



## **Pathfinder Economic Flash**

### **Welcome to His Holiness Pope Francis: Inspiring Institutional and Policy Reforms.**

This article is being written on the eve of the elections. By the time it is published the outcome would be known and the country will be looking forward to the Papal visit. His Holiness Pope Francis has proved to be a remarkable Pontiff. As an Argentinian, he is the first person from a developing country to grace this eminent position. His refreshing approach has undoubtedly been influenced by his Ministry in his homeland which would have given him first hand exposure to the challenges of living in the developing world.

#### **Reforming the Church: Leading from the Front**

Pope Francis assumed his position when the Catholic Church was in crisis. Sexual and financial crises had shaken the venerable religious institution to its very foundations. Its flock of 1.2 billion people around the world was in need of leadership that would revive their faith. It is remarkable that in a relatively short time the current Pontiff has been able to change the entire narrative through a combination of his highly spiritual and simple personal lifestyle; as well as his willingness to speak out whenever he has come across injustice in any part of the world. This is not all. He is going beyond changes in form to substantive reforms. There are lessons to be drawn for the newly-elected government from the Pope's decisive actions. His visit to Sri Lanka should have resonance not only through his simple lifestyle but also the radical structural institutional reforms he is undertaking at the heart of the Vatican to strengthen governance.

The Pope and his nine key Cardinal advisers are drawing up plans to revamp the whole bureaucratic structure, merging offices to make them more efficient and responsive. The Vatican's finances are also being overhauled. New financial and budgetary measures are being imposed to increase transparency and accountability. The Pope is also changing the composition of the College of Cardinals by appointing more of them from the developing world. Most recently, 9 of the 15 Cardinals appointed by him were from the developing world. In addition, he has appointed a Moroccan – born French Prelate to lead the Vatican's highest court.

Pope Francis has said that while his major institutional reforms are moving ahead, what is taking much longer is 'spiritual reform'. He has accused senior Cardinals of 'spiritual Alzheimers'. He used his traditional Christmas message to deliver a the public dressing down of the Curia, the central administration of the Holy See, which governs the 1.2 billion strong

Catholic Church. He signalled that his plans for institutional reforms had to be accompanied by more radical changes in the minds of the men involved. Pope Francis' willingness to challenge vested interests for the benefit of the larger Catholic community is a message which should be taken on board by the country's newly elected leadership.

### **Learning from His Holiness**

The Pope's determination to change the thinking of the Catholic hierarchy has great resonance for both the government and people of our country. Our political culture has been deteriorating in several aspects over the years. These must be arrested and reversed with primacy given to the rule of law over impunity and thuggery. Equally, the Sri Lankan people need to move away from an entitlement culture dependent on the doling out of political patronage to a mind-set imbued with an entrepreneurial spirit which takes cognisance of the importance of merit, productivity and competitiveness.

### **Reforms in India and China**

Today, major reforms are not confined only to the Vatican. The newly – elected government can also draw lessons from the changes taking place in both India and China. The reforms in India will generate both opportunities and competitive challenges. It is important that Sri Lanka acts proactively to position itself to deal with the changing commercial realities in India. At the same time, China will emerge with a more vibrant private sector and further implementation of its going-abroad strategy. It is important that the enabling conditions are created to take advantage of the opportunities which will be created through China's maritime and land based Silk Road initiatives which will be backed by the funding to the tune \$40 billion.

The Modi government has embarked upon an ambitious program of reform to boost the faltering Indian economy. The signs of its revival are already beginning to emerge with growth picking up, inflation abating, the share market booming, non-debt creating foreign inflows rising and the balance payments strengthening. The reforms have been introduced in the following areas: tax structure and administration; increasing limits on FDI in insurance, defence, railways and real estate; simplifying the land acquisition law; greater transparency and less discretion in the coal and power sector; de-regulation of fuel prices; opening up of the petrol and diesel sector to the private sector; addressing agricultural inflation; promoting financial inclusion; launching flagship programs such as digital and skilled India; labour law reforms; banking sector reforms, including recapitalization of banks, professionalizing management, while allowing greater autonomy; measures to combat 'black money' both domestically and abroad; trade facilitation measures 24/7 customs clearance; and e-visa to boost tourism. The Indian government has identified the following challenges for next year: encouraging and enhancing investment; stepping up infrastructure spending; and giving the manufacturing sector a major boost.

In China, President Xi Jinping has also launched an ambitious reform program. These include: a clamp-down on corruption which has reached the highest echelons; a greater role for market forces in the economy through wide ranging de-regulation with the removal of

over 600 administrative approval procedures; SOEs being forced to operate on a more commercial basis, including corporatization of the railways department which employs 2 million workers; announcement of a strong link between wage increases and productivity, with priority being attached to continuing education and skills training; establishing a market for rural land; easing restrictions on rural migrants living in urban areas; restructuring the relationship between central, provincial and local governments with the latter two levels gaining a greater share of tax revenues; reforms to reduce distortions in the financial sector; reforms of social security, pensions and healthcare; accelerating the \$1 trillion infrastructure development program, particularly in the hinterland to realise the potential of catch-up in the lagging regions as an important source of future growth; and granting 4G broadband licenses with e-commerce in China expected to overtake the US this year.

## **Conclusion**

Pope Francis is a highly inspirational figure not just for the Catholics but for the whole world. His visit to Sri Lanka is very timely. His message of reform and renewal backed by determined action has resonance both for the newly elected government and the people of this country. In addition, we can draw lessons from both China and India regarding the level of ambition for our reform efforts. The enormous potential of the present historical conjuncture, spelt out in many previous Pathfinder Foundation articles, must not be frittered away through poor governance and populist policies.

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