines due to non-availability of credit lines. Therefore the sector calls for the Central bank to urgently direct commercial banks to set up a facility for “Without recourse (not limited to bankruptcy) Freight charges local & foreign invoice (in conjunction with SLECIC) factoring “ for the logistics sector at an interest rate similar to the subsidized 4 % rate proposed in Central bank circular 05/2020 for Covid 19 relief package.
2. For a limited period till 31 March 2021- The government should consider regulating Air & Sea freight charges/capacity of Airlines/shipping lines so as to ensure that shippers /importers have access to affordable freight costs and capacity.
3. For the same period Port terminals handling costs for import & export FCL/FCL & LCL/FCL should be reduced by at least 50 Percent with immediate effect. Similarly Airport terminal cargo handling costs for import & export Airfreight should be reduced by 50 percent.
4. Ancillary costs such as delivery order fees / Shipping liner Container demurrage charges on imports & Bill of lading fees/ export processing fees/ transport fees must be levied at reasonable levels and the industry body SLFFA would help ensure this providing the regulator (Director General Merchant Shipping) cracks the whip on errant parties , particular Shipping Line agents/ Non Vessel operating common Carriers (NVOCC)/ Errant freight forwarders.

Points 3 & 4 are also directly co-related to point 2 above.

5. Fast track Electronic processing in ALL relevant areas ie E-Airfreight & E-Ocean freight & customs declarations upto delivery. This should be extended to ensuring fast

tracking of “ Single Window platform for E-Commerce “. It should be noted that in the afore stated areas adequate work has already been done and all that it needed was give it a strong push and fast track it. In fact it was interesting to see customs in the last two weeks suddenly “enabling” more features on the processing of electronic customs declarations (which for mysterious reasons had been “disabled” all these years).

In this context a call for boosting transshipment related activities at the “LCL” level by simplifying the customs process to facilitate Multi-country consolidation & Entrepot shipment activities both within & outside port/airport. Closely related to this is to fast track the approval of SLFFACS proposed facility to invest Rs 300 Million to carry out this activity as common user facility for the trade.

Airlines:

- Insofar as Aircargo capacity/pricing in SriLanka is concerned it is 95 percent dependent on cargo holds of passenger Aircrafts operating in SriLanka.
- Hitherto these passenger Airlines operate in SriLanka primarily on account of tourist traffic (85 %)
- Traditionally April/May June are globally the worst months for any legacy Airline or low cost carrier Airline.
- Therefore any clarity on direction that legacy Airlines & Low cost carriers insofar as SriLanka as a destination will be made now for it summer schedule June- Sept.
- Hence it is recommended that a. Government of SriLanka immediately engage with all current operating Airlines ascertain what they are looking for to continue with SriLanka as a destination eg depending on the market they serve it may be to know
 - what measures the GOSL is taking to prevent Corona virus in the country /Entry to country eg is testing being done/ in Hotels/ At public places / “Quarantine Holidays ” in selected hotels which conform to all Covid19 prevention.
 - Cost reductions or promotional incentives required
 - How best we can leverage on our overflying rights to keep Airlines or attract other Airlines.

SriLankan Airlines Cargo:

- Consider making it a separate company (eg like catering) to carry out its present activities (cargo marketing & operations and cargo ground handling) in a leaners/more cost effective manner
- Conceptually this company would buy the Air cargo space from SriLankan Airlines at a fixed price. Thereafter market this in a mixed bag of a. To Freighter operators globally with a view to attracting such freight operators into SriLanka b. To local Air cargo agents c. To its other on line & off line stations.
- Further develop the Airfreight Transshipment market

Mr. Jiang Houliang – *Managing Director, CHEC Port City Colombo (Pvt)Ltd.*

1. Improve ease of doing business, Sri Lanka is rank 99 right now, is almost the lowest in south asia, before implementing foreign invest act started from January 1st by Chinese government, China is rank 31 in 2020, i think it's rank will be further improved in 2021,Sri Lanka is export oriented market, and have a very small internal market, so Chinese companies prefer doing business in China if the invest environment in Sri Lanka not been improved.
2. Reform retail industry and update gaming regulations, which can help tourism industry
3. Reform Logistics industry, then the strategic location can be utilized.

Mr. Murtaza Jafferjee - CEO - JB Securities Ltd

Short and medium term policy recommendations for economic revival

Short term

- **Increase the number of working days.** Although most firms have been shut down, they have continued to pay their employees, by working 20 Saturdays many industries can catch up on lost output. Firms should not be required to pay extra for these days. Similarly, the schools can operate on these 20 extra days to catch up on lost time.
- **Encourage firms to work on statutory holidays and poya days for the next 6 months if they so desire.** As per the various wages boards the overtime rate for working on these holidays is between 1.5x to 2.0x the normal hourly rate – during the catch-up period it can be reduced to 1.0x to improve a firm's cost curve. Employees should be given the choice of taking their holiday if they so desire to do so.
- **Forbearance to be exercised by the commissioner of labour regarding labour statutes to provide a greater degree of flexibility for firms to downsize their operations.** As per the labour law, furloughs (unpaid leave) and salary reductions require the explicit agreement of the employee. Agreements need to be on an individual basis, there is no mechanism to have collective agreements so what happens if a minority are not agreeable, it's not tenable to have exclusions from a scheme. There must be a mechanism to make it binding for ALL provided 75% agree to the scheme. Further, as per the EPF and ETF act superannuation contributions cannot be scaled down in proportion to the reduction in salary, this must be permitted.

Medium term

- **Create an unemployment insurance fund** for the private sector which is funded through a 3% contribution – 2% from employer and 1% from employee similar to EPF and ETF contributions (estimated annual inflows will be LKR 24 bn computed from EPF inflows). Presuming unemployment benefits are limited to 6 months, a 3% rate can sustain a 6% redundancy rate of the workforce a year. The termination of employment act defines the methodology for computing redundancy payments and the burden is entirely on the employer. The need for redundancies will coincide with a period when a company is experiencing extreme stress and thus resources are limited. Unemployment benefits are a temporary safety net to provide time for an unemployed individual to find a new job and if required reskill himself – **the cost of it should be borne by society not the employer.** An unemployment insurance fund funded by the private sector will not burden the treasury, it may require a backstop by the government in times of extreme dislocation. Further, it will dissuade firms from using informal labour (casual) and increase benefits

(superannuation) since the risk of retrenchment cost is greatly diminished. Labour mobility will also improve due to an opportunity to reskill. During the period 2002-4 such a scheme was being contemplated and the International Labour Organisation was supportive of the concept and had offered technical experts to develop it, this needs to be revived.

- **Effect the Millennium Challenge Corporation grant and accelerate the prescribed program.** The said program was designed after a multiyear analysis using the growth diagnostic framework developed at the Kennedy School of Government. There were extensive industry consultations identifying the binding constraints for investment hence what has been proposed are the priority interventions necessary to accelerate growth. The two critical bottlenecks that have been identified is improving the land management infrastructure and reducing travel times. With fiscal space limited especially for capital expenditure it is vital that we expedite this program to improve productivity and the quality of life of the people. The committee that investigated it was a charade and was biased, they were not willing to listen to any alternate views, one would even speculate that they never read the agreement that they were reviewing.
- **Develop and implement a bankruptcy law like the US chapter 11 for non-financial firms and resolution corporation law to resolve bad assets of a financial firm.** Business failure is an integral part of a market economy but with the absence of a unified law, resolution is an unpredictable, lengthy and costly exercise. Often, an enterprise may be a successful business model while still failing to repay its creditors. A sound bankruptcy process is one that helps creditors and debtors realise and agree on whether the entity is facing financial failure (persistent mismatch between cash inflows and outflows) or business failure (breakdown of the business model and is unable to generate sufficient revenues to pay expenses). This allows both parties to realize maximum value either in resolution or liquidation.

The current law protecting various creditors including secured creditors (parate for banks) focus on recovery, it does not prioritize resolution where value may be greater.

Further, there are myriad of statutes that deal with the claims of various creditors – unpaid wages under wages board statutes, EPF, ETF, direct (income tax) and indirect taxes (VAT) under their respective statutes, parate execution for banks who hold mortgages on property and recovery by unsecured creditors are defined in the companies act. Where a personal guarantee has been given or the debts of a proprietorships or partnerships recovery is through the Debt Recovery Act. There is no procedure for collective negotiation for resolution, there is no predictability in the procedure and there is no requirement for independent information utilities that collect information on distressed firm to reduce information asymmetry between debtors and creditors. Hence, in the absence of a unified law liquidation rather than resolution is the default option although the latter may entail greater losses.

Currently, credit extension is highly skewed towards secured or safe lending to minimize credit cost. Economic vibrancy requires greater risk taking and expansion of businesses that are more service oriented and/or who create intangible assets, these businesses are asset light but in turn create more jobs and/or high paying jobs.

A law enabling resolution corporations for financial firms permits the segregation of good and bad loans, this allows the bad loans to be ring fenced in a bad bank protecting the performing loans that will be held under a good bank. By segregating the damaged part of the bank, it prevents a bank run that will be far costlier.

- **Accelerate the digitization of registries to improve the veracity, timeliness, richness, reliability and accessibility of their records.** The government is the sole operator of statutory registries – registry of persons, registrar of companies, registry of motor vehicles, registrar generals department – land, marriages, deaths, power of attorney, etc. If these registries were to be fully digitized, not simply scanning paper records, there would be a myriad of possibilities. Electronic records can be computed – sorting, searching, linking, transforming, etc. which then provides a foundation infrastructure for other applications to be built on them. For example, the pensions department can be linked real time with the registrar of deaths which would automatically terminate payments upon death. Digital registries can hold richer data, for example the RMV can include photographs of vehicles, the land registry can include the boundaries of a property on a cadastral map, the registrar of persons can include digital photographs of a person and their biometrics (finger print, iris scan, etc), GPS enables acquisition of location coordinates and registry of companies can store financial records in XBRL format that permits easier manipulation of financial statements.

Presuming the existence of strong privacy laws to protect the rights of citizens, protocols could be developed linking these registries to business applications. For example, a person could update their current address with the registrar of persons which then would trigger an update event to update any other registry or application that has subscribed to this service.

Such registries will also go a long way to reduce market failure by reducing information asymmetry and fraud. There are currently many successful examples of such registries contributing to operational efficiencies. The Central Depository System (private company) has virtually eliminated forged share certificates and provided a platform to manage corporate actions – dividend payments, rights issues, etc.

An investor who changes his address simply updates his CDS record, the company secretaries do not

need to keep their own share registry but use the CDS' database. The RMV has enabled a spectacular growth in the vehicle leasing market, although vehicles are a moveable asset the title security provides a robust collateral recovery process in case of default and thus a greater willingness to lend. Similarly, the CRIB which records credit history has enabled better credit evaluation and created a deterrent for willful default.

Although it has been argued that policy in this country is seldom evidence based even where there is good data, improving data collection, synthesis and visualisation will hopefully lead to better policy making in future. For example, the number of houses being built in the country is only an estimate, its not due to an absence of record keeping but since records are kept in a manual form dispersed in various local government offices aggregation is a tedious task. The biggest beneficiary will be the Department of Census and Statistics who have a cadre strength in excess of 1,000 people, most of them are enumerators who are on the field doing data collection. Many of these surveys could be done by simply querying digital registries (already being practiced in Denmark).

The history of innovation has NOT been a linear phenomenon, it has rather been characterized by spurts of intense activity and then extended periods of more incremental progress. It has been postulated that these spurts are predicated on triggering **combinatorial innovation**, i.e. a lot of fundamental and/or component innovation precedes these spurts. For example, the sewing machine required gears, levers, chains, etc. that saw accelerated development during the American Civil War. Similarly, amazon.com was predicated on the existence of credit cards, parcel delivery services, catalog selling, etc. Uber was predicated on google maps, credit cards and smart phones with GPS.

Some of the new business models that are emerging and/or will emerge in the future will be predicated on some key building blocks, digital registries will be one of them.

- **Setup a Productivity Commission as a government advisory body on micro economic policy and regulation.** This body is a research and advisory body and is apolitical – they conduct inquiries and studies with the aim of improving productivity and social welfare by advising government on policy making.

Sri Lanka does not have a competition law framework, i.e. the prior monopolies and mergers act was done away with in the early 2000s hence many industries are characterized by concentrated market power. Trade policy has also become more protectionist with the use of non-tariff barriers and para tariffs. This has resulted in an increase in rent seeking behaviour by vested interest.

There are many instances of real crowding out of the private sector. The public sector accounts for 15% of the labour force and enjoy higher remuneration due to greater unionization. Many private sector firms **face issues with competitive neutrality** when they meet SOEs in the marketplace, e.g. Lanka Sathosa sells a number of SKUs below its cost,

CPC partly cross subsidizes its losses on transport fuels from profits earned from its monopoly in aviation fuel and being the sole refiner does not pay any duty on crude oil whilst refined products have duty.

The concept of a productivity commission was pioneered in Australia almost 20 years ago. Their government has previously expressed an interest in helping Sri Lanka setup a similar commission.

Accelerate the creation of an autonomous debt office, aka the investment bank of the government under the Ministry of Finance to manage the central government debt. A well-resourced and staffed entity whose prime mandate is to raise funds at the lowest possible cost will have a greater impact than any other cost management initiative. It is estimated that the interest expense of the government in 2020 will be LKR 1 trillion on a debt stock of LKR 12 trillion or more – this is by far the largest expense item and account for approximately 30% of total government expenditure.

The current arrangement is fragmented and not well coordinated. The Central Bank as part of its agency function manages the public debt both the issuance of LKR and USD securities – this function is a conflict with their core price stability mandate and with its other agency function of managing the employee provident fund that is the largest holder of government securities. Foreign loans are managed by the external resources department and guarantees by treasury operations. It has been stated previously that these three entities do not necessarily coordinate amongst themselves.

Managing messaging especially when dealing with public markets is paramount requiring communication specialist that none of these agencies possess. Investment bankers have special skills sets both in terms of highly specialized market knowledge and behavioural attributes that will be a rarity in government.

As part of the current IMF program actioning this was a deliverable. The previous cabinet has also approved this initiative. It needs to be implemented ASAP.

- **Setup a well-resourced enterprise development agency for micro, small and medium enterprises.** This agency should be initially tasked at developing the retail, food services, construction, hospitality and the passenger transport industries. These sectors are characterized by informality, fragmentation, high labor intensity and low productivity. Their product offerings are mainly local services hence non-tradeable limiting contestability, e.g. a hair salon or barber in Colombo does not compete with one in Kandy.

Although policy makers tend to focus on new greenfield sectors that grab headlines, it's brownfield industries especially in the service sector that employ a significant proportion of the workforce. The distribution of firm productivity in most of these sectors will be characterized by a few leaders at the head and a very long tail of laggards which then contributes to low industry productivity. It is conventional wisdom that its access to capital that has held back the bridging of this divide which has then driven policies like Enterprise Sri Lanka that directed subsidized loans to SMEs.

Many studies have shown that what is needed is not subsidized funding but helping these businesses adopt best practice leadership and management. Banks are reluctant to lend unsecured to these businesses NOT because they are risk averse but because they are unable to adequately evaluate the risk due to lack of information (accounting records are poor) and due to excess risk concentration , e.g. key man risk and product diversification. These enterprises also need to apply best practices like setting targets, analysing operations and monitoring, managing and incentivizing performance and most importantly people management.

Better technology and/or IT systems cannot be a panacea for what ails many of them, they work best ONLY if certain preconditions are met.

The business change cycle is a four-step process – realization (creating a movement for change), assessment (building trusted networks), navigation (strengthening the local offer) and embedding (developing skills). Effecting this change cycle across these five sectors will require a well-resourced enterprise development agency with a multiyear mandate.

There are examples of similar initiative in the past, the national institute of business development (NIBM), industrial development board and the productivity cell within the ministry of industries – the focus of these were mainly on industries that made tangible goods.

The said enterprise institute can be modeled on Singapore Enterprise and the UK's Productivity Institute.

- **Reach out to the Mckinsey Global Institute to conduct a country productivity study.** The Mckinsey Global Institute is a think tank with the aim of influencing public policy to improve economic wellbeing. Their work is paid for by the partners of the firm so the client, i.e. the country does not have to pay for it. They only take on a limited number of projects a year and their selection is based on their assessment of the client's commitment to reform. Sri Lanka has a prior record of paid engagements with the profit making part of the firm, this should hopefully tip the odds.
- **Setup a holding company for the ten largest SOES so that they are managed and governed as an investment.** Currently, many of these SOEs are gazetted under various line ministries who also happen to be policy setters and regulators – it is an impossible trinity. A case in point is the ministry of ports and shipping which is the policy setter, industry regulator and controls the Sri Lanka Ports Authority. It also goes without saying that these entities also become the fiefdom of the minister to pursue his political interest, e.g. creating jobs for his electorate or self-enrichment. There is very weak accountability since the boards of these entities are appointed by the minister and the selection criteria is not based on merit but more on patronage. Further, there is no clear accounting to delineate between commercial and noncommercial obligations hence pricing of products or services are not market determined or cost based but subject to various cross subsidies and under recoveries distorting the marketplace.

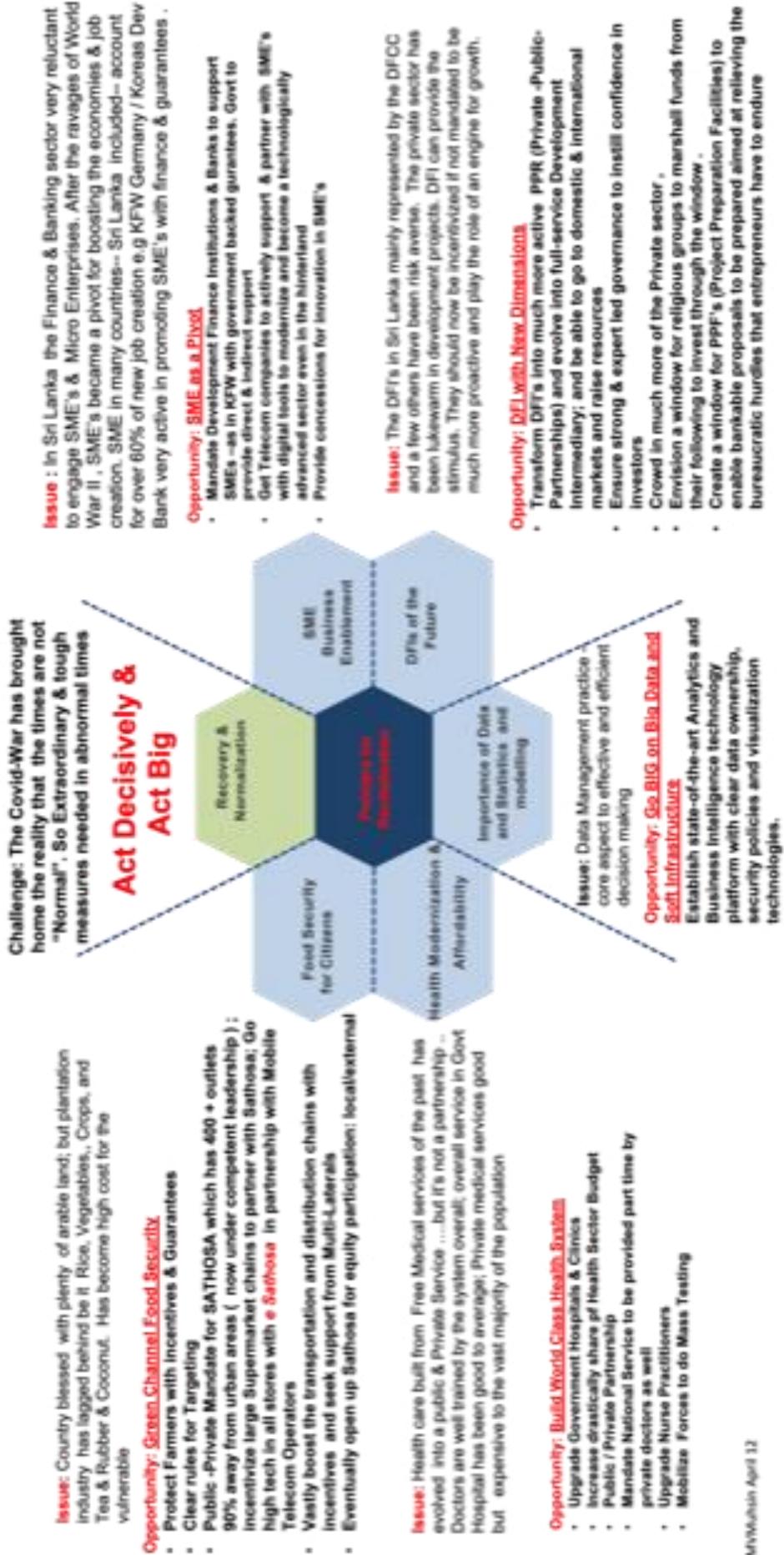
A few of these SOEs have been setup as boards, e.g. the CEB, the water board and thus need to be converted into a corporatized form.

A holding company modeled on a conglomerate structure or as an investment company can be owned by the treasury and made directly accountable to parliament. Its governance structure and practices can be modeled on entities like Temasek in Singapore and Khazanah in Malaysia.

Line ministries should be directed towards policy formulation and providing regulatory oversight of their respective sectors. SOE performance is also better in industries where there is a strong regulator, e.g.

BOC, PB, SLIC than where there is no, weak or weakened one, e.g. CEB, CPC, Water Board.

In the short term with the aim of improving governance and more timely reporting instruct these SOEs to raise debt through listed debentures on the CSE, it may require a treasury guarantee. This exercise will make these entities listed subject to the CSE's continuous listing requirement that include adherence to corporate governance rules and disclosure standards. An example of a listing via only debt issuance is the Bank of Ceylon.



Mr. Ashroff Omar - *Representing Joint Apparel Association Forum, Sri Lanka*

The fashion industry is expected to shrink between 30% to 50% in the current fiscal year. This will result in a massive decline in export earnings. Estimated drop in earnings for the 3 months April - June alone is expected to be over US \$ 1 billion! For the full year ending March '21 it will be over \$2.5 billion, based on the assumption that the world will return to normal by June/July.

The Apparel Industry employs approx 350, 000 directly and about 400,000 indirectly. These numbers will shrink considerably leading to social unrest and bankruptcies, as is already becoming evident.

Our proposals attempt to soften the blow and to help most companies to survive, there definitely will be some who will not make it. These proposals are split into 2 blocks. Immediate - this means from tomorrow and Medium Term - this should kick off in the next 90 days:

Immediate:

1. To allow factories to gradually open, especially in safer districts. It is understood that all BOI guidelines will be followed.
2. SME's who cannot open due to curfew, those who do not have orders and those who cannot accommodate all workers due to the health and safety guidelines will not be able to pay salaries. These employees to be paid through the Samurdhi scheme as suggested by officials at meetings held with the government.
3. Large enterprises in the same predicament and above be allowed to pay the same amount as Samurdhi benefits themselves and the government will not incur any expense.
4. In order to increase cash in the hands of the worker and the companies - suspend collection of EPF for 6 months. This presumably will need a change in law. However, at the meeting with the government officials chaired by Mr. Basil Rajapakse it was mentioned that this could be implemented by a cabinet decision.
5. The government has already implemented a working capital loan scheme at 4% interest to pay salaries during closure. While in the original circular there was no upper limit a second circular capped the amount to Rs. 25 million. Revert to the original circular.

Medium Term:

The industry is projected to shrink by at least 40% during the fiscal year April '20 - March '21. Additionally, the regulations for operating factories requiring social distance etc. will automatically shrink the capacity of the factories by at least 50% within the available infrastructure.

1. Allow reduction of the workforce by paying full gratuity plus an extra amount and avoid the current THEVA rules as the current cost is prohibitive and will drive companies into voluntary or involuntary liquidations.
2. As the Japanese government has announced huge incentives to its companies that are moving out of China. Sri Lanka is best placed to leverage this. The Hambantota Industrial Zone should be heavily promoted as an alternative base ready to accommodate these Japanese companies.
3. All large buyers are readjusting their risk profiles will start insisting on regional supply chains instead of China dependent supply chains. We should work with SARC countries to exploit this opportunity to the maximum. SL should be leading this project.
4. With the current impact to the economy and massive unemployment the government should seek redress by seeking Duty Free Exports to markets currently enjoyed by LDC countries such as Bangladesh, Cambodia, Maldives, among others.

Mr. Arun Pathak - *Managing Director, ITC Sri Lanka, Representing Foreign investors*

Sri Lanka needs a fresh impetus for investments into the country, especially overseas investments. The following thrust areas for Sri Lanka's economic growth are based on its natural strengths:

1. Tourism and hospitality

- Development and implementation of a robust medical screening system, ideally at point of origin with a recheck / revalidation on arrival to enable safe tourism. This should be incorporated into the immigration / VISA processes. Review the VISA fees to defray these costs. Thereafter systematically open up incoming flights from markets that may be considered COVID Safe.
- Moderation of taxes on hotels and travel companies in Sri Lanka.
- Reintroduce minimum tariffs for different classes of hotels till the situation reverts to normalcy as it provides a degree of protection to the smaller establishments.
- SLTDA to allow hotels to implement alternate business models like food services to other establishments; senior care; conversion to hostels / long stay facilities; rehabilitation centers for those cured but requiring care to regain their strength etc.; leased offices / laboratories / IT development centers etc. as hotel business occupancies are likely to take a longer time in recovering.
- A global campaign promoting Sri Lanka as a safe and salubrious destination. This has been pending for long even though there are adequate funds available with the tourism development fund. This should be taken up on a war footing for complete readiness to implement when the current pandemic is over.

2. **Regional trading and export manufacturing hub** supported with **multiple free trade agreements** with various countries prioritized on size of opportunity.
 - The agreements should ideally also open up employment opportunities where a COVID risk free status has been achieved.
3. **International Financial Services Centre** anchored on the Port City reclamation in Colombo. This will involve reputed financial institutions like banking, insurance, mutual funds, financial services, accounting firms, BPOs / KPOs, leasing companies and the stock exchange etc. to establish themselves here and gain international recognition for Colombo as a regional financial powerhouse.
4. **Real Estate** – revival of a robust sector:
 - Superior quality of life that makes the city attractive for investments & employment generation.
 - Real estate represents a significant part of existing real capital in an economy and additionally is a provision for old age and protection against inflation. It is a key collateral for all debt and helps anchor capital flows in an economy. It is internationally regarded as one of the safest asset classes for institutional investors such as pension funds, insurance companies, sovereign wealth funds etc. A healthy real estate sector makes large urban regeneration projects possible in the absence of which projects tend to get stalled. For Colombo these need to be invigorated. The stalled Slave Island redevelopment and difficulties in the redevelopment of the Chalmers Granary land are perhaps cases in point. These are important city regeneration models that need to succeed to pave the way for much needed re- generation in other areas, including modern sewage and waste treatment facilities that Colombo needs.
 - From a real estate perspective this would involve institutionalization of real estate investments and the introduction of REITS (Real Estate Investment Trusts) with tradable investment certificates to allow participation by institutional and small investors with the benefit of liquidity.
 - **A vibrant democracy with political stability, a transparent and robust legal system, freedom for foreigners to invest, a transparent regulatory regime for free capital movements, a relatively benign tax environment, a peaceful South Asian region and an economy getting into a sustained growth phase will make Sri Lanka one of the top opportunities for real estate investments in emerging economies in Asia.**
 - **International demand needs to be attracted.** The start-up impetus to reviving international demand will come from international Sri Lankans / people of Sri Lankan origin settled abroad and those who already have business or family connections with Sri Lanka.
 - This requires **implementation of the ‘Visa on investment’ program** that has been part of the Government’s Budget proposals since 2017 but remains to be implemented. Existing schemes like **‘My Dream Home’** which is a retirement visa scheme applicable to foreigners over 55 years of age and the Resident Guest Visa scheme for prospective foreign investors and professionals. These need to be looked at holistically on the following points:

- **All classes of VISA schemes for foreigners should recognize an investment in real estate** above a minimum threshold to be determined by the government (which may be US\$ 500000 or equivalent in freely traded foreign currency brought in through the inward investment accounts specified by the Central Bank of Sri Lanka) as a valid ground for grant of the Residence Visa to the investing individual, spouse, dependent children and parents of either the investor or spouse.
 - **The Visa should be a permanent one as long as the investment is continued to be held** with renewals at least every 5 years for revalidation purposes to make the process convenient for the investor.
 - The investor should be free to exit the investment and repatriate money realized out of the country subject to taxation (capital gains tax on exit) and other laws of the country. At the time of exiting the investment the Visa's issued for the investor and family would be liable to be surrendered unless the investment is sought to be replaced by another investment which meets the applicable threshold norms prevalent at that time.
 - **All investors should be encouraged not only to invest in condominium apartments but also invest in businesses in Sri Lanka in line with Government priorities for tourism, hospitality, manufacturing, international trading operations, renewable energy etc. They should be encouraged to transfer their operations from other countries to Sri Lanka.**
 - Local banks should be permitted to make secured loans to foreign investors for amounts over and above the threshold amounts brought in. The Government initiative for the Maldives in this regard is a great step forward. The scheme should be extended to other nationalities also.
- In parallel, the government may also consider legislating 'Real Estate Regulations' to be administered by a regulatory authority similar to those in other countries to regulate development activities, protect end customers and avoid asset bubbles from forming while driving the growth of domestic and international demand for real estate developments.
5. **Development of modern infrastructure** – roads, railways, energy, ports and airports etc. for developing investment attractiveness and employment generation
 6. Technological investments into **renewable energy along with a policy framework to enable generation and integration of these sources into the national electricity distribution infrastructure to harness the enormous potential available to the country naturally** from its wind corridor (NW to SE), the ocean waves and solar energy as suitable in different parts of the country to reduce long term dependency on imported fossil fuels. These could be private or public or PPP investments if the policy framework is enabling.

Mr. Suren Ratwatte – Consultant, Aviation Industry

Air Travel after the Pandemic: Towards a sustainable recovery of air traffic in and out of Sri Lanka post-COVID

1. GOSL Priorities

- Restoration of air links
- Provision of infrastructure, support and ancillary services
- Minimizing capital outflows by use of existing assets
- Ensuring pricing and capacity are appropriate to ensure a rapid recovery

2. National Carrier

- SriLankan Airlines is currently not flying.
- Debts to GOSL institutions alone is about USD 650 million or LKR 125 billion
- Payments to lessors over the lifetime of the leases is USD 1.09 billion or LKR 210 billion
- Re-capitalizing the airline will waste GOSL resources with no hope of return

3. GOSL should limit itself to:

- Airspace and airport infrastructure
- Airline support services
- Safety standards and monitoring
- Capacity and pricing management

This can be accomplished with existing resources and minimal capital expenditure

4. Initially concentrate on the following:

- AASL – ATC and Airports
- CAASL – Regulations and Safety
- Services –
 - Passenger terminal services
 - Ramp and Cargo handling
 - Catering and aircraft interior cleaning
 - Aircraft maintenance support

5. Capacity and Pricing Management

- A new initiative to ensure that capacity (available seats) and pricing are optimized to ensure that the Nation's best interests are protected.

- Dedicated team at the Treasury or Presidential Secretariat with the authority to negotiate directly with other airlines to ensure adequate seats are available and a rational price.

Dr. Hans Wijayasuriya - *Chief Executive Officer Telecommunications Business - Axiata Group Berhad*

1. The Post-Covid Context

It can be insightful to dissect the Covid Exit / Post Covid “Challenge” in to

- a. The **Internal** Economy
- b. The **Externally** driven economy (Export Industries, Tourism,..) which are dependent on external markets and covid exit trajectories of foreign nations
- c. The **Intersection** between the Internal and External comprising of the Employees, domestic suppliers, downstream eco-systems of the Externally driven industries

Though an over-simplification of a much larger problem, this view can help separate controllable dimensions from the uncontrollable

2. Maximising the Efficiency of the Internal/Domestic Economy

The starting point at Covid exit is likely to be a “Poorer” economy and citizenry, resulting from the “internal” driver of Movement Restriction and the significant External Intersection potentially characterized by muted activity in the Export and Tourism sectors. It can also be assumed that Balance of Payments imperatives will necessitate some degree of constraint on imports. A base case exit strategy should therefore include a best effort at maximising the efficiency of domestic markets (economy) with a fundamental admission that the levers of such invigoration are largely within our control. The following are a few pivots from amongst many other opportunities

- a. **Capitalise on the opportunity to modernize and reinvigorate local commerce**
 - i. e-commerce and fulfillment technologies which are traditionally credited with globalization outcomes, are equally powerful in the reverse dynamic of enabling **local commerce** -i.e. locality centric retail across a wide range of goods and services.
 - ii. The (local) sharing economy, typified by location sensitive ride hailing (already popular in urban centers is an example. The concepts and technologies are easily adapted to local commerce – matching demand with supply with maximum (shared) fulfillment.
 - iii. It is particularly relevant that e-commerce of this nature is singularly effective in **illuminating spare capacities** and directing such capacity towards pockets of demand. Market creation of this nature could well mitigate the downside employment impact accruing from the “

Intersection” alluded to above. It is conceivable that by eliminating market information asymmetry, **spare capacities created by Export Dilution may be redirected** to the local market while simultaneously displacing demand for imports. Any regulations restricting local market sales by export-oriented businesses should be relaxed at least on a temporary basis during the exit period.

- iv. The very same “local Commerce” principles would apply to services. Such an approach is of particular relevance to the enablement of **market places for “casual workers”** from across a variety of vocations.
- v. It may also be necessary include/permit the **import of a basket of “market making” products** which will invigorate local commerce constructs while generating tariff revenues to the GoSL
- vi. It is imperative that the combine of tech entrepreneurs/disrupters as well as legacy eco-system players are equally **incentivized to accelerate efficiencies in this space on a nationwide basis** (not restricted to urban centres). Plurally affordable Smartphones and expansive network coverage will bolster the feasibility of such inclusive digital eco-systems.

b. Eliminate Inefficiencies, wastage and asymmetry in price discovery in the country’s Agri, Dairy, Livestock and Fisheries (wholesale) Markets

- i. Focus on the definitive execution of a best in class market place infrastructure combining e-commerce technology with underlying Big Data and Artificial Intelligence and predictive analytics. Such a **“smart” market place** should bring together producers, logistics (including storage, refrigeration, canning) and surplus processing.
- ii. It is imperative that parallel focus is applied to digitizing the ‘last mile’ and outreach of such a system enabling **digital inputs from the furthest extremities of the market eco-system**. Ergonomics and usability focused design thinking would be required to embrace all ecosystem players on an inclusive basis.
- iii. Digital inputs can be enriched via the deployment of **IoT technologies** which can automate data collection via autonomous sensors which are relatively inexpensive in the current context.
- iv. An equally important source of digital inputs is the **“human” outreach management eco-systems**. Multiple layers of Sri Lanka’s administrative service including but not limited to Grama Nildahari’s, Agrarian officers, Environmental officers can be “digitally enabled” to maximise the prowess of “Big Data” which will underly the efficiency of the marketplace. Sri Lanka is well equipped in terms of such outreach networks and complemented with the attributes of expansive connectivity, it is quite

feasible to leapfrog to a fully data driven management of the key “markets” on a nationwide basis.

c. Capitalise on the Opportunity to Re-Position Agriculture and Food Production Sectors in terms of Preferred Employment

- i. Implementing a shift of employment in favor of the Agri and Food sectors will serve to mitigate the “intersection” impact due to the challenges faced by the export and tourism sectors.
- ii. Such a shift in human capacity will also enable import displacement in the longer run and should be incentivized by government
- iii. A concerted parallel effort to increase the application of “tech” in these sectors (starting with marketplace technologies and production level IoT and analytics, will increase the attractiveness of these sectors to youth segments.

d. Maximise Tech Driven Financial Inclusion to Eliminate Asymmetries in Access to Finance

- i. Maximising the efficiency of the “Internal” economy will necessarily require **maximising access to finance, liquidity and cashless transactions.**
- ii. A progressive approach to **Proportional regulation** applicable to (Fin)Tech driven financial inclusion levers including but not limited to Mobile Payments and Transfers, Digital Lending, Digital Onboarding and Customer Authentication will enable the country to capitalize on the strengths of 100%+ mobile penetration and digital savvy outreach as characterized by the 25,000+ digitally enabled retail points of presence island-wide.

e. Eliminate Inefficiencies and Leakage arising from Non-Targeted Subsidies

- i. With the high likelihood that an increased level of subsidy disbursement will be required, at least during interim period prior to structural adjustment to the post-covid scenario, it is even more imperative than before that **subsidies are targeted to the individual citizen and specific requirement.**
- ii. A **Data driven Household Transfer System** will be a fundamental requirement if an efficient and disciplined subsidy /livelihood recovery framework is to be established post-covid. The planned household information database (ICTA led e-Grama Niladhari System) will need to be expedited in order to secure the base data.

f. Unique Digital Identity (Biometric Backed Digital Identity) as an Enabler

- i. The harnessing of the full value of developmental levers such Financial Inclusion and Targeted Subsidies/Benefits as well as the broader outcomes of a de-monetised and digital economy, require the implementation of a robust Unique Digital Identity for Citizens and

Businesses. Expediting the implementation of a UDI for Sri Lanka is an imperative of foundational importance.

- g. **Capitalise on Digital Education & Digital Experience during Covid** to Establish Sustainable and Inclusive extensions to the Education and Health Sectors which bridge Resource Asymmetries
- h. **Accelerate Journey to a Digitally Inclusive (Smart) Nation by Consolidating on Prevailing Strengths in Connectivity Technology and Infrastructure**
 - i. Sri Lanka is today in a strong position to pivot towards inclusive digitalization due to the fundamental facet of robust and advanced connectivity technology being plurally available and affordable. This has been made possible due to progressive regulatory actions and forward investment by foreign and local, public and private investors.
 - ii. It is imperative that immediate steps are taken to pivot on these strengths to establish the **connectivity infrastructure of the future**. Key steps in this direction would include without limitation
 - **Release of Spectrum** in line with International Best Practice – this initiative would generate revenue to the GoSL (via Allocation Fees and/or Auctions) in addition to driving the augmentation of connectivity capacity and technology generation
 - **Incentivising of Rural Connectivity** Investments utilizing the Telecom Development Funds collected by the TRCSL/GoSL, with a particular emphasis on **high capacity wireless broadband and Fibre Optic Networks**
 - Seeding of **5G Networks** ahead of the region
 - Active re-farming of spectrum resources from inefficient uses to high capacity broadband applications of the future.

3. Mitigating Economic Disruption at the “⁶⁴Intersection” ⁶⁵Between External and Internal Economies

Minimising of Unemployment and/or depletion of income is clearly the priority imperative to address at the intersection. In simple terms this would mean one or a combination of “alternate employment”, self-employment, Samurdhi type handouts, government wage subsidies, employer investments in uninterrupted employment. Some of the potential focus areas

- a. **Enabling and Motivating Employers to provide uninterrupted employment via Tax Deduction Framework**
 - i. Use of **Tax Deduction Allowances as an alternative to Wage Subsidies** on the backdrop of affordability constraints. For example, those employers in the “affected sectors” can be granted a triple tax deduction over the next 3 years, subject to retaining employees. This multiplier can be set at a

lower level (2x for instance) in the event the employer seeks access to concessionary working capital financing extended by the government.

- b. Motivating the Cascade of “Big” to “Small” players to Maintain Livelihoods throughout the wider (affected) eco-systems**
 - i. Supplier and Trade Financing by “Larger” players at various levels of the eco-system cascade will be a key lever in maintaining livelihoods and therefore local economic activity
 - ii. Tax Deduction Multipliers – based on proxy finance costs of the benefit provided to the eco-system could be used as motivators
 - iii. The cost of Concessionary working capital financing granted for the specific purpose of eco-system financing could be deducted from the Tax incentives extended

- c. Government and/or Multilateral Guaranteed/Funded “Produce Buying” Scheme for Non-Perishables**
 - i. A further alternative to wage subsidies would be a limited period “Produce Buying” guarantee for non-perishable produce. This could include specific lines within the broader Apparel sector (not impacted by fashions and trends) as well processed foods– with a built in impetus for Canning and Freezing value chains. The strategy could be applied to many other production sectors.
 - ii. The selection of targeted beneficiary product lines could be based on a prediction of global supplier scenarios post-covid. This **approach could aim to exploit global shortages post-covid.**

- d. Automated Opportunity Discovery for the Shifting of Production Capacity to Adjacent Products**
 - i. Government and Enterprise could apply equal and combined focus on finding linkages and opportunities linking production capacity and capability, raw materials and output markets which would enable producers to side step the depletion of traditional demand in the export sector
 - ii. A market discovery platform built on global demand analytics driven e-commerce principles could be used for this purpose

- e. Incentivising the Shift of Employment to Priority Sectors** such as Agriculture and Food Production (See 2c)

- f. Relaxing Restrictions applicable to Export Oriented Industries** with respect to sales in the local market (See 2(a)iii)

- g. Wage subsidies** to employers and handouts to the un-employed as a last resort, if structural corrections cannot be implemented as above

4. Intervention on External Economy Impacts

The external economic impact of covid on Sri Lanka's export markets and Tourist

Originating countries is arguably the least controllable from among the "Three" Tiers of the Covid Exit challenge. There are several interventions that could be planned however, at least from an opportunistic (and even defensive) point of view.

a. Winter 2020/21 Visit Sri Lanka Campaign

- i. Targeted at Specific Markets where Covid-exit dynamics would include a pent up demand for overseas travel and a preference for Indian Ocean destinations
- ii. Early alignment with Covid-exit planning of Airlines including the national carrier
- iii. Refurbishment Support for Tourism sector

b. Aggressive Government to Government negotiation on Quotas and Market Access with FTA partners and export markets. Market access under depleted demand conditions might prove of equal value as an alternative to Aid/Credit lines in a post covid context

c. Pre-emptive relationship building with Overseas Foreign Worker Markets so to ensure Sri Lankan workers have stable and continued employment. With specific reference to the "casual/part time" workers in some of these markets, the GoSL will need to seek preferential consideration to avoid a wave of repatriation back to Sri Lanka with commensurate loss of foreign exchange inflows.

**FOR FURTHER INQUIRIES PLEASE CONTACT THE
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