

PRESENTATION

ADDRESS BY HON. Dr. SARATH AMUNUGAMA, MINISTER OF ENTERPRISE DEVELOPMENT & INVESTMENT PROMOTION OF SRI LANKA AT THE MINISTERIAL CONFERENCE ON PUBLIC PRIVATE PARTNERSHIP FOR INFRASTRUCTURE DEVELOPMENT, ON 5th OCTOBER 2007 IN SEOUL, KOREA.

Draft Speech

- May I begin by saying that I am happy to represent the Government of Sri Lanka at this Conference on Public-Private Partnership in our region. I wish to thank the Minister of Planning & Budget of the Republic of Korea for this invitation & the Government & the people of this friendly nation for the excellent arrangements made to host us.
- Private sector participation in the provision of infrastructure is an important aspect of growth in Sri Lanka. Physical Infrastructure is the basic building block of any economy. The Sri Lankan Government has been involved in various forms of partnerships with the private sector for many decades. These partnerships include those with suppliers, contractors and joint venture partners which have taken our economy forward. With the liberalization of the economy a few decades ago, we have come a long way in maintaining a consistent policy framework where we have encouraged the development through partnerships of Public & Private sectors.
- Our economic growth for 2006 is 7.4% in terms of GDP. Foreign Direct Investment in 2006 amounted to US\$ 604 M. We expect to reach US \$ 1 Billion in FDI in the near future. Following an increase in per capita income, Sri Lanka is now categorized as a middle income status country.
- The forecasted economic growth according to the ten year development framework of our Government is 8% to 10 %. One of the key drivers to achieve this goal is enhanced investment in the infrastructure sector.
- In 1996, the government established a special unit called the Bureau of Infrastructure Investment, (BII) and entrusted with the task of promoting and facilitating private sector investment in infrastructure. Under this regime, several mega infrastructure projects were implemented with private sector partnership on a public private partnership basis. One such project is a container terminal, with a capacity of 1 million TEUs in the port of Colombo developed on BOT basis. The Colombo port is one of the best in the region, in terms of efficiency and is a transshipment hub in the major East-West trade route. Similarly, several power projects took off the ground with private sector investment. The development of the telecommunication sector in Sri Lanka saw a dramatic increase with the active participation of the

private sector where five key players function competitively under a well structured regulatory regime. Another area where private sector investment been directed is the housing and property development sector.

- Although some sectors have shown dramatic growth as a result of Public-Private Partnerships some others have not attracted such investment. Highways & railways have not benefited from such partnerships. Road density in Sri Lanka is considered the highest in the South Asian region. However, road conditions & capacities are insufficient to meet the rapidly growing demand for mobility. This is one such area where the government is presently envisaging the attraction of private sector investment. Two such major projects are The Colombo Katunayake Expressway, connecting Sri Lanka's capital to the main international airport and the Colombo Kandy Expressway connecting Colombo to the main city in the Central Province. Discussions are now underway with Chinese & Malaysian companies regarding these expressways.
- The expansion of the Colombo harbour is now in progress & where the Government is building a new breakwater and other related infrastructure with the assistance of the ADB. The estimated cost would be around US dollars 450 million. In addition, four terminals are planned to be developed on a public private partnership basis. The first such terminal has already being offered to the private sector on design, finance, built operate and transfer (DFBOT) basis.
- Similarly, in the energy sector, a national energy policy was introduced in Sri Lanka covering the areas of policy, energy security, efficiency & conservation. The ten year development Plan of the Government targets three coal fired plants with a total capacity of 2000mw & the development of several hydro electricity plants. We are also hoping to attract private sector investment in this sector, developing power plants operating in coal, hydro & LNG.
- The other major development projects envisaged by the government are a second seaport in Sri Lanka in Hambantota & a second international airport. Railways are another sector where there is great potential for private sector investment in terms of developing a new railway system. We are now carrying out a detailed feasibility study on establishing a MRT for the Colombo Metropolitan area. Two Techno Parks will be offered to the international market to be developed on PPP basis very soon.
- In December 2006 we revived the PPP concept by establishing a Public Private Partnership unit within the Board of Investment of Sri Lanka (BOI) of Sri Lanka. BOI is the apex body which facilitates, promotes, and approves FDI in to the country. Similarly several PPP cells have also been developed in the related agencies handling infrastructure. The PPP unit works very proactively to promote, public private partnerships in Sri Lanka. We also have a National Procurement Agency which plays

a very vital role in establishing an efficient procurement process in Sri Lanka.

- The government of Sri Lanka also offers several fiscal incentives to attract private sector investment into the country, especially for infrastructure development. Income tax holidays and customs duty exemptions are some of those incentives. The B.O.I. acts as a one-stop-shop to facilitate investors
- A large scale infrastructure project to be implemented on PPP models necessitates a thorough feasibility study prior to being offered to the private sector. The risk sharing mechanisms have to be examined fully for such projects to be successful. This process needs both the expertise and financial investment. We need to strengthen our project development facility which allows state agencies to undertake due diligence on developing PPP projects before bidding them out. Risk sharing is a key area in PPP. If deals are not structured properly they will end up having all risks transferred to the government or vice versa which is not desirable.
- PPP's are all about a win win situation for both the private & public sectors. Therefore, in addition to the project development facilities the government of Sri Lanka is now looking at structuring large scale PPP projects & building up of a pipeline of well structured bankable PPP's. I want to emphasize that public support particularly of immediate stakeholders, is a very important aspect of the PPP strategy.
- We are in the process of establishing a PPP cluster with the participation of all relevant stakeholders including the government sector, private sector & donor agencies.