

Key Takeaways

Sri Lanka Economic Summit 2017



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Inaugural Session-Accelerating Growth, Pushing for Performance

Summary

- **Stability and consistency are the top priorities of the government. Structural reforms and creating an investor friendly environment are also major concerns of the government.**
- **It is important to have more domestic private sector investments.**
- **Sri Lanka should consider value added manufacturing with skilled labour.**

Key Takeaways

1. Considering the macroeconomic condition of the country, Sri Lanka is moving firmly towards lowering its fiscal deficit, improving public finance, prioritising public expenditure and investments, reforms in state-owned enterprises, enhancing tax revenue and achieving surplus in current and primary accounts.
2. Central Bank is focusing on flexible inflation targeting and forward- looking, proactive monetary policy.
3. With the formalising of trade agreements with India, China, Singapore and agreements with China, Bangladesh and South Korea forthcoming, Sri Lanka will be the only country to enjoy preferential access to India, China and the EU via GSP plus scheme. Incorporating the FTA with Pakistan, the proposed market size will be 3 billion, consequent to the formalising proposed FTAs.
4. Sri Lanka should consider value added manufacturing with skilled labour and maximise the capital surplus of Asian countries to attract FDIs into manufacturing sector in Sri Lanka.
5. It is important to have more domestic private sector investments. Whilst foreign companies are investing in the local stock market and government securities, such investments were not been witnessed by the domestic private sector.
6. The presentation of the Anti-Dumping Bill to the parliament, formulation of a Trade Adjustment Package in partnership with the World Bank, ITC and EU to assist the vulnerable domestic sector be competitive and retrain workers are the possible steps to safeguard the domestic sector interest.
7. Rapid export orientation of the economy was critical for the future success of Sri Lanka. Exports have fallen drastically over the years and the country was doomed unless the economy was reoriented from non-tradable to tradable economy.
8. The lack of focus on exports was the reason for export oriented GDP growth of Sri Lanka to be the lowest among 10 sample countries.
9. Coordination failure is a grave problem today. A policy decision made by one ministry is contrary to another. This together with policy uncertainties adversely impact the private sector. The government is aware of these concerns and are in the process of resolving them.
10. The government will launch a three-year economic policy plan in September and this plan will show precisely what is going on until the end of the first term of the government and an eight plans towards 2025. The intent of the policy plan is to address the fundamental

policy problems of reorienting the country's economy from non-tradable, unsustainable, inefficient one to a tradable, sustainable, efficient one.

11. Using IT is a good method to dealing with systematic corruption and reduce the discretion of politicians and high-places officials.
12. Stability and consistency are the top priorities of the government. Structural reforms and creating an investor friendly environment are also major concerns of the government.
13. The new Exchange Management Bill has been tabbed in parliament replacing the existing Exchange Control Act with the intension of moving away from outward control and to offer incentives for exchange to be brought into the country.
14. A new Audit Bill and Customs Ordinance is also to be introduced.
15. The introduction of e-procurement, which will drastically reduce the number of days is a dire necessity.

Recommendations

1. Sri Lanka should focus on value added manufacturing with skilled labour.
2. There should be a mechanism for proper coordination of government agencies.
3. Introduction of e-procurement in order to reduce the number of days.

Session 01-Executing Reforms and Building Better Institutions

Summary

- 1. Governments across the globe face a common set of challenges in implementing economic, social and fiscal change.**
- 2. McKinsey has developed a 10 step breakthrough delivery methodology which transforms plans into results.**
- 3. Proper communication is a top priority for a government.**
- 4. PPP defined as a capital formation in PPP and the transfer of ownership or lease of dead or unproductive assets on a new business model and governed based on a complex concessional agreement.**
- 5. Priority focus areas of the Sri Lanka's new PPP agency are transport infrastructure, utility, ports, tourism, construction, IT, agri business, mining and mineral sector, financial sector and logistics.**

Key Takeaways

1. In implementing economic, Social and fiscal change, a government face a common set of challenges in the areas including leadership, powerful stakeholders, silos such as federal vs local, which have different and competing needs, lack of delivery capabilities and insufficient funding.
2. McKinsey has developed a 10 step breakthrough delivery methodology which transforms plans into results.
 - Prioritizing – Government's need to prioritize in order to deliver real and meaningful change. This is as much as what they chose not to do as much as it is what they choose to do, as there are competing needs.
 - Labs – identifying needs and impact at a very granular level
 - Budget – “any plan without a budget is a draft”
 - Public Feedback – the time that we think that government's know best is gone, we must get public feedback” through multiple channels, including real-time feedback through social media, conferences.
 - Roadmaps - clear plan of what the Government is doing and communicating that plan
 - Delivery units – a mechanism which supports other units.
 - Performance management – On a quarterly basis, different members of the government reporting back to the Prime Minister on performance
 - Capacity building – across these steps enabling the people involved to better deliver
 - Communicating impact – none of these steps matter unless they are communicated effectively
 - Institutionalizing delivery
3. Communicating impact is critical. “Achieving impact is only really meaningful if you can communicate that change and get into a virtuous loop of change communicated and

understood leading to more change” This can be through annual reports, audits and independent valuation.

4. PPP defined as a capital formation in PPP and the transfer of ownership or lease of dead or unproductive assets on a new business model and governed based on a complex concessional agreement. PPP agency includes power projects, toll roads, new container terminal which are examples of new capital formation in PPP projects. Dead assets of the government which are to be transferred to a new business model include Hambantota, the Hiat hotel.
5. Some factors which enabled successful PPPs in the past include,
 - Donor funding provided to Private Sector Infrastructure Development Corporation (PSIDC) to create a long term financing instrument to support privatization and PPP projects.
 - The Public Enterprise Reform Commission (PERC), PSIDC and Board of Investment (BOI) had common boards, were run by private sector professionals and worked hand in glove.
 - The BII under the BOI obtained blanket approval to hire personnel on market rates. USAID, allocated a grant funding line for the BII to hire top international consultants to support the line ministry concerned.
 - The staff were recruited on a contract basis, and a performance based culture was created.
6. Successful PPPs during the past include,
 - Implemented Sri Lanka’s first ever power project on a PPP basis and completed 400Mw of thermal power. The first ever mini hydro was structured
 - Lanka Bell and Suntel were quasi PPPs and created competition in the fixed telephony system
 - The ICT sector received special attention from the PPP unit, one of which was the declaration of Malabe as an ICT zone. Enabled the creation of SLIIT – which employs 800 people. The initial export oriented IT industry started from the WTC.
 - Sri Lanka’s largest ever middle income housing projects were formed under the BII. The creativity in this lies in the RFPs which were issued to licensed commercial banks not to developer in order to create a mortgage industry.
7. New Steps for the new PPP Agency
 - Creating a brain trust of professionals to create PPP projects to meet the current imperative needs of the country. Including investment bankers, economic researches and top negotiators. Create this multi skilled team to work with.
 - Provide value added facilitation service to line ministries, to strategize, structure, negotiate and closing transactions.
 - Priority is to appoint a Board of Directors which comprise of ministry secretaries and getting guidelines in place.
 - Work with the existing resources by forging linkages with institutions such as the BOI and the Megapolis. Work with external transactional advisors and a panel of local and international legal advisors and the AG’s department.
 - Priority would be, transport infrastructure, utility, ports, tourism, construction, IT, agri business, mining and mineral sector, financial sector and logistics.

- Project pipeline includes the elevated highway from the new Kelani Bridge to Athurugiriya, there is a plan for an underground tunnel to extend the marine drive, and inland water based transport, inland air transport, LRT, utility projects, ports, industrial zone, and waste to energy.
8. Sri Lanka's expectations for FDIs should be higher. Targeting and prioritization FDIs are important. The Government needs to think about two things; where does it need FDI, and why should it come to you? Effectively identifying the counterparty and how to go to approach them solicit FDIs is important. There are new arrangements where particular companies are targeted and identified and institutions such as the BOI work towards pitching the country. A targeted approach to FDI leads to better quality of FDI and better quantity of FDI. Sri Lanka needs to think about both these aspects.
 9. There is a lack of suitably qualified workforce in Sri Lanka. The government is planning to introduce vocational training to address gaps in the workforce.
 10. Most if not all PPPs need to be on a risk and return basis, however most of the risk is transferred to Private Sector.
 - The real challenge in a PPP structure is the equitable risk allocation between the public sector and the private sector. Some of the PPPs the government has embarked on, most have withstood the test of time.
 - There isn't a conscious effort of piling risk on the private sector, and the private sector isn't foolish enough to take inordinate risks. Land should merely be looked at as an instrument to unlock economic value and not as an instrument to maximize revenue to the state that is the fundamental principle which we applied when we built housing projects to hospitals.
 11. Regulation is critical in getting FDI for PPPs. Private Sector requires certainty and continuity in making investments.
 - Regulation has to be worked with a fine balance, so as not to overregulate and under regulated.
 - Sri Lanka needs to be competitive in terms of costs, manufacturing and production costs.
 12. Despite having a robust economy backed by the third largest gas reserve in the world, Qatar has built a knowledge based diversified economy within 10 years. Qatar has a scientific approach to risk taking as it is a country run by engineers, the approach and outcomes are different in the country. There is a keen focus on the quality as opposed to quantity.

Qatar has transformed from a hydrocarbon based economy to a knowledge based economy through policy reforms and strategy.

 - For example in hydrocarbons, the country has integrated across the LNG value chain. The country never shied away from private participation and have encouraged private participation in their strategic resources.
 - Policy makers created a policy lab and had a strong framework which was not a free zone, not a tax haven focusing on quality.
 - Institutions such as the Qatar Financial Center (QFC), the QFC regulatory authority, and the Qatar International Court and Dispute Resolution Centre were established. These institutions were authorized to make changes and were given the ability to do so. The governance of these entities were well defined. Cross pollination in the Boards of these entities was prohibited.

Recommendations

In order to implement innovative economic, fiscal and social change, the government should,

1. Prioritize reforms that are radical, deep and fast, and that the 'people' can touch, see and feel
2. Be careful though on chasing only quick wins; ensure some of these are catalytic
3. Lead by example, by showing strong vision and full commitment, and holding others accountable
4. Manage expectations by only making realistic promises.
5. Commit to regular engagement of the public to win their support e.g., via town halls, TV, advertisements, social media, periodicals
6. Remember the 'people' element. Technical changes must be accompanied by changes in mindsets and behaviours.
7. Build executive firepower with a strong, "clean" team to deliver critical goals, with driven culture of high standards and rigorous performance management
8. Adopt trial-and-error mentality.

Session 02- Executing a Smarter Trade Strategy amidst Turbulence

Summary

- **Sri Lanka needs to be more strategic in trade liberalisation process by pursuing a mix of bilateral FTAs reforms and unilateral reforms that is correctly paced and sequenced to get the best tangible benefits.**
- **Sri Lanka needs to leverage on opportunities arising from current FTA negotiations to achieve future agenda in the FTA architecture.**
- **Trade policy needs to focus on both external and internal factors, bigger emphasis need to be made on domestic reforms**
- **Sri Lanka's trade negotiation capacity needs to increase, and fast.**

Key Takeaways

1. There are emerging opportunities arising in the region, as a result of China's rebalancing from an export-led industrial model to one focused more on domestic demand and services. Sri Lanka is in prime position to make the most of them - if handled correctly, given the Chinese presence in the domestic economy.
 - China's transition to higher domestic value added products and innovation would result in more technologically sophisticated GVCs (Global Value Chains) in Asia;
 - It would lead to some of China's labour intensive stages migrating to other countries in the region and create greater opportunities for SMEs in Asia's GVCs and the expansion of services exports across Asia such as digital trade, finance and professional services.
2. Sri Lanka's foreign direct investment have lagged exports and ASEAN region.
 - Sri Lanka's FDI have been less than USD 1000 Bn and annual average FDI inflows as a % of Gross Fixed Capital Inflows during 2011 – 2016 is at 4.8% compared to other countries in the ASEAN region (Singapore 80.7, Malaysia 14, Philippines 7, Thailand 6.1)
 - FDI is vital for bringing in technological transfers, skills and marketing connections which are crucial for changing the structure of the economy and move Sri Lanka from a low tech commodity dependent to mid/hi tech economy with higher skills.
3. Sri Lanka has a low and concentrated export basket and markets have not changed much over the past decades.
 - There are gaps in the export basket, haven't got into the supply of services and IT at the required export level and lags behind many other countries in the region.
 - More than lack of diversification it do with narrow concentration of products. This is a low hanging fruit than needs to be addressed and as Sri Lanka currently exports more than 50 product categories to India.
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 - Sri Lanka is not trading much with Asia which is not only the most dynamic region but also geographically closest (2% to China, Japan an ASEAN 9%, India 6% compared to 50% to EU and USA)

4. Sri Lanka's lagging in FTA activity, especially with China and Dynamic Asia
 - Sri Lanka is a laggard in the FTA game with very few FTAs in effect compared to other countries in the region.
 - Singapore has 20+ FTAs with top trading nations in the world.
 - South Korea is the real star not just because it has FTAs with USA and EU, but because of other factors stimulating trade (has more than 15 universities teaching FTA courses, have established a new institution to provide technical assistance for SMEs to make use FTAs).
 - However the thrust seems to be right with new FTA negotiations; India (dynamic market), China (obvious player) and Singapore (which has multiple FTAs with trade powerhouses) which will take some time. Sri Lanka is also signatory to WTO Trade Facilitation Agreement and also been successful in reinstating GSP+ (but time bound until 2024 (8 years)).
5. The Global trade is on resurgence.
 - Whenever there is financial and economic crisis take place together, it takes about 7 or more years to pick up. Currently we are in the eighth year and a resurgence of trade have started to show up. WTO predicts world trade to grow at 2.4% in 2017, up from 1.3% last year. IMF forecast global GDP growth 3.5% and 3.6% next year
 - Although USA's growth forecast has been slightly downward revised, it has no impact on global growth forecast, an indication that slight decrease has no impact on global growth forecast. Good growth rates are forecasted in the Asian region an indication that a good turn around can be expected and momentum will continue Asia has is becoming the engine of global growth.
6. Protectionism is looming with more emphasis with inward looking trade policies by larger economies but there these economies are also seeking larger markets abroad.
 - Even with these new changes, fundamentally the regulatory processes and focus on improved standards will stay unchanged.
 - India's objectives of ETCA are also inline of these strategies. Both countries are working towards this with the early harvest mechanism (e.g. Mutual Recognition Agreement (MRA) on conformity assessment) and this has also been emphasized by the National Trade Policy of Sri Lanka.
7. Sri Lanka has to leverage on the advantage of smallness.
 - Sri Lanka has the benefit to leverage on a properly done decision making process which large countries do not have.
 - There needs to be a stronger discussion domestically for putting in place this mechanism.
 - Dialog is crucial for understanding what you need out of FTAs. A country cannot succeed without knowing what your underlying interests are. Trade is a language that needs to be translated and put into trade terms.
 - Every successful country has taken its own path.

8. Importance of working towards free markets and while getting the domestic policy settings right. Therefore the Trade policy needs to focus on both external and internal factors.
 - We are in an interconnected world. It is important To build institutions and agreements that are able to shape and manage open interactions and create certainty business communities and financial markets
 - Focus need to be on making the economy is resilient by having an adoptable workforce while having a clear narrative domestically on the value of having trade liberalisation priorities.
 - Bigger emphasis need to be made on domestic reforms as standards are increasingly considered an important thing in the as Global economy.
 - India is looking strongly at reforming trade internal operations to improve standards and trade facilitation input to support the make in India strategy
 - Sri Lankan policy makers are aware of things that need to be addressed, but priority needs to be given to implementing these steps.

9. Concept of Competitiveness has to expand
 - Need to move beyond conventional measures of competitiveness. Sri Lanka has lot of strengths and need to voice it out loud (e.g According to the *Global Competitiveness* Index of the World Economic Forum, Sri Lanka is ranked top in South Asia for technical readiness, health. primary education, higher education and training
 - It's not just the cost competitiveness that matters, quality and linking up with people achieved through commercial and political competitiveness are crucial factors in today's competitiveness policy. It also gives an opportunity for countries to learn from commercial and political partners and get support from them to replicate best practices in their domestic economies.
 - Regulatory processes also need to be amended to regulatory coherence is a key in the internet age.

10. FTAs are magnets to rallying opposition to freer trade in the current climate.
 - Closer economic integration could have disruptive impact on an economy.
 - Goods services investment move at different speed and could create long term structural unemployment in an economy.
 - These concerns need to addressed otherwise popular nationalism will have efforts could be counterproductive.

Recommendations

1. Sri Lanka's trade negotiation capacity needs to increase, and fast.
 - Government needs to formulate a dedicated body of professionals to oversee trade negotiations. It should have a dedicated team of lawyers and economists and experienced trade negotiators, particularly if you're trying to do multiple negotiations.
 - A real commitment over a decade to build up trade capacity. Both in other Government and private sector.

2. Sri Lanka needs to be more strategic in trade liberalisation process
 - Looking at the current turbulence in global trade, it is strategic to pursue a mix of bilateral FTAs reforms and unilateral reforms that is correctly paced and sequenced to get the best tangible benefits out of it.
 - Ongoing FTAs are critical, but we are missing a road map as to what is our end objective, is it RCEP or ASEAN etc.
 - The risk of casting the FTA net so wide without knowing the end objectives could be problematic. Multiple bilateral FTAs mean multiple tariff schedules with trading partners.
 - Need to think strategically as to how Sri Lanka could link up with Global Production Networks.
 - Liberalisation of trade in goods should be done at unilateral level and that can be plugged into FTA negotiations.

3. Sri Lanka needs to leverage on opportunities arising from current FTA negotiations to achieve future agenda in the FTA architecture.
 - Singapore could be Sri Lanka's route to joining the Regional Comprehensive Economic Partnership (RCEP), which is considered a very development friendly trade agreement. RCEP includes ASEAN, China, Japan, Korea, India, Australia, New Zealand – covering 30% of world GDP.
 - Need to work proactively to obtaining observer status in ASEAN. Should emphasize this thrust in our foreign diplomacy and the foreign mission in Indonesia should be given an explicit mandate to improve dialog with ASEAN.

4. FTAs take time, hence focus needs to also be on things that can be done quickly and usefully to pave way for effective FTAs.
 - TPP can be used as model for domestic reforms and regional collaborative initiatives. Need to pick areas that pave the way towards good governance and internationally agreed high standard methods.
 - TPP delivers cutting edge trade policies to get to contemporary trade problems. WTO is not able to deliver these outcomes at the moment. But TPP has provided a blueprint and these involved are have already started using these in other agreements.
 - Other countries can use TPP as a catalyst for domestic reforms.
 - The countries that stand to gain most in the current trading climate are those who have made commitments for deepest domestic reform efforts.
 - TPP is unlikely to be ratified in its current form, but those who are still committed to TPP have made a decision to go ahead of these reforms anyway.

Session 03-Transforming the Economy through Technology

Summary

- **Sri Lanka should leverage its position as an adopter of new ideas.**
- **Enforce an innovation eco-system in terms of creating an interface between real markets and new products is a top priority.**
- **The government can incentivize, subsidise etc. and promote the adoption of technology and drive productivity.**
- **Innovations requires a solid IT environment.**

Key Takeaways

1. Sri Lanka's export performance has gone down and goods exports are not diversified enough. Even if Sri Lanka can obtain the market access, it is questionable whether Sri Lanka could respond as country's industries cannot expand fast partly due to issues related to Foreign Direct investment (FDI) and labour shortages.
2. Asia is where the growth is going to take place and within Asia the largest unexploited markets are around the Bay of Bengal. This could be used as an opportunity to attract companies who want to supply products to these markets, and Sri Lanka would be able to gain a relative advantage with regard to logistics.
3. It was suggested that as an island nation to "leverage its position as an adopter of new ideas", of course by providing the required infrastructure.
4. Strong focus on innovation is a top priority. In 2016, Sri Lanka was at number 10 in the Innovation Efficiency category of the Global Innovation Index, however it is now 43 places behind Vietnam and 30 places behind India.
5. Enforce an innovation eco-system in terms of creating an interface between real markets and new products is needed. In order to implement the above the following are required,
 - Capability to do market surveys
 - Improve data analytics and the qualitative research
 - Should be able to do the above conveniently, faster and at a low cost.
6. There is an eco-system in place for innovation however it is a disjointed one. There are 49 research institutes coming under 18 different line ministries and 17 in the public university system under 3 ministries.
7. 0.1% of GDP spent on R&D, although recommended value is 1% of GDP.
8. Coordination in the eco-system is a key issue. The private sector does not understand the public sector offers and the public sector may not understand the private sector's requirement.
9. Sri Lanka can play a role in becoming "South Asia's Design Innovation Hub", the government can work on this in collaboration with the private sector, and also get the Diplomatic community involved.
10. With regard to the agriculture industry, it contributes 10% of the GDP, but employs 30% of the population. In order to keep the future generation in agriculture, it is must to introduce more technology. The need for collaboration between the government and farmers to create new technologies is very important and essential.

11. Basic technology can radically improve productivity. The government can incentivize, subsidise etc. and promote the adoption of technology and drive productivity.
12. With regard to the legal framework to safeguard innovation and design, there is an ongoing programme with the National Intellectual Property Office and the World Intellectual Property Office. The private sector should look into intellectual property.
13. Innovations requires a solid IT environment.

Suggestions and Recommendations

1. Actions required in order to enforce an innovation eco-system in terms of creating an interface between real markets and new products,
 - The Government should provide greater flexibility for cross border movements of skilled personnel
 - Develop angel and venture financing
 - Make Trace Expert City a space for research and innovation
 - Cross fertilization of ideas with a reward system for successful innovators
 - Foster mind-sets conducive for innovation and larger than thinking of Sri Lanka.
2. Need a novel solution to fund new R&D institutes. A Suggestion was made for all higher educational institutes to introduce internship programmes in private companies.
3. Sri Lanka can be the test bed of Asia.
4. Introduce modern technology to the Agriculture sector.
5. Establish a solid IT environment to facilitate innovation.

Session 04-Realizing New Competitiveness in Sri Lankan Manufacturing

Summary

- 1. Sri Lanka should move out of low cost –low skills manufacturing and move into high end luxury goods manufacturing.**
- 2. Lack of inadequate and skilled work force for large scale manufacturing is one of the major challenges, the sector is facing.**
- 3. In order to prepare youth for the manufacturing sector, an innovative and dynamic working culture should be inculcated at school levels.**
- 4. Ethical manufacturing is a one of the possible future challenges of the manufacturing sector**

Key Takeaways

1. Manufacturing is the driving force of any economy as global trade is based on manufactured goods. Also the sector provides jobs to a large work force of the country and services are also depend on the manufactured goods.
2. USA, Germany and China are top of the table in manufacturing sector due to high technology, IT, mobility, analytics and automation.
3. Drivers of the global manufacturing competitiveness are talent, cost competitiveness, workforce productivity, supplier network, legal and regulatory systems, education infrastructure, physical infrastructure, economic, trade, financial and tax system, innovation, policy and infrastructure, energy security, local market attractiveness and healthcare system.
4. Key Opportunities having Sri Lanka in creating more competitive manufacturing sector are, highly trainable staff and relatively low labour cost, geographical location and proximity to markets, unique natural assets and huge deposits of precious minerals and build Sri Lankan brands globally.
5. Key challenges of Sri Lanka's manufacturing sector is facing are,
 - increasing competitiveness in the market, facing by existing firms due to new entrants via new investments including FDIs
 - Country's open up for more trade with trade agreements etc.
 - Need to move to automation in order to be more productive and competitive to broaden both export basket and export markets.
 - Increasing complexity of manufacturing due to moving up the value chain in order to remain competitive in cost leadership position.
 - Declining trend of labour force coming into manufacturing due to reasons such as aging population, as blue collar jobs not considered classy etc.
 - Customization: frequently changing the specifications of particular product

6. Ethical manufacturing is a one of the future challenges of the manufacturing sector which requires protecting and safeguarding the environment, fair pay for employees, health and safety of employees etc.
7. As indicated above, Sri Lanka lacks an adequate workforce for large scale manufacturing which is paramount to be globally competitive with a diverse range of brands. Hence, Sri Lanka need a skilled work force to get the next level of manufacturing.
8. There is a huge move taking place in labour force from manufacturing sector to services sector.
9. Unless Sri Lanka shifts from low-end to high-end manufacturing and builds global brands it will fall behind many countries in economic growth.
10. Sri Lanka need to acquire companies from the West and relocate the manufacturing to Sri Lanka. This is the only way to move forward and to become a developed nation.

Suggestions and Recommendations

1. To make Sri Lanka's manufacturing sector more competitive,
 - Need higher technology institutions as Singapore with a large number of graduates with language and numeracy skills
 - Attract more FDIs
 - Labour market reforms have to be given top priority to instil confidence in the minds of global investors
 - Ease of doing business and regulatory compliance issues should be smoothed. Consistency in policies is a big concerns of Multinational Companies.
 - Commercial justice system should be always be efficient to a level that can still confidence in global investors.
 - More participation from the private sector and better Public-Private Partnership
 - Special incentives and various forms of tax breaks for investments in manufacturing
 - High emphasis in infrastructure development and energy security
 - Needed massive tax reforms- simplified, unified and consistent and transparent tax policy
 - Promotion of innovation and entrepreneurship
 - Stable and fair political environment
2. Sri Lanka should move out from low cost- low skill manufacturing and move into high end luxury goods manufacturing.
3. To create skilled workforce to the manufacturing sector, build the innovation and manufacturing culture in schools (teaching kids on technology, solid works, 5s, 6 sigma, value added activities etc.)
4. Creating a collaborative culture-electronics, mechanical engineering and software combined with art and design is the new receipt for good manufacturing.
5. Setup more manufacturing parks in order to protect the environment.

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.

Session 06-Realizing a Greener Growth Path-Walking the Talk

Summary

- **Creating societal value with corporate value through public and private sector collaboration in order to greener, more sustainable economy is very important.**
- **Fundamental re-formulation of current economic policies aligning with the green growth is a top priority.**
- **The political, behavioural and financing obstacles in the path of green growth need to be overcome.**
- **There should be a proper way of presenting the green concept as a profit making opportunity for business in order to attract the private sector interest into green.**

Key Takeaways

1. Creating societal value with corporate value through public and private sector collaboration in order to greener, more sustainable economy is very important.
2. High Carbon Brown Green Model is falling now as it is losing economic dynamism and no longer can generate enough jobs and enough income distribution. Low Carbon Green Model is succeeding today which is about higher economic growth and generating more jobs.
3. Green growth is growth that's efficient in using resources; it's clean in minimizing pollution and environmental impact, it's resilient in that it accounts for natural disasters and the role of natural management, the natural capital in preventing physical disaster; it's inclusive.
4. Green growth is not a matter of money and technology. The lost lacking thing is enabling policy framework. It is very important to fundamentally reformulate the current economic policies aligning with green growth.
5. The political, behavioural and financing obstacles in the path of green growth need to be overcome.
6. As ecological goals are long-term and businesses have short term profit goals, it is government's responsibility to close this time gap.
7. Green growth will increase quality of life, ensure environmental sustainability and help you meet several of the sustainable development goals.
8. Long term consistency in environmental policies and regulations and social consequences is key.
9. It is better for businesses to look into business opportunity by cooperating with the government.
10. Sri Lanka can look at eco/healing tourism: a combination of the country's natural heritage as well as its spiritual heritage. The country could combine nature with its Buddhist spiritual values and give it very high branding.
11. Though Sri Lanka is blessed with natural assets, but these assets are not very well managed and they are undervalued. This under valuation results in strains between things

like urbanisation, infrastructure development, increased mobility and traffic and agriculture encroachment.

Suggestions and Recommendations

Suggested Actions to the Government,

1. Fundamental re-formulation of current economic policies aligning with the green growth.
2. Investing in human capital and natural capital for long term green goals.
3. Focusing on green accounting (ex: in GDP calculation- in order to measure the exact growth of the economy).
4. Invest on proper disposal of solid waste and agricultural waste.
5. Maintaining long term consistency in environmental policies.

Session 07- Belt and Road Initiative-Transformation Opportunities for Sri Lanka.

Summary

- **Due to its geographical location, Sri Lanka would be an important part in the China's Belt and Road Initiative.**
- **Sri Lanka's participation in this initiative will boost the country's economy and help it attract more foreign direct investment and it will also strengthen the country's competitiveness.**
- **Sri Lanka must do more to be better involved in the initiative in order to reap benefits.**
- **Sri Lanka should increase skills and competencies of local labour force and equip them with right talent and attitude to harness opportunities of OBOR initiative.**

Key Takeaways

1. The Belt and Road Initiative (One Belt One Road- OBOR) proposed by China in 2013, refers to the Silk Road Economic Belt and the 21st Century Maritime Silk Road, aiming at building a trade and infrastructure network connecting Asia with Europe and Africa along the ancient trade routes of silk road. OBOR will connect 65 countries, including Sri Lanka.
2. This initiative will cover more than 4 billion people and it would increase connectivity in the region.
3. Initiative was open to all the countries and Sri Lanka would be an important part of the initiative due to its geographical location in the Indian Ocean region.
4. Sri Lanka's participation in this initiative will boost the country's economy and help it attract more foreign direct investment and it will also strengthen the country's competitiveness.
5. Sri Lanka can link its own development plan to China's initiative in order to achieve a win-win situation.
6. Sri Lanka must do more to be better involved in the initiative in order to reap benefits.
7. Sri Lanka's labour force should set up and needs exposure to a higher level of skills if Sri Lanka is serious about seizing maximum advantage of the OBOR initiative.
8. Sri Lankan government and the business community need to step up and double their efforts to increase skills and key competencies of local labour force and equip them with the right talent and attitude to harness opportunities out of China's ambitious plan of OBOR.
9. Language is a barrier between the two countries and Sri Lanka must take steps to learn the Chinese language.
10. OBOR can be transformational for Sri Lanka if the country allow it. FTA's between Sri Lanka and China need to be understood in totality and Sri Lanka needs to be prepared whether its sending economists who understand the language over to China to comprehend the enormity of the potential and intra-regional trade opportunities, initiate public- private partnerships, to build Sri Lanka's logistics capacity.

11. Sri Lanka should enhance the competencies to be able to respond quickly within a given time. It is about learning, trusting and understanding Chinese culture and it will very important for Sri Lanka to do business with China.

Recommendations

1. Increase skills and competencies of local labour force and equip them with the right talent and attitude.
2. Enhance competencies to be able to respond quickly with in a given time.

Session 08-Transformative Solutions to Current National Challenges

Key Takeaways

1. Government policy on Private Medical Colleges:

In the context of private medical colleges, the government is in the process of contemplating a way forward that will find sustainable solution to all parties embroiled in this issue are finally satisfied and compromised.

- As suggested by Government Medical Officers' Association (GMOA), a minimum standard has to be met as desired by the medical council.
- The government is striving to find a way to compromise all parties involved in this issue to have a sustainable solution. To enter into a PPP where the government holds 51% and the private Sector holds 49%, etc.
- To ensure the job guarantee to graduates who qualify from Private Medical colleges
- As legal system is equipped to facilitate the private education system, people to be provided with unlimited access to education
- Politically motivated forces are behind the escalation of current objections on SAIMT. GMO does not object the medical degree given by Kotwlawala medical college even though it has lesser facilities than SAIMT.
- The government right now does not intend to make the medical education be run as a state monopoly but wants to open to the private sector as well.

2. One stop shop for Investments:

BOI has become an obsolete institution for the current system. Most of the business community who are trying to do their businesses in a legitimate manner, are always being discouraged by the BOI. Under present circumstance, the BOI has become more of a regulator than a facilitator for businesses. Taking into consideration the adversities caused by the BOI for development of local business and attracting FDIs, it has been suggested that either the BOI be closed or fully restructure to suit the current needs. With a view to facilitate the development of business and attracting more FDIs, The Ministry of Development Strategies is looking at restructuring the BOI in due course.

3. Eradication of Corruption:

Corruption cannot be totally irradiated by efforts only make the government. The efforts make by the government has to be supported by the General public also. If general public is to pay bribes to any state official to get their work expedited for their own convenience, it is an encouragement to corruption and bribery. As these systems have been evolved for years, eradication of corruption needs more time. The government through ministries introduces systems to minimize loopholes and to make more transparent leaving no space for bribes. Feels that steps taken by the government to bring people who committed mass scale corruption to books is insufficient. As politicians cannot implement law, eradication of corruption and investigation on corruption could not be done by politicians. Good governance does not provide provision to instruct the police of the Bribery commission who is responsible in addressing these issue should act independently and impartially.

4. Waste Management:

As a lasting solution to garbage issue, an alternative garbage dump has been identified in Puttable area and also planning to set up a project to convert garbage into power.