

COUNTRY PROFILE



Sri Lanka

GLOBAL RANK: 60th of 104



Sri Lanka ranks 59th and 61st on Economic Competitiveness and Comparative Liveability respectively, which translates to 60th overall. Sri Lanka has relatively good levels of mass education and a warm climate, but its ranking is pulled down by a lack of innovation and low levels of invested capital.

● BACKGROUND

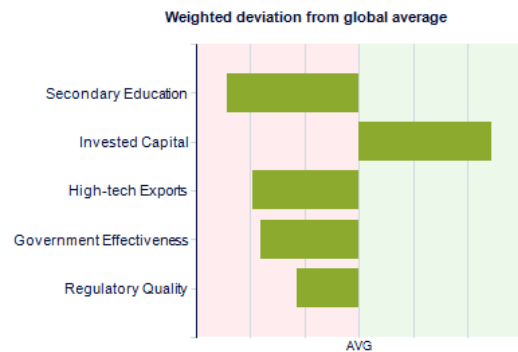
Since 1983, the government of this South Asian island nation has been engaged in a civil war with Tamil separatists in the north, which has so far killed over 70,000 military personnel and civilians. Despite war and the devastation caused by the 2004 tsunami, Sri Lanka experienced robust economic growth through 2006-07, driven by tourism revenues, exports of tea, and the garment industry.

FAST FACTS

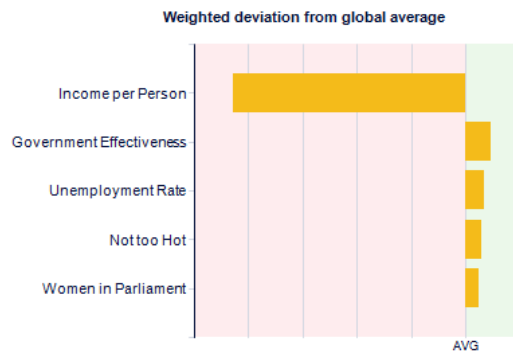
<b>Population:</b>	21.1 million (2008 est.)	<b>FDI (net inflow):</b>	1.16% (2005 est.)
<b>Life Today</b>	4.4 (2007 est.)	<b>Exports</b>	25.54% (2006 est.)
<b>GDP (PPP)</b>	\$81.29 billion (2007 est.)	<b>Imports</b>	38.05% (2006 est.)
<b>GDP (Growth)</b>	6.3% (2007 est.)	<b>Unemployment:</b>	5.7% (2007 est.)
<b>GDP (per Capita)</b>	\$4,100 (2007 est.)	<b>Life Expectancy</b>	74.97 years (2008 est.)
<b>Political System:</b>	Republic		
<b>Foreign Aid:</b>	2.25% (2006 est.)		

● KEY SCORE DRIVERS

ECONOMIC COMPETITIVENESS



COMPARATIVE LIVEABILITY



For three decades after independence in 1948, Sri Lanka followed a socialist vision of economic development aimed at dismantling the colonial plantation system. Since 1977, Sri Lanka has incrementally developed its economy, followed import-substitution with export-promotion policies, and now boasts one of the most open trading regimes in South Asia. Nevertheless, this success has not been translated into effectiveness in governance, which remains weak.

More positively, mass education levels are high, and over time this has the potential to turn around Sri Lanka's poor innovation score, particularly in the number of researchers produced, which should lead to greater economic development.

Sri Lanka's textile manufacturers have retained a competitive niche

Although poor compared to the world average, Sri Lanka has relatively high income levels by the standards of its South Asian neighbours. Based on IMF figures, per capita income is about 50% greater than in India. However, almost a quarter of Sri Lankans live in poverty. These problems are particularly acute in the countryside: and although two-thirds of the population live in rural areas, agriculture directly contributes only 15% of GDP. With approximately 85% of tax revenue coming from indirect taxes, Sri Lanka's poor labour under a regressive tax system that makes their situation all the more difficult.

Despite these statistics, there is considerable optimism in Sri Lanka. According to the Gallup World Poll, 96%<sup>9</sup> of people there believe that it is possible to get ahead by hard work. Nonetheless, many Sri

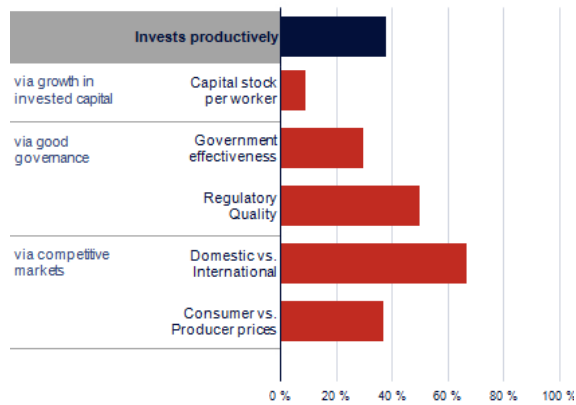
in high-quality garments since the expiration of the WTO Agreement on Textiles and Clothing. However, the Sri Lankan government hopes to diversify away from light manufacturing and into IT services, such as call centres, drawing on relatively high levels of English proficiency and good levels of entrepreneurship.

However, Sri Lanka will need to raise currently low levels of capital investment in order to achieve this goal. Moreover, the long-term success of the economy remains dependent on the security situation. A permanent truce with the secessionist Liberation Tigers of Tamil Eelam remains elusive, and the security situation has deterred foreign investment.

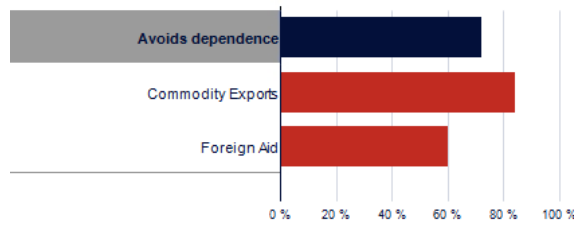
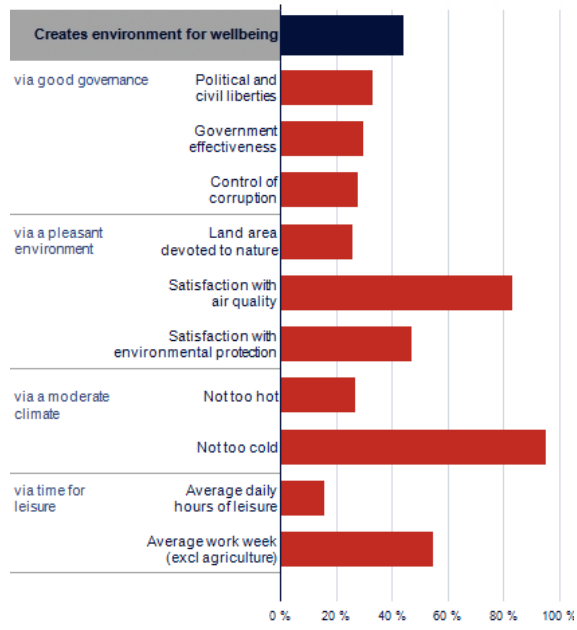
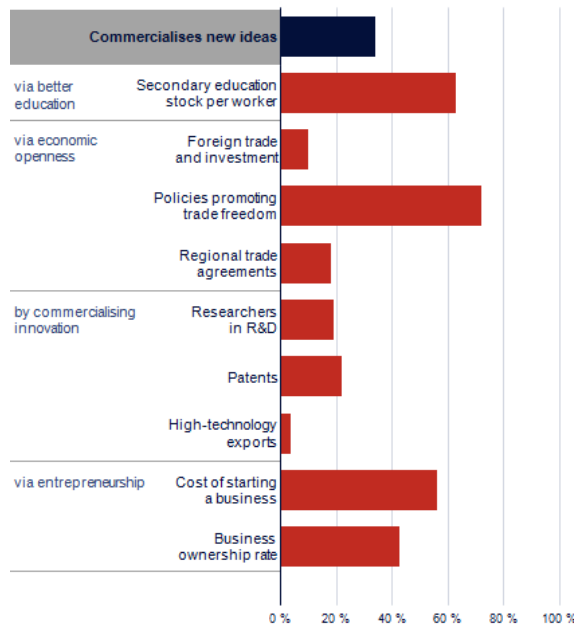
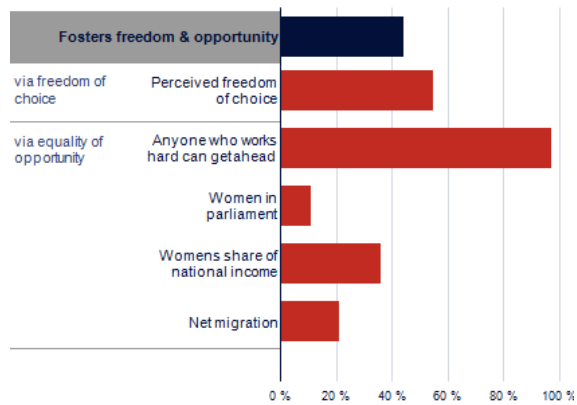
Lankans have chosen to pursue these opportunities abroad: 800,000 Sri Lankans live and work overseas, and contribute approximately \$1 billion in remittances.

Even given these high levels of emigration, Sri Lankans enjoy a strong family life, as represented by the low levels of widowhood (2.5%<sup>9</sup>) and divorce (0.4%<sup>9</sup>). The country's warm climate relieves Sri Lankans of the burdens associated with cold weather, such as the need to pay for heating.

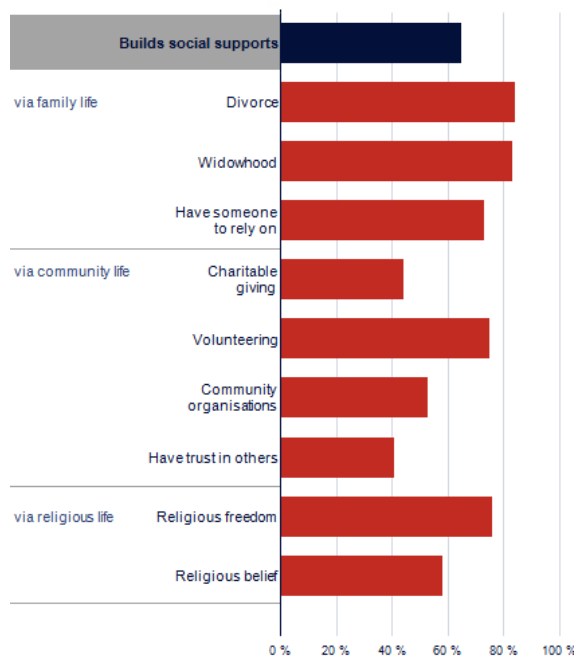
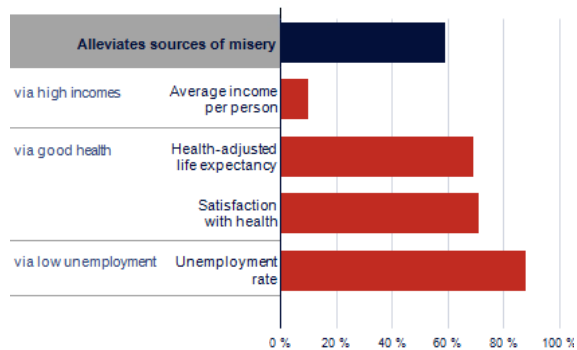
### ECONOMIC COMPETITIVENESS: SCORECARD



### COMPARATIVE LIVEABILITY: SCORECARD



All subindicator scores in the Index are shown unweighted, expressed as a percentage of the score for the best-performing country in the Index. Indicator scores (in dark blue) are derived from the weighted average of relevant subindicators. For more information on how the subindicator scores are weighted to produce indicator scores and an overall Index score and ranking, see Chapter Two of this report.



**References:**

<sup>9, w</sup> See [www.prosperity.com/references.aspx](http://www.prosperity.com/references.aspx) for further details including date of survey, sample size, and margin of error.