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FEATURES

Overcoming economic crisis and rebuilding economy: A clarion call

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By the National Science Foundation



Sri Lanka is facing perhaps the most difficult and challenging economic, political and socially decisive times in its peacetime history, marked by depletion of foreign exchange reserves and government revenue, and a sovereign debt crisis. The crisis has had a devastating impact on



the lives of the people, and its magnitude and potential demand immediate remedial action to ease the painful burden on the general public. The current crisis is principally due to the lack of a rational, consistent and coherent national policy, besides several decades of mismanagement of the economy. Recent events, such as the Easter Sunday bombings and the Covid-19 pandemic, have exacerbated the situation, with escalation of the Ukraine-Russia conflict and accompanying rises in food and fuel and shortages in world market, posing further threats.

Thus, there is an urgent need to get on with medium to long-term steps to resurrect the economy while providing essential immediate relief to the victims of the unprecedented crisis. We should recognize that the current monetary problems of the Government and the sufferings of the people are symptoms of a deeper malaise in the real economy. It is of paramount importance to correctly determine the causes of the malaise in order to overcome the prevailing lackadaisical attitudes and attend to the real economy and its determinant factors.

Science and technology (S&T) is the prime driver of and key to development in the three main sectors of the economy, namely Agriculture, Manufacturing and Services. Hence, the National Science Foundation, the premier national institution mandated to promote S&T for the socio-economic development of the country and wellbeing of its people, has assembled a team of senior scientists, technologists, professionals, entrepreneurs and community leaders in the country with expertise and experience in the relevant fields to deliberate on the state of the economy and ways to overcome the crisis and rebuild the economy through immediate, short- and medium-term interventions. They are indicative of direction. Details have to be worked on in the process of implementation.

Overarching and sector-specific recommendations that emanated from the deliberations are presented below for due attention of and action by the relevant authorities.

(A) **Overarching recommendations**

1. Immediate adoption of an evidence-based policy-making approach

Political expediency rather than economic imperatives has driven national policies since independence, making them ad hoc and aimed to address short-term issues, superficially, in order to secure and consolidate political power at the cost of long-term damage to the economy. Where foreign aid was involved, policies tended to be donor-driven and top-down with minimal local stakeholder consultation, lack of transparency and inadequacy of safety nets. Lack of coherence and cohesion of policy, policy uncertainty and policy instability are factors that inhibited FDI for economic development as investors look to consistency in policy regardless of change of government. Hence the following are of prime importance:

Evidence-based policy formulation drawing upon scientific and professional knowledge and experience available in the country.

Appointment of a high-powered multi-disciplinary advisory body comprising competent members from relevant institutions, such as the Institute of Policy Studies (IPS), National Science Foundation (NSF), Sri Lanka Association for the Advancement of Science (SLAAS), National Academy of Sciences (NAS), National Research Council (NRC) and National Innovation Agency (NIA) as well as from relevant professional bodies, academia and industry.

2. Introduction of STEAM education in schools

Introduction of STEAM (Science, Technology, Engineering, Arts and Mathematics) education in schools is important to provide students with crucial future-ready skills and an array of new career possibilities. Integrating enterprise and entrepreneurship programmes into the concepts of STEAM education will enable students to critically analyze problems and create real-world applications leading to business start-ups and wealth creation. Thus, STEAM education constitutes the bedrock of industrial growth and sustainable economic development, and it should be incorporated into the national school curriculum without delay.

3. Infusion of science and technology to development

Sri Lanka spends only about 0.1% of the GDP on R&D and its high-tech exports account for only about 1% of total exports, which are abysmally low compared with those in most of the countries even in Asia. Hence, the following are crucially important to set the country on an upward trajectory of development:

- i. Increase expenditure on R&D up to 1% of GDP over the next five years.
- ii. Bring all R&D and allied institutions which are currently compartmentalized and scattered across several ministries on to one platform or coordinated network, thereby facilitating transformation of inventions into innovations and developing multidisciplinary value chains for commercial and social benefit.
- iii. Bring all R&D institutions under the Sri Lanka Scientific Service in order to advance the cause of science for national development. Personnel from any other service or profession can be coopted as and when necessary and relevant.
- iv. Build capacity and capabilities in product design engineering (PDE)

Most high-income economies have a strong PDE and manufacturing company base. Well known high revenue PDE companies such as Toyota, Volkswagen, Apple and Boeing drive national economies through high-tech exports. They are not R&D companies, but relentlessly customer-focused PDE companies which use commercially available technologies (e.g. carbon fiber cloth, high-strength aluminium, computer chips, sensors etc.) “to design and certify a product once, and build and sell millions” to customers worldwide. Sri Lanka has only a few successful PDE companies such as Lanka Transformers, Neil Marine, and Orange Electric. This narrow manufacturing base should be expanded as a matter of high priority through introduction of PDE-based economic growth policies and production of mechatronics product design engineers. This will pay rich dividends in the medium term.

- v. Establish dedicated recycling industrial facilities to transform Sri Lanka from a linear to circular economy thereby ensuring zero waste and eco-friendly development.
- vi. Establish a conducive and enabling environment for research by eliminating impediments to international cooperation, granting tax incentives for R&D including advanced laboratory equipment and introducing a green channel to expedite the funding and procurement processes related to R&D.
- vii. Establish a mechanism to productively utilize all national R&D facilities and resources to address national R&D needs and channel solutions and innovations emanating from such

efforts for national development through a smooth and cohesive value chain.

3. Export facilitation and prudent utilization of foreign exchange

i. Negotiations with bi-lateral and multi-lateral organizations and appropriate global funding organizations to attract investment with high ROI.

ii. Use of foreign exchange especially targeted to meet the essential needs of high priority areas such as agriculture, food, energy, pharmaceuticals and raw materials for industry during the crisis phase.

iii. Facilitation and promotion of import substitution industrialization and export-oriented industrialization (i.e. rubber products, coconut related products, electronics and electrical components, boat and ship building, food and beverages, including engagement in specific segment/s of the global manufacturing value chain etc. paying attention to core competencies and competitive advantages.

iv. Introduction of a new export development plan under the aegis of the Export Development Board incorporating incentives and mechanisms to fast track export processes, paying special attention to value addition and market potential.

v. Setting floor prices for commodity exports to avoid under-invoicing and over-invoicing of imports

vi. Introduction of a mechanism to buy pawned gold when auctioned by local banks to prevent it from being lost to the country through various channels, thereby enhancing the national gold reserve

4. Governance, procurement, productivity and efficiency

The following are proposed to deal with the key issues and maladies due to poor governance

.i. Introduction of e-governance in a way that ensures transparency, which will enable cost effectiveness and improved performance of SOEs

ii. Mandatory publishing of financial accounts of all SOEs, along with the audit queries of the Auditor General and the responses thereto with provision for people to raise questions and suggestions about their performance on the respective websites or a dedicated website for government accounts

iii. Strict and regular monitoring and evaluation of progress of major and medium-sized public projects using governance scorecards. Public sector institutions should publish data on physical and financial progress and the impact of projects in electronic and print media at appropriate times in order to enable public scrutiny. Names of all key officials including the minister and secretary in charge should also be given. The Ministry in charge of the subject of Planning and Project Implementation should be adequately staffed with competent persons to carry out the above task assessment effectively and meaningfully.

iv. Introduce a whistleblower policy so that any corruption or fraud can be promptly investigated and appropriate action taken irrespective of the position and rank held.

v. A Central Agency should be immediately set up for review of all public expenditure. Efficiency and productivity processes should be set in motion in public institutions with the immediate introduction of performance management systems.

vi. All ministers should have an expert advisory body including specialists and policy analysts to advise them on crucial decision making. The NSF along with relevant institutions can propose the composition of such an advisory body for the ministries relevant to S&T.

vii. Appointment and recruitment to key positions in public sector institutions and statutory bodies should be strictly based on merit without exception. Moreover, there should be no more MP's or Minister's list when filling public vacancies which are tantamount to a violation of fundamental rights.

5. Value chain approach to development

A value chain deals with the full range of activities that are required to bring a product or service from conception, through the intermediary phases of production, to delivery to final consumers, and final disposal after use. This is a holistic and integrated approach needed to achieve success of any enterprise. However, most of the interventions in Sri Lanka have been made in an ad hoc and piecemeal manner resulting in lackluster performance in practically all sectors of the economy which comprises almost 50 main clustered areas of production.

Analysis of the already available data will show areas with high growth potential. Therefore, it is proposed to establish a "Value Chain Task Force" for formulation of a comprehensive development strategy and mechanism along with an action plan for the high-priority, high-impact interventions needed at this critical juncture with the participation of the key stakeholders.

6. Inclusiveness and competent youth representation

Inclusive political participation is not only a fundamental political and democratic right but also is crucial to building stable and peaceful societies and developing policies that respond to the specific needs of younger generations. It is essential that young people are engaged in formal political processes and have a say in formulating today's and tomorrow's policies in order to make a difference in the longer term. For young people to be adequately represented in political institutions, processes, and decision-making, and in particular in elections, they must know their rights and be given the necessary knowledge and capacity to participate in a meaningful way at all levels. Therefore, inclusion of adequate youth representation in an appropriate manner in all institutions in the political, social, economic and technological fabric of the country should be ensured. (To be continued)

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Desamanya M.D.D. Pieris, former Secretary to the Prime Minister and several ministries and currently serving on some professional bodies and committees

C. Maliyadde, Vice President, Sri Lanka Economic Association and former Secretary to several ministries

H.M.G.S. Palihakkara, former Foreign Secretary, Ambassador and former Governor, Northern Province.

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Isn't cleansing hearts a political issue?

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President Ranil Wickremesinghe presenting the government's policy statement in Parliament on 07 Feb.

In his policy statement during the inauguration of the 5th session of the 9th parliament, President Ranil Wickremesinghe insists that the solution to the economic crisis lies in economic and scientific measures, not political ones. However, he draws inspiration from Confucius and urges citizens to introspect and cleanse their hearts, which can be seen as a political measure beyond being framed as moral or ethical. In the meantime, he has asserted that his government has achieved a

significant transformation and provided a concise progress report, highlighting the remarkable recovery of the economy. President Wickremesinghe has emphasised that the

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FEATURES

President needs to take up challenge of leaving a legacy

Published 1 day ago on 2024/02/20

President Wickremesinghe

By Jehan Perera

Even as the date for the presidential elections approaches, there are increased speculations regarding those elections, not only who might win but also whether those elections will be held at all. There is also a debate being generated whether the presidential elections ought to be held at all. There are many who feel that President Ranil Wickremesinghe needs to be given more time to take the country to development. United States Assistant Secretary of State for South & Central Asian Affairs, Donald Lu, might be one such. He has described Sri Lanka's economic recovery as one of the greatest comeback stories in the part of the world he

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Silence in the classroom: Confronting the dynamics of 'deficiency'

Published 1 day ago on 2024/02/20

by Ruth Surenthiraraj

I remember, with unusually vivid clarity, the first time I really noticed the presence of silence in the classroom. One of the lecturers, who was taking our undergraduate class, had assigned us reading to be done ahead of time, parts of which were quite tedious and had to be read twice/thrice over to be grasped. In true happy-go-lucky undergrad spirit, my classmates and I turned up having 'skimmed' the articles and nurturing the fervent hope that someone else would pick up the discussion in the event that any

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