

Session 05-Realizing the Potential of Mega Development Projects

Summary

- **Mega Projects are very important to a country due to their benefits to the economy, technology, opportunities, culture and employment.**
- **The high quality and the efficiency of the private capital and modern technology they are using, the private sector participation is important in mega projects.**
- **More accurate, stable, clear and transparent framework for private sector participation in mega projects is a top priority.**
- **Needs to change Sri Lanka's labour laws as per the requirement of the knowledge based economy.**

Key Takeaways

1. Mega projects are important and are welcomed by a country due to its contribution to the economy, to enhance the quality of lives of people, to boost government recommendations and to leverage and get large investments from foreign countries.
2. Mega projects should have a mega impact to the society, economy and to the country.
3. Private sector participation is very important in mega projects as there are spending and other limitations in the central government. As per the experience of India, there are three ways of getting the private sector participation in mega projects.
 - If the private sector participation is possible for the whole project the government is not investing on that.
 - When there is a viability gap; marginal possibility of success, the government spend few money to enable the private sector to make particular project possible.
 - When the government is not possible to invest.
4. The high quality and the efficiency of the private capital and modern technology they are using, the private sector participation is important in mega projects. Further to that, the private sector has the incentive to deliver the project faster to get returns faster.
5. In order to get more participation of the private sector, there should be more accurate, stable, clear and transparent framework for private sector participation in mega projects. Further to that, institutional alignment and consistency in regulation is very important.
6. Colombo International Container Terminal (CICT) is the single largest FDI into Sri Lanka to date and it is China Merchants Group's first green field terminal investment in Sri Lanka.
7. China will invest heavily and create Hambantota harbour as a major logistics hub in the world. It is not merely about a port but is an investment project that benefits many Sri Lanka through development of industries. Geographical location of the Sri Lanka is the key factor to China's decision to invest in Sri Lanka.

8. Several mega projects underway in Sri Lanka are opening up significant opportunities for domestic and international businesses. These included the Western Region and the Hambantota Logistics and Industrial Zone, but Sri Lankan businesses are not keen to leverage on these, while some are concerned that they will be spectators and not be able to fully capitalize on its benefits. Local companies only forward agents and are not keen to invest in projects like light rail system and other mega projects.
9. The labour laws of Sri Lanka needs to change as per the requirement of the knowledge based economy. Current labour laws of Sri Lanka are focused on blue collar workers, but this should change for white collar workers. Need to focus on flexible working hours, work in part-time etc. By this, Sri Lanka can enhance the workforce participation of large proportion of educated workforce. Although there are number of graduates, they are not seen to be actively engaged in employment, mainly educated women.
10. Since 1950s, the global manufacturing base has been relocated three times.
 - In 1950s, 1st round- Factory bases in US and Europe were relocated in Japan
 - In 1970s, 2nd round- Factory bases in Japan were relocated in Singapore, Hong Kong, Taiwan and South Korea.
 - In 1990s, 3rd round- Factory bases in above four areas were relocated in China. This was the main opportunity that China got when developing the Shenzhen area as a Special Economic Zone.
 - Currently, the 4th round of industrial relocation is happening and factory bases in the coastal region of China is moving to Central and Western Regions of China, Southeast Asia and to Africa.
11. As per the Study by China Development Institute, one of the most restricting factor in industry relocation is incomplete infrastructure.
12. When a country is setting up a Special Economic Zone (SEZ), the 123 Planning Framework is important.
 - 1: Law- SEZ Act
 - 2: Planning- Industrial Planning and Spatial Planning
 - 3: Proposals- investment Feasibility study, Proposal of Financing and Proposal of Operations.

Recommendations

1. There should be more accurate, stable, clear and transparent framework for private sector participation in mega projects.
2. The labour law of Sri Lanka needs to change as per the requirement of the knowledge based economy. Should focus on areas such as flexible working hours, work in part-time.