

SRI LANKA ECONOMIC ACCELERATION FRAMEWORK 2020-25

WORKING DRAFT



ACCELERATING SRI LANKA'S ECONOMIC TRAJECTORY

“It is imperative that the country unlocks economic growth through carefully designed and implemented reforms”

BACKGROUND:

Sri Lanka has seen a discernible slowdown in economic growth owing to a multitude of domestic and external factors. With the country's rise into the Upper-Middle Income threshold (as defined by the World Bank), it is imperative that the country unlocks economic growth through carefully designed and implemented reforms. Unless this is done, Sri Lanka risks being caught in the middle-income trap. It is with the intention of proposing to policymakers, interventions that are identified from a private sector perspective that the Ceylon Chamber set about formulating an Economic Development Framework targeting the 2020-25 period.

The Chamber set up eighteen (18) Working Groups to obtain inputs to formulate the Framework. The common and cross-cutting recommendations from these groups can be found in the pages that follow. The detailed input which consists of policy intervention, implementation mechanism and targets are found in the respective Working Group chapters.



THE VISION

The vision espoused in our document is for an economy that will be USD 134 billion by 2025 from the current (2018) USD 89 billion. For this vision to be a reality, our expectation is for GDP to steadily rise from the current 3% levels to 5%-6% in the next few years. With this stronger base, we anticipate growth to then take off to 7-8% levels by 2025. The growth is expected to be driven via sectors such as exports (merchandise goods and services), tourism and transportation and logistics amongst others.

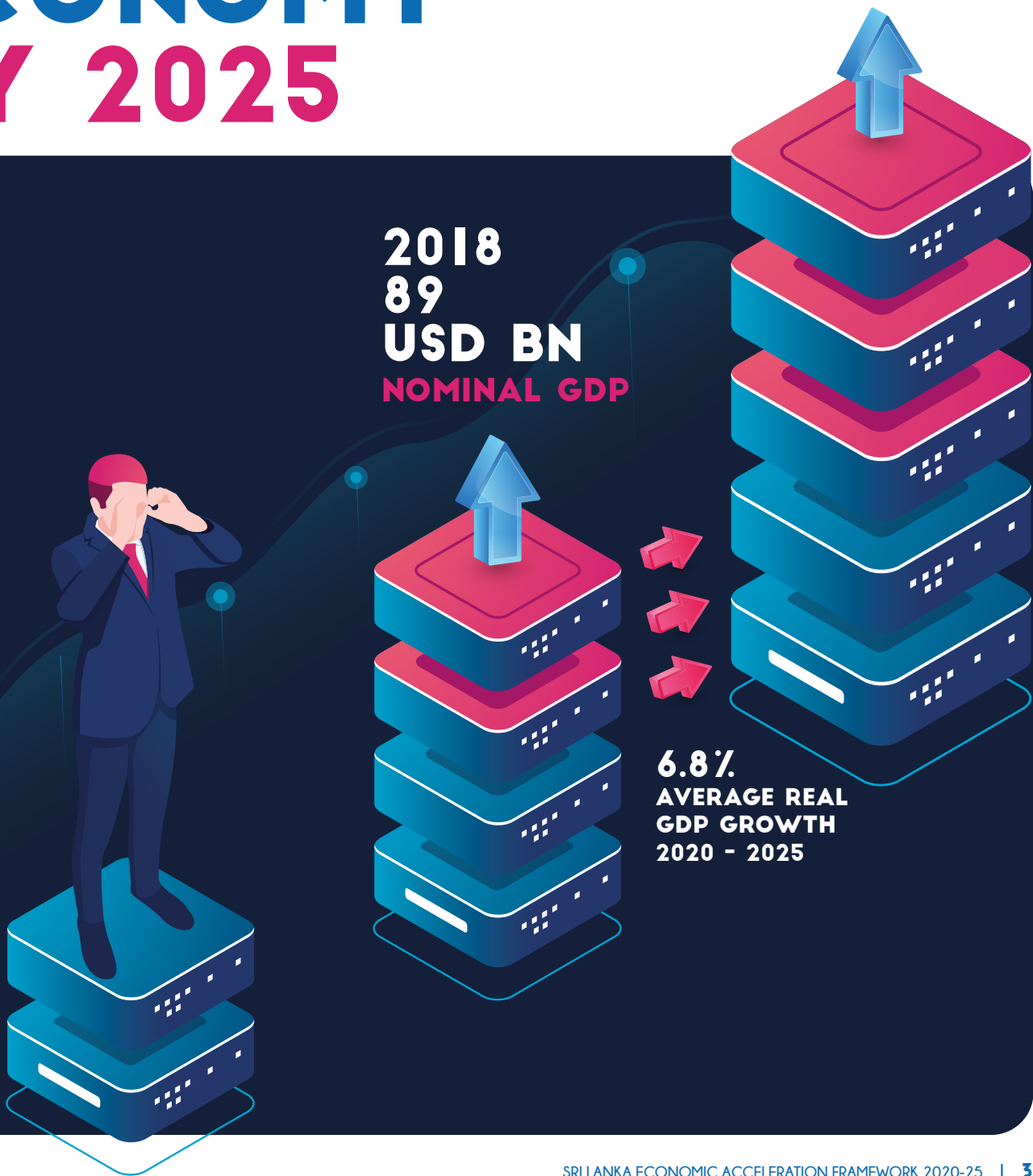


A USD 134 BILLION ECONOMY BY 2025

2025
134
USD BN
NOMINAL GDP

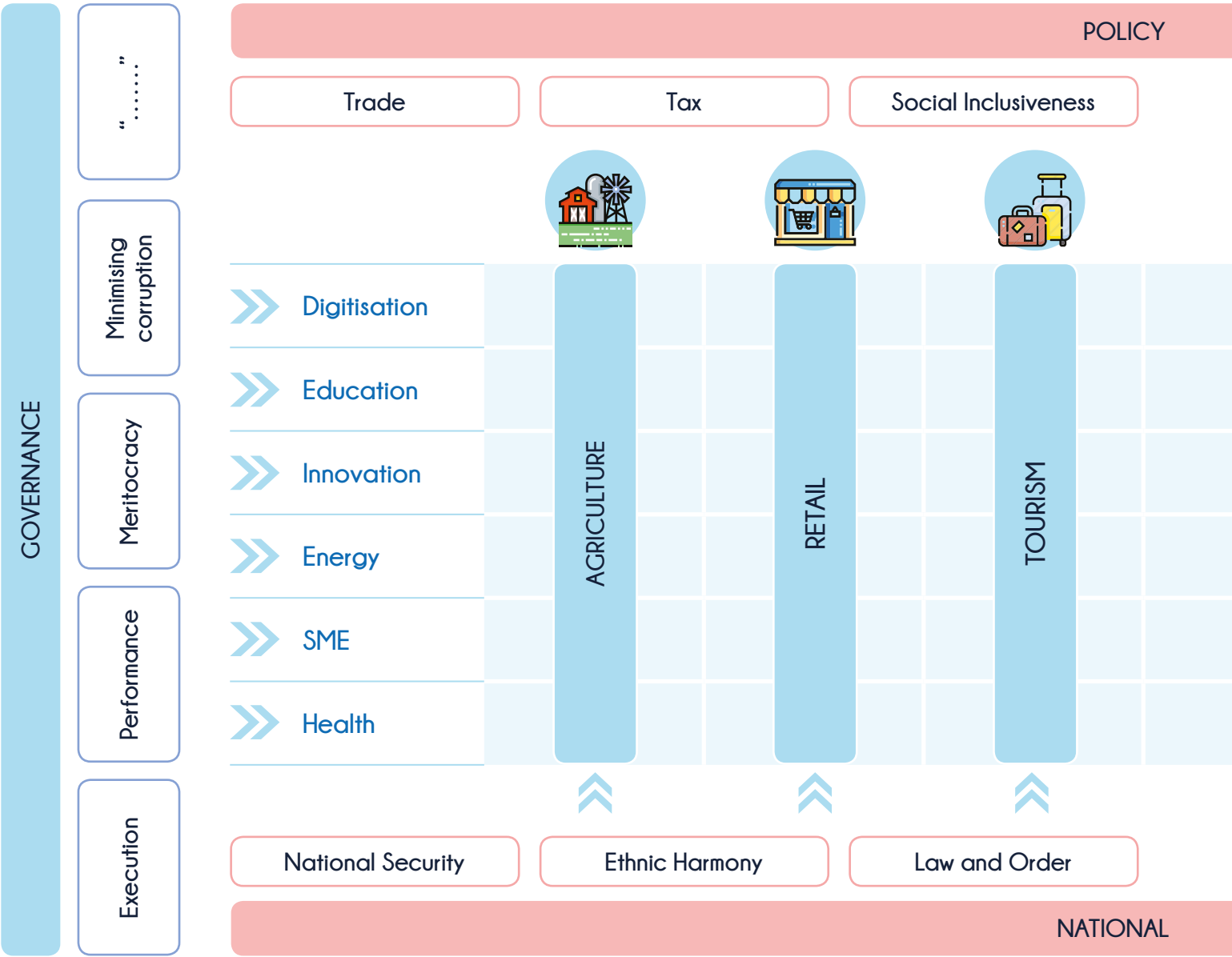
2018
89
USD BN
NOMINAL GDP

6.8%
AVERAGE REAL
GDP GROWTH
2020 - 2025

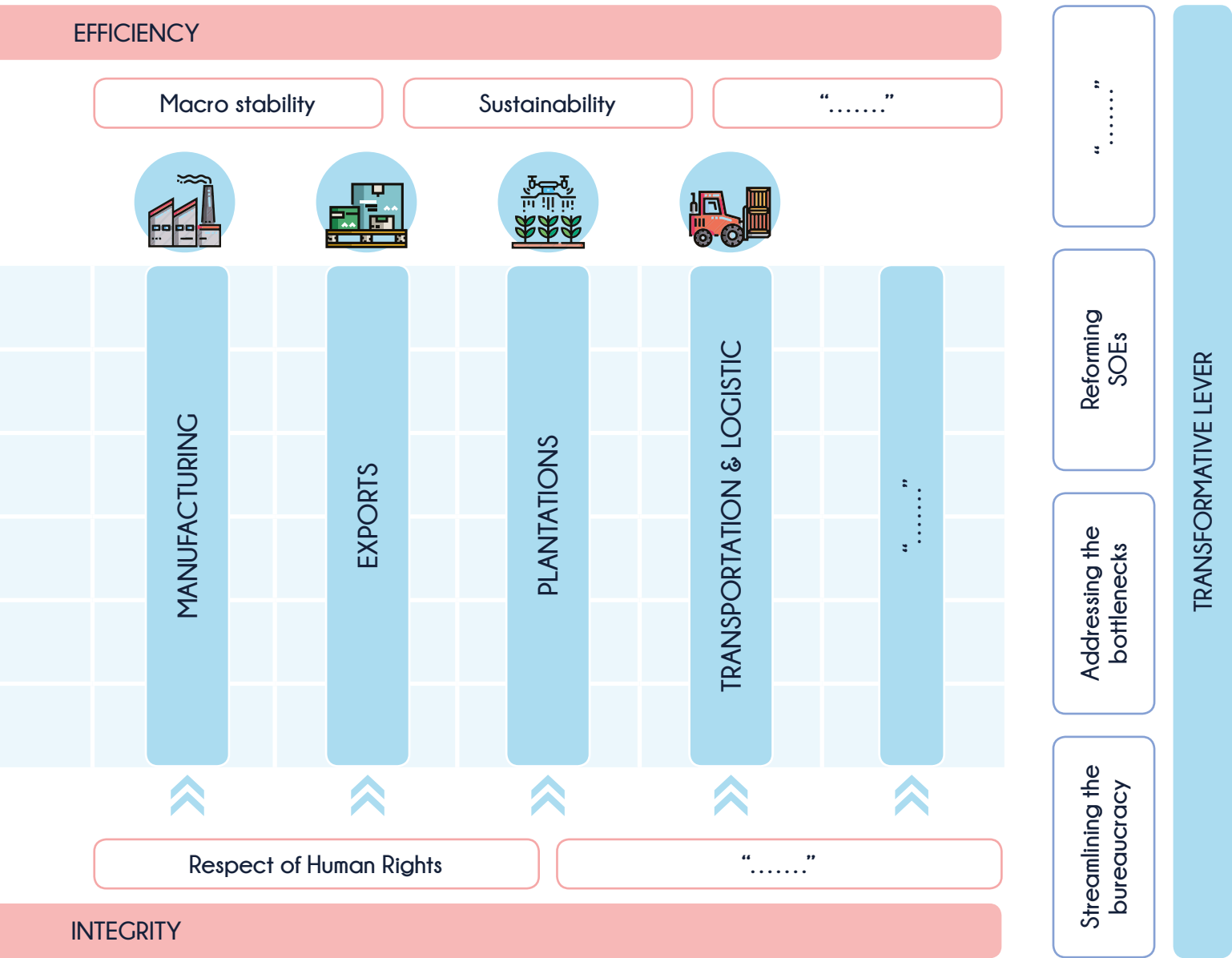


ACCELERATION FRAMEWORK

SECTORAL GROWTH AMBITION ON BACKDROP OF CROSS-CUTTING ENABLERS,
POLICY TRANSFORMATION LEVERS AND GOVERNANCE FUNDAMENTALS



This model can be considered to view the economic trajectory in a holistic perspective considering the overarching pillars of Governance, National Integrity, Transformative Levers and Policy Efficiency which will drive the key horizontals (such as digitisation, energy) and vertical sectors (such as agriculture, tourism) of the economy. The key tenets of the pillars, horizontals and verticals are spelled out, but are not exhaustive to the ones mentioned in the model.



"....." Denotes that the sub components are not limited to the ones mentioned

FOCUS AREAS



TRANSFORMATION & REFORM LEVERS FOR UPLIFTING THE NATIONAL ECONOMY



KEY PILLAR: GOVERNANCE

I. STRATEGISE - IMPLEMENT - TRANSFORM

Why?

Sri Lanka has many vision documents and national policies across many sectors. However, the execution and implementation is often weak, or non-existent.

How?

This document lists several current plans and programmes that must be implemented fully, e.g. the National Export Strategy.

We recommend the following initiatives:

- Formulate a National Implementation Oversight Committee consisting of both public and private sector officials, with sub-committees formed at different levels.
- An action tracker for all government initiatives, mandatory quarterly progress reports and a sound public communication strategy.
- Mandatory performance audit by the Auditor General's department, in addition to a fiscal audit function.
- Vesting the overall function of monitoring development projects with a line Ministry responsible for monitoring and evaluation.
- The Bill formulation process should be made more efficient.
- Taking an inventory of incomplete projects, and complete projects which are viable. Non-viable projects need not be completed, on the principle that "good money need not be thrown after bad".



TRANSFORMATION & REFORM LEVERS FOR UPLIFTING THE NATIONAL ECONOMY



KEY PILLAR: ECONOMY

2. ENERGIZE STATE-OWNED ENTERPRISE (SOE) REFORMS

Why?

SOEs have been a key source of macroeconomic instability that has plagued Sri Lanka for several decades.

54 out of 422 SOEs classified as strategically important

57% of GDP Asset base in 2018

Rs. 26 billion Loss before tax in 2018

If the Banking and Finance SOEs are removed from this classification, it would be a total aggregate loss of Rs 122 billion. This value is three (3) times the government recurrent expenditure for Samurdhi payments.

The losses in part could be explained by the absence of market-based pricing while the balance is due to weak governance and management.

While some solutions have been discussed and plans devised to turn this narrative around they have repeatedly fallen short in terms of implementation. A reason for this is the political fallout due to the high level of employment provided in SOEs.

However, the stakeholders go beyond those holding employment to the near 22 million population that are shareholders of these public institutions.

How?

There are case studies of successful reform of SOEs such as SLT that can be built on.

SOE reform could be a catalyst to revive the capital markets which can be used as a source of funding without resorting to the cash-strapped Treasury.

It is important for a future government to prioritise SOE reforms with a focus on better engagement and communication to sell the urgency and need for reform.

A way forward has been provided in detail in our SOE recommendations from pages 32 - 33.

3. ADDRESS BOTTLENECKS IN THE ECONOMY

Why?

In the process of compiling this document, a few cross-cutting bottlenecks that held back growth in the economy were identified.

How?

It is imperative that steps are taken to address the following:

A. Availability of land for commercial use

B. Labour –

- Scarcity of labour in multiple industries;
- low female participation in the labour force;

- many sectors have unfilled vacancies and lack of skilled staff, while there is “under-employment” in other sectors.

C. Consistent Tax regime and achieving higher tax collection

The importance of improving tax collection and achieving a higher % of GDP; policy consistency in the tax law regime.

- D. Quality, reliability and cost of Electricity supply
- E. Implications of ageing demographics

Sri Lanka faces an ageing population where the elderly population will surpass the youth population in the next 02-03 decades. This requires immediate attention to address implications for pensions, health and education amongst others.

- F. Growing Pension Liability

The pension cost in terms of cash outflows from the state in 2018 was approximately 1.3% of GDP and 9.3% of the total recurrent expenditure. With ageing demographics and high employment in the public sector, this will become a higher burden in the coming period.

4. AVOID THE ‘BOOM AND BUST’ CYCLES

Why?	How?
The government should put in place stable policies that will enable sustainable growth reversing decades of growth fuelled by either fiscal or monetary stimuli.	<p>This requires policy consistency and clarity. Continue current efforts towards fiscal consolidation through higher tax collection and prudent expenditure.</p> <p>Maintenance of Central Bank independence will be key in providing credibility to both investors and businesses.</p> <p>Laudable programmes such as the National Export Strategy should continue to be implemented while expediting the implementation of the Trade Facilitation Agreement.</p>
	<p>Evidence-based decision making must be integrated into the Government policy-making process. Government institutions should be required to maintain accurate and relevant data.</p> <p>The right to access Government information provided for in the Right to Information Act is laudable, and should be continued so that citizens may access information relevant to development programmes.</p>

TRANSFORMATION & REFORM LEVERS FOR UPLIFTING THE NATIONAL ECONOMY



KEY PILLAR: ECONOMY

5. REVIEW PRICE CONTROLS AND CAPS

Why?

The functioning of the market economy is impacted by government intervention through price controls and caps in varying forms, including maximum retail price on some products and interest rate caps on deposits and lending.

These are often introduced without understanding the underlying reasons for the normal market prices and do not address said reasons or quantities of supply and demand.

Very often price controls / caps lead to shortages, discourage investment and worsen the demand / supply of such products.

How?

It is necessary to re-evaluate the price controls and caps, and use these sparingly and as short-term measures.

6. REALIZING THE 'WEALTH' OF POTENTIAL OPPORTUNITIES

Why?

It is not all doom and gloom for Sri Lanka's economic trajectory. Our deliberations have highlighted numerous opportunities in pushing the economy to achieve its full potential.

How?

The following are a few such potential areas for growth:

- improvement of Sri Lanka's tourism offerings,
- transforming Sri Lanka into a retail hub and a medical/wellness destination,
- pursuing growth in exports through agricultural and manufacturing related exports,
- exploring service exports, which display a high growth potential in ICT and Logistics services,
- tapping into the significant export potential in value added mineral exports and petroleum exploration,
- and implementing a proactive engagement strategy with the diaspora, enabling Sri Lanka to reap a Diaspora Dividend similar to that which other countries such as India and China have achieved in its economic development.

7. LEVERAGING ON OPPORTUNITIES IN IR 4.0 AND DIGITISATION

In order to remain globally competitive, Sri Lanka must continue to make significant advancements on the digital front. There are other mega-trends taking place in the global economy with the advent of the 4th Industrial Revolution. Sri Lanka needs to integrate such developments to propel growth.

Sri Lanka should implement a Digital ID system and the necessary data protection legislation to seamlessly connect with its citizens to offer services such as banking, health and payment of taxes,



FUNDAMENTAL HYGIENE FACTORS AS A FOUNDATION FOR SUSTAINABLE GROWTH



KEY PILLAR: UNITY & HARMONY

I. PRESERVATION OF NATIONAL SECURITY AND ETHNIC HARMONY

Why?

The economic plans and national development are reliant upon peace and harmony, and law and order.

How?

An effective strategy against terrorism

Strategy to curb riots and violence within the rule of law

Respect human rights, freedom of expression and right to information



KEY PILLAR/S: GOVERNANCE & HYGIENE FACTORS

2. PUBLIC SECTOR REFORM:

A. STREAMLINE GOVERNMENT MINISTRIES AND DEPARTMENTS

Why?

The sheer number of ministries today leave the citizen confused and inconvenienced, and should be limited to avoid an unnecessary drain on resources.

How?

A rational basis for the assignment of subjects and functions to Ministries to aid sensible and speedy decisions.

Where there are cross-ministerial/department linkages, introduce an Inter-Ministerial Taskforce.

National Policies should be administered by suitably qualified officials who do not change roles based on change of government or Ministers.

Ministerial allocations should be based on capacity to deliver results - not on seniority in the governing party, in Parliament or otherwise.



Movement towards an accrual system for Government accounting from the existing medium-term cash-flow system by 2023/24.

Disclosures by key line ministries and the Finance Ministry to ascertain critical information on the total liabilities including guarantees, pension liabilities and subsidies.

B. RE-ORIENT THE PUBLIC SECTOR TO DELIVER HIGH-QUALITY SERVICE TO THE PEOPLE

Why?

65 Public Servants per **1,000** citizens

Our Public Sector is extensive, and drains national resources.

A more efficient public sector is an absolute need in recalibrating Sri Lanka’s economic trajectory.

How?

The following should be looked at:

- Ensure that Secretaries to Ministries are knowledgeable and competent - able to realise the macro vision of the Government, while delivering administrative and financial controls.
- Avoid frequent transfers of Secretaries.
- Initiate process improvement at Government Institutions to provide a high-quality service and minimize cost and time spent by stakeholders on obtaining services.
- Public sector salaries and benefits to be in line with KPIs that target improved service, productivity and profits.
- Accomplish existing initiatives to digitize the Government, while introducing new initiatives in line with global benchmarks.
- Address and optimize underutilization of Government Assets due to supply chain issues, maintenance and repairs and manpower deployment.
- Conduct a review of the size and cadre of the public sector, identifying shortages and excesses of staff.
- Training of Public Service Officers to be improved.

C. MINIMISE CORRUPTION

Why?

Corruption affects economic growth.

Resources are expended on wasteful projects.

Costs and interest rates paid by Government are higher.

Consequently Sri Lanka’s image as a prime investment destination is adversely affected.

How?

Steps should be taken to move toward being in the top 50 by 2025 with respect to the following indicators:

- Incidence of corruption by World Economic Forum.
- Corruption Perception Index by Transparency International

FUNDAMENTAL HYGIENE FACTORS AS A FOUNDATION FOR SUSTAINABLE GROWTH



KEY PILLAR: SOCIO-ECONOMIC DEVELOPMENT

3. SOCIAL INCLUSIVENESS IS KEY FOR ACCELERATED ECONOMIC DEVELOPMENT

Why?

Sri Lanka has over the years sustained many socio-economic programmes and thereby achieved satisfactory progress that has contributed to the quality of life of our people.

In the next phase of economic development, the envisaged increase in national income should lead to an improvement of living standards for all, particularly of the under-privileged.

How?

The development of the economy should also lead to improved benefits for workers, better work place safety, working conditions and facilities. Changes in legislation should be innovative, modern and enable social inclusion as well.

4. SUSTAINABILITY AT THE CORE

Why?

The development of the economy should not be at the expense of sustainability and the environment. It is possible for development to take place while preserving and improving the environment.

How?

Key areas for preserving the environment include:

- sustainable management of Cultural Sites, National Parks,
- elimination of one-time-use of Plastics, Reforestation,

- minimising pollution through use of renewable energy sources,
- and the improvement of Public Transport vehicles through better use of Public Transport.

5. RESTRUCTURE OF THE LABOUR FORCE TO MEET NEW ECONOMIC REALITIES:

Why?

As we plug into the Industrial 4.0, there will be sectors in the economy that will require macro re-engineering.

How?

This will require carefully crafted policies to leverage on modern technology to drive productivity within these sectors.

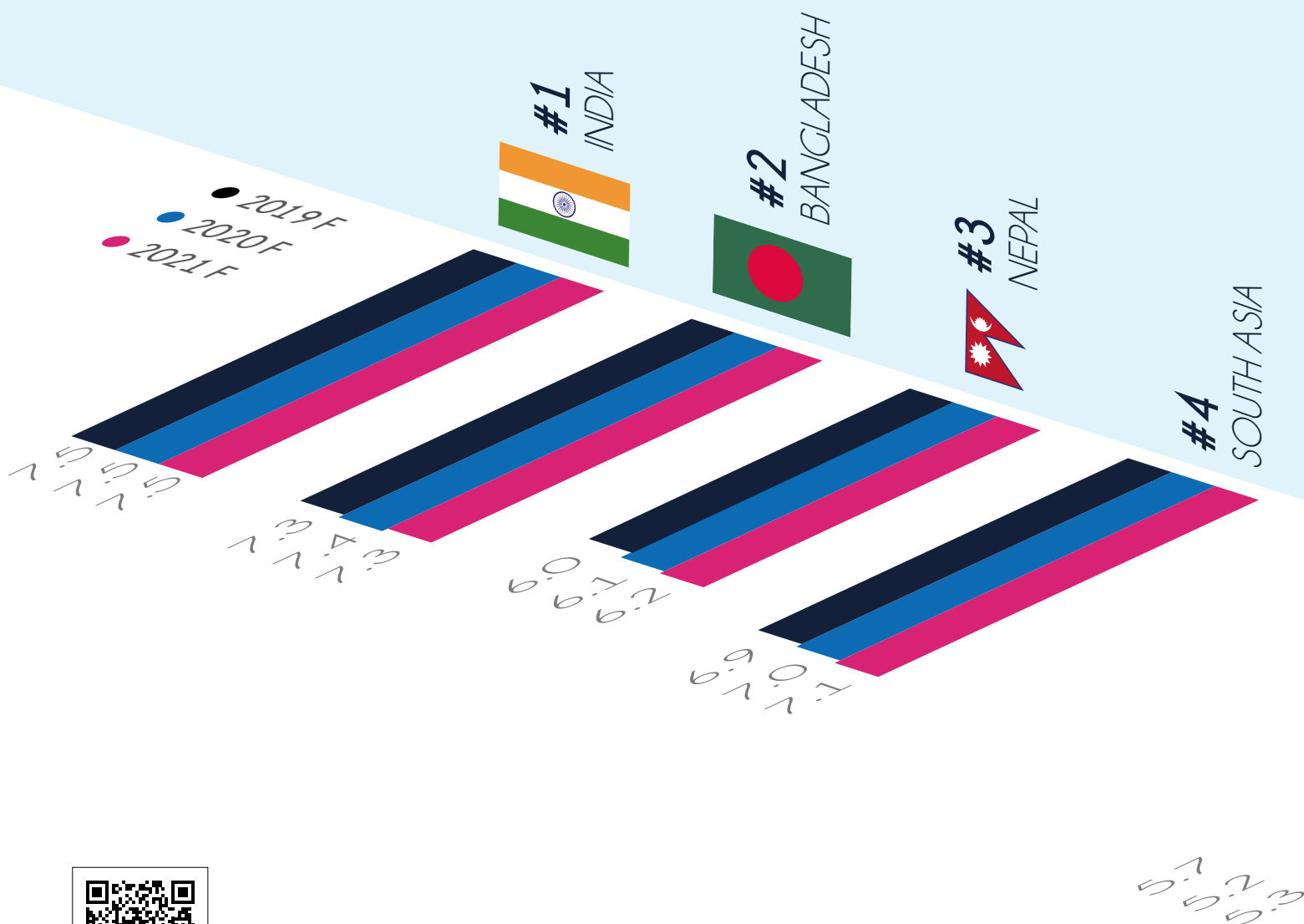
Further, it may require restructure of the welfare system to meet demands of the emerging workforce needs.

SUSTAINABILITY AT THE CORE

The development of the economy should not be at the expense of sustainability and the environment.



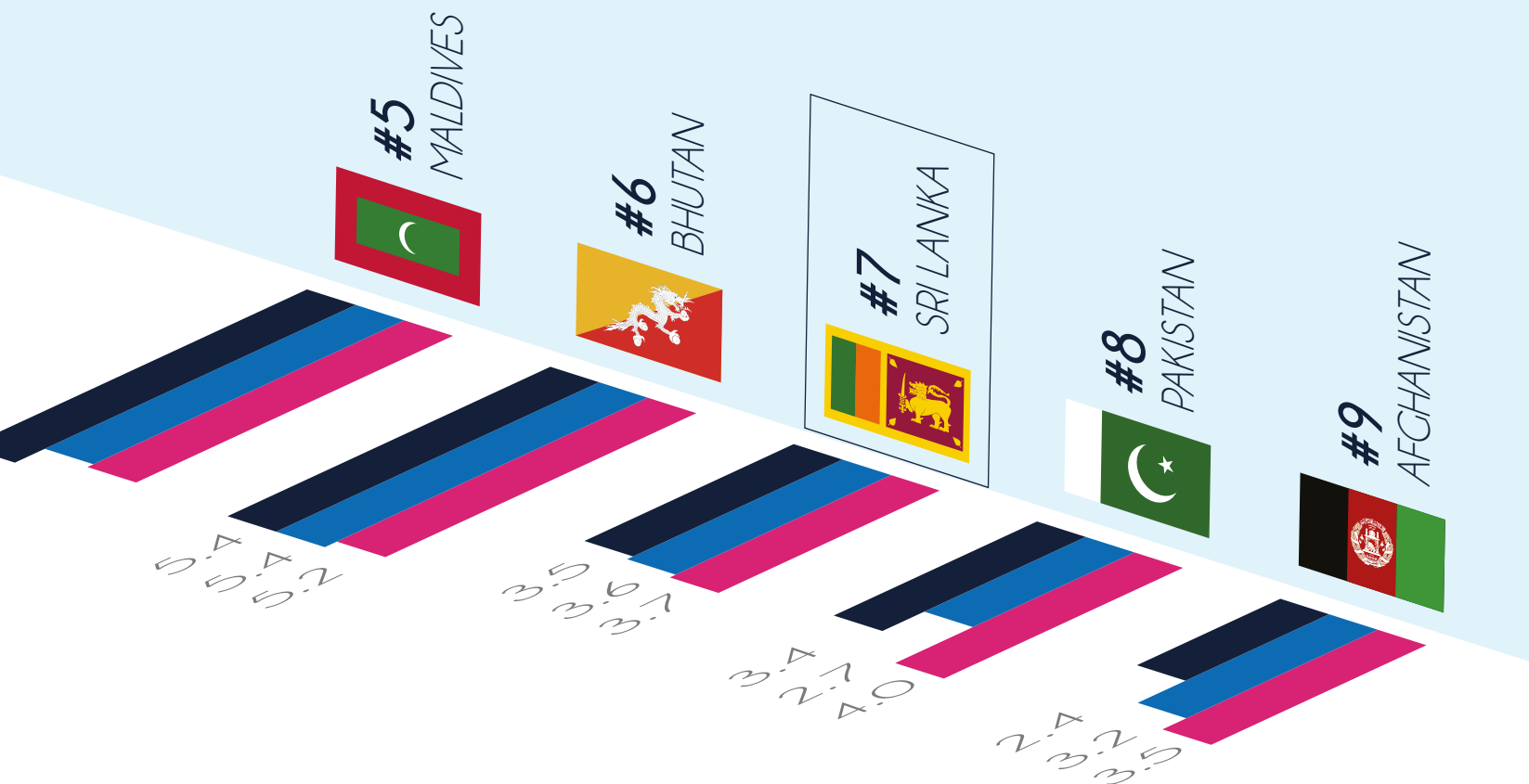
WHERE ARE WE NOW?

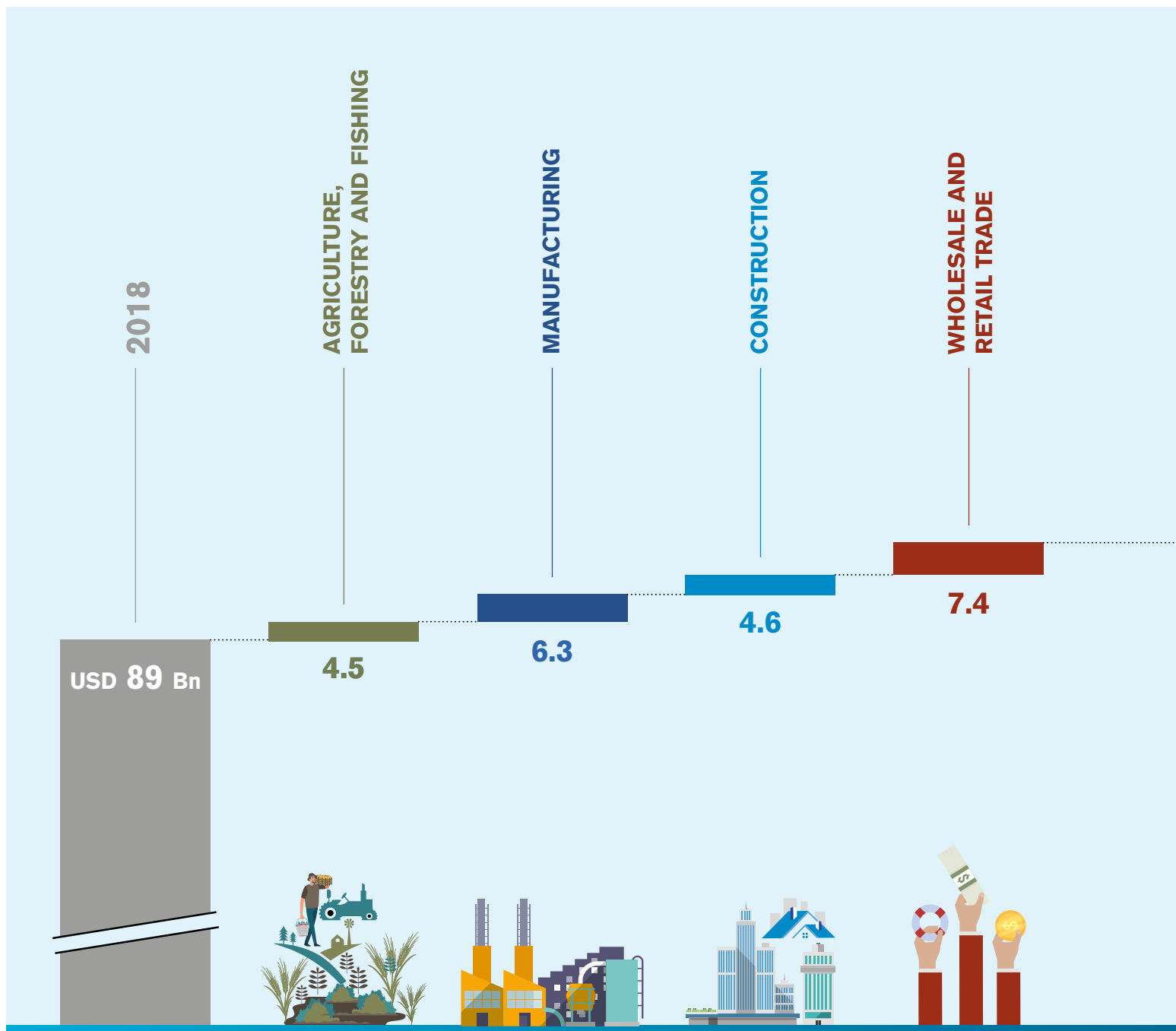


World Bank:

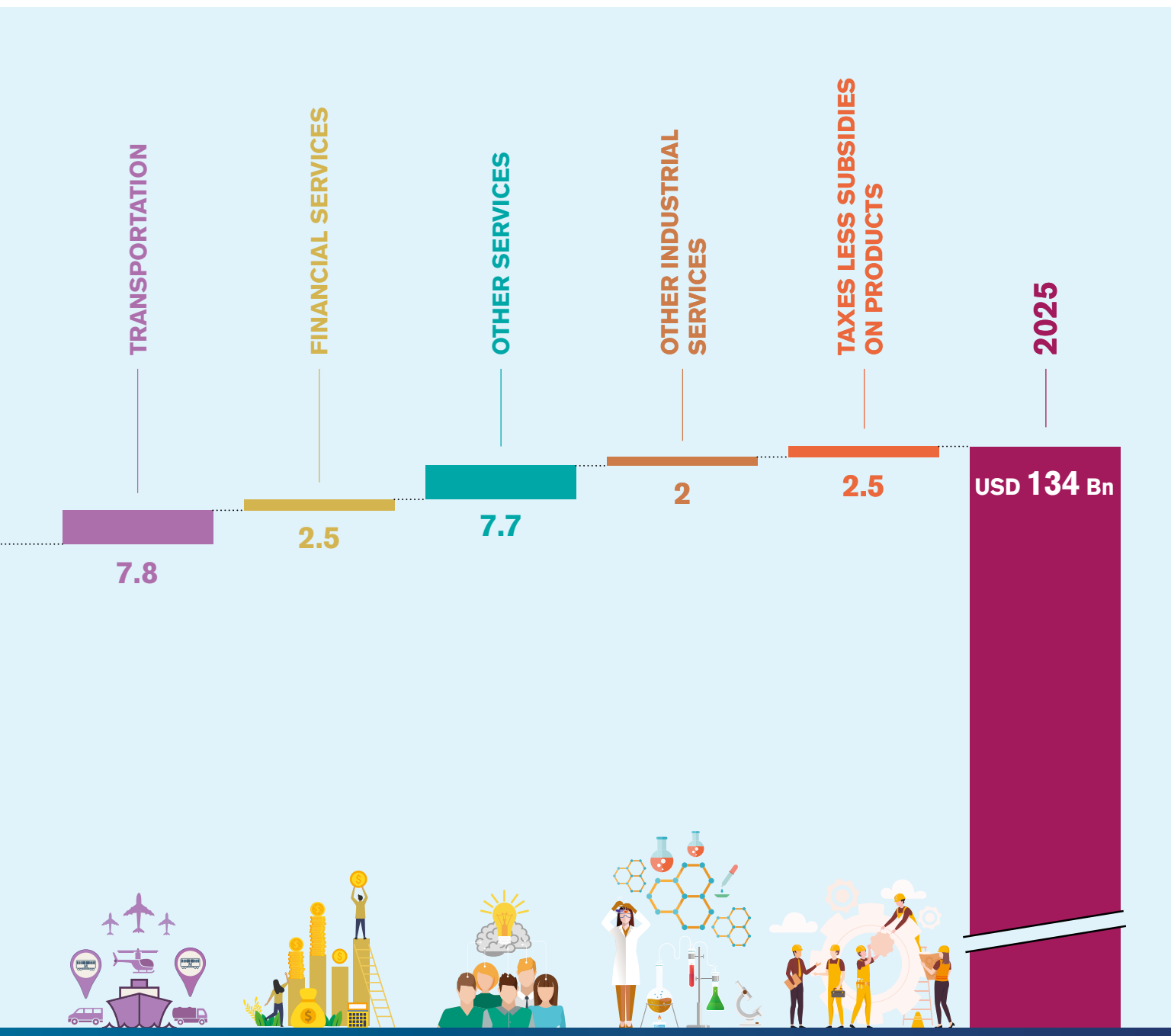
<https://www.worldbank.org/en/region/sar/overview>

SRI LANKA: 3RD SLOWEST GROWTH IN GDP IN THE SOUTH ASIAN REGION





**HOW DO WE
GET THERE?**

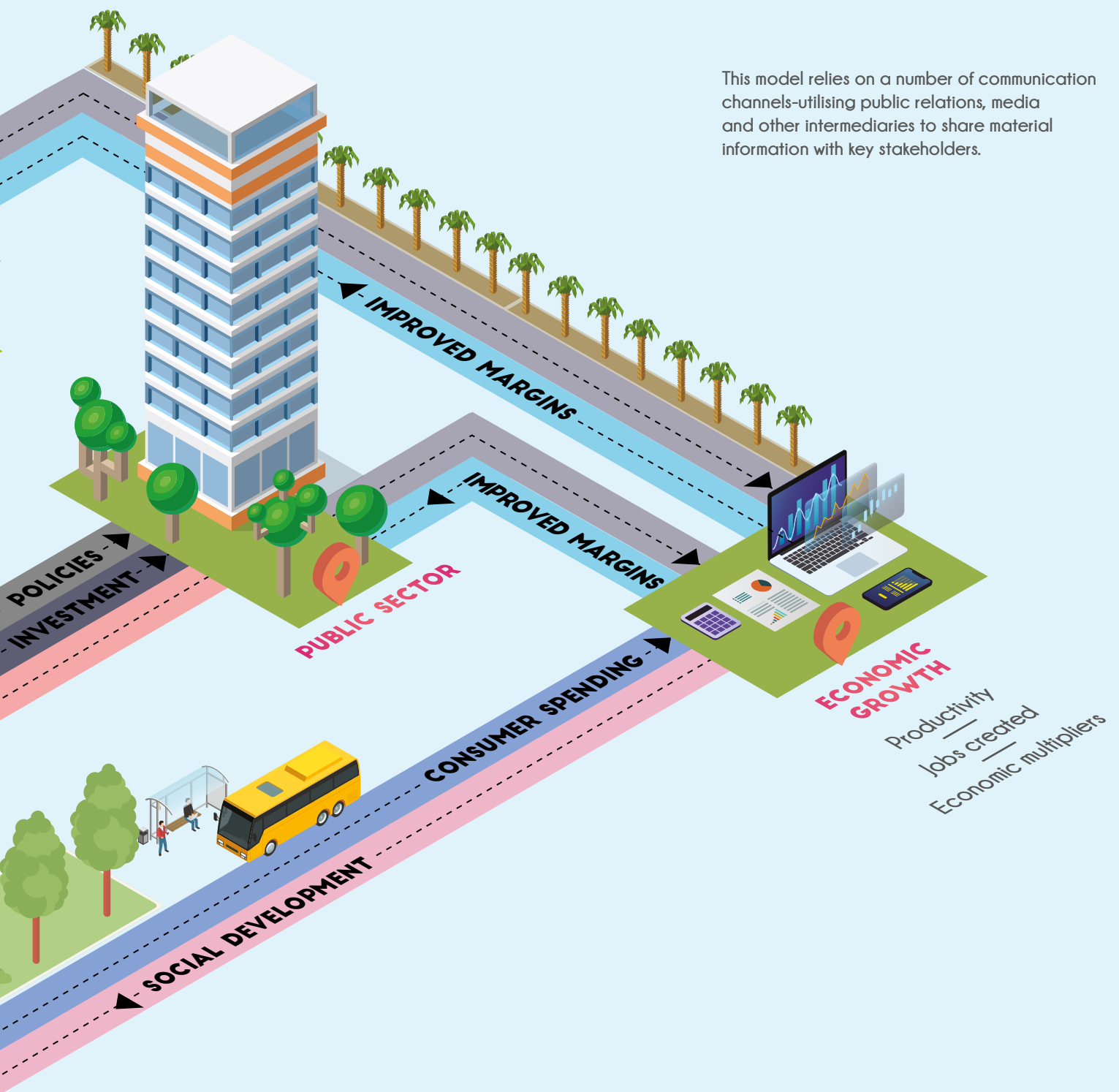


Assumptions:

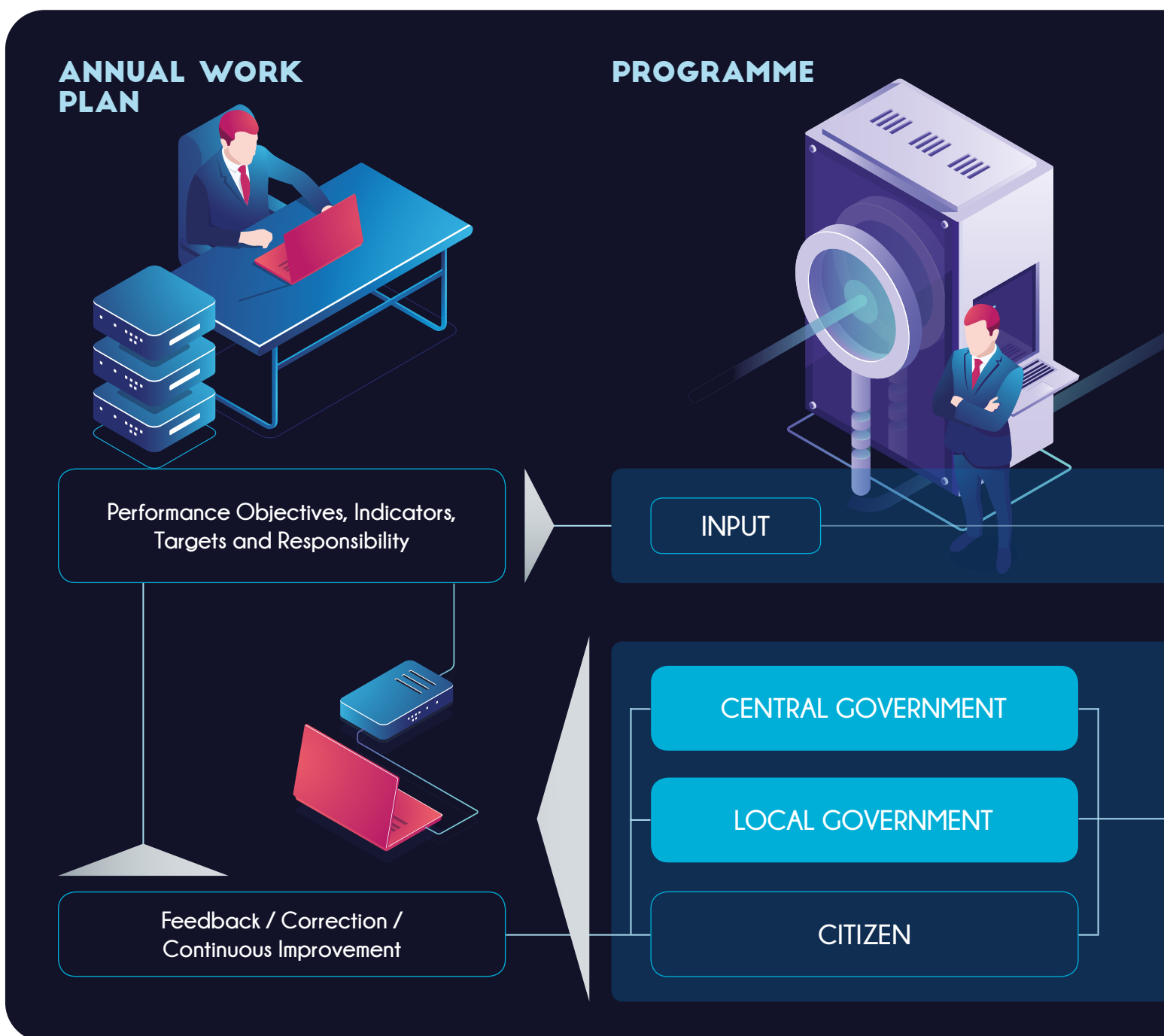
Average Real GDP Growth rate between 2020 - 2025 - 6.8%
Annual Average LKR Depreciation against USD of 4%
GDP Deflator at 4.5%

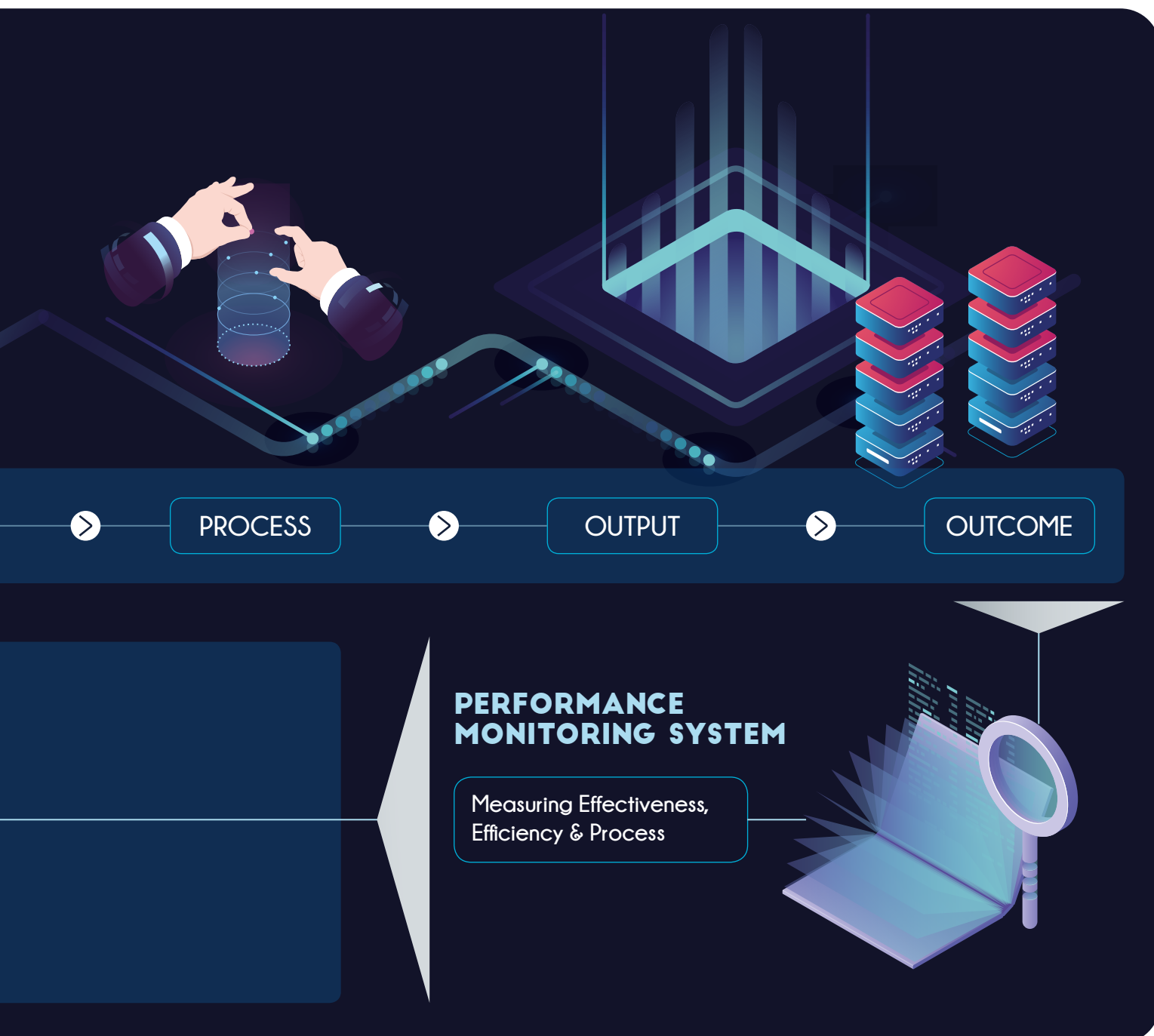
A MODEL FOR GROWTH





TRACKING THE IMPLEMENTATION PROGRESS





HIGH LEVEL OBJECTIVES TO ACHIEVE BY 2025



ECONOMIC GROWTH

GOALS	2018	2025
• GDP Growth	3.2%	8.0%
• Per Capita GDP (USD)	4,102	5,773
• Annual Average Inflation (CCPI)	4.3%	3%



EXTERNAL SECTOR

GOALS	2018	2025
• Exports as a % of Imports	53%	100%
• Total FDI as a % of GDP	2.4%	5%
• Current A/C Balance as a % of GDP	- 3.2%	+1%
• Gross Official Reserves	3.7	6



EMPLOYMENT INDICATORS

GOALS	2018	2025
• Unemployment %	4.4%	4.0%
• Total employment in professional/technical/associate professional categories	13%	20%



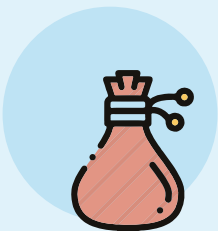
COMPETITIVENESS

GOALS	2018	2025
• Ease of Doing Business Rank	100	40
• Global competitiveness index Rank	85	50



TECHNOLOGY AND DIGITIZATION

GOALS	2018	2025
• Global Innovation Index	88	60



FISCAL INDICATORS

GOALS	2018	2025
• Tax Revenue as a % of GDP	11.9%	18%
• Primary Balance as a % of GDP	0.6%	1-2% surplus
• Budget Deficit as a % of GDP	5.3%	2%

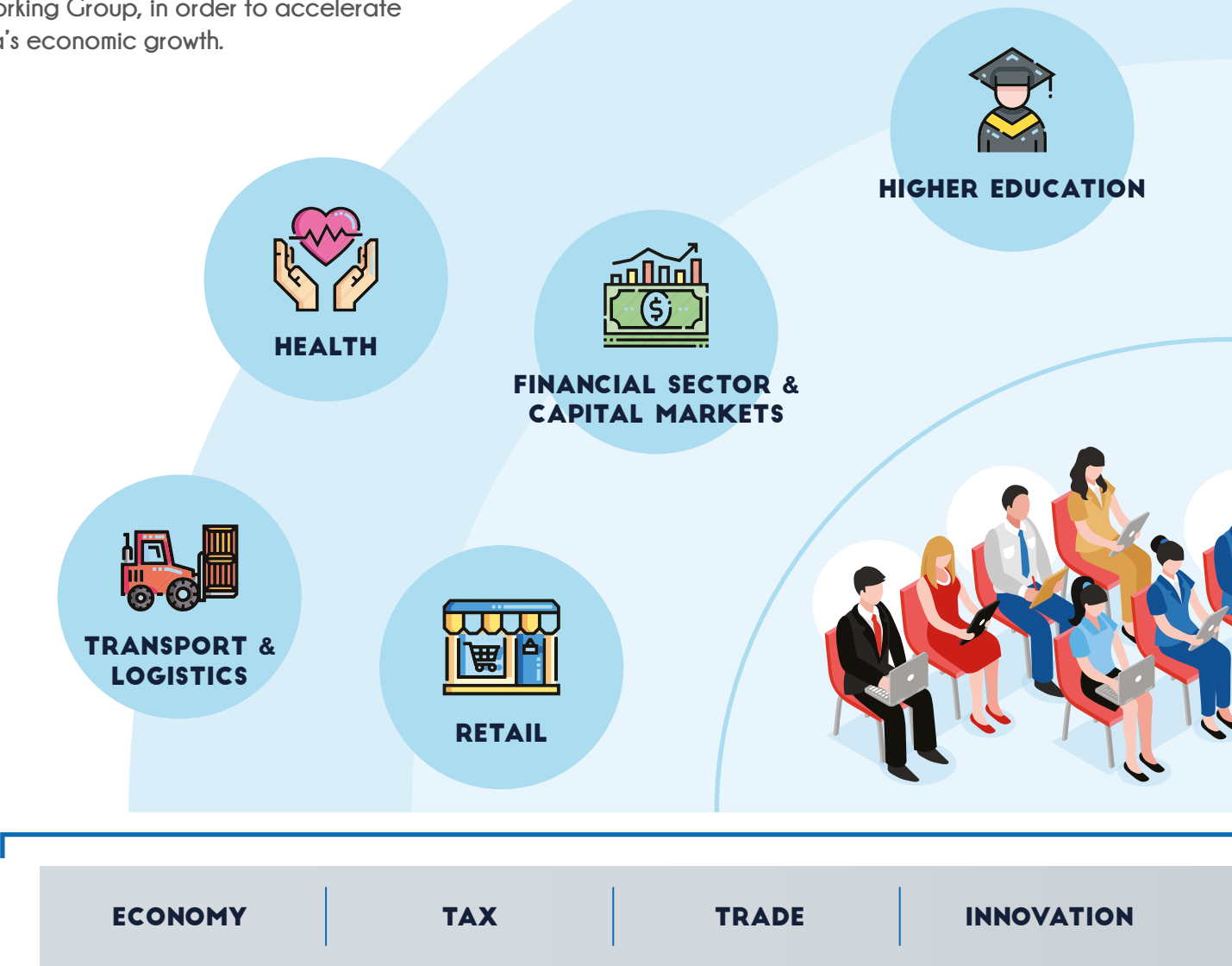


IMPROVEMENT IN CORRUPTION INDICES

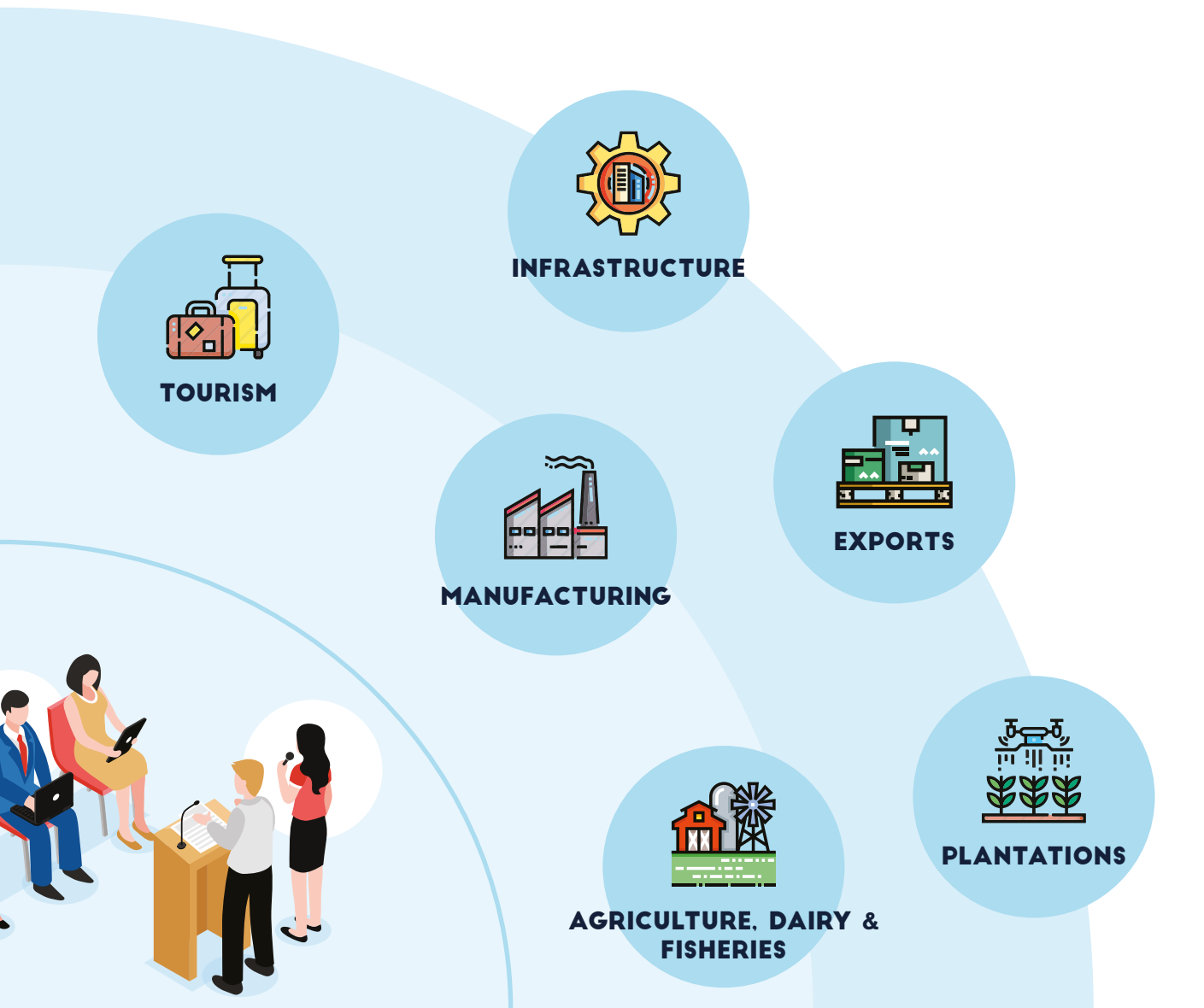
GOALS	2018	2025
• Corruption Perception Index by Transparency International	89	50

As we set in motion a plan for growth, the Chamber of Commerce has in place 18 key Working Groups, across several identified verticals and cross-cutting sectors.

The following pages detail the focus areas identified by each Working Group, in order to accelerate Sri Lanka’s economic growth.



THE WAY WE WORK



SME

LEGISLATION, REGULATION GOVERNANCE

POWER & ENERGY

GENERAL ECONOMY WORKING GROUP PROPOSALS

SECTOR: GENERAL ECONOMY

INTERVENTIONS



LEAD:

Mr. Suresh Shah,
CEO/Executive Director, Lion Brewery
Ceylon PLC and Former Chairman of
the Ceylon Chamber of Commerce

**MEMBERS FROM THE
ECONOMIC POLICY
STEERING COMMITTEE OF
THE CEYLON CHAMBER.**

ACHIEVING TARGETS

1. Mitigate Debt Risks

2. Improve Tax Revenue as % of GDP

IMPLEMENTATIONS



- Establish an independent Public Debt Office/Agency similar to the previous Independent Debt Office which was first mooted by the Government in 2003/4.
- Enhance CBSL laws and controls and continue to issue Treasury bills and bonds on behalf of the Treasury as an autonomous body. The Registered Stock and Security Ordinance and Treasury Bill Act can

be amended to tighten laws related to securities.

- Implement the Medium-Term Debt Management Strategy (2019-2023) developed by the Ministry of Finance and Central Bank of Sri Lanka. The document needs to be updated regularly to take into account the new developments in the global and local economy.

- Implement accrual-based accounting for Government accounts from the current cash based accounting system by 2024. In the interim period to disclose annually the total liabilities including guarantees, amounts due for goods and services received and subsidies committed, pension liabilities and amounts due on all leases.



- Incentivise people to voluntarily declare their revenue

- Make opening tax files mandatory to broaden the tax net. The NIC number can be used as the tax file number.

- Focus on 'holy trinity' of options – broadening tax base, lowering rates and better administration (take learnings from countries such as Vietnam and Georgia that have been able to improve their tax revenue over the last 10-15 years).

GENERAL ECONOMY WORKING GROUP PROPOSALS

SECTOR: GENERAL ECONOMY

INTERVENTIONS

3. Improve FDI and export targets to 5% of GDP and 100% of imports respectively by 2025

IMPLEMENTATIONS



- Countries such as Vietnam which have improved FDI inflows have done so through improvement in the Ease of Doing Business (EODB ranking has improved from 99 in 2014 to 69 by 2019). While taskforces are presently established to improve each of the ranking in the sub-indices of the EODB, this process can be institutionalised with a permanent secretariat to fast-track the reforms required. The Secretariat can be created with secondments from the respective institutions working on improving the index. The Secretariat can also look at other non-index issues which matter in improving the business climate of the private sector.
- Trade policy that will be outward in nature and provide access to markets.
- Unlock some of the bottlenecks towards FDI growth such as availability on land and labour resources.
- Set up specially designed industrial zones which reduce bureaucratic red tape and provide a plug and play model for investment.
- Consistently promoting an environment of policy predictability
- Review existing bilateral investment agreements and renegotiate to provide better investment protection and enter into new treaties with strategically important investment partners. These could be coupled with Free Trade Agreements (FTAs) where necessary.
- Improve services provided by commercial sections of Sri Lankan diplomatic missions and strengthen commercial sections of some of the key and big markets (e.g. China and India) with more resources to assist Sri Lankan companies (e.g. hiring locals with good local knowledge).

GENERAL ECONOMY WORKING GROUP PROPOSALS

SECTOR: GENERAL ECONOMY

KEY ACTIVITIES FOR STATE OWNED ENTERPRISE REFORM

Interventions	Year of Intervention
Develop a communication strategy that outlines the necessity for reforms of the SOEs.	Immediately
Convert all commercial entities into limited liability companies.	Early 2020
The listing rules to apply immediately to all such Commercial entities to improve transparency and Governance	Early 2020
List minority stake (up to 49%) of all commercial SOE other than banks to further facilitate transparency and improvement of governance. Divesting can be pursued in two to three tranches to maximise value. For example 15% in year 1, 15% in year 3 & 19% in year 5.	2020 onwards
Divest non-strategic commercial SOEs completely through a transparent process.	2020 onwards
Identify the impact of subsidised pricing both in terms of the cost of underpricing and the financing cost due to subsidising pricing. Shift the cost of subsidisation, where needed, to the Treasury.	2020
The executive management in SOEs to consist of professionals who have been full time in those entities or have experience in such industries. There should be no political appointees in the executive management.	Continuous
Bring all SOEs under a holding company. The board of the holding company to be appointed by the Constitutional Council. The board would be responsible initially to appoint SOE boards. Thereafter, by respective boards with the recommendation of respective nomination committees, subject to ratification by the board of the holding company. These directors of the holding company and the SOE boards would have qualifying criteria and term limits .	2H 2020
All SOEs including the holding company shall follow accounting standards as stipulated by the ICA including the publishing of consolidated accounts.	2021 onwards

Interventions	Year of Intervention
State banks should be able to extend credit to other SOEs as long as the transaction is at arm's length and has concurrence of the respective RPT committee (of both the bank and the SOE).	2020
Develop a strategic plan with KPIs for all SOEs (if it is not available) and the board to be held responsible for such implementation.	2020
Avoid conflict of interest and ensure a level playing field for operation by limiting the line Ministry's role to policy making and regulation. A ministry responsible for regulating an industry should not be responsible for managing an SOE in that sector.	2020 onwards

TAX WORKING GROUP PROPOSALS

SECTOR: TAX

TENETS OF TAXATION



LEAD:

Mr. Duminda Hulangamuwa,
Partner, Ernst & Young

MEMBERS OF THE WORKING GROUP:

Ms. Nilanthi Sivapragasam,
Chief Financial Officer,
Aitken Spence PLC

Ms. Shamila Jayasekara,
Partner, Head of Tax,
KPMG Sri Lanka

Mr. N R Gajendran,
Senior Partner,
Gajma & Co Chartered Accountants

Mr. Naomal Gunawardena,
Partner,
Nithya Partners

Mr. Amal Badugodahewa,
Director, Tax,
Carson Cumberbatch PLC

Ms. Nisreen Rehmanjee,
Head of Tax Strategy,
John Keells Holdings PLC

Mr. Roshan Anselm,
Group Tax Manager,
Hayleys PLC

BROAD PRINCIPLES

Certainty: Taxes ought to be certain and not arbitrary

Accountability and regular review, tax shifting and hypothecation have a role to play

INTERVENTIONS



- Provide consistency in the tax regime in the period leading up to 2025 and avoid the application of retrospective taxes. Maintain existing tax rates including the concessionary tax rates (e.g. for SMEs, exports at 14%) until we move toward an equitable tax base.
- Taxes should be aligned to national policy, and essentially be a tool for signalling Policy.



- Establish a think-tank on tax policy that will perform rigorous analysis prior to implementation of tax policy. It will enable the evaluating, monitoring and implementation of policy initiatives that would be backed by research and would hold the Government accountable for policy actions. The think-tank should also have links with the private sector, so that policies and projects that are cognisant of the private sector would be implemented. The think-tank can consider policies in addressing the challenges in taxation of the digital economy, promote policies that will provide more positive societal behaviour towards protecting the environment.
- Hypothecation has an important role play in pooling funds for dedicated expenditure purposes. Such revenue needs to be managed and utilised in a transparent efficient manner.
- Create metrics to evaluate efficacy of the tax policy. This is vital to win taxpayer confidence and gain taxpayer “buy-in.”
- Consultations: Any new tax should be opened to the public for a reasonable period for discussion and debate.

TAX WORKING GROUP PROPOSALS

SECTOR: TAX

INTERVENTIONS

Mr. Amila Priyadarshana,
General Manager Finance,
Hemas Holdings PLC

Mr. Priyadharshana Ekanayake,
National Finance Director,
Unilever Sri Lanka (Pvt) Ltd.

Ms. Charmaine Tillekeratne,
Director, Tax Services,
PricewaterhouseCoopers

Mr. Prasanna de Silva,
Director, Credit,
Central Finance Co. PLC

Mr. Lalith Yatiwella,
Finance Director,
Singer (Sri Lanka) PLC

Ms. Thilani Perera,
Chief Manager, Tax and Finance,
Commercial Bank

Mr. Brandon Morris,
Acting Managing Director,
Associated Motorways (Private) Limited

Mr. Aruna Deepthikumara,
Group Chief Financial Officer,
Commercial Bank of Ceylon PLC

Mr. Trinesh Fernando,
General Counsel / Vice President, Group
Legal and Regulatory,
Dialog Axiata PLC

Mr. Nilam Jayasinghe
Group Finance Director,
Ceylon Biscuits Limited

OTHER INTERVENTIONS

Equity and fair play in the tax administration

Tax administration and competitiveness

IMPLEMENTATIONS



- Appoint a Tax Ombudsman – presently there are provisions established for this appointment, though it has not been made in the last 12 years. Furthermore, authority should be given to strengthen this office by an Act of Parliament.



Tax regime must be globally competitive in efforts to attract new capital, ensure progressive outcomes, avoid regressive outcomes and be well administered.

- Establishment of a rational tariff structure that promotes the macro-economic growth objectives of the economy.
- Provide investment incentives for anchor investment in sectors that have potential to drive export and FDI into the country.
- Improve tax administration by improving capacity of the Inland Revenue Department (IRD)
- Develop industry specific knowledge within the IRD
- Re-look at the operating structure and procedures of the IRD
- Improve implementation of RAMIS

TRADE WORKING GROUP PROPOSALS

SECTOR: TRADE

INTERVENTIONS

MEMBERS OF THE WORKING GROUP:

Mr. Husein Esufally
Chairman,
Hemas Holdings PLC

Ms. Subhashini Abeysinghe,
Research Director,
Verité Research

Mr. Sheamalee Wickramasinghe,
Managing Director, Ceylon Biscuits Ltd

Mr. Tuli Cooray,
Secretary General,
Joint Apparel Association Forum

Dr. Janaka Wijayasiri,
Research Fellow,
The Institute of Policy Studies

Mr. Dinesh de Silva,
Head of Shipping,
Unilever Sri Lanka (Pvt) Ltd.

Mr. Nishan Nanayakkara,
Chairman, The Import Section of
Ceylon Chamber / General Manager,
Ceylon Biscuits Ltd.

Mr. Prabash Subasinghe,
Managing Director,
Global Rubber Industries and Global
Seafood

a) Formulation of a national policy directive to address structural issues affecting trade.

b) Expansion of Sri Lanka's trade interests through signing of strategic trade agreements [Formulation of a 'Trade Agreement' (TA) strategy based on the fundamentals of 'maximising gains and minimising negative implications'].

IMPLEMENTATIONS



- Rational allocation of Government departments and ministries to improve coordination, coherence, and integration in trade policy related decision making process.
- Establishment of a rational tariff structure that promotes macro-economic growth objectives of the economy. Rationalisation of tariffs is a prerequisite for liberalisation of tariffs. In the rationalisation process, both import duties (both import duty and para-tariffs) and export levies need to be considered.
- Establishment of the proposed Trade and Productivity Commission through a Parliamentary Act with a clear mandate to make independent and transparent decisions on tariff rationalisation based on stakeholder consultations and scientific research.
 - Fixing para tariffs that undermines the competitiveness measures in order for local industries to leverage on liberalisation efforts in line with commitments under the multilateral trade regime.
- Develop and implement product standards (both quality and technical) to safeguard legitimate interests and concerns of both the consumer and the producer.



- Formulation of a TA strategy that clear documents; the process that needs to be followed in arriving at a decision for negotiation and conclusion of the TAs .
- Trade agreements that Sri Lanka becomes party to must be anchored to the country's national and strategic interests, signed after timely, transparent and broad-based domestic consultations with relevant stakeholder groups.
- Conducting feasibility studies that informs the potential economic impact of the agreements/unilateral liberalisations under consideration.
- Decision to entering into trade agreements should not be based on narrow considerations or vested interests, but must be based on good research and evidence taking a holistic view of the overall benefits to the country. It should be based on the outcome of a sound feasibility study which also defines the scope of the agreement (how comprehensive/ broad the agreement should be).
- Sustaining acquired skills and building further technical capacity of the negotiating team and the supporting team of researches/ technocrats.
- The capacity of the trade agreement negotiating team must be strengthened by institutionalising the process. It is important to ensure sustainability and the

TRADE WORKING GROUP PROPOSALS

SECTOR: TRADE

INTERVENTIONS

Mr. Saiffudin Jafferjee,
Managing Director,
Lanka Garment Manufacturing Co Ltd

Ms. Nadie Kahatapitiya Algama,
Director Marketing & Strategy,
KIK Lanka (Pvt) Ltd.

Mr. Anura Warnakulasooriya,
Director,
Midaya Ceramic Company (Pvt) Ltd.

Mr. Suresh Ellawala,
Director,
Ellawala Horticulture (Pvt) Ltd.

Mr. Jagath Fernando,
Managing Director,
Jagro (Pvt) Ltd.

Mr. Justin Seneviratne,
Director,
Lalan Rubbers (Pvt) Ltd.

Mr. Ananda Pathirage,
Director,
Hayleys Agriculture Holding Limited

Mr. Ganesh Deivanayagam,
Chairman,
Eswaran Brothers Exports (Pvt) Ltd.

Mr. Ashan Refai,
Managing Director,
ZAM Gems (Pvt) Ltd.

c) Accelerating reforms to resolve domestic barriers to trade and boost competitiveness.

d) Continuity of the implementation of the National Export Strategy (NES).

IMPLEMENTATIONS

continuity of the skills acquired and experience gained. This will build competency of the team on negotiating skills while allowing specialised skills to be brought in to the negotiating team and also to build the confidence amongst the stakeholders on the process followed. The institutionalisation of the trade negotiation team will also ensure that more structured consultations with related stakeholders will provide strategic input for ongoing negotiations.

- Scientific approach to formulation of offensive/defensive schedules for goods and services based on statistical analysis, empirical research and structured stakeholder consultations.
 - Building a database with offensive and defensive interests and skill gaps to supports service negotiations
- Entering into Mutual Recognition Agreements to promote market access gained through tariff liberalisation.
- Review/renegotiate existing investment and tax treaties and negotiate new treaties where necessary to improves the investment competitiveness of Sri Lanka



- Expediting the implementation of trade facilitation measures in a transparent manner with a Trade Facilitation Agreement (TFA)+ approach. Speedy implementation of the digital National Single Window is the priority action point under Category C TFA measures.
- Speed up accession to the Madrid Protocol
- Setting up accredited laboratories for certification of export products (MRAs can be used as a vehicle to facilitate market entry of products facilitated by accredited laboratories).



- NES lays out a detailed roadmap for faster export growth with a focus on six focus sectors and three trade support functions for all exports goods and services.
- The plan of actions that are developed through wide stakeholder consultations need to be given a focused implementation drive in the next five years with flexibility and adaptability to timely needs.

TRADE WORKING GROUP PROPOSALS

SECTOR: TRADE

OTHER SECTOR SPECIFIC INTERVENTIONS TO SPUR EXPORT GROWTH THAT ARE NOT COVERED BY THE NATIONAL EXPORT STRATEGY

Sector	Intervention
Gem and Jewellery	<p>Establishment of a world class testing and certification centre for the gem and jewellery industry as a PPP initiative.</p> <p>Development of Sri Lanka as a world class trading hub for gem and jewellery.</p>
Rubber	<p>Implementation of the rubber master plan.</p>
Fisheries	<p>Development of Sri Lanka as a reprocessing hub for fisheries exports. Sri Lanka need to organise as a bigger reprocessing arm and, there should be policies in bringing vessels, proper rules for reprocessing facilitating investment, etc.</p> <p>Provide land and promote investment to promote aqua production such as shrimps and prawns.</p>
Fruits and Vegetables	<p>Permit import of raw material to facilitate reprocessing for exports.</p> <p>Installing cold storage facilities at airports capable of storing food exports, while preserving their quality standards.</p> <p>Creation of a knowledge and information platform to share information with regard to growing of crop such as what to grow, how to grow (inter-cropping, etc.) and when to grow certain crops to optimise yield and price.</p>
Tea	<p>Complete automation of Colombo Tea Auction.</p> <p>Automation of the supply chain of the tea industry from plucking to selling will provide real time market information while enhancing process efficiency, traceability, eliminate malpractices, better price discovery and market information for the stakeholders.</p> <p>Establish an accredited laboratory for chemical testing in Sri Lanka to improve the quality of infrastructure and promote export standards.</p> <p>The country has a sizeable outflow of foreign exchange presently to obtain these services from labs overseas for testing with cost that ranges from USD 150-200 per sample.</p> <p>Proper implementation of Global Ceylon Tea campaign in consultation with the tea industry stakeholders.</p> <p>Protect the Ceylon Tea Brand name / Image through registration of Ceylon Tea Geographical Indication (GI) in all important out-markets.</p> <p>Make GMP mandatory for all tea factories. Introduce heavy penalties for the manufacturers of adulterated teas.</p> <p>Facilitate research and development for generic promotion of tea and tea-based products, such as the potential of tea as a food item, ability to be used in nutraceutical and pharmaceutical industries, global flavour on and fragrance industry.</p>

TRADE



GEM AND JEWELLERY



FRUITS AND VEGETABLES



RUBBER



TEA



FISHERIES



LEGISLATION, REGULATIONS AND GOVERNANCE WORKING GROUP PROPOSALS

SECTOR: LEGISLATION, REGULATIONS AND GOVERNANCE

INTERVENTIONS



LEAD:

Ms. Dilani Alagaratnam,
President, Group Legal & HR,
John Keells Holdings

MEMBERS OF THE WORKING GROUP:

Prof. Rohan Samarajiva
Founding Chair, LIRNEasia & Chairman,
ICTA

Dr. J.C. Swaminathan
Partner, Julius & Creasy

Dr. Arittha Wikramanayake
Precedent Partner, Nithya Partners

Ms. Sabrina Esufally
Business Development, Senior Manager,
Morrisons PLC

Mr. Aruna Samarajewa
Partner, Nithya Partners

Mr. Keerthi Pathiraja
Company Secretary & Legal Counsel,
Nestlé Lanka PLC.

Mr. Trinesh Fernando
General Counsel / Vice President - Group
Legal and Regulator, Dialog Axiata PLC

1.0 Stability of the nation

2.0 Creation of a nation with a Sri Lankan identity

IMPLEMENTATIONS



Preservation of National Security and Law & Order

(1) Establish a body that is responsible for the security and safety of the nation akin to the National Security Council, which should include as its members the president, the prime minister, the relevant minister and deputy minister tasked with the responsibility for defense and law & order. The body should also be responsible, inter alia,

- (a) to identify a single source of communication relating to matters of national security, preferably a member of the body established as aforesaid;
- (b) set up a national level threat level indicator which is updated, as determined by the aforesaid body, from time to time and in a timely fashion.

(2) Ensure effective enforcement of the applicable laws especially, and in particular, towards eliminating terrorist and violent extremist content online in a manner consistent with the rule of law and the obligations the country has undertaken internationally. In this connection we would like to draw reference to the Christchurch Call to Action, which sets out a well-considered basis for stakeholder engagement and action.



There is a need to integrate diverse groups defined by religion, language, cultural, social or economic groupings to create a Sri Lankan identity, if the Nation is to prosper. The Constitution must guarantee all groupings and communities

equality, power sharing whilst preserving the supremacy of the Parliament. This is the relevant context to the Constitution being acceptable to all groups of people in the country, which no doubt will result in the stability and prosperity of the country.

In this connection sections 291A and 291B of the Penal Code, which relate to 2 offences dealing with religious feelings should be extended to capture any ethnic group or a community.

LEGISLATION, REGULATIONS AND GOVERNANCE WORKING GROUP PROPOSALS

SECTOR: LEGISLATION, REGULATIONS AND GOVERNANCE

INTERVENTIONS

3.0 Efficient Government administration

IMPLEMENTATIONS



(1) It is important that there is a system of governance, enshrined in the Constitution, which would not result in a duality with respect to decision making. There must be a single source of definitive/authoritative information and thus one centre of power as dual power centres in the Government is a hindrance to development.

(2) Ministers of the Government, by whatever name they are called, should be made accountable for the delivery of the key objectives of a government.

We recommend that performance indicators, in line with Government objectives, which are specific and measurable be set up for each ministry and made public at the beginning of every fiscal year and the performance against the same be considered in allocating funds and allocating ministries in the ensuing years. The desire is that the ministers' annual performance against goals is available to the public and that the incumbent Government will

allocate funds and ministries based on performance.

To this end it is recommended that all ministers agree with the prime minister their scope of work and their deliverables, which are specific, time bound and measurable. The ministers must sign a contract at the time they take over the portfolios and it must be made public. This measure seeks to ensure that the policy of the Government in power is executed in an orderly fashion, in line with the expectations of the voting public.

(3) There should be national policies formulated with respect to key areas such as education, health, foreign investments etc. and these policies should not change with changes in Government.

(4) National policies, once formulated, should be administered by a set of people who are fit and proper and who do not change roles based on change

of governments or ministers. Ensure that secretaries to ministries are competent and the national policies are carried through, untouched by changes to the subject ministers. It is envisaged that the ministers' role would be a facilitative role and hence will not detract from this principle.

(5) Allocating subjects to ministers should be based on merit (fit and proper for the delivery of the expectations of the portfolio) and not based on seniority in the governing party, in parliament or otherwise. This will result in more efficient use of available resources.

(6) In determining ministerial portfolios, similar subject matter must come within the scope of one minister. This will assist in making decisions that impact the subject matter by taking into consideration all relevant matters/interests and in a holistic fashion. Subjects which are totally unconnected should not be assigned to a minister.

LEGISLATION, REGULATIONS AND GOVERNANCE WORKING GROUP PROPOSALS

SECTOR: LEGISLATION, REGULATIONS AND GOVERNANCE

INTERVENTIONS

4.0 Certainty as to the operating framework

5.0 Creation of New Types of Jobs

6.0 Investment Law Regime

IMPLEMENTATIONS

National Budget

Announcements made in a National Budget, which require changes to the regulatory regime, should be enacted within a time-frame of 30 to 90 days of the passing of the National Budget to ensure that there is certainty.

To facilitate this draft bills / gazettes incorporating changes to tax legislation that are to be announced during the budget should be compiled and ready for submission to cabinet no sooner the Budget is passed by Parliament. This would ensure that the time lag between the budget being presented to Parliament

and necessary changes to legislation to support same is minimised.

Retrospective application of laws

As a general rule enacting laws and regulations with retrospective operation should be avoided.

Creating an environment in which e-commerce thrives

- (1) Introduction of a di minimis scheme to enable SMEs and e-commerce markets as this would encourage and support new trading options and reduce transaction costs.
- (2) To abolish the requirement for manual submission of Form 1 and 2 under Direction 1 of 2017 under the Foreign

Exchange Act as it hinders trade transactions under documentary credits and documentary collections. This obligation should be placed on the banks to obtain, maintain and report the required details.

- (3) Ensuring that the data protection law is enacted at the earliest.
- (4) Ensuring that cyber security related measures are in place.

- (5) Inward remittances for online payments

There is an opportunity loss due to the lack of availability of international online payment platforms in Sri Lanka that will enable businesses to directly receive money for goods and services provided overseas. This is a low-hanging fruit that will help the digital economy and SMEs in Sri Lanka to scale and grow their businesses.

It is important to rationalise the following laws towards realising the objectives of these statutes.

- (1) Amending Schedule B of the Board of Investment Act to list the Foreign Exchange Act of 2017 in place of the abolished Exchange Control Act of 1953.

- (2) Board of Investment Act and Strategic Development Acts should be amended to include, in the relevant schedules, the Inland Revenue Act No. 24 of 2017.

LEGISLATION, REGULATIONS AND GOVERNANCE WORKING GROUP PROPOSALS

SECTOR: LEGISLATION, REGULATIONS AND GOVERNANCE

INTERVENTIONS

7.0 Intellectual Property Law regime

8.0 Competition Law

9.0 Labour Law Regime

IMPLEMENTATIONS



- (1) Enabling legislation consequent to Sri Lanka's accession to the Madrid Protocol must be put in place.
- (2) Provisions relating to registration Geographic Indications should be enacted.



Sri Lanka presently does not have a law for the regulation of competition. When the Consumer Affairs Authority Act No. 9 of 2003 was enacted, it repealed the Fair Trading Commission Act No. 1 of 1987 which had substantive provisions on the regulation of mergers and monopolies. These provisions were excluded from the Consumer Affairs Authority Act with the intention that the Government would subsequently enact a special law to deal with mergers and monopolies. However, this

was not followed up thereafter, resulting in a lacuna in the regulation of competition.

Consequently, there is no law to deal with mergers and monopolies. This poses severe threats to maintaining a fair market and a level playing field. There are several instances where large entities have deliberately violated basic principles of competition law and engaged in overt anti-competitive behaviour due to this failure. We believe that this could be

aggravated in the future with increasing competition from large overseas conglomerates entering the market.

Foreign investors are concerned when they learn that we have not competition law in the country since such laws are standard feature in every market even in the region. It is therefore imperative that laws be enacted for the purpose of protecting consumers by creating a balanced framework for market behaviour.



Amending the Labour Law regime to capture the following in the main based on a recognition of the need to generate employment, bring women into the work force and create a meritocracy. Labour laws must promote flexible work and current work arrangements such as sub-contracting and also strengthen the employer-employee relationship.

- (1) Enable night work for women in a controlled environment
- (2) Encourage child care facilities based on what has been proposed by the Government in the recent Budget

(3) Regulate 'Contract Labour' providers as any other employer, being providers of a valuable service.

(4) Facilitate diverse forms of employment such as part time work, work from home / distant locations arrangements, flexible hours of work.

(5) Enable a five day work week, so as to permit businesses to determine the hours of work suited for their respective businesses.

(6) Ensure that the safety net envisaged at the time of the enactment of the

Termination of Employment (Special Provisions) Act is put in place and permit businesses to lay off employees based on the current compensation formula, without a requirement of having to obtain the consent of the Commissioner of Labour.

(7) Amend the Payment of Gratuity Act, Shop and Office Act, etc. so as to accommodate concepts such as 'part time work'.

LEGISLATION, REGULATIONS AND GOVERNANCE WORKING GROUP PROPOSALS

SECTOR: LEGISLATION, REGULATIONS AND GOVERNANCE

INTERVENTIONS

10.0 Land Law regime

11.0 Company Law regime

IMPLEMENTATIONS

- (8) Ensure that the proposed Employment Law, currently in draft form, be enacted at the earliest, after consulting with the stakeholders.
- (9) Provide an efficient mechanism by which foreign labour required in the country is permitted work visas.
- (10) Amend existing regulations which prohibits spouses of foreign employees from working and obtaining facilities such as a driving license, as this serves as a deterrent to technology transfer to locals.



Amendment to the Registration of Title Act 21 of 1988

Sections 33 and 59 of the Act should be amended as it provides that no court can question the title and change the register if possession has been established, unless the title has been obtained through fraudulent means. This limitation is too restrictive and acts to the detriment of the affected persons.

Apartment Ownership Law

Express provision for horizontal condominiumisation should be set out. Currently the Condominium Management Authority does not recognise the ability to use the Apartment Ownership Law in this manner is a hindrance to better utilisation of land parcels.

Real Estate Investment Trusts (REITs)

Legal recognition for establishment of REITs is required to grow and develop

our property market and realise its full potential.

Recording of interests of the State in land

Until such time the registration of title across the country is completed, which at its current pace is likely to take a very long time, it is important to have a mechanism for recording of State interests, if any, with regard to land parcels. Lack of this creates many issues to the public at large.



- (1) Provisions akin to Chapter 11 in the USA are put in place to assist companies in distress.
- (2) Any modification necessary to Winding Up procedure and Administrations procedure.
- (3) Registration of beneficial owners in the case of trust to prevent money laundering and other illegal activities following trends in company legislation in Europe.

LEGISLATION, REGULATIONS AND GOVERNANCE WORKING GROUP PROPOSALS

SECTOR: LEGISLATION, REGULATIONS AND GOVERNANCE

INTERVENTIONS

12.0 Access to information

13.0 Environmental Law regime

14.0 Alternative Dispute Resolution mechanisms

15.0 Laws and regulations currently in draft form

IMPLEMENTATIONS

>

Ability to access and download documents from a computer system with respect to documentation available to the public and maintained by Government bodies should be facilitated. The requirement is acute particularly in relation to court records, company registry and

Intellectual Property Office documentation and Land Registry documents. The ideal solution is a comprehensive automation of the courts.

Sri Lanka must be an e-driven country with 'linked databases' which enable process

driven "transacting" with minimal human interaction. This will reduce corruption. It is important to proceduralise as many transactions as possible, particularly day to day transactions, as it will make the Government efficient and leave less room for corruption.

>

The law should be strengthened to encourage the public to Refuse, Reduce, Reuse and Recycle plastic. In this context enabling legislative changes to be introduced to permit supermarkets to charge for the issue of plastic bags,

a model that has been tested and found to be successful in substantially reducing the demand for plastic bags by consumers worldwide. Currently this is not possible due to a regulation issued by the Consumer Affairs Authority (CAA) in

2008 that prevents the same, which the CAA is unable to withdraw due as it was a regulation made pursuant to a commitment made to the Supreme Court of Sri Lanka.

>

An effective dispute resolution mechanism for commercial disputes is essential for economic development. Government assistance is requested to make Colombo a centre for alternative dispute resolution. Governments in the region such as Hong Kong, Singapore and Maldives, for example, support this endeavour by providing infrastructure

including a suitable venue and resources for staffing for the development of the dispute resolution centres in their relevant countries. Accordingly, we request that CCC-ICLP ADR Centre, established with the participation of the Ceylon Chamber of Commerce, be provided with assistance especially in obtaining from the Government a venue for holding

mediations/arbitrations. The proposed rules of mediation and arbitration of the CCC-ICLP ADR centre seek to address the main obstacles for corporates and individuals from seeking ADR solutions, including the reduction of the time taken to resolve disputes and also keeping the costs within agreed limits.

>

The Chamber also recommends that the Government takes an inventory of laws and regulations

i. drafted and awaiting submission to the cabinet of ministers for approval;

ii. approved by the cabinet of ministers but awaiting final drafts from the Legal Draftsman;

We believe that work already done should be resurrected and expedited, as these are low hanging fruits and

would clearly benefit the Ease of Doing Business Indices.

There is value in identifying the laws that are currently in the statute books, but are obsolete or have not been used in decades and repealing them.

POWER AND ENERGY WORKING GROUP PROPOSALS

SECTOR: POWER AND ENERGY

POLICY INTERVENTIONS / KEY ACTIVITIES



LEAD:

Mr. Saliya Wickramasuriya,
Independent Energy Expert



Mr. Asgi Akbarally
Director, Akbar Brothers (Pvt) Ltd.

**MEMBERS ARE
CONSTITUTED FROM
THE EXISTING NATIONAL
AGENDA COMMITTEE
OF THE CHAMBER ON
ENERGY**

1. Restructure and standardise the bidding processes including Request For Proposals (RFPs) to increase competition, compare bids accurately, and capture maximum long-term economic value.
2. Engage professional industry advisory companies to protect national interest when evaluating and negotiating energy contracts with international parties, until Sri Lankan experts gain capacity.
3. Mandate the National Procurement Commission (NPC) to perform the functions of the Procurement Appeals Board (PAB), so that the appeals process could be carried out in an independent and impartial manner.
4. Allow 'power wheeling' within the transmission network. This measure could lead to significant investment in power generation by major industries and help in achieving the Non-Conventional Renewable Energy (NCRE) generation targets, while reducing CEB's need for generation capacity additions.
5. Amend the Electricity Act to exclude the requirement to bid for small-scale NCRE projects and implement a 'Feed-in-Tariff' with agreed formulae and periodic rate revision. Applications may include a forfeitable bond, and approvals need to be time limited.
6. Rationalise short-term LNG imports with upstream development timelines. Strategic LNG imports in the short term through flexible contracts, use of an offshore delivery solution (FSRU or FSU+ barge) instead of land-based terminal, would be beneficial in balancing imported LNG with possible natural gas production in the future. Ideally, this could be achieved through agreements with institutions involved in both exploration and the LNG retail business and by giving control of the LNG supply portfolio to the Ministry of Petroleum Resources Development, who currently has responsibility for both upstream and downstream gas.

7. Address the lack of an independent regulator in the petroleum. This can be achieved through legally empowering the regulator (Public Utilities Commission of Sri Lanka) with clearly defined roles and responsibilities. It must further be noted that the role of the regulator should ideally be an evolving one.
8. Develop a technology roadmap for a 100% (renewable/indigenous) grid, utilising global expertise to create a notional generation plan for alternative scenarios.
9. Phase in unbundling of the CEB based on functionality, with independent financial reporting, beginning with independent accounting between generation units, transmission licensees, and distribution units. CEB to conduct mandatory dispatch audits periodically to ensure transparency and good practices within the system. Listing a percentage of State-Owned Enterprises (SOEs) on the stock market would also help to increase public oversight and increase accountability.
10. Attract private sector participation in the sector through public private partnerships, including in electricity transmission and distribution.
11. Introduce Key Performance Indicators (KPIs) aligned with economic and environmental goals for the utility companies.
12. Align generation planning with sustainability goals and in-line with technological trends of the sector. Planning should be restricted to a single currency, with a sensitivity analysis taking into consideration full social and environmental cost.



Full report with detail interventions can be found in this publication -

<https://drive.google.com/file/d/1sKFtvI46pZV9C48rKlrUyMWoS5KwRUaj/view>

SME WORKING GROUP PROPOSALS

SECTOR: SME DEVELOPMENT

INTERVENTIONS



LEAD:

Mr. Arjuna Herath,
Senior Partner E&Y

MEMBERS OF THE WORKING GROUP:

Ms. Samadanie Kiriwandeniya,
Chairperson, SDB Bank

Mr. Hasitha Wijesundara,
Senior Advisory, GIZ SME Sector
Development Programme

Mr. Sujeewa Rajapakse,
Managing Partner, BDO Partners

Mr. Jude Fernando,
Deputy General Manager,
SME & Midmarket
Hatton National Bank PLC

Mr. H. M. S. Lakshman
Wijeyawardene
Director, NEDA

1. Streamline SME development ecosystem and create an enabling environment.



- a) Amalgamate NEDA, IDB, and other related public sector institutions (such as Small Enterprises Development Division) working on the SME sector to create an “SME authority”. This which will act as an umbrella organisation, responsible for SME policy, advocacy and coordination of proposed island-wide one stop shops. The existing staff and resources should be utilised without additional burden to Government coffers.

IMPLEMENTATIONS



- Formulate a SME Advisory Council under the relevant line ministry, as the sole facilitator for the establishment of the SME Authority (under MOIC), which will consist of key representatives of the relevant Government ministries, institutes, agencies (including CBSL), commercial banks, chambers, universities and more.
- Formulate mandatory, statutory amendments to the National Enterprise Development Authority Act, No. 17 of 2006 and Industrial

Development Act No.36 of 1969. Enact a new Act to govern the SME Authority, and grant it with exclusive mandate and power to serve the SME sector.

- Map out current services and develop a detailed plan for transforming the existing structures and strategies that the selected Government institutions practice and motivate these institutions to adhere with an island-wide SME Development Strategy.

- Pool in qualified resources from NEDA and IDB to work for the amalgamated entity and, strengthen the capacity of the staff on policy analysis, performance monitoring, inter and intra institutional coordination, database management and dissemination of information.
- Facilitate provision of information/ guidance for SMEs regarding regulatory and institutional procedural requirements in carrying out their businesses through the website of the SME Authority.

SME WORKING GROUP PROPOSALS

SECTOR: SME DEVELOPMENT

INTERVENTIONS

b) Establish district level “one stop shops” as a focal point of assistance for SMEs to coordinate and facilitate service deliveries including, but not limited to licensing, registration, and business development services (using the existing resources).

c) Develop a centralised SME database

d) Establish a common SME definition that is accepted by all institutions and policymakers

IMPLEMENTATIONS



- SME Authority to coordinate the programmes of multiplicity of agencies serving and assisting SMEs at a regional level by pooling in resources from government institutes (such as NEDA, IDB, SED, Vidhatha Centres), establishing a clear communication line and provisioning of solid training to selected staff.
- Develop a consultative body with the potential private agencies/ organisations (including business consultants and banks) to be involved in service and information provision at the one stop shops, specially to facilitate business development services.
- Technologically enable the one stop shops by way of a dedicated portal to allow SMEs to direct their requirements online through an application, which will ultimately get directed to the respective agency in order for timely and quality service delivery.



- Carry out a census to collate the most recent information on SMEs which will then be used by the proposed authority in decision making and work of initiatives such as the one stop shops.



- The SME Authority to take required steps to ensure the national level definition is being followed island-wide by all the parties. The Authority will also take actions to revisit the national SME definition once in every three years based on the economic and business development in the country (unless there is a major change in the economic structure).

SME WORKING GROUP PROPOSALS

SECTOR: SME DEVELOPMENT

INTERVENTIONS

2. Improve access to finance for SMEs

3. Facilitate SME access to markets

IMPLEMENTATIONS



- Establish a “Credit Guarantee Institution”, under the CBSL, as a channel for SMEs to access credit facilities from lending institutions (commercial banks) without a collateral, at a reasonable rate.
- Complete required regulatory amendments to support the establishment of the credit guarantee institution.
- Use the mechanism of PPP, where CBSL will act as the funding and monitoring entity, whilst the

lending institutions will provide SME funding accepting the guarantee provided.

- Establish a separate SME (unit) within regional development department of CBSL for regulation of SME loans
- Set up a long-term SME Loan Fund, with the donor community support (donations, gifts, grants), loans or any other source of funding, administered by the CBSL SME Unit.
- Create a linkage between banks and suggested one stop shops, as a

platform for SMEs to link with banks to resolve their access to finance issues.

- Uplift equity financing mechanisms for the SMEs through incentivising setting up venture capital mechanisms at District level (channel funds on concessionary terms to VC companies, tax concessions).
- Provide regulatory incentives to encourage banks to increase lending to SMEs (eg; reduce risk weightage of lending to SMEs)



- Increase exports by SMEs by 20% over the period of three years.
- Formulate effective Government policies to create linkages and facilitate market for goods and services of SMEs.
- Public sector retail shops to dedicate certain amount of shelf space specifically for SMEs.
- Facilitate large private corporates to create linkages with SMEs.

- Upgrade and popularise SME.lk as an effective portal for SME trade, which will also facilitate e-commerce.
- Enhance opportunities for SMEs to participate in foreign trade promotion exhibitions.
- Organise regular SME trade fairs through PPP.
- Support SMEs to gain e-marketing skills and promote e-marketing/e-commerce.

SME WORKING GROUP PROPOSALS

SECTOR: SME DEVELOPMENT

INTERVENTIONS

4. Scaling up SMEs

5. Entrepreneurship and skills development with a focus on women's entrepreneurship - Scarcity of skilled workers in SMEs has been a major issue. The sector is struggling to attract trained workers and to retain skilled workers for efficient and high-quality production and service delivery.

IMPLEMENTATIONS



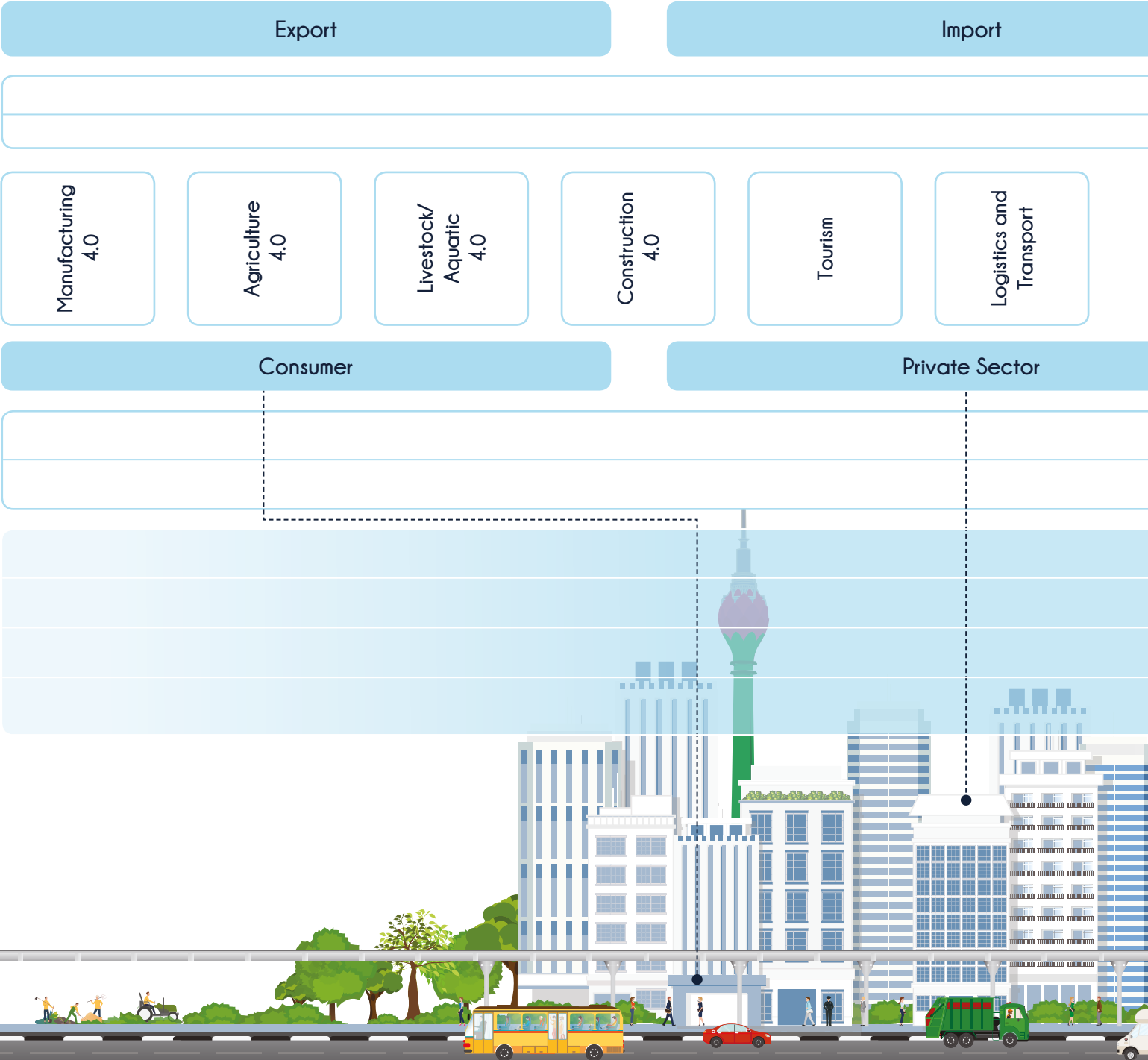
- Upon establishing the SME database, look at targets to elevate a certain % of SMEs in each category (micro, small, medium) to the next category
- Establishment of SME specific industrial zones.
- Promote business incubation through SME Authority and one stop shops.
- Create / update a registry of all SME training / business development services providers.

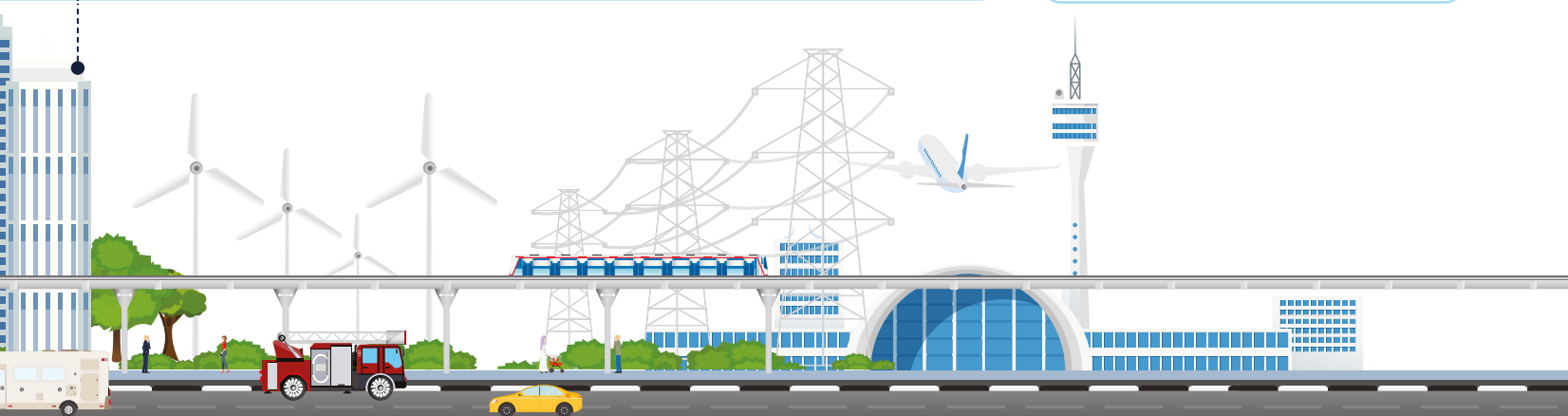
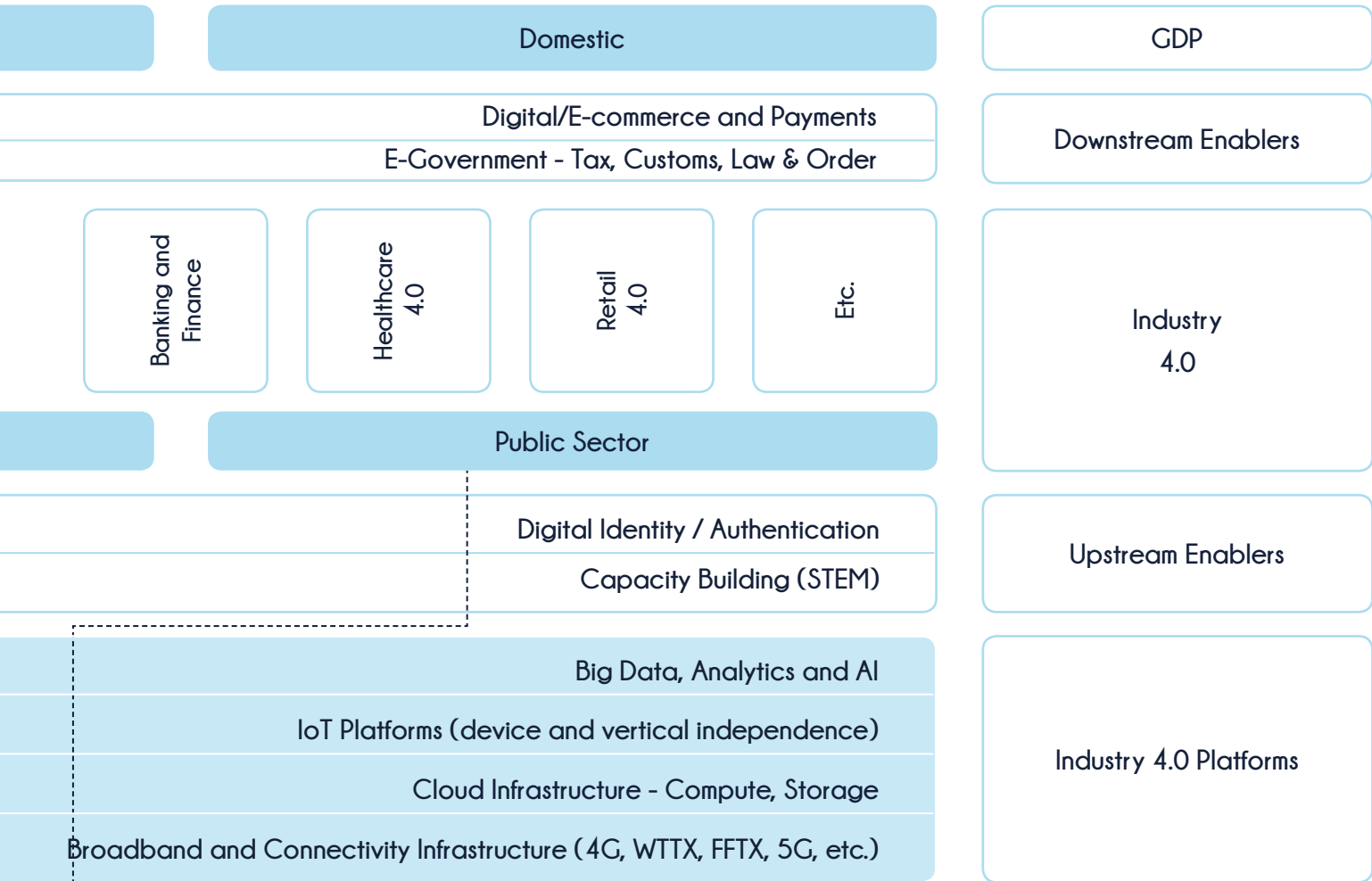


- To overcome these:
- Expand vocational training with the support from the private sector
 - Allocate more resources for the vocational training institutes
 - Timely update the curricula of vocational training to suit the changing economic requirements
 - PPP training arrangements with some tax incentives for private sector engagement.
 - Loan facilities at concessionary rates for training and development under strict supervision.
 - Encourage universities and other tertiary sector institutions to provide training support for SMEs.
 - Promote industry specific technical training jointly with sub sector specific institutions (e.g. Gem and Jewellery Institute)
 - Presently there is a low female labour force participation in the workforce that is not utilised for the economic development in the country. Lack of social acceptance, technical know-how, finance facilities, access to networks, access to and influence policy makers are some issues faced by women entrepreneurs. The aforementioned implementation initiatives should be implemented with focus given towards women.

INNOVATION AND DIGITISATION WORKING GROUP PROPOSALS

SECTOR: INNOVATION AND DIGITISATION





INNOVATION AND DIGITISATION WORKING GROUP PROPOSALS

SECTOR: INNOVATION AND DIGITISATION

KEY ACTIVITIES

INTERVENTIONS

- Establish global payment platforms in Sri Lanka such that there will be an increase in electronic payment penetration from the current 47% (2015) and more SMEs will be able to connect with the digital marketplace.
- Develop a policy framework to implement national strategy for Big Data Analytics and AI. The proposed policy should establish horizontalised data convergence strategy to share data between public and private sector entities.
- Implementation of existing policy strategy documents in consultation with the private sector such as:
 1. Innovation and Entrepreneurship Strategy of Sri Lanka 2018-22
 2. National IOT roadmap
 3. Proposed National Digital Economy Strategy with the thrust sectors of agriculture, tourism and manufacturing.
- Implement digital ID system with the necessary data protection legislation in place to seamlessly connect with its citizens to offer services such as banking, health and payment of taxes.

CONNECTING SRI LANKA THROUGH INNOVATION AND DIGITISATION



INFRASTRUCTURE WORKING GROUP PROPOSALS

SECTOR: INFRASTRUCTURE

INTERVENTIONS



LEAD:

Mr Pravir Samarasinghe,
CEO, Overseas Realty Ceylon PLC

MEMBERS OF THE WORKING GROUP:

Mr. Kamal Dorabawila,
Principal Investment Officer,
International Finance Corporation

Mr. Thilan Wijesinghe,
Chairman, National Agency for PPP,
Ministry of Finance

Mr. Christopher Joshua,
Managing Director,
Access Engineering PLC

Mr. Lakshman Jayasekara,
Project Director, Team Leader,
Western Region Megapolis Master
Plan Project

Mr. Rohan Tudawe,
Chairman,
Tudawe Brothers (Pvt) Ltd.

1. Prioritisation of Infrastructure Projects



- Implementing the Public Investment Committee (PIC) or an equivalent high-powered committee to take over the role of selecting, prioritising and creating a pipeline of infrastructure projects drawn from varied line ministries based on economic and/or financial feasibility.
- The PIC should decide on mode of funding for project (e.g. Consolidated fund, external resources/multilateral donor funding, FDI/PPP and variants thereof)
- Ensuring consistency and continuity of the priority project pipeline is important to ensure the required economic and social objectives are met.

2. Infrastructure Financing Policy



The lack of fiscal space owing to high debt repayment (82.9% of GDP) has led to significantly low levels of Government capital expenditure on Infrastructure.

IMPLEMENTATIONS



- Draw up a robust project pipeline through the Public Investment Committee (PIC) or equivalent institution.
- PIC or the equivalent should have the secretary to the Treasury acting as the chairman of the committee; as the planning, allocation and management of public finances are under its purview. The related line

ministries should also be represented in this committee.

- Broadly functions of a PIC or the equivalent institution should include:
 - To evaluate projects with clearly defined parameters based on the merits of economic, financial and social factors, so that there will be a prioritised permanent

list of projects over a three - five year horizon with their identified funding mechanisms (public, private and PPP).

- To examine whether projects are being managed in accordance with sound business principles and prudent commercial practices throughout the projects lifespan.



- Policies to attract private funding should be encouraged and the newly formed National Agency for Public-Private Partnership (NAPPP) should be facilitated with sufficient authority and guidelines to implement PPPs.

- The NAPPP can play the role of an intermediary who structures the private public funding mechanism and looks at the long-term agreement with the parties concerned where project quality and delivery targets are established. The NAPPP can also tap into a variety of innovative sources of project financing.

- In other countries PPPs have been successfully executed in providing physical infrastructure and non-specialist services for education and health.

INFRASTRUCTURE WORKING GROUP PROPOSALS

SECTOR: INFRASTRUCTURE

INTERVENTIONS

3. Funding mechanism for feasibility and assessment studies

4. Improving the procurement process



Enabling the procurement process to be competitive and transparent without placing further pressure on fiscal consolidation.

IMPLEMENTATIONS



- Feasibility studies or viability assessments should be done prior to commencement of projects in order to identify projects based on economic impact, social impact and financial viability. By doing this, it will also identify the most appropriate funding mechanism.
- The costs of the study must be commensurate with the costs of the planned investment.
- A long-term arrangement should be in place, to fund and facilitate viability assessments or feasibility studies.
- Identification of specific risks associated with projects using a technical framework. When considering PPPs, risk allocation must be carried out via a formal mechanism provisioning optimum levels of risk to both private and public sector. If appropriate risks are not addressed in the formulation stage projects would end up being costly for society.



- Fast-Tracking the PPP procurement guidelines which is currently under review by the National Procurement Commission.
- Fine-tuning the general procurement guidelines and ensuring all ministries follow these guidelines when procuring without giving rise to prolonged delays.
- Reduce time committed to obtaining multiple ministry and stakeholder approval and need to manage logistical and practical issues in convening and decision making in procurement committees; and strengthen technical capability within procurement committees to evaluate large-scale projects.

INFRASTRUCTURE WORKING GROUP PROPOSALS

SECTOR: INFRASTRUCTURE

PUBLIC INVESTMENT

Lack of fiscal space in Sri Lanka acts as a bottleneck in getting the required infrastructure for the country. This calls for the private sector involvement in facilitating these investments. Therefore, funding mechanisms (private funding, public funding and PPP) were classified under each sector, to identify which sectors can go under the different funding mechanisms.

Sector	Private Funding	Public Funding	PPP
Roads and Highways		✓	✓
Railway	✓	✓	✓
Aviation	✓		✓
Ports and Shipping	✓	✓	✓
Housing and Urban Development / Regeneration	✓	✓	✓
Waste Management	✓	✓	✓
Communication Services	✓	✓	
Power and Energy	✓	✓	✓
Water	✓	✓	✓
Physical Infrastructure in Education and Health	✓	✓	✓
Sewage	✓	✓	

PUBLIC INVESTMENT



- Roads and Highways
- Railway
- Aviation
- Ports and Shipping
- Housing and Urban Development / Regeneration
- Waste Management

- Communication Services
- Power and Energy
- Water
- Physical Infrastructure in Education and Health
- Sewage

FINANCIAL SECTOR AND CAPITAL MARKETS WORKING GROUP PROPOSALS

SECTOR: BANKING

INTERVENTIONS



LEAD:

Mr Ravi Abeysuriya,
Group CEO, Candor Equities Ltd.

OVERALL:

Mr. Krishan Balendra,
Chairman,
John Keells Holdings PLC

Ms. Ayomi Aluwihare,
Partner,
F J & G de Saram

Ms. Ruvini Fernando,
Director, PPP and Deal Strategy,
PricewaterhouseCoopers

MEMBERS OF THE BANKING GROUP :

Mr. Dimantha Seneviratne,
CEO,
National Development Bank PLC

Mr. Rajive Dissanayake,
Chief Strategy Officer,
Hatton National Bank PLC

1. Lending to priority sectors



- Reduce the negative impact on the banks' liquidity, credit risk and administrative difficulties in lending to the priority sectors and encourage the banks to lend to the priority sectors.
- Currently, interest subsidy schemes and other sector reforms are implemented by multiple government authorities and banks are eligible to receive interest subsidy for the loans granted by them through a relevant interest subsidy scheme. Dealing with multiple government authorities with different operating procedures and objectives increase the operational complexities for banks.
- The interest subsidy is provided only for the preforming facilities and in the event of default, the banks are required to absorb the total credit risk.
- These interest subsidy schemes are implemented to compensate the cost of funds of banks while encouraging them to grant loans to the specific priority sectors of the economy. However, unusual delays in receiving the interest subsidy increases the operating cost of the banks and discourage banks to participate in such schemes.
- The banks are required to classify lending to Government sponsored projects due to delay in payments by the Governments, discouraging banks from lending to Government sponsored projects and priority sectors.

IMPLEMENTATIONS



- Introduce a new framework for all interest subsidy schemes and other sector reforms to minimise the operational complexities of dealing with multiple authorities and delay in recovering the interest subsidies. To achieve this objective, all interest subsidy schemes should be coordinated, facilitated and implemented through CBSL.
- Implement credit guarantee schemes with a view to mitigate credit risk of the loans granted by the banks for specific sectors under these schemes.
- Possible relaxations to the NPA classification requirements for the loans granted to Government sponsored projects.

FINANCIAL SECTOR AND CAPITAL MARKETS WORKING GROUP PROPOSALS

SECTOR: BANKING

INTERVENTIONS

Mr. Stuart Rodgers,
Country Head of Commercial Banking,
HSBC

Mr. Lakshman Silva,
CEO,
DFCC Bank PLC

Mr. Ravi de Silva,
Secretary General,
Sri Lanka Banks' Association

MEMBERS OF THE CAPITAL MARKETS GROUP:

Mr. Mafaz Ishaq,
Director,
Calamander Capital

Mr. Nishantha Hewavithana,
Head - Research & New Products,
Colombo Stock Exchange

Mr. Nissanka Weerasekara,
Independent Private Equity Investment
Advisor

Mr. Senaka Kakiriwaragodage,
Managing Director,
NDB Zephyr Partners Lanka (Pvt) Ltd.

Mr. Ruwan Perera,
President,
The Unit Trust Association of Sri Lanka

Mr. Prashan Fernando,
President,
Colombo Stock Brokers Association

Mr. Maninda Wickramasinghe,
Country Head,
Fitch Ratings Lanka

2. Financial laws



- Reduce the high cost of bank intermediation by addressing the delays in the legal system and introducing the required bankruptcy laws.
- Facilitate evolution of the financial services industry based on regional/global trends by passing requisite legislation
- Recovery and arbitration proceedings tend to be very time consuming, expensive and protracted with delays.
- The most significant impediment seems to be the willingness of judges to grant postponements on basis of 'personal reasons' of lawyers representing litigants. This delays proceedings with commercial loss to parties and great disrepute to all concerned.

3. Development of the SME sector



- Bring inclusive economic growth, regional development, employment generation and poverty reduction through increasing the lending to SME sector.
- Lack of information infrastructure for SMEs
- Non-availability of a deep SWAP market to hedge the currency risk of foreign borrowing for SME lending.
- Higher risk premium in loan formulations due to lack of collaterals.

IMPLEMENTATIONS



- Re-examine the recovery laws and enactment of legal reforms for efficient implementation of recovery laws such as
 1. Courts to complete commercial cases within set time limits.
 2. Expedite resolving of commercial disputes through a smoother and more effective arbitration process
 3. Introduce a mechanism for speedily restructuring of companies facing financial difficulties and strengthen debt-recovery laws by plugging the loopholes that allow the defaulters to obtain restraining orders from courts and drag the commercial cases for long periods.
 4. Enact the required bankruptcy laws
 5. Establishment of special bankruptcy / debt recovery courts which handle only debtor-creditor cases
 6. Convergence of CBSL provisioning calculations with IFRS requirements to avoid administrative complexities.
- Appoint an official receiver whose office should be strengthened by adequate resources and independence to operate to expeditiously contain the decline of a company in trouble and to rehabilitate them where possible.



- Take initiatives to broaden the SWAP market through SWAP arrangements with CBSL for borrowing made by banks for SME lending.
- Permit the development of a long-term inter bank SWAP market by removing the existing regulatory barriers.
- Expedite of the project on providing borrower rating from CRIB and extending obtaining credit information relating to utility companies

FINANCIAL SECTOR AND CAPITAL MARKETS WORKING GROUP PROPOSALS

SECTOR: BANKING

INTERVENTIONS

MEMBERS OF THE NON-BANK & FINANCIAL INSTITUTIONS MARKETS GROUP:

Mr. Roshan Abeygoonewardena,
Chairman, The Finance Houses
Association of Sri Lanka

Mr. Krishan Thilakarathne,
Immediate Past Chairman,
The Finance Houses Association of
Sri Lanka

Mr. Romani de Silva,
Member, The Finance Houses
Association of Sri Lanka

Mr. Brandon Morris,
Member, The Finance Houses
Association of Sri Lanka

Mr. Rohan Tennakoon,
Member, The Finance Houses
Association of Sri Lanka

Mr. Ravi Yatawara,
Member, The Finance Houses
Association of Sri Lanka

Mr. Chaminda Hettiarachchi,
Member, The Finance Houses
Association of Sri Lanka

Mr. Ravi Tissera,
Member, The Finance Houses
Association of Sri Lanka

Mr Denzil Mallawa Arachchi,
Head of Secretariat, The Finance
Houses Association of Sri Lanka

4. Slow down of economic growth due to reduction in credit supply



- Credit growth the banking sector is highly impacted by the following.
 1. Implementation of BASEL III, which requires a substantial increase in capital base
 2. Adoption of IFRS 9, likely to impair the capital base of the banks
 3. A substantial portion of profits of a bank will be netted by the state by way of taxes which will significantly affect the banks ability to lend
 4. Difficulties in attracting capital due to low performance in the capital market to meet the new capital requirements
 5. Difficulties in raising funds due to low investor confidence due to excessive taxes on the industry, highly volatile tax policies such as retrospective taxes (Super Gains Tax, introduction of new tax treatments for existing investment securities).

IMPLEMENTATIONS



- Possible relaxation or deferment of new capital requirements such as counter cyclical buffer.
- Consistent policy framework on banks taxation and a long-term view in application of banks taxes and tax rates.
- Possible relaxations to the existing banking tax structure (eg. Debt Repayment Levy).
- Avoidance of retrospective taxation.

FINANCIAL SECTOR AND CAPITAL MARKETS WORKING GROUP PROPOSALS

SECTOR: BANKING

INTERVENTIONS

5. Sector consolidation and re-capitalisation



- Enhance the guidelines governing banking operations to strengthen the banking sector.
- Bring long-term productivity and efficiency through reduction in cost, efficiency gains, economy of scale, enhancement of consumer base and innovations.
- Non availability of clear policy framework on voluntary consolidation to motivate the banks on voluntary mergers addressing on issues such as branch closers, implication of consolidation on employment, tax treatment, etc.

6. Technology



- Introductions of new technology will be important as cost to income (C/I) to be a critical factor in the future in improving the profitability of banks.
- Slow adoptability of the regulator for the new technology and difficulties in obtaining approvals.
- High costs on technology due to non availability of cloud computing
- Non-availability of common data centres.

IMPLEMENTATIONS



- Introduce a policy framework that motivates the voluntary consolidation within the banking sector addressing requirements such as ownership control and degree of foreign ownership allowed, capital requirements and capital treatments, asset liability transfers, tax benefits and tax treatments, asset liability transfers, etc.



- CBSL to facilitate e-KYC through Face-Recognition Apps to facilitate e-banking
- Establish a policy framework on cloud computing, common data centres, digitalisation and fin-tech

FINANCIAL SECTOR AND CAPITAL MARKETS WORKING GROUP PROPOSALS

SECTOR: CAPITAL MARKETS

INTERVENTIONS

1. Enable the provision and regulation of demutualised exchanges

2. Enact Securitisation Act

3. Establish a Central Counterparty Clearing House (CCP) system

4. Steps to increase market size in the capital market

IMPLEMENTATIONS



- The SEC Act has to be amended to include provisions enabling demutualisation.
- A Demutualisation Act has to be enacted.
- Provisions for civil sanctions against securities law violations,
- Licensing and regulation of derivative and commodities exchanges,
- Incorporating legal duties on auditors in respect of capital market offences,
- Enhancing of measures for investor protection.



- Provide a comprehensive legal and regulatory foundation for securitisations in Sri Lanka.



- Essential that the infrastructure for such a system is in place.
- To ensure the continuity of a CCP system, the SEC should take the role of being the primary regulator and enforcer.



- Listing State-Owned Enterprises which would result in better governance and its recognition to the market, thus expanding the potential of the equity market.
- Listing of minority stakes of key commercial public enterprises.
- Dollar board: Establish a dollar board for listing of foreign and domestic companies.

FINANCIAL SECTOR AND CAPITAL MARKETS WORKING GROUP PROPOSALS

SECTOR: CAPITAL MARKETS

INTERVENTIONS

5. Steps to increase market liquidity

6. Increase transparency and liquidity in Government securities

7. Increase transparency and liquidity in the Corporate Debt market

8. Development of Real Estate Investment Trusts

IMPLEMENTATIONS



- Continue to enforce a higher free float percentage.
- Establish a market making mechanism to ensure a continuously liquid market for listed stocks.
- Implementing “market makers” to promote liquidity in the market
- Reforming the transaction cost structure with the objective of lowering them to an appropriate level.
- Implement a brokerage industry consolidation plan where market intermediaries deal in all capital market products.
- Sri Lanka needs to introduce minimum capital requirements for market intermediaries in the CSE.



- Developing a reliable benchmark yield curve across the entire term structure.
- Practices such as private placements, partial filling of offered amounts, outright cancellation or rejection of announced auctions, etc. must be limited to exceptional circumstances.
- A more transparent and efficient trading platform for Government securities must be established.



- Increasing the size of the listed corporate bond market is vital by increasing the institutional investor participation.
- Introducing a formal market making mechanism.
- A central counterparty clearing and settlement system is an essential component to mitigate settlement risks and promote investor confidence.
- Introducing repurchase agreements (repos) on corporate debt securities.
- Introducing bond derivatives will also contribute to the development of the market.



- Ensure that it receives support from local regulatory bodies and authorities in formulating a legislative framework for its operations.
- Fast track the implementation of Collective Investments Scheme (CIS) code. Alternatively, enable REITs under the Unit Trust code as a first step until the CIS code is implemented.
- A stable tax regime must be kept in place to instill confidence in investors and enabling them to be tax neutral.

FINANCIAL SECTOR AND CAPITAL MARKETS WORKING GROUP PROPOSALS

SECTOR: CAPITAL MARKETS

INTERVENTIONS

9. Establish derivative market
(A derivative is a financial contract with a value that is derived from an underlying asset)

10. Introduce commodity derivatives

11. Broaden pension fund portfolio

12. Increase awareness of unit trusts

IMPLEMENTATIONS



- Regulations for introducing derivatives products needs to be developed.
- Trading, clearing and settlement technology and mechanisms need to be developed.
- Sri Lanka needs to undertake a comprehensive assessment and prepare a realistic road map for developing derivatives products and markets.
- The SEC and CSE should also link the initiatives for increasing the size and liquidity of the stock market to the development of derivatives.
- The CBSL, SEC and CSE should explore the potential for introducing derivatives on Government securities.



- Assess the economic and practical feasibility of setting up commodities trading. This might involve leveraging on the existing capacities of the CSE to commodities trading.
- The development of trading, clearing and settlement structure.
- The SEC should consider the need for a separate commodities legislation.



- Pension funds should consider creating more broadly diversified portfolios.
- Pension funds should consider strengthening the capacity for in-house fund management.
- Pension industry should consider incorporating external fund management into their portfolio, by doing so, the public have a choice as to invest in the internally-managed EPF and ETF or a privately-managed pension fund.
- Setting up of a separate "Pensions Office" or regulator to formulate and monitor the framework required to enable private participation in pension fund management.



- The unit trust industry needs a comprehensive plan for educating the public about benefits of unit trusts.
- Pension reforms needs to include external fund management of pension funds.
- The unit trust industry will need consolidation.
- Review the existing taxation framework for unit trusts and make appropriate changes for the operation of and investing in unit trusts.
- A SEC-mandated robust licensing framework for professionals in that industry.

FINANCIAL SECTOR AND CAPITAL MARKETS WORKING GROUP PROPOSALS

SECTOR: NON-BANK & FINANCIAL INSTITUTIONS

INTERVENTIONS

1. Policy development



- An apex committee should be set up and tasked with policy development and include key stakeholders and key decision makers.
- There needs to be regular (preferably monthly) forums where the committee meets to discuss policy direction and latest developments.

2. Decoupling the regulator and policy developer



- Regulator looks from a regulatory perspective and not from a development approach. As such there is a conflict of interest for a regulator as they can formulate policy to make regulation easy at the cost of economic development.
- Government and regulatory policies on limiting the risk taking abilities of the industry will negatively affect on credit granted to risky sectors and will simulate lending for such sectors through unregulated institutions.
- There should be consistency in policies set out for the sector.

IMPLEMENTATIONS



- Industry bodies should be represented in the committee in order to obtain their insights and address any concerns.
- Representatives from departments important to the NBF sector such as Land Registration, RMV, legal system representatives should be members of the committee.



- Ministry for Economic Development should drive the formulation of policies for the ultimate growth and development of the country and, should not be influenced by regulatory constraints.
- Institutions should be allowed to take on risk and manage it.
- Minimise inconsistencies between economic policies and regulatory guidelines.

FINANCIAL SECTOR AND CAPITAL MARKETS WORKING GROUP PROPOSALS

SECTOR: NON-BANK & FINANCIAL INSTITUTIONS

INTERVENTIONS

3. Development of the SME sector



- Maximum interest rate on deposits. As per the new direction the interest differential between NBFI and banks have reduce to 0.50% to 1.50%. Low interest differential has resulted liquidity strain to most of the NBFIs as the deposits are been shifted to banks as the interest premium is less considering the credit rating of each company. Accordingly, the credit flow to the SME sector could be limited.
- NBFIs are catering to a risky segment and the repayment behaviour of such customers are different to banking customers (significant potion of recoveries are made after 90 days). The proposed regulation on NPA classification of 90 days will affect adversely on granting loans to risky sectors such as SMEs as significant amount of current customers may have to be arbitrary classified be classified as NPAs.
- Lack of Information Infrastructure for SMEs
- Higher risk premium in loan formulations due to lack of collaterals.

4. Financial Laws



- Reduce the high cost of NBFIs intermediation by addressing the delays in the legal system and introducing the required changes to the recovery laws.
- Facilitate evolution of the financial services industry based on regional/global trends by passing requisite legislation.
- Recovery and arbitration proceedings tend to be very time consuming, expensive and protracted with delays.

IMPLEMENTATIONS



- Facilitate a market-based deposit rates based on the credit ratings of the respective entities or widen the spread in deposit rates between banks and NBFIs.
- Delay the implementation of the NPA 90-day classification. This is to be done on a staggered basis over a four-year period and up to a minimum of 120 days considering the sector specific operational model.



- Re-examine the recovery laws and enactment of legal reforms for efficient implementation of recovery laws such as
 1. The laws to be introduced with respect to private money lenders and with respect to exorbitant lending rates and unethical collection practices.
 2. Mortgage of leased vehicles to third parties: make it a criminal offence under a new provision to be introduced to the Finance Leasing Act, on par with section 15 and 19 of the Consumer Credit Act 29 of 1982
 3. Mediation board activities to be streamlined in a manner which would help the recovery activities to be more efficient and effective. The mediation board should comprise more financially competent members.
 4. Parate execution to be introduced to NBFIs mainly focusing on property mortgages.

FINANCIAL SECTOR AND CAPITAL MARKETS WORKING GROUP PROPOSALS

SECTOR: NON-BANK & FINANCIAL INSTITUTIONS

INTERVENTIONS

5. Slow down of economic growth due to reduction in credit supply



Credit growth in the financial sector is highly impacted by the following.

1. Implementation of BASEL III, which requires a substantial increase in capital base
2. Adoption of IFRS 9, likely to impair the capital base of the NBFIs
3. A substantial portion of profits of NBFIs will be netted by the State by way of taxes which will significantly affect NBFIs ability to lend
4. Difficulties in attracting capital due to low performance in the capital market to meet the new capital requirements
5. Difficulties in raising funds due to low investor confidence due to excessive taxes on the industry, highly volatile tax policies such as retrospective taxes, higher NPAs.

6. Sector consolidation and re capitalisation



- Enhance the guidelines governing NBFIs operations to strengthen the sector.
- Bring long-term productivity and efficiency through reduction in cost, efficiency gains, economy of scale, enhancement of consumer base and innovations.
- Non-availability of a clear policy framework for the financial sector as commercial banking, development banking, leasing and finance, micro finance, etc.

IMPLEMENTATIONS



- Possible relaxation or deferment of new capital requirements.
- Consistent policy framework on taxation and a long-term view in application of taxes and tax rates.
- Possible relaxations to the existing tax structure (eg. Debt Repayment Levy).



- Policy framework with clear demarcation of the sector as commercial banking, development banking, leasing and finance, micro finance and re-focus on venture capital business.
- Restrict issuing any further licenses for banks or any financial institutions.
- Introduction of a policy framework that motivates voluntary consolidation within the NBFi sector addressing requirements such as ownership control and degree of foreign ownership allowed, capital requirements and capital treatments, asset liability transfers, tax benefits and tax treatments, and asset liability transfers.
- Introduction of new regulations in relation to risk management and governance of the sector.

FINANCIAL SECTOR AND CAPITAL MARKETS WORKING GROUP PROPOSALS

SECTOR: NON-BANK & FINANCIAL INSTITUTIONS

INTERVENTIONS

7. Technology



- Introductions of new technology will be important as cost to income (C/I) will be a critical factor in the future in improving the profitability of NBFIs.
- Slow adoptability of the regulator of new technology and difficulties in obtaining approvals.
- High costs of technology due to non-availability of cloud computing
- Non-availability of common data centres.

IMPLEMENTATIONS



- CBSL to facilitate e-KYC through face-recognition apps to facilitate e-banking.
- Establish a policy framework on cloud computing, common data centres, digitalisation and fin tech.
- Eliminate the requirement for NBFIs to have a sponsoring bank in order to obtain clearance for issuing products like credit cards, etc. to avoid unnecessary bottlenecks and costs.

MANUFACTURING WORKING GROUP PROPOSALS

SECTOR: MANUFACTURING

INTERVENTIONS



LEAD:

Mr. Roy Joseph,
CEO, Hemas Manufacturing (Pvt) Ltd.

MEMBERS OF THE WORKING GROUP:

Mr. Nalin B. Karunaratne,
Chief Executive Officer,
Ceylon Biscuits Ltd.

Mr. Sumit Law,
CEO,
International Distillers Ltd.

Mr. Sanjev Perera,
Director Operations,
Alpha Industries (Pvt) Ltd.

Mr. Nilantha Deetiratne,
Financial Controller,
Polypak Secco Ltd.

Mr. Salman Nishtar,
Chief Financial Officer,
Teejay Lanka PLC

1. Overall policy consistency for manufacturing

2. Amalgamation and modernisation of Industrial Parks and Export Processing Zones (IP&EZs) for the Sri Lankan economy to progress and move into technologically-advanced, higher value-added industries.

3. Implementation issues of laws governing business operations due to corruption

IMPLEMENTATIONS



- Formulate a clear national vision/ strategy for manufacturing to encourage investment into the sector (domestic and foreign).

- Coordination/alignments between respective line ministries and departments (trade, finance, education and more).

- Set up a high-level committee comprising of private and public

sector stakeholders to drive the strategy for manufacturing.

- Ensuring periodic review on the progress against stated action plans.



- Set up designated zones for manufacturing to address;
 - Lack of industrial land
 - Upgraded with modern infrastructure and necessary infrastructure to ensure availability of employable labour

- Supported with sustainable environmental policies
- Other ancillary facilities such as proper waste and emission management, water treatment facilities to attract investors and ease the business operations

- Bring existing Industrial Parks and Export Processing Zones, presently managed by different Government agencies under one entity for prudent management and dissemination of information to the investor community.

- Develop a PPP approach to developing and managing the industrial zones.



- Improve Sri Lanka's rank to be in the top 50 by 2025 in the following indicators;

- Incidence of corruption by World Economic Forum
- Corruption Perception Index by Transparency International

- Establish a business corruption reporting action unit.

MANUFACTURING WORKING GROUP PROPOSALS

SECTOR: MANUFACTURING

INTERVENTIONS

Mr. D. S. J. V. Costa,
Director / CEO,
Modern Pack (Pvt) Ltd.

Mr. Kelum Kospelewatte,
Director,
Singer Industries Ceylon PLC

Mr. Viville Perera,
Director,
Richard Pieris & Co PLC

Mr. Thusith Gunawarnasuriya,
Procurement and Logistics Director,
Siam City Cement (Lanka) Ltd.

Mr. Lasantha Wijeweera,
Director,
Associated Motorways (Pvt) Ltd.

Mr. Tyrell Roche,
General Manager-Finance,
Lanka Tiles PLC

4. Re-looking at irrational tax structures in manufacturing sectors with competitive advantage.

5. Attracting and retaining skilled labour (reversing brain drain)

6. Supporting services and extension services for domestically-manufactured products and imported products.

IMPLEMENTATIONS



- Remove unfavourable tax/duty structure for manufacture such as:
 - Double taxation due to dividend tax
- Rationalise the product inputs that are subject to para tariffs while finished goods are imported duty free
- High taxes on machinery and other equipment used in the manufacturing process



- Maintain directory of skilled categories/for specialised skill/profile.
- Reorienting existing technical colleges and setting up technical colleges to cater to required industry skills.
- Updating all labour related laws impacting decision to invest in the manufacturing sector.
- Drive agenda for STEAM and English, in order to be relevant in the global industry.



- Addressing policy gaps/updating policy impacting manufacturing.
- Enforcing/updating (in line with international standards) of existing quality standards for domestic manufactures and importers.
- Create new standards (in line with international standards) for products that are not governed by standards.
- Provide up to date equipment to Government for inspection and certifying purposes.

AGRICULTURE WORKING GROUP PROPOSALS

SECTOR: AGRICULTURE

INTERVENTIONS



LEAD:

Mr. Rizvi Zaheed
Director, Vidullanka PLC

MEMBERS OF THE WORKING GROUP:

Prof. Buddhi Marambe,
Director, Agriculture Education Unit at
the University of Peradeniya

Mrs. Dawn Austin,
Managing Director, Nidro Supply
(Pvt) Ltd

Mr. Bandula Egodage,
VP-Corporate Affairs &
Communications, Nestlé Lanka PLC

Dr. A. Shakthevale,
Director, Lanka Dairies (Pvt) Ltd.

Mr. Chithral Munaweera,
Consultant, The All Island Dairy
Association

- National Agriculture Policy to focus on promoting self sufficiency of the six main crops – paddy, maize, mung bean, chili, onion and potato.
- Updating regulations and acts such as the Seed Act, Land Reform Act and Paddy Land Act
- Introduction of a Plant Varieties Protection Act in order to encourage the import of different varieties of plant material required by industries.
- Implementation of quality standards as minimum requisites (GAP) to bolster sustainable practices and food safety.
- Focusing on export fruit crops in order to improve Sri Lanka's image as an exotic fruit exporter.
- Reformation of transportation and storage for agricultural produce to minimise post harvest losses through the use of reusable crates, knowledge sharing and the use of cold chains.

PUBLIC INVESTMENT (PROJECTS & ACTIVITIES REQUIRED)

- Implementation of a Land Use Plan and Land Data Bank with details and specifications of the specific areas.
- Investment in quarantine services to conduct pest risk analysis which would aid imports and exports
- Branding and marketing programmes and exhibitions to better position the country's exports in the international arena.
- Awareness and education programmes for exporters to focus more on value added exports instead of raw produce exports (canning, drying, organic production, etc.)
- Establishing water management and irrigation in dry zone regions in the country.

IMPLEMENTATIONS



- Conduct education programmes and seminars to increase awareness of technology adoption, fertiliser application, crop variety development and crop rotation.
- Establish farmer companies/ organisations/cooperatives to bolster economies of scale, crop variety development and improve knowledge sharing.
- Improve awareness of agriculture and primary industry sector among the youth to increase participation in the industry.
- Facilitate use of railway for long distance logistics and the use of plastic/corrugated crates.
- Consolidate Ministry of Agriculture functions and departments for ease of policy roll out and ownership.
- Project on creating more parent stock, improving access to parent stock of export fruits as well as granting approval to import high quality parent stock. (Note 06)
- Develop the use of sea freight for transporting identified agricultural produce in order to reduce risk of pests.



Key Performance Indicators	Expectations for 2025
Improvement in yield of the six major crops	26% on average for each crop
Improvement in the yield of export fruit crops	50% on average
Agricultural sector as a percentage of exports (non plantation/non value added produce)	
ICT tool usage rate - active farmer users using applications. (proven successful in the fisheries industry)	50% of registered farmers
Percentage of agricultural produce transported via railway	10%
Percentage of companies compliant with Good Agricultural Practices [GAP]	50-60%

AGRICULTURE WORKING GROUP PROPOSALS

SECTOR: FISHERIES

INTERVENTIONS

Colonel Channa Weeratunga,
Executive Director, Global Fisheries
(Pvt) Ltd.

Mr. Irfan Thassim,
Founder/Director, Oceanpick (Pvt) Ltd.

All-Island Dairy Association

- Formulating a National Fisheries and Seafood Strategy, export plan and a roadmap that the Ministry of Policy Planning, Ministry of Fisheries, BOI and EDB have to undertake. Regulation and quality control mechanisms as well as the adoption of Best Aquatic and Fisheries Practices (BAP) for fisheries.
- Re-examine the Food Act/Fisheries Act and make necessary amendments to liberalise Sri Lankan seafood export industry.
- Explore the possibilities for trade and agreements with countries such as USA, Japan and the EU to improve ease of access to markets.
- Initiate fisheries agreements with neighbouring countries such as Seychelles, Mauritius, Maldives etc. for Sri Lanka to export directly as opposed to returning to Sri Lanka (Note 04).
- Removal of Government enterprise control and dependency of export-oriented businesses.
- Provision of incentives for new projects such as marine aquaculture and aquaculture farming.

PUBLIC INVESTMENT (PROJECTS & ACTIVITIES REQUIRED)

- Introducing new technology to the fishing industry to improve the efficiency of fishing operations.
- Minimising post harvest losses that are at a significant level due to improper transportation and storage.
- Industry-controlled Research & Development unit including hatcheries to improve knowledge-base.
- Recognition and empowerment of fisheries and seafood industrial organisations to operate on par with EU and other international bodies.

IMPLEMENTATIONS



- Mechanise available small long line vessels fishing in the EEZ.
 - Upgrading a selected number (100-200) vessels with a winch and long line would enable boats to return sooner after fishing with a larger volume of export quality fish.

- Introducing collection vessels, on-board frozen fishing vessels as well as equipping the larger boats (40-55ft) with Refrigerated Sea Water (RSW) facilities.
- Establishment of an advisory committee with the participation of the Seafood Exporters Association of Sri Lanka.

- This would enable members actively involved in seafood exports to contribute towards the development of the industry.
- Usage of cold storage facilities as well as the use of rail transport as a faster method of delivering fresh produce.



Key Performance Indicators	2019	2025
Percentage of companies and fisheries compliant with best aquatic and fisheries practices	-	75%
Number of small long-line vessels upgraded with a winch and long-line	25	100
Post harvest loss - % of produce lost per annum	40%	<10%
Volume of fisheries-related produce transported via railway (%)	10%	50%
Increasing the proportion of inland and aquaculture fish production as a percentage of total fish production:		
• Inland and aquaculture	-	30/70
• Wild capture fisheries		

AGRICULTURE WORKING GROUP PROPOSALS

SECTOR: DAIRY

INTERVENTIONS

- A comprehensive plan encompassing the needs of farmers, producers as well as the consumers of dairy products should be implemented in the long run.
- Re-look at the income tax structure to encompass all aspects of the value chain in dairy under the concessionary tax rate of 14%. Taxes on dairy related equipment to be re-looked at from the perspective of promoting the goal of making Sri Lanka self-sufficient in milk requirements. The Livestock Board and Customs to be linked to improve the importation and taxation process.
- Providing education and awareness for dairy farmers regarding procedures as processes in the dairy industry.
- Implementing a systematic plan and policy for optimising cattle herds and minimising the number of unproductive animals.

PUBLIC INVESTMENT (PROJECTS & ACTIVITIES REQUIRED)

- Allotting crown lands / NLDB lands for fodder development and investment in a silage making facility to overcome the unavailability of fodder throughout the year.
- Carrying out a complete review on the importation of cow breeds (existing infrastructure, compatibility of health control) and permitting selection by experts. Encourage local breeding than importing breeds unsuited for local climate.
- Animal breeding - the current coverage of artificial insemination satisfies ~30% of the national requirement. Current AI success rates are unsatisfactory due to poor animal management and lack of resources and facilities. Thus, there needs to be an improvement and an increase in Government veterinary services in this regard.

IMPLEMENTATIONS



- Projects aimed at processing milk at regional level to provide access to value added dairy products.
- Providing access to nutritious feed that is rich in proteins. This would have a direct impact on the yield.
- Ensure consistent water access / supply is available to dairy farms or assist farmer to have access to water

- in a concessional manner to provide a proper water supply for farms.
- Implementing a second round (night) milk collection which would be possible if the right feeding is done as it would result in a 30% increase in yield.
- Increasing the number of artificial inseminators trained to overcome

- shortage of qualified personnel required to meet the national requirement.
- Investment in facilities for cow comforts (nutrition, environment and shed management) and waste management (to convert waste potentially into renewable energy).



Key Performance Indicators	2019	2025
Use of artificial insemination in breeding as a percentage of total breeding requirement	30%	60%
Accessibility of water - Litres of drinking water provided daily per cow (on average)		50-60 L
Daily milk yield per cow (national average)	2 litres	3-4 litres
Number of cows being milked as a percentage of the total milk cow population (cattle)	52%	75%
Number of cows being milked as a percentage of the total milk cow population (buffaloes)	62%	80%

PLANTATION WORKING GROUP PROPOSALS

SECTOR: PLANTATION

SECTORS



LEAD:

Dr. Roshan Rajadurai,
Managing Director, Kelani Valley
Plantations PLC

**MEMBERS OF THE WORKING
GROUP:**

Mr. Sunil Poholiyadda,
Chairman, The Planters' Association of
Ceylon

Mr. S K L Obeyesekere,
Secretary General, The Planters'
Association of Ceylon

Mr. Harith Ranasinghe,
Chairman, Sri Lanka Tea Factory
Owners' Association

Mr. Lionel Herath,
Branch Chairman, Kandy Region,
Sri Lanka Tea Factory Owners'
Association

Mr. Paani Dias,
Managing Director, Ceciliyan
Associates Ltd.

Tea

Rubber

INTERVENTIONS



- Establish commercial scale mega nurseries with certified and approved planting materials supported by a financial mechanism for replanting in the smallholder sector.
- Grant concessionary loans for replanting and capital development in the RPC sector.
- Development of a sustainable wage model with all stakeholder involvement.
- Establish new “land banks” and introduce a land use policy for plantation land and set up modern up-to-date analytical laboratory facilities for product testing.
- Amend outdated quarantine laws to encourage inclusion of genetically modified plantation materials.
- Extend the tax concessions given to other export industries to plantation industries as well (indirect exporters status).
- Develop a platform for auction of high value added tea.
- Finalise the leasehold tenure of RPCs to support new investments and developments.
- Compliance by the State to the covenants of the lease / sale agreements in respect of land use and diversification.
- Form a regulatory body to monitor tea factory capacities and monitor the pricing formula.
- Enter into new project ventures such as:
 - Fuel wood plantations (Dendro) and diversification to other plantation crops
 - Housing schemes in plantations near urban centres
 - Development of tourism in plantation regions through establishment of tourist villages and care centres
 - Collaborative ventures for large scale vegetable, flower and foliage cultivation
 - Solar power farms on plantation land
 - Automation and development of robotics



- Implementation of Plan of Actions (POAs) recommended in the Rubber Master Plan (RMP) such as;
 - Expansion of national rubber production in large parcels of land from non traditional areas
 - Productivity enhancement in rubber plantations
 - Developing sustainable farming Systems
 - Enhancement of resource use efficiency and productivity in rubber manufacturing industry
- Strategic promotion of Sri Lankan rubber products
- Industry-wide technological capability development
- Institutional strengthening and capacity building

PLANTATION WORKING GROUP PROPOSALS

SECTOR: PLANTATION

SECTORS

Mr. K. L. Gunarathne,
Chairman, Sri Lanka Federation of Tea
Small Holdings Development Society

Mr. Sriyan Eriyagama,
Chief Executive Officer, Namunukula/
Kegalle Plantations PLC

Mr. Saman Doranegama,
General Manager,
Kegalle Plantations PLC

Dr. L. M. K. Tillekeratne,
Former Executive Director, Rubber
Research Institute of Sri Lanka

Mr. Viren Ruberu,
Former CEO,
Kahawatte Plantations PLC

Mr. Kamal Punchihewa,
Group CEO, Browns Plantations/
Browns Capital PLC

Mr. Mahasen Wijayaratne,
Manager HR & Administration,
Kotagala Plantations PLC

Mr. Binesh Pananwala,
Chief Executive Officer,
Watawala Plantations PLC

Mr. Thanveer Siddique,
Chief Operating Officer,
Pyramid Wilmar (Pvt) Ltd.

Palm Oil

Coconut

INTERVENTIONS



● Formulate a national policy guided KPIs to promote a sustainable palm Oil industry in Sri Lanka. Key areas for consideration include;

- Facilitating cultivation of up to 20,000 hectares of land within

RPCs as approved by the Government

- Incentivising palm oil cultivation in the smallholder sector
- Providing a sound regulatory framework

- Recognising palm oil as sixth plantation crop
- Facilitating research and development in palm oil with targeted commercial output - export of oil palm planting material; seed and tissue culture



Formulate a national policy with KPIs to promote a sustainable coconut industry in Sri Lanka. Key areas for consideration include;

- Providing a sound regulatory framework:
- To implement a price formula for coconuts supplied for manufacturing and exports.
 - To monitor and control unrestricted importation of edible and industrial oil.
 - To control malpractice such as mixing of pure coconut oil with any other edible oil and marketing under fraudulent labelling.

- Vigilant supervision of all production facilities and exports to ensure strict hygienic and high-quality standards.
- To implement Coconut Development Authority (CDA) certification for bottled, packeted and sealed pure virgin coconut oil with SLS Standard and ban loose sales of all edible oils.
- To encourage sellers and buyers of coconut to channel all their transactions via the weekly auction of coconuts.

● To address issues related to fragmentation of productive coconut lands and low production and productivity of coconut lands

- Encourage public-private sector collaboration in research and development and promotion:
- For commercial application such as value-added exports
 - Adopt new technology to assure consistent quality production and to overcome resource limitations
 - Promote health benefits of coconut and coconut based products on health
 - Promote Sri Lanka's access to global markets

RETAIL WORKING GROUP PROPOSALS

SECTOR: RETAIL

INTERVENTIONS



LEAD:

Mr. Murali Prakash,
Group Managing Director/CEO,
Ambeon Capital and Ambeon
Holdings PLC

MEMBERS OF THE WORKING GROUP:

Mr. G. Rajendran,
Chairman, Essential Food Commodities,
Importers and Traders Association

Mr. Charitha Subasinghe,
Chief Executive Officer, Jaykay
Marketing Services (Pvt) Ltd.

Mr. Lahiru Pathmalal,
CEO and Co-Founder Takas

Mr. Nasser Majeed,
Chief Executive Officer, Softlogic Retail
(Pvt) Ltd.

1. Facilitation in making Sri Lanka a retail hub:



Objective:

- To build a hub it is essential that we bring policies that will attract tourist to visit and be part of the immersive retail experience. Whilst tourism sector related enticements are key, unless retail is allowed to rise up to these levels, the maximum spend by a tourist will not materialise, nor will the consumption expansion of our limited market take place.

IMPLEMENTATIONS



- a) Bring duty to zero or near zero level on key tourist related retail products. Key would be clothing and accessories, impulse buying electronic, electrical items and complementary items.

The revenue loss of perceived duty (plans are never met as volumes do not take place) can be easily surpassed through an additional spend by a tourist at minimum USD 50-75 level where other forms of taxes would kick in locally. With large volume increases it could be safely assumed that the PAL and other charges on import will compensate for the duty due to heavy volumes.

- b) Implement an automated integrated VAT refund system:
Current system does not work well and hence does not work as a positive factor toward tourist spend. It is possible to invite overseas players to set up this facility on a BOO (Build, Own, Operate) basis thus its wide spread and easily actionable both for tourists and collection of revenue.
- c) Ease of visa for travel and safety of travellers

- d) A better and direct connectivity from Sri Lanka to key destinations
- e) A shopping festival as part of retail hub activity formally and fully supported by the Government through:
 - i) Fund allocations to carry through this mechanism
 - ii) Special facilities to retailers during this period of promotion (two months)
 - iii) Relevant line ministries to enact policies to implement as a national programme along with tourism.

RETAIL WORKING GROUP PROPOSALS

SECTOR: RETAIL

INTERVENTIONS

2. Labour reforms required:



Objective:

- Key issues are skills gaps and labour shortages in particular encouraging more women to enter and remain in the labour force.

3. Infrastructure development:



Objective:

- The right infrastructure would be key to facilitate any industry and this would facilitate not only the industry but the country at large.

IMPLEMENTATIONS



- Allow for part-time permanency and amending EPF / ETF and related acts to facilitate many to come into part-time employment. This will help employers too as for part time functions they need not have full-time heads.
- Facilitate a clear structure on vocational training to build the skills gaps and offer wide and varied curriculum on retail. A national level integrated policy similar to TAFE system in Australia. NAB and other offering institutes, etc. can be augmented and brought under one.
- Consider importing labour where required as a short-term measure to have the required numbers to build retail.
- Permit layoffs based on an agreed formula than having to refer to labour commissioner every time.
- Permit ex-pat worker spouses to be gainfully employed without special requirements. This will facilitate more Sri Lankans working abroad to return as well.



- a) Storage and supply chain infrastructure:
 - i) Food and other retail perishables being available timely, better price regulations and being competitive to export, all depends on how best harvest is preserved and moved through.
- 1. Permit cold and dry storage set up through PPP with special relief measures to private sector
- 2. Permit cold transportation as a nation building effort with special duty structures
- b) To facilitate re-export zones:
 - i) This is to get local companies along with overseas partners set up facilities that would make Sri Lanka a retailers' hub and will cater to the entire subcontinent at zero taxes or at a nominal tax rate (e.g. 1%). Anything within this zone is allowed to be re-exported at zero cost.

RETAIL WORKING GROUP PROPOSALS

SECTOR: RETAIL

INTERVENTIONS

4. Digital transformation:



Objective:

- Sri Lanka primarily is a cash-based economy. Digital payments/ systems are not matured compare to neighbours and global trends. Cash retail is inefficient and expensive. Digital solutions will facilitate less corruption (no in-between leakages), greater transparency, less inefficiencies (returned cheques to others), speed (cash movement real time) and being future centric as most tourist movements today are based on the digital economy
- Parallel systems tickets (for public transport). This is not digital in most cases and in the few digital payment cases they are closed loop (one system for one place such as highways)

IMPLEMENTATIONS



- a) For payments, LankaPay in collaboration with payment providers to move towards cashless solutions. This infrastructure has been built but needs to be rolled out with the Central Bank of Sri Lanka.
- b) Invest in open loop systems for tickets by working with payment providers. This would mean that one payment solution can be used for rail/bus highways, etc. (one card for all travel).
- c) Facilitate setting up of a infrastructure for the entire country which would facilitate digital transformation. PPP where possible. RFPs can be opened for such areas to attract investors both local and overseas.

TRANSPORT & LOGISTICS WORKING GROUP PROPOSALS

SECTOR: TRANSPORT AND LOGISTICS

INTERVENTIONS



LEAD:

Mr. Romesh David,
CEO, South Asia Gateway
Terminals (Pvt) Ltd

MEMBERS OF THE WORKING GROUP:

Prof Amal Kumara,
Senior Professor, University of
Moratuwa

Ms. Kasturi Wilson,
Managing Director, Transportation,
Hemas Holdings PLC

Mr. H. D. A. S. Premachandra,
Director/Chief Executive Officer,
LAUGFS Terminals Ltd.

Ms. Gayani de Alwis,
Chairperson, The Chartered Institute of
Logistics and Transport

Mr. Ruwan Waidyaratne,
Managing Director,
Hayleys Advantis Ltd.

REFORMS

Integration and coordination of departments and authorities presently related to transport. This would cover services related to maritime, railway, aviation and road.

Creating an Integrated National Transportation and Logistics Action Plan and align with respective State development plans to drive multi modal synergy.

IMPLEMENTATIONS



- Re-examine the current regulatory functions and responsibilities among different agencies with a focus on streamlining interactions, and integrating processes. An example of this would be to examine the separating of the regulator, common service provide and the operator in aviation and maritime.
- Each department and authority policies should include a National Transport Policy, Highway Policy and Sustainable Development Policy in their agenda.
- Group logistics related authorities under a single ministry so that a holistic integration is possible with one vision and policy.
- Appoint a competent authority who could co-ordinate amongst related institutions and stakeholders (including Water Board, Ceylon Electricity Board and Telecom) where road network is explored.



- Define a five to ten year National Logistics and Transport Action Plan that has bi-partisan political acceptance and drives the objectives, priorities and related interventions across the logistics value chain in consultation with relevant ministries taking into account the existing policy documents such as the National Export Strategy, National Maritime Policy, National Ports Development Plan.
- Form a private – public National Logistics and Transport Committee to drive private and public sector investment and action plans which are congruent with the long-term National Logistics and Transport Action Plan. This committee should look at positioning Sri Lanka as a hub/destination for maritime, aviation and logistics. The committee should drive the required increase in capacity and infrastructure,
- improvement in easing of doing business, policy consistency and transparency.
- The topic of agency equity ownership towards foreigners will need further structured discussions with all stakeholders. Meanwhile steps should be taken to facilitate investment by providing an enabling environment.

TRANSPORT & LOGISTICS WORKING GROUP PROPOSALS

SECTOR: TRANSPORT AND LOGISTICS

INTERVENTIONS

Mr. Dinesh de Silva,
Head of Shipping & Logistics,
Unilever Sri Lanka Ltd.

Mr. Tissa Wickramasinghe,
General Manager, Commercial &
Marketing, Colombo International
Container Terminals

Ms. Shehara Jaywardana,
Joint Managing Director, McLaren's
Holdings Ltd.

Mr. Chrisso de Mel,
Immediate Past Chairman, Sri Lanka
Shippers' Council

Mr. Iqram Cuttilan,
Managing Director,
Aitken Spence Shipping Ltd.

Mr. Jiffy Zulfer,
Director, PickMe

Mr. Suren Abeysekera,
Chairman, Sri Lanka Shippers' Council

Mr. Sanjeeva
Abeygoonewardena,
President, Sri Lanka Association for
Air Express Companies

Mr. Amal Rodrigo,
Representative, Hub Operators
Association of Sri Lanka

Enhancing efficiency through increased digitisation, technology adoption and other measures.

BUS

Encourage the use of public transport, high occupancy vehicles and non-motorised transport in urban areas. Influence the shift from private modes to rapid transit systems through policies that focus on quality.

IMPLEMENTATIONS



- A system to collect basic transport and logistics statistics in a timely and efficient manner.
- Implementing Customs reforms to enable efficiency and increase transparency. Applying a de minimis threshold will also act as a forerunner in getting broader improvements in Customs facilitation.
- Digitalization of the Postal Department to accommodate a low cost distribution model for last mile deliveries.
- Technology enablement to support the implementation of logistics hub concept, e-governance, single window, e-commerce and port community system.
- The Trade Information Portal to be continuously updated to be the single point of reference for all logistics and trade facilitation matters in the country.



- Transport infrastructure measures
 - Bus reforms/bus priority lanes/BRT.
- Integrated Vehicle and Fuel Tax Policy to influence users to divert to public transport usage from private vehicle usage.
- Focus on construction of highways covering trunk roads/routes.
- Set standards and specifications in respect of any passenger transportation vehicle/service.
- Enable technology to cover access, speed, accuracy, etc.
- Ensure provision of reliable and regular service during all times of the day.
 - Prepare timetables for bus service operations to minimise unhealthy competitive practice and to provide equal and equitable operating opportunities for all.
 - Facilitate real time information provision on bus time tables for users

TRANSPORT & LOGISTICS WORKING GROUP PROPOSALS

SECTOR: TRANSPORT AND LOGISTICS

INTERVENTIONS

Mr Jagath Pathirana,
Immediate Past Chairman, Sri Lanka
Freight Forwarders Association

Mr Dimithri Perera,
Country Manager, DHL Keells (Pvt) Ltd.

RAIL

Encourage the use of rail transport, influence the modal shift of passengers and goods from road to rail by making comfortable and faster service offerings.

IMPLEMENTATIONS

INVESTMENTS



- Utilisation of land owned by the Railway Department. Railway stations to be developed as service/commercial centres.
 - Station based developments of property, auxiliary services, ground rentals, park and rides and convenience focused developments
 - Develop railway for freight transport facilities
 - Attract longer distance freight to railways
- Initiate measures for commodity transportation with the correct distance identification
- Railway modernisation to increase frequency and capacity for :
 - Station modernisation
 - Railway electrification
 - Rapid transit systems (monorails/LRT)
- Promote infrastructure construction for intermodal/ multimodal centres through
 - Integration with port, logistics centres and free trade zones
- Centralised platform for e-ticketing
 - Modernise the existing ticketing system to an online/integrated system
 - Automated seat reservation system
 - Introduce a mobile-based rail tracking and seat reservation system for public transportation

Private investment

Public-private investment

Public-private investment

Public-private investment

Public-private investment

TRANSPORT & LOGISTICS WORKING GROUP PROPOSALS

SECTOR: TRANSPORT AND LOGISTICS

INTERVENTIONS

LOGISTICS

Improving supply chain of perishables/cold storage

Promote development of multi modal infrastructure enabling integration with global and regional value chains through seamless multimodal passenger and freight transfer, with adequate storage and handling and value added services.

IMPLEMENTATIONS

INVESTMENTS



- Policy focus on improving cold supply chain for perishables (Agriculture / dairy):
 - Provision of adequate cold storage facilities
 - Proper infrastructure facility developments to facilitate Common User Collection Centres
 - Promote effective agri-logistics involving access to cold chain, storage, packaging and other post-harvest management techniques
- Implementing standards on vehicles used for cargo transportation specially related to SME industry

Focus on private investment that is encouraged through land, duty waivers on equipment, agri-related financing, green financing.



- Setting up large-scale logistics centres and related projects by releasing Government-owned lands, rationalization of legislation and more
- Enabling integration with global value chains through seamless multi modal connectivity

Public-private investment

TRANSPORT & LOGISTICS WORKING GROUP PROPOSALS

SECTOR: TRANSPORT AND LOGISTICS

INTERVENTIONS

MARITIME

Policy focus on developing Colombo Port

Rationalise the usage and development of other ports to complement each other

Eg: Hambantota, Trincomalee and Galle to exploit the unique logistics potential

Fast-tracking implementation of e-connectivity to facilitate seamless interaction between various stakeholders.

IMPLEMENTATIONS

INVESTMENTS



- Initiate terminal developments at Colombo port that includes:
 - East and West container terminals- Increase container terminal capacity (potential throughput of 15-16 million TEUs by 2025)
 - Oil and bunkering handling terminal
 - Passenger/cruise Terminals
- Enhance port infrastructure:
 - Improve ancillary and marine services (bunkering, handling, safety, ship supply services, tugs, pilotage)

Public-private Partnership

Public-private Partnership



- Specialisation of ports where break bulk, liquid bulk, solid bulk and container handlings are segregated.
- Align Hambantota into national ports master plan to complement each other eg: ships with non-container cargo should be moved out of Colombo
- Promote free port concept outside the port (dry ports)

Public-private Partnership



- Phased implementation of a port community system, Electronic Data Interchange (EDI), e-commerce to be rolled into the National Single Window. The implementation to be done with institutionalisation of the change and with education of the required stakeholders.
- The establishment of a single-stop, single-window, electronic port goods declaration and customs inspection mechanism for quick entry and exit of international cargo

Public investment through private sector dialogue

TRANSPORT & LOGISTICS WORKING GROUP PROPOSALS

SECTOR: TRANSPORT AND LOGISTICS

INTERVENTIONS

Diversifying the hub offerings to cover cruise, cars, oil, gas and more, using the diversity of the ports.

AIR

Separate roles of landlord and common services provider (ATC/security, etc.) from airport operator (Ground handling of Pax/cargo).

Decide on funding mechanism for long overdue BIA expansion.

SAFETY, SUSTAINABILITY AND DIVERSITY

Encouraging adoption of sustainable and green logistics in the country.

IMPLEMENTATIONS

INVESTMENTS



- Strengthening the offerings at Sri Lankan ports such as vessel ownership, maritime education, dispute resolution, maritime laws and arbitration



- Expansion of passenger and cargo handling facilities; such as for aero bridges, transit spaces, check-in and Immigration/Emigration counters, ramp space, and cargo terminals.
- Deregulate ground handling and assign regulator for handling
- Initiate steps to increase cargo and runway capacity

Public-Private investment – Use a derivative of port PPP model



- Technological approaches to improve the performance of transport equipment and facilities – use of IoT
- Promote sustainable reverse logistics

Private

TRANSPORT & LOGISTICS WORKING GROUP PROPOSALS

SECTOR: TRANSPORT AND LOGISTICS

INTERVENTIONS

Policy focus on road, air and sea safety considering the environmental implications

Encourage diversity and inclusiveness in the sector

IMPLEMENTATIONS



- Highlight road safety as an urgent national issue and mobilise a National Task Force including public, private and civil society stakeholders.
- Framework to monitor the safety of
 - Road design
 - Road discipline
- Set standards and specifications in respect of any passenger/goods transportation vehicles/services to prevent poor standards and operating practices. This includes:
 - Vehicle engine standards
 - Low emission zones
 - Operator license
 - Vehicle maintenance and operational tests and checks
- Setting standards for safe handling of petroleum, chemical and petrochemical products and waste



- Establish vocational training centres for women and open up jobs for women such as gate operators, bus drivers and more. To enable this amend relevant administrative circulars and national labour laws

INVESTMENTS

Public-Private

HIGHER EDUCATION GROUP PROPOSALS

SECTOR: HIGHER EDUCATION

INTERVENTIONS



LEAD:

Prof. Malik Ranasinghe,
Chairman, Sampath Bank, Members of
the University Grants Commission

MEMBERS OF THE WORKING GROUP:

Prof. Nilanthi De Silva,
Senior Professor Parasitology,
University of Kelaniya

Prof. Lalith Gamage,
Managing Director/CEO, Sri Lanka
Institute of Information Technology
(SLIIT)

Dr. Piyasiri Tilakaratne,
Vice Chancellor, University
of Vocational Technology

Mr. Vajira Kulatilake,
Director / Chief Executive Officer,
NDB Capital Holdings Ltd.

1. Provide students greater freedom to choose their desired course of study and Higher Education Institutes (HEIs), both State or non-State.



Objective:

- Students have ownership and freedom of choice for their higher education and the system moves from “Free without Choice” to “Self Funded with Choice”.
- HEIs would focus on USPs, competing with other institutions, facilitating innovation and growth.
- Students will be more eager to participate in tertiary education.

2. Establish quality assurance and accreditation authority encompassing all HEIs (State and non-State) in Sri Lanka.



Objective:

- Establish a standard of quality throughout the higher education system.

IMPLEMENTATIONS



- Provide endowments or grants for students to enroll themselves in higher education. The HEIs will be reimbursed by Treasury / UGC / TVEC on the submission of those certificates. Selection of students by the Higher Education Institutions (HEIs).

- Providing students rather than the institutions with funds to incorporate choice. Initially commence this as a pilot project with a selected few streams/degrees.
- Develop a nation-wide academic portal for students to access the

courses offered by HEIs, similar to UK's UCAS system.

- The academic portal would have all information regarding course modules and thereby enabling students to choose their desired courses.



The authority must be independent, robust and put forward a national system for quality assurance and accreditation. Some of the essential features should include:

- Compulsory registration of all HEIs (public and private) and the programmes of study offered by them;

- An authority with a clear legal mandate to offer accreditation of registered HEIs and their programmes of study;
- The accreditation authority must be independent, i.e., not under the Ministry of Higher Education or the UGC;

- The composition of the members of the authority must reflect its mandate and ensure its ability to function effectively.

HIGHER EDUCATION GROUP PROPOSALS

SECTOR: HIGHER EDUCATION

INTERVENTIONS

Mr. Murtaza Jafferjee,
CEO, JB Securities Ltd.

Mr. Faizal Salieh,
Non-Executive Independent Director,
Cargills Bank Ltd.

3. Ensuring that the courses are relevant to today's rapidly-evolving global economy.



Objective:

- Ensuring that tomorrow's graduates are relevant and employable through the participation of employers with HEIs.
- Allowing open access to all course information.

4. Develop technical and vocational HEIs to expand their reach and target industry needs.



Objective:

- Promote strong collaborations between TVEC, NAITA, DTET and professional and employer bodies.
- Expand TVEC to encompass emerging skills requirement
- Establish training institutions and provide progressions pathways.

IMPLEMENTATIONS



- Engaging employers, industry experts, professional bodies and chambers of industry to update and revise the curriculum to be current with emerging trends.
- Establish department industry consultative Units in all HEIs.
- This unit will ensure administrative efficiency and will also provide students with insights into trends in emerging skills.



- Promote strong collaborations between NAITA, DTET, TVEC and employer bodies to expand apprenticeship based training and provide a training allowance to apprentices.
- Establish several training institutions in collaboration with world-renowned companies/training institutions, similar to Ceylon German Technical Training Institute, in areas of modern technology.
- Provide seamless progression pathways from secondary education to technical and vocational education for those who do not enter universities. Expand and strengthen the newly-introduced vocational stream in secondary education.
- Establish an endowment/loan scheme similar to the scheme proposed to university education for middle level Technical and vocational education in areas of high labour market demand.

HEALTH WORKING GROUP PROPOSALS

SECTOR: HEALTH

INTERVENTIONS



LEAD:

Dr. Lakith Peiris,
Managing Director, Hemas Hospitals &
Laboratory Chain

MEMBERS OF THE WORKING GROUP:

Dr. Anil Samaranayake,
Director Health Information of the
Ministry of Health

Dr. Prasad Medawatta,
Group CEO, Lanka Hospitals

Dr. Ravindra P. Rannan,
Eliya - Executive Director & Fellow of
the Institute of Health (IHP)

Mr. Sirimal Fernando,
President - The Sri Lanka
Pharmaceutical Manufacturers'
Association

Ms. Kasthuri Chellataja,
President, The Sri Lanka Chamber of
Pharmaceutical Industry

1. Introduce Electronic Medical Records (EMR)

2. Address Non-Communicable Diseases (NCDs)

3. Effective utilisation of healthcare assets through
public private-partnership

IMPLEMENTATIONS

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A) Establish a electronic health record system so that patients could access their individual health record irrespective of the place of treatment

and that health providers may update that health record as they treat the patient.

B) Develop Sri Lankan laws regarding protection and sharing of personal medical data of individuals

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A) Establish a national framework on NCD prevention, screening and treatment that is adhered to by healthcare providers in the private and public space

B) Establish a continuous education/ awareness programme across private and public sectors regarding NCDs, with the aim of reducing the prevalence of NCDs in the population of Sri Lanka

C) Establish a centralised data collection, analysis and reporting for the purpose of comprehensive health information view

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A) Currently there is a long waiting time for critical interventions and diagnostic procedures in the public sector that compromises patient safety and the quality of life of patients. Establishment of a PPP between the public sector and the private sector healthcare providers will reduce long waiting times, reduce the burden on the public healthcare system, can reduce capital expenditure by the GOSL to increase capacity and for the acquisition of new technology whilst

providing better services and clinical outcomes at a lessor cost

B) Establish PPPs where private sector healthcare institutions are allowed to service an empaneled population if Government healthcare institutions are not present to service that population

C) For the major hospitals in the public sector, the usage of certain resource capacities are being under-utilised at the moment. This may include amongst others, imaging services, operating theatre

and other diagnostic equipment/ services. Through the implementation and use of a centralised platform for scheduling , it would allow the Ministry of Health (MoH) to have a clear understanding of hospitals where imaging devices are over and under utilised so that the MoH can accordingly manage the demand. The same may be replicated in the private sector and at an advanced stage so that patients may seamlessly be able to move to/from public sector to private and vice versa.

HEALTH WORKING GROUP PROPOSALS

SECTOR: HEALTH

INTERVENTIONS

Mr. Ruwan Kumara,
Acting Chairman, the Food &
Beverages Steering Committee of the
Chamber

Mr. Shayam Sathasivam,
Chairman, the Cosmetics and
Pharmaceuticals Steering
Committee of the Chamber / Former
President, The Sri Lanka Chamber of
Pharmaceutical Industry

4. Capacity enhancement of Healthcare / Pharma
through higher education programmes

5. Promote medical tourism

6. Promote local pharma manufacturing

IMPLEMENTATIONS



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|---|--|---|
| <p>A) Encouragement of setting-up higher education facilities that support the healthcare and pharmaceutical industry.</p> <p>B) Permit the registration and recognition of nurses, MLTs,</p> | <p>pharmacists and other paramedics to at least have a separate register.</p> <p>C) Government to offer concessionary loan schemes for nursing students (similar to offered by other countries like India by the Kerala Government).</p> | <p>D) Develop an ongoing mechanism to incentivise students towards the healthcare and pharmaceutical industries, such as payment of a stipend, etc.</p> |
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| <p>A) Establish a visa scheme for tourists seeking to come to Sri Lanka for medical treatment. This visa scheme should be developed with a specified criteria such as the required stay time for patients undergoing procedures in Sri Lanka.</p> <p>B) Promote Sri Lanka as an emerging medical hub through Government</p> | <p>intervention such as funding for promotional material, private sector operators to showcase their capability in different overseas forums/events, identify key health intervention that can be marketed to select markets, etc.). This hub should be supported by a digital health record that can be transferred/ accessed by the patient, access to</p> | <p>quality-certified medicine, access to qualified healthcare professionals.</p> <p>C) Promote traditional health aggressively in selected overseas markets through development of country specific promotional tools and campaigns to establish/promote Sri Lanka as an emerging wellness hub</p> |
|---|--|--|



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| <p>A) Position Sri Lanka as a global manufacturer, through:</p> <p>I. Commencement of a study to identify key molecules or drugs that Sri Lanka should specialise in as a hub for pharmaceutical manufacturing and export to meet global market demand.</p> <p>II. Engage with international consultants to understand what global markets where Sri Lanka can engage as the manufacturer for key identified products.</p> | <p>III. Government to develop policy framework and relevant committee to facilitate export-oriented pharmaceutical manufacturing</p> <p>IV. For identified molecules or drugs, reach out to the leading manufacturers in order to assess what the country could do in order to attract contract manufacturing in Sri Lanka.</p> <p>B) While the Government has allocated Rs. 100 million towards a</p> | <p>biotechnology park, the continuous focus towards this area should be carried forward with appropriate follow through to ensure that this is the initiation of Sri Lanka as a research hub for select pharmaceutical products.</p> <p>C) Examine how the Bio-Technology Park and Nano-Technology Park (through their respective ministries and bodies) can be more synergistically aligned in order to benefit the pharmaceutical sector in Sri Lanka.</p> |
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HEALTH WORKING GROUP PROPOSALS

SECTOR: HEALTH

INTERVENTIONS

- 7. Ensure pharmaceutical importers have sustainable supplies to patients

IMPLEMENTATIONS

A) Development of a quality standard for pharmaceutical products and setup of a testing facility in order to facilitate this monitoring of the pharmaceutical products being manufactured and imported into Sri Lanka. Further, development of regulations relating to the quality review process to be conducted by the independent body charged with conducting an ongoing quality review of products locally manufactured and imported to Sri Lanka alongside the overall distribution chain of these pharmaceutical products to the end-customer. Subsequent to the regulations being published, circulation of quality guidelines and results from quality inspections to be made public and post-market surveillance to be more regular and pro-active (currently complaint-initiated)

B) With regard to the imposition of price controls: Where price control of identified pharmaceutical products are required, ongoing dialogue and sufficient advance notice to be given to importer/distributors to account for their ordering lag times and optimal order quantities in terms of months for those pharmaceutical products.

C) Introduce pricing refinement: Development of a pricing formula through identifying acceptable solution to the debate around CIF+ pricing model – e.g. benchmark on Sri Lanka IQVIA median pricing if an existing molecule, look to regional pricing medians if a new molecule.

D) Review of the existing government procurement guidelines in order to incorporate the shift in the global market towards biological. This is done with the view of

identifying the required procurement quality guidelines for biological when compared to traditional pharmaceutical products (i.e. government procurement guidelines applicable for bio-similar may not be the same that applies to traditional pharmaceutical products, where bio-similar cannot be tested the same way a traditional pharmaceutical product). Implementation of this policy can through review of existing regulatory approval or availability of the product in developed markets (e.g. FDA approved, however, in the absence of FDA-approval be commercially available in the country of origin and USA, EU, Japan and other developed countries).

HEALTH WORKING GROUP PROPOSALS

SECTOR: HEALTH

Intervention Point	Proposed KPI
1 A)	<ul style="list-style-type: none"> Total number of public PMCLs that are utilising an EMR – 600 by 2025 Total number of private healthcare institutions that are utilising an EMR – 60 by 2025
2 A)	<ul style="list-style-type: none"> Percentage of public healthcare institutions complying with the national framework for NCD prevention Percentage of public healthcare institutions complying with the national framework for NCD screening Percentage of public healthcare institutions complying with the national framework for NCD treatment Percentage of private healthcare institutions complying with the national framework for NCD prevention Percentage of private healthcare institutions complying with the national framework for NCD screening Percentage of private healthcare institutions complying with the national framework for NCD treatment
3 A)	<ul style="list-style-type: none"> A central database that will capture the waiting time for patients who are seeking the following services: CABC, angiogram/PTCA, electrophysiology, ASD / VSD closures, coarctation of aorta , aortic valve stenosis Pulmonary valve in paediatrics, total knee replacements, total hip replacements, arthroscopies Shoulder replacements, spinal surgeries (Laminectomy, etc.). Presently these times are available for the Western Province.
3 C)	<ul style="list-style-type: none"> As a percentage of the total number of major hospitals (Teaching Hospitals, Provincial General Hospitals, District General Hospitals and Base Hospitals), the number of major hospitals that are connected to a centralised system to monitor asset usage. As a percentage of the total number of major hospitals (Teaching Hospitals, Provincial General Hospitals, District General Hospitals and Base Hospitals), the number of major hospitals that are utilising a system-based scheduler for setting appointments for imaging devices and operating theatres
5 A)	<ul style="list-style-type: none"> Total number of visas issued for foreigners to enter Sri Lanka for the purpose of medical tourism Total number of foreign patients treated in Sri Lanka

Intervention Point	Proposed KPI
7 A)	<ul style="list-style-type: none"> Of the total pharmaceutical products sold in Sri Lanka, the percentage of pharmaceutical products that are regulated through quality standards enforced by the Government of Sri Lanka through the respective regulatory/NMRA. Of the total pharmaceutical products sold in Sri Lanka, the percentage of pharmaceutical products that are tested through the appointed testing facility before being sold in Sri Lanka Total number of quality reviews of local manufacturers being conducted by the respective regulatory as against the total population of local manufacturers Total number of quality reviews of local distributors being conducted by the respective regulatory as against the total population of local distributors
7 C)	<ul style="list-style-type: none"> Total number of pharmaceutical products being sold in Sri Lanka where the pricing is determined through the pricing formula

TOURISM WORKING GROUP PROPOSALS

SECTOR: TOURISM

INTERVENTIONS



LEAD:

Ms. Shiromal Cooray,
Chairman Jetwing Hotels Ltd.

MEMBERS OF THE WORKING GROUP:

Mr. Mahen Kariyawasan,
The Sri Lanka Association of Inbound
Tour Operators

Mr. Harith Perera,
The Sri Lanka Association of Inbound
Tour Operators

Mr. Nalin Jayasundera,
The Sri Lanka Association of Inbound
Tour Operators

Mr. Amith Sumanapala,
The Sri Lanka Association of Inbound
Tour Operators

Mr. Sanath Ukwatte,
The Hotels Association of Sri Lanka

1. Moving towards a value-driven industry while managing the maturing tourism industry in a sustainable manner.

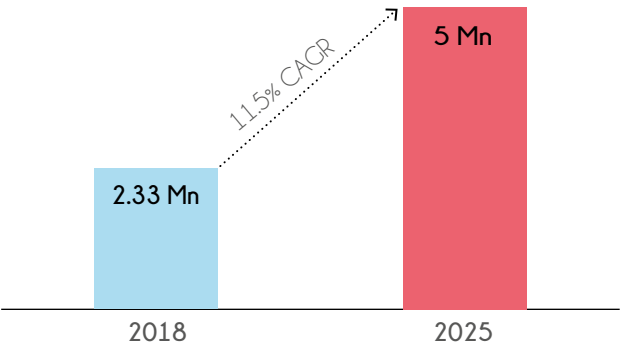
2. Recognition of tourism as a key export services industry

IMPLEMENTATIONS

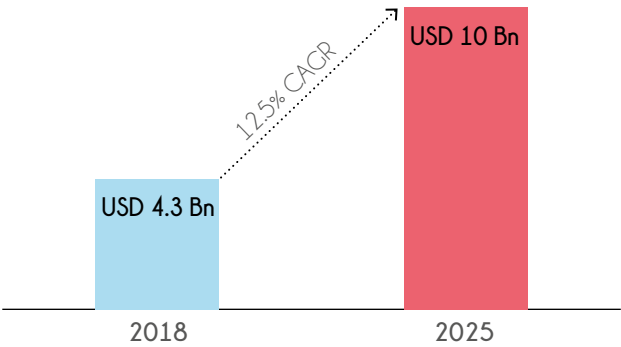


- Study and implement best practices from countries such as Costa Rica which focuses on value, quality and sustainability.
- Target five million tourists and USD 10 Bn in tourism earnings by 2025. With the increase in the number of arrivals, the strategy should be designed to increase the average spend.
- Examine other value metrics in the industry. This will require improvement in data collection by the industry as well as institutions like SLTDA. (Refer appendix 1 for an exhaustive list)

TOURIST ARRIVALS



TOURISM RECEIPTS



- Enable the industry to avail the similar electricity tariffs as an export sector
- Devise a National Tourism Export Strategy

TOURISM WORKING GROUP PROPOSALS

SECTOR: TOURISM

INTERVENTIONS

Mr. Asoka Hettigoda,
The Hotels Association of Sri Lanka

Mr. M. Shanthikumar,
The Hotels Association of Sri Lanka

Ms. Amal Goonetilleke,
The Hotels Association of Sri Lanka

3. Align tax policies to be in line with the region to remain competitive.

4. Formation of an inter-ministerial taskforce comprising the respective subject minister, secretary to the ministry and the director general/heads for the respective department/Institution. This is to develop policies for the industry in a coordinated manner to address legal, regulatory and procedural issues.

IMPLEMENTATIONS

Country	Sri Lanka	India	Bangladesh	Pakistan	Malaysia	Singapore	Maldives	Thailand	Vietnam	Indonesia
Income Tax	14%	25%-30%	25%	30%	24%	17%	15%	20%	20%	25%
VAT, NBT and additional taxes paid on the top-line										
VAT and GST	Now at 7% (previously 15%)	18%	15%	17%	0%	7%	12%	7%	10%	10%
Other taxes applicable	2% (NBT)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
TDL	1%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Provincial Tax	Up to 1%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

INTER-MINISTERIAL TASKFORCE

Tourism Ministry and Key Institutions such as SLTDA, SLTPB, SLCB

- Ministry of Transport and Civil Aviation
- Ministry of Megapolis
- Department of Railways
- Ministry of Foreign Affairs

- Ministry of Youth
- Ministry of Labour
- Department of Immigration and Emigration
- Ministry of Finance (Excise Department, Customs, Inland Revenue)

- Ministry of Wildlife
- Ministry of Environment (including CEA)
- Central Cultural Fund
- National Crafts Council
- Sri Lanka Police

- Ministry of Local Government
- Ministry of Defence
- Ministry of Primary Industries
- Department of Ayurveda
- Board of Investments

Proposed Policies

- The ministries/departments involved in the tourism industry working together in one forum to take coordinated decision, with Tourism Board being the main stakeholder. Examine matters such as (Refer appendix 2),

TOURISM WORKING GROUP PROPOSALS

SECTOR: TOURISM

INTERVENTIONS

5. Re-look at the Aviation and Port Policy
(in terms of cruise tourism)

6. Develop a Disaster Management Plan to manage
crisis situations (natural disasters / terrorist attacks).

IMPLEMENTATIONS



- Increase capacity to match expected tourists at airports and sea ports.
- Special emphasis to be given for cruise tourism. SLTDA to work with relevant authorities to bring local infrastructure and standards to global cruise benchmarks.
- Introduce a tourism friendly aviation policy. SriLankan Airlines to play an integral part in the development and promotions of tourism.
- Improve domestic airports and air travel facilitate convenient and affordable access to the major tourism provinces.



- Industry, private and public partnership together with higher authorities to draw attention to high national security standards and map-out a crisis and disaster management plan.
- Have a clearly defined procurement process for offshore PR and marketing for the tourism industry during a crisis period as it requires immediate action.
- To develop a central news point to disseminate regular and accurate information on the actual situation.
- Develop clear guidelines to handle local and international media during a crisis period in order to avoid sensationalisation and dilution of Brand Sri Lanka.
- Crisis management plan to be regularly reviewed, trial tested and communicated.

APPENDIX I

IN REFERENCE TO POINT I – TOURISM

PROPOSED INTERVENTIONS/ACTIVITIES

- Tourism marketing to be a key lever in moving towards a value driven sector: Procurement procedures for tourism promotional initiatives to be made more flexible and dynamic in sync with the operational model of the industry. SLTPB funds to be used only for offshore promotions approved by the said board.
- Introduce tourism in the secondary education curriculum.
- Introduce a visitor management system for cultural sites and wildlife parks. This will manage over visitation of the sites, offering different time slots and price differentiations.
- Organise and improve better facilitation at the tourist sites, national parks and any other relevant sites to international standards.
- Engage to support and find solutions to the human elephant conflict.
- Common policy on wildlife / marine sustainability and its impact to tourism under one policy to enhance tourism.
- All entrance tickets to be centralised with easy purchasing options reaching international standards.
- Promote and develop the rural industry to make them interesting tourist attractions.
- Enhance Colombo's entertainment facilities to attract and cater to exclusive foreign visitors.

APPENDIX 2

IN REFERENCE TO POINT 4 – TOURISM

PROPOSED POLICY, LEGAL/REGULATORY ISSUES TO BE TAKEN UP BY PROPOSED INTER-MINISTERIAL TASKFORCE

- Moratorium on approvals for new inventory in Colombo and areas of oversupply
- Development of a state-of-the-art convention centre (capacity for over 6-7k) for MICE tourism to maintain the existing room inventory.
- Regulation of all accommodation units (including homestay) of non-residents and monitoring of due remittances as per the Financial Act.
- Devise appropriation regulation on construction of properties limiting the number of floors on the coastal line and near the ancient city sites and in the areas of beautiful landscape. Develop blueprint for every destination, covering all relevant areas relating to planning of land space.
- Construction of sites sewerage management, garbage disposal management, etc.
- Plan out and determine maximum number of rooms required in different areas of the island and such numbers to be broken down to boutique, five-star, four-star, three-star, two-star and below, and extend approvals accordingly.
- Information hubs to be established with major cities, in particular highlighting Tourist Police.
- Devise guidelines to provide accessibility for differently-abled people.
- System of licensing and approvals to be brought strictly within the given framework.
- All the licensing and approvals to continue under the present gazette notification but with strict monitoring.
- Improve the network, quality, frequency, connectivity, and booking system of air transport and the train system.

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