

SRI LANKA ECONOMIC ACCELERATION FRAMEWORK 2021-26

VERSION 2.0

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 discernable slowdown in economic growth owing to a multitude of domestic and external factors in the last few years. The COVID-19 pandemic has further derailed the country's economic growth and development trajectory. As Sri Lanka looks to ascend back to the Upper-Middle Income threshold (as defined by the World Bank) and achieve accelerated economic recovery in a Post COVID-19 environment, it is imperative that the country unlocks economic growth through carefully designed and implemented reforms. In the absence of an elevation of growth levels founded on Structural and Policy based reform, Sri Lanka risks being constrained within the confines of the middle-income trap. Given the continuing imperative of growth acceleration, the Ceylon Chamber of Commerce has developed a Post-Covid.19

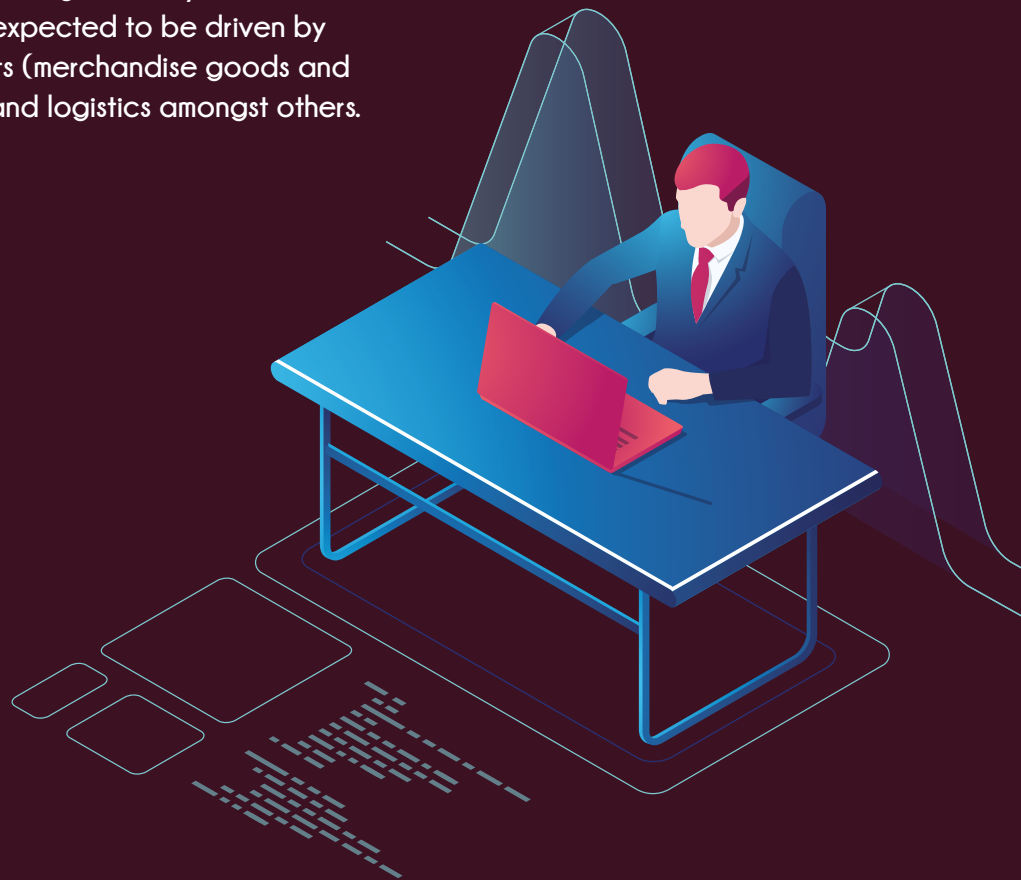
calibrated version of its Sri Lanka Economic Acceleration Framework (SEAF) for the period 2021-26. The SEAF which was published for the first time in 2019, sets out Leading and Lagging Performance Indicators, Strategic Priorities, Policy Interventions, and Development Initiatives for consideration by key stakeholders and policy makers involved in the shaping of the Sri Lankan Economy.

As in the case of the previous edition in 2019, the Chamber has drawn on the expertise of a large number of working groups and experts within the Chamber eco-system. This Executive Summary encompasses the overarching views and recommendations of the working groups. The detailed tabulation of sector or agenda specific recommendations and targets have been included in the respective Working Group Chapters of this document.



THE VISION

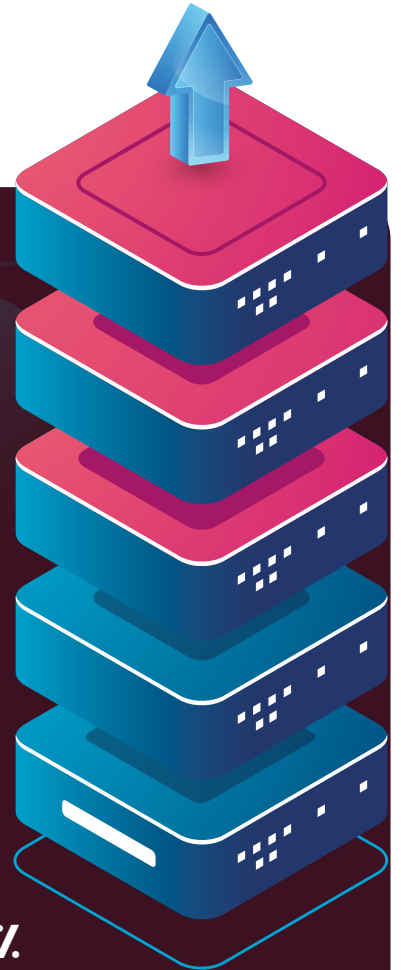
The vision espoused in our document is for an economy that will be USD 127.5 billion by 2026 from a base of USD 84 billion Pre-Covid19 (2019). In realizing this vision, we expect GDP growth to pivot from the contraction of -4.7% forecast for 2020 to 5% in 2021. We envision Growth to continue to expand thereafter reaching a steady state of 7% within the next 5 years. Growth is expected to be driven by sectors such as agriculture, exports (merchandise goods and services), tourism, transportation and logistics amongst others.



A USD 127.5 BILLION ECONOMY BY 2026

2026
127.5
USD BN
NOMINAL GDP

2019
84
USD BN
NOMINAL GDP



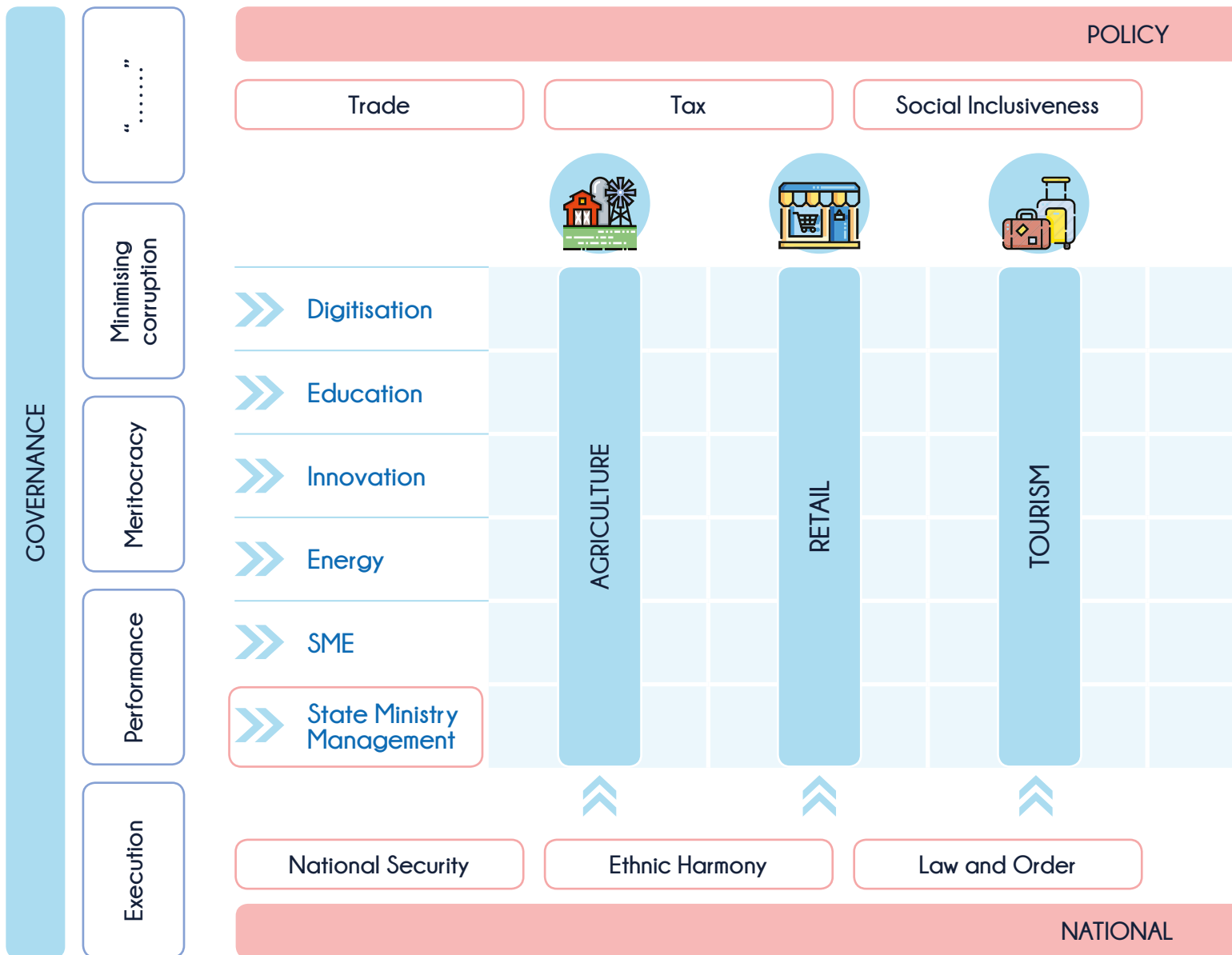
6.7%
AVERAGE REAL
GDP GROWTH
2021 - 2026



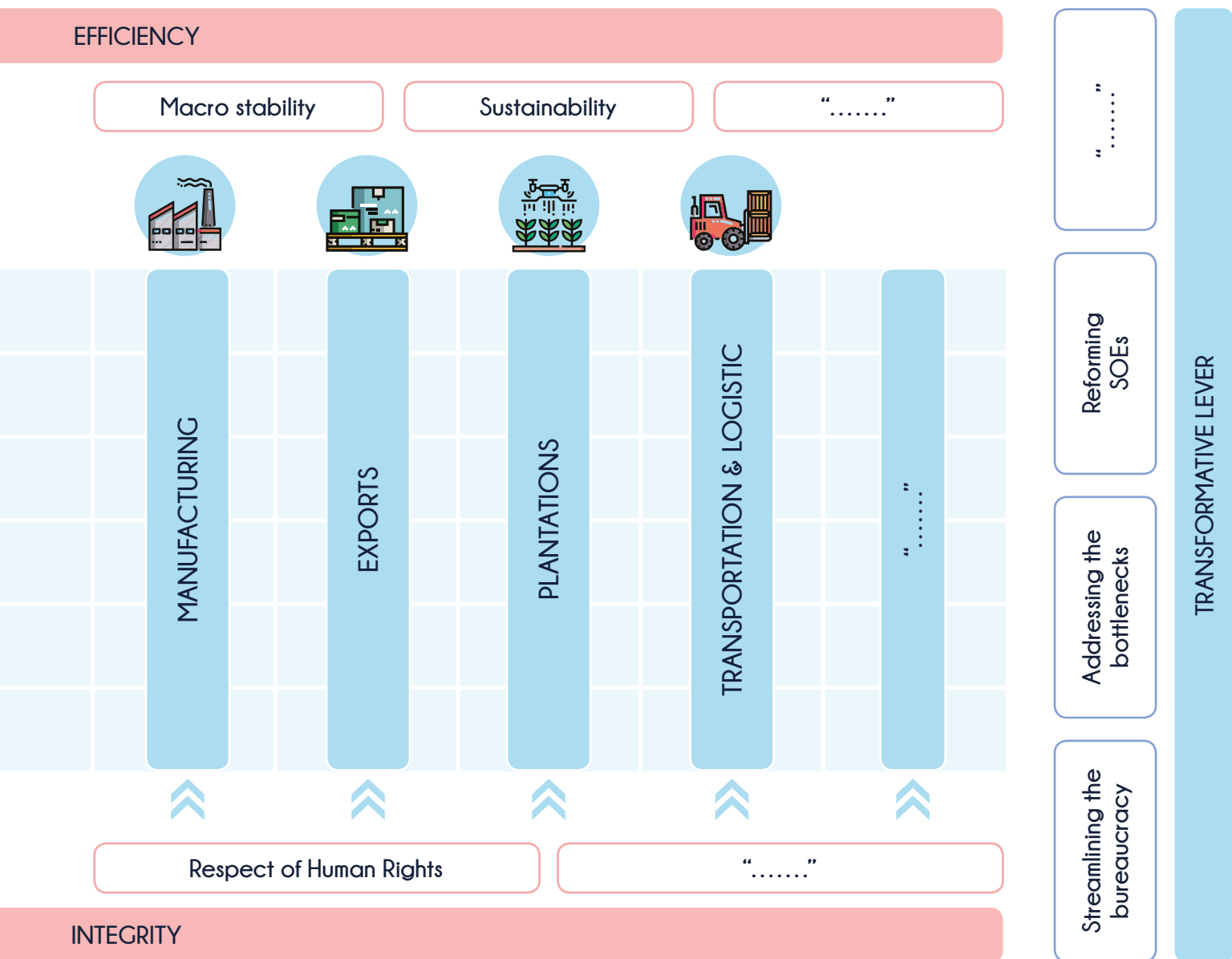
ACCELERATION FRAMEWORK

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

EXHIBIT I

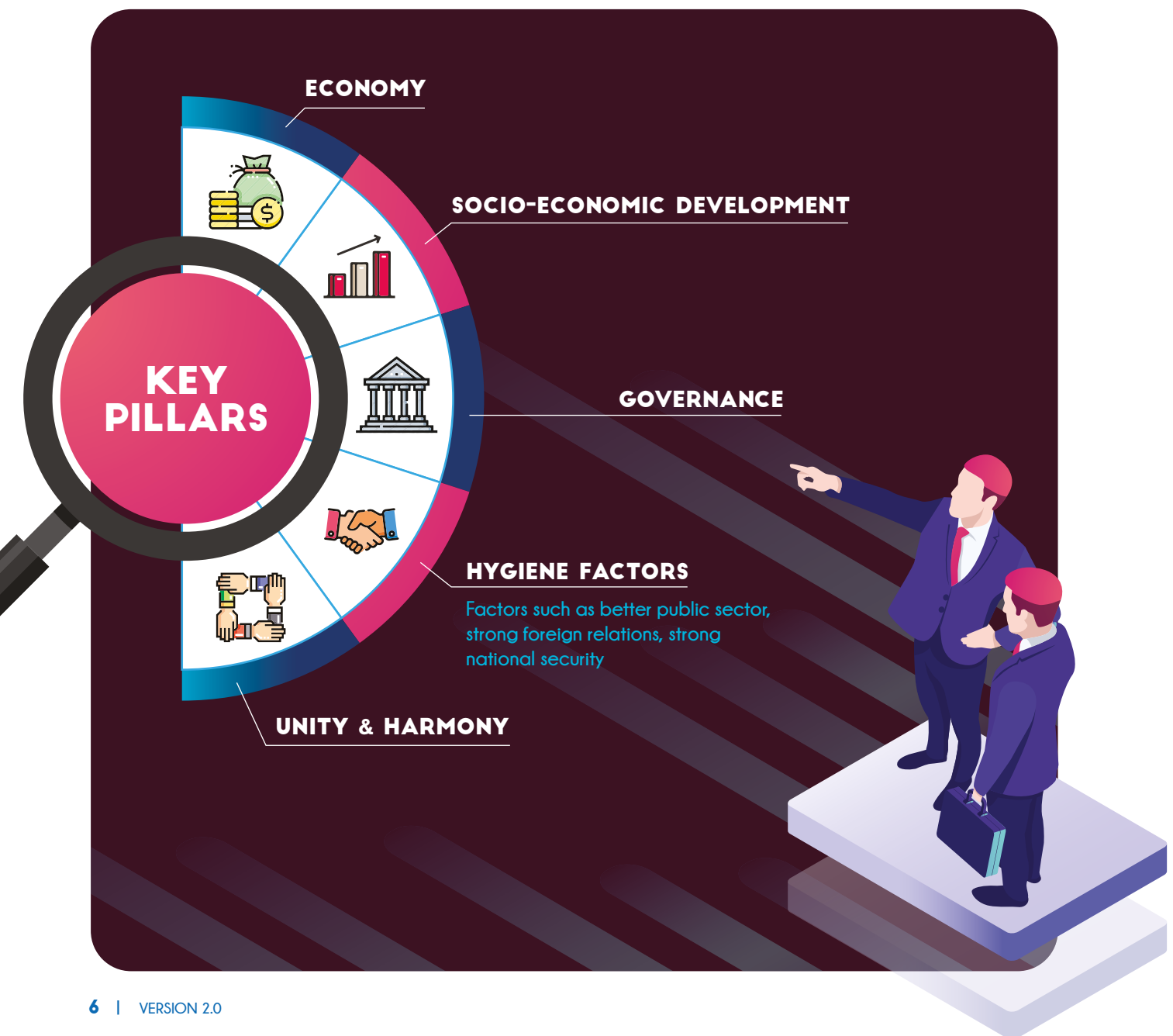


The Economic Acceleration Framework set out in EXHIBIT I sets out a holistic model for the reshaping of the economy, and is founded on a sectoral focus (such as agriculture and tourism) combined with cross cutting (horizontal) enablers (such as Digitization and Energy) and supported by the prioritization of foundational themes such as without limitation, Governance, National Integrity, Transformation and Policy Efficiency.



“.....” 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

The development of the SEAF has kept in close view and alignment, the National Policy Framework (Vistas of Prosperity and Splendor), as well as other Vision and Policy documents developed by the Government of Sri Lanka. The focus of SEAF is on the specific and underlying actions across the domains of Policy Articulation, Legislation, Execution and Management, which would be required to achieve the vision of the government within a compressed execution period.

In order to emphasise on the imperative of execution, the SEAF prioritises several “Programmes and Action Plans” of the Government for immediate actioning at a granular component level. The National Export Strategy is one such, prioritized by the SEAF. It is further espoused that a fit for purpose enabling environment and process needs to be established in order to ensure a disciplined and programmatic focus on execution and the clearing of bottlenecks. Such an enabling process would include without limitation,



- The formation of a National Implementation Oversight Committee including Sectoral Sub-Committees
- Initiation of a specific focus on clearing the pipeline of “Legislation under Development” in order to establish a progressive legislative backdrop to the development agendas of the government.
- A transparent action tracker for all major government initiatives
- Regular and Mandatory performance audits by the Auditor General’s Department or equivalent body
- The imperative of using evidence for decision making should be integrated into the Government policy making process and for this purpose government institutions should be required to maintain accurate and relevant data.

TRANSFORMATION & REFORM LEVERS FOR UPLIFTING THE NATIONAL ECONOMY



KEY PILLAR: ECONOMY

2. ENERGIZE STATE-OWNED ENTERPRISE (SOE) REFORMS

The SEAF continues to place emphasis on the reform of Sri Lanka's State Owned Enterprises (SOEs) as a pivotal source of economic value creation. Fifty Two (52) SOEs (out of about 130 state-owned commercial enterprises) have been classified by the Ministry of Finance as strategically important and are recorded to have an asset base of circa 60% of GDP as at the end of 2019. Profitable SoEs within this set (numbering 32) deliver a net profit of Rs 149 Bn, while loss making SoEs (numbering 20) contribute a net loss of Rs 151 Bn, The 52 Strategic Assets accordingly record a combined net loss before tax of Rs 2.42 billion.

It is notable that during FY 2019. Seven (7) out of the 52 SOEs (namely BoC, People's Bank, NSB, ETF, Sri Lanka Insurance Corporation, SLPA and Airport and Aviation Services (SL) Ltd), accounted for 87% of total SOE profits while 3 of the SOEs (namely Sri Lankan Airlines, CEB and CPC) accounted for 93% of the total losses. This highlights that while most SOEs are profitable, it is a few loss making SOEs that have a drag effect on the national economy. The losses could be explained in part by the absence of profit prioritisation and market-based pricing disciplines, while other contributory factors include weak accountability, governance and management.

While the narrative of SOE reform has gathered momentum over the past years, execution has been slow, largely due the absence of political will. The SEAF recommends that the Government applies concerted focus on this pivotal topic with clear commitment to an execution roadmap. We believe that there are valuable learnings to be gleaned from flagship reform exercise such as that with respect to Sri Lanka Telecom PLC.. SOE reform could also be a catalyst to revive the capital markets in addition to leveraging the market as a source of capital.

3. HIGH IMPACT LEVERS AND ALLEVIATING IMMEDIATE BOTTLENECKS

The SEAF highlights several high impact levers and "bottlenecks" in the Economic Framework in the context of the exploitation and alleviation of the same representing "quick wins" enabling the unlocking of growth potential. Some of the priority bottlenecks identified during the consultation process leading to the development of the SEAF are listed below.

- A. Availability of land for commercial use
- B. Labour Reform
- C. Tax Reform – Establishing Consistency in Tax Policy while increasing higher tax collection
- D. Energy - Quality, reliability and cost of Electricity supply
- E. Streamlining of Welfare and Subsidies to eradicate wastage through means based allocations.
- F. Trade Enablement:
 - a. Expedite implementation of Trade Facilitation Programmes.
 - b. Optimization and Modernization of tariff structure

4. LEVERAGING HUB POTENTIAL

The SEAF continues to emphasise on the importance of exploiting on timely basis, Sri Lanka's potential as a Hub in the context of the future regional economy, taking into consideration the shifts in global trade, financial and talent flows in the new norm.

- a. Sri Lanka's strategic location continues to provide distinct potential for the positioning as a maritime and logistics hub for the region.
- b. Acceleration of Capacity enhancement at the Colombo Port via Terminal Development to reach a throughput of 15-16 million TEUs relative to that of 7 million TEUs at present.
- c. Capitalise on Sri Lanka's Tourism Potential to establish the country as a regional retail, entertainment and medical tourism hub.
- d. Acceleration of Capacity enhancement at the Bandaranaike International Airport - which can be funded through a Private Public Partnership (PPP).

5. REALIZING THE 'WEALTH' OF POTENTIAL OPPORTUNITIES PARTICULARLY IN IR 4.0 AND DIGITISATION

Deliberations leading to the development of the SEAF have highlighted numerous opportunities to unlock growth opportunities and mobilise industrial and service sectors towards achieving their full potential. In pushing the economy to achieve its full potential. Examples of such immediate opportunities include the refinement and segmented diversification of the country's tourism offerings while simultaneously exploring the potential of making Sri Lanka a retail hub and a medical/wellness destination. Similarly, the SEAF identifies opportunities for growth in exports through agricultural and manufacturing related exports while service exports have high potential for growth

especially in the ICT, knowledge services, off-shoring and Logistics sectors. Significant export potential exists in value added mineral exports and petroleum exploration highlighting the fact that Sri Lanka should continuously explore diversification and augmentation of its export portfolio.

Sri Lanka also has at hand the pivotal opportunity to accelerate its digitization agenda as we enter the era of IR4.0 Technologies. Digital transformation across Government and Industry and Service sectors can provide a quantum uplift to productivity and efficiency outcomes, resulting ultimately in an uplift in economic growth.

Sri Lanka's digitization journey should include the foundational element of the implementation of a Digital ID system accompanied by the supporting data protection legislation. Sri Lanka should envision and deliver upon a seamlessly interconnected digital economy spanning government and private sector institutions and encompassing services such as banking, health and payment of taxes.

The country will also benefit from a proactive engagement strategy with its diaspora enabling Sri Lanka to reap a Diaspora Dividend similar to that which countries such as India and China have engaged as a key lever of economic development.

TRANSFORMATION & REFORM LEVERS FOR UPLIFTING THE NATIONAL ECONOMY

6. MODERNIZING AGRICULTURE

COVID-19 has disrupted agriculture production and supply chains globally, leading to forced transformation as well as innovation. In Sri Lanka, where nearly quarter of the population is employed in the Agriculture sector, the focus need to shift towards scaling the sector, reducing wastage, enhancing productivity and strengthening domestic supply chains. In this context, key recommendations made within the SEAF include without limitation the following:

- a. Adoption of a National Agricultural Policy that will focus on promoting self-sufficiency with respect to main crops.
- b. Acceleration of legislative reform - for example the Seed Act, Land Reform Act, Paddy Lands Act in order to incorporate current trends to ensure progress.
- c. Identification of opportunities to scale agriculture exports and/or share-in of knowledge to enhance the quality of produce.
- d. Acceleration of logistics infrastructure enhancement to minimize post-harvest losses through the exploitation of an aggregated network of cold supply chains and scalable transport systems supported by sustainable practices.



FUNDAMENTAL HYGIENE FACTORS AS A FOUNDATION FOR SUSTAINABLE GROWTH



KEY PILLAR: UNITY & HARMONY

1. PRESERVATION OF NATIONAL SECURITY AND ETHNIC HARMONY

The successful achievement of economic targets and the development of the country is reliant upon an environment of peace and harmony, and the maintenance of law and order. An effective security strategy against

terrorism inclusive of Cyber-Terrorism, and also a strategy to curb violence while respecting the Rule of Law, human rights, the freedom of expression and the Right to Information is of the essence.

2. PROVIDING MACRO STABILITY AND MANAGEMENT OF THE DEBT DYNAMIC

The SEAF recommends that the government should champion stable policies that will enable sustainable growth reversing the reliance on fiscal and monetary stimuli. Government efforts towards fiscal consolidation through tax policy consistency, improvement in tax administration and prudent expenditure are laudable and should be continued with a focus on sustainability.

The SEAF espouses that policymakers should stay the path of fiscal consolidation to mitigate concerns of international investors and Global Rating Agencies regarding Sri Lanka's fiscal path and ability to refinance maturing external debt. It is estimated that Sri Lanka's external debt servicing payment is about USD 4-4.5 billion annually over the 2021-25 period and circa USD 23.9 billion in total. Given that circa 30% of this debt servicing is for maturing sovereign bond instruments, it is important that the



government prioritizes the maintenance of macro fundamentals strengthening the case for global financial investors to reinvest in Sri Lanka. Maintenance of the strong tradition of Central Bank independence will also be key in this regard.

The government's engagement with multilateral institutions such as the IMF, ADB and World Bank and other bilateral partners in refinancing debt will also be key during this period.

FUNDAMENTAL HYGIENE FACTORS AS A FOUNDATION FOR SUSTAINABLE GROWTH



KEY PILLAR/S: GOVERNANCE & HYGIENE FACTORS

3. PUBLIC SECTOR REFORM:

A. LEVERAGING THE STATE MINISTRY NETWORK TO SPAWN GRANULAR PERFORMANCE MANAGEMENT PRACTICES

The Government has demonstrated its commitment towards a granular focus on sectoral outcomes through the establishment of a portfolio of State ministries. The ensuring of efficient and effective delivery by State Ministries is of paramount importance in achieving the sector level outcomes and contribution towards economic growth. The institution of robust performance

management systems and practices, leveraging on the State Ministry structure is likely to greatly enhance sectoral outcomes.

Performance Management Practices need to be accompanied by a commitment towards their sustenance on a longer run basis. Ensuring these practices are institutionalized is therefore pivotal. The

SEAF includes recommendations with respect to Key Performance Indicators (KPIs) and the modalities for their management, as applicable to State Ministries.

B. REORIENTATION OF THE PUBLIC SECTOR TO DELIVER HIGH-QUALITY SERVICE TO THE PEOPLE AND ACCELERATE ECONOMIC OUTCOMES

A more efficient public sector is an absolute pre-requisite for the recalibration of Sri Lanka's economic trajectory. SEAF recommendations in this regard include the following:

- Competence of Ministry Leadership : Ensuring that Secretaries to Ministries are competent, knowledgeable and have the capacity to realize the macro vision of Government rather than merely exercise administrative and financial controls. Avoid frequent transfers of Secretaries.
- Initiation of process improvement at government institutions with the objective of providing a high-quality service and minimizing the cost and time spent by the public, private sector, investors and other stakeholders who obtain such services.
- Improvement of salaries and benefits of the public sector in line with KPIs that target an improvement in service, productivity and profits.
- Placing over-riding emphasis on digital transformation across the public sector.
- Optimisation of the utilization of Government Assets, including human capital
- Driving elevated output to justify the scale of the Public Sector : Sri Lanka's Public Sector is seen to be over-weight relative to benchmarks (65 public servants per 1,000 citizens) The SEAF recommends granular benchmarking to identify shortages and excesses as well as opportunities to enhance outputs (including capacity building where required) in order to achieve a superior level of composite productivity.

C. MINIMIZING OF CORRUPTION

Corruption affects economic growth. The SEAF recommends that steps be taken to move towards a ranking among the top 50 by 2026 in the following indicators:

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

D. RESTRUCTURE OF THE LABOR FORCE TO MEET NEW POST PANDEMIC ECONOMIC REALITIES:

As we plug into Industry 4.0 and also adjust to a post pandemic global economy, there will be sectors in the economy that will require macro re-engineering. 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.

FUNDAMENTAL HYGIENE FACTORS AS A FOUNDATION FOR SUSTAINABLE GROWTH



KEY PILLAR: SOCIO-ECONOMIC DEVELOPMENT

4. SOCIAL INCLUSIVENESS IS KEY FOR ACCELERATED ECONOMIC DEVELOPMENT

Sri Lanka has over the years sustained many socio economic programmes and thereby has achieved satisfactory progress that has contributed to the quality of life of its people. In the next phase of its economic development, the envisaged increase in national income should lead to an improvement of living standards for

all, particularly of the under-privileged. 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.

5. SUSTAINABILITY AT THE CORE

The development of the economy should not be at the expense of sustainability and the environment. As sustainable development theory espouses, it is possible for development to take place while preserving and improving the environment. Key areas for preserving the environment include sustainable management of Cultural

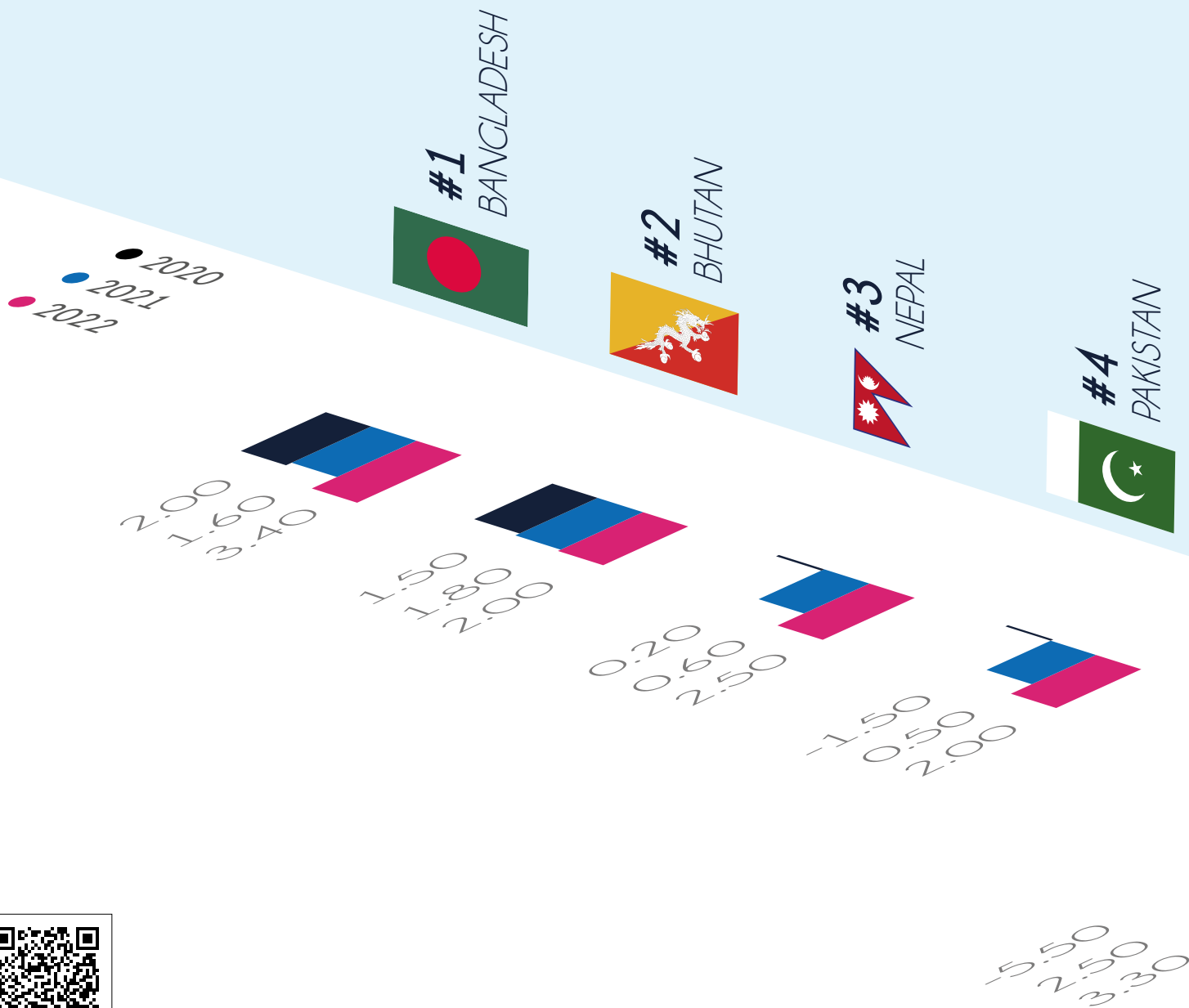
Sites, National Parks, management of single use plastics, reforestation ,minimizing pollution through use of renewable energy sources and the improvement of Public Transport vehicles and better use of Public Transport.

SUSTAINABILITY AT THE CORE

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



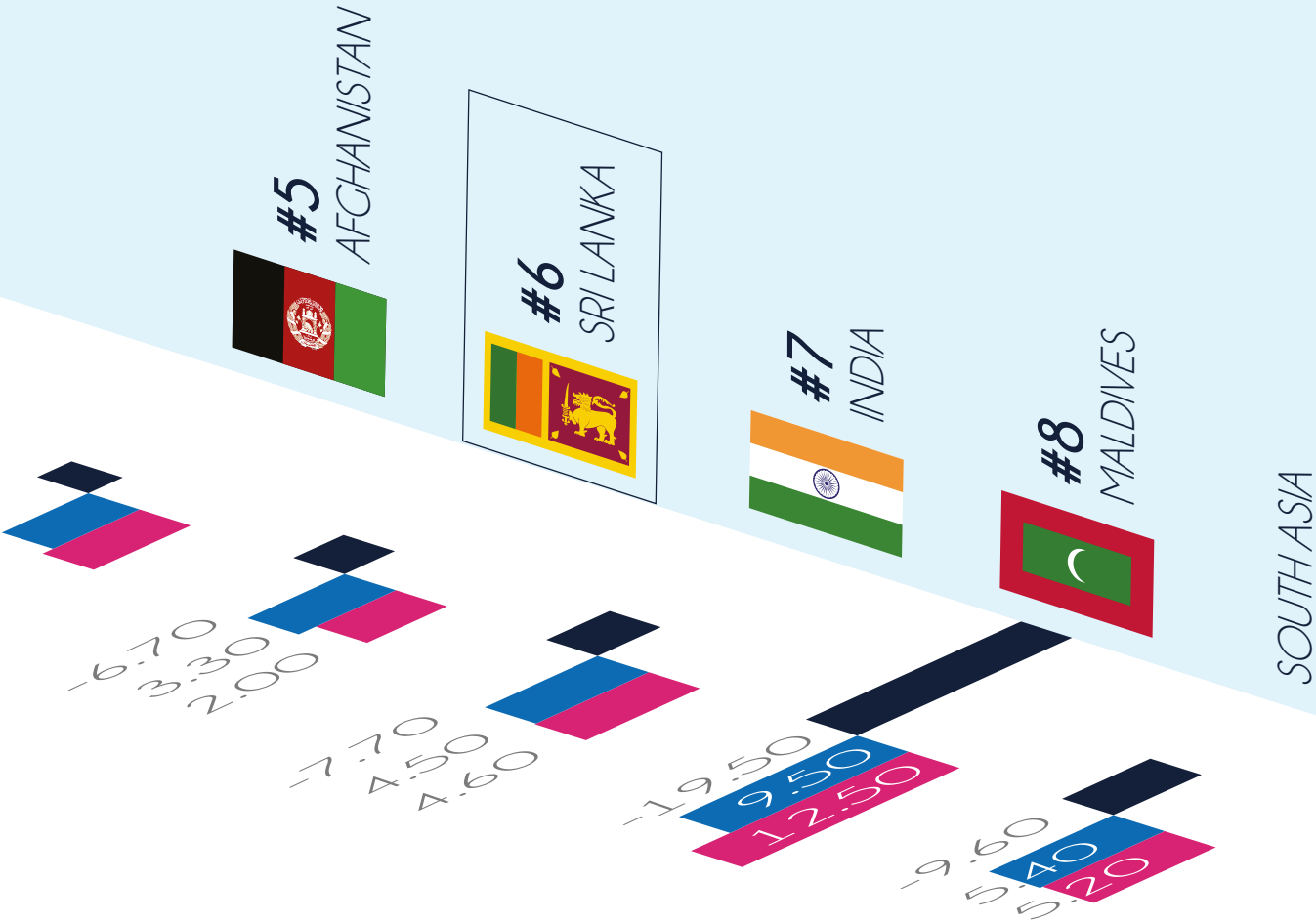
WHERE ARE WE NOW?

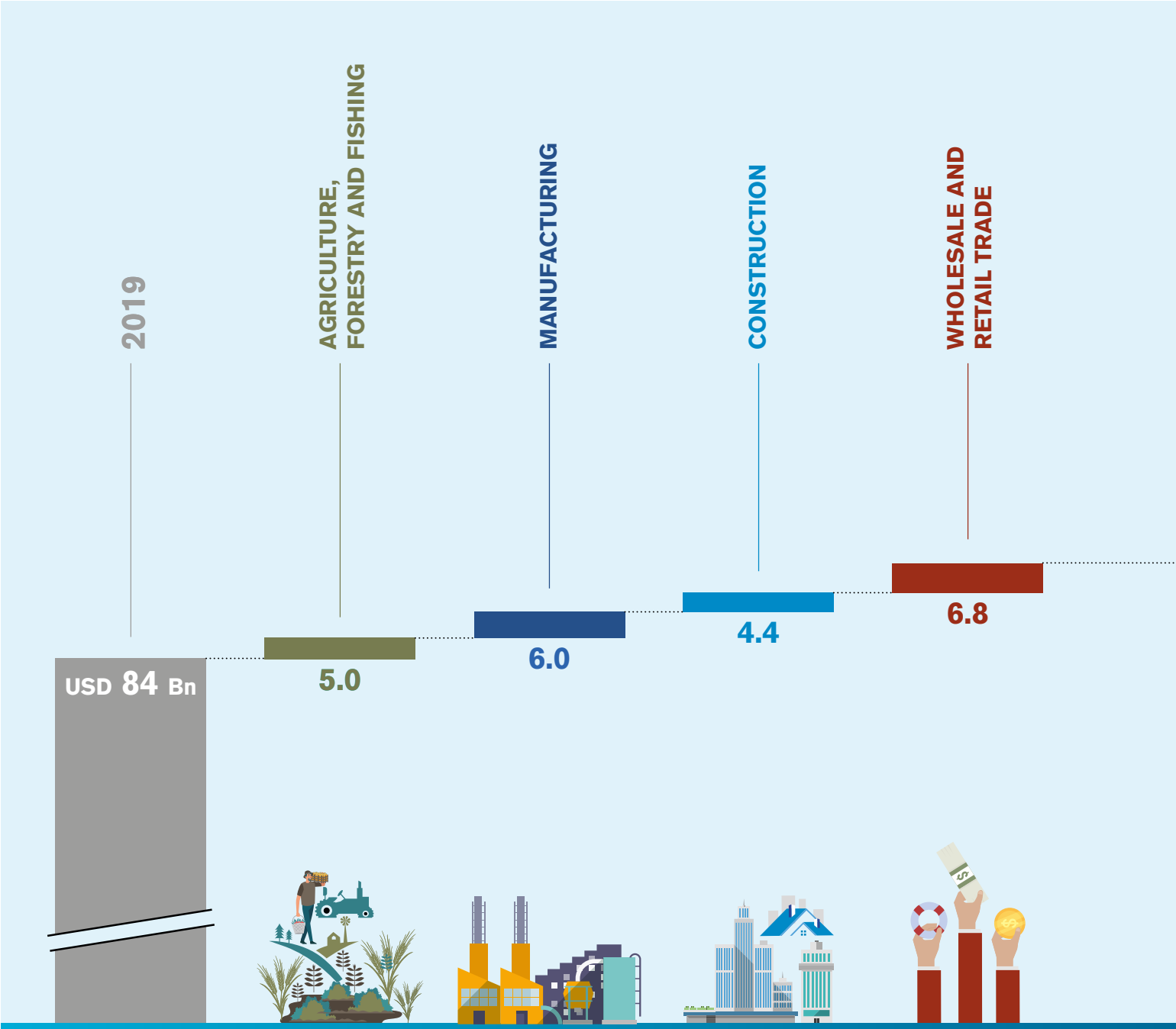


World Bank:

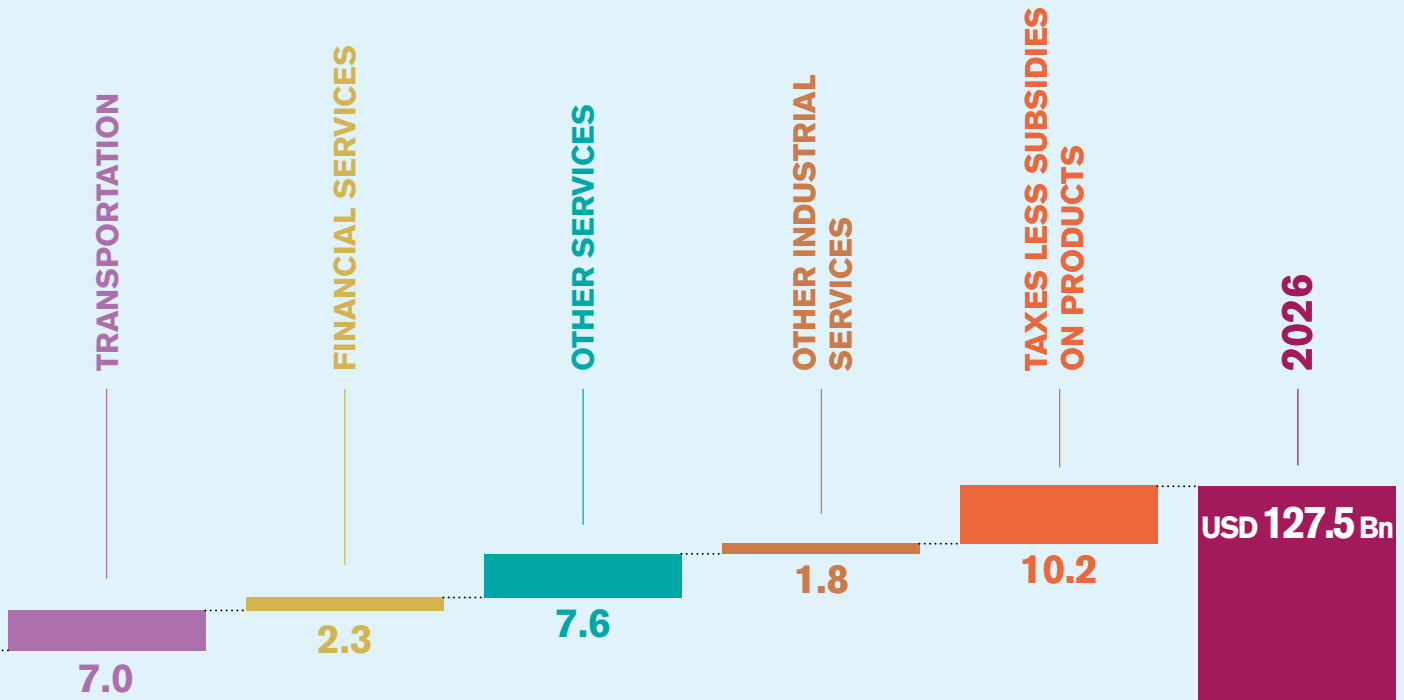
<https://www.worldbank.org/en/region/sar/overview>

SRI LANKA: 3RD LOWEST GROWTH IN GDP IN THE SOUTH ASIAN REGION IN 2020 BASED ON WORLD BANK FORECASTS





**HOW DO WE
GET THERE?**

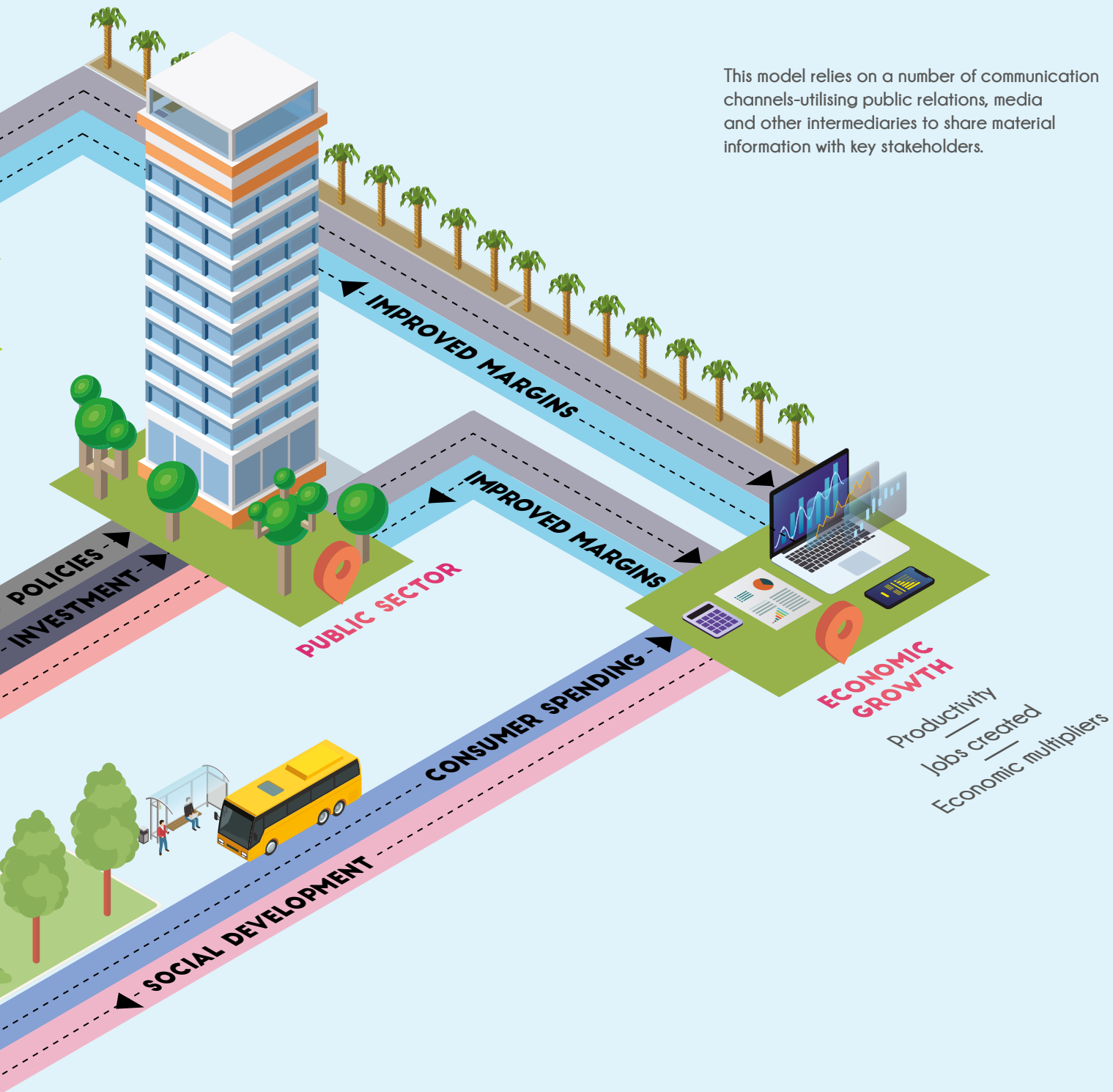


Assumptions:

- Average Real GDP Growth rate between 2021-26- 6.7%
- Annual Average LKR Depreciation against USD of 3%
- GDP Deflator at 4.5%

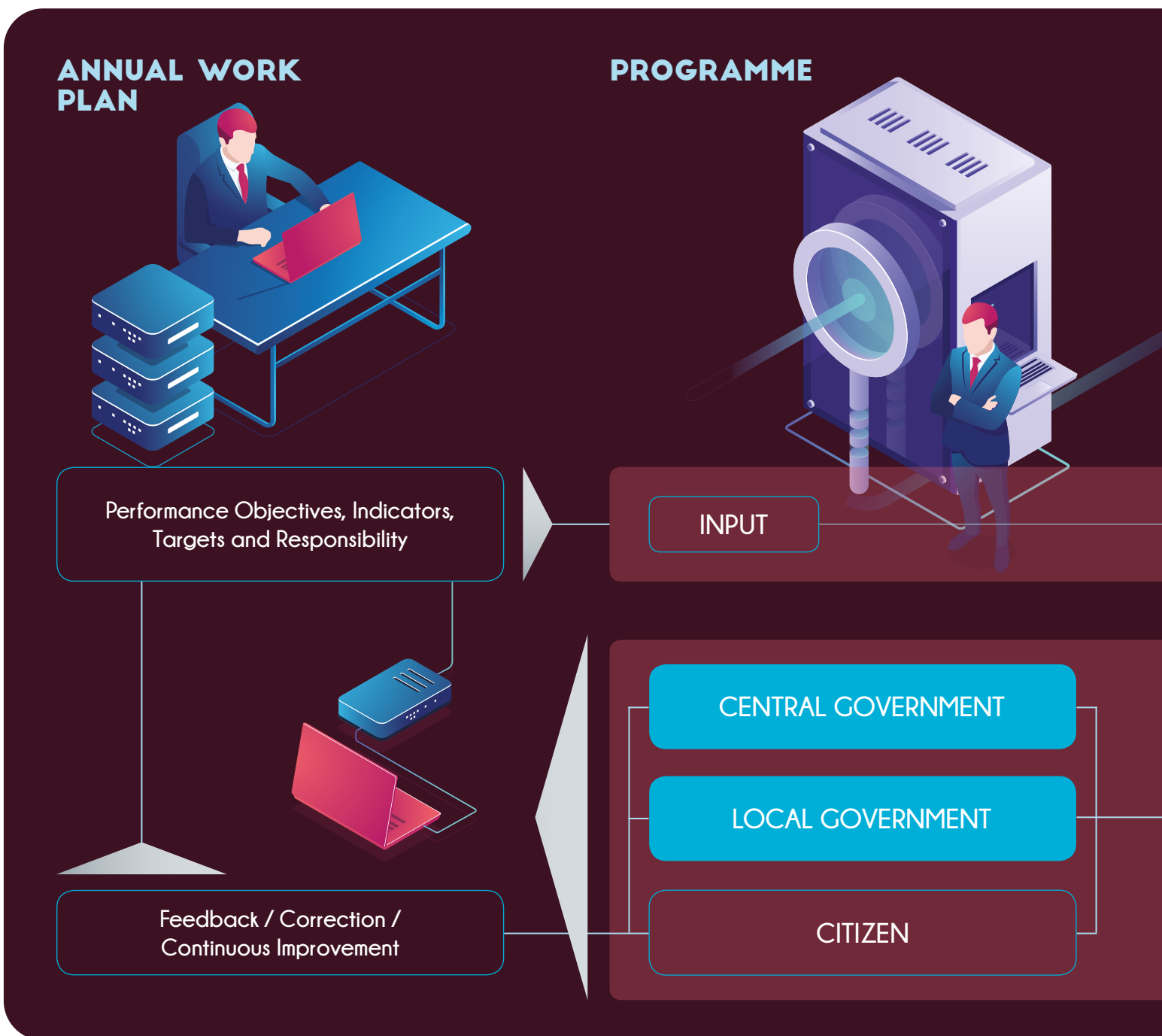
A MODEL FOR GROWTH





This model relies on a number of communication channels-utilising public relations, media and other intermediaries to share material information with key stakeholders.

TRACKING THE IMPLEMENTATION PROGRESS





HIGH LEVEL OBJECTIVES TO ACHIEVE BY 2026



ECONOMIC GROWTH

GOALS	2019	2026
• GDP Growth	2.3%	7%
• Per Capita GDP (USD)	3,852	5,458
• Annual Average Inflation (CCPI)	4.3%	3%



EXTERNAL SECTOR

GOALS	2019	2026
• Exports as a % of Imports	59.8%	100%
• Total FDI as a % of GDP	1.4%	5%
• Current A/C Balance as a % of GDP	-2.2%	+0.5%
• Gross Official Reserves*	4.6	6



EMPLOYMENT INDICATORS

GOALS	2019	2026
• Unemployment %	4.8%	4%
• Total employment in professional/technical/associate professional categories	16.5%	20%

*in months of imports - 2026 target is minimum expectation



COMPETITIVENESS

GOALS	2019	2026
• Ease of Doing Business Rank	100	40
• Global competitiveness index Rank	84	50



TECHNOLOGY AND DIGITISATION

GOALS	2019	2026
• Global Innovation Index	101	70
• National Cyber Security Index	98	30



FISCAL INDICATORS

GOALS	2019	2026
• Tax Revenue as a % of GDP	11.6%	16%
• Primary Balance as a % of GDP	-3.6%	1%
• Budget Deficit as a % of GDP	-9.6%	3%



IMPROVEMENT IN CORRUPTION INDICES

GOALS	2019	2026
• Corruption Perception Index by Transparency International	93	50

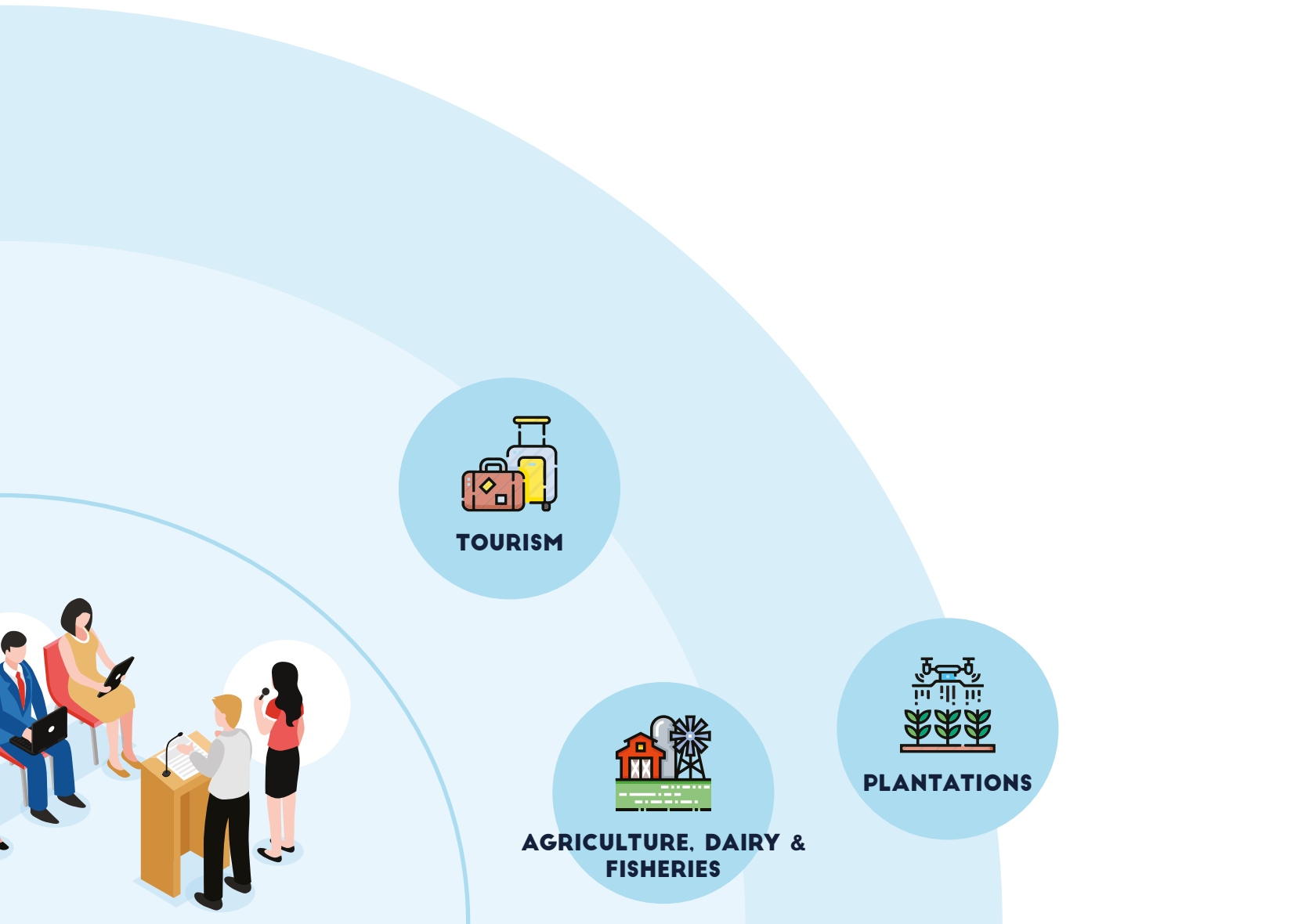
As we set in motion a plan for growth, the Ceylon Chamber of Commerce has in place 17 key Working Groups, across several identified verticals and cross-cutting sectors.

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



ECONOMY	TAX	TRADE	DIGITAL ECONOMY
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THE WAY WE WORK



SME

LEGISLATION, REGULATION & GOVERNANCE

POWER & ENERGY

POWER AND ENERGY WORKING GROUP PROPOSALS

SECTOR: GENERAL ECONOMY

POLICY INTERVENTIONS



LEAD:

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

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

1. Mitigate Debt Risks

2. Improve Tax Revenue as % of GDP

The envisaged growth trajectory the economy requires is foundational on macro stability during the 2021-25 period. This will require Sri Lanka to navigate through debt risks, improving the fiscal indicators, attracting more FDI, improving the ease of doing business and enhancing exports from current levels.

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.

- Revise 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 subsidy commitments, 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. In the process of developing the e-NIC as well, ICTA could look to integrate

individual tax numbers/ company registration numbers with the border agency so all transactions for tax purposes can be recorded.

- 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). It is noted that this has been prioritised in the National Budget for 2021 and we encourage it be continued for at least the next 5 years.

POWER AND ENERGY WORKING GROUP PROPOSALS

SECTOR: GENERAL ECONOMY

POLICY INTERVENTIONS

3. Increase FDI and export targets to 5% of GDP and 100% of imports respectively by 2026

4. Enabling Post COVID-19 recovery

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). Sri Lanka should look to institutionalise the process of improving its ranking 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. For example for Land Registration: Provide pre-approvals for parts of the country where it is cleared from them which saves time and money in visiting multiple agencies to get approvals.
- 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) in line with the Government's stated policy of strengthening economic diplomacy.



- Presently the Companies Act has a section on insolvency, but it is more geared towards liquidation and not resolution. Given the distress the private sector companies will be in due to the impact of the pandemic, it is recommended to relook at these sections in terms of resolution when updating the Companies Act and align it with Global bankruptcy laws as well.
- The National Budget 2021 proposed to apply a 0.25% levy on revenue in contribution to a proposed insurance fund. The proposed tax should be utilised for the purpose of establishing the said fund and the accompanying legal framework to implement the intent of the proposal must be looked at. However, there is a need for a more medium to long-term safety net for employees even considering retrenchment. The wage changes suggested should be done together with other wage reforms which have been long overdue.

TAX WORKING GROUP PROPOSALS

SECTOR: TAX

TENETS OF TAXATION*



LEAD:

Mr. Duminda Hulangamuwa,
Partner, Ernst & Young

**MEMBERS OF THE TAXATION
STEERING COMMITTEE OF
THE CEYLON CHAMBER OF
COMMERCE**

BROAD PRINCIPLES

Certainty: Taxes ought to be certain and not arbitrary

Accountability and Regular Review, Tax Shifting and Hypothecation have a role to play

Taxation policy has a major role to play in making effective interventions for responding to the challenges posed by the COVID - 19 pandemic, as well as getting the economy back on track to a higher growth trajectory that ensures inclusive growth. We continue to stress the need for tax policy continuity, consistency and improvement in tax administration.

INTERVENTIONS

● Provide consistency in the tax regime in the period leading up to 2026 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 and 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

need 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.

*based on the ACCA '12 Tenets of Tax'

TAX WORKING GROUP PROPOSALS

SECTOR: TAX

INTERVENTIONS

OTHER INTERVENTIONS

Equity and Fair play in the Tax Administration

Tax Administration and Competitiveness

Post-COVID Interventions

IMPLEMENTATIONS



- Appointment of a Tax Ombudsman – while there are provisions established for this appointment, it has not been made in the last 12 years. The appointment should be preceded by legislation that will give more authority to 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.

- Providing 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



Take proactive measures to prevent acute employment displacement. This could be done by permitting double deduction of expenditures incurred by companies to train existing staff (reskilling) and labour from industries that are affected by the crisis to new industries such as agriculture and manufacturing for domestic consumption, etc.

Grant investment relief for companies that invest in new and productive sectors of the economy which provides additional employment and have the potential to grow in the wake of the current crisis.

Set off outstanding VAT refunds from future taxes to support cash strapped businesses due to COVID - 19. This would reduce the administrative burden for both the taxpayer as well as the revenue authorities while addressing cash flow issues of businesses.

Allow 100% accelerated depreciation of deduction on capital expenditure (capex) on plant and factory in the next 1-2 years. Capex will be drastically cut by most companies in the coming months. However, there might be capex already committed but not incurred in relation to manufacturing with strong Return on Investment (ROIs).

TRADE WORKING GROUP PROPOSALS

SECTOR: TRADE

INTERVENTIONS



CO-LEADS:

Mr. Husein Esufally,
Chairman, Hemas Holdings PLC

Ms. Sheamalee Wickramasinghe,
Managing Director, Ceylon Biscuits Ltd.

**MEMBERS OF THE NATIONAL
AGENDA COMMITTEE ON
TRADE OF THE CEYLON
CHAMBER OF COMMERCE
AND MEMBERS OF THE
MANUFACTURING WORKING
GROUP FROM SEAF 2019**

- a) Accelerating reforms to resolve domestic barriers to address structural issues affecting trade while expanding the export economy and domestic valued-added industries.

The COVID-19 pandemic has caused unprecedented disruption to trade reshaping how global trade functions. This has highlighted the urge for designing smarter trade policies that can weather any future storms and make use of the silver lining of opportunities arising out of the new normal. In this regard key recommendations have been put forward with respect to accelerating reforms to resolve domestic barriers to trade, improve market access and establish designated zones for manufacturing.

IMPLEMENTATIONS

- Establishment of a rational tariff structure that promotes objectives such as increasing exports and improving domestic value added manufacturing. In the rationalisation process, both import levies and export levies (including para- tariffs) need to be considered.
 - Rationalisation of tariffs is a prerequisite for promoting trade competitiveness via supporting;
 - Exporters and domestic manufacturers to have cost effective access to quality raw materials and intermediate goods.
 - Manufacturers to have access to machinery and technical equipment to develop internationally competitive industries.
 - SMEs to be a part of the economic growth strategy.
- Establishment of a high level agency with a clear mandate to make independent and transparent decisions on tariff rationalisation based on stakeholder consultations and scientific research to support;
 - Domestic industries to leverage on export opportunities 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.
- 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.
- 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).
- National Export Strategy (NES) was developed with a focus on six focus sectors and three trade support functions for all exports goods and services. The ongoing NES Plan of Action (which was developed through wide stakeholder consultation) needs to be reviewed and updated to accommodate post COVID-19 environment.
- Speed up accession to the Madrid Protocol.

TRADE WORKING GROUP PROPOSALS

SECTOR: TRADE

INTERVENTIONS

b) Promoting market access for Sri Lankan exporters, manufactures and consumers through strategic trade decisions and take advantage of the opportunities arising (such as global trade shifts).

c) Amalgamation and Modernisation of Industrial Parks and Export Processing Zones (IP&EZs) to create a conducive business environment for the industries to progress and move into technologically-advanced, higher-value-added industries.

IMPLEMENTATIONS



- 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 reveals the potential economic impact of trade pacts (trade agreements, unilateral liberalisations, etc.). Decision to enter into trade pacts must be based on sound 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 identifies economic impacts such as gains, losses, possible trade offs and 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. 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 support service negotiations
 - Entering into Mutual Recognition Agreements to support market access gained through tariff liberalisation.
- Review/renegotiate existing investment and tax treaties and negotiate new treaties where necessary to improve the investment competitiveness of Sri Lanka.



- Set up designated zones for manufacturing to ensure setting up of IP&Ezs that are supported with;
 - Modern and necessary infrastructure facilities
 - Sustainable environmental policies
 - Other ancillary facilities such as proper waste and emission management, water treatment facilities to attract investors and ease the business operations
 - Efficient logistical modes
- Existing Industrial Parks and Export Processing Zones, presently managed by different Government agencies to be brought under one entity for prudent management and dissemination of information to the investor community.

LEGISLATION, REGULATIONS AND GOVERNANCE WORKING GROUP PROPOSALS

SECTOR: LEGISLATION, REGULATIONS AND GOVERNANCE

INTERVENTIONS



LEAD:

Chapter was reviewed and updated by Ms. Dilani Alagaratnam, Former President Group Legal & HR John Keells Holdings

1.0 CREATION OF A NATION WITH A SRI LANKAN IDENTITY

2.0 EFFICIENT GOVERNMENT ADMINISTRATION

This chapter focuses on cross-cutting legal, regulatory and governance issues both at a country level and at a sector level. Key recommendations are provided to improve the investment, intellectual property law, labour, land and company law regimes.

IMPLEMENTATIONS



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

and 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.



(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 center of power as dual power centres in the Government is a hindrance to development.

Secretary should be re-introduced to ensure that 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.

element of an evidence-based approach to policy making. OECD analysis shows that conducting RIA within an appropriate systematic framework can underpin the capacity of Governments to ensure that regulations are efficient and effective in a changing and complex world."

(2) 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) It is also important that the country commences a Regulatory Impact Assessment (RIA) before the introduction of laws and regulations. This can be based on OECD principles which have been adopted by most countries of the world. The mechanism can be explained thus: It is a "systemic approach to critically assessing the positive and negative effects of proposed and existing regulations and non-regulatory alternatives. It is an important

(5) In the context of (4) above, it is also recommended that the cost of compliance be considered when laws and regulations are drafted. The issue at hand can be illustrated by the requirements laid down in the RTI Act, which requires even a sole proprietorship providing a service (eg. providing translations for a fee to Government), to ensure that it appoints an information officer, files reports etc. as it falls under the definition of a "public authority".

(3) 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. The concept of a Permanent

LEGISLATION, REGULATIONS AND GOVERNANCE WORKING GROUP PROPOSALS

SECTOR: LEGISLATION, REGULATIONS AND GOVERNANCE

INTERVENTIONS

3.0 CERTAINTY AS TO THE OPERATING FRAMEWORK

4.0 CREATION OF NEW TYPES OF JOBS

5.0 INVESTMENT LAW REGIME

6.0 INTELLECTUAL PROPERTY LAW REGIME

IMPLEMENTATIONS

(1) 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.

(2) 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.

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

LEGISLATION, REGULATIONS AND GOVERNANCE WORKING GROUP PROPOSALS

SECTOR: LEGISLATION, REGULATIONS AND GOVERNANCE

INTERVENTIONS

7.0 COMPETITION LAW

8.0 LABOUR LAW REGIME

IMPLEMENTATIONS



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 no competition law in the country since such laws are a 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 5-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'.

(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.

LEGISLATION, REGULATIONS AND GOVERNANCE WORKING GROUP PROPOSALS

SECTOR: LEGISLATION, REGULATIONS AND GOVERNANCE

INTERVENTIONS

9.0 LAND LAW REGIME

10.0 COMPANY LAW REGIME

IMPLEMENTATIONS

(1) 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.

(2) 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 which is a hindrance to better utilisation of land parcels.

Section 33

(1) Entries in the Title Register maintained under the provisions of this Act, shall be conclusive evidence of the existence of the ownership or interest specified in such entries and shall not be questioned in a Court of law except as provided for in this Act.

(2) The interests of a person whose name appears in the Title Register may be assailed only as provided for in this Act and shall be held by such person together with all rights and privileges belonging or appurtenant thereto free from all interests and claims other than those appearing in the Title Register.

Where Court orders rectification

59. Subject to section 60, a Court may order rectification of the Register where it is satisfied that any registration has been obtained by fraud: Provided however, that a Court shall not order the rectification of a register so as to affect the title of a registered owner who is in possession and who has acquired the land parcel or interest therein for valuable consideration, unless such owner was a party to such fraud.

- (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 administration 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

11.0 ACCESS TO INFORMATION

12.0 ENVIRONMENTAL LAW REGIME

13.0 ALTERNATIVE DISPUTE RESOLUTION MECHANISMS

14.0 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 data bases' 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 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 as a Joint Venture between Ceylon Chamber of Commerce and ICLP 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



CO-LEADS:

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

1. Formalise the renewable energy target given in the National Policy Framework - 80% renewable energy by 2030 - through gazette to avoid ambiguity. Create generation and transmission plan, procurement methodologies, dispatch methodologies and sectoral transformation roadmaps to align with the same.
2. Implement a realistic (cost recovery and profit) feed-in tariff for renewable energy projects of <10MW with agreed formulae and periodic rate revisions. Applications may include a forfeitable bond, non-transferable PPAs, and approvals should be time limited.
3. Initiate procurement of large-scale renewable energy projects (including wind and floating solar with storage) that can attract global players to Sri Lanka to facilitate FDI. Provide, at minimum, similar bankability elements routinely provided for coal/gas projects such as USD capital/debt recovery. Simplify the procurement process for larger renewable power projects by fixing most variables (commercial parameters, land availability, environmental approvals, and grid connectivity), and bidding for only items completely under the control of the bidder.
4. Engage professional industry advisory companies through a transparent global selection process, to advise the State on appropriate risk allocation when evaluating and negotiating energy contracts with international parties, until Sri Lankan experts gain capacity.
5. Define and publish a clear and unambiguous appellate process for the power sector.
6. Allow 'power wheeling' within the CEB's transmission network. This measure could lead to significant investment in power generation by major industries (allowing them to derisk their operations from proposed EU carbon tariffs) and help in achieving Sri Lanka's renewable energy generation targets while reducing the CEB's need for generation capacity additions.

A reliable, competitively priced and sustainable power generation system is key to support the development of any country. The National Policy Framework of the Government has outlined the targets for renewable energy to be reached by 2030. The interventions proposed in this document espouses to move towards this target while looking at other complementary interventions that are needed in the medium term.

7. Rationalise projects aimed at creating and supplying demand for natural gas in line with the newly Gazetted National Policy for Natural Gas, soon to be supported by a revised Petroleum Resources Act of 2021.
8. Phase in unbundling of the CEB based on functionality, with independent financial reporting, beginning with independent accounting between generation units, transmission licensee, and distribution units. Listing a percentage of State-Owned Enterprises (SOEs) on the stock market would also help to increase public oversight and increase accountability. Sectoral reform should allow for frequency market, facilitate innovations such as virtual transmission and virtual power plants and more.
9. Create an Independent System Operator (ISO) with transparent dispatch methodology, regular dispatch audits, publicly accessible dispatch data and projections to ensure transparency and accountability within the system that can attract new forms of private sector engagement/innovations to reduce state investment burden and lower consumer costs.
10. Introduce Key Performance Indicators (KPIs) aligned with economic and environmental goals for all utility companies.



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

<https://drive.google.com/file/d/1sKFtvI46pZV9C48rKlrUyMWoS5KwRUqj/view>

SME WORKING GROUP PROPOSALS

SECTOR: SME DEVELOPMENT

POLICY INTERVENTIONS



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1. Streamline SME development eco-system and create an enabling environment



a) The Government policy framework recognised the need to serve SMEs through 'one organisation'. In this aspect, Government could consider bringing together institutions such as NEDA, IDB, and other related public sector institutions (such as SED) working on the SME sector to create a "SME Authority", which will act as an umbrella organisation, responsible for SME policy, advocacy and coordination of proposed island-wide One Stop Shops (existing staff and resources should be utilised without an additional burden to the Government coffers).

The importance SMEs in Sri Lanka's economy cannot be underscored enough given it forms the backbone of the economy as they account for more than 75% of the total number of enterprises, provides 45% of the employment and contributes to 52% of the Gross Domestic Product (GDP). As such, it is important to streamline the service provided to SMEs through a single organisation as suggested by the Government policy framework. Other key aspects such as improving access to finance, access to markets and supporting SMEs in post COVID business recovery is addressed.

IMPLEMENTATIONS

- Formulate a SME Advisory Council under the relevant line Ministry, as the sole facilitator for the establishment of the SME Authority which will consist of key representatives of the relevant Government ministries, institutes, agencies (including CBSL), commercial banks, chambers, universities, etc.
- Formulate mandatory, statutory amendments (to National Enterprise Development Authority Act, No. 17 OF 2006 and Industrial Development Act No.36 of 1969) and enactment of a new Act to govern SME Authority and grant it with exclusive mandate and power to serve 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

POLICY INTERVENTIONS

b) Roll out further the district level “One Stop Shops” as a focal point of assistance for SMEs to coordinate and facilitate services. We are pleased to note the progress of this proposal submitted last year with the first pilot implemented in District Secretariat of Moneragala.

c) Develop a “Centralised SME Database”.

d) Establish a common acceptance of the SME definition

IMPLEMENTATIONS



- SME Authority to coordinate the programs of multiplicity of agencies serving and assisting SMEs at regional level by pooling in resources from Government institutes (NEDA, IDB, SED, Vidhatha Centres etc), establishing a clear communication line and providing 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 Shop, specially to facilitate business development services.
- Technologically enable the One Stop Shop 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.



- The Department of Census and Statistics should carry out a census to collate the most recent information on SMEs and consequently will handover the authority to maintain and update the database to the SME Authority and 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 3 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

POLICY INTERVENTIONS

2. Improve Access to Finance for SMEs

3. Facilitate SMEs 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.

- Introduce 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).



- Target 20% increase in exports from SMEs over the period of 3 years.
- Formulate effective Government policies to create linkages and facilitate market for goods and services of SMEs.
 - Public sector retail shops to dedicate a certain amount of shelf space specifically for SMEs
 - Facilitate large private corporates to create linkages with SMEs

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

SME WORKING GROUP PROPOSALS

SECTOR: SME DEVELOPMENT

POLICY INTERVENTIONS

4. Scaling up SMEs to next level

5. Entrepreneurship and Skills Development with focus on Women Entrepreneurship:

Scarcity of skilled workers in SMEs have been a major issue and this sector is struggling to attract trained workers and to retain skilled workers for efficient and high-quality production and service delivery. To overcome these:

6. Support SMEs in post-COVID Business Recovery

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 / BDS providers.



- Expand vocational training with the support from the private sector.
 - Allocate more resources for the vocational training institutes
 - Timely update the curricular 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 (eg. Gem and Jewellery Institute).
- Lack of technical know-how, finance facilities, access to networks, access to and ability to influence policymakers are some issues faced by the women entrepreneurs. The aforementioned implementation initiatives should be implemented with a major focus towards women.



- Assist SMEs in improving their financial literacy that would help ensure their businesses survive. Some of the areas for assistance could be on working capital management, loan restructuring and dealing with financial institutions.
- Support SMEs in improving their “digital readiness” to face post-COVID challenges and adopt themselves for the “new normal”. Digitalisation, automation, E-commerce, payment gateway, e signature, and e documentation are a few intervention areas.
- Help SMEs identify new opportunities arising from new developments such as COVID-19.

DIGITAL ECONOMY WORKING GROUP PROPOSALS

SECTOR: DIGITAL ECONOMY

POLICY INTERVENTIONS



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Digital Transformation of Government and Services



Digital Transformation in the Government

Enable Policy Regulation such as;

1. Data Protection Act
2. ICT Regulations: Spectrum
3. Cyber Security Act
4. Enabling regulation for digital payment / Electronic Transactions Act
5. Intellectual Property Rights

Improving the digital economy will enable Sri Lanka to become more efficient, results-oriented and build connected communities. Vistas of Prosperity and Splendor articulates a technology based society (smart nation) to establish a digitally inclusive Sri Lanka, with a citizen-centric digital Government for the convenience of every Sri Lankan. However, it is vital to make the above visions a reality and in this context recommendations are provided from e-governance to improving key sectors like education, health and start-up ecosystem.

IMPLEMENTATIONS

Enable digital transformation in Government, so that the public sector operates efficiently and serves the citizens better. This process includes but not limited to the following action plan:

1. Implement a single email network linking all ministries, departments and SOEs.
2. Implement a Lanka Government Cloud (LGC)
3. Government Data Lake – AI Dashboard
4. Enterprise Resource Planning (ERP) and Business Process Reengineering (BPR) for automation and digitisation of the Government
5. Establish an e-procurement system to improve transparency and speed
6. Government organisations and buildings connected with high speed broadband
7. Improve digital skills of the Government staff
8. G2E app and G2G portals to increase the efficiency and transparency of Government services
9. Introduce a digital and electronic payment system to make payments on Government services

● Implement the following regulations to empower the digital Government and society:

1. Data Protection Act
2. Cyber Security Act
3. Telecommunications and ICT Act and update Regulations on spectrum and Infrastructure
4. Digital Payments and Settlements Act

● 5. Intellectual Property Rights

Relax regulations in a controlled environment to trial emerging technologies such as:

1. Efficient and timely allocation of spectrum for emerging technologies.
 - 5G deployments
 - Digital dividend broadcast

spectrum - releasing upper UHF frequencies for MNOs and digitizing broadcast domain.

- At least 200MHz of IMT spectrum monetised and assigned efficiently.
2. Increase spectrum and infrastructure to facilitate smooth internet services.

DIGITAL ECONOMY WORKING GROUP PROPOSALS

SECTOR: DIGITAL ECONOMY

POLICY INTERVENTIONS

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Mr. Ganaka Herath,
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Mr. Nuwan Senaratna,
Independent Consultant

Digital Privacy and Security



Digital Transformation in the Government

Data Protection and Data Privacy

IMPLEMENTATIONS



- **Governance** - Establishment of relevant implementation agencies including strengthening of the existing institutions to operationalise and enforce the Cyber Security Act
- **Prevention and Protection** - Invest in relevant technologies, platforms and establish governance processes to ensure protection for national

digital infrastructure and guide the public on adherence to minimum baseline security standards

- **Capacity building** - Acquire, Train and Develop expertise on cyber security at public sector and private sector institutions

- **Awareness Building** - Improve awareness among key stakeholders and public on the importance of cyber security and the need to protect from threats and minimise vulnerabilities
- **Response** - Establish frameworks, Procedures and Resources to respond in case of a cyber attack



- **Governance** - establishment of the relevant institutional framework that would facilitate operationalisation of the national Data Protection Act. The appointment of professionals skilled in the subject of Data Protection to the Data Protection Authority and staff of the Authority to monitor and enforce compliance with the law.

- **Implementation assistance** - Funding, assistance for SMEs in managing compliance burden
- **Rule Making** - proportional rule making to facilitate business activities, clear sectoral regulations re processing of data, rules on new technologies, cross border data transfers etc.
- **Expertise** - Develop expertise on data protection at public sector and private sector institutions

- **Informed Society** - Improve awareness among key stakeholders and public on the protections afforded by the law
- **Enhance potential investor confidence** - create awareness on Sri Lanka as an attractive destination for investment with strong predictable data protection laws which can increase consumer confidence and build trust online.

DIGITAL ECONOMY WORKING GROUP PROPOSALS

SECTOR: DIGITAL ECONOMY

POLICY INTERVENTIONS

Digital Economy

Government as a platform for Digital Economy Flagship projects

IMPLEMENTATIONS

Presence-less layer

DIGITAL ID :

- All Government & public services should be centred on Digital ID integrated to a centralised user profile. eg: Govt. platform logins, Health ID, EPF/ETF systems, etc.
- Phase 1: Open APIs to allow online verification of identity data from existing NIC DB
- Phase 2: NIC / SLIN to be enriched by biometrics: Initially as a side system to enable rapid development and deployment of biometric capture/ storage and later to be integrated to NIC systems
- The ID will be enriched by adding further attributes (flags) captured from other Government systems
- Phase 3: Digital ID is a new online credential issued by GOSL: Maps the "Secure / Unique Identity" instrument achieved through biometric enrichment to an identity in the online (non-physical) world

- Phase 4: Digital ID is attested by existing identity authorities: Identity authorities confirm that the digital account holder is the person holding the said credential
- Establish nine Citizen Service Centres and 14k Grama Niladaris to adopt new technologies for public service delivery (ID cards, passports, driving license etc.)

Digi-Locker

- Central storage of citizen / enterprise documentation. eg: Birth / marriage / death certificates, Digitated driving license, Exam results, Pension payment orders etc. by connective multiple databases (eg. <https://digilocker.gov.in/>)

OPEN API: APPLICATION LAYER

Open APIs and related services, where all citizen and enterprise services that need Identity, Citizen or Govt. data will use the Open Gov APIs. This allows a plethora of identity applications to be built on top of the Digital ID platform, allowing service

providers to transform service delivery in a number of innovative ways (eg. Aadhaar, Estonia X-roads)

Digital Payments and Settlements: Paper-less and Cash-less Layer

- Fast track E-KYC and mobile payment services to enable the digital economy
- Implement digital payment schemes for all payments / collections in Government institutions. eg; Tax payments
- To enhance adoptability, introduce relaxing regulations for mobile financial services and digital payments - wallet and transaction limits, digital onboarding / KYC, (LankaClear's JustPay to be considered as one of the candidate enablers connecting bank and non bank eco systems for interoperability)
- Open international payment system

DIGITAL ECONOMY WORKING GROUP PROPOSALS

SECTOR: DIGITAL ECONOMY

POLICY INTERVENTIONS

My Sri Lanka App for citizen and businesses

Digitizing industries

IMPLEMENTATIONS

Implement an e-Government Portal that will include priority sectors such as Health, Education and Transport and Logistics linked to the centralised Digital ID. It should also include Gov2Citizen Services and a Government Information Centre (GIC).

- Transportation: Request, renew license, revenue license request, eTickets / NFC, Micro payments / RFID toll payments centered on single Wallet, ETA commuter tracking App, etc.
- Health: Health ID for hospital admissions, digitized health records / prescriptions, lab reports, pharmacy

and drug fulfillment, smart Insurance, health information dissemination via smart apps, etc.

- Education: school / institutional admission, smart class rooms, STEM tracks, check results
- Security: Customer feedback / complaints, report problem / crime, get information, disaster / weather alerts
- Digitising Government operations in areas such as tax registrations, Import / Export procedures, shared platform for fulfillment and logistics, permits,

etc. to enable businesses to operate smoothly.

- Employment: Job vacancies, EPF/ ETF, pension claims, report problems
- Financial services: request for loan, check creditworthiness, direct debit payment, track savings, stock exchange
- Subsidy applications and processing - tested payments for eligible individuals and/or households - samurdhi, fertiliser subsidies, access to healthcare, etc.

Agriculture / Fishery

- Agri nerve system aggregates and promotes interaction within the agriculture ecosystem for weather, pricing, land-bank, crop, etc.
- Direct payment / settlement with Government Subsidies
- Loan disbursement, digital money enabled with digital ID
- Online market place for purchase of inputs and sell crops
- Access to new technologies (nanotechnology, IoT, model farm)

- Transportation / Logistic / storage - shared platform
- 100% traceability of crops / inputs
- Potential Fishing Zones (PFZ).

Manufacturing / trade

- Digitised FTZ and logistic village
- E-fulfillment platform
- Preferential access to international digital platform
- SME go digital program for awareness, model factory in a box
- 100% traceability

- Online / Digital payment
- Pay as you Go cloud services

Tourism

- Information and support app - aggregate service to support SMEs
- Digital marketing / virtual marketing to attract tourist
- Digital payment / e-ticketing for attractions, local transport, guides, etc
- Information service at sites
- Feedback mechanism

DIGITAL ECONOMY WORKING GROUP PROPOSALS

SECTOR: DIGITAL ECONOMY

POLICY INTERVENTIONS

Improving the Start up Ecosystem

IMPLEMENTATIONS

Education

- Implement a national learning management system for schools, with compulsory assignments being uploaded to the system
- Collaborate with private sector stakeholders to increase resources such as IT labs housed with computers, printers and other necessary equipment.
- Implement E-Learning via broadcast and digital platforms together with Ministry of Education and Ministry of Mass Media where students can freely access web content which is in line with the local curricula

- Enable concessionary access to learning management portals and content partnering with telecom service providers and TRCSL
- Introduce interactive and engaging content creation with Ministry of Education and National Institute of Education.

Health

- Digital health records including Health ID, E-prescription, digital labs reports via MyHealth Portal
- Use of big data and analytics for geo spread of disease tracking and control

- Formulate a National eHealth Policy specifying necessary standards and guidelines
- Implement a National Electronic Morbidity and Mortality Register to capture real time data on morbidity and mortality
- Implement a centralised system for hospitals which includes medical records, patient admission, appointment and queue management, clinic management, laboratory information system, pharmacy stock management, notification, OPD management, questionnaire, report, ward management, etc.



- Government can provide incentives and create an enabling environment for a digital marketplace for startups / SMEs such as Etsy (<https://www.etsy.com>)
- Introduce a platform to facilitate a continuous dialogue with CBSL to take up start-up and FinTech concerns

- Develop a mechanism to provide one to one coaching and guiding sessions focused to generate working capital, revive supply chain, develop marketing links, business continuity plans and product innovations
- Fast track the implementation of the Business Service Centre (One Stop Shop) in Monaragala and look to

establish One Stop Shops in other districts also as this will act as the focal point in districts facilitating startups to meet the regulatory requirements and also providing a wide spectrum of services covering capacity building and improving access to finance and marketing.

DIGITAL ECONOMY WORKING GROUP PROPOSALS

SECTOR: DIGITAL ECONOMY

POLICY INTERVENTIONS

Digital Economy - Focus on the NES Sectors



Electronics design, R&D and ICT Services

Electronics and Boat Building

IMPLEMENTATIONS



- Enable digital products and services that are offered over web and mobile, which scales globally through licensing and subscription models
- Systems implementation and integration Services
- Enable digital transformation, analytics and AI as services
- Increase investments in STEM education to build more capacity (supply side)
- Increase investments by Government on digitisation of its services and transformation (demand side)
- Support building of new captive innovation centres delivering enterprise solutions for large offshore companies, e.g. Pearsons, Sysco LABS
- Venture Co-Creation (VCC) - to create purposeful startups which have a higher chance of succeeding and finding a product market fit.
- Maximise of use of new technologies
 - Internet of Things (IoT), Artificial Intelligence (AI),
 - Biotechnology, robotics, Augmented Reality,
- Cloud computing, nanotechnology, 3D printing
- Set up IT centres and BPO / KPO centres in connecting cities / Smart cities
- Make USD 5 Bn worth ICT export industry by 2025
- Facilitation of tools such as Field Programmable Gate Array / Register Transfer Level Design, Original Equipment Manufacture designs, Firmware Development, Embedded Software, Product life cycle documentation management and, promote Concept Designs and Design Modifications as a service.



Electronics

- Implement a Digital Marketing Strategy for Electronic and Electrical Components (EEC) sector
- Implement a digital portal to act as a matchmaking tool to connect local manufacturers to global buyers.

Boat Building

- Enhance technology transfer through the implementation of a public-private partnership. BOI to target identified partnership/investors.
- Design and operationalise a digital information and registration directory

for boat manufacturers (portal to provide information about company size, type of boats produced, contact details, etc.).

DIGITAL ECONOMY WORKING GROUP PROPOSALS

SECTOR: DIGITAL ECONOMY

POLICY INTERVENTIONS

Digital Economy



Enhancing capacity and reducing workforce gaps

IMPLEMENTATIONS



- Increase the amount of seats offered for STEM streams and reduce the workforce gaps.
- Increase no. of software engineers and programmers to 400,000-500,000 by 2025
- Encourage local software engineers and IT designers to develop software locally instead of importing
- Regional ICT hub for skills and development
- Incentivise R&D in Artificial Intelligence, Internet of Things, machine learning and robotics
- Non-ICT graduates / professionals trained in ICT skills
- Improve salaries for employees trained with ICT skills and promote ICT Careers
- Conduct ICT industry capacity building programmes
- Amend the law to treat Work from Home as an extension of formal workplace and allow to enjoy all the terms and conditions of employment contracts.
- Since, IT / BPM companies' days work varies from peak to non-peak during the work week, enable a 4-day week work by offering 45 hours to cover during the 4-day week. This will reduce costs for firms as well as attract talent.

INFRASTRUCTURE WORKING GROUP PROPOSALS

SECTOR: INFRASTRUCTURE

POLICY 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,
Former Chairman, National Agency for
PPP, Ministry of Finance

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

1. Prioritisation of Infrastructure Projects with right Financing Mechanisms is crucial given current fiscal challenges



- The lack of fiscal space owing to debt repayment pressure, impact on Government revenue due to COVID-19 has led to significantly low levels of Government capital expenditure on Infrastructure. In other countries PPPs have been successfully executed in providing physical infrastructure and non specialist services such as education and health with a view of driving economic growth.
- Establish a centralised PPP unit (equivalent to the past National Agency for Public-Private Partnership or Bureau of Infrastructure Investment) 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.
- Successful PPP projects in the past include SAGT, independent power plants and telecom sector related projects/investments
- Around 80% of developing countries have a centralised PPP unit under the Head of State or Finance Ministry.

The Government has an ambitious infrastructure plan set out for the next five years. The National Budget 2021 too spells out techno parks, walking tracks, bridges, by roads, Expressways and Power Plants. However, structuring of these Infrastructure projects with the right financing mechanisms is crucial given current fiscal challenges. These projects should be prioritised based on the merits of economic, financial and social factors.

IMPLEMENTATIONS

- Draw up a robust project pipeline through the centralised PPP unit.
- This Unit 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 this centralised PPP unit should include:
 - 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 3-5 year horizon with their identified funding mechanisms (public, private and PPP).
 - Examine whether projects are being managed in accordance with sound business principles and prudent commercial practices throughout the project implementation. A post-audit can be conducted after implementation.
 - Play the role of an intermediary who structures the Public Private funding mechanism and looks at the long-term agreement with the parties concerned where project quality and delivery targets are established.
 - Explore alternative financing mechanism and implement policies to attract private funding.

INFRASTRUCTURE WORKING GROUP PROPOSALS

SECTOR: INFRASTRUCTURE

POLICY INTERVENTIONS

2. Funding Mechanism for Feasibility and Assessment Studies

3. Procurement Process



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

IMPLEMENTATIONS



- Feasibility study 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. This should be done in coordination with the centralised PPP unit and the relevant line ministries.

- 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.



- Establish suitable PPP procurement guidelines.
- These procurement guidelines should include transparent and competitive bidding measures that

- should be followed by all ministries 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 Abeyesuriya,
Group CEO, Candor Equities Ltd.

MEMBERS OF THE BANKING GROUP :

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

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

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

MEMBERS OF THE NON-BANK FINANCIAL INSTITUTIONS MARKETS GROUP:

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

1. Improving Competitiveness



- The COVID-19 pandemic has negatively affected the banking sector's profitability and reduced banks' competitiveness with low economic activity and with, various stimulus and moratoriums in place. Therefore, intervening to improve the competitiveness such as settling overdue subsidy payments by the Government will be imperative.

2. Technology



- Introduction of new technology is important as cost to income (C/I) will be a critical factor in the future in improving the profitability of banks.
- Regulatory encouragement of customer adaptation of digital banking and regulator's adoption of new technology.
- Fees charged for electronic transactions needs to be reduced.
- Non-availability of common data centres.

The financial system is a key sector that supports the economy. Especially during this pandemic, a strong financial sector can aid the economy to recover from the unprecedented challenges it poses. Our recommendations in this chapter come from Banks, Non-Banking Financial Institutions and the Capital markets. Solutions in fast tracking technology in the sector and implementation of key legal reforms would assist the sector. Capital markets are looked at from the perspective of resolving the depth, liquidity and availability of different financial instruments.

IMPLEMENTATIONS



- Consistent policy framework on banks taxation and a long-term view in application of banks taxes and tax rates. Avoidance of retrospective taxation.
- Take initiatives to broaden the SWAP market through SWAP arrangements with CBSL for borrowing made by banks for SME lending.
- Payment of subsidy on senior citizens deposits and other long overdue payments by the Government/ SOEs.
- Convergence of CBSL provisioning calculations with IFRS requirements to avoid administrative complexities.
- Sharing the Registrar of Companies database with banks will assist the banks in ensuring that data on the company is up to date. Also will reduce the need to obtain certified copies of key documents as Banks will be able to independently verify that data with the ROC database.
- Avoid resorting to specific credit controls to stimulate credit growth as such controls could create market distortions and mismatch in resource allocations.



- CBSL to facilitate e-KYC through face-recognition apps to facilitate e-banking by introducing digital NIC to all citizens.
- Establish a policy framework on cloud computing, common data centres, digitalisation and FinTech
- Licensed Specialised Banks (LSBs) to be included in CBSL Payments and Settlements Department directions on minimum Liability Manager Limits for CAS (Common ATM Switch), CEFTS (Common Electronic Funds Transfer Switch) and CPoS (Common Point of Sale Switch). Presently this is seriously hampered by inadequate counterparty limits since LSBs are categorised as secondary participants and have to obtain Liability Manager limits from a Primary Bank which is an LCB. This has become a serious obstacle in the digital banking journey.

FINANCIAL SECTOR AND CAPITAL MARKETS WORKING GROUP PROPOSALS

SECTOR: BANKING

INTERVENTIONS

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

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

MEMBERS OF THE CAPITAL MARKETS GROUP:

Mr. Ravi Abeyesuriya,
Group Director, Candor Capital Ltd.

Mr. Krishan Balendra,
Chairman,
John Keells Holdings PLC

Mr. Mafaz Ishaq,
Director,
Calamander Capital

Ms. Ruvini Fernando,
Director - PPP and Deal Strategy, PwC

Mr. Nissanka Weerasekara,
Independent Private Equity Investment
Advisor

2. Financial Laws



- Reduce the high cost of bank intermediation by addressing the delays in the legal system and introducing the required bankruptcy laws.
- Re-examine the recovery laws and enactment of legal reforms for efficient implementation of recovery laws.

IMPLEMENTATIONS

- Courts to complete commercial cases within set time limits.
- Expedite resolving of commercial disputes through a smoother and more effective arbitration process
- Introduce a mechanism for speedy restructuring of companies facing financial difficulties and strengthen debt-recovery laws by plugging the loopholes that allow defaulters to obtain restraining orders from courts and drag commercial cases for long periods.
- Enact the required bankruptcy laws
- Establishment of special bankruptcy/ debt recovery courts which handle only debtor-creditor cases

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 credit granted to risky sectors and will stimulate lending for such sectors through unregulated institutions.

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 of Finance 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



- NBFIs are catering to a risky segment and the repayment behaviour of such customers is different to banking customers
- Lack of Information Infrastructure for SMEs
- Higher risk premium in loan formulations due to lack of collateral.

4. Develop different leasing products



- The SMEs' limited access to finance, in the absence of their not having access to additional collateral required by a financial institution to invest in capital goods (equipment and machinery) to enhance productivity, has been a deterrent towards to increase their contribution towards economic development of the country.
- Leasing business is largely confined to finance leases on motor vehicles. Thus special attention should be given to develop other forms of leasing such as Operating leases, Leveraged leases and Syndicated leases.

IMPLEMENTATIONS



- Facilitate market-based deposit rates based on the credit ratings of the respective entities or widen the spread in deposit rates between banks and NBFIs.
- The Finance Leasing Act will have to be amended shortening the notice periods for substantial failure and termination which is 14 days for each of them



- Enactment of the Secured Transaction Act which is drafted under the assistance of IFC of the lessee and the lessor so as to ensure financial discipline and transparency by the leasing industry due to the absence of a developed secondary market for equipment
- To either have specific legislation for operating leases or amend the existing Finance Leasing Act to protect the rights and obligations
- Establish a Residual Value Support Programme as recommended by the Asian Development Bank (ADB) to overcome the constraints faced

FINANCIAL SECTOR AND CAPITAL MARKETS WORKING GROUP PROPOSALS

SECTOR: NON-BANK FINANCIAL INSTITUTIONS

INTERVENTIONS

5. 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.

6. Sector Consolidation and recapitalisation of the sector



- 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 clear policy framework for financial sector as commercial banking, development banking, leasing and finance, micro finance, etc.

IMPLEMENTATIONS

● Re-examine the recovery laws and enactment of legal reforms for efficient implementation of recovery laws such as:

I. The laws to be introduced with respect to private money lenders and with respect to exorbitant lending rates and unethical collection practices.

II. Make the mortgage of leased vehicles to third parties a criminal offence under new provisions to be introduced to the Finance Leasing Act. In line with section 15 and 19 of the Consumer Credit Act 29 of 1982

III. Mediation Board activities to be streamlined in a manner which would help recovery activities to be more efficient and effective. The Mediation Board

should comprise more financially competent members.

IV. Parate execution to be introduced to NBFIs mainly focusing on property mortgages.

● Re-activate the new law drafted for the establishment of an Asset Management Authority to undertake the bad debts of financial institutions and re-organise them.

● Policy framework with clear demarcation of the sector as Commercial Banking, Development Banking, Leasing & Finance, Micro Finance and re-focus on Venture Capital Business.

● Introduction of policy framework that motivates the voluntary consolidation within the NBFIs 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.

● 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



- Introduction 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 on technology due to non-availability of cloud computing
- Non-availability of common data centres.
- Enabling settlements through partner banks allowing direct settlements to NBFIs.

8. Improve the Sourcing of Funds



- When refinancing schemes are introduced by the Government, such facilities are not made available to the NBFIs. The injection of funding at the bottom of the pyramid will drive the mechanisation of grass root industries, thereby increasing the productivity of these entrepreneurs.
- Not having Participative Credit Institutions (PCI) facility for LFCs.
- Foreign Exchange Act does not have the provision to open a foreign currency account when LFCs get foreign loan facilities.

IMPLEMENTATIONS



- Establish a policy framework on cloud computing, common data centers, digitalisation and FinTech
- 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.
- NBFIs to be made direct participants of the National Settlement System (RTGS) to remedy many settlement related issues. This can be done by issuing various guidelines to follow and an amendment to the Banking Act.



- Provide regulatory framework and laws to include LFCs in such schemes currently enjoyed only by Commercial and specialised banks.
- LFCs are required to hedge the foreign currency risk when borrowing from DFIs / multilateral agencies. Not being able to maintain a foreign currency account will restrict the ability of LFCs to negotiate better premiums / rates with the banks.

FINANCIAL SECTOR AND CAPITAL MARKETS WORKING GROUP PROPOSALS

SECTOR: CAPITAL MARKETS

INTERVENTIONS

1. Improve Financial Literacy

2. Fast-Track enactment of the SEC Act and Demutualisation Act which received Cabinet approval

3. Enact Limited Liability Partnership Act

IMPLEMENTATIONS



- Many policy gaps remain in the areas of financial literacy and education in Sri Lanka.
- Financial inclusion - giving people at all levels access to the financial system is now a prominent feature of financial reform, globally.
- Promoting more financial literacy, promoting investment culture and elevating personal finance education and entrepreneurship development programmes is the need of the hour for economic development.
- The starting point for financial education programme - have a National strategy directed at national level, school level, and SME level.
- Win investor confidence and trust in the capital market as a credible long-term investment avenue similar to bank deposits



- Enabling demutualisation of the exchanges.
- Establish the Central Counterparty Clearing House (CCP) and Delivery vs. Payment (DVP) system.
- XBRL-based electronic filing platform for all listed entities to file financial reports
- Strengthening enablers of disclosures and transparency to help ensure information is being published in a timely, comprehensive, credible and reliable manner.
- Investor protection through balanced regulation.
- 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.
- A SEC-mandated robust licensing framework for professionals in the industry.
- Provide a comprehensive legal and regulatory foundation for securitisations in Sri Lanka.



- Need to facilitate establishment of Private Equity (PE) and Venture Capital (VC) funds.
- PE investment and VC based startups create the right climate for innovation, entrepreneurship and economic growth.

FINANCIAL SECTOR AND CAPITAL MARKETS WORKING GROUP PROPOSALS

SECTOR: CAPITAL MARKETS

INTERVENTIONS

4. Broaden pension/provident fund portfolios

5. Increase market size and liquidity of the Stock Market

6. Increase transparency and liquidity in the listed Corporate Debt market

IMPLEMENTATIONS



- Setting up of a separate “Pensions Office” or regulator to formulate and monitor the framework required to enable private participation in pension fund management.
- State and private Pension/Provident funds should consider creating more broadly-diversified portfolios and strengthen the capacity of professional fund management.
- Pension industry should consider incorporating external fund management into their portfolio; by doing so, the public has a choice of investing in the internally-managed EPF and ETF or a privately-managed pension fund.



- Listing State-Owned Enterprises which would result in better governance and recognition in the market, thus expanding the potential of the equity market.
- Releasing minority stakes of key commercial public enterprises through the CSE.
- Multi-Currency Board: Promotion of the Multi-Currency Board for listing of foreign and domestic companies.
- 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.
- ‘Empower’ SME Board: This Board will require further promotion. In addition to that, assist SMEs to fulfill the necessary regulatory requirements pre- and post-IPO and lessen the cost and hurdles for SME listing.



- Increasing size and trading by institutional investors instead of adopting a buy and hold strategy.
- 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.

FINANCIAL SECTOR AND CAPITAL MARKETS WORKING GROUP PROPOSALS

SECTOR: CAPITAL MARKETS

INTERVENTIONS

7. Enable the part mobilisation of capital for infrastructure projects through capital markets

8. Broaden Alternative Finance

9. Establish a derivative market

IMPLEMENTATIONS

- Strengthen the regulatory provisions on creation and listing of infrastructure bonds, coupled with the REITs mechanism to enable the Government to use the strengths of its existing infrastructure to raise capital to finance new projects without having to resort to sovereign debt.
- The stable, attractive, relatively low risk infra bond investments would suit pension and life insurance funds, which want steady income streams and assured capital repayments. Being Government backed, investors

would also be willing to take longer term exposures of 10-15 years or even longer.

- Infra bonds may be issued by the Treasury, the respective Government agencies undertaking infrastructure projects or SPVs which have been created for BOO/BOT arrangements. They may be tied to cashflows from existing operating projects such as power plants, sea / airport terminals, expressways etc. and be used to raise funds for new developments by the same agency or institution.

- If revenue streams from the income generating asset are insufficient to service the bonds, the Treasury can step in and supplement repayments initially by way of a Treasury guarantee or an undertaking to repay the difference.
- Foreign investments can also be attracted to infra bonds if suitable currency hedging or risk mitigation mechanisms are built in.
- Rating and listing infra bonds will make them more attractive for long term institutional investors.

- Broadening alternative finance avenues such as Islamic finance i.e. Green Sukuk, ESG financing, Equity Crowdfunding (ECF), and Peer-to-Peer (P2P) Financing via financial technology.

- Sri Lanka should harness the growing trend in Sustainable and Responsible Investment (SRI) and Financial Technology (FinTech) to fund its capital needs i.e. Islamic finance is projected to grow to US \$ 3.2 trillion by 2020.

- Sri Lanka has a wide range of investable projects pertaining to renewable energy and energy efficiency, natural resources, community and economic development.

- Undertake a comprehensive assessment and prepare a realistic road map for developing market derivatives products and markets regulations for introducing derivatives products.

- Trading, clearing and settlement technology and mechanisms need to be developed.

FINANCIAL SECTOR AND CAPITAL MARKETS WORKING GROUP PROPOSALS

SECTOR: CAPITAL MARKETS

INTERVENTIONS

10. Introduce commodity derivatives

IMPLEMENTATIONS



- Assess the economic and practical feasibility of setting up commodities trading. This might involve leveraging on the existing capacities of the CSE to introduce commodities trading.
- The development of commodities legislation, trading, clearing and settlement structure.

AGRICULTURE WORKING GROUP PROPOSALS

SECTOR: AGRICULTURE

POLICY INTERVENTIONS



LEAD:

Chapter was reviewed and updated by Mr. Rizvi Zaheed, Director, Vidullanka PLC

- National Agriculture Policy to focus on promoting self-sufficiency of sixteen main crops – maize, potato, orid, mung bean, soya bean, chilli, big onion, red onion, ground nut, kurakkan, cowpea, sesame, kollu, turmeric, ginger and garlic.
- Updating regulations and acts such as the Seed Act, Land Reform Act and Paddy Lands Act
- Introduction/Adoption of the Plant Varieties Protection Act in order to encourage the import of different varieties of high quality and high yielding seeds & planting material required by industries.
- Implementation of quality standards as minimum requisites (GAP and other globally accepted certifications) to bolster value added product marketing, sustainable practices and food safety.
- Focusing on export fruit crops in fresh and value added forms in order to improve Sri Lanka's image as an exotic fruit exporter and achieve strong growth.
- 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.
- Allocate one compartment on trains (including refrigeration) of the following Railway Lines (RL) for the transportation of agricultural produce, in order to reduce transportation cost: Hambantota, Puttalam, Badulla, Jaffna, Trinco and Batticaloa.
- Allow triple tax deduction for local R&D and market development in Agriculture. The deductibility should not be left to the assessor to decide but should specific conditions for in-house and outsourced R&D.

PUBLIC INVESTMENT (PROJECTS & ACTIVITIES REQUIRED)

- Implementation of a Land Use Plan and Land Data Bank with details and specifications of the specific areas.
- Implementation of a National Agri ERP system
- Investment in strengthening quarantine services to conduct Pest Risk Analysis which would aid imports and exports.
- Branding, marketing and market research programmes and activities 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.) to facilitate development of market driven agri value chains.
- Establishing technology-enabled water management and irrigation initiatives in dry zone regions in the country.

Agriculture is a key sector of the economy contributing to about 25% of the employable workforce. In addition to providing food security, it has the potential to produce vital inputs for the manufacturing sector promoting greater value addition. The Chapter looks at providing recommendations for the overall agriculture sector as well as the Dairy and Fisheries sub-sectors. Key Public Investment projects/activities to improve productivity and output for the sector are highlighted.

IMPLEMENTATIONS

- Education programmes and seminars to be conducted to increase awareness of technology adoption, fertilizer application, crop variety development and crop rotation.
- Establishment of farmer companies / organisations / cooperatives to bolster economies of scale, crop variety development and improve knowledge sharing
- Awareness of agriculture and primary industry sector to be improved among the youth to increase participation in the industry.
- Facilitation of use of railway for long distance logistics and the use of plastic/corrugated crates
- Consolidation of 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 and vegetables as well as granting approval to import high quality parent stock.
- Developing the use of sea freight for transporting identified agricultural produce in order to reduce risk of pests.

Key Performance Indicators

Key Performance Indicators	2020	Expectations for 2026
Improvement in yield of the six major crops		30% on average for each crop
Improvement in the yield of export fruit crops		50% on average
ICT tool usage rate - active farmer users using applications. (proven successful in the fisheries industry)		Min. of 70% of registered farmers
Percentage of agricultural produce transported via railway		10%
Percentage of companies compliant with Good Agricultural Practices [GAP]	< 5%	70%

AGRICULTURE WORKING GROUP PROPOSALS

SECTOR: FISHERIES

POLICY INTERVENTIONS

- Formulating a National Fisheries and Seafood Strategy, export plan and a road map that the Ministry of Finance, Ministry of Fisheries, BOI and EDB have to undertake with regards to 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
- Removal of Government enterprise control and dependency of export-oriented businesses.
- Provision of incentives for new projects such as fish hatcheries, 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 and 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 of (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, onboard 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

Key Performance Indicators	2020	2026
Percentage of companies and fisheries compliant with best aquatic and fisheries practices	-	80%
Number of small long-line vessels upgraded with a winch and long-line	25	100
Post harvest loss - % of produce lost per annum	40%	<5%
Volume of fisheries-related produce transported via railway (%)	10%	60%
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

POLICY 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.
- Pasture / fodder is not considered a crop by the Department of Agriculture, hence this is a major constraint as it has no equal status as other crops. There is no Government provision for irrigation and other subsidies extended by the State for the development of pasture / fodder nor allocation of lands for forage development for milk production.
- Relook at the income tax structure to encompass all aspects of the value chain in dairy. There is the import duty, PAL, VAT, CESS, etc. on dairy equipment especially piping, machinery and packing material for high and low-density polythene packing required for storage of processed silage. This increases the cost per kilo per silage by a very high level which is not affordable to the dairy farmer.
- 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 / managing 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 rather than importing breeds unsuited to the local climate.
- Animal breeding - 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 farmers 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).
- Implement a payment scheme for milk based on quality based on criteria such as total solids, aflatoxins, bacterial count per ml based on international parameters, and somatic cell count to assess udder hygiene of cows. This will significantly enhance the quality of milk which at present is very inferior and not up to required international hygienic standards.

Key Performance Indicators

Key Performance Indicators	2020	2026
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	7-8 L
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:

Chapter was reviewed and updated by Dr. Roshan Rajadurai, Managing Director Kelani Valley, Talawakelle, Horana Plantations - Hayleys Plantations Sector.

Tea

Rubber

The plantation sector is looked at further in detail with recommendations for tea, rubber, coconut and palm oil sector. The sectors contribute significantly in terms of employment and export earnings. For Tea, recommendations highlight the need for more value add from the industry and the support required from the Government. For Rubber, it is focusing on implementing the Rubber Master Plan while for Coconut and Palm oil, it is about formulating a National Policy with KPIs to promote the sectors with a consistent policy framework.

INTERVENTIONS



- Establish Commercial Scale Mega Nurseries with certified and approved planting material 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 material.
- Extend the tax concessions given to other export industries to plantation industries as well (indirect exporter status).
- 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 Plans of Action (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

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 previously approved by the Government
 - Incentivizing 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 the import of palm oil and other edible oils; crude/waste or refined.
 - 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 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 private sector participation 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
 - Promoting health benefits of coconut and coconut based products on health
 - Promote Sri Lanka's access to global markets

RETAIL WORKING GROUP PROPOSALS

SECTOR: RETAIL

POLICY INTERVENTIONS



LEAD:

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1. Facilitation in making Sri Lanka a Retail Hub:



(A) Promotion of e-commerce as a driver for retail in the initial post pandemic recovery phase.

(B) To build a hub it is essential that we implement policies that will attract tourists to visit and be a part of the immersive retail experience. Whilst the 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. This view must be thought of from a medium to long-term perspective post the present pandemic disruptions.

In 2019, Wholesale and Retail trade accounted for 11% of GDP and 13% of total employment underscoring the importance of the sector. It is also a sector in transition to the digital economy requiring key infrastructure and regulatory barriers addressed. There is also the opportunity in the medium term to develop the sector to become a Retail Hub for the region with the efforts taken to develop the tourism sector.

IMPLEMENTATIONS

In collaboration with the Sri Lanka Retailers Association (SLRA), the Government can look to facilitate an e-shopping festival. Similar online festivals bringing together retailers and other sectors connected to retail was done by countries like Singapore (e.g. GoSpree brought together retailers, shopping

malls, attractions, hotels, food and beverage stores together in one portal). There is also opportunity for cross collaboration with foreign partners to promote cross-border e-commerce trade and thereby promoting Sri Lankan retail products overseas.

This will encourage a lot of physical stores to think digital and offer their products on an online marketplace. Retailers would then be able to sell their stockpile of goods and also be able to tap into a new consumer base. Consumers will also be attracted to a singular portal with a range of products and services.

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 loss of duty due to heavy volumes.

The neighbouring markets such as India and even China would be large target markets to attract shoppers.

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 widespread 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 physical shopping festival as a 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 (2 months)
- iii) Relevant line ministries to enact policies to implement as a national program along with tourism.

RETAIL WORKING GROUP PROPOSALS

SECTOR: RETAIL

POLICY INTERVENTIONS

2. Labour reforms required:



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

3. Infrastructure development:



- 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 fulltime heads.
- Facilitate a clear structure on vocational training to build the skill gaps and offer wide and varied curricula 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. Impediments in the law preventing women working at night should be addressed.
- Permit layoffs based on an agreed formula than having to refer to labour commissioner every time.
- Permit expat 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 to set up facilities that would make Sri Lanka a retailers hub and 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

POLICY INTERVENTIONS

4. Digital transformation:



- Sri Lanka is primarily a cash based economy. Digital payments/ systems are not matured compared 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
- In the current context, it is vital for companies to change their business models from a traditional brick and mortar model to the new economic digitization process with integrated e-commerce digital platforms together with end-to-end logistics supply. This would ensure the future reality and the alignment of the retail sector with global retail practices. Moving onto a digital platform requires the businesses to incur heavy capital expenditure. Therefore, providing concessions for these capital investments would encourage the members of the retail industry to establish their own online platform. Additionally, this would also enable us to build retail excellence which directly helps the tourism sector and eventually make Sri Lanka a shopping hub.

5. Relooking at Regulatory Barriers to improve the ease of doing business for the retail ecosystem.

IMPLEMENTATIONS



- It is notable to see the implementation of the LANKAQR enabled payment apps by Central Bank of Sri Lanka to facilitate digital payments to any merchant, especially small and medium enterprises. It is important to continuously promote such payment solutions so that the adoption by consumers and

merchants improve and minimise the needs for physical transactions.

- The Government could look to provide the following concessions for any organised retailer establishing/upgrading to electronic platforms for change of business model during the Year of Assessments 2020/21 and 2021/2022:

- 1) State Banks to provide medium/long-term loans at concessionary interest rates for capital investments in IT infrastructure.
- 2) Additional tax allowance for capital investments made in IT infrastructure platform.



- The following changes in relation to goods sold to foreign buyers via an online platform can be looked at:

Where an online platform service provider, resident in Sri Lanka receives payment from a person in foreign currency remitted via a local bank in Sri Lanka.

- a) Such part of the foreign currency received in respect of the platform service to be exempted from income tax.

- b) Such part of the foreign currency in respect of the price paid for the goods sold in the online platform to be taxed at the concessionary rate of 14%.

This proposal would encourage digital platform service providers to promote their services to foreign markets enabling them to receive income in foreign currency which in turn would increase the much-needed foreign cash inflow into the country and assist in recording an improved budget deficit.

- Enable the inward remittances of payments through online payment platforms (like e-bay) for businesses like retail so that they receive money for goods or services provided overseas.
- Modernising laws related to customs, exercise duty that would bring it in line with current trade practices and norms. Policymakers could also look at the regulatory environment related to marketplace business.

TRANSPORT & LOGISTICS WORKING GROUP PROPOSALS

SECTOR: TRANSPORT AND LOGISTICS

POLICY INTERVENTIONS



LEAD:

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REFORMS

Integration and coordination of Departments and Authorities related to Transport.

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

The Transport and Logistics sector is a significant contributor to the country's economy and a competitive force that can be a significant enabler to promote growth in other sectors. However, it reckons to be a perennial issue in the country with lack of capacity and digitization, poor safety record, congestion and pollution among other things. The Chapter looks at Public Transport, Maritime and Logistics and Aviation.

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 provider and the operator in aviation and maritime.
- Group logistic related authorities under a single ministry in future 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.



- Define a 5-10 year National Logistics and Transport Action Plan that has bi-partisan political acceptance and drives related interventions across the logistics value chain in consultation with relevant ministries. This policy should take into account the existing policy documents such as the National Export Strategy, National Maritime Policy, National Ports Development Plan.
- Form a Public-Private National Logistics and Transport Committee to drive private and public sector investment 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.

TRANSPORT & LOGISTICS WORKING GROUP PROPOSALS

SECTOR: TRANSPORT AND LOGISTICS

POLICY INTERVENTIONS

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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.
- Digitisation of the Postal Department to accommodate a low cost distribution model for last mile deliveries.
- Technology enablement to support the implementation of a logistics hub. I.E. e-governance, national single window 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
 - Fast tracking Sahasara 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.
- Implement a coordinated and optimised scheduling system for buses to minimise unhealthy competition and to ensure a sustainable delivery of bus services
- Facilitate real time information provision on bus time tables for users

TRANSPORT & LOGISTICS WORKING GROUP PROPOSALS

SECTOR: TRANSPORT AND LOGISTICS

POLICY INTERVENTIONS

RAIL

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

IMPLEMENTATIONS

INVESTMENTS



- Utilisation of land owned by the Railway Department. Railway stations to be developed as service/commercial centers.
 - 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

POLICY 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

Strengthen EXIM trade with hub facilities and seamless integration with both domestic supply chain and international supply chains - Bringing Sri Lanka closer to the globe.

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.

Arrange concessions for entry/ upgrades.



- Setting up large-scale logistics centres and related projects by releasing State-owned lands, rationalisation of legislation, etc.
- Enabling integration with global value chains through seamless multi modal connectivity.
- Identify areas with highway links to port / Airport for this purpose- so that logistics cost can be minimised.
- Collaborate with local and global (existing and new) hub companies to have seamless connectivity with Sri Lanka's EXIM trade as well as domestic industry.
- State-of-the-art warehouses to handle multi country consolidation and LCL cargo with modern IT systems in specialised dry port/logistics parks.

Public-Private Investment



- Setting policy and operating guidelines focusing on ease of business, with a proper monitoring process. This will create more capacity since it will be encouraging new hub companies to set-up and existing companies to expand.

Public-Private partnerships with more Private investment on public land.

TRANSPORT & LOGISTICS WORKING GROUP PROPOSALS

SECTOR: TRANSPORT AND LOGISTICS

POLICY INTERVENTIONS

MARITIME

Policy focus on developing Colombo Port

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

Eg: Hambantota, Trincomalee & 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 million TEUs by 2025).
 - Upgrade Oil and Bunkering handling facilities (port/pipelines/terminal) and increase bunker storage capacity in Colombo
 - Passenger / Cruise Terminals / deep-water break-bulk terminal in Colombo (North Port development)

- Enhance Port Infrastructure for provision of services
 - Improve ancillary and marine services (bunkering, ship supply services, tugs) - more attractive off port limit tariffs.
 - Streamline the approvals process from many Government organisations for the provision of above services

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
- Promote free port concept outside the port (dry ports, integrated into logistics parks)

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 / mandating of the change post COVID-19 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-Private Investment through
Public-Private sector dialogue

TRANSPORT & LOGISTICS WORKING GROUP PROPOSALS

SECTOR: TRANSPORT AND LOGISTICS

POLICY INTERVENTIONS

Diversifying the hub offerings to cover Cruise, Cars, Oil, Gas, etc. 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).

Establish BIA as second tier hub for the region in the next 5 years

Development of Mattala Airport

IMPLEMENTATIONS

INVESTMENTS

- > ● Strengthening the offerings at Sri Lankan ports such as vessel ownership, maritime education, dispute resolution, maritime laws and arbitration.
- Streamlining the legal infrastructure and operating conditions to bring the offering to an internationally acceptable level.

- > Expansion of passenger and cargo handling facilities - For example, Aero bridges, transit spaces, check-in and Immigration / Emigration counters, Ramp space, Cargo Terminals.

Public-Private Partnership – Use a derivative of Port PPP model

- > Enhancing BIA capacity by improving aspects such as a second runway and terminal 3 which can be funded through Private-Public Partnership (PPP). The pandemic has highlighted the importance of the National Carrier in the country's overall dependence on connectivity – strategically and commercially. A clear strategy should be devised to limit the losses over a 5-year period and enhance the value proposition of the airline in a global context and with the promotion of BIA as a regional hub.

Public-Private Partnership – Use a derivative of Port PPP model

- > Develop Mattala Airport by improving the infrastructure and access/connectivity that it would need to operate as an international airport in Sri Lanka. The Government could look at inviting private investment with special air service incentives for this development purpose given the fiscal situation of the country.

Public-Private Partnership

TRANSPORT & LOGISTICS WORKING GROUP PROPOSALS

SECTOR: TRANSPORT AND LOGISTICS

POLICY INTERVENTIONS

Improving airfreight capacity

SAFETY, SUSTAINABILITY AND DIVERSITY

Encouraging adoption of sustainable and green logistics in the country

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

IMPLEMENTATIONS

INVESTMENTS



With the limitations on belly capacity owing to drastic reduction in passenger flights, alternate models should be reviewed and promoted to ensure stability of value added/high value exports through smooth operation of air cargo and a resilient air cargo system.

Private Investment - FDI



- Technological approaches to improve the performance of transport equipment and facilities – use of IoT

- Promote sustainable reverse logistics

Private



- 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
- This can be done by conducting a study into major road accidents using data available with insurance companies to identify main causes and, build a framework to monitor safety and take remedial actions.

- 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

Public-Private

Public

Public

Public-Private

TRANSPORT & LOGISTICS WORKING GROUP PROPOSALS

SECTOR: TRANSPORT AND LOGISTICS

POLICY INTERVENTIONS

Encourage diversity and inclusiveness in the sector

IMPLEMENTATIONS

INVESTMENTS



- Set up supply chain / logistics sector skills council to develop a mechanism to have industry inputs for the development of human resources to meet the industry demand for employment.
- 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.
- Plan to increase female participation in the workforce - particularly in the public transport (bus services), maritime (ports) and logistics (warehousing, transport) sectors. There is very low participation at this time and in several cases regulatory/statutory hindrances are restrictive in nature which needs to be amended.

HIGHER EDUCATION GROUP PROPOSALS

SECTOR: HIGHER EDUCATION

INTERVENTIONS



LEAD:

Chapter was reviewed and updated by Prof. Malik Ranasinghe, Former Chairman Sampath Bank and Member of University Grants Commission

1. Provide students greater freedom to choose their desired course of study and HEI (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.

The chapter highlights the importance of the Higher Education sector not only from a country perspective but also from an employability aspect. The focus of Higher Education and Tertiary Education Institutions need to be aligned to meet industry needs and to make graduates employable. It is also necessary to support the progression of research to commercialisation. This requires strong collaboration with the private sector.

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 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

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 progression pathways.

IMPLEMENTATIONS



- Engaging employers, industry experts, professional bodies and Chambers of Commerce 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 (Chambers of Commerce) 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:

Chapter was reviewed and updated by Dr. Lakith Peiris, Managing Director, Hemas Hospitals & Laboratory Chain

1. Introduce Electronic Medical Records (EMR)

2. Address Non-Communicable Diseases (NCDs)

3. Effective utilisation of healthcare assets through Public-Private Partnership

The importance of the Healthcare system of Sri Lanka has been highlighted by the COVID-19 pandemic. While showing resilience, there are key areas where the sector can improve on, in particular, with regards to Non-Communicable diseases which causes a significant impact on productivity. The Health sector needs to be made more efficient by more effective utilisation of healthcare assets through public-private partnerships.

IMPLEMENTATIONS



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



A) Establish a national framework on NCD prevention, screening and treatment that is adhered to by healthcare providers in the private and public space. Its important to accelerate establishing a national framework on NCD prevention, screening and treatment during and post COVID. As the state healthcare sector is mobilised in battling COVID-19, with less access

to routine clinics, hospital visits by patients have gone down drastically, and people have the tendency to postpone hospital visits and health checks. The private sector footfall has drastically reduced due to fear of patronising hospitals due to COVID. Hence we will see a sharp spike in NCD related diseases in future.

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



A) Due to COVID, elective surgeries and other procedures are not carried out routinely in the public sector. The public sector hospitals are over burdened. We will also see the COVID numbers increasing and by end December 2020 it may reach more than half of the capacity of bed strength in Sri Lanka. However, private hospitals have very little footfall and most assets are idling.

It is recommended to transfer all elective surgeries and procedures to the private sector and discuss a price point to perform these electives in the private sector.

Even prior to the pandemic there was 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. In the

medium to long-term, 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 lesser cost

HEALTH WORKING GROUP PROPOSALS

SECTOR: HEALTH

INTERVENTIONS

4. Capacity enhancement of Healthcare / Pharma through Higher Education Programmes

5. Promote Medical Tourism

IMPLEMENTATIONS

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.

A) Encouragement of setting-up higher education facilities that support the healthcare and pharmaceutical industry

pharmacists and other paramedics to at least have a separate register.

D) Develop an ongoing mechanism to incentivise students towards the healthcare and pharmaceutical industries, such as payment of a stipend, etc.

B) Permit the registration and recognition of nurses, MLTs,

C) Government to offer concessionary loan schemes for nursing students (similar to those offered by other countries like in India by the Kerala Government)

A) Establish a visa scheme for tourists seeking to come to Sri Lanka for medical treatment. This visa scheme should be developed with specified criteria such as the required stay time for patients undergoing procedures in Sri Lanka.

intervention such as funding for promotional material, private sector operators to showcase their capability in different overseas forums/events, identify key health interventions 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 quality-certified medicine and qualified healthcare professionals.

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.

B) Promote Sri Lanka as an emerging medical hub through Government

HEALTH WORKING GROUP PROPOSALS

SECTOR: HEALTH

INTERVENTIONS

6. Promote local pharma manufacturing

7. Ensure pharmaceutical importers have sustainable supplies to patients

IMPLEMENTATIONS

- >
- A) Position Sri Lanka as a global manufacturer, through:
 - 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.
 - ii. Engage with international consultants to understand the global markets where Sri Lanka can engage as the manufacturer for key identified products.
 - iii. Government to develop policy framework and relevant committee to facilitate export-oriented pharmaceutical manufacturing
 - 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.
 - B) While the Government has allocated LKR 100million towards a 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.
 - 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.
 - D) Should include a mechanism to enable contract manufacturing for Indian Pharma companies. The mechanism should be developed with the involvement of Central Bank and IRD

- >
- 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 & pro-active (currently complaint-initiated)
 - B) With regards to the imposition of price controls: Where price control of identified pharmaceutical products are required, ongoing dialog 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 as 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 PMCs 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: <ul style="list-style-type: none"> • CABG, 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

Intervention Point	Proposed KPI
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
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 body/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 body as against the total population of local manufacturers ● Total number of quality reviews of local distributors being conducted by the respective regulatory body 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:

Chapter was reviewed and updated by Ms. Shiromal Cooray, Chairman Jetwing Hotels Ltd.

1. Near-term Strategy-next 12 months or so as the impact of the pandemic continues while travel slowly returns to some level of normalcy

2. Developing a medium to long-term strategy in a post-pandemic environment. The strategy should look at Sri Lanka moving towards a value-driven industry while managing the maturing tourism industry in a sustainable manner

Tourism from 2009 to 2018 was a key driver of economic activity and saw a rapid increase in foreign exchange earnings. The twin impacts of the Easter Sunday incident and the COVID-19 pandemic has pushed back the growth trajectory of the sector. The chapter highlights key areas to look at in the next 12 months as well as developing a medium to long-term strategy in a post-pandemic environment where Sri Lanka moves towards a sustainable and value driven industry.

IMPLEMENTATIONS



The near-term strategy of the Government should support the survival moratoriums of the industry and related value chain partners. As such continuation support for the industry players with debt moratorium, working capital loans and assistance in payment of wages. In supporting of the industry, policymakers could also look at regulations/taxes that would support the survival of tourism players. For example policymakers could consider abolishing the discriminatory Municipality and Local Government business Courts registration levy of 1% based on turnover and bring hotels in line with levies charged for all other industries. Hotels have been in Court over this for the past 15 years.



We welcome that the Sri Lanka Tourism Development Authority (SLTDA) and Australia's Market Development Facility (MDF) will be developing a research roadmap for the next 5 years. A few factors to consider in this Strategy:

- Study and implement best practices from countries such as Costa Rica and New Zealand which focuses on value, quality and sustainability.
- Setting targets for both tourism arrivals, earnings and spending per day in consultation with the private sector

- Examine other value metrics in the industry. This will require improvement in data collection by the industry as well as institutions like SLTDA.
- Formation of an Inter-Ministerial Taskforce comprising the respective subject Minister, Secretary to the Ministry and the Director General / Head of the respective Department / Institution. This is to develop policies for the industry in a coordinated manner to address legal, regulatory and procedural issues.

- Focus is required to develop the tourism product for the future by improving the infrastructure around tourist sites (rest rooms, signboards, souvenir shops, cafeterias, etc.).

(Refer Appendix 1 for an exhaustive list of Activities to consider under this strategy and Appendix 2 highlights proposed policy, legal / regulatory issues to be taken up as well).

PUBLIC SECTOR REFORM WORKING GROUP PROPOSALS

SECTOR: PUBLIC SECTOR REFORM



LEAD:

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

MEMBERS OF THE NATIONAL AGENDA COMMITTEE ON PUBLIC SECTOR REFORM

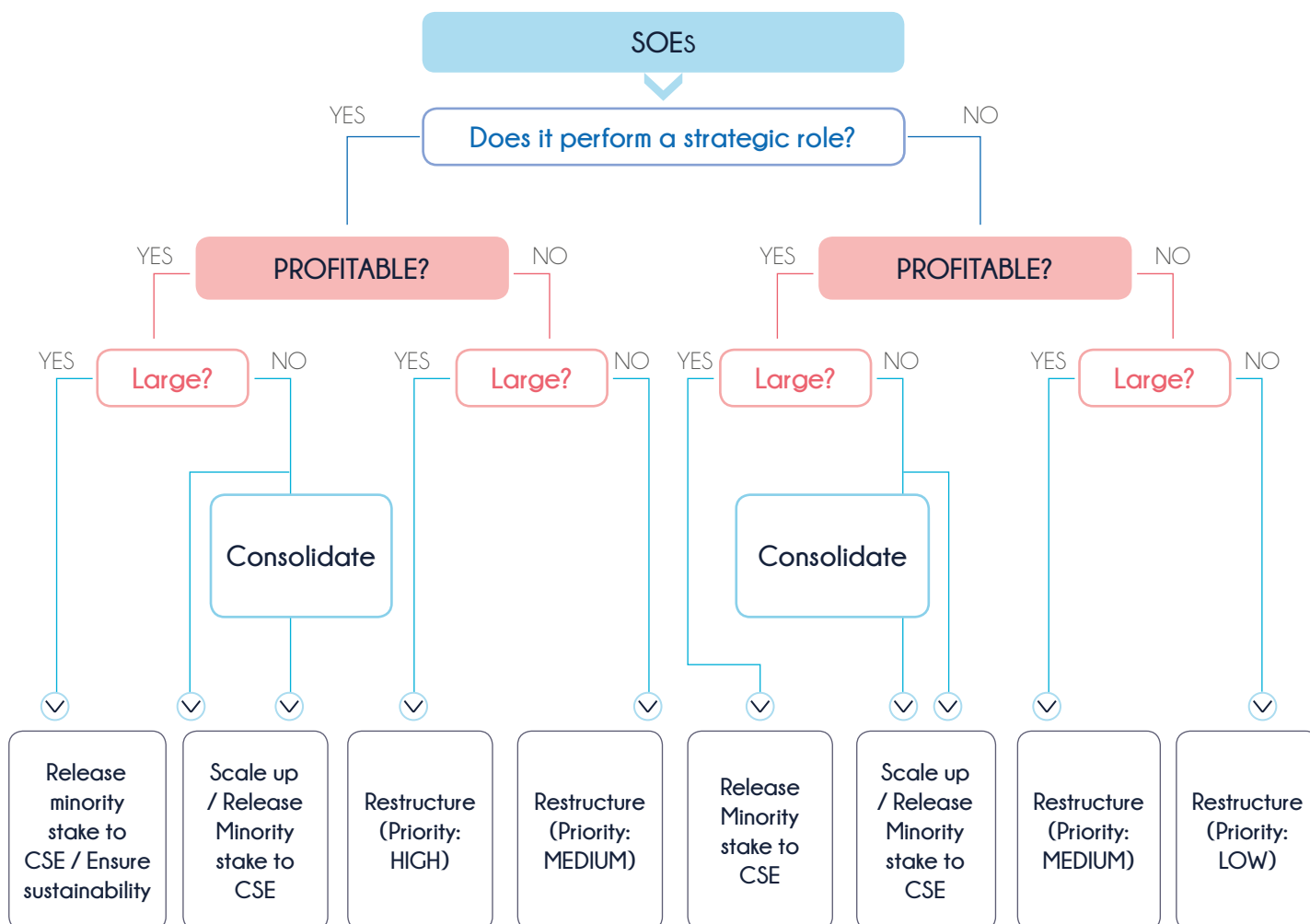
Key focus areas for SOE reforms



- Criteria for consideration - Whether the SOE performs a strategic role?
- Strategic role refers to:
 - Where there is a need for the Government to operate in that particular sector for non-commercial purposes. [eg: National security concerns - ports or airports]
 - Where there is a need to ensure that an essential service is available to the public at an affordable cost - [eg: Sri Lanka Transport Board (SLTB) or Sri Lanka Railway]

A more efficient public sector is an absolute need in recalibrating Sri Lanka's economic trajectory. In this regard, we have looked at two areas that would assist the public sector. Initially we look at the strategies that would improve the performance of State-Owned-Enterprises (SOEs) and then examine the aspect of Performance Management for State Ministries which are now designed to be the key implementing arms of Government policy.

Identifying reform priorities through SOE classification



PUBLIC SECTOR REFORM WORKING GROUP PROPOSALS

SECTOR: PUBLIC SECTOR REFORM

POLICY INTERVENTIONS

1. Financial reporting of the SOEs



- Some institutions fail to submit Financial Statements on time
- Due to:
 - Reporting burden - Having to report to multiple authorities.
 - Delays in the audit process and the process of submission to Parliament

2. Strategic plans for SOEs

IMPLEMENTATIONS



- Make auditing mandatory, but report to one place (Single institution to report to parliament)
- Need to streamline reporting process and allow auditing by private audit firms.



- Develop short- and medium-term strategic plans for SOEs
- Align each SOE's strategic plan with the Government policy framework
- A strategic plan, with targets and KPIs to be developed for all SOEs and the Board to be responsible for monitoring and implementing such plans.
- Introduce a process of oversight by an external body (National Enterprise Authority)

PUBLIC SECTOR REFORM WORKING GROUP PROPOSALS

SECTOR: PUBLIC SECTOR REFORM

POLICY INTERVENTIONS

3. Restructuring SOE Boards



- Board should be of right size - Sufficient number of directors with required level of expertise
- Board should have the right mix- Balanced representation from civil servants and other experts
- Board to be chaired by a person with proven leadership - Skilled and competent Board of Directors

4. Monitoring performance of SOEs

5. Recruitment and training of SOE employees

IMPLEMENTATIONS



- Implement a mandatory protocol to be followed in identifying, screening, profiling, referencing, approving and appointing candidates to serve on Boards
- Streamline process regarding appointments
- Free of prejudice
- Sound nomination process
- Develop a good Governance Code for SOEs that is freely accessible by the public and ensure that all appointees to SOE boards adhere to the Code



- Developing Key Performance Indicators (KPIs) and Statements of Corporate Intent (SCIs)
- Consistent monitoring of the performance of SOEs and employees
- Governance guidelines should be provided to SOEs
- Board of Directors should be responsible for achieving KPIs of respective SOEs adherence to guidelines on governance



- Recruit employees with necessary qualifications and experience
- Implement transparent recruitment mechanism and customised salary scheme

PUBLIC SECTOR REFORM WORKING GROUP PROPOSALS

SECTOR: PUBLIC SECTOR REFORM

POLICY INTERVENTIONS

6. Transparency of the procurement process

7. Managing mechanism for SOEs – Establishing National Enterprises Authority (NEA)

8. Amalgamation of SOEs

9. Reforms pertaining to ownership structure

IMPLEMENTATIONS



- Improve monitoring carried out by line ministries
- Adopt e-procurement process
- Customise the Procurement Guidelines and Procurement Manual



- Establish a holding company - Accountable to manage all SOEs. not Ex: Singapore - Tamasek Holdings
- Holding company needs to play supervisory role
- Ensuring level playing field
- Establish an advisory board as a first step (NEA)



- Streamline the governance of SOEs. eg: Hotels under one entity, Plantations under one entity



- Divest minority stakes and list on CSE
- Issue new shares where equity capital is needed eg: banks, Srilankan Airlines

PUBLIC SECTOR REFORM WORKING GROUP PROPOSALS

SECTOR: PUBLIC SECTOR REFORM

PERFORMANCE MANAGEMENT FOR STATE MINISTRIES

Why Performance Management for State Ministries?

POLICY INTERVENTIONS

1. Establish a Performance Management Framework

Develop a Performance Management Framework that can be adopted by State Ministries and ensure these practices are institutionalised and continued with a commitment to sustain it.

State Ministries are the implementation arms of the Cabinet Ministry. Therefore, ensuring efficient and effective delivery is paramount. Performance management is an effective practice to ensure efficiency and effectiveness of service delivery of the State Ministries. However, given the complexity and presence of multi-layers, it is imperative to involve all strata of the State Ministries in the performance management process.

Benefits:

Improve the overall efficiency and effectiveness of the use of public monies

Build a performance-based culture and help individuals to develop their skills

Provide the required focus to simplify Government decision-making

Improve service delivery and responsiveness of Government to the needs of citizens

However, it must be ensured that Performance Management should be mandated to be outcome based. Globally, the implementation of the Government Performance and Results Act (GPRA) can be cited as an example of mandating the use of strategically focused outcome performance measures rather than operationally focused processes and output measures.

IMPLEMENTATIONS

Developing a strategic plan is the first step in building a performance management framework. It includes vision, mission and values, as well as long-term goals and the action plans to reach goals. Strategic plans should be created for a

period of 3-5 years and updated annually according to the latest developments and requirements.

Identify relevant, actionable KPIs and annual targets must be set for each of them. These KPIs must be difficult to achieve, yet achievable and should measure factors that are critical to the success of the state ministry.

PUBLIC SECTOR REFORM WORKING GROUP PROPOSALS

SECTOR: PUBLIC SECTOR REFORM

POLICY INTERVENTIONS

2. Implementing both Financial and non Financial KPIs

KPIs should be both Financial and non-financial in nature. It should also consist of both Output based and Outcome based measures to enable effective delivery.

For example if a State Ministry conducted a number of workshops to facilitate market access for exports (output based KPI). However, if exporters haven't accessed new markets (outcome based KPI) then conducting mere workshops are futile. Therefore, it is important to have both output and outcome-based measures.

Non- financial KPIs facilitates to measure outcome-based measures by providing information on the State Ministry's qualitative performance.

3. Establish Measurement, Reporting and Monitoring Mechanisms

4. A Mechanism to take Corrective Actions for Negative Deviations should be in place

IMPLEMENTATIONS

- State Ministries can implement financial KPIs such as –
 - Contribution to the overall GDP
 - Improvements in Export Revenue
 - Total value of Investments generated in the relevant sector
 - Budget Utilisation
 - Reduction of Import Expenditure
 - Value of Investment in R & D
 - Reduction of Administration cost

- State Ministries can implement non-financial KPIs such as –
 - No. of Investment Projects Started
 - No. of new ventures/start-ups facilitated
 - No. of new jobs created
 - No. of promotional activities initiated and continued
 - No. of projects initiated to assist the Industry

- No. of programmes initiated in value chain development/ productivity improvement
- No. of R&D activities initiated
- No. of new Export Markets reached
- Develop and maintain an official website with all relevant information, with regular updates

- Performance on each KPI should be measured periodically (monthly, quarterly and annually)
- Reporting should be done to senior management (Additional

Secretaries, Secretary to the state ministry) and other monitoring bodies

- Corresponding figures for the previous year should also be shown for comparison purposes

- The monitoring system should be based on a decision about policy areas to cover and policy goals to measure in order to be consistent and comprehensive.

- The objective of continuous measurement and reporting is to ensure corrective action is taken where there are significant adverse variances from the target

- Information must be compiled and presented in a timely manner for this process to be effective

- There must be enough time to implement corrective actions and reap the benefits from it

- Where such action has been agreed, it helps to quantify the expected impact and subsequently measure the impact to assess whether such action has been effective

PUBLIC SECTOR REFORM WORKING GROUP PROPOSALS

SECTOR: PUBLIC SECTOR REFORM

POLICY INTERVENTIONS

5. Private Sector can play the role of a Facilitator

IDENTIFIED STATE MINISTRIES TO SET SAMPLE KPIS

State Ministry	Key Focus (Reason for selecting)
State Ministry of Solar Power, Wind and Hydro Power Generation Projects Development	Energy Related
State Ministry of Batik, Handloom and Local Apparel Products	Domestic market related
State Ministry of Gem & Jewelry related Industries	Export Related
State Ministry of Production, Supply and Regulation of Pharmaceuticals	Investment Related

Refer Annexure 3 for Sample KPIS identified for the above Ministries and for more information.

IMPLEMENTATIONS



● The Ceylon Chamber of Commerce, together with its thought leaders in the National Agenda Committee on Public Sector Reforms, would like to play the role of a facilitator in implementing performance management to the State Ministries and share best practices.

● The Chamber can guide interested ministries on the following,

- Facilitate the formulation of a Strategic Plan
- Develop framework for the monitoring and measurement

process

- Assist with capacity building for the relevant officials to maintain and sustain KPIs effectively

● However, the effective delivery and conduct of performance

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 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 for human-elephant conflict.
- Common policy on wildlife / marine sustainability and its impact on 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.
- Relook at the Aviation and Port Policy (in terms of cruise tourism) - 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.

APPENDIX 2

IN REFERENCE TO POINT 4 - TOURISM

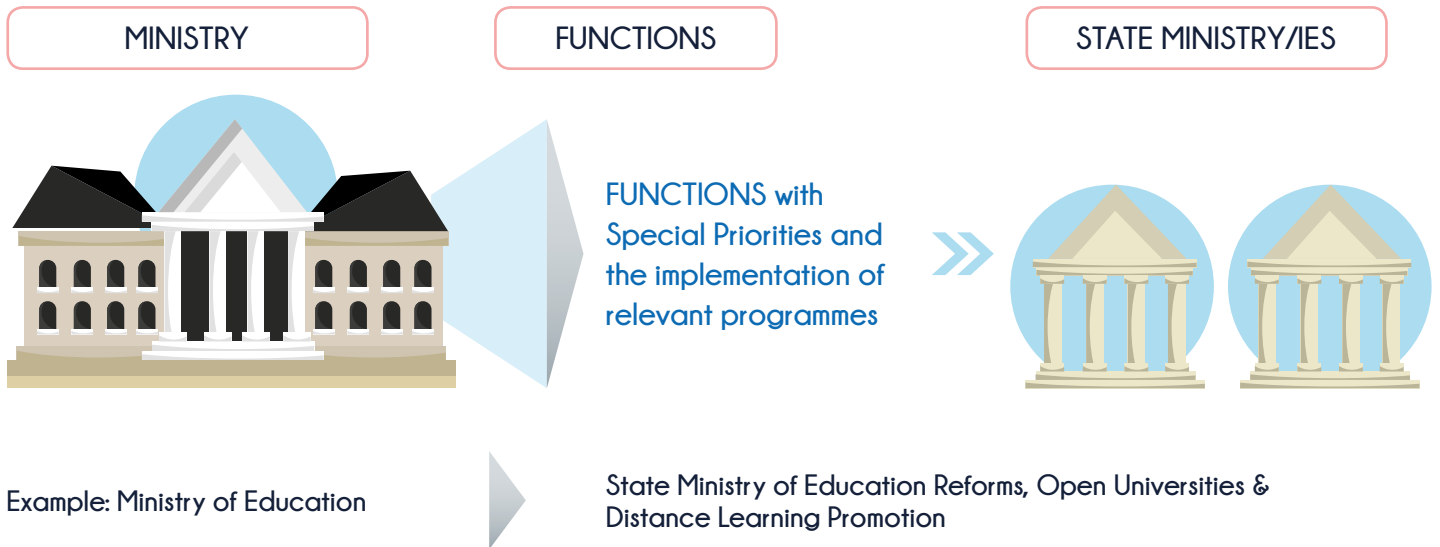
PROPOSED POLICY, LEGAL/REGULATORY ISSUES TO BE TAKEN UP IN THE PROPOSAL

- 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 appropriate 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 landscapes. 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.

APPENDIX 3

PUBLIC SECTOR REFORM

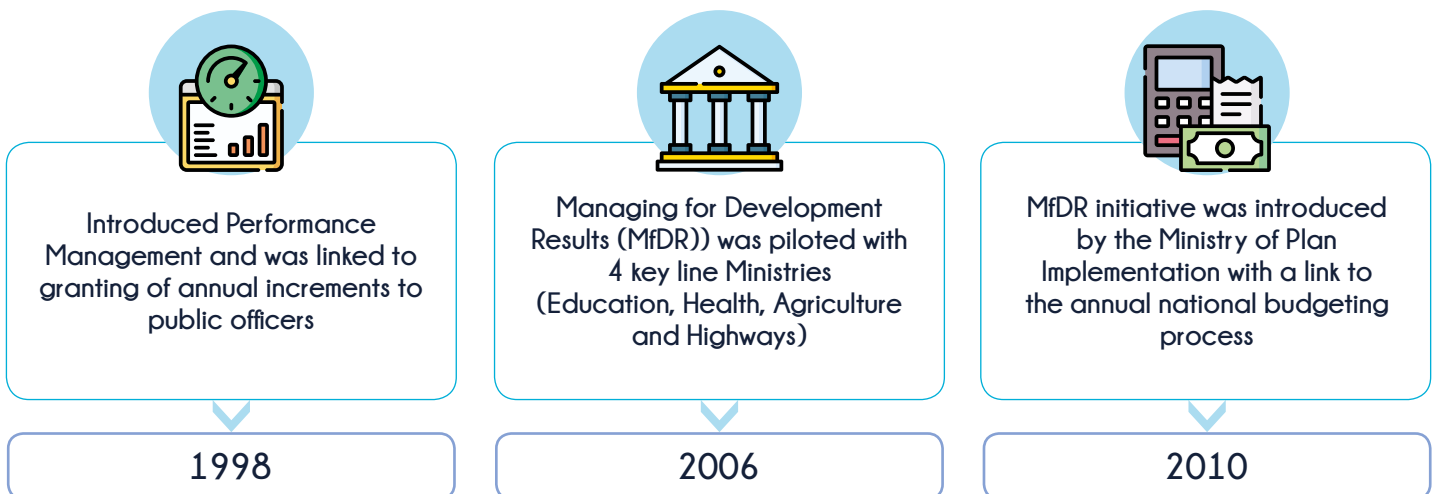
WHAT IS A STATE MINISTRY AND WHY IT IS IMPORTANT?



State Ministries have been structured to facilitate the achievement of special priorities and the implementation of relevant programmes according to the broad scope of each Ministry

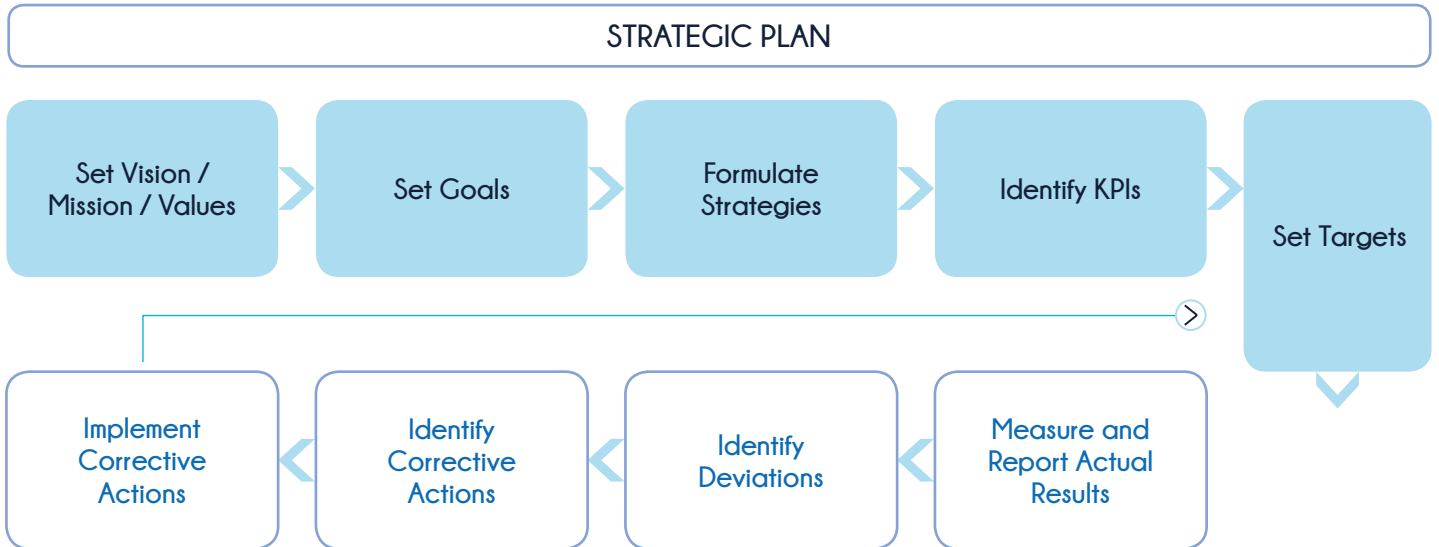
PERFORMANCE MANAGEMENT PRACTICES IN SRI LANKA

Historically we have seen Performance Management Practices in Sri Lanka (refer below). However, what was observed was that there is lack of continuity in these initiatives. Therefore, ensuring these practices are institutionalised and continued with a commitment to sustain them, is pivotal.



PERFORMANCE MANAGEMENT PROCESS

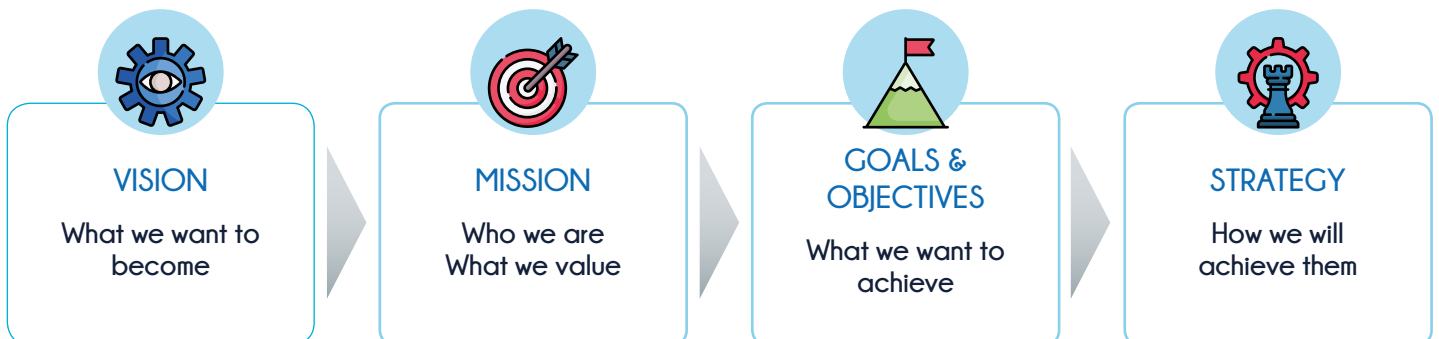
The process used by the corporate sector can be applied to State Ministries as well.



Strategic plan helps to establish the direction of the organisation. It includes vision, mission and values, as well as long-term goals and the action plans to reach goals. Strategic plans should be created for a period of 3-5 years and updated annually according to the latest developments and requirements.

PERFORMANCE MANAGEMENT PROCESS

The process used by the corporate sector can be applied to State Ministries as well.



APPENDIX 3

PUBLIC SECTOR REFORM

KEY PERFORMANCE INDICATORS (KPI)

WHAT THEY ARE:



- Quantifiable / measurable and actionable
- Measure factors that are critical to the success of the State Ministry
- Tied to goals and targets
- Applied consistently throughout the institution
- Can be both financial and non-financial
- Essentially a tool for signalling policy.

WHAT THEY ARE NOT:



- Metrics that are vague or unclear
- "Nice-to-know" or metrics that are not actionable
- Generic Indicators (eg. top search engines, top key words)
- Exhaustive set of metrics
- Refutable

SETTING TARGETS

TARGETS should be SMART



SPECIFIC

Direct, detailed and meaningful



MEASURABLE

Quantifiable to track progress



ACTIONABLE

Realistic and you have all the tools and resources to attain it



RELEVANT

Aligns with the mission



TIME-BASED

Has a deadline

Annual targets must be set for each KPI.
Quarterly/Monthly targets where possible.
These must be tough to achieve, yet achievable.

Example

For: State Ministry of Foreign Employment Promotion and Market Diversification

Sample KPIs & Targets:

- Increase departures for foreign employment by 15% by going beyond the Middle-East market by 2021.
- Increase the share of male participation going for foreign employment by 10% in 2021.

SAMPLE KPIS OF THE SELECTED STATE MINISTRY

State Ministry	Goal	Strategies	KPIs and Targets
State Ministry of Solar Power, Wind and Hydro Power Generation Projects Development	<p>Hydro and renewable energy combined to account for 70% of the overall energy mix by 2030 (Budget Speech)</p> <p>Note: under Section 5 of the Sri Lanka Electricity Act- 50% renewable energy target by year 2030</p>	<ul style="list-style-type: none"> Fast track renewable energy (solar, wind and hydro) power plants in the pipeline Explore the feasibility of implementing concepts such as floating solar PV systems and wheeling Promoting rooftop solar 	<ul style="list-style-type: none"> NCRE energy generation mix to 20% by 2023 Hydro energy generation mix to 35% by 2023 <p>Comments</p> <p>Energy mix -2018</p> <ul style="list-style-type: none"> Major hydro – 33% NCRE – 11% Aims to add 1,000 MW of solar energy to the national grid through local investments within the period 2021 – 2023. Establish 2 LNG plants of 600 MW
State Ministry of Production, Supply and Regulation of Pharmaceuticals	<p>Produce 50% of pharmaceutical requirements in the country and create enabling regulations to facilitate this by 2025</p>	<ul style="list-style-type: none"> Improve the investment ecosystem and relax regulations to facilitate production of pharmaceuticals Reduce Import dependency on pharmaceuticals Develop economic/investment zones for pharmaceuticals Identify the regulations that are hindering investments and make amendments to those 	<ul style="list-style-type: none"> Commence setting up of the pharmaceutical investment zone in Hambantota by end of 2020 Domestic production of pharmaceuticals to increase to 30% by 2022 Importation of pharmaceuticals to reduce to 70% by 2022 <p>Comment</p> <p>Currently 85% of the total pharmaceutical requirement of Sri Lanka is imported.</p>

APPENDIX 3

PUBLIC SECTOR REFORM

State Ministry	Goal	Strategies	KPIs and Targets
State Ministry of Batik, Handloom and Local Apparel Products	Develop the domestic batik, handloom and local Apparel industry and look to improve its exports	<ul style="list-style-type: none"> ● Explore the use of new fabric types, structures and techniques of batik ● Bring the informal sector players to the formal sector ● Identify potential export markets to export batik and handloom and their market barriers to enable exports ● Explore other export markets and product offerings for the local apparel industry 	<ul style="list-style-type: none"> ● Assign a specific Harmonised System (HS) code for batik to enable exports by end of 2020 ● Facilitate 20 SMEs to access foreign markets by 2021 ● Increase local value addition of local apparel by 15% in 2021 by introducing new product portfolios ● By 2021, have a database with all batik, handloom and local apparel product players in Sri Lanka ● Recruit 10,000 new employees to the industry <p>Comment:</p> <ul style="list-style-type: none"> ● The Ministry has already planned for recruiting 10,000 new employees to the industry
State Ministry of Gem and Jewellery related Industries	Improve the domestic Gem and Jewellery related industries and become a global hub	<ul style="list-style-type: none"> ● Promoting more local value additions in the gem and Jewellery industry and diversify the product portfolios ● Improving investment and the use of technology in manufacturing process ● Enable market facilitation to other untapped export markets 	<ul style="list-style-type: none"> ● Export revenue of USD 500mn / 5% contribution to total exports by 2021 ● Facilitate industry to export to 3 new markets which will account for 5% of the export revenue (5% of USD 500 mn) ● 3 new products to be developed each year in consultation with the local industry and in line with global market requirements <p>Comments</p> <ul style="list-style-type: none"> ● 3% gem diamond and jewellery contribution to total exports (2019 -August) ● USD 314 mn export revenue (2019 - August)

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