vision 2025

V2025 A COUNTRY ENRICHED

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The changing face of

A DYNAMIC MODERN ECONOMY

In January and August 2015, people of Sri Lanka exercised their franchise in a decisive manner, marking historic milestones in our country's journey. People in the north, south, east, west, and centre came together to vote for: a change in Sri Lanka's political culture against the politics of ethnic and religious division and against extremism on all sides; against impunity; for a strong democracy; for the rule of law and good governance; for reconciliation and sustainable peace; equality; upholding, promoting and protecting human rights of all and the pluralistic nature of our society; and for inclusive and equitable growth and development of the country. These were the aspirations of the people of Sri Lanka who voted to send a message to those who they elected that the promise of strong democracy and democratic institutions, the promise of reconciliation and sustainable peace and the promise of development, must be fulfilled.

Some of our promises have already been fulfilled. Chief among them are the restoration of Sri Lanka's image on the international stage, the 19th amendment to the constitution, the setting up of independent commissions, the Right to Information Act, the restoration of the freedom of expression, public consultations on the proposed reconciliation mechanisms and the constitution, the setting up of the constitutional assembly, measures to rid our nation of corruption and usher in a culture of good governance. We have taken vital steps to reduce our debt burden, uplift the economic conditions of all citizens and ease the cost of living. Providing salary increments for state and non-state workers, increasing pension and *Samurdhi* payments, reducing the cost of essential items such as petrol, gas and medicine, were some measures taken by the Government to achieve the stated goals. Thus far more than 430,000 new jobs have been created in our efforts to create a million jobs. On others, we have initiated processes which are yet to reach fruition, but work continues with diligence. As in all democracies, progress is often not made in straight-lines. Sri Lanka too, like all other countries in the world, is susceptible to the influence of global developments, natural disasters, and related challenges, and faces setbacks as a result.

However, as we now stand at the threshold of marking the 70th anniversary of independence of our nation, we are determined and firm in our resolve to work with constant, consistent effort and perseverance to ensure that we realise our dream of a stable, peaceful, reconciled, and prosperous Sri Lanka, for all people of our country, a dream that has eluded us for many years. This document sets out the path we are taking to make that dream a reality.

CONTENTS

01. THE GOVERNMENT'S ECONOMIC VISION

Our vision is to make Sri Lanka a rich country by 2025. We will do so by transforming Sri Lanka into the hub of the Indian Ocean, with a knowledge-based, highly competitive, social market economy. We will create an environment where all citizens have the opportunity to achieve higher incomes and better standards of living. To achieve this we must create the conditions which will generate economic growth with equity. The structural transformation necessary to achieve this vision is currently underway. The 'Empowered Sri Lanka' document laid the foundation for this transformation by identifying the priorities of raising incomes, ensuring employment and housing for all, and improving the quality of life for all citizens.

We will position Sri Lanka as an export-oriented economic hub at the centre of the Indian Ocean. We recognise the fundamental reality that Sri Lanka has a domestic market of only 20 million consumers with a modest per capita income, and must rely on external demand for sustained, high, and long-term growth. We will strategically position Sri Lanka as the hub of the Indian Ocean, securing opportunities for local businesses in global production networks (GPNs). This outward-looking approach will increase the efficiency of the domestic economy, contributing to a better life for all Sri Lankans.

WE WILL STAMP OUT CORRUPTION BY ENCOURAGING COMPETITION AND ENABLING TRANSPARENCY TO GIVE ALL SRI LANKANS AN EQUAL CHANCE AT PROSPERITY

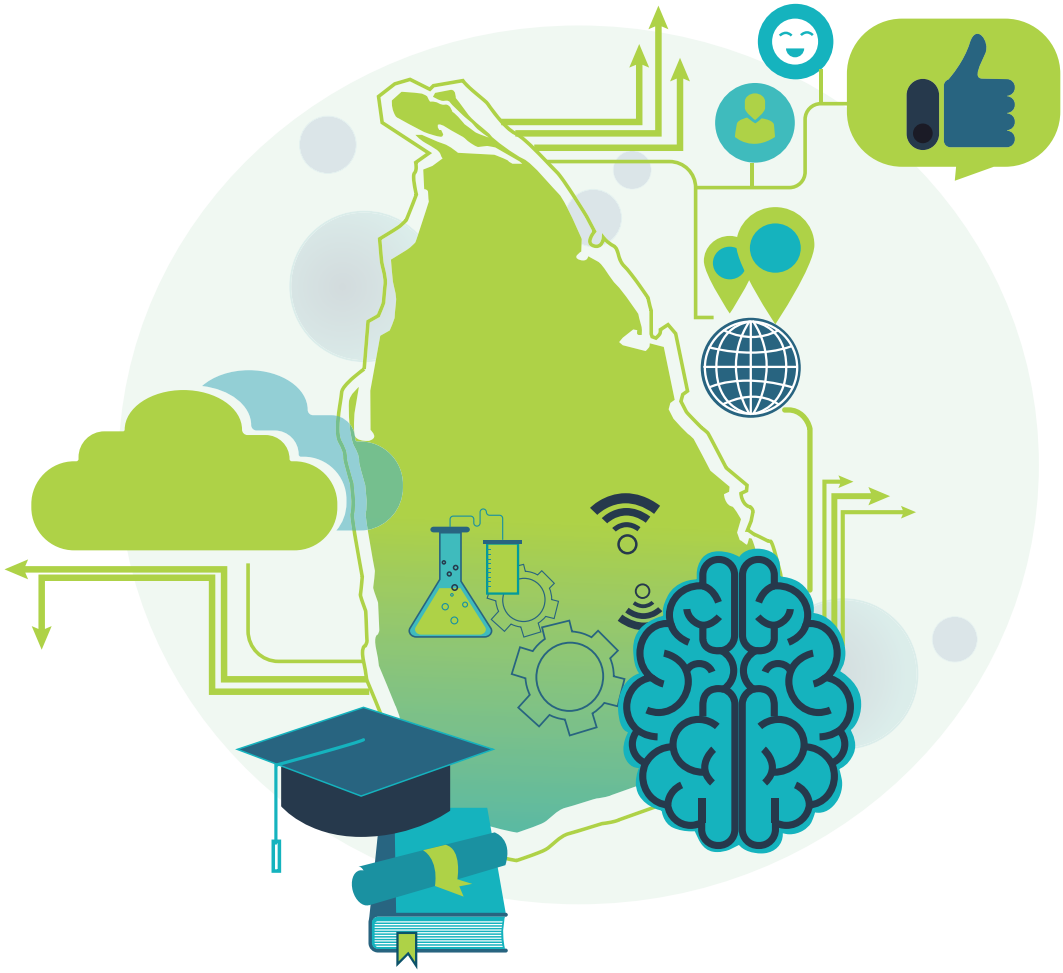
02. CONSTRAINTS TO GROWTH

Reforms are necessary to enhance the productivity, efficiency, and global competitiveness of our economy. We face macroeconomic issues, particularly in public finance management, alongside structural considerations such as lack of product and market diversification, factor market constraints, weak property rights, inadequate infrastructure, inequitable access to finance, as well as institutional weaknesses and the existence of price distortions.

- **Economic growth has exhibited notable structural failings.** Growth in recent years has primarily been through non-tradable activities driven by Government infrastructure spending based on heavy commercial borrowing. Persistent fiscal deficits and external current account deficits have resulted in poor investor confidence and low levels of foreign direct investment (FDI) and private domestic investment. Much of private investment, both local and foreign, has gone into real estate and related sectors as well as uncompetitive import substitutes.
- **Export performance has been weak.** The strong anti-export bias in the economy is a result of often uncompetitive exchange rates alongside high effective protection rates. Sri Lanka's exports are still concentrated on a few, mainly low technology products. The external sector has become heavily dependent on commercial borrowing, FDI inflows related to real estate development, and remittances from unskilled migration for foreign employment. Investment policies have failed to attract transformational, knowledge-based investments.
- **Public finances have been a constraint on growth.** A steady decline in Government revenue generation over time has resulted in a steady increase in public debt accumulation, particularly concentrated on high cost and high risk non-concessional foreign borrowing. High levels of public debt hamper growth through increased uncertainty, over-taxation, predominance of indirect over direct taxation, diverting resources from social and infrastructure development, excessive public sector borrowing resulting in crowding out of private investment and weakening resilience to shocks. The fragile financial standing and the poor quality of public service delivery of state-owned enterprises (SOEs) are additional constraints to productivity and growth.
- **Growth is also hampered by regulatory barriers.** These barriers constrain both foreign and local private investment. Some of the most critical constraints are the dearth of land available for commercial and other productive purposes; the skill profile of the current workforce not being aligned with the needs of a globally-integrated economy; archaic labour laws and inefficiencies in the labour market that hinder female labour force participation; rigid border taxation laws which hamper trade facilitation, inadequate infrastructure in terms of access, quality and pricing of energy, transport and telecommunication; and access to finance, especially for Sri Lanka's small and medium enterprise (SME) sector.

03. A 3-YEAR ECONOMIC DELIVERY PROGRAMME

Over the next three years, within the 2025 Vision, we will implement a comprehensive economic strategy to address constraints to growth. We will aim to raise per capita income to USD 5,000 per year, create one million new jobs, increase FDI to USD 5 billion per year, and double exports to USD 20 billion per year. These intermediate targets lay the foundation for our Vision 2025: Sri Lanka to become an upper-middle income country.



Through a
KNOWLEDGE-BASED
HIGHLY COMPETITIVE
SOCIAL MARKET ECONOMY
Sri Lanka will become

THE HUB OF THE INDIAN OCEAN

04. A NEW APPROACH TO GROWTH

Our new approach to growth will be structured on a knowledge-based, highly competitive, social market economy model. The principles which underpin a social market economy are a well functioning and regulated market that will foster competition and efficiency, combined with high standards of social welfare and protection for the vulnerable. In addition it will be a knowledge-based economy, which will be driven by our intellectual capabilities. The result will be a highly competitive environment which is imperative for us to succeed in the modern integrated global economy.

The social market economy principles will foster and sustain successful institutions and policy, strong market structures, and a fairer society. The private sector will play a key role: achieving high productivity, innovating, enhancing quality, as well as investing and creating new jobs. The Government will coordinate with the private sector to make the economy competitive and successful in the global environment. With market principles, economic competitiveness and social benefit in mind, we will drive appropriate economic and social policies and strategies to ensure prosperity for present and future generations. In order to advance towards a diversified, high-value tradeable sector growth process, alongside domestic private investment, we must attract the right type of FDI that brings in modern technology, access to GPNs and managerial know-how.

The Government will strengthen the drivers of growth and make growth more inclusive. The Government is undertaking macroeconomic, factor market, institutional and regulatory reforms to enhance the productivity and competitiveness of the economy. These reforms are expected to raise private investment, especially knowledge-intensive and technology-driven FDI for export growth in both goods and services.

The Government will strive to create a strong and influential middle class towards an inclusive society. Mobility up the socioeconomic ladder allows people to achieve higher incomes and living standards. We will ensure that all people have more equitable access to public services, job opportunities and living conditions.

We will introduce supportive legal reforms. In particular the new Inland Revenue Act, Foreign Exchange Act, Voluntary Disclosures of Income Act, State Land Bank Act, Anti Dumping Act, State Commercial Enterprises Act, Ports and Airports Act, Ruhunu Economic Development Corporation Act, Lands (Special Provisions) Act, Sustainable Development Act, Liability Management Act, and National Debt Office Act will considerably improve the business-friendly environment.

05. STRENGTHENING THE MACROECONOMIC FRAMEWORK

The Government's strategy to strengthen the national macroeconomic framework will have three prongs: fiscal consolidation, ensuring price stability, and maintaining a market-based competitive exchange rate.

Fiscal irresponsibility, budget deficits, and public debt are constraints on consistent growth. Sri Lanka's tax revenues, which declined steadily until 2015, are paltry in comparison to other middle-income economies. The result has been Government reliance on borrowings to finance the deficit which in turn has enlarged public debt to 79.3% of GDP, making Sri Lanka an outlier among its rating peers. Loss-making SOEs impose a heavy burden on the Treasury, and distort prices across the economy. The bunching of external debt repayments from 2018 requires strong fiscal consolidation measures for debt sustainability and growth.

We will use revenue-based fiscal consolidation to reduce public debt in the medium term. The tax base will be broadened to ensure a tax revenue of 16% of GDP. We will rationalise the tax system by minimising exemptions, holidays, and special rates, towards a fair and effective tax administration. We will strengthen administrative capacity to minimise evasion and improve tax compliance, bolster public finance management such as financial planning and discipline, and commitment controls. To increase tax progressivity and fairness, we will gradually change the ratio of direct to indirect taxation from the current 20:80 to 40:60 in the medium term, as the burden of indirect taxation falls heavily on the less affluent section of the population. We will generate more non-tax revenue as a necessary condition for revenue enhancement.

We will rationalise Government expenditure. The Government will strengthen the Fiscal Management Responsibility Act with mandatory binding targets for the fiscal deficit and overall Government debt levels. Our medium-term priorities are to rationalise public expenditure while eliminating unproductive expenditure. We will restructure SOEs to enable them to operate as commercially viable enterprises with accountability. Pricing of goods and services provided by SOEs will be at market clearing rates, and any form of subsidisation will be provided directly to the targeted population in a transparent manner. The Statements of Corporate Intent of the selected major SOEs provide a framework to pursue these objectives.

The Government will sustain fiscal consolidation to support the growth framework. We will implement fiscal reforms to achieve medium to long-term targets for macroeconomic stability and an improved investor climate. However, the bunching of external debt repayments from 2018 requires tight budgetary control. Due to this lack of fiscal space, economic growth can no longer be driven by Government spending: growth will instead require expansion of tradable activities, driven by private investment to service external debt.

We will initiate liability management strategies for domestic and foreign debt. We aim to progressively bring the debt to GDP ratio down to 70% by 2020. To this end, we have formulated a forward-looking liability management strategy for domestic and foreign debt portfolios under the medium-term debt management strategy (MTDS). This will address the high public debt stock while focusing on meeting Government cash flow needs using an appropriate composition of domestic and foreign debt instruments and maturities.

We will prioritise capital expenditure outlays for development with a comprehensive Public Investment Programme (PIP). After a fifteen-year lapse, the Government has published a detailed PIP for 2017-2020, which can be consulted by investors and other interested parties. The PIP lists over 1,000 ongoing, annual, matured, and future projects, only a limited number of which are included in this document. We will maintain public investment at 5-6% of GDP for the period 2017-2020. We will use this for economic infrastructure development, and for human resource development projects in education, health care, research and development (R&D), and vocational training, instead of buildings as has been the past practice.

The conduct of monetary and exchange rate policies in the past during an era of fiscal excess dampened long-term growth. Large debts necessitated monetary financing of deficits, resulting in uncontrolled inflation. Fiscal dominance over monetary policy prevented the Central Bank of Sri Lanka (CBSL) from adopting policy adjustments when needed. Loose fiscal, monetary and exchange rate policies aimed at boosting short-term economic growth without introducing required structural adjustments resulted in sharp credit cycles and frequent balance of payment difficulties. Corrective measures adopted too late caused disruptive boom-bust cycles and lowered investor confidence.

The Government will take measures to ensure price stability. Our strategy to battle food price volatility and ease people's hardships is two pronged. To address short-term price fluctuations, we will encourage improved domestic supply and distribution networks, and allow imports of food products and essential commodities at reasonable costs within a competitive market framework. For medium to long-term price stability, the CBSL will move towards a flexible inflation targeting regime. They will present a comprehensive 'Inflation Targeting Roadmap' by end 2017, aimed at continuously maintaining low inflation while supporting economic activity and competitiveness. Price stability, which means low, stable and predictable levels of inflation, will keep nominal interest rates low and thereby support investment and long-term economic growth. The Government will implement the legislative and operational changes necessary.

We will allow the exchange rate to be market-determined. This will enable cost reflective pricing across all goods and services produced and traded in the economy, strengthening the competitiveness of Sri Lanka's exports in global markets. Greater flexibility in exchange rate determination will help to build international reserves and strengthen the resilience of the economy to external shocks.

06. STRENGTHENING THE GROWTH FRAMEWORK

The Government will strengthen the growth framework by empowering the private sector. Accordingly, we will incentivise domestic and foreign investment, revamp trade policy to enable an export driven economy, and facilitate services expansion.

Shortcomings in investment facilitation and policy uncertainty are constraints to attracting investment. Private investment will be the key driver of growth in Sri Lanka, complimented by increased inflows of FDI. However, shortcomings in the investment climate have held back expansion of large businesses, growth of new business ventures, and the graduation of SMEs, especially microenterprises. This has stunted private sector growth and reduced the competitiveness of the Sri Lankan economy. FDI inflows since 2009 have been notably low, averaging 1.1% of GDP, concentrated primarily on real estate and mixed development projects.

We will move Sri Lanka into the top 70 countries on Ease of Doing Business global rankings from its current ranking of 110 through legislative and regulatory changes. The Task Force for Investment Climate Reforms has identified the reforms needed to create an enabling business environment. One hurdle that investors currently face is the large number of Government agencies they have to deal with. We will establish a Single Window for new business registration that brings together 20+ Government agencies to streamline procedures and improve the investment climate.

We will clarify and reform investment incentive policies to improve investment policy predictability. We propose to phase out tax holidays, which have been the main traditional incentive offered to investors, and switch to other forms of efficiency improving incentives. The new investment framework will ensure policy coherence and consistency, and streamline procedures to improve the overall business climate and attract FDIs. We will stipulate a standardised package of incentives with clear eligibility criteria. Incentives will be linked directly to physical investments made in the form of capital allowances while appropriately designed incentives will be offered for those in high technology and innovative industries. These incentives will be second to none in attracting the kind of investments that are appropriate for Sri Lanka at our current stage of development.

We will encourage Public-Private Partnerships (PPPs). The Government will support PPPs as a means of reducing reliance on loan agreements in the provision of public assets and services. We are formulating a clear PPP policy with a well-defined legal, regulatory and institutional framework to attract private players with the requisite capacities. PPPs currently focus on provision of public amenities such as transport services, energy generation, drinking water, waste management, and industrial parks. Potential areas for expanding PPPs include health care, leisure, tourism, education, ports and aviation. We will prioritise expanding opportunities for alternate financing, including securitisation, to support PPP programmes.

The Government will take steps to integrate SMEs into the formal sector. To boost domestic private investment, we will better integrate the SME sector into the formal sector through the financial system. We will establish hard and soft infrastructure frameworks to help them improve their brand value, and access credit and new markets. We will implement policies to increase project-based lending rather than collateral-based lending, remove taxes that prevent firms from expanding, and encourage knowledge sharing between R&D institutions and SMEs.

The anti-export bias in Sri Lanka's trade policy has reduced the export share of GDP. Sri Lanka's share of global exports reduced from 0.09% in 2000 to 0.06% in 2016, while its exports as a share of GDP declined from 33.3% in 2000 to 12.7% in 2016. Export composition is stagnant and dependent on a few low complexity products. Export markets are undiversified with respect to markets and products. Para tariffs have contributed to a highly complex, protectionist import regime, inhibiting Sri Lanka's entry into GPNs.

We have formulated a new Trade Policy, along with an original National Export Strategy. These aim to create a more liberal, simple, transparent, and predictable trade regime. These policy changes will attract more export-oriented FDI, improve trade logistics, make customs procedures transparent and quicker, and boost firms' abilities to compete in global markets.

We will phase out para tariffs. The Government will simplify the tariff system to increase competitiveness, encourage integration into GPNs and enhance market access. The timing and sequencing of the trade liberalisation programme will be announced in advance giving adequate time for the business sector to adjust.

We will develop a trade adjustment programme to mitigate any harmful effects on domestic firms and affected workers. This will include Government-sponsored training, capacity building activities and trade cost adjustment compensatory finance programmes. The Government will ensure anti-dumping laws are passed to protect domestic firms from unfair competition. By implementing these trade adjustment packages, we will enable all domestic enterprises to become competitive while mitigating any negative impacts of liberalising imports.

We will take advantage of new and existing Free Trade Agreements (FTAs). Trade and economic partnerships that cover goods, services, and investment with China, Singapore, and India will be finalised and other similar opportunities will be explored. We will leverage the resumption of duty free access to Europe through GSP+ to over 6,000 products, and negotiate expanded market access for the post GSP+ era. The Government will simultaneously focus on unilateral trade reforms to raise overall export competitiveness.

We will enhance access to trade finance by strengthening the Sri Lanka Export Credit Insurance Corporation (SLECIC), with a window for export-import services. To promote the export sector, SLECIC will actively engage in the provision of trade-related services in the drive towards increasing exports.

The Government will encourage diversification of exports into services. We will take advantage of the potential to export services in the fields of knowledge process outsourcing (KPO) and business process outsourcing (BPO), while moving towards cutting-edge technology and intellectual property rights-based (IPR) software product solutions.

We will position Sri Lanka as a global logistics hub. Sri Lanka's strategic location makes it a naturally strong logistical hub. Using PPPs, the Government will expand port infrastructure and related services, including the East and the West Terminals at Colombo Port. This will let us capture the growing transshipment trade across production networks in the East and markets in the West. Our implementation of a Single Window and a new Customs Act will make this sector more efficient through digitalisation.

The tourism sector has not achieved its full potential. The tourism industry remains a major foreign currency earner in the economy contributing over USD 3.5 billion in earnings through over 2 million tourist arrivals. Sri Lanka has tremendous potential for tourism given its geographical location and the many diverse attractions within a relatively small area. To exploit this vast potential, Sri Lanka needs a transformation in the tourism strategy to increase investments and employment. Poor coordination between Government ministries, institutions and stakeholders have hampered the progress of the industry. Market distortions and failures due to inappropriate policies, subsidised operations and limited diversification have resulted in only selected regions experiencing tourism growth. The lack of emphasis on human capital development and tourism research has hindered development.

We will develop tourism according to the new tourism strategic plan. This will aim to establish Sri Lanka as high-value destination reflecting Sri Lanka's natural and cultural heritage, while making the industry socially inclusive and environmentally responsible. We will conserve the environment to ensure sustainability of the tourism industry. We will encourage the private sector to attract tourists from new markets and to offer new products.

We will establish a conducive institutional framework for SMEs in the tourism industry to flourish. We recognise the services by these SMEs, which account for over 90% of all tourist establishments. Appropriate training facilities will be made available to develop this sector with peripheral services.

We will liberalise access to sea and air services to facilitate the tourism industry. Domestic air services will be liberalised. The provision of cruise services and the establishment of yacht marinas will be facilitated.

We will work with the private sector to develop tourist attractions. The Government has identified sites that have great potential to be popular tourist attractions. These include the Dedduwa ecotourism area and the Cultural Triangle Tourism Expansion Project. We have also identified heritage buildings in the Forts of Colombo, Galle, Matara and Tangalle, golf courses in Koggala and Matara, and the Koggala seaplane museum, as possible projects. The development of the Bogambara Cultural and Tourism Centre and the Mattala Tourism Zone is already underway.

07. REFORMS IN LAND, LABOUR AND CAPITAL MARKETS

The Government is aware that its growth model will be severely constricted if the factor markets of the country are not overhauled. Thus this policy will undertake major reforms in land, labour, and capital markets.

Sri Lanka's archaic land policy has created an inefficient and underdeveloped land market. Land markets are stagnant and undeveloped due to complicated tenure and ownership of private lands, the poor system of title security and land registration, judicial inefficiencies, complex inheritance laws, and the lack of a reliable system of land information. These distortions prevent efficient economic allocation of land and deter private investment. Moreover, land fragmentation has shrunk plot size to economically unviable levels in some areas.

We will introduce reforms to develop a dynamic land market. We will change land tenure restrictions associated with alienated lands, offer clear transferable titles, and remove barriers to competitive real estate markets. As the largest landowner in the country, the Government will be a competitive player in the land market. The Government will review key legislations and make necessary amendments to free up land for economic activities and introduce a unified legal framework. We will establish a land bank to facilitate these efforts.

We will align land policy with the broader development agenda. The Government will establish major economic development zones such as Ruhuna & Wayamba and mega projects of urban development. Megapolis project and the Colombo International Financial Centre (CIFC) will take centre stage.

We will implement scientific land management practices. The Government will improve land administration and modernise land management. The initiatives will include: spatial strategy of zoning land resources in a hierarchical order (e.g., national, regional, local) according to land suitability assessments; establishment of a digital system of land information and registration; and establishment of a monitoring mechanism for land management.

Labour market inefficiencies are dampening productivity. Our demographic transition, with reduced birth rates in recent times, has caused a rapidly ageing population and a shrinking labour force, an issue exacerbated by out-migration. A low female labour force participation rate (LFPR) of 35.9% in 2016, just half that of males, is another major constraint to labour force growth. With a large informal sector that accounted for 60% of the workforce in 2015, the enforcement of labour laws, including those provided with social protection, is low. While we have one sector where labour law is for practical purposes non-existent, within the organised sector, inflexibility of the labour market due to archaic labour laws constrains productivity growth and hampers international competitiveness. Other constraints include a low proportion of highly skilled workers, persistent mismatches between labour supply & demand, and high unemployment among females, youth and the educated.

We will facilitate increased female LFPR. This will be done by improving access to good quality, affordable childcare facilities and transportation facilitating part-time and flexible work arrangements, improving maternity benefits for private sector employees, and improving access to tertiary education and vocational training.

We will encourage the private sector to conduct skill development programmes to improve labour productivity. Government vocational training institutes will align their curricula with National Vocational Qualifications (NVQ). Skill development will begin to target older workers.

We will balance policies to promote out-migration with domestic labour market needs. The Government will only promote foreign migration in sectors without domestic labour shortages, and where there is potential for higher earnings and increased remittances.

The Government will invite global Sri Lankans to actively contribute to the country's growth process. More open human capital flows will allow Sri Lanka to benefit from faster skill transfers. The Government will revise immigration policies to facilitate obtaining services of first and latter generation migrant Sri Lankans.

We will formalise sectors of vulnerable employment. Nearly 40% of Sri Lanka's employed population is categorised as vulnerably employed. The Government will standardise occupations with internationally accepted certifications and licensing, to improve social acceptance, employability and service delivery. We will establish a contributory retirement benefit system for informal sector employees to minimise the likelihood of poverty after retirement.

We will strengthen employee-employer relations. Employment Relations Councils will be established to play a key role in steering initiatives with stakeholder collaboration.

Shallow capital markets hamper private sector participation in development. Sri Lanka has the smallest capitalisation of the four main stock markets in South Asia. Limited capacity and size has compelled large private sector players with significant asset bases to consider Initial Public Offerings (IPOs) in other regional stock exchanges and to rely on indirect finance arrangements. The corporate debt market remains undeveloped, and is concentrated mainly in the banking, finance and insurance sectors. Activities in the secondary markets are limited, undermining long-term infrastructure financing needs. Private equity and venture capital markets remain embryonic.

We will encourage market-based reforms to support private sector investments. Correcting the existing legal and regulatory frameworks, financial market infrastructure, and institutions is important to attract FDI and portfolio investment.

The Government will improve the capital market regulatory environment. We will fast track amendments to the Securities and Exchange Commission (SEC) Act and the Demutualisation Bill, and broaden regulatory provisions for the trading of derivatives and commodities, facilitating the penetration of investment products to a larger customer base.

The Government has already taken initiatives to develop the Colombo International Financial Centre (CIFC) and other related services, within the Colombo Port City Development. The project is planned in a manner that the CIFC will be a financial hub located between Dubai and Singapore. The completion of CIFC, along with the proposed National Logistics Policy for Shipping and Air Transportation, and the Telecommunication Connectivity Policy will establish Sri Lanka as the hub of the Indian Ocean.

08. ECONOMIC AND SOCIAL INFRASTRUCTURE

In line with the policy of a social market economy, the Government views the provision and improvement of social goods such as education, skill development, and healthcare as part and parcel of its development agenda. It will support inclusive growth through major infrastructural development, and through a process of technological optimisation and digitalisation.

Education and skills development are currently inadequate to sustain growth through knowledge-based, competitive economic activities. Currently, local universities can absorb less than 10% of students who sit for the GCE A/L Examination. Skills shortages and mismatches are widespread, suggesting that the education system is failing to cater to the job market as it has not been sufficiently demand driven. For example, the local university intake to the Computer Science/IT stream was a mere 5% of total intake in 2014/15.

The Government will make 13 years of education available to all. This will ensure that after completion of school education (or any standardised education), students are directed to higher education, vocational education or to direct employment. After the GCE (O/L) Examination, students will be given the opportunity to follow vocational training within the school system. We plan to reform the education administrative procedures by establishing school boards and an education inspectorate.

Access to tertiary education will be increased. The Government will take steps to increase state university enrolment while continuing with non-state universities with a strong monitoring mechanism to ensure that standards are maintained. A suggested PPP model is to have international universities in Sri Lanka, as these will cater to our knowledge economy, improve university driven R&D, and promote links to global industries for practical training. An interest-free loan scheme for students not accommodated by state universities, to enable access to non-state universities, has already been initiated.

We will expand opportunities for vocational training with private sector support. We will allocate resources to vocational training institutes particularly in districts with high unemployment and underemployment, which in turn will support inclusive growth.

We will empower the youth to contribute to the economy by strengthening their entrepreneurial capabilities. We will restructure curricula in line with dynamics of the global labour market and education trends to provide multiple employment opportunities, developing soft skills and technological knowledge. The Government will integrate career guidance, internships and apprenticeships into the school system, with private sector support.

We will focus skill development programmes on sectors likely to create employment opportunities. We will increase state capacity; and encourage the private sector which is actively engaged in providing education.

Improving healthcare for better labour market and education outcomes are vital. The demographic transition is leading to new disease burdens such as non-communicable diseases (NCDs), accounting for an estimated 75% of total deaths reported in 2014. Public healthcare financing is at 3-4% of GDP and requires supplementation by private spending on health, regulation of which is weak. As ageing escalates healthcare costs, Sri Lanka must review healthcare financing and related regulatory reforms.

The Government will strengthen the curative and preventive primary healthcare delivery system to treat NCDs. The National Policy on Chronic NCD Prevention focuses on four major shared modifiable risk factors that potentially cause NCDs: smoking and alcohol, obesity, unhealthy diet and sedentary lifestyles.

We will support programmes combating Chronic Kidney Disease (CKDu). In 2016, the MOH expanded the number of sentinel sites in the national CKDu surveillance programme from 30 to 50 hospitals, and completed infrastructure development and staff training in the new sites. We are collaborating with cutting-edge research institutes around the world to manage the disease and find a cure. The Anuradhapura water quality assessment laboratory was upgraded to detect heavy metals in water, and is expected to be fully functional in 2017.

We will review excise taxation policies. We will review alcohol taxation policies to link taxation with alcohol content, aligning with global best practices and reducing the consumptions of illicit alcohol.

We will lay the foundation for electronic medical information management systems. Inability to trace individual or family medical history hinders effective diagnosis and treatment. The Government will develop a membership-based system for all citizens with the engagement of the private sector.

We will ensure that all Sri Lankans have access to emergency pre-hospital medical care, with basic and advanced life support. The successful 1990 service which began in 2016 with Indian support, will be expanded island wide very soon.

Inadequate physical infrastructure services are a significant drag on growth. The economic efficiency of recent large-scale projects have been undermined by poor project selection and means of financing. Physical connectivity, both internal and external, will be an important part of Sri Lanka's efforts to position itself as a trade and services hub in the region. Some of the key projects include investments on road infrastructure, Western Megapolis Development, Industrial zones (Charlie Mount, Matara, Kalutara, Seethawaka, Hambantota, and Trincomalee), Kerawalapitiya LNG Project, and the Floating Terminal.

We will increase investment in logistics, with a focus on infrastructure. Economic zones will be established in Bandaragama, Embilipitiya, Vavuniya, Kuliyapitiya and Eravur. The Government is substantially improving Sri Lanka's transport system by upgrading or constructing more than 70 bridges, including the new Kelani bridge. It is modernising and expanding the rail system, for example setting up a new railway line between Matara and Kataragama.

The Government will establish economic corridors. These will pave the way for an economic resurgence with geographically widespread growth to assure prosperity for all sections of the population.

- The South Western economic corridor will provide connectivity to Galle, Hambantota and Monaragala, Kandy and Colombo utilising the network of highways. The second phase will connect to Dambulla via Pothuhera. This economic corridor already includes Katunayake and Mattala International Airports and regional ports in Colombo and Hambantota.
- The North Eastern economic corridor will bring large-scale development to the Eastern and the Northern Provinces, along with the completion of the Moragahakanda and the Malwatu Oya reservoirs.
- The secondary economic corridor is expected to develop agro-based industries and tourism by connecting Nuwara Eliya and Badulla Districts via the Kandy-Colombo Expressway and the Southern Expressway through Mattala.
- An economic corridor between Colombo and Trincomalee will facilitate industrial development.

We will ensure equitable access to safe drinking water and sanitation for the entire population. The Government will improve access to pipe-borne water supply facilities in underserved urban areas and rural and estate areas, focusing on areas affected by CKDu. PPPs on projects such as desalination in Kalpitiya and water supply in Welivita are to be explored. The Government is exploring water supply projects in Jaffna – Kilinochchi, Anuradhapura, Polonnaruwa, Kandy and the Kalu Ganga.

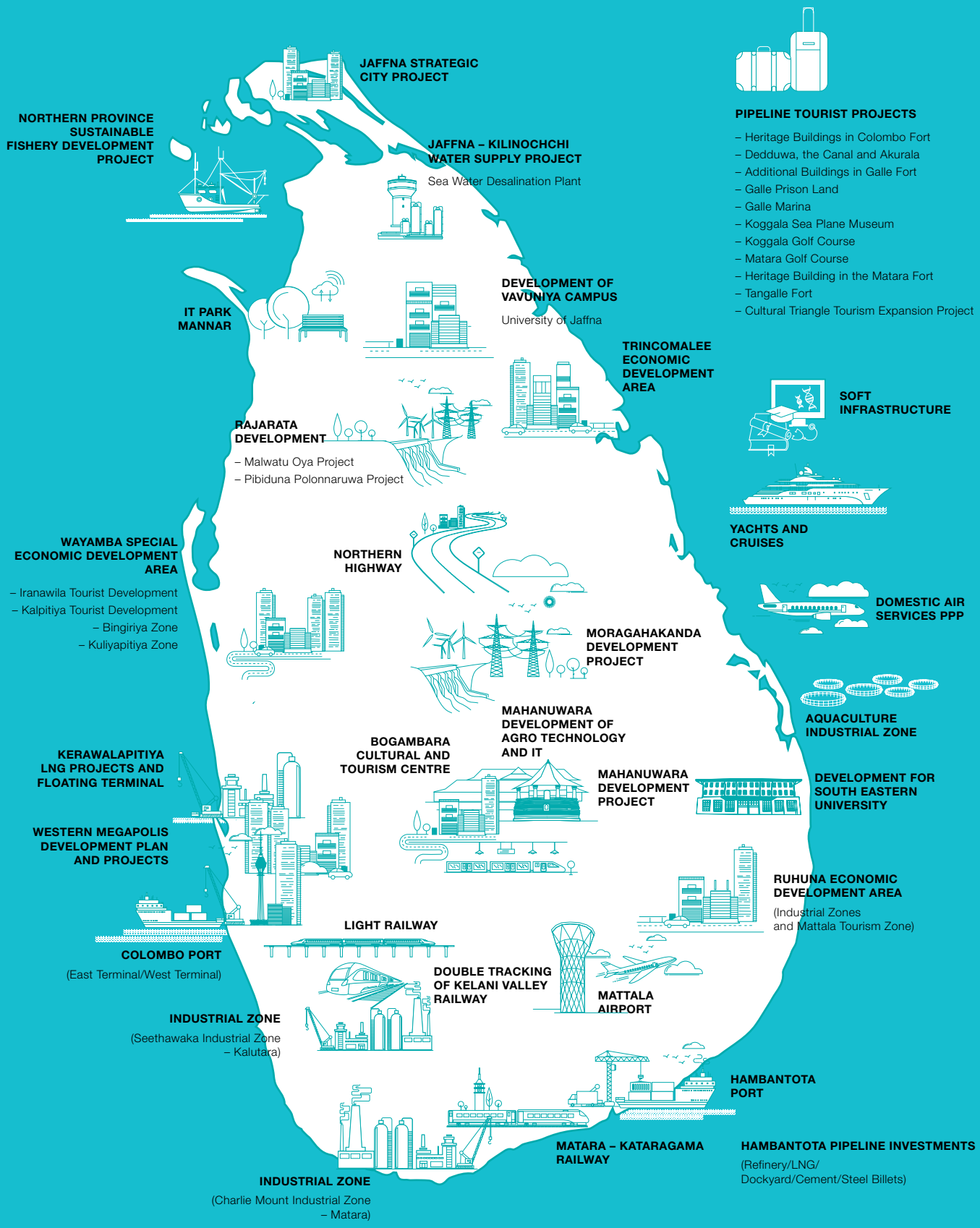
The Government will encourage vertical housing projects to meet demand for urban low income and middle class affordable housing. Many families are in need of urban affordable housing with severe shortages in urban regions. Both the public and private sectors will be further mobilised to address this need, with the provision of land and access to finance, speedy approval processes, provision of utilities and priority in tax filing, and spreading out tax settlements in line with housing payment plans. The Government will also take necessary steps to provide and improve housing facilities for workers in the plantation sector.

The Government will extensively improve the public transport system. We will establish multimodal transport centres with park and ride facilities, electrify the existing railway system between Veyangoda and Panadura, double track the Kelani Valley railway, and construct new rail tracks connecting Kurunegala and Habarana via Dambulla. We will also introduce innovations in the transport system, such as bus priority lanes and an advanced traffic management system. Planning studies will be completed soon for Light Rail Transit (LRT) to begin building six lines in metro Colombo. These measures will greatly ease current passenger congestion in the system as well as increase facilities for the transportation of goods.

We will fast track the long-term structural transport master plan in line with the Megapolis Development Plan. Major development initiatives under the Western Region Megapolis Development Plan include the establishment of a multimodal transport hub, railway electrification and modernisation, waste to energy projects on PPP basis, development of East and West terminals of the Colombo Port, establishment of science parks, and modernisation of the Bandaranaike International Airport among several others. Flood mitigation projects within metropolitan areas, such as the flood control at Kelani River basin will also be expedited.

The Government will encourage the Build-Operate-Transfer model in small to medium scale infrastructure projects across the country. We will empower the private sector to build small and medium infrastructure projects, which could in turn be leased out to the Government with the intention to transfer eventually. These projects could be in education, health and other sectors where Government expenditure is high for infrastructure requirements. The capital saved on construction by the Government will be invested in improving technology, advanced knowledge and human resource development.

SINCE THE ERA OF PARAKRAMABAHU THE GREAT, SRI LANKA HAS BEEN A THRIVING NEXUS OF GLOBAL COMMERCE IN THE INDIAN OCEAN. WITH VISION 2025, WE CAN MAKE OUR FUTURE JUST AS PROSPEROUS.


JAFFNA STRATEGIC CITY PROJECT
NORTHERN PROVINCE SUSTAINABLE FISHERY DEVELOPMENT PROJECT
JAFFNA – KILINOCHCHI WATER SUPPLY PROJECT
Sea Water Desalination Plant
PIPELINE TOURIST PROJECTS
– Heritage Buildings in Colombo Fort
– Dedduwa, the Canal and Akurala
– Additional Buildings in Galle Fort
– Galle Prison Land
– Galle Marina
– Koggala Sea Plane Museum
– Koggala Golf Course
– Matara Golf Course
– Heritage Building in the Matara Fort
– Tangalle Fort
– Cultural Triangle Tourism Expansion Project
DEVELOPMENT OF VAVUNIYA CAMPUS
University of Jaffna
IT PARK MANNAR
TRINCOMALEE ECONOMIC DEVELOPMENT AREA
SOFT INFRASTRUCTURE
RAJARATA DEVELOPMENT
– Malwatu Oya Project
– Pibiduna Polonnaruwa Project
YACHTS AND CRUISES
WAYAMBA SPECIAL ECONOMIC DEVELOPMENT AREA
– Iranawila Tourist Development
– Kalpitiya Tourist Development
– Bingiriya Zone
– Kuliyapitiya Zone
NORTHERN HIGHWAY
DOMESTIC AIR SERVICES PPP
MORAGAHAKANDA DEVELOPMENT PROJECT
AQUACULTURE INDUSTRIAL ZONE
MAHANUWARA DEVELOPMENT OF AGRO TECHNOLOGY AND IT
BOGAMBARA CULTURAL AND TOURISM CENTRE
KERAWALAPITIYA LNG PROJECTS AND FLOATING TERMINAL
MAHANUWARA DEVELOPMENT PROJECT
DEVELOPMENT FOR SOUTH EASTERN UNIVERSITY
WESTERN MEGAPOLIS DEVELOPMENT PLAN AND PROJECTS
RUHUNA ECONOMIC DEVELOPMENT AREA
(Industrial Zones and Mattala Tourism Zone)
LIGHT RAILWAY
COLOMBO PORT
(East Terminal/West Terminal)
DOUBLE TRACKING OF KELANI VALLEY RAILWAY
MATTALA AIRPORT
INDUSTRIAL ZONE
(Seethawaka Industrial Zone – Kalutara)
HAMBANTOTA PORT
MATARA – KATARAGAMA RAILWAY
HAMBANTOTA PIPELINE INVESTMENTS
(Refinery/LNG/ Dockyard/Cement/Steel Billets)
INDUSTRIAL ZONE
(Charlie Mount Industrial Zone – Matara)

09. TECHNOLOGY AND DIGITALISATION

The country needs to develop strategies that encourage the use of digital and other emergent technologies to become globally competitive and to drive the nation towards a digitally-empowered economy. Enhanced digital ecosystems, through reduced transactions costs, will stimulate inclusive growth and job creation, especially by empowering the self-employed and SMEs.

The fields of science and technology have lagged behind. Significant global demand exists for technologically advanced high quality software products, which we have not sufficiently capitalised on. There is a lack of policies and strategies to develop technology necessary for the manufacturing sector. The pharmaceutical, electronics, medical equipment, automotive component industries have received insufficient support, and interest and awareness for R&D is low in these sectors. As a result, there is little incentive for the private sector to enter and invest. Sri Lanka's IT literacy rate was a meagre 27.5% in 2016, with only 15.1% of households with internet access. The technology service sector has long been dominated by ICT, and there is little focus on promoting disruptive innovation technologies such as artificial intelligence (AI), data mining and other high-quality technological services. The economy needs a shift towards innovative, knowledge-based business ventures.

We will put in place a plan of action to encourage the transfer of appropriate foreign technologies into Sri Lanka. Such technology investments could be adapted to address issues of national as well as regional importance and will also help Sri Lanka move up the technological ladder.

We will actively promote private sector investment in digital technology. Incentives to support emerging industries in robotics, cybernetics, and electronics will be provided. We will support development in advanced technology by encouraging education institutions to link up with the private sector. To improve market access for startups, we will facilitate the convergence of multiple technologies and integration with global startup networks. We will encourage the private sector to plan early for future workplaces, commerce, and manufacturing in the digital era.

We will incentivise private sector investment in the ICT industry. The ICT hardware industry will be supported to set up digital component manufacturing and assembly operations. We will establish an improved investment climate for IT BPO service providers to take advantage of the tremendous potential in this expanding industry. Private sector educational institutions will be actively encouraged to offer advanced training programmes of software and hardware development.

We will integrate ICT literacy into school curricula. To move towards a digitally empowered economy, it is imperative that ICT skills are imparted to the younger generation. We will provide the technical infrastructure necessary to facilitate this effort, especially in rural areas. Introducing ICT literacy early in the school curriculum will reduce the skills gap created by high rates of youth entering the labour force as low-skilled or informal sector workers.

We will increase free Wi-Fi provision and increase incentives provided to widen internet access. The Government will do so through citizen empowerment and connectivity development programmes. As provision of internet facilities at low cost is essential to increase the level of digitalisation in the economy, the Government will remove impediments in both markets and regulations.

We will continue the national digital identity initiative. Steps have been taken towards creating an authentication platform with a unique digital ID which will allow an ecosystem of digital transactions, with the participation of public and private service providers. This digital identity can be used for signing documents digitally and for payments. Biometric information stored in the national digital identity card will allow for more secure transactions, increasing efficiency of Government data management and monitoring.

We will increase digitalisation of Government operations. We will launch the SMART society and citizen capacity building programmes, including ‘e-*Grama Niladari*’ to provide efficient basic grass root level services required by citizens.

We will strengthen ICT-based marketing interfaces. Marketing interfaces based on ICT will be introduced for domestic producers to access a larger global market. The necessary technical support will be provided, particularly for SMEs. The Government will promote ICT enabled agricultural extension services to farmers by encouraging mobile phone-based services. This is in line with the social market concept and will move farmers from purely subsistence agriculture to agribusiness, by eliminating information asymmetries and reducing transaction costs along the farmer value chain.

We will encourage innovations in mobile payment systems and peer-to-peer lending platforms with necessary oversight. This will facilitate the growing penetration of connectivity and increasing affordability of devices, which are expected to provide a range of financial services to both small-scale entrepreneurs and low-income households, enabling them to grow their businesses and make financial transactions fast and cost effective.

We will strengthen Sri Lanka's National Intellectual Property Office to manage registration exploitation, regulation and resolution more effectively. As we encourage the transfer of high-end foreign technology and incentivise innovation, it is imperative that such an initiative is underpinned with efficient and effective intellectual property management systems.

We will strengthen the legal framework for electronic transactions. The Electronic Transactions (Amendment) Act will bring Sri Lanka's e-commerce legislative framework on par with Singapore, Australia, China, and other developed countries. The cyber security framework will also be further strengthened.

10. SOCIAL SAFETY NETS

The Government's commitment to enabling economic growth is paired with an equal commitment to protect the most vulnerable populations that live within Sri Lanka.

Existing social protection programmes lack adequate coverage and efficiencies to provide necessary support to the poor and vulnerable. Only the Government pension scheme for public servants provides an adequate pension, but this caters to only 20% of the 60+ population. The rest of the 60+ population either receives inadequate pension benefits, a lump sum payment at retirement (which is not a pension) or no pension at all. The national poverty alleviation programme *(Samurdhi)* is riddled with poor targeting. According to the latest Household Income and Expenditure Survey (HIES), 16% of households received *Samurdhi* cash transfers in 2013 when only 5.3% of households were classified as poor. Reforms are needed to address these issues while safeguarding the poor and vulnerable segments of society as the ageing population increases the cost of social protection in Sri Lanka.

The Government will establish an integrated, efficient social protection system. This will minimise programme duplications, beneficiary overlaps and reduce administrative costs. The digitalised integrated system of the Government will include a centralised database of beneficiaries and standardised mechanisms for targeting.

We will initiate a contributory pension benefit scheme for all workers. The Government will undertake reforms to expand coverage of retirement schemes and provide adequate retirement income. We plan to develop a universal contributory pension designed to provide basic income security to all.

The Government will improve targeting for the *Samurdhi* programme. We will define clear eligibility criteria for beneficiary selection incorporating entry and exit mechanisms to address targeting errors. The Government will improve the balance between its key components, re-emphasising its livelihood development and microfinance components to enable income generation. Further, the digitalisation process will improve efficiency and transparency of income supplement schemes.

We will improve access to public services, education, and employment opportunities for the differently abled. The Government will improve basic infrastructure facilities to empower differently-abled persons to be independent and self-reliant. For example, the Government will provide wheelchair access for buildings, tactile paving for the visually impaired and audio video announcements in public places and public transport. Targeted education will facilitate the learning process and enable active participation in economic activities.

11. AGRICULTURE AND SUSTAINABLE DEVELOPMENT

We will ensure prosperity for future generations while enabling present growth and adherence to the UN sustainable development goals. Therefore the Government will undertake agricultural reforms to minimise food insecurity, and create inclusive growth by developing underserved districts. Recognising the dangers of climate change, we will prioritise environmental protection and disaster management, and energy security. To enable these, we will undertake fundamental reforms in governance.

Sri Lanka's agriculture sector suffers from low productivity and leads to food insecurity and poverty. Productivity of domestically grown food crops, including rice, has stagnated at unimpressive levels even by developing country standards. Sri Lanka had an estimated 4.7 million people undernourished in 2015 with high regional disparities in malnutrition. Malnutrition was especially high in the estate sector. Government policies have exacerbated food insecurity with ad hoc policy changes of import duties and non-tariff barriers.

The Government will facilitate efficiency in agricultural markets. We will facilitate crop production and improvement, agribusiness development, establishment of large-scale agro-enterprises, and introduction of high yield crops. Major initiatives include a National Food Production Programme, establishing agricultural megazones, and strengthening value chain development.

The Government will promote private sector participation and PPPs where feasible. We will encourage the private sector to modernise the agriculture sector, and to introduce efficient and stable modern value chains through models such as trader-farmer contracts, contract grower systems, and agriculture mega zones. We will introduce an Agriculture Logistics Network (ALN) through a PPP that incorporates state-of-the-art solutions for storage and transportation, ICT to improve information asymmetries, and realtime monitoring for effectiveness.

We will expedite the proposed Agriculture Sector Modernisation Project. We will introduce an incentive structure for SME agribusinesses to invest in commercial agriculture and value chains. This will promote partnership arrangements between the private sector and smallholder producers; demonstrate new technologies to enhance productivity, resilience & diversification; and promote technology diffusion.

The Government will encourage the plantation sector to modernise. We will push plantations to become more internationally competitive while ensuring decent living standards of plantation communities. This includes exploring new niche markets, promoting value addition in tea for re-export, and private sector entrepreneurship in rubber, coconut and sugar production.

The Government will help smallholders in the tea, rubber and non-traditional export sectors. We will help smallholders improve production and processing, enhance productivity and align their products to take advantage of global market opportunities. Also, the Government will offer short-term price support in the event of a sudden global commodity glut or collapse in price.

We will promote investment in the livestock sector. Credit facilities will be made available to encourage investment in value addition and development of milk-based products. The Government will also provide support for the poultry industry.

The Government will promote investment in the fisheries sector. We will develop a national policy for the fisheries sector and fish stock assessment in marine fishery to enhance fish quality and productivity for a sustainable fishery industry. We will encourage private sector participation in harbour business development, aquaculture development and the establishment of fishery mega zones. The Government will relax foreign investment restrictions for deep sea fishing, to attract investment to the sector.

The Government will promote a Smallholder Agribusiness Partnership (SAP) project to enhance competitiveness. The SAP establishes and scales up public-private producer partnerships (4Ps) in agribusiness. It enables inclusive rural financial services provision, joint financing, and risk sharing, thereby empowering smallholder farmers as business partners. We will facilitate linkages between smallholder producers and modern value chain actors.

We will encourage nutritious farming practices. We will introduce a national level policy action on food quality and permitted fertilizer levels. This will ensure that organic products are sufficiently available in markets.

Unequal regional economic development is seen in large income disparities, geographically and across population groups. There are pockets of high rates of poverty in the Northern and the Eastern Provinces and in Monaragala, and within the estate sector. The Northern Province has the lowest provincial share of GDP. In the Uva Province, 21% of households are below the national poverty line. Similarly, nearly 55% of estate sector households were estimated to be amongst the poorest 40% of households in 2013. Engagement in traditional agricultural activities, and the limited geographical spread of SMEs due to weaknesses in marketing and infrastructure have contributed to the high poverty levels in rural areas. Thus, we will take a balanced approach to development to ensure lagging regions are not a constraint on Sri Lanka's long-term growth prospects.

The Government will establish a new development bank. We will undertake this using existing financial institutions, to support long-term project-based development financing in the regions and enhance access to finance, particularly in the SME sector.

We will undertake key development projects. This includes the establishment of the Ruhuna Development Area, Trincomalee Economic Development Area, Wayamba Special Economic Development Area (Iranawila Tourism Development, Kalpitiya Tourism Development, Bingiriya Zone, Kuliyapitiya Zone) and Rajarata Development (Moragahakanda Project, Malwatu Oya Project, Awakened Polonnaruwa Project).

The Government will implement a comprehensive District Development Plan for each of the five districts in the Northern Province. The identified priority issues are: resolving issues related to resettlement; rebuilding damaged infrastructure; facilitating livelihoods, community needs and drinking water in rural areas.

- We will continue the owner driven housing programme, and take initiatives to speed up construction of 65,000 houses with amenities and facilities.
- We will prioritise providing sanitation, drinking water and other basic infrastructure facilities to settled families.
- The Government will promote employment and livelihood opportunities in the province, which will require training, credit and access to market. We will facilitate farming, fishing and livestock, the main sources of livelihood for Northern residents. There will be initiatives to rehabilitate and construct new fishery harbours in the region.

- The new Inland Revenue Act provides for significantly enhanced capital allowances for investments in the Northern Province, to provide incentives for development in those districts.
- A scheme to introduce a Certificate of Absence for families of missing people has been approved through the Office of Missing Persons. This will help address difficulties in getting access to welfare programmes, land and other assets, and will be particularly beneficial to the large number of female-headed households in the region.

The Government will initiate and streamline development projects in Uva Province. We will primarily address rural infrastructure development such as building bridges, town development, small and medium size irrigation and potable water supply facilities, an accelerated irrigation development project in Monaragala District *(Wellassa Navodaya)*, the Rideemaliyadda Integrated Development Project, and a revitalisation project for smallholders in the tea and rubber industries. In addition, we will prioritise enhancing access to finance.

The Government will establish regional technology centres. Through these, SMEs will have access to new technology, which will assist them in identifying products in demand, target markets and opportunities to advertise online.

The Government will implement strategies for financial inclusion. Providing access to finance and financial literacy programmes is important for rural development, especially for the growth of the SME sector. We will introduce concessionary loan schemes to promote the spread of SMEs across the country. The Government will implement a SME credit guarantee scheme to address the lack of collateral and support for SMEs, with the support of multilateral agencies.

Weak environment and disaster management has raised Sri Lanka's vulnerability to natural disasters. The frequency of droughts, floods and landslides impose a heavy human and financial burden falling mostly on less affluent sections of the population. With growing industrial activities and urbanisation, environment pollution in the country too is on the rise. Inadequate waste and water management systems, ineffective regulations, and the lack of strong monitoring mechanisms pose threats to sustainable development.

The Government will take steps to improve disaster management. The Government has already established a disaster insurance scheme under the National Insurance Trust Fund (NITF) that insures every house in Sri Lanka against natural disasters. This enables quick claims for those affected by disasters without burdening the Government budget. A National Disaster Reserve Fund for financing post-disaster reconstruction will be established. The Government will resettle high risk communities living in landslide prone areas. Hazard, vulnerability and risk assessment will be undertaken and insurance schemes will be introduced for economically important sectors.

We will follow the Blue Green initiative to encourage low emission economic development. Oceanic and marine resources will be used in a sustainable manner and organic agricultural practices and clean renewable energy will be promoted. We will take steps to encourage research in these areas. The Government will promote climate resilient green technological improvement for food crop production.

We will develop a more environment friendly transport sector. A developed public transport system and increased road safety will reduce the use of personal vehicles. The Government will also promote energy efficient vehicles that will reduce fuel consumption.

We will introduce a green financing strategy. This initiative will encourage banks and other financial institutions to invest actively in green projects and internalise the effects of economic growth on the environment.

We will encourage citizens to practice waste management methods. Waste management has been a major issue in Sri Lanka, but the Government has moved towards a permanent solution. Using tax incentives, we have encouraged individuals and businesses to reduce, reuse, and recycle. We have pushed households to sort their garbage to be disposed of permanently, or be used to produce energy.

We will implement waste to energy projects. In order to curb the issues created by improper garbage disposal, the Government will continue to partner with the private sector in several PPP projects, adopting global best practices of final solid waste disposal.

We will move towards phasing out single use polythene. The Government will impose a tax on polythene bags, and plastic bottles and containers. It will invest the revenue proceeds in waste to energy projects.

High cost of energy could become a constraint on growth. Many major development activities, such as Megapolis, economic and industrial zones and other regional development projects, are expected to significantly increase the demand for energy – in particular electricity – considerably in the medium to long-term. Despite a 99% electrification rate, our electricity supply is still inefficient and unreliable. Over reliance on fossil fuels not only increases our export dependency, but also damages the environment hindering our ambitions for a sustainable long-term growth path.

The Government will increase overall power generation, access, and storage by implementing long-term generation expansion plans. We will implement the Long-Term Generation Expansion Plan (2018 to 2034) to meet the projected demand for electricity from household, commercial and industrial sectors. This will take into account the anticipated spike in the demand for energy with the rolling out of planned industrial zones.

The Government will promote diversified production and storage of sustainable clean energy. The Government will provide incentives for non-conventional renewable energy (NCRE) technologies, such as small hydros, wind power schemes, and solar projects. We will promote the installation of rooftop solar panels as a grid connected utility. The *'Soorya Bala Sangramaya'* which has been initiated under the Ministry of Power and Renewable Energy, aims to add 200MW of solar electricity to the national grid by 2020 and 1000MW by 2025.

The Government will devise a pricing formula for the energy sector. The implementation of formula-based pricing for SOEs dealing with energy products will minimise effects of global energy price fluctuations. We will introduce a cost-reflective pricing mechanism to strengthen the commercial viability of SOEs while enabling them to transparently pass the effects of global price variations to domestic users. All subsidies will be defined and transparently passed on to the user.

The Government will take measures to improve demand management and efficiency. We will provide incentives for energy efficient imports, especially motor vehicles, bulbs, and electrical equipment. Energy star rating for electrical equipment will be introduced to promote efficient energy usage and we will also make smart metering mandatory to help conserve energy. We will promote green construction methods and energy efficient industrial processes such as cleaner production technologies.

The Government will develop the petroleum industry. We will develop the downstream petroleum industry-related infrastructure facilities to regulate imports, exports, distribution and marketing of petroleum products. We will also consider petroleum resource explorations and the development of the upstream petroleum industry. The Trincomalee oil tank farm development will play a significant role in Sri Lanka's participation in the regional petroleum industry.

12. GOVERNANCE AND ACCOUNTABILITY

Weak governance and institutional mechanisms continue to undermine Sri Lanka's long-term growth potential. Weaknesses in rule of law, perceptions on corruption and democratic freedom, amongst others have continued to negatively impact the country's standing in global indices on governance standards. Such weaknesses often manifest in policy unpredictability, weak public service delivery and administrative red tape that deter private investment, both local and foreign and undermine public confidence.

We will strengthen policies of good governance. We have embarked upon an extensive reform agenda, incorporating elements of constitutional reform, economic policy changes, improved governance, and transitional justice. We are committed to fight against corruption, unaccountability, non-transparency and inefficiency in the public service.

We will strengthen ongoing reconciliation efforts to ensure the rights of all citizens and enable everyone to feel Sri Lankan. These efforts will include creating equal opportunity for individual economic growth and advancement.

The Government will uphold and strengthen citizens' Right to Information. The newly passed Right to Information Act makes the state accountable to the people, enables people to take part in decisions, and creates informed debate vital to a thriving democracy. It enhances people's participation in Government by empowering grassroots democracy and activism, and by improving the quality of input and debate. At all levels of Government we will affirm and abide by the Right to Information.

We will implement the *Grama Rajya* (GR) concept. GR is our proposal to address gaps in people's participation in Government and development. GR will enable local communities to become stakeholders in the development of their community, and integrate local projects with mainstream development agendas. The main objectives of GR centre around the socioeconomic and cultural development of localities, social well-being, shared ownership of social economic goods, and alignment of local development with national development goals. GR will create a space in which people participation in Local Government can function within the country's larger macroeconomic framework.

- **We will create 2,500 units across Sri Lanka to operationalise GR.** The creation of these units will consider factors such as economic convergence and viability, social cohesion, geographical layout, for the purpose of creating a citizen demand driven mechanism.
- **We will form a National *Grama Rajya* Commission (NGRC) and Regional *Grama Rajya* Committees (RGRC) to support, facilitate and regulate the operation of GRs.** A General Body (GB) of representatives from areas under a GR will be formed including representatives from recognised organisations which have been in operation for more than three years and are acceptable to NGRC, among others.

13. STRENGTHENING COORDINATION AND MONITORING IMPLEMENTATION

We recognise that policies and projects will not come to fruition without effective implementation, which requires strengthened monitoring and coordination. While creating an enabling environment for the private sector to function properly, the efforts of the Government and the private sector must be coordinated closely if we are to maximise the efficiency and productivity of the economy. This is particularly important given the limited resource envelope of the Government.

We will implement a consistent and predictable economic policy framework. This will be a consistent framework that is designed to reduce uncertainties in the business environment, aligned with the national development strategy and monitored by high levels of Government.

We will strengthen the framework and capacity for monitoring and evaluation. Monitoring the performance of the country's development strategy and programmes will be carried out with focus on the progress of public sector projects (including PPPs), private sector investments, and the overall performance of the macroeconomic framework.

We will use digitalisation to support coordination and monitoring. Accurate and timely information is the lifeblood of efficient management and administration. A comprehensive centralised database will be maintained to collect and analyse project information, and make it accessible to policymakers, investors, and the public. The entire public sector will be digitalised to facilitate this effort.

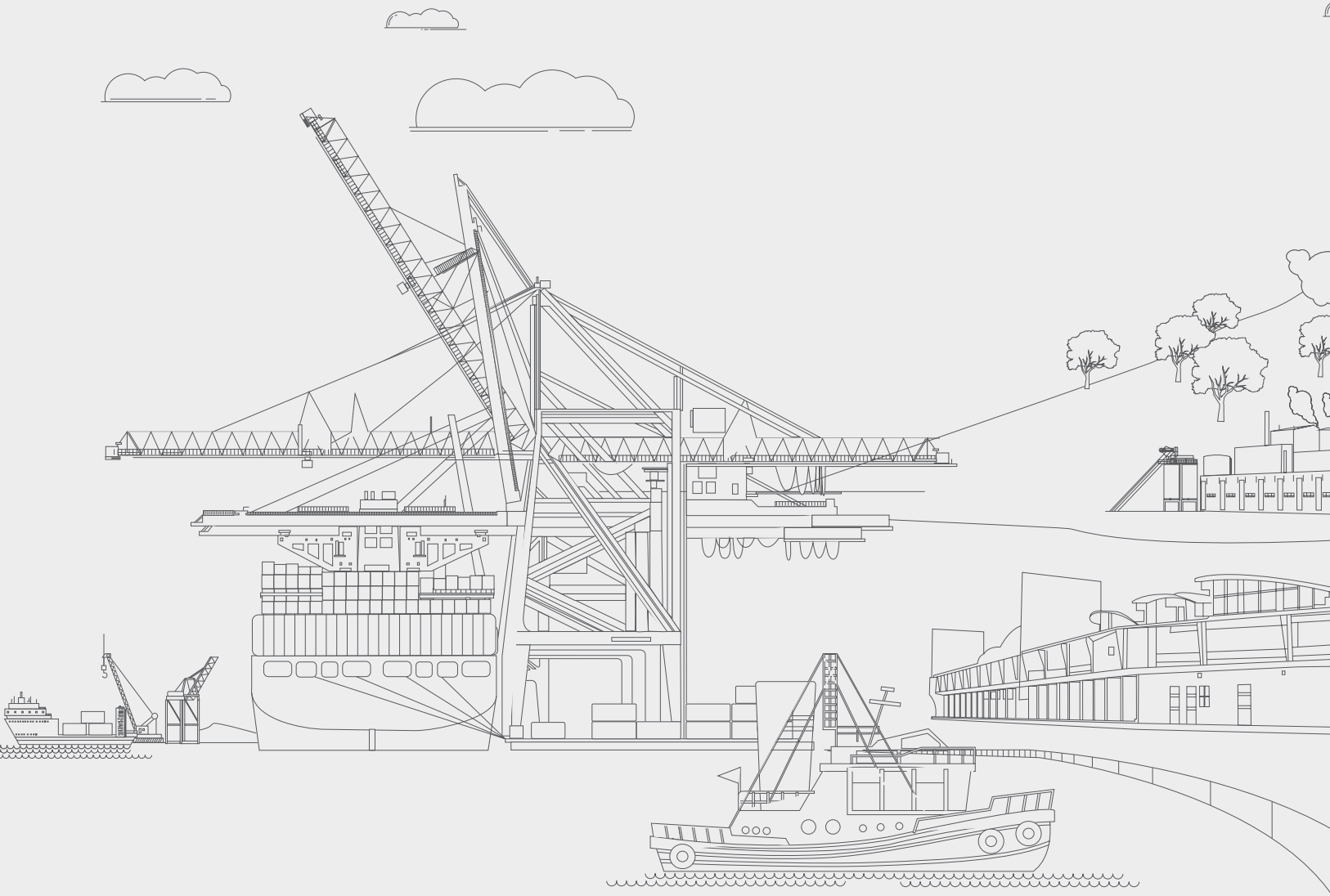
14. CONCLUSION

We will usher in an era of economic prosperity for all Sri Lankans. Our new approach to growth, based on the principles of a social market economy, will seek to foster innovation and entrepreneurship to facilitate skill-based technological change as a driver of productivity and economic growth in the new global economic landscape. We will do this through the provision of an appropriate incentive regime for a private investment led and export driven growth model to leverage Sri Lanka's many advantages as a hub for goods and services trade at the centre of the Indian Ocean.

The new growth framework is underpinned by a clear and transformative process of economic policy reforms. The Sri Lankan economy can no longer depend on a public investment-led and infrastructure driven growth process. High levels of public debt and a rapidly diminishing export share of GDP, accentuated by Sri Lanka's demographic transition of an ageing population with fewer earners and a larger proportion of dependents, pinpoint the need for a transformative reform process. The reform initiatives will address the policies, the state of markets, the role of Government, and regulatory institutions that determine long-term growth dynamics.

A strong and stable macroeconomic foundation will lay the basis for a broader reform effort. A better mix of fiscal consolidation efforts on both revenue and expenditure fronts, coupled with prudent monetary and exchange rate policy reforms will lay the basis for deeper reforms pertaining to trade and investment as well as factor market constraints in land, labour and capital that impede growth. Adopting a multi-pronged approach to development, the reform process will ensure that growth is accompanied by social progress and inclusivity by pulling the low income to gainful employment. We will encourage efforts to raise agriculture productivity and offer price support to cushion the domestic smallholder sector against global price shocks. We will also provide economic security to the less well off through stronger social safety nets to mitigate their vulnerability to shocks.

We Sri Lankans can look forward to a prosperous period ahead with higher living standards and the social mobility that comes with it. Efforts to diversify, upgrade, and deepen Sri Lanka's production and export base will help the transition to meet the legitimate aspirations of our citizens for better living standards. The changes emerging from these structural social changes will result in the formation of a strong and influential middle class that can propel Sri Lanka to successfully make that leap to a rich country.



Through knowledge and technology we will

BRIDGE THE GAP BETWEEN THE CITY AND THE VILLAGE

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OUR VISION IS TO MAKE SRI LANKA A PROSPEROUS COUNTRY. We will do so by transforming Sri Lanka into the ***hub of the Indian ocean***, with a ***knowledge-based, highly competitive social market economy***. We will create an environment where all citizens have the opportunity to achieve higher incomes and better standards of living.

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