

When the Business Times this week sought to ascertain the views of the public on the role of the International Monetary Fund, it brought forth a plethora of comments that was as diverse as a hands-off approach (on the Sri Lankan economy) or playing politics to putting pressure on the government to solving the ethnic problem or raising salaries.

In a new monthly series titled 'WHAT DO YOU THINK?' to coincide with the re-launch of the Business Times (formerly FT or Financial Times on Sunday), a group of Sri Lankans representing a cross-section of society like business, politicians, students, academic, economists, professionals, housewives, etc. were asked for a 50-to-100 word response to the question: What do you think the role of the IMF should be in Sri Lanka?

In a nutshell, this is what our respondents (some of whom wish to remain anonymous) wanted from the IMF - Strict monitoring of state spending; Hands off approach; Mind your own business; Need to give good advice; Make sure the government performs; Raise salaries using IMF funds; Improve tax administration; and Solve the ethnic problem.

Economists Playing politics

The IMF should provide assistance when a country is in difficulties, give good advice and make a true assessment of the economic situation. The fund is currently playing politics and losing its credibility by making contradictory statements.

To say that the economy is faring well when it is in huge debt with foreign and domestic borrowing, having a high fiscal deficit and engaging in fiscal profligacy is nonsense. A few days before it made the assessment that the economic performance is good it told the EU that the economy was in crisis. I hope the IMF will insist on the government containing the fiscal deficit within 7% of GDP. Otherwise there would be no fiscal discipline. IMF should preserve its credibility and not make statements that are untrue.

- Senior Economist

Strong role

The IMF role in Sri Lanka should be strong, as long as the sovereignty of the country is not undermined. IMF involvement encourages fiscal/external disciplinary pressure on a country's economy in lieu of long term stable growth, which in turn decreases the economic volatility many developing countries face as a result of short term policies being implemented. This in turn converts to stable fiscal and monetary expectations which are the key macro variables for foreign and even local investors. Economics aside, it is a known fact that the greater the support network we have, the easier it is for us to grow!

- Dinika Jayamaha, Associate Vice President (Economic), Frontier Research

Mandate to assist

IMF has a given primary mandate to assist its member countries in case of balance of payments difficulties. In this regard, it is understandable that the IMF has to advise the countries to improve the macroeconomic conditions ensuring not only the repayment of loans, but also establishing long-term growth and stability. However, the IMF needs to acknowledge the internal requirements of the country that can be different from country to country as well as not to base their decisions on non-economic factors.

- Dr Sirimal Abeyaratne, University of Colombo

Patriot Wrong message

Why did the IMF tell the EU that the Sri Lankan economy is in crisis and tell us that the economy is faring well? I wish they told the EU that we are faring well and told us we are managing the economy badly.

Teacher First lending, now selling gold

IMF has been fashioning economic policy for development in poor countries and providing assistance to restructure these economies. Sri

Lanka has to borrow from the IMF as the country's revenue from exports is not sufficient to bridge the budget deficit. They are imposing conditions connected to human rights issues and we have to accept it whether we like it or not. There is a news report that the IMF has sold tons of gold to the Central Bank (CB). This is good example of the IMF role in Sri Lanka.

- Kulasena Keeniwalagama, former Director of National Institute of Education and currently attached to Lyceum International School

Writer/social activist Stop looking at the west

The IMF should play the role of facilitator, not preach or impose conditions. I believe that the IMF together with the World Bank must realize that there are other models, other than the dominant model we now know and practice what may work for mankind to make a better global economy. It is time that we stopped looking to the west for all the answers and focused on the wisdom of the east. I believe Sri Lanka can be a model economy (with the right mix of self sufficiency and interaction with the world), they could support without reservation and look at us perhaps as a good learning experience.



- Renton de Alwis

Public official Country in crisis

IMF makes its general resources temporarily available to its members experiencing balance of payments. Therefore the IMF's role in Sri Lanka is essentially to rescue the country from its economic problems due to the depletion of foreign reserves. The IMF could play a vital role in Sri Lanka to promote international monetary cooperation, to facilitate the expansion and growth of international trade.

- H. Sumananapala, Commissioner of Local Government.

Retirees Act as a cushion

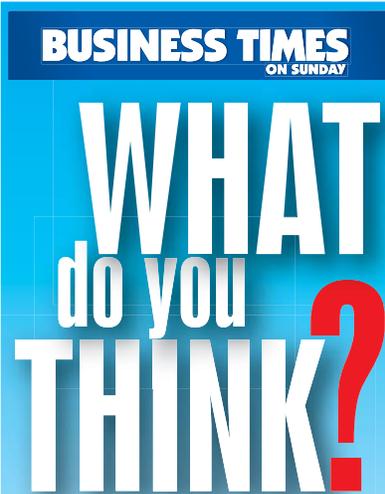
The main objective of the IMF is to oversee the financial global system by following macroeconomic policies of member countries, focusing impact on exchange rates and balance of payments. To this end Sri Lanka should adopt effective fiscal systems to harmonize with the IMF but resist any moves to be bound by conditionalities such as increase in taxes to generate revenue and lower corporate tax rate. Economic performance targets established as a pre condition for loans retard social stability and increase poverty. Accordingly the role of the IMF should be to cushion the impact of global economic downturns by adopting more pragmatic conditions for loans to a developing country like Sri Lanka which has basically an export oriented economy.

- Dulip Jayawardena, Retired Economic Affairs Officer, UN ESCAP

No need to intervene, if

There is no need for IMF intervention in Sri Lankan economic af-

IMF in Sri Lanka: Playing politics or Good Samaritan?



This column will appear once a month and readers are encouraged to write in if they would like to comment on issues of a national, business or social importance that would be forthcoming in coming months. Here's a cross section of the views received:

Stopping corruption

Our main concern is the wholesale price of commodities as the government's taxes on these goods are very high. This taxation has not been changed even with the return of the IMF which granted a loan facility to improve the economy. Retail traders are not in a position to sell essential items at reasonable prices as the government is taxing heavily every item. The IMF should lay down a condition to prune down state expenditure and introduce a simple tax system for the benefit of traders and consumers. The role of the IMF should also be the strict monitoring of state cor-

- Jantan Ruwanpura De Silva, a retired officer of a plantation company in Ambalagoda

ruption and waste as well as unnecessary expenditure.
- Amil S, retail trader at the Kollupitiya Super market complex

Housewife Raise salaries

I am not worried about getting loans from the IMF or any other lending agencies by the government but our main concern is the cost of living. People already have trouble paying their utility bills. Let them raise our salaries with IMF funds first and then raise the prices. If this cannot be done what is the use of the IMF's presence in the country?

- Sandhya H

Taxi driver Solve the ethnic problem

The IMF needs to put pressure on the government to arrive at a lasting solution to the ethnic issue, now that the war is over. They should request the state to pay attention to all the IDPs (local refugees) and others affected by the 30-year long war.

The IMF needs to also pressurise the authorities to put a stop to corruption and restore democratic rights such as the freedom of speech. The IMF is a lending institution, and as with any such entity, it has a certain right to enforce conditions to a country it lends to. As such there is a need to win its confidence.

- Lalith Dharmasekera, President All Island Three Wheeler Drivers' Welfare Association

Lawyers Hobson's Choice

The IMF is a lender at below market rates, who talks to Sri Lanka and reviews the state of the economy and enters into some agreement as to how the borrowings will be utilized. Countries go to the IMF when they are anticipating or after they are, in trouble.

The release is contingent on the things volunteered being done. Governments suffering from schizophrenia, in order to avoid criticism for agreeing to tighten up budgets rant about IMF conditions. In fact these are conditions which the borrowing country has proposed in order to access concessional financing. The fact that the IMF is staffed by economists who are in a position to advise is the window through which the schizophrenics jump and mis-present this as impositions! At one time, it was alleged that the IMF and its Breton Woods sister, the World Bank imposed the Washington Consensus on borrowers.

Today, short of going the economic route of Pyongyang, Havana or Caracas, what's the alternative? It's the old story about Hobson's choice and the conundrum of Hobson not being among the applicants!

- Charitha Ratwatte, a lawyer-CEO with over 30 years experience in government and business

Appreciate the rupee

The recent review by IMF on the first installment of the IMF loan raise more concerns on maintaining a 6% budget deficit which will be a situation where the public has to bear most of the government expenditure by more taxes. There are many requests for the government to appreciate the rupee which will help the foreign remit-

tance inflow but badly affect exports. As a migrant activist I am very much in favour of appreciating the rupee as it will benefit migrant workers and their remittance which is the second largest foreign exchange earner. The IMF has to consider - when negotiating with the government - the migrant worker economy as they are the second largest segment in the economy in terms of earning foreign currency.

- Lakshan Dias, a lawyer who works on migrant worker rights issues

NGO Promoting employment

The mandate of the IMF is to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world. Thinking proactively, can it assist in settling India-Sri Lanka preferential terms of trade as well GSP plus? What can it do to promote high employment? Transferring excessive cadres to more productive cost effective sectors while also providing opportunities to those aspiring to enter employment?

- Jeevan Thiagarah, CEO of an NGO umbrella group

Sri Lankan Expatriates Improving tax collection

I think the IMF can play a useful role in improving the tax administration of the government. As a proportion of GDP, Sri Lanka collects a rather low volume of taxes from the public, compared to other countries. This has hampered the development of the country and will pose challenges for the management of public debt unless something is done soon. Sri Lanka has a very weak record of raising direct tax revenues for the government. Too much of the burden of taxation of the public goes on indirect taxes on fuel and non-food items which makes the cost of living quite high for the average person. Successive tax commissions have opined on possible changes to tax policy but not much has improved in tax administration.

For example, the VAT system was manipulated by some officials and businessmen because of weak administration. The IMF can make a difference by getting a set of experts from other countries who have run successful tax departments to come and advise the Sri Lanka inland revenue/customs departments and their staff on how to improve tax compliance and efficiency.

- Arjuna Mahendran, Managing Director, HSBC Private Bank (Suisse) SA, Singapore

IMF-Look in the mirror

International organizations like IMF can help countries in three ways - Policy formulation, policy activation and strategy-enabling funding. The global financial crisis has led to economic and business rules being re-written, starting with the more powerful nations, industries and companies. Therefore organizations like the IMF must work with emerging markets to develop practical and localized solutions - as opposed to 'prescribing' formulae. In the current global climate, organizations like the IMF need to question their role and purpose in life, perhaps re-invent themselves to a new world order that is looking increasing eastwards.

- Hilmy Cader, CEO, MTI Consulting, based in Bahrain

Academic Two roles

IMF's key role in Sri Lanka ought to be two faceted. First, it should assist the country in terms of the requisite funding for development. Second, it must play the monitor-role. This is the provision of checks and balances, especially with regard to fiscal responsibility, chief among them, the management of the budget deficit. This monitoring role of course must, in essence be productive, rather than merely penal, in nature.

- Academic

