What is our development strategy?

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Sri Lanka's economic development has reached a critical juncture. Failed socialist experiments, economic mismanagement, lack of proper training and the NE conflict created an economy without a sound economic foundation on which to build. As a result today we have poverty throughout the country. In fact, the World Bank Report for 2003 on "Poverty and Vulnerability in South Asia" has said that South Asia is the home to the largest number of the World's Poor, this most certainly includes Sri Lanka.

Main contributing factors are the haplessness of the rural poor, who fall victim to economic downturns, unemployment, crippling illness, death, conflict and natural disasters, most often without the social protection programmes such as insurance, and economic safety nets such as unemployment relief and food stamps.

In April, the opposition predicted that the Sri Lankan economy will be buffeted externally by the global recession heightened by the Middle East war and internally by a war/debt ravaged economy. But the Government according to CB figures had done a great job with the economy by containing the fallout. Today we need to ask ourselves what development strategy are we comfortable with? The "trickle down" approach, with government mobilizing all the savings and capital which can be borrowed and letting the group of entrepreneurs invest them in infrastructure, industry and commerce productively to churn out goods and services that people in the country and in other countries will want and pay for.

This increase in capital and value to companies leading to competitive advantage, has to necessarily leave the working classes to make sacrifices and be happy with the pittance coming their way, until the wealth that is accumulating trickles down to them. This approach certainly has lost its supporters. While another set of thinkers advocate the alleviation of poverty, total human development and equity as the government's primary goal. Decentralization of government, privatization of public enterprise, quality education and training of people, technological upgrading, and "private sector as the engine of growth" as its principal strategies. It also envisages the participation of private sector, voluntary organizations and other key institutions in implementing government's policies and programmes.

Obstacles

In Sri Lanka one sees certain obstacles to achieving these goals which mainly are a mindset of some of the entrepreneur classes in the private sector, an inertia ridden senior rungs of the Government's policy making machinery, and weak implementation in general. The growth of GDP this year is expected to be in the region of 5%. This certainly places enormous pressure on external debt. The trade deficit in January of this year alone was US$ 150 million, while Public Debt had risen to Rs. 1.7 billion in 2002. In simple terms we are happy making future generations indebted. This is not the first time we had opted for this solution.

What irks the common man most is the unbalanced spending, non food imports, example imports of non essentials had increased by 34% and motor vehicles by 134%, at a time we are still struggling with infrastructure issues. We must get our act together in building the highways for which the ADB and other donors have come up with the funding.

Pay and productivity

Productivity is another issue, which is more on our collective lips than in reality. Imagine the "creative" minds of the private sector propounding the productivity theory "1/2x2x3" that is half as much people paid twice as much produce three times their output. This sort of thinking can get us nowhere near NIC status. We wish our pay is increased but have no commitment to productivity. Unions bolt at the mere mention of the "word". We need to link performance to competencies and pay. One Swiss management consultant was quoted in a journal saying that it "Costs the entrepreneur the same, whether he hires 1000 idiots or 1000 geniuses". In other words we need to build human capital. One reason which makes even a man whose income is as big as a country's GNP- Bill Gates phone up 400 computer programmers personally at a time, to encourage them to join "Micro Soft Corporation". He values talent and knows that his company's future lies in innovation and upgrading. We must be bold to challenge ourselves in meeting higher goals, add greater value. But it is not all-labour productivity. The private sector as much as the public sector must invest in human resource development, process methodology, R&D and worker training, while conserving energy and economizing on luxuries, so that capital accumulation is rapid and we vindicate ourselves in the eyes of our future generation. In the final analysis, our leaders in the private sector cannot afford to live in their corporate board rooms in isolation any more, they need to wake up, create mor jobs and do it fast.

The Government on the other hand must be conscientious about our work ethic and create a situation where the workers are able to buy more goods for their salaries at the end of the month. That would however require a disciplined government, an opposition that is prepared to shoulder responsibility and work with the government in partnership and above all an assertive civil society.