

43
Brigade

Let us hold
on to hope

**RESCUE
& THRIVE**

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RESCUE & THRIVE

This is not yet another run-of-the-mill policy statement. Both the traditional political parties as well as their policy documents have now been rejected by the public. What we are presenting to you is the initial set of ideas which will lead to a social discourse that brings about a progressive shift in both politics as well as policy formulation.

The result of the collective intellectual effort that was expended in discussions, debates and aesthetic exercises among the social activists who flocked around the 43 Brigade over the past was the basis for creating this directional synthesis.

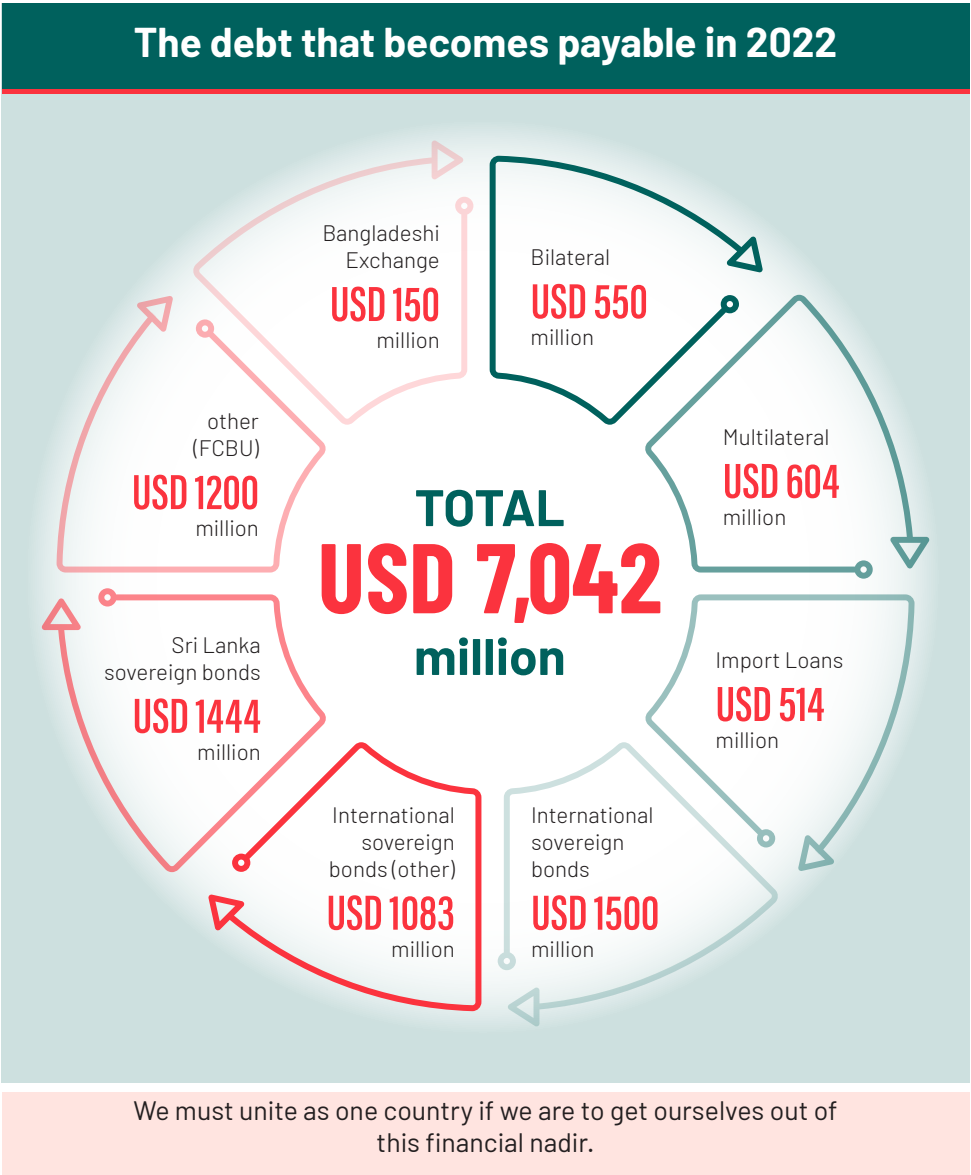
First, the country must be pulled out of the economic abyss it has fallen into. "Rescue", the first part of this book is dedicated to that. Next the country must be converted into one that is worth living in. "Thrive" the second part of this book outlines the key components required for a long-term program that will achieve that goal.

In both of these areas, the requirement now is to reject popular myths with a series of practical interventions. It is our hope that this work will trigger the thought of the people towards a social discourse aimed at a practical social vision.

RESCUE

For the first time in history, Sri Lanka is facing a very real threat of bankruptcy. The total debt payment payable in 2022 is USD 7,042 million. However, the total dollar reserves Sri Lanka processes is USD 1,500 million convertible as at December 2021. The country is teetering on the brink of a financial crisis. After independence, for the first time in history, Sri Lanka is under a very real threat of going into bankruptcy.

The debt that becomes payable in 2022



THRIVE

Sri Lanka has achieved laudable human development in the post-independence era.

However, we have not been able to achieve any significant gains in economic development appropriate to the country.

Further, in comparison to social development over the last several decades, our political and governance systems are woefully inadequate and unsuited to advanced societies.

Due to bribery, corruption, capriciousness, inequity, injustice, anti-democracy, inefficiency, disarray and disorder, Sri Lankans have become disgusted with the country.

Therefore, without building a strong economy and a disciplined and civilized socio-political system, there is no point in thinking about a future for the country.



RESCUE

THRIVE

Our country is now arriving at the termination of a journey or the end of a chapter. We can say with confidence that will be painful in the extreme when we study our economic data. Many years of implementing undisciplined economic and state fiscal policies have pushed us already beyond the point at which economic sustainability is possible. For the first time in history, there is a distinct possibility that Sri Lanka will not be able to pay its loan instalments during the first half of 2022. The net foreign assets will move into negative figures. The stability of our banking system as well as the Central Bank - weakest link - is uncertain. Rising costs of living as well as shortages of such essentials as milk powder, sugar, food items fuel, have already created immense pressure on the public.

With the shortage of fertilizer, chemicals and seeds, the agricultural fields are rapidly turning into battle fields. Shortages in steel and cement have sent the construction sector into crisis. A shortage of oil and power cuts are at hand. The economic crisis is now threatening to create social and political unrest with the very serious threat of the a plethora of issues exacerbating tensions to the point of explosion.

Independent economic analysts, former senior Central Bank and Finance Ministry officials as well as international agencies warned us well in advance of these impending scenarios. However, due to the selfish and self-serving motives of the political authority and their henchmen who had a near stranglehold on the Ministry of Finance and the Central Bank over the last twenty years, there was no real response no desire for a solution to these problems. The last two decades can be correctly encapsulated and compressed into a) Unsustainable bubble-economic policies and b) The opportunities afforded to political, official and business racketeers to exploit the people. Therefore, it can be rightly said that the last two decades were completely lost to them.

The thinkers and leaders of the 43 brigade have been warning of these issues for several years. In his 2014 book "Aalapaalu Deshpalanaya" former minister Patali Champika Ranawaka clearly outlined the bubble-economy and in his 2016 work "Financial Nadir Ahead", he forecasted that by 2023, Sri Lanka would be in real danger of moving towards an unprecedented financial crisis. The concept note to create the required executive cover to streamline debt management was tabled in 2016 to cabinet to urge the government to manage this risk. From the inception of the 43 brigade an year ago, the economic crisis was the main theme of the movement. Especially, it clearly stated that the 2019 tax relief package (or economic stimulus package) could well bankrupt the government.

All challenges present numerous opportunities. The way Japan and Germany rose out of World War II as well as the way in which East-Asian nations rose out of the 1997 Economic Crisis are examples. We must resolve not to continue making past mistakes and ensure that the foundation for a strong nation is laid over the next few years. Here, it is imperative that we identify where we went wrong. Additionally, it is critical that a new economic and political program that is acceptable to the country is quickly set in place. The first part of this booklet aims to discuss this primary goal for the country.

01.

The debt trap

1.

Debt amounts

Public debt that stood at 15% of the GDP when Sri Lanka obtained independence has risen to more than 100% of the GDP by 2020 (In 1988-1989 as well as in 2001-2004, government debt exceeded 100% of the GDP). The reason for this is that all governments maintained a large budget deficit during their terms in office. The fact that state income fell unbelievably over many years as well as uncontrolled borrowing that resulted in huge debt service being added to state expenditure has brought about this instability in its financial status. According to the Central Bank, the total loans of institutions certified by the government in 2020 was 110% of the GDP. Furthermore, International Financial Institutions predict that these debt figures will be subject to even further increases in the near future.

The fact that the debt of a country exceeded its GDP by 100% is not a cause for crisis in all countries. The reciprocal figures for Japan is 250% of the GDP and that of Singapore is 150% of their GDP. The possibility of those nations going into bankruptcy due to their debt is highly unlikely. Due to the fact that their currency units are accepted internationally, the payment of debt occurring in local currency, the Gross Financial Need or the assets required to pay the budget deficit and loan installments not being significant, good debt management are all parameters that ensure that large debt burdens are not a big issue for those countries. However, countries where those parameters are mismanaged are in real danger of economic collapse.

1.1

The collapse of state income

International agencies such as the IMF, World Bank, ADB, Fitch Ratings, S&P moody etc. have repeatedly said that the collapse of state income is the main reason for Sri Lanka’s fiscal instability and indebtedness. State income which stood at 23.5% of the GDP in 1980 fell to 11.6% by 2014. The chief reason for this massive 60% drop was the belief of the Rajapakses on the financial management abilities of Dr. P.B. Jayasundara who was the Secretary to the Ministry of Finance during the era of that downfall. The fact that this individual not only massaged every need of the Rajapakses but was also the darling of racketeers is clearly apparent when the one studies the tax relief packages he introduced. Some of the relief he provided are as follows: helicopters, design pens, ties and collars, goods required for international entertainment events, international sports events and hotel accommodation for organizers, gold coins, diamonds, aircraft and flight simulators. Providing tax relief for the rich while indirectly taxing vulnerable components of the population was the tax policy of the Rajapakses. Additionally, extending tax relief for political expedience without adhering to any method or mechanism was a key reason for the failure of state income.

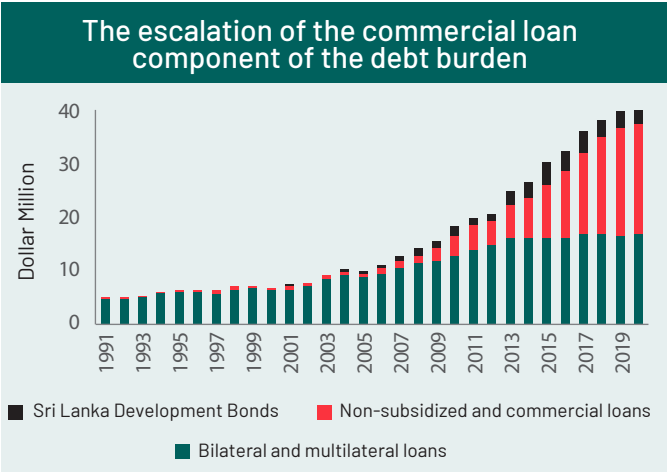
1.2

Debt composition

The total debt is only one part of the debt problem. However, the reason why the present crisis came about was not simply the debt but the composition of that debt changing over the last twenty years. That is, the abnormal increase in short-term commercial and non-concessional loans.

In 1997, Sri Lanka freed itself from being a low income country to become a lower middle income country and along with that new status, some of the debt relief that was available to low income countries was somewhat curbed. In 2007, Sri Lanka also achieved the ability to obtain loans from the international financial market. Typically, such loans are provided at significantly higher interest rates and limited payback periods in comparison to loans obtained from the World Bank, Asian Development Bank loans and through bilateral connections. As an example, while a loan from the World Bank can be obtained at 1% interest and a payback period of 40 years, loans obtained from the international financial market through international sovereign bonds (ZSB) command an interest of 7-8% and a payback period of 5-10 years as bullet payments. Additionally, another addition to the total debt was the issuance of a commercial debt instrument maturing in 2-3 years and with an interest of 6-7% called Sri Lanka Development Bonds (SLDB) in 2001.

With the ability to obtain loans from the international financial market, the National Treasury and the Central Bank commenced habituated themselves to obtaining commercial dollar loans (ISB and SLDB) without any controls whatsoever and solely based on the whims and fancies of the Rajapakses. Accordingly, the total foreign exchange that stood at the 8% limit of debt at the commencement of the Mahinda Rajapakse era, the figures for non-concessional and commercial loans had escalated abnormally to 47% of the total foreign debt portfolio of the country by 2015.



Non-concessional and commercial loans as a percentage of the total foreign exchange	
2000	3
2004	8
2009	23
2010	28
2014	40
2015	47
2019	58
2020	57

Source: Central Bank of Sri Lanka, Ministry of Finance, 43 Group Research Unit Estimates

It is therefore clear from the above that the short-term commercial loans obtained by the Mahinda Rajapakse government trapped Sri Lanka in a vicious debt cycle. They had to continuously obtain more commercial loans in order to pay the principal and interest on other loans (Only considering interest payments, the interest payments on foreign currency loans in 2009 stood at USD 274 million by 2015 it can burgeoned to USD 800 million and USD 1000 million by 2020). The interest payment on the 2012 International Sovereign Bond of USD 1 billion was USD 587.5 at maturity in 2022. The extent of the impact of this vicious debt cycle was such that the total total debt installment and interest payments that stood at USD 1.5 billion in 2010 exploded to USD 5.4 billion in 2020. That is, there has been an escalation of 245% in the principal and interest payments of debts over 10 years.

From 2010-2020, the total loan and interest payments increased by a whopping 245%!

The current regime argues that the Yahapalana Government obtained a large amount of commercial loans during their tenure, which is true. However, the Yahapalana Government was compelled to borrow foreign currency only to repay the instalments of previously obtained loan.. In 2010, 44% of the total borrowing which is 1.5 billion USD out of 3.5 million USD was spent as repayment of already obtained loans. But, in 2018, 95% of the total borrowing which is 5.8 billion USD out of 6.1 billion USD was repaid as instalments and interest. This remained at 95% in 2019 thanks to the rational fiscal policies of Yahapalana Government. The IMF provided loans based on trust if not for which the country could have become bankrupt during the 2016 -2019 era.

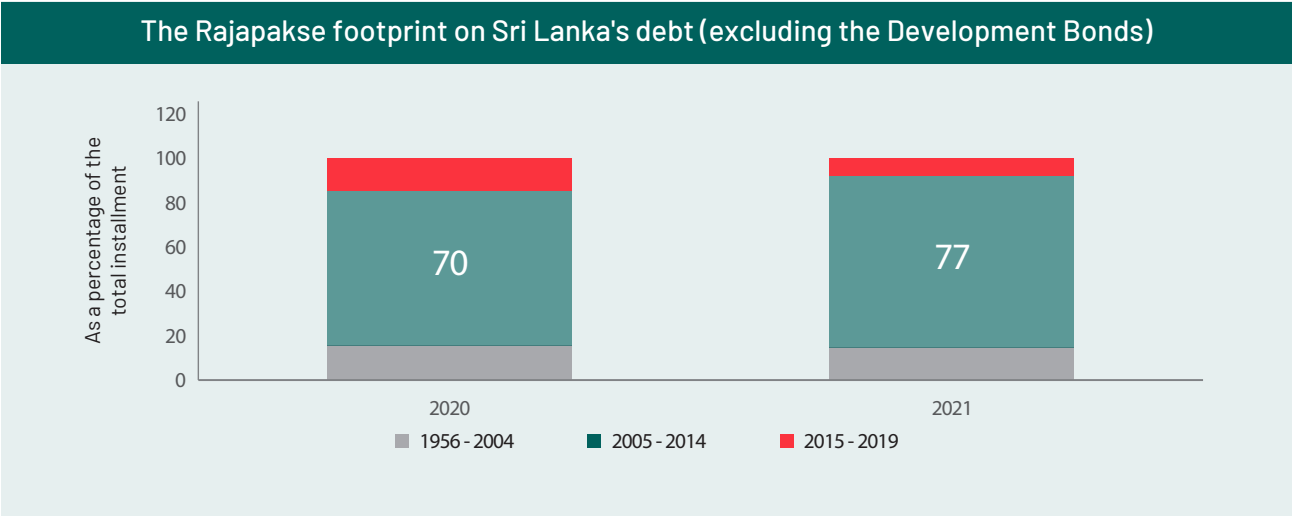
5.8 billion or 95%. In 2019, that percentage amount still at 95%. Since the fiscal policy of the yahapalana regime was somewhat rational, the IMF provided loans to the country based on their trust. If that were not the case, there was a good chance that the country would have gone bankrupt in during the yahapalana regime (2016-19).

The vicious cycle of obtaining foreign currency loans to repay loan instalments and interest

	Foreign exchange loan payments (USD Millions)	Foreign exchange loan receipts (USD Millions)	Ratio between foreign exchange loan payments and receipts (%)
2010	1.5	3.5	44
2011	1.8	3.5	51
2012	2.1	3.3	65
2013	2.1	3.2	66
2014	2.2	3.7	60
2015	3.1	6.6	47
2016	4.2	5.3	79
2017	4.5	4.9	91
2018	5.8	6.1	95
2019	5.3	5.6	95

Source: Central Bank of Sri Lanka, Ministry of Finance, 43 Group Research Unit Estimates

the analysis is taken further, it is clear that the blame for the vicious debt cycle has to be laid squarely on the shoulders of the Rajapakses and their officials. Careful perusal of loan instalments for 2020 and 2021 excluding the Sri Lanka Development Bonds, would reveal that the 70% of the instalment in 2020 was of those borrowings during the 2005 -2015 Rajapakse regime. This increases to 77% in 2021. In contrast the percentage instalment for loans obtained during Senanayake, Bandaranayake, Jayawardane, Kumaranathunga and Yahapalana eras combined together amounts to just 23%.

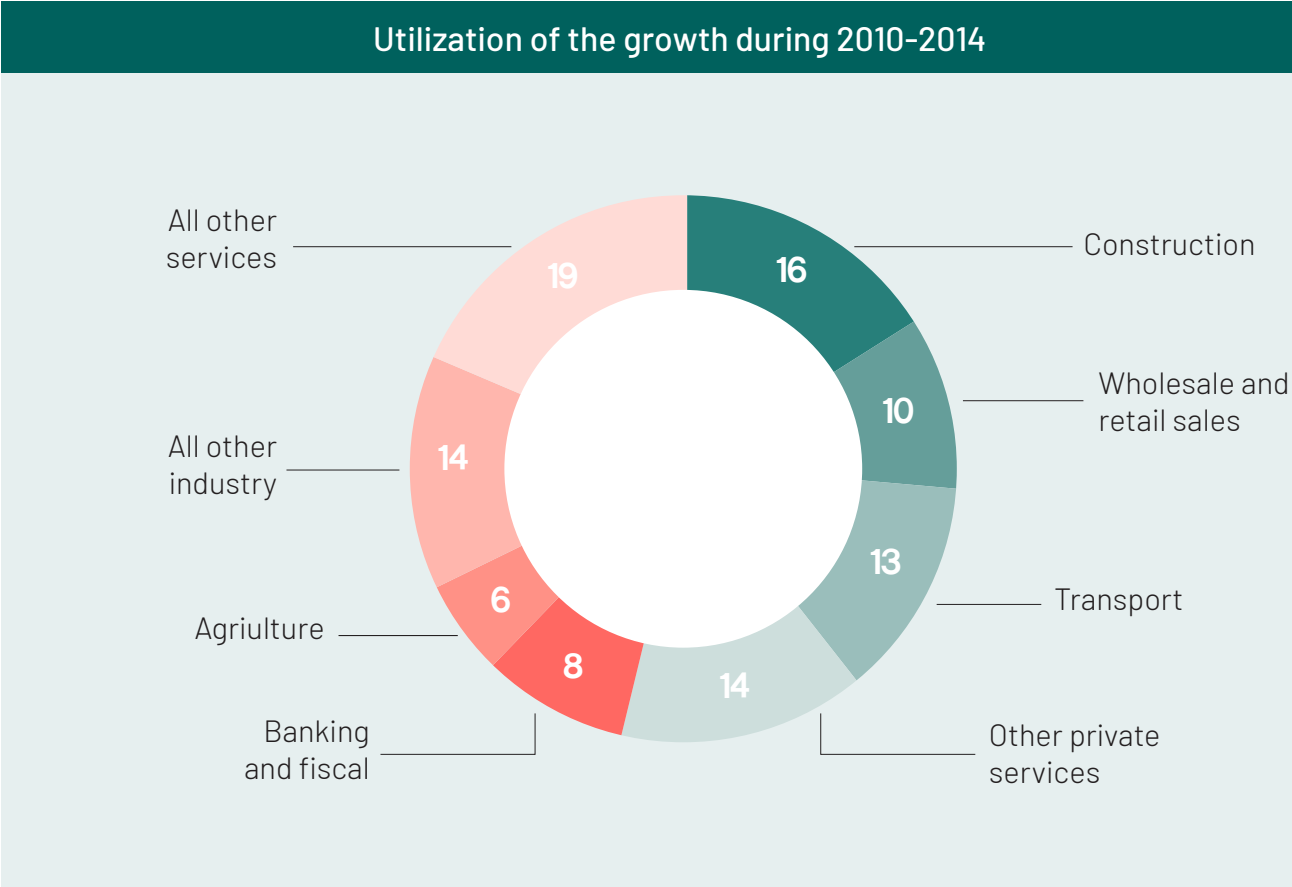


Source: 43 Group Research Unit Estimates

1.3 Loan usage

The other factor impacting the debt crisis is that a) such debt was not utilized for projects through which the loan payments could be easily made, b) short-term loans were used for long-term projects resulting in an imbalance of fiscal movement and c) bribery and corruption. In short Sri Lanka, during 2005-15, initiated projects without having proper study and without adhering to national physical plan.

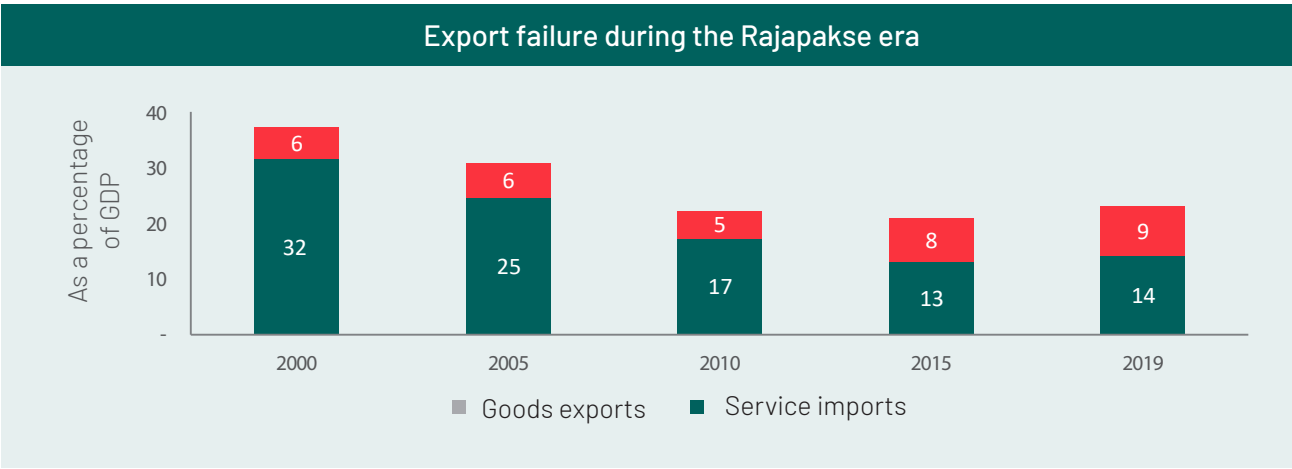
Although the economy grew by 30% during the period of 2010-2014, 62% of that growth was utilized for construction, transport and various other private service sectors (i.e. sectors excluding banking, real estate, tourism, education and health). Those sectors do not stimulate economic competition. Ports, airports, sports stadium, conference halls, Lotus Tower, expressways are visible examples of such non-competitive priorities.



Source: Department of Census and Statistics, 43 Group Research Unit Estimates

When the entire capital expenditure was funded by foreign borrowings the monies should have been used in export – centric sectors so the income can help repay instalments. However, the economic model of the Rajapakses after the war was contrary to that rationale and was rather based on creating a construction bubble through which to showcase the fact that Sri Lanka was the miracle of Asia through temporary, artificial speeding up of economic growth. This can be compared to a small-scale businessman obtaining a loan to modernize his business premises and then proceeding to air conditioning his house!

During the reign of that regime, there was no positive intervention on their part in the sectors of export agriculture, industry or services. Therefore, the export sector crumbled during that period. The fact that the Yahapalana Government arrested the fall of export economy and some effective measures were taken to develop exports can be easily seen by studying the data.



Source: Central Bank of Sri Lanka

The situation has transformed from bad to worse with rampant corruption. Massive construction projects such as Ports, Airports, Sports stadia, Conference halls, and Expressways were carried out with no consolation with the National Physical Development plan. Feasibility studies were overlooked and National Procurement Guidelines were ignored. It is not difficult to realise that massive financial transactions have taken behind curtains with these projects. Politicians and their close accomplices have acquired unbelievable amounts of wealth. The New York Times itself published how the Rajapakses have obtained commissions from Chinese companies. Although the incumbent Prime Minister had stated that he will take legal action against that newspaper, it is yet to be materialized. It has become standard practice to either engage in large-scale fraud or obtain a 10% commission from most businesses. Such massive financial fraud has been observed in transactions of procurement of MIG27, Sri Lankan Airlines, the Avantguard deal, Puttulam power plant, the construction of the Hambantota and Colombo port and the sale of valuable real estate properties in Colombo.

The non-implementation of projects that were very beneficial for the country and the implementation of those that were unprofitable or negatively impact the economy, justify the allegations against the Rajapakses by the general public. The discontinuation of the light rail system that would have been exceedingly beneficial for the country through a soft loan with just 0.1% interest payable over 40 years from Japan, a friend of Sri Lanka for many years and the initiation of constructing an expressway at the cost of USD 1920 million is a good testimony for this massive financial fraud. When considering engineering estimates of that project, it is seen that the funds must be paid on a floating interest rate of 22%. One must think whose accounts get fattened when 22% of interest is paid, instead of 0.1%.

02.

Signs that the debt trap is ready to spring

By 2013 it was apparent that the artificial construction bubble is unsustainable. The National economy grew by 16.1% and 9.7% respectively in the first two quarters of 2012. However, it fell down to 0.5% by fourth quarter of 2013. The overall growth of 9.1% in 2012 fell down to 3.4% in 2013. It was evident by then that the repayment of debt would be difficult in the future. The percentage of debt out of foreign reserves was 53% by 2010. However it rose up to 87% by 2013 and 100% by 2014.

Some political analysts are of the view that the reason why the Rajapakse regime brought the presidential elections forward from 2016 to 2015 January was due to this very threat. That is why it is said that it was Jayasundra – not Sumanadasa who determined the date of that election.

2.1 The options available to the Yahapalana government

In reality the Yahapalana Government inherited a treasury which was literally a volcano about to erupt. A quick study over the financial status revealed that the statement balances do not show the actual debt and borrowings of the country. A comprehensive study with the help of the IMF was conducted subsequently. The audit revealed that some borrowings were actually hidden inside state institutions so that the National debt appear less. For example the Road Development Authority was used to obtain loans and the UDA books carried the debt instead of the Government. Thus, it became clear to some of the leaders of the yahapalana government that the real situation and challenges facing the economy was hidden with the use of such accounting tricks and pyrotechnics. In short, Sri Lanka was on the brink of an economic crisis. If not so, then in the ICU. Under those circumstances, the yahapalana regime had two options.

1. To continue with the policies that landed the economy in the ICU with the utilization of short-term debt for long term projects and persist with the export destroying economic model. Although it may show a visible “development” it would have the effect of pushing the country further over the brink.
2. Maintain at least some economic development while laying the foundation for economic stability and a sustainable economic renaissance.

The yahapalana regime chose the second option with some exceptions (further investing on expenses works). Despite the fact that it was a bitter pill to swallow, it was indeed the right decision. The key priorities of that government was to take steps to ensure that there was fiscal discipline within the government, improve economic competition, improve the image of the government by working in accordance with good governance principles, protect the rights of the people, democratization of state rule and lay the foundation for an innovation economy. Some of the several steps taken in that direction are given below:

1. Improve state income by establishing a clear tax policy introduced through the Inland Revenue Act that would tax the rich. Tax on value addition was expanded to stabilize the economy though it impeded the possibility of striking an equitable balance (60:40) between direct and indirect taxes.
2. Removed the para-tariffs that were seen as a hinderance to economic competition.

3. Strengthened the state audit mechanisms and brought state accountability to the level of international standards via strengthening the parliamentary oversight (COPE, PTC)
4. Legalized the right to information for the citizens of the country.
5. As a minimal measure, introduced a fuel price formula that would ensure the sustainability of state enterprises. But failed to implement electricity tariff and water tariff formula.
6. Democratization of state governance through the 19th amendment.

Such measures were helpful to infuse economic stability even though the economic growth was at a relatively slower pace. However, internal conflicts within the government as well as the fiasco at Central Bank created a political crisis while it also resulted in slowing down the reformation process to a snail's pace. Unsustainable road development projects were further continued.

The contribution of the former Governor of the Central Bank, renowned economist Dr. Indrajit Coomaraswamy in maintaining economic stability was significant. Obtaining the assistance of such institutions as the IMF and the World Bank to improve state financial stability, creating the required reserves for the new government of 2020, rebuilding the trust and good name of the Central Bank that had been destroyed both locally and internationally by the bond fiasco, and the creation of legislature to ensure the independence of the Central Bank were some of his contributions that need special mention here. It must also be remembered that former Finance Minister Mangala Samaraweera too did substantial work to improve fiscal discipline and economic competition.

Majority in the general public do not comprehend complex economic matters which caused the economic crisis. It is the responsibility of the Government to rally up the public support by simplifying the matters and create public awareness. Sadly, this never took place and all what the average citizen could see was a “bustling” construction economy has stalled all of a sudden with the change of Government. Additionally, the fact that the corrupt were not punished as was the aspiration of the people as well as the fraud at the Central Bank further undermined the trust of the public in that Government. In the meantime, due to the internal struggles and battles, people felt that the government was not as strong and powerful as it should be.. Consequently, the positive, effective economic measures that were adopted by that government never obtained the acceptance of the general public..

This in turn caused the downfall of the Yahapalana Government

03.

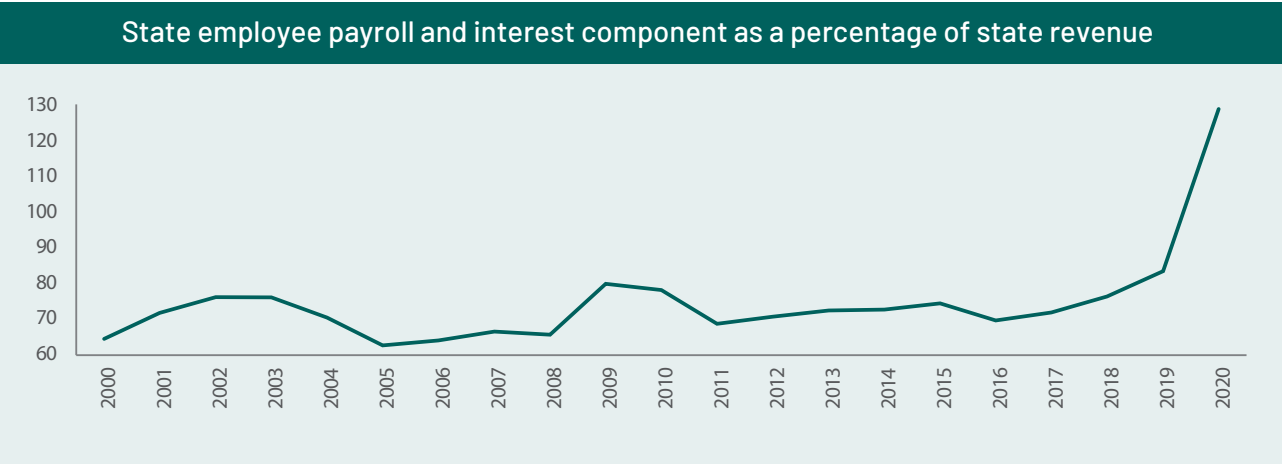
The arrival of a new government

3.1 Old wine in a new bottle

Gotabaya Rajapakse was elected President thanks to a massive media campaign. That campaign presented a narrative which brings up a Rajapakse who is different from the “other” Rajapakses. He is efficient, modern and skilled and that the “old games” of the Rajapakses would not occur under his watch. Anew governing system would be created to take the country to stability and development. However, the aspirations of the people never materialized. Instead, what is obvious is that they were given a government that took an extremely short-sighted, irrational decisions and sometimes bordered on being a complete joke. If in the past the country was sliding slowing towards the abyss, then it can be justly said that this government took it by the neck and shoved it in. The country is at impending bankruptcy under President Gotabaya Rajapakse.

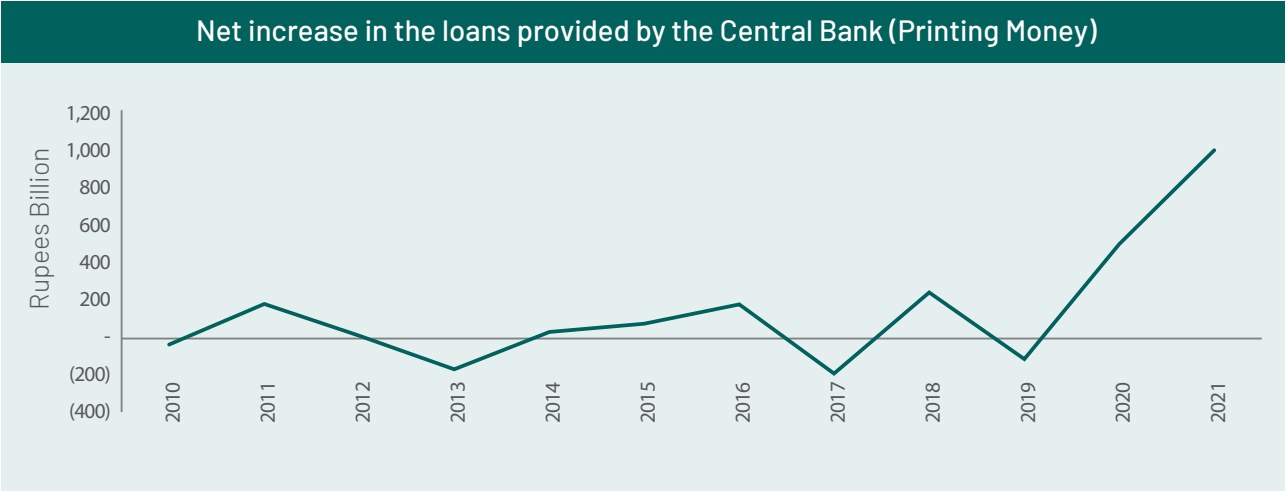
3.2 Laying the foundation for an economic crisis

The incumbent Government assumed office with an unprecedented tax concession to the rich. On top of it a reduction in VAT cause the Government income to erode further. As a result the state economy was already in danger by the end of 2019, even before the Covid 19 pandemic hit the nation. We were fully aware of this issue and on 31st January 2020 we attempted to inform the public about the detrimental effects of this new tax package. We illustrated that the tax revenue would reduce substantially and for the first time in history, the country will descend to the point where the state would be unable to pay its employees or its interest on accrued debt. We must not forget that both the Treasury Secretary and the President’s Secretary stated that there would not be a one-to-one reduction of state income. What actually happened was that because of this tax package, state revenue dropped by 30% in 2020 or in terms of GDP, a full 9.2% - the lowest in the history of the country. Therefore, paying interest on loans cost the government 71% of its revenue. As we had predicted in 2020, for the first time in Sri Lanka, the government was unable to pay its employees and meet its interest payments.



Source: Ministry of Finance

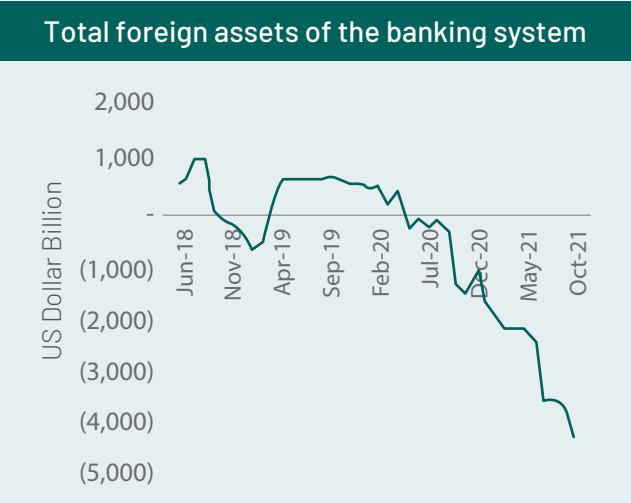
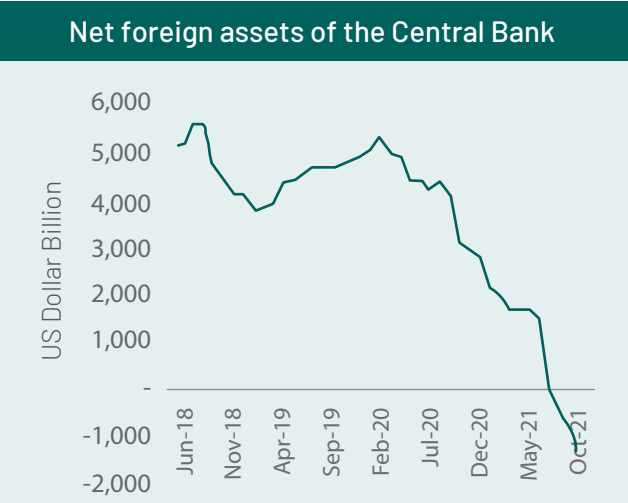
When state revenue declined, the reactive response of the government was to start printing money without any control. The amount of loans given by the Central Bank to the government during the period December 2019 to October 2020 increased by 1.5 trillion rupees which was a fourfold increase on the loans the Central Bank gave the government in 2019. Accordingly, to use one of the president’s most popular sayings, the state agency that “worked the best” was the Biyagama De La Reu Company which printed money. That negative impact of printing money has now reached the society to some extent while the exchange rate is in danger of falling significantly lower. The problem will further escalate in the coming months.



Source: Central Bank of Sri Lanka

The second response of the government was to cannibalize the foreign currency reserves of the Central Bank to pay the foreign debt and to obtain foreign assets of the state commercial banks. As a result, the foreign currency reserves and foreign assets of the Central Bank has dropped drastically and abnormally by USD 6 million and USD 5.8 billion respectively from 2019 to date. State commercial banks have also been subject to intense pressure while there is a danger of loss of confidence in their letters of credit. Additionally, due to forcibly obtaining loans from banks, the entire banking system has been weakened and compromised. As a result of these policies the total foreign assets fell by USD 4.1 billion from 2019 to October/November 2021.

	2014 (USD millions)	2019 (USD millions)	2021 October/ November (USD millions)	Reduction since 2019 (USD millions)
Total foreign assets of the Central Bank	5,250	4,993	(794)	5,787
Total foreign assets of the financial system	115	537	(3,611)	4,148
Foreign exchange reserves of the Central Bank	8,208	7,642	1,600	6,042



3.3 On the brink of the worst socioeconomic explosion in history

The culminative effect of these irresponsible economic policies was the downgrading of Sri Lanka by international monitory agencies in to an “extreme risk ” category in debt repayment. This was a direct result of deteriorating investor confidence due to bad economic policy. This drop in rating doomed us in to a category of failed countries including Angola, Argentina, Mozambique, Congo, Ethiopia and Gabon. With it, the ability of Sri Lanka to trade in international financial markets has been obscured. This is similar to a person in Sri Lanka being sent to the CRIB for being recognized as someone who can no longer pay his debts. That means that this government has pushed us to the point where it can no longer even obtain a loan to pay outstanding loans!

Sri Lanka’s debt rating

	Fitch	S&P	Moody's	Remarks
2005	BB-	B+		High risk debt service rating
2006	BB-	B+		
2007	BB-	B+		
2008	B+	B		
2009	B+	B		
2010	B+	B+	B1	
2011	BB-	B+	B1	
2012	BB-	B+	B1	
2013	BB-	B+	B1	
2014	BB-	B+	B1	
2015	BB-	B+	B1	
2016	B+	B+	B1	
2017	B+	B+	B1	
2018	B	B	B2	
2019	B	B	B2	
2020	CCC	CCC+	Caa1	High risk zone
2021	CC		Caa2	Close to bankruptcy (limited opportunities for saving)

The predicament of inability to borrow from international financial markets brings the country to the brink of bankruptcy and impending collapse of the banking system. In the month of January 2022 alone, foreign exchange loans and interest to the tune of USD 1 billion (USD 500 million in International Sovereign Bonds and USD 243 million in Sri Lanka Development Bonds) becomes payable. The foreign reserves of the Sri Lanka Central Bank had dropped to USD 1.6 billion by November 2021. Along with the USD 1 billion due in January, a total of USD 7 billion is required to pay the loan instalments and interest in 2022. The claimed USD 1.5 billion the government obtained from an unknown source could well be an exchange of Chinese loans, evident by Central Bank reports. In reality, the net foreign reserves of the entire banking system is now at a negative and continues to fall steeply. Against this background, international rating agencies such as Fitch and Moody predicts that for the first time in history, Sri Lanka will be unable to meet its debt payment commitments in 2022

The payment component deficit that has been hidden through chest thumping, rhetoric and braggadocio is now swallowing up the country. Even at this very moment a thriving black market is created for foreign currency with the

US dollar trading at LKR 250-260. Sending cash to children studying abroad just to cover their food costs is now becoming a problem. In the face of serious shortages, the banks are rationing out their meagre stores of dollars to favoured clients. The Petroleum Corporation is being mowed under by a USD 3-4 billion mountain of debt and is close to bankruptcy. There are no suppliers for the petroleum tender. If import of petroleum is not possible all sectors fail. There is no cash to import medicine, coal, gas and milk powder. Under these conditions, we are seeing signs of an era where paucity, hunger, unemployment rule while people are forced to resort to cooking on wood stoves, using bullock carts for transport and even losing their lives due to minor illnesses.

In the meantime, the great experiment of the century in agriculture that was mooted with the ban on agrochemicals is slated to cause a massive famine. The insanity of a government that attempts this type of experiment in the face of a health crisis and a financial crisis is truly unbelievable. Due to this, uncontrolled inflation will unavoidably create black markets for rice, vegetables and fruits and drive farmers to commit suicide. The relinquishing of the two brands that have been our own over the last century, namely, Ceylon Tea and Ceylon Cinnamon is not too far into the future.

3.4 The problem is not COVID

Another issue that must be clearly understood is that the problems facing the country are not based on COVID. The fact that the pandemic dealt a mortal blow to the low income earning, lower social class, poor components of socioeconomic tiers is uncontested. However, taken as a whole, a government has recourse to both local and overseas options. For example, the IMF provided condition free instant funds to 85 of 100 countries that asked for assistance. According to the rating agency Moody, international green bonds for 2020 have recorded a significant increase. Sri Lanka has fallen into a category of countries that will not be afforded assistance even if it requests in such as the Myanmar military junta, the Venezuela's Maduro regime and the regime of Kim Jong-un of North Korea.

If the problem was exclusively due to COVID, then there should be lines for gas, milk power and rice as well as shortages of medicines and fertilizer in other countries as well. Gas tanks must explode across the world. Farmers in other countries should be fighting and demanding fertilizer. Countries where the chief economic activity is tourism such as Maldives and Thailand should have gone bankrupt. The fact that it is not so and it is only Sri Lanka that has gone beyond redemption should clearly indicate that the problem lies with the country itself.

04.

Does the government have a plan to respond to this crisis even in the future?

4.1 Is there a solution to the economic crisis in the 2022 budget?

It is clear that the budget for 2022 which was compiled against the backdrop of a number of economic problems has failed to recognize any of them. When considering the budget, one doubts if this was actually formulated for Sri Lanka because it is so far removed from the economic realities of the country. The budget gives no relief to people who are crushed under the cost of living and gives no guidance to the country groaning under its debt.

While the country is drowning in a fiscal and debt crisis, the budget was to target the next election and focused on strengthening provincial politics through rural development. A full 1/3rd of government expenditure has been allocated for this purpose in 2022. In January finance minister unveiled a relief package which costs Rs. 229 billion, which will cause further widening of the budget defect.

Turnover tax instead of VAT introduced in budget 2022

to the Turnover Tax introduced under the Social Security Contribution will have far reaching negative effects on the economy. All industries at all levels with a turnover of more than LKR 120 million will be taxed. The cost of goods will rise greater than under VAT. The reason why the VAT is more effective and fairer is that it is charged only on the components where there is a value addition across all levels. Even African countries have switched to VAT a long time ago because of this very reason. By imposing a turnover tax, we are simply pushing our taxation system two decades backwards. This is clearly case of opening up more leaks in the effort to plug existing ones.

The destruction of the banking system

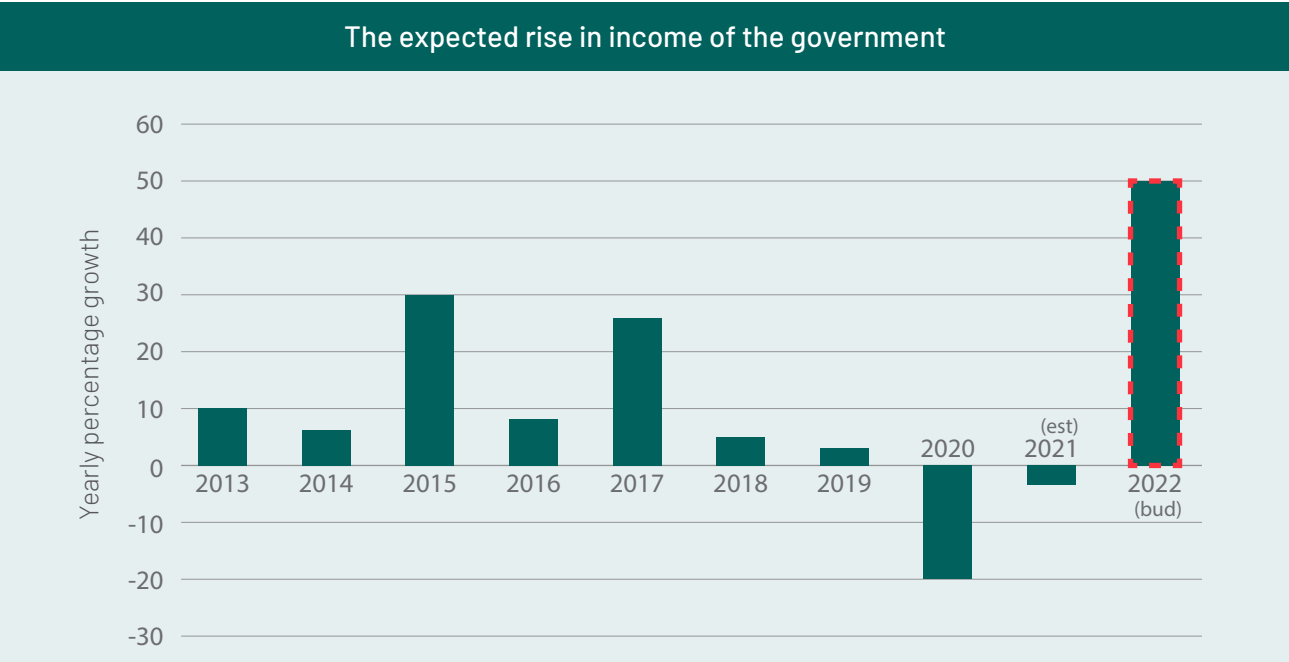
The banking system is now under serious threat. Due to the fact that the government has borrowed substantially in both local currency loans and foreign exchange, these institutions are under severe debt pressure. A significant component of Sri Lanka’s foreign debt (USD 2 billion through Sri Lanka Development Bonds, USD 2 billion through sovereign bonds, USD 1.3 billion from offshore banks) has trapped banks in dollar debt. Additionally, a significant amount of Treasury Securities resides as liquid assets at banks. Additionally, the banking system has lent USD 3-4 billion as foreign exchange for state enterprises. The proposed Surcharge Tax, Social Security Contribution Fund and the VAT are all burdens upon the banking system. Additionally, the acquiring of 2% of bank reserves by the Central Bank has put additional burdens on them even before the budget.

The myth of obtaining loans from the international market

The 2022 budget proposes to borrow USD 750 million to repay debt instalments. However, this assumption is totally unrealistic as there would be no investor in the world who would undertake such a risk with a country which has lowest rating in debt repayment. Our historical allied nations are no longer willing to help us as a result of inadvertent foreign policy. The profitability ratio/ interest rate for Sri Lankan sovereign bonds in the international secondary market has reached 40%.

The budget is merely a numbers trick

Similar to what we have repeatedly highlighted in the past, the budget is merely a spread of numbers. According to the Minister of Finance, the Government income is set to increase by a record 46% percent in 2022 with an additional income of Rs 723 billion. The proposed income avenues generate only Rs 333 billion. Therefore, such an income is simply a fantasy statement.. Therefore, according to all rational accounting calculations, the state income can never exceed LKR 2 trillion. In addition to this, the LKR 600 billion of the proposed government capital expenditure of LKR 1 trillion cannot be invested.



Source: Ministry of Finance

4.2 The six months roadmap of the Central Bank or Jack's Magical Beanstalk

The epicentre of National economy, The Central Bank is at the verge of collapse. Instead of introducing a rational and feasible recovery plan to revive the economy, the Government created an illusion similar to “Jack and the Bean Stalk” and proposed a six months plan in September 2021. The plan includes nothing but fantasies akin to “Duck who lays golden eggs”. Not only that, the proposal even includes a plan to kill the golden egg laying duck

The plan proposes acquiring a reserve in excess of USD 9 billion as well as a reserve to purchase goods sufficient for 4 months. Regardless of the targets, there has been no funds that had come in by November 2021. The present reserves can only cover 3 weeks more of imports. After having afforded tax incentives to the rich on 01st December 2019 and seriously reduced state revenue and thereby prompting international rating agencies to downgrade the debt servicing ability of the country, the fact that the Central Bank believes there will be some sort of good Samaritan country or countries that will jump in to help Sri Lanka is a joke.

Further, the Central Bank proposes that increasing economic growth to 6% will solve the problem. If so, then the Central Bank must tell us what strange economic formula or norm will allow for such a growth after having created serious inflation by printing money and increasing taxes to stabilize the economy. The enforced “official” rate of exchange and the uncontrolled printing of money will certainly create the conditions for either a reduction in growth over the next few years or even a contraction.

The so-called six month road map or Jack's bountiful beanstalk has also levelled unfair criticism at sectors that bring in foreign exchange while proposing to commandeer the income of importers by force and to punish those who resist. By artificially enforcing the exchange rate the Central Bank has unfairly restricted the rupee income of exporters and gone even further and is aiming to find ways and means of acquiring their income as well. This is not merely an injustice but also a way to completely destroy our export market which does business in a highly competitive environment. This is why our exporters are already taking steps to take their business operations overseas.

In addition, the Central Bank has now commenced the grabbing at a pittance the foreign exchange remittances sent to the country by our overseas labour force that work under horrific conditions to earn their money. Giving 20%- 25% less than the real value of the dollar can be considered a 20%-25% tax on the remittances and because of such foolish decisions, those foreign exchange sends will also cease. A government that gave so much tax relief to the rich has no business, indeed, no right that will stand up against any norm of jurisprudence and fair play to tax such remittances of our hard working and long-suffering overseas labour force.

Another component of Jack's beanstalk is the selling of valuable state-owned land without any transparency or any heed for due process or competitive bidding or any consideration of national strategic planning. The handing over of the Kerawalapitiya Yugadhanavi-Sobhadhanavi power plants and gas supply to a bankrupt company, a proposal

to do the same for oil refining, oil exploration and distribution, the effort to sell our wind and solar potential to private foreign company ,the effort to sell off the port as well as valuable historic and national heritage buildings and properties are instances of such activities that are already underway. This is why the trade unions of the port and the power sector are engaged in protect campaigns.

By delaying reform, this government is doing the entire nation an injustice. If strategies are not recalibrated, then the country, the still unborn child, the entire nation will have to pay for it. Therefore, the situation is one where utmost care, intelligence and insight are required to manage in order to place the country on even keel and charter our economic ship safely through a very choppy future.

05.

Let us climb out of the abyss

If we cannot somehow dig ourselves out of this hole, then it is certain that not only will Sri Lanka face an economic disaster but also result in fearsome political fallout that will slide us into the darkest of nadirs. At this moment in time, there is a truth that both the government and the opposition must firmly acknowledge. That is that we are not in a normative political scenario where the usual games can be played but rather, that we are in immense danger that can only be circumvented by connecting collectively and behaving responsibly as a nation.

However, such responsible approaches to the situation are not apparent on the part of the government. At present it is acting as if it is seeing a demon peering through the slats of a door and uncaringly preparing for whatever election is to come. Actually, that preparation has the potential to exacerbate already insane economic pressure. They have also forgotten the fact that even before such an election occurs, there is more than an even chance that the country may well go into bankruptcy. If situations such as those that occurred in Greece in 2010 and Lebanon in 2018 occur here, we will not be able to regain the economic conditions we have now even after ten years. That is the level of our vulnerability. Additionally, in the face of such an economic tsunami, there is a serious possibility that the political system will break down and dictatorial forces will replace democratic options. That is, there is a very real danger that Sri Lanka will become another Myanmar or North Korea. Such a situation may arise because of the rise of an extremist group as a result of the mistrust of the entire political system. On the other hand, a military or similar dictatorship arising out of the government may establish itself. Historical experiences show us that under such crises, the government and society will engage in conflict

with each other and that conflict will spiral out of control and the entire political system will irrevocably drown in an aggressive political culture. The political language of such an outcome is not democracy but violence.

Therefore, the government critically needs an extremely short term strategy to escape from the state fiscal crisis and the looming, extremely dangerous economic crisis. We recommend the following components for that short-term strategy.

01. Stabilizing public finances

It is essential that the budget deficit is brought to manageable limits. The 2022 budget proposes an expenditure of Rs.5.20 for every Rs.1.60 earned. The deficit therefore is Rs.3.60. This must be reduced immediately through a radical intervention. With the new relief package debit would increase to Rs. 3.83.

There is a very real and very grave danger that the crises will lead to aggression and bloodshed. It will result in the rise of violence as the way to solve problems, the complete destruction of the political system and the annihilation of democracy. It is the urgent imperative to every member of the government and the opposition to recognize this unprecedented threat and act collectively, responsibly, nation-mindedly if we are to prevent ourselves from becoming another Myanmar or North Korea.

a. Increase revenue

- Immediately revoke the tax relief package introduced on 01st December 2019 and establish a new tax policy that will protect stability and increase social fairness through a direct tax of 40% and indirect tax of 60%. State revenue over the next two years (2022-2023) should target 14% of the GDP.
- Stop the purchasing of Treasury Bills and the printing of currency by the Central Bank and resort to such action based exclusively on necessity while loans must be obtained from the local market through a rigorous and transparent application of due process.
- Increase the efficiency and productivity of income generating state institutions and stop exploiting state banks

b. Control expenditure

- Introduce productivity milestones or KPZ for every state agency, increase financial efficiency and save at least 5% of government recurrent costs.
- The Central Bank, Inland Revenue Department, Customs, Exercise Department, State Banks, Ceylon Electricity Board and associated companies, Petroleum Corporation and associated companies, Water Supply Board, Port, Airport, Transport Services must especially have professional level control and regulation.
- The institutions that require a management audit should be identified first as well as those institutions that cannot be revamped. Then a decision must be made on how to revamp them. Those that cannot be revamped should be either subject to a complete restructuring or an alternative strategy for them must be found quickly.
- Stop all projects that lie outside of the 2018 physical plan and implemented without a rigorous feasibility study, financial analysis, environment analysis or social analysis. Importing tar to pave serviceable roads while not having the funds to import medicines, food and fuel is a national crime.
- Limit state investment to 2% of the GDP for a period of two years. The saved funds should be used to create a social security mechanism for the bottom 20% of those who will suffer the most as a result of reforms.
- After a thorough and rigorous public discussion, establish an automatic pricing formula for fuel, electricity, gas and water while mandating a balance score card system that will ensure efficiency, transparency and productivity of the agencies involved in the provision of these utilities.

02. Winning back the confidence of the market

- Instead of airing pipedreams, and rhetoric the real situation should be accepted and publicized and thereby, take the first steps to win back the trust of the market and people.
- The reason for the reluctance of investors to come into Sri Lanka, the shutting out of Sri Lanka from the international financial marketplace. Local businesspeople and entrepreneurs relocating their businesses and operations overseas and transferring their money overseas, professionals and youth fleeing the country, the dangerous rise of a goods and services in black market, the whole of society living under a cloud of fear and frustration are all due to the policies and activities of the government. This must stop now.
- The new trend of artificially controlling the exchange rate must be immediately stopped. Instead of artificially controlling imports and introducing a rationing system, free import under current exchange rates must be allowed. Then, not only will imports arrive at a stability point but exports will develop somewhat and remittances encouraged. As a result , in the short-term, the dollar dearth will be somewhat curbed.
- Fair, free competition must be re-established within the local market. In lieu of the racketeering culture that has seen the ruling family and its henchmen, businessmen and officials entrench themselves in the control of every single sector, the marketplace should be open to all entrepreneurs. That is, all entrepreneurs must be afforded an even playing field.
- The trust of overseas investors must be obtained. For that, moves such as the acquisition of Sri Lankan Airlines from overseas business interests without due process being followed must be stopped. Further, laws should be enacted that will prevent such activities as overseas racketeers manipulating the stock market to acquire controlling interest of entities such as Lanka Hospitals. Stringent laws must be set in place to prevent the demand of commissions from overseas investors.
- The mistrust created among the business community as a result of the government's tendency to award all projects to one or two notorious international organizations must be cleared. Rigorous, clean, transparent and simple procurement processes must be made mandatory.
- Such agreements and MOUs as the NFE electricity agreement, proposed Adani wind and solar agreement etc. that were signed ignoring the national procurement guidelines must be terminated and the trust of overseas investors regained. Further, development projects in electricity, irrigation, water , highways and transportation which are planned to be implemented in the future are being hurriedly given to close allies of the regime.

- This needs to be ceased..All decisions taken illegally by the presidential secretariat and the cabinet without considering established parliamentary regulations or consulting with regulatory agencies must be revoked. The catastrophe caused by such action with regard to Nano Urea and Chinese Organic fertilizer is all too well known.
- With the opportunity for loot asphyxiated, projects such as the light rail system that can be implemented on funds obtained on soft loan conditions must be revived.
- A separate trial at bar should be established to efficiently and speedily punish those who have engaged in corruption and circumvention of the national procurement guidelines.

03. Rebuilding the national economy

With the escalation of the economic crisis, many a proposal has been forwarded. One such “school of thought” is to construct a “Nationalist Economy”. The proposal is to promote organic farming and brand Sri Lanka as a fully organic country, promote and export cinnamon cigarettes and produce all consumer items within Sri Lanka.. Another group thought that by exporting marijuana, extracting the oil and gas reserves around the island and utilizing the Trincomalee harbour and oil tanks would magically increase those foreign reserves. However, if we think rationally, we can clearly see that we cannot obtain a significant economic return through such mechanisms. Particularly, they would have little impact on the present crisis. The delusional nature of some of these fantasies were such that it was proposed that the “Dhammika Elixer” be exported to earn USD. Therefore, it is imperative that we stop chasing fantasies and accept the reality.

- Rather than being disillusioned with 100% organic farming, agrochemicals bans must be lifted immediately to protect the national agriculture and plantation sectors. High quality, standardized fertilizer and pest repellents must be provided for farming. Additionally, for those who engage in supplying the small organic market, financial allocations must be made for encouraging their continued presence there.
- Local industries that can compete in the international marketplace must be identified. Having recognized that our imports comprise of 20% investment goods, 60% mixed goods, 20% consumer goods. Instead of falling in to where Myanmar and North Korea is, imports should be controlled rationally. Taxation on imports should aim in promoting local enterprises in order to capture market and attract capital investment and technology.. A new economic policy for small and intermediate scale enterprises should be introduced.
- Immediately develop and commission innovation-based services (BPO, KPO, SAAS) that can be leveraged to earn foreign exchange in the short term.
- Revive the halted Tech City project.
- An efficient mechanism should be developed to attract economic projects fallen out from countries like China due to the US – China trade disputes.

04. Restructuring the debt

Since state debt has risen to the point where it has become very difficult to repay, a need to restructure the debt has become an urgent and desperate need for the first time in history. The dilemma of declaring bankruptcy or subjecting the general public to immense hardships by restricting food, medicine and fuel or selling national assets, should be avoided by restructuring debt. It should be accepted that in the current context, we cannot repay debt. However, an acceptable framework to restructure national economy and expenditure which could build confidence in lenders will help us restructure existing loans.

This is a mandatory condition of the aforementioned establishment of state fiscal stability.

This is not the time to entangle in a passionate debate between the left-wing and right-wing ideologies about the possibility of obtaining assistance from IMF. President Premadasa in 1988-91, President Rajapaksha in 2009-12 and President Sirisena and PM Ranil in 2016-20 obtained assistance from IMF to avoid bankruptcy. Yet, the situation today is completely different with the foreign reserves reaching a negative figure. It is unavoidable that we will have to swallow a bitter pill of stringent economic discipline and restrictions. It could come as a “Washington bitter pill of IMF” or we could generate our own local bitter pill.

The most important thing is not to obtain commercial loans for large scale projects in the near future and to restructure the debt so that we can free ourselves from the short term commercial debt. Additionally, refrain from foreign SWAP programmes that are extremely damaging politically in the long term. The country must direct itself to obtaining loans from countries that are comparatively more neutral in the future.

05. Improving Sri Lanka’s image

Some of the judicial and bureaucratic changes introduced by this government has eroded its image internationally. The 20th amendment must be immediately rescinded with the first step being the affirmation of the independence of the judiciary, police, public service, election office, bribery and corruption and human rights sectors. Those bodies that have been made independent should then be strengthened.

The habit of placing political and personal henchmen and friends in high state positions should be stopped and appointments to such positions should be on merit alone.

The gradual militarization that is occurring within the government must be stopped immediately.

The rule of law should be re-established. In order to preserve the integrity and the supremacy of the judiciary, actions such as releasing those who are imprisoned for various crimes and placing them at highest government positions should be stopped. Those who are on trial for fraud and corruption should not be released sighting technical issues of the cases. The PTA should not be misused to imprison those who are decent. Political rivals should not be imprisoned unjustly. Law should not be misinterpreted to entangle rival politicians in court cases and stop their activity.

In order to prevent race and religion-based conflict, steps must be taken to stabilize and protect society. An immediate inquiry must be held to determine if there was a link between the Easter Sunday attackers and intelligence elements and thereby lay to rest national and international suspicion. Conduct a strong inquiry into whether or not weapons

provided to the army or before that to such organizations as the LTTE have been subsequently misused either nationally or internationally and rebuild the image of the country. Further, the racial and religious uncertainties that were triggered for political gain by planned media and psychological campaigns that were triggered from time to time should not only be stopped but perpetrators and responsible individuals brought to justice and severely punished. The law must be applied without bias in the event of triggering racial or religious grudges.

The government has already been shaken badly. Due to the exposition of several cases of corruption, the irrational decision to ban agrochemicals, nepotism and the favouritism towards close friends, the gradual dawning among people that the government lacked either administrative or managerial skills were some of the reasons why the people no longer trust the government. The complete breakdown of political justice at a time when the country is facing national crises of epic proportions is extremely dangerous. Therefore, the government must now engage with the opposition, trade unions, civil society and all other stakeholders and rights holders to agree to a far-reaching national consensus on how to get the country back on track and to create a joint plan and implementation strategy and thereby win back the trust of the people. Without winning that trust back, it would be impossible to obtain the agreement, support and resolve of the public.

The world is already gearing up yet again for a "hot war". Generally, this occurs with the most powerful is deterministically challenged by the second most powerful. That situation has come about between USA and China and the Indo-Pacific region is currently turning into a battleground. Countries such as India, Japan and Australia are leaning towards America while Pakistan, Russia and Iran are leaning towards China. Against this backdrop, a non-aligned policy and co-friendly engagement of both parties is essential for Sri Lanka. There are moves afoot to handover strategically vital assets in the energy sector, port and airport as well as highly sensitive zones in Colombo without any procurement due process. Similar to the effects of the 2005-2015 commercial loans and construction bubble will last for decades we must realize that the effects of this betrayal will last for a century and therefore do our utmost to prevent this national crime before it happens. Only investments that are appropriate and obtained after following open procurement processes must be approved. We must understand that by attempting lean towards this or that power-base by handing over our national assets as gifts in return for protection, we are only trapping ourselves even further inside the global power struggle and we must break free of this trap without delay. Maintaining sound foreign policy as well as maintaining highest diplomatic standards when interacting with foreign agencies (including the UN) is very important.

Most importantly, the professionalism,, minimalism and the quality of leading by example of state leadership is paramount in re-building the country's image internationally and locally.

None of the above are either easy or popular. Instead of the red flags that the present regime and the Rajapakses have waved in the face of the country and the world, we must raise green flags and signals as a country and a collective. The coming few years would be difficult for all the people of this country. However, if effective measures are not taken now and the present system is continued, the country will slide irrevocably into the darkest era of its history. Immediate remedies are required for this crisis and if the present government side-steps its responsibilities in that respect, then either through the parliament or external method it should be changed in order to serve justice to the 22 million people of the country.

2.

THRIVE

THRIVE

The second part of this booklet is for creating a segue for a discussion centred on building a vision for converting Sri Lanka into a country worth living in.

Although overcoming the economic crisis is the key challenge that we face currently, the future of our country will be determined by the level to which we can achieve victory over the political, economic and societal challenges that we have perennial grappled with. In short, we must remember that the present financial and economic problems are the result of our long term failures. Having understood this right from the start, the 43 Brigade connected with professionals, experts and the public of the country and conducted wide ranging, candid and rigorous principle based discourse with them. The second part of this book presents the results obtained so far from that dialog.

The section does not provide a final set of conclusions but rather, the initial draft required to take the “country worth living in” discussion to a higher and more comprehensive level. It is only through that that a true change can be brought about for this country.

01.

Introduction

The people of the country are living in a state of intense disillusionment. This is especially so with our youth who are determined to leave the country at the very first opportunity they are afforded. This is not because they have ceased to love the country. Not due to lack of patriotism or nationalism. They are passionate about their motherland. Where ever they may be, they will rise up in pride and their hearts will beat a little faster when they hear even the mention of Sri Lanka. These are the very same people who are waiting impatiently in line to flee the country.

Why? They have realised that the quality of life they aspire could never be achieved in this country. With state policies aimed at establishing equality and welfare across the society together with unique cultural elements our society has undergone transformation during the past few decades. What is unfortunate is that the country was unable to achieve a parallel economic development. The upshot of this is that for those children who enter into society, the gap between their aspirations and economic reality has become unbridgeable. This is in fact the primary reason why not only our youth but the entire citizenry is living with dashed hopes.

However, the disillusionment with the country is not exclusively dependent upon the visible limiting of economic spaces. In addition, the country is filled knee-deep in injustice, and chaos. Despite a burgeoning middle class that grew to encompass a substantial percentage of the population, they have yet to see their prayers for a fair, civilized political system or a democratic, just governance system. In reality, while society has progressed, politics have regressed. When considering what happens within and without the parliament in the name of politics, what people see is that manipulative, uncivilized, corrupt, racketeering elements have engulfed our country's politics. Additionally, the country's rule is not just. It is not democratic either constitutionally or practically. Even the efforts taken in the past to democratize the country's rule has been turned back on itself. When comparing our country with others, we see that it is a country that has never been properly managed and is primarily undisciplined. Unlike in the past, the entire world is both visible and accessible to everyone and it is natural to look at the way in which other countries are doing things, take those as an example and negatively compare ourselves with them.

The end result of all of this is that the country is not worth living in!

At present, the people of the country are living in great disillusionment after having fearlessly and committedly brought about two significant political revolutions in 2015 and 2019/20 respectively. A special political occurrence in recent history was the fact that the people decided to defeat Mahinda Rajapakse who won a war and presented himself as a heroic people's leader. There is no doubt that they defeated such a hero with the anticipation of a great political reversal. However, there is no evidence to show that the yahapalala government either understood those hopes or respected them. When their commitment was so callously disregarded the people were both hurt and disappointed. Five years later, that very same citizenry appointed Gotabaya Rajapaksa, a member of the recently rejected Rajapakse family who they perceived as being different to the rest and whom they firmly believed would convert the country into a prosperous and disciplined nation. Yet, there is no need to mention the end result of that dream. Therefore what we have left with is a nation of disappointed people who were tricked and betrayed twice within the span of just five years.

The worst thing that can happen to a society pressured by such demolished political hopes is to resort to reactive political decisions founded on anger and hurt and made in a state of mental instability. The most dangerous thing that can happen in an elected democracy is collective, societal lack of judgement bordering on insanity caused by one or more political upheavals. World history has shown us that because of instant, emotional decisions taken by people subject to such stress, the crises prevalent in those countries were exacerbated and resulted in social and human disasters. Therefore, however severe the impact of crises is, however painful, however angering, amidst all of those, it is imperative that people must select the path of reason, intelligence and inquiry before making any political decision.

In order to do that, we must first understand the journey of the country in the post-independence era and arrive at a fair assessment of it and to obtain a correct measure of where we were successful and where we were not. The future should be considered only after the past has been properly assessed and contextualized in terms of the present.

02.

The balance sheet of 73 years

A popular notion about the post-independent 73 years is that no progress what so ever had occurred and in fact the country had moved backwards. Some even go to the extent of suggesting that we would have been better off under the British rule than independence. However, this is not true.

First, we must never forget that we built a democratic structure and despite gaps and weaknesses, still managed to maintain it to this day. We are the oldest democracy in Asia while it is, apart from India the only Asian country that has maintained a continuous democracy. As a result, our people enjoyed a degree of freedom that was never seen in countries under either communist or military rule.

Second, as mentioned earlier, we achieved massive victories in social development. This was especially so with respect to free education and free health that have positioned us close to developed countries with human development indices.

Further, even though we cannot be satisfied with our economic development, we are actually not doing too badly. We were able to achieve the status of a middle-income country over the last seven decades and it is the second richest country in South Asia behind the micro nation of the Maldives. As a result of that economic success, poverty has reduced and there is electricity to nearly all homes while the road network is excellent and spread across the island.

One of the greatest victories we achieved over the last seven decades was a fact that has received little appreciation. During the past 7 decades we have increased our domestic food production to almost self-sufficient level. We had just a third of the present population in 1950. However, up until the foolish decision to ban agrochemicals, we were able to fulfil the rice requirement of the country. The total domestic need of vegetables, chicken and eggs are locally produced.

Furthermore, Sri Lanka is foremost in terms of cleanliness and orderliness in the region. This is partly due to the steps taken by various governments and partly thanks to the attitudes and behaviour of the public. though it would be difficult to objectively measure such aspects progress in a country, we can hold our heads high in pride for what we have achieved.

However, despite all of those victories, we have been unsuccessful on a number of facets. The chief facet is economic development. From independence to this day, we have attempted to create a development state via various motivational straplines and slogans and through various economic indicators. However, despite claims made from time to time to make Sri Lanka a mini-England, a homing beacon of socialism, Singapore or the miracle of Asia, none of those have ever become a practical reality. It is a lesson in fate as it were that instead of aspiring to those pinnacles, we are not wondering day and night how we can avoid going into bankruptcy. Needlessly spending money on things from welfare to fashionable and wasteful projects instead of using it towards wealth creation through a scientific and long-term strategy is the reason why we were never able to achieve economic success.

From independence to the present day, we have still not been able to determine the best governance system for the country. All of the major political parties in the country see the constitution not as the primary law that needs to be respected but rather as a curse or as an elusive bond that they cannot escape. The trust of the people has been lost not only because of governance issues. There is a great disapproval and disgust at the sum total of the political system among them. The behaviour of politicians, corruption, nepotism, arbitrariness, violence, irresponsibility and Lumpen behaviour are some of the reasons why the people of Sri Lanka are sick of politics.

Therefore, the challenge that lies ahead of us is to strongly, sustainably and swiftly build the nation and make Sri Lanka a country worth living in.

03.

**A foundation
for a discussion
on creating a
country worth
living in**

A dialogue that aims to establish a stable and solid future is nothing new. From the day we achieved independence, various political camps have come forward with various dialogues and discussions to create a prosperous and developed country. As a habit, it has been the practice to point to other nations as examples as well in those engagements. One of the two main themes under which these ideas were floated was the socialism theme whose role model was the Soviet Union and whose legacy is now mostly with Cuba. The example highlighted by the other camp is Singapore.

Despite socialists being few in Sri Lanka, they were the chief claimants to political intelligence and ideological authority and therefore, there is a strange sense of loyalty towards countries ranging from the Soviet Union to Cuba among the majority of people. Therefore, many are of the belief that we could find solutions to our problems through the Cuban system. However, what is our real problem? There may be an example worth observing on equality of resource distribution from Soviet Russia and the current day Cuba. However, our issue is not a welfare problem but rather, the inability of creating wealth that can be shared in the first place. Human development indices have shown us that we have achieved significant success in welfare regardless of other weaknesses. Isn't our problem economic development? Unfortunately, we cannot find solutions to that problem through socialism.

Though it was commonly believed that the Soviet Russia is triumphant in economic development, it continued to weaken economically until finally it collapsed along with the entire Nation. This was a fate that was not exclusive to the Soviet Russia but to all eastern bloc countries of Europe that had espoused communism. Hugo Chavez who became president of the oil rich Venezuela became popular in our country because of his policies for a "21st Century Socialism". However, despite how attractive those policies were, in the final reckoning, the country's economy completely failed within a few years. After having practiced communism for 70 years, the average income of a person in North Korea was 1/14th of that of its South Korean counterpart. In 1960, the income of a Singaporean was 2/3rd of a Cuban but today it is six times more than a Cuban's. What is most important is that even in the aspect of human development, the ultimate victor was Singapore. When it achieved the 11th place on the Human Development Index, Cuba was at number 70. Sri Lanka is one place behind. Unless we honestly acknowledge this fact, no discussion aiming to solve the problems besetting the country will be fruitful.

So does that mean that we must take Singapore as our role model for economic development? Of those leaders who followed the Singaporean model, the foremost was J.R. Jayawardhana. The two key factors he recognized in those countries, including Singapore, that had achieved successful development was centralized authoritarian politics and a free economy. Therefore, he commenced his tenure in 1978 by simultaneously introducing a presidential governance system and an open economy that held dictatorial features. However, quite apart from becoming a Singapore, his policies gave rise to massive protests that led to the north and the south both going up in flames with massive life and property losses. So, the question we must ask ourselves is not only whether we can become a Singapore but do we want to? Our situation is different. Our political legacy is different. Our social condition is different. Our cultural heritage is different. As an example, if told to tolerate a dictatorial regime for the sake of economic prosperity, a Singaporean will do but, a Sri Lankan will not. Regardless of what we believe, democracy and human freedom are deep rooted in our society. Also, in spite of criticisms, free education and free health is viewed by the people as a right. Therefore, the Sri Lankan is not willing to relinquish those rights for the sake of

economic prosperity. Quite apart from all of those, our economic conditionalities are also different. Some of the favourable factors that were present in other Asian countries are not present in Sri Lanka.

In short, our country is very different from those East-Asian nations. Therefore, despite being drunk with the attractiveness of the prosperity that has been achieved by those nations, the chance of us being able to do the same, simply by copying their methods, is very low.

However, the question whether we can become another Singapore is just one part of the bigger question. The more important component is whether we actually want to. That question can be better asked by replacing Singapore with countries such as the Soviet Union, Cuba and North Korea. While we are conditioned to reiterate that the country needs to be developed, before a foundation strategy is laid out, it is imperative that we ask ourselves what sort of optimized society and optimized human being we anticipate through that exercise. We must view economic development as one facet of that optimization but an essential factor in achieving it. Therefore, our goal should never be to aim for economic development as our only goal and to mechanically move the society forward towards that single purpose. A human being should never be under dictatorship nor become merely a cog in an economy that has forgotten humanness. Although the collectivization of a society into a nation is for the purpose of achieving common goals, regardless of how efficient a specific mechanism for economic productivity is, if it comes at the cost of completely subsuming human individualism, positioning human beings as unimportant bricks in the building of an imaginary mansion, a dictatorial governance system be it leftist or rightist, then the cost of that success is too great and we should never ever make such systems our role model.

There is no debate that the most pressing challenge is to achieve economic development. Therefore, it is a fact that we definitely need an economic strategy to achieve development goals. However, it should not be done at the cost of the social development that we have already achieved. Neither should we think that the path of democracy and human freedom are impediments and therefore we should switch to a dictatorship. Not only that, we cannot condone those moves for a white revolution or cultural revolution that envisage our cultural heritage and traditions as resistive elements in achieving economic development. Instead, we must be insightful enough to integrate those elements into our development paradigms and make them supportive bases for it. In short, we must stop parroting our pet set of the various existent methods, means, mechanisms and ideologies, look at the world through untrammelled eyes, stop playing copycat and determine our own best formula for creating a practical, rational society without which there is no future for this country.

We are not saying that we should not learn from the experiences and ideas of the various political visionaries and the various political and social developments that have taken place. Far from it when studying the history of the last century, it is seen that human kind was engaged in a huge battle, on the one side to find freedom, equality and justice and on the other to find economic prosperity. At times it was just an idea at first. Through their impact, various events and institutions got created. At other times it were the institutions that came first and the ideas arose out of those entities. Thus, through crosspollination and mutual fertilization, a political and social ideology was created while simultaneously, a governance and economic methodology was established and through these the world arrived at where it is now.

Not only are there linear and discrete ideas but there are systems too that can be identified as ideologies. Liberalism, conservatism and socialism were some of the first to be known in the world. In the modern world, there are many others such as NEO nationalism, environmentalism and populism. All of them have a common thread running through them in the sense that they describe the world that has been, the world that is now and how to change that world for the better. People connect to these ideologies to some extent through either religious or denominational aspects. That is, people in general do not espouse a given ideology through rational argument but rather, they argue based on an ideology that they have already espoused. They do so because of the firm belief that they are not only doing something good for the world but something that is right for it. However, a truth that we are generally reluctant to admit is that while such ideologies attempt to look at the world in an orderly manner and describe it accordingly, it also frames the world simultaneously within a unidirectional linearity. What mostly happens under those circumstances is that practical conditions and realities are ignored and whatever solutions arise out of a given ideology are mechanically presented to the world. What we should in fact be doing is to be illuminated by the sum total of that discourse but accurately identify the situational and problematic aspects of the country situation and formulate policies that can provide lasting solutions to them. Therefore, instead of being limited by established ideological frames, steeping our approach to the issues at hand must necessarily be intense practicality.

Leaders who built their country did so by rejecting slavitude to ideology, by being open to the experiences of other countries and new thinking, by clearly understanding their national situations and by being fearless and innovative. It is well that we act in similar fashion.

When studying history, it is seen that those leaders who were able to direct their countries in fresh directions and brought their countries to high levels of growth are those who rejected dogma and instead, chose to experiment with modern, innovative and new methods. Deng Xiao Ping who is considered to be the brains behind converting China into an economic juggernaut made that massive stride by fearlessly introducing the open market to red China. In 1906, the Liberal Party of England broke away from the foundation principles of classical liberalism, introduced state intervention in the economy and through those, created the ideological stream known as modern liberalism or welfarism as a practical system. The system was able to eliminate the great frustration and suffering of the poor and through it, the political system of England achieved stability. Another example from Britain is that laissez-faire or freedom from economic interventionism that was rejected by the liberals back in 1906 was reintroduced into conservative state policies by Margret Thatcher seven decades later. This system admixed economic freedom and centralized politics was subject to much denigration and condemnation but be that as it may, it had to be admitted that the system was responsible for eradicating the vilification of Britain as Europe's sick man, bounced the economy back and enabled Britain to once again stand strong. Not only in economics but also in politics and governance constitutions such new experiments have been tried. For example America, once it achieved independence

from Britain did not follow the British system. The formulation of their own governance system removing themselves from the mixed authority based method

in Britain. They created a system where authority was discrete and separated while instead of a parliamentary system they created a system based on a presidency. Similarly, once India achieved independence, in lieu of the dictatorial federalism that existed previously, they introduced a quasi-federal system suitable to their country.

Leaders who built their country did so by rejecting slavitude to ideology, by being open to the experiences of other countries and new thinking, by clearly understanding their national situations and by being fearless and innovative.

The two fold roots of practicalism are understanding the situation in one's country and being open to new thinking. Only then will we be able to introduce a junctional, deterministic reformation capable of social, political and economic conversion. The most important thing to do to achieve that is to revisit a few elements that we hitherto held to be true, open them to debate and recalibrate their truth value.

04.

A few questions

Is an open or market economy a curse?

From the moment an open economy was introduced we saw that it was subject to societal criticism. It is the view of some that if the closed economy which was biased towards socialism that was practiced during the period 1970-1977 had continued, our economy would have been stronger. However, this is not correct. There may have been numerous weaknesses and gaps in the way in which Sri Lanka implemented an open economy. However, in comparison there was no way that a socialist or, in other words, closed or centric economy would have been productive. Russia and the Eastern Bloc finally let go of socialist economic policies. India that was similarly biased, simultaneously opened its economy and the secret of the success of its mixed development is exactly that. Indeed, China too rejected socialism and created a development miracle. So too did Vietnam. Only North Korea and Cuba are still standing. Their demise is curved upon their own brows. Apart from these, countries such as Venezuela that attempted from time to time to espouse socialism also, essentially, broke themselves. Therefore, even at this stage, we must be honest enough to admit that the more successful method of wealth creation is an open market economic system.

Will the economy be destroyed if the state intervenes?

The other extreme of the previous problem is the belief that every time the state intervenes it has caused damage or destruction. The key reason for this belief is that not only countries such as the Soviet Union and Cuba but even India and Sri Lanka intervened in the economy through a centralized planning system and although such options did show some short term success, they were mostly unsuccessful in the long term. However, taking the fact that all state interventions are bad as a foundation principle is not that correct either. Even East Asian countries that applied open economics with very high levels of success acceded to state intervention at the start of their journey, especially in development. Although many of us hold to wrong ideas on this, Singapore, Taiwan and even South Korea saw some minor albeit significant government intercession in critical decision making instances. The main reasons for such intervention was that the private sector lacked capital or were disinclined to invest in sectors that were critically important for the country. It is correct that in an open economy, every area possible should be handed over to the private sector. However, the dogmatic idea that the state should not intervene at all is not correct either. Not only at the commencement of economic development but the government sector in countries such as Singapore are even now active within the economy. Perhaps, the difference between countries such as ours and those countries is that they do not consider state institutions as instruments of election politics or politics, they prevent opportunities for corruption and most importantly, they follow efficient management practices.

Is the private sector always beneficial?

It is an obvious fact that the private sector is in the forefront of an open economy. However, if there is to be a beneficial contribution from it, then it must necessarily be clean and genuine. For the longest period of time, the problem in our country, is that from the national level all the way to the village, a group of racketeers obtained the illegitimate patronage of the government and engaged in nefarious businesses that had the opposite effect to the one intended. Instead of contributing to the economy all they did was loot state resources. This so-called "private sector" is simply an illegal, corrupt and wasteful extension of the government itself. They only leach the very essence

of the country and contribute nothing productive to it. The private sector that can be the engine of development and a true contribute to the economy is not one such as this but rather, a private sector that operates within a free, competitive environment that has come to the fore through their own creative ideas, strong management and commitment to excellence.

Must we reject welfare?

For a while, we were drowning in welfare. Now, it seems that the opposite has become fashionable among the general public. Both these extremes are wrong. Even when taking it as a political stream, most are of the opinion that many things should be provided by the government either free or at subsidized rates. It is frequently heard that if corruption within the government is curbed, then this can easily be achieved. That corruption should be stopped indeed. However, using it all for welfare, although popular and “socialist” is not an intelligent idea at all. When funds are allocated for non-essential welfare, governments end up lacking funds for investment and essential welfare and instead of people trusting in their own strength, they become dependents of the government. The upshot is that the economy is weakened and the negative results of such weakness ends up getting heaped on the heads of the people themselves in the end. The contrapositive political stream seems to think that even such things as education and health should not be provided by the government and instead, people must use their own wherewithal to acquire them to whatever extent it is possible as a commodity. That too is wrong. It is a great myth within our country that developed western countries do not provide health for free. However, the truth of the matter is that the only country that does not provide free health is the United States of America. None of those countries consider education as a marketable service but one that is a provided for the common good by society and the government. If we believe that the future of our children should depend on their abilities and not on the legacy left to them by their parents or on their karma, shouldn't it be the duty of the government to afford every child equal space for their education? Similarly, health is not a free choice but an existential necessity. A government mandatorily considers securing those minimal conditions for personal lives is the norm of a civilized world.

An aspect we must be very careful about when considering welfare is its real measure. Here, correct decisions must be made – not popular or fashionable ones. As an example, if we are not ready to review not only welfare programs such as the Samurdhi program, provision of uniforms for school children, electricity, petroleum and piped borne water but also examples of favourites politics such as provision of government jobs without rhyme or reason we are doing ourselves a great disservice.

Shall we build even more trade zones and industrial parks?

Some elements responsibly recommend that the formula for economic development is the proliferation of free trade zones, the creation of an industrial park in every DS division and an apparel factor in every village. However, this is not at all a practical option. The reason why investors flocked to the country when the economy was opened in 1977 was because of several reasons including cheap labour, a conducive business environment, labour laws and Sri Lanka opening its market to western goods. However, with respect to those factors, the comparative advantage Sri Lanka enjoyed in past is gone. Other countries are now in at where we were in 1977. However, upping the ante

to a higher level and increasing economic productivity through the economic strategy of leveraging technology is still very much an option that is available to Sri Lanka. Our focus with respect to that is not to concentrate on technology that was appropriate for our past. The economic strategy after the advent of industrial revolution 4.0 in 2010 was the sale of goods and services based on innovation and knowledge. Therefore, what we need now is not industrial parks but technology cities. Considering other countries in the sub region, it is such a strategy that can productively leverage our comparatively more educated workforce to our advantage.

Shall we export doctors instead of domestics?

Exporting human beings instead of labour has been a very bad practice that Sri Lanka has been engaged in for some time now. What we should be doing is creating the required economic environment for our people to live and work well in the country in the company of their families within their communities instead of forcing them to isolate themselves in other climes to find work, far removed from their families and loved ones. Having to rely on overseas migration and not the sale of goods is unsatisfactory either economically or socially. Further, exporting doctors instead of domestics will not bring the touted economic gains to the country either. On one side it is a brain drain. Its end result is that Sri Lanka will end up a human desert. Additionally, since most of them will migrate on a permanent basis, quite apart from remitting money back to the country they will in all probability remove their existing local assets to their new countries of residence. The sort of thinking that actually considers this type of option as viable is a good example of how irrational and lacking in insight some of our economic decisions are. What we should encourage in the professional sector is to sell their professional services instead of relocation.

Is bribery and corruption the biggest impediment to economic development in Sri Lanka?

It is true that bribery and corruption has spread through the political body of Sri Lanka like a cancer. However, believing that economic development can be achieved simply by eradicating corruption is a dangerous myth. Prevention of bribery and corruption is a requirement but a small component at the commencement of a country's development journey. more importantly, determining a productive and creative development policy as well as implementing it through an efficient management and administrative strategy is pivotal. In short, converting the entire government into a “Financial Crimes Investigation Department” (FCID) will not make the country move forward economically. Believing that eradicating bribery and corruption will result in economic development is in some instances akin to believing that observing the five sacred precepts will lead to wealth.

Will allowing a bit of bribery and corruption be alright?

Most definitely no. Bribery and corruption negatively affect development in two ways. On the one hand, it encourages policy makers to bias their decisions for personal gain and instead of basing their decisions on the need for national development thereby debilitating the development journey. On the other hand, since it destroys public trust, conditions arise where the support of the people that is required to achieve collective economic goals is not forthcoming. Without rational economic decisions and the support of the people for those decisions a country

simply cannot be developed. This is the reason that countries such as Singapore, Hong Kong and Taiwan created strong anti-corruption mechanisms at the start of their economic journeys and why all developed countries have minimal levels of bribery and corruption.

Are religion and culture impediments to economic growth?

Some elements declare with great passion and belief that the reason why Sri Lanka’s development has been unsuccessful is its religion and culture. They claim that unlike in developed countries, where culture and religion has a positive effect on the economy, it is a negative influence in our case.. We must be very cautious with the socio economic hypothesis which proposes that the cultural and religious influences are critical in economic development. It is observed that some countries, which were labelled as those which are having negative cultural and religious effects on economy, at the turn of 20th century, have turned their economy around by the end of it. This either means that the claim that their religions were at fault was wrong or else it means that other countries, instead of attempting to copy these, should achieve economic development through mechanisms that are appropriate to their own cultures and religions. On the other hand, the recommendation to reject religion or turn it completely around in order to achieve economic development is not a cure that will ever be successful. One cannot delete a culture and copy-paste another in its stead. This does not mean religions and cultures do not change. Due to either internal dynamics or external dependencies, they do indeed, change. Further, they change from belief related intercessions. What is required is an intelligent and rhythmic change based on modern conditions and aims. In other words, society awaits and expects as well as contributes positively to social advancement not for the purpose of cultural annihilation but progressive reform. Therefore, creating a development formulate appropriate to Sri Lanka’s culture and couching religious and cultural beliefs as appropriate to modernity should be our task.

Do we need western science and technology?

Taking modern science and technology as a product of the west and, claiming that instead we must either use our own science and technology or create our own sciencehas been a Sinhala Nationalist trend over the last three decades that has now reached a peak. This is chiefly seen in the sectors of medicine and agriculture. Ideas on Hela medicine that extended up to the Dhammika Elixer as well as ideas of Hela agriculture that extended till the ban of agrochemicals are two such examples. There are no nations under the sun that progressed with such irrational and childish ideas. Countries that have managed to raise themselves up through modern nationalism are those that have leveraged science and technology and run with them to the maximum extent possible and not those that have resorted to self-destructive paths akin to Boko Haram or Taliban.

Is there no future for the country without a change to the constitution?

It is true that there are many gaps and weaknesses in our constitution. It is equally true that if we could change those that would be excellent. However, believing that nothing can be done until an appropriate constitution is formulated is also not correct. On the one side, formulating a new constitution is far more difficult than we imagine. Although a vast majority is opposed to this constitution, there is no consensus among them as to what should be

the composition of a new constitution. There may exist roughly congruent ideas. However, if a new constitution is to be formulated, then everyone must agree on every statement within it. That is not as easy as one would imagine. In fact, the reason why the formulation of a new constitution delayed in spite of our best efforts is precisely this lack of consensus and agreement on possible articles. Therefore, the best option available is to do what can be done and take it all forward step by step. One such measure was the democratization of the presidency. It was done through amendments 17 and 19 and because those experiences and agreements are there now, the inherent weaknesses in those should be addressed and immediate steps should be taken to make the democratization anticipated by those amendments a reality.

Be all that as it may, the point that we must always remember is that an exemplary or sound constitution cannot by itself bring about an exemplary or sound governance system. If we study the matter carefully and in depth, we can see that there was a massive contribution to the anti-democracy elements of our political system by the lack of democracy within the main political parties and the fact that the foundation principles required for a democratic societal culture was never developed within society itself. However, the other side of this is also true. Regardless of any arbitrary powers obtained from a constitution by power mongers, regardless of any dictatorial aspirations on their part, one fact that remains constant is that governments will never be able to completely ignore the democratic habits that have been formed within the country. Despite the fact that a landslide victor at the presidential elections, and a 2/3rd majority in parliament and the 20th amendment set in place all the pieces and conditions for a dictatorship, the government was unable to achieve that goal chiefly because of the fact that acceptance of democracy that was rooted in the yahapalana era acted as a shield and protection against such moves.

Will a parliamentary system destabilize the country?

Although the constitution has been debated from the time of independence to this date, that discussion has never been an open one but one where the ideologically prejudiced resorted to flinging slogans at one another. So, such debates are less for the proactive and positive end result of bringing about a change in the existing system of governance more for some conclusion drawn at some point past and fighting for them as being non-negotiable stances. One of the popular conclusions of one such party is that a parliamentary system will destabilize the country. Another party believes that presidential systems are antidemocratic. The reality of the situation is that parliamentary systems do not destabilize countries nor do all presidential systems end up as dictatorships. It is clear that these two elements focus on two different things. That is, while one element focuses on state stability the other values democracy. However, as a nation, the conclusion that we must arrive at is not one or the other but rather, both. Therefore, what we must construct is neither an optimally stabilized country that is weak in democracy nor an optimally democratized country that is weak in stability but a balance that gives as the best of both.

Would it not be better simply to have the president and 25 generals?

This idea that developed itself gradually over the last ten years burst into the forefront during the time between the last presidential election and the general election. It is clear that this idea underscores the disgust and disillusionment in the existing political system among the general public. However, proposing a military government in lieu of a parliamentary democracy is on one side useless while on the other downright dangerous. There are

hardly a country that has developed under a military regime. One cannot realistically expect a group of people who have been rigorously trained to protect a nation to have the knowledge to be successful in spheres such as economy, health, education, administration or politics which are all completely outside of their areas of training and expertise. Additionally, regardless of how many issues and problems we have with democracy, world experiences have shown us that it is always the better option and not the military.

Do we need human rights?

We see great opposition among some elements of our society to human rights. Some of them claim that human rights is not our thing but a western concept. Others claim that by attempting to protect human rights we weaken our development. They further state that human rights become an impediment to protection of national security. It is true that in this era, as with many other things, human rights has its roots in the west. However, considering the yeoman service it has rendered in assuring personal dignity and freedom, what we must do in lieu of attempting to locate its source is to understand its utilitarian value. Looking at economic logic, it can be seen that Communist countries were unable to achieve economic development even without human rights. Therefore, it is clear that the determinant with respect to development is a correct economic policy and not a dictatorial leadership. Further, many people have an anti-human rights stance by pointing to countries such as Singapore and citing that their economic success is due to right-wing dictatorial governance system. The massive development of China is also congruent with this thinking. However, as stated before, we must look at development not through the linear exclusivity of economic vision but by considering generalized vision of an optimized and complete human. Everything from development to security of the country must be achieved by prioritizing human existence and dignity to as great a degree as possible. Those who speak out against human rights ask derisively if it is possible to eat human rights. If required, in response it can be stated that if human rights are lost then one may not even have food to eat. Experts point out the fact that if China has a policy of free media and free speech, the lives of millions who died due to the great Chinese famine could have been saved and the famine averted. If such freedom had existed, then the lack of success of the “Great Leap Forward” project that was being implemented by Socialist China would have been known to their government and to the outside world and the project stopped thereby side stepping the march towards that disaster. Therefore, human rights are critical not only to human freedom and human dignity but human existence as well.

There are many other such questions that can be asked. What is important is truth and we must also understand that many things may not be true. The only way that we can obtain new and creative ideas and new and fresh paths is by subjecting old, carved in stone, religionized and habitual ideas to serious, searching, open review. This effort is to give a start to such a discourse.

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05.

A doorway for an agreement towards a country worth living in

Republic

- All parties and all social organizations must work towards an agreement on the optimal governance system for Sri Lanka.
- Immediate steps should be taken to arrive at constitutional agreements that will optimally reduce conflict between the majority racial groups that hold political power and racial and religious minorities to address a primary problem that is seen in all republics and democratic systems throughout the world.
- The war is over. We should realize this. We must understand that not only the emotions, agonies, hatreds but also the norms and narratives that arose out of the war may not be suitable for peacetime. We must leave the war to the past and be intelligent and fearless as we approach the future. Here, being accommodating of minorities is the special responsibility of the majority Sinhalese. That is a mandatory precondition to ensure inter-ethnic and inter-community harmony and friendship in the post war era. That accommodation must be visible in both the political and social arena.
- The negative impact of the language problem on ethnic harmony must be correctly understood, the right of all citizens in the country to conduct affairs in their language of choice must be recognized, and assurance must be made that the existing articles in the constitution that relate to state languages is implemented practically.
- The present practical constitutional agreement that relates to the aspirations of Sinhala and Tamil politics is the provincial council system. Like it or not, that is the truth. What the Sinhala population must realize is that on one side, considering national and international factors, there is no possibility of reducing the powers of the provincial councils and that the last three decades have clearly shown that the country cannot be divided by the provincial council system. Therefore, instead of being hoodwinked by the false claims of illegitimate patriotism, the Sinhalese population must act intelligently while the Tamil population must be ready and willing to accept this agreement.
- A path must be found that balances the key requirements of state stability and democracy. We must accept that both of them are required for a strong and free government. Be it parliamentary or presidency, whatever the governance system, it must be able to protect that balance.
- The constitutional arrangements that aim at achieving state stability and economic development must make sure that the executive does not act arbitrarily or dictatorially.
- It must be ensured that the constitutional arrangements with respect to human rights and democracy does not undermine state strength nor unity. That is, steps must be taken to ensure that such arrangements do not weaken law and order.
- Although they are not binding, by including a series of principles targeting human and social development into the constitution, it creates the parameters for a state to ensure individual development and quality of life.

Law and the Judiciary

- The judiciary must be independent. That is, a strong vetting process must be in place when recruiting to the lower courts and a process set in place that promotes them based on seniority. Additionally, their efficiency and proficiency must be assessed scientifically and the results factored into promotions.
- The judiciary must be non-partisan as well as efficient. It must be realized that these two factors are mandatory for the judiciary to win the trust of the public.

National Security

- It must be recognized that due to lack of attention to national security, our country faced both long term and short term disasters and the government must give highest priority to National security.
- Depoliticise the security forces and the intelligence unit from and limit their activities to ensuring national security and assisting the public at times of disaster only.
- Instead of increasing the numbers incessantly, economic capability and requirement of the country should be considered and convert the armed forces into a smart army that is appropriate to the modern world. Additionally, sighting the importance of the geopolitical position of our country naval force and air force should be significantly improved.

Foreign Policy

- Understanding, on the one hand the size and capability of our country and on the other, the state of global geopolitics, attempt as much as possible to steer clear of the power struggles of the powerful nations of the world and act exclusively in terms of our national aspirations through a neutral foreign policy. (Non-alignment and co-friendly)
- Instead of making our diplomatic service a playground for nepotism and favouritism, convert it into a strong meritocracy.

Economy

- We must accept that the path to wealth creation is through a market economy. However, as with other countries, as was done by developed countries, the state must strategically intervene in some areas.
- Sri Lanka's policies on agriculture, industry and service sectors must be reassessed after a comprehensive audit of our resources and the objective and subjective advantages of our labour force.

- We must realize that we can no longer attract investments by making production factors profitable for them. Additionally, understanding that the global marketplace will be open to us not for simple items but for complex ones, we must convert our economy to be one based on innovation and knowledge.
- We must understand that the ocean is an economic field to which we have so far given only minimal attention. Focus must be given to the sea in terms of the four areas of harvesting live resources and non-live resources, goods and passenger transport, ocean security and ocean environment.
- Since 52% of our GDP as well as 45% of our workforce is engaged in small and medium scale enterprises, steps must be taken to provide them not only with capital, knowledge, knowhow, training, technology and market connectivity but also protection through a social security system and proper import taxation system.

Agriculture

- Considering the limited land resources and high population density and recognizing the revolutionary conversion of the sector through agro-technology, create a modern agriculture that will ensure our food security as well as position ourselves for the export agriculture market.
- Instead of impractical projects such as 100% organics, steps must be taken to ensure the availability of highest quality agrochemicals as well as constantly provide research information on their effectiveness and adverse effects and provide adequate knowledge and training to farmers. Instead of being dependent upon other countries, take steps to improve seed and agrochemical manufacture locally.
- A fact that we tend to forget often is that most countries provide fertilizers at subsidized rates. Therefore, in order to project farmers and to achieve food security, required levels of subsidy for fertilizers must be established and implemented. Additionally, apart from protected species, steps must be taken to control the numbers of species that are harmful to agriculture.
- In order to protect consumers and farmers, instead of fixed price controls, improve the availability of market data and encourage small scale farmers to organize as cooperatives. The state must intervene only if the market mechanism fails.
- Recognizing Sri Lanka's cultural sensitivities, identify suitable locations for the production of meat, milk and poultry, encourage those activities and provide those engaged in them with the necessary knowledge and training.

Sustainable Development

- Instead of resorting to the currently popular idea that development and environment are mutually conflicting dualities, understand the sustainable development policy that the physical condition required for human existence and quality of living must necessarily harmonize with the environment and make that the foundational approach to the national development policy.

- Instead of resorting to counterproductive rumour, clichés and slogans, environment conservation must be viewed through a practical and pragmatic lens. Instead of uncaring development and fashionable environmentalism, align development plans with the national physical plan and while winning development targets, ensure that environment harmonization and balance is also achieved.
- Accordingly, identify those areas that must be rigorously protected and conserved and enact strict laws to cover them. Energy generation and urbanization and human habitation must be done in accordance with international climate change covenants. Strict laws and practical enforcement is required to prevent air and water pollution, ensure water conservation and soil conservation. A national authority must also be set up to for waste management.

Human Development

- Sri Lanka is a country that has achieved tremendous achievements in human development. We must agree that as a result the productivity of our education and health structure are successful. Therefore, what we must do is protect the victories we have achieved so far, eradicate any weaknesses we have and move forward from there.
- Sri Lanka's health system has been lauded by the World Health Organization as well as other organizations for the high level of its cost-efficiency. Further, Sri Lanka is at an enviable level with respect to most health related indicators. Therefore our policy should be to protect the existing system while attempting to find strong remedies for the few weak areas and gaps that have arisen in it.
- Steps must be taken to provide state patronage for medical systems outside the mainstream such as Ayurveda and indigenous medicine in order to develop them and make the services of their practitioners available to the general public.
- The two chief challenges facing the education sector is that the government has failed to satisfy the ambition of parents to obtain a good school for their children and to provide sufficient infrastructure to provide all students wishing to attend university with a opportunity. That is, there is a significant gap between educational aspirations and educational spaces.
- There is intense competition to enrol children in Grade I. Furthermore, similarly virulent competition at the Grade V scholarship exam has resulted in children losing their childhood. If this competition is to be reduced, a school system that responds well to the aspirations of the middle class needs to be established.
- The requirements for expanding the university system must be based on protecting national needs, quality of education and social fairness. Therefore, the policy of developed countries that make universities not-for-profit institutions should be followed by our country as well. Students who are unable to enter university due to the district quota system or due to the fact that they have studied in international schools must be provided with concessionary payment mechanism such as a recurrent unit price to allow them to obtain a university education.

Building a cultural human being

We must realize that just as much as our society is in possession of great cultural strengths, it also has cultural elements that cause significant problems. Those are cultural fundamentalism and violence, extremist attention to cultural factors, cultural opposition and the step motherly treatment to cultural development by the state.

Establishing a cultural human being should be a state responsibility. A cultural human beings is person who respect and protect his cultural heritage while being ready to critically evaluate it, ready to respect the culture of others, have the openness and strength to be able to win over all cultures and be friendly towards them all, who is capable of connecting with the economic, political, and social activities of the society he lives in with emotional and intellectual pride, respect humanity. Fairness and nonviolence is part of his very nature and lives as happy democratic human being. Creating such people should be the responsibility of a government.

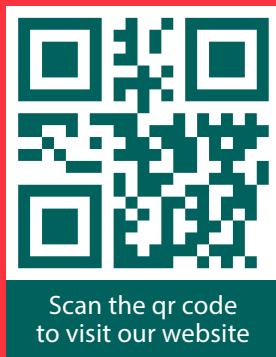
However, a government should not engage with it as a determining authority but one that allows the rise of cultural activities to occur freely and organically while providing physical and other facilities for them. The state's responsibility should be to respect the proposals and recommendations of those citizens and organizations knowledgeable about cultural progress and to provide the financial backing for a cultural strategy that envelops the participation of the public.

The citizen and society should not use culture as a means to entrap and imprison people but as a philosophy that triggers and awakens them. The backing provided by the cultural heritage of a society when developing a strong, good social, economic and political system is immense. It is essential that the cultural heritage must be subject to critical evaluation. Its positive elements conserved and promoted and its negatives erased without fear or favour.

Let us hold on to hope

RESCUE & THRIVE

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4/120, Thalakotuwa Gardens, Narahenpita, Colombo 5.