Sri Lanka

Strengthening national policy capacities for jointly building the Belt and Road towards the Sustainable Development Goals

April 2021
This report was prepared under the capacity development activities of the Development Policy Branch, Economic Analysis and Policy Division, Department of Economic and Social Affairs, United Nations. Inputs from the project consultants Mr. David Vavra, Mr. Jaromir Hurnik and Ms. Ganga Tilakaratna are gratefully acknowledged. For more information, please contact Namsuk Kim, EAPD/DESA (kimnamsuk@un.org) and Felipe Morgado, EAPD/DESA (felipe.morgado@un.org). The content, findings, interpretations and conclusions as expressed in this report do not necessarily represent the views of the United Nations or the Government of Sri Lanka. Typesetter: Sancha Foreman.
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1. Introduction

1.1. 2030 Agenda, the Belt and Road Initiative, and possible linkages

The scale and ambition of the 2030 Agenda requires an intensive global engagement in support of the implementation of all the Sustainable Development Goals (SDGs) and targets, bringing together Governments, the private sector, civil society, the United Nations system and other actors and mobilizing all available resources. The implementation of the 2030 Agenda and the achievement of the SDGs will depend on the concrete actions, including strengthened international cooperation, taken at global, regional, national and sub-national levels, by all the stakeholders.

In 2013, the Government of the People's Republic of China announced the initiative of "jointly building the Silk Road Economic Belt and the 21st Century Maritime Silk Road," or the Belt and Road Initiative (BRI). The BRI runs through the continents of Asia, Europe and Africa, encompassing a large number of countries with huge potential for economic development. In 2013-2020, China signed BRI cooperation documents with 138 countries, more than 2,000 projects have been launched and thousands of jobs have been created in partner countries.

While the BRI and the 2030 Agenda for Sustainable Development are different in their nature and scope, they share in many respects a similar vision and some basic principles. The BRI has the potential for transforming the lives and economies of the participating countries, facilitating the implementation of the 2030 Agenda and the achievement of the SDGs, not only for the participating countries but for the world as a whole.

However, the realization of the potential benefits of BRI is by no means automatic. BRI-related activities in recipient countries embody potential risks in environmental, social, reputational or sustainability aspects. To harness the opportunities brought by the BRI to accelerate the achievement of the SDGs, the UN has conducted a capacity development project that supports beneficiary countries to better understand the implications of BRI and SDGs and formulate policy responses to maximize the benefits and avoid possible risks.¹ The present national report highlights findings from country-specific analysis.

1.2. Country specific context, challenges and opportunities

As of 2018, Sri Lanka is an upper-middle-income country with a GDP per capita of US$ 4,102 and a total population of 21.7 million.² The economy grew at an average annual rate of over 5 per cent during 2008-2017. The service sector has been the dominant sector of the economy, accounting for over 60 per cent of GDP and contributing to a large share of economic growth. Moderate economic growth has led to significant poverty reduction over the past decade, from 15.3 per cent in 2006-2007 to 4.1 per cent in

¹ The project, “Strengthening national capacities for jointly building the Belt and Road towards the Sustainable Development Goals,” has been implemented by Economic Analysis and Policy Division, Department of Economic and Social Affairs, United Nations. For details, visit brisdgs.org
Moreover, with a Human Development Index (HDI) value of 0.780, ranking 71 in 2018, Sri Lanka has been categorized as a country with high human development.\(^4\)

Despite these achievements, Sri Lanka faces several economic, social and environmental challenges. Poverty reduction over the years has not mirrored a similar decline in the level of inequality. The Gini coefficient of household income has remained in the range of 0.45–0.49 over the past decade.\(^5\) Furthermore, the increasing frequency of natural disasters, continuing low female labour force participation and rapid ageing of the population pose many challenges. The growing debt level is another concern for Sri Lanka.

In addition to the above, Sri Lanka has also been faced with an unprecedented global crisis in 2020. The COVID-19 pandemic is expected to cause adverse implications on the economy, impacting the entire population. The tourism sector, which was on the verge of recovery from the April 2019 terrorist attacks in Colombo, was adversely impacted yet again due to travel restrictions and the temporary closure of sea transportation and airports. Tighter transport restrictions have also adversely impacted the country’s export sector, especially in apparel manufacturing, which provides jobs to hundreds of thousands of individuals (especially women) across the country. The hit on these industries will adversely impact a large portion of the Sri Lankan economy since countless individuals whose livelihoods are dependent upon such industries will likely lose their main source of income and struggle to make ends meet due to the lack of business. These adverse impacts will predictably cause severe ripple effects throughout the economy, so much so that the country’s real GDP is estimated to diminish by at least 3.2 per cent this year.\(^6\)

However, it is important to note that Sri Lanka has been quite successful in minimizing the spread of the virus to a great extent in comparison to its neighbors (as of June 2020). Although the county is currently in the process of reopening, it is unlikely that the negative effects of the pandemic can be reversed just within the upcoming months. It is likely that the pandemic has led to higher government debt as well as corporate and household debt, increased unemployment, low domestic and foreign investments, and lower GDP growth. Thus, it would be valid to say that post-pandemic economic recovery is very much an ongoing process with a long road ahead.

2. Analytical Findings

2.1. SDG progress, national development strategies, plans and other policy documents

Since the endorsement of Agenda 2030, Sri Lanka has taken several initiatives to facilitate and advance the implementation of the SDGs. The most important initiative is the enactment of the Sustainable Development Act No. 10 of 2017, which establishes the legal framework to implement the SDGs with improved institutional and policy coherence. The Act also established the Sustainable Development Council (SDC) to formulate the National Policy and Strategy on Sustainable Development (NPSSD) and


\(^5\) Department of Census and Statistics, Household Income and Expenditure Surveys over various years.

issue guidelines related to sustainable development to national and sub-national government bodies on new development projects.\textsuperscript{7} Initiatives have also been taken by the government to identify SDG targets as national priorities through a multi-stakeholder consultation process. In addition, Sri Lanka presented its first Voluntary National Review (VNR) on SDGs at the High-Level Political Forum (HLPF) in 2018.

The current policy framework of Sri Lanka also reflects the country’s commitment to achieving SDGs. The current government’s long-term policy framework articulated in the “Vistas of Prosperity and Splendour” constitutes ten key policies aimed at achieving the fourfold outcomes of a productive citizenry, a contented family, a disciplined and just society, and a prosperous nation. The ten key policies include:\textsuperscript{8}

1) Priority to national security
2) Friendly, non-aligned foreign policy
3) An administration free from corruption
4) New constitution that fulfils the people’s wishes
5) Productive citizenry and a vibrant human resource
6) People-centric economic development
7) Technology based society
8) Development of physical resources
9) Sustainable environmental management
10) Disciplined, law abiding and value-based society

This long-term policy framework is closely aligned to the 17 SDGs and incorporates all three dimensions of sustainability: social, economic and environmental. For instance, key policies such as ‘Productive Citizenry and a Vibrant Human Resource’ and ‘Development of Physical Resources’ incorporate several SDGs, including SDG 3 (Health), SDG 4 (Quality Education), SDG 5 (Gender Equality), SDG 6 (Clean Water and Sanitation), SDG 7 (Energy), SDG 9 (Industry, Innovation and Infrastructure) and SDG 11 (Sustainable Cities). Moreover, ‘People Centric Economy’ is aligned to SDG 1 (End Poverty), SDG 2 (End hunger), SDG 8 (Decent Work and Economic Growth) and SDG 9 (Industry, Innovation and Infrastructure) while ‘Sustainable Environment Management’ is aligned to SDG 13 (Climate Action), SDG 14 (Life below Water) and SDG 15 (Life on Land).\textsuperscript{9}

\textsuperscript{7} Based on Sri Lanka Sustainable Development Act, 2017
\textsuperscript{8} The information is based on Vistas of Prosperity and Splendour (2019). Retrieved from http://www.treasury.gov.lk/documents/10181/790200/FinalDovVer02+English.pdf/3873cb76-8413-47dd-9691-bd80439d5a10
\textsuperscript{9} ibid
<table>
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<th><strong>Main Chapters / Areas</strong></th>
<th><strong>Key Policies</strong></th>
<th><strong>Sub Sector(s)</strong></th>
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</thead>
<tbody>
<tr>
<td>An efficient country free from corruption</td>
<td>An administration free from corruption</td>
<td>Governance</td>
</tr>
<tr>
<td>A safe and secure country for all</td>
<td>Priority to national security/ Friendly and non-aligned foreign policy</td>
<td>National security, Security services, Friendly and non-aligned foreign policy</td>
</tr>
<tr>
<td>A productive citizen and a happy family</td>
<td>Productive citizenry and a vibrant human resource/ New Constitution that fulfils the people’s wishes</td>
<td>Education, Higher education, Vocational training and skills development, Western medicine, Indigenous and Ayurveda System, Youth affairs, Sports, Child care, Women affairs, Social protection, Elder care, Public service, Private sector, Foreign employment, Housing</td>
</tr>
<tr>
<td>People centric economy</td>
<td>People centric economy</td>
<td>Agriculture, Fisheries, Livestock, Business/ Enterprise development, Tourism, Apparel industry, Construction industry, Sugar manufacturing, Small and medium industries, Cooperative movement</td>
</tr>
<tr>
<td>A technology-based society</td>
<td>A technology-based society</td>
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<td>New approach in national spatial system</td>
<td>Development of physical resources</td>
<td>Re-engineering townships, New Colombo Commercial and Financial Hub, Land transport, Sea transport, Air transport, Power and Energy, Water, Disaster Management</td>
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<tr>
<td>Sustainable environmental policy</td>
<td>Sustainable environmental management</td>
<td>Land, Waste management, Atmosphere, Environment and biodiversity, Ocean resources, Settlements and cities, Environmental education</td>
</tr>
<tr>
<td>Dialogue with the village</td>
<td>Development of physical resources</td>
<td>Rural development, Women empowerment, Regional development, Regional Development – Northern and Eastern Provinces, Regional Development – Estate Sector</td>
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*Source: Vistas of Prosperity and Splendour*
Sri Lanka undertook a Rapid Integrated Assessment (RIA) of the mid-term Public Investment Program (PIP) from 2017-2020 (see Table 2.1). According to the RIA, all targets under SDG 4 (Quality Education), SDG 7 (Affordable and Clean Energy) and SDG 9 (Industry, Innovation, and Infrastructure) are fully aligned with targets in the PIP 2017-2020 while the majority of other SDGs show more than 50 per cent alignment. However, SDG 17 on partnerships shows the least alignment with the PIP 2017-2020 (see Figure 1).

Figure 1. Alignment of SDG Targets with the PIP 2017-2020 (in per cent)


Table 2. Public Investment Programme 2017-2020 – Summary of Key Sectors & Sub-Sectors

<table>
<thead>
<tr>
<th>Key sectors</th>
<th>Sub-Sectors Covered</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human resource development</td>
<td>Education, Higher education, Skills development and vocational training, Labour, Foreign employment, Health, Sports, Science, technology and research, Information and communication technology</td>
</tr>
<tr>
<td>Agriculture</td>
<td>Crop agriculture, Livestock, Plantation, Fisheries, Land and land development</td>
</tr>
<tr>
<td>Industry, trade, investment and tourism</td>
<td>Industry (including facilitating private sector and Small and Medium Enterprises), International trade, Foreign investment, Tourism</td>
</tr>
</tbody>
</table>

In recent years, the annual budgets have also incorporated SDGs. Budget 2018, for instance, was dubbed the “Blue-Green” Budget and highlighted the government’s vision to explore the full economic potential of ocean-related activities while adopting an environmentally sustainable development strategy. As highlighted in the VNR 2018, “Budget 2018 has integrated all three dimensions equally and increased the focus on the environmental dimension.” Furthermore, some of the SDG-related investment needs have been mainstreamed into Budget 2019, which has a theme of “Empowering the People, Nurturing the Poor” and focuses on insuring quality education, enhancing investments in the health sector, agriculture, irrigation and public transport, and strengthening climate resilience systems.

**National Policies and BRI**

A detailed examination of the national policy framework reveals that a number of BRI priority areas (such as facilities connectivity, unimpeded trade and connecting people) have been identified as key areas under long-term and medium-term plans. For instance, under “Vistas of Prosperity and Splendour,” the government plans to expedite the development of the Colombo Commercial and Financial Hub and position it as an international commercial and financial hub. In addition, the government aspires to develop four Multi-Dimensional Commercial Cities including Colombo, Hambantota, Jaffna and Trincomalee to become connecting centers of national and international networks. Nine “C” shaped economic corridors will be developed, connecting Colombo Port-Katunayake Port, Hambantota Port-Mattala Airport, and Kankasanthurai Port-Airport in order to create vital market access points for local

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and foreign investors. Moreover, comprehensive development agendas related to Hambantota Port, Colombo Port, Hambantota Industrial Zone, and the trade and tourism industries reflect the alignment of Sri Lanka’s long-term vision with the BRI.13

The PIP 2017-2020 is also comprised of several medium-term strategies on the industry sector, international trade and foreign direct investment (FDI), and infrastructure and urban development. The main focus of public investments in Sri Lanka include industrial zones and technology mega zones with infrastructure facilities. Moreover, Sri Lanka’s economic strategy on trade and FDI include entering into new bilateral and regional economic partnerships to exploit new market opportunities and connect to the global value chain. That said, the PIP 2017-2020 is clearly aligned with the BRI, particularly in terms of unimpeded trade. In addition, the focus on the development of ports and roads as well as the advancement of large urban development projects such as the Western Region Megapolis Plan reflect the linkage between the priorities of the BRI (facilities connectivity priority) and the PIP 2017-2020.14

Furthermore, Budget 2019 highlighted the following areas that are closely aligned to BRI activities.15

- Strengthen the Export Market Access Program and the National Export Strategy for the purpose of developing exports and testing the quality of imports.
- Develop the “China Market Entry Strategy” along with Trading Houses in order to provide a supportive environment for Sri Lankan firms in the Chinese market.
- Extend Southern Expressway from Matara to Hambantota, improving connectivity within the country.
- Complete Moragahakanda–Kalu Ganga Multi-Purpose Project aimed at backing up the agriculture and plantation sectors.
- Implement the Urban Re-generation Project to provide better housing for the most vulnerable parts of society.

2.2. BRI activities and projects, past, ongoing and planned, and their potential linkages to SDGs

Sri Lanka has recognized the BRI as an important initiative in strengthening cooperation along the Silk Road. It has played a central role in the ancient Silk route due to its strategic location connecting the East and the West. Although Sri Lanka has not signed a specific Memorandum of Understanding (MoU) on the BRI, several agreements have been signed between Sri Lanka and China for Chinese-funded investment projects that could help strengthen Sri Lanka’s position in the Silk Road. Sri Lanka is among the 21 founding members that signed the MoU on the establishment of the Asian Infrastructure Investment Bank (AIIB) in

October 2014. That said, this section attempts to identify projects and activities that can be related to the BRI and explore their potential linkages and impact on SDGs.

2.3. BRI Activities and Project
2.3.1. Facilities Connectivity

China emerged as a major development partner for Sri Lanka in the last decade, contributing greatly to nationally important infrastructure development projects. The majority of Chinese financing has been in sectors such as road and transport, port and aviation, water supply and sanitation, and power and energy.

Investments related to improving infrastructure connectivity in terms of road, port and maritime, and civil aviation have been identified as potentially falling under the BRI. Chinese investments in Sri Lanka can be broadly linked to the BRI’s priority on facilities connectivity. Like other development partners, China has been greatly involved in improving Sri Lanka’s infrastructure connectivity for many years now and some projects have commenced even before the launch of the BRI in 2013.

The following includes a detailed summary of Chinese-funded infrastructure connectivity projects in Sri Lanka that commenced after 2013. These projects have been identified to be of strategic importance and relevance to the BRI based on either external financing data published by the Department of External Resources or acknowledgement by primary stakeholders during key informant interviews (KIIs).

a) Colombo Port City Project

Colombo Port City Project is one of the key infrastructure connectivity projects that is financed by China. The project aims to build a world-class city in South Asia that includes the highest quality commercial, entertainment, medical, education and lifestyle facilities and opportunities. The project involves building a new city as an extension of the Colombo Central Business District (Colombo CBD). The new city is being built on 269 hectares of reclaimed land from the sea.

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18 ibid
21 Refer to Annex 1 on key stakeholders interviewed for this study.
22 CHEC Port City Colombo (Pvt) Ltd. 2019, http://www.portcitycolombo.lk/about/
23 CHEC Port City Colombo (Pvt) Ltd. 2018. Port City Colombo: Fact Sheet.
24 Ibid
The project plays an important role in the BRI as the Colombo port city would provide a key link between Asia and Europe along the Silk Road.\(^{25}\) The importance of Sri Lanka in the BRI stems from its ability to function as a global logistics focal point with its strategic location near the world’s busiest shipping lines. The project aims to position Sri Lanka as a commercial hub and world-class city for South Asia. The project is being implemented under a public-private partnership (PPP) between the Government of Sri Lanka and the CHEC Port City Colombo (PVT) Ltd, which is a wholly owned subsidiary of the China Harbour Engineering Company Ltd (CHEC). Construction commenced in 2014\(^{26}\) and is targeted to be fully completed by 2041. Currently, reclamation work has been completed and the first phase of infrastructure work is scheduled to be completed by the end of 2021.\(^{27}\) Meanwhile, the port city has been declared to be open for investment in 2020.\(^{28}\) The cumulative total capital expenditure of the project as of August 2019 was US$ 761.3 million.\(^{29}\)

b) Colombo International Container Terminals (CICT)

CICT has been identified as one the most successful Chinese-funded infrastructure connectivity projects in Sri Lanka in addition to being of strategic importance to the maritime Silk Road. CICT is the first and only Deepwater terminal in South Asia capable of handling the largest floating vessels.\(^{30}\) It is Colombo’s third container terminal with three million TEUs capacity and was constructed in the port of Colombo under the Colombo Port Expansion Project. The strategic location of CICT at the center of the East-to-West shipping routes enable Sri Lanka to act as a gateway to global trade, providing the most efficient connections\(^{31}\) particularly along the Silk Road.

The project was implemented under a 35-year Build-Operate-Transfer (BOT) agreement between Colombo International Container Terminals Ltd (CICT) and Sri Lanka Ports Authority (SLPA). CICT is a joint venture between China Merchants Holding (International) Co. Ltd and SLPA.\(^{32}\) The construction of CICT commenced in December 2011\(^{33}\) and operations commenced in July 2013.\(^{34}\) CICT invested US$ 560 million during year 2011-2014 to construct the terminal.\(^{35}\)

CICT plays a key role in Sri Lanka’s logistics sector. In 2019, it was voted the Best Container Terminal in Asia in the ‘Under 4 million TEUs’ category at the prestigious Asian Freight, Logistics

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\(^{25}\) Ibid

\(^{26}\) It was identified during KIIs that the concept of the port city was initially conceptualized around 2004 by the government under a proposal to expand the Colombo CBD.

\(^{27}\) Based on information received from CHEC Port City Colombo (Pvt) Ltd during KIIs & CHEC Port City Colombo (Pvt) Ltd., 2018. Port City Colombo, Master Plan.


\(^{29}\) Based on information from CHEC Port City Colombo (Pvt) Ltd.


\(^{31}\) Ibid

\(^{32}\) Ibid

\(^{33}\) Prior to the launching of the BRI by China in 2013


\(^{35}\) Based on information received from Colombo International Container Terminals (LTD)
and Supply Chain (AFLAS) Awards for the third consecutive year.\textsuperscript{36} Furthermore, the terminal contributes significantly to the overall performance of the port of Colombo.\textsuperscript{37} The volume of cargo handled by CICT has increased from 686,639 TEUs in 2014 to 2.68 million TEUs in 2018.\textsuperscript{38} Moreover, CICT handled 38 per cent of total containers in the port during 2018.\textsuperscript{39}

c) Extension of Southern Expressway Project (ESEP)

The ESEP is a three-year road connectivity project that commenced in 2016. It includes the construction of a 96 km long, four lane extension of the Southern expressway from Matara to Hambantota in the southern province.\textsuperscript{40} It is an extension of the Southern Expressway, which was the first link of the country’s expressway network funded by Export-Import (EXIM) Bank of China that was completed in 2014.\textsuperscript{41} ESEP is also financed by the EXIM Bank of China and is being constructed in four sections: from Matara to Beliatta (US$ 683 million), Beliatta to Wetiya (US$ 360 million), Wetiya to Mattala (US$ 252.2 million) and Mattala to Hambantota via Andarawewa (US$ 412 million).\textsuperscript{42} The key objective of the project is to enhance the transport system by linking the country’s major economic centers in the southern province with Colombo and other parts of the country.\textsuperscript{43}

d) Hambantota Port Development Project

Hambantota port is another Chinese-funded infrastructure development project in Sri Lanka. Situated in the southern tip of the country, the port is strategically located with a close proximity of 10 nautical miles from the main east/west shipping lanes passing Sri Lanka.\textsuperscript{44} Hambantota port aims to become a world-class customer-centric sea port and platform for business excellence,\textsuperscript{45} similar to the port of Colombo.\textsuperscript{46}

\textsuperscript{36} Sri Lanka Ports Authority. 2019. CICT voted Best Container Terminal in Asia for 3rd successive year. \url{https://www.slpa.lk/port-colombo-page/f0ddf7f496d5ac568e6d598777f78e8d/9a14d70c3d34d9f73f2983ae36923d971aee6356}

\textsuperscript{37} Colombo International Container Terminals (LTD), 2019. CICT invests over US$ 10 m towards green infrastructure at Colombo Port. \url{http://www.cict.lk/read/news/3}

\textsuperscript{38} Sri Lanka Ports Authority. 2019. CICT voted Best Container Terminal in Asia for 3rd successive year. \url{https://www.slpa.lk/port-colombo-page/f0ddf7f496d5ac568e6d598777f78e8d/9a14d70c3d34d9f73f2983ae36923d971aee6356}


\textsuperscript{40} Road Development Authority. Extension of Southern Expressway Project (ESEP) - Section 1 (Matara to Beliatta). \url{http://www.rda.gov.lk/supported/project_progress_pmu/esep/esep1.html}

\textsuperscript{41} Road Development Authority. Expressway Operation Maintenance And Management Division: Road Development Authority - Sri Lanka. \url{http://www.exway.rda.gov.lk/index.php?page=expressway_network/e01}


\textsuperscript{43} ibid

\textsuperscript{44} Sri Lanka Ports Authority (SLPA), Asian Development Bank (ADB) and Maritime and Transport Business Solutions (MTBS). 2019. National Port Master Plan: Executive Summary.

\textsuperscript{45} Hambantota International Port Group (Private) Limited. 2019. \url{http://www.hipg.lk/vision-mission-and-values/}

The port is being developed in two phases. Phase I was developed by China Harbour Engineering Company (CHEC) and is currently operational.\textsuperscript{47} Phase I commenced in 2007 and was completed in 2011,\textsuperscript{48} and was financed by a US$ 306.7 million loan from EXIM Bank of China.\textsuperscript{49} Phase I consisted of the construction of two roll-on/roll-off (Ro-Ro) berths for transshipments/imports, a small craft berth, bunkering berth, and LPG mooring location.\textsuperscript{50}

As a result of management and financial issues, a 99-year port management contract was finalized in July 2017 between the Government of Sri Lanka and the port operator China Merchants Port Holdings Company Ltd (CMPort), which is a part of China Merchants Holdings International (CMHI). Under this agreement, port activities are carried out by the two companies, Hambantota International Port Group (Pvt) Ltd. (HIPG) and Hambantota International Port Services Company (Pvt) Ltd. (HIPS), which are jointly owned by SLPA and CMPort.\textsuperscript{51}

The ongoing phase II of the project is financed by three loans from EXIM Bank of China. While the first loan of US$ 600 million has been fully utilized during 2012-2016, the two other loans of US$ 158 million and US$ 51 million for 2012-2019 have been cancelled.\textsuperscript{52} Phase II consists of a fully constructed administrative building, a break bulk cargo terminal, a container terminal with two main line berths, a special economic zone (SEZ) of 15,000 acres, and an island that provides space for real estate development and marina development.\textsuperscript{53} Meanwhile, efforts have also been taken by the Board of Investment of Sri Lanka (BOI) to develop an Export Processing Zone (EPZ) near the port, with the initiative currently being in the land acquisition stage.\textsuperscript{54} These efforts to further develop Hambantota port are geared towards positioning the country as a maritime hub.\textsuperscript{55}

\textsuperscript{48} The project commenced prior to the announcement of the BRI.
\textsuperscript{51} ibid
\textsuperscript{54} Based on information received from the Board of Investment of Sri Lanka (BOI)
e) Greater Kurunegala Water Supply Project

Greater Kurunegala Water Supply Project was financed by the EXIM Bank of China through a loan amounting to US$ 77 million and was implemented in the Kurunegala district of Sri Lanka.\textsuperscript{56} The key objective of the project was to meet the present and future demand of drinking water in the Greater Kurunegala area. Other key project components included increasing water supply capacity from 6500m\textsuperscript{3}/d to 13000m\textsuperscript{3}/d and establishing a proper wastewater disposal system with a capacity of 4500m\textsuperscript{3}/d.\textsuperscript{57} The project commenced in 2013 and was successfully completed in 2018.\textsuperscript{58} Meanwhile, there are several other water supply projects across the country that have been financed through funding from China.\textsuperscript{59}

f) Moragahakanda Development Project

Moragahakanda Development Project is a key irrigation and power generation project that was financed by China Development Bank (CBD) though a loan of US$ 214.2 million.\textsuperscript{60} It is the largest reservoir built with Chinese assistance, and the fifth and last major reservoir under the Accelerated Mahaweli Scheme.\textsuperscript{61} The project directly benefits the four districts of Anuradhapura, Polonnaruwa, Mathale, and Trincomalee, and contributes to agriculture productivity, produces hydro power to the national grid, provides safe drinking water facilities and helps with flood control.\textsuperscript{62} The key objective of the project was to provide irrigation facilities for 82,000 ha while increasing cropping intensity to 1.81. Meanwhile, the project also aimed to issue 90 MCM of water for domestic/industrial purposes and construct 25 MW hydro power plants. The project commenced in 2012 and was completed in 2017.\textsuperscript{63}

2.3.2. Unimpeded Trade

China is an important trading partner for Sri Lanka and is the second largest origin for imports in Sri Lanka, accounting for 18.5 per cent of total imports in 2018, compared to India at 19 per cent (see Figure 2). Meanwhile, although Sri Lanka’s exports to China have been growing over the past decade, it was still around 2 per cent of total exports in 2018 and China is the 9\textsuperscript{th} largest export destination of Sri Lanka (see

\textsuperscript{57} Ibid
\textsuperscript{58} Ibid
\textsuperscript{60} Ibid
\textsuperscript{63} Ibid
Consequently, Sri Lanka maintains a negative trade balance with China, which has been expanding over time (see Figure 4).

**Figure 2. Origins of Sri Lanka’s largest imports (per cent of total imports) in 2014-2019**

![Diagram of import origins](image1)

*Source: CBSL Annual Report, various years*

**Figure 3. Sri Lanka’s largest export destinations (per cent of total exports) in 2014-2019**

![Diagram of export destinations](image2)

*Source: CBSL Annual Report, various years*
However, there is significant potential for expanding trade with China. The ongoing free trade agreement (FTA) negotiations between Sri Lanka and China, which can be linked to the broad umbrella of the BRI, can potentially boost trade between the two countries. As identified by the Joint Feasibility Study on the China-Sri Lanka Free Trade Agreement (2014), the proposed FTA will increase trade in certain sectors of interest to Sri Lanka including, but not limited to, tea, rubber products, fish and fisheries products, textile and clothing, coconut products, gems and jewellery, fruits and vegetables, machinery, and electronics. However, six rounds of negotiations have been held to date and consensus is yet to be reached on some key issues.

China emerged as a major development partner of Sri Lanka during the past decade, committing US$ 9.2 billion from 2001 to 2017. The concessional characteristics of Chinese funding such as low interest rates and longer maturity are noteworthy, especially given the declining trend of concessional financing and the increasingly limited availability of funding given the graduation of Sri Lanka to middle income status. China has also emerged as a major investor in Sri Lanka. During 2005-2017, China accounted for the highest amount of FDI in Sri Lanka (see Figure 5).

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66 Ibid
Nevertheless, the potential to improve trade and investment activities along the BRI goes beyond bilateral trade and investment cooperation with China. The BRI presents opportunities to capitalize on improved trade and investment activities along the entire Silk Road. For instance, studies suggest that the BRI can increase trade flows by 4.1 per cent among participating countries,\(^{67}\) while BRI transport projects can increase trade between 1.7 per cent and 6.2 per cent for the world.\(^{68}\)

However, there are certain priority areas that Sri Lanka needs to improve on in order to benefit from the expanded economic activities along the Silk Road. Some of these priority areas of action include: creating an enabling environment for trade and investment by improving efficiency of administrative and regulatory processes, ensuring policy consistency to strengthen investor confidence, and assisting local SMEs to integrate into value chains along the Silk Road.

### 2.3.3. People-to-People Bond

People-to-people movement between Sri Lanka and China via tourism, education and training exchanges are common. China is the second major country of origin for tourists in Sri Lanka, accounting for 11.3 per cent of total arrivals in 2017.\(^{69}\) Moreover, the number of tourists from China has been increasing rapidly in recent years (see Figures 6 and 7).

There is significant potential to improve tourism even further through enhanced connectivity along the Silk Road. A recent study by the World Tourism Organization (UNWTO)\(^ {70}\) highlights that under the BRI,

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\(^{70}\) World Tourism Organization (UNWTO), 2019. The 21st Century Maritime Silk Road – Tourism Opportunities and Impacts.
there is an opportunity for tourism growth over time due to enhanced air and maritime connectivity, and greater economic and trade integration along the Silk Road. However, there are several areas to improve on first, before Sri Lanka can capitalize on improved tourism opportunities presented by the BRI. Key areas for improvement include improving industry capacity and addressing human resource gaps to cater to potential increased demand.

*Figure 6. Top ten origins for tourist arrivals in 2018*

![Figure 6](image-url)

*Source: Sri Lanka Tourism Development Authority, 2018 Annual Statistical Report*

*Figure 7. Tourist arrival trends in Sri Lanka’s top three origins (2012-2017)*

![Figure 7](image-url)


Education exchange is another important area of cooperation between Sri Lanka and China. Figure 8 shows the number of Undergraduate & Postgraduate Scholarships awarded by the Chinese government during 2013-2018. Meanwhile, the Chinese government has also provided significant technical assistance through training opportunities for Sri Lankan government officials. In 2018, for instance, China provided 62 per cent of the total short-term training opportunities among Sri Lanka’s development partners (see Figure 9). Moreover, the training opportunities provided by China seems to have significantly increased over time, as over 1,000 officials were selected for foreign training in China in 2018, compared to 135 in 2013.71

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2.3.4. Financial Integration

Sri Lanka is among the 21 founding members that signed the MoU on the establishment of the AIIB in October 2014. Two development projects in Sri Lanka were approved by the AIIB in April 2019:

1. Reduction of Landslide Vulnerability by Mitigation Measures Project aims to reduce risk and damage from landslides in Sri Lanka through the implementation of physical mitigation measures based on investigation/assessment and the improvement of planning, regulation and instruments.

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associated with landslide management. The timeline of the project is from 2019 to 2023 with an investment value of US$ 80 million.\(^{73}\)

2. Support to Colombo Urban Regeneration Project aims to improve the housing conditions of low-income communities through investments in the construction of affordable housing and the redevelopment of land. Main components of the project include: constructing about 5,500 housing units in multi-story apartment buildings in eight or nine residential complexes, maximizing the revenue from land that will become available after households from underserved communities move into the new apartment units, and providing technical support and project management.\(^{74}\) The timeline for the project is 2019-2025 with an investment of US$ 200 million.\(^ {75}\)

2.3.5. Policy Coordination

Sri Lanka and China have maintained close cooperation and coordination over the years. Formal diplomatic relations between the two countries date back to 1957, while the FTA between the two countries dates back even further to the signing of the Rubber Rice Pact in 1952.\(^{76}\) Since then, the two countries have coordinated closely on economic and technical cooperation, and many high-level exchanges have taken place between the two countries over time. Some of the recent MoUs\(^ {77}\) signed with China on economic and technical cooperation include:

- “Comprehensive Implementation of Investment, Economic and Technological Cooperation” (07.04. 2016): Enhance investment, economic and technological cooperation, and improve cooperation on enterprises between both countries.
- “Promotion of Investment and Economic Cooperation” (16.05. 2017): Promote sustainable social and economic development, expand exports and increase employment opportunities.
- “The Outline of the Medium and Long-term Development Plan for Investment, Economic and Technological Cooperation” (16.05.2017): Promote rapid, stable and orderly development of bilateral investment, economic and technological cooperation, improve the level and quality of bilateral investment, and promote social, economic and friendly cooperation.

2.4. Potential Links between BRI and SDGs

2.4.1. Facilities Connectivity

The infrastructure projects under facilities connectivity include the Port City Project, CICT, the ESEP, and Hambantota Port Development Project. These projects have the potential to contribute to a number of SDGs, in particular SDG 8 (Decent work and Economic growth), SDG 9 (Industry, Innovation and Infrastructure), SDG 11 (Sustainable Cities and Communities) and SDG 17 (Partnerships) through employment generation, infrastructure development, enhanced access to safe public spaces, multi-stakeholder partnerships, and mobilization of additional financial resources. Furthermore, the Moragahakanda Development Project also has potential links to SDG 2 (Zero Hunger), SDG 7 (Affordable and Clean Energy) and SDG 13 (Climate Action) while the Greater Kurunegala Water Supply Project has

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\(^{74}\) Ibid

\(^{75}\) Ibid


\(^{77}\) Based on information received from the Ministry of Development Strategies and International Trade (MODSIT)
direct potential impact on SDG 6 (Clean Water and Sanitation). Overall, these projects also have the potential to indirectly impact many other areas including reducing poverty and inequality in the long-run, which could contribute to the attainment of SDG 1 and SDG 10 respectively.

2.4.2. Unimpeded Trade
Enhanced trade and investment activities could have direct potential impact on the achievement of SDG 8, SDG 9 and SDG 17 while having indirect potential impact on reducing poverty and achieving SDG 1.

2.4.3. People-to-People Bond
Sri Lanka’s efforts on people-to-people bond have the potential to contribute towards SDG 8 through the promotion of the tourism industry and increased tourist arrivals, and SDG 4 through education and training opportunities specifically for tertiary, technical and vocational education.

2.4.4. Financial Integration
Financial integration is directly linked to SDG 17 through the mobilization of additional financial resources. Projects financed by AIIB loans could contribute towards other SDGs as well. For instance, the Urban Regeneration Project has the potential to impact SDG 11 on sustainable cities and communities, while the Reduction of Landslide Vulnerability by Mitigation Measures Project has the potential to contribute to a number of SDGs like SDG 1, SDG 13 and SDG 15.

2.4.5. Policy Coordination
This priority can also be broadly linked to the achievement of SDG 17 on partnerships.

Figure 10. Five BRI Priorities and Their Potential Linkages to SDGs
2.5. Model and Simulation

The existing United Nations World Economic Forecasting Model (WEFM) has been modified to account for the impacts of the BRI. Thus, the major difference between the original WEFM and the expanded WEFM (WEFM-e) is that the WEFM-e assesses the impact of the infrastructure investment on various key economic indicators at the country specific level. The model results are not actual forecasts but both the baseline and upside simulations provide a general idea of how BRI-related investments can affect economic development. These results also help to better understand how continued BRI investments can assist in the attainment of the SDGs.

According to available data, total BRI-related investments amount to US$ 4.9 billion or approximately 8 per cent of 2016 GDP. This total amount includes loans and investments prior to the official launch of the BRI in 2013 as they were declared to be part of the BRI later on. Indeed, the first project (Hambantota Port) had started already in 2007 and was completed by the end of 2019. As some projects are still ongoing or planned and expected to be completed by 2025, the model for Sri Lanka spans 2007 through 2025.

The modifications to the model shows faster growth of overall investments. Over the forecast horizon, investment growth increases by four percentage points, mainly driven by private investment growth. On the other hand, government investments also record robust growth, similar to infrastructure investment, although the growth of infrastructure investments remains more volatile (Figure 11, a and b).

By introducing the extended total factor productivity (TFP) equation, there is faster TFP growth in WEFM-e compared to the original model. Moreover, expanding the labour market increases labour force participation in the economy. These two effects combined lead to faster trend productivity growth (Figure 11, c), which in turn feeds potential output growth to be faster in the WEFM-e (Figure 11, d). Specifically, a hike in potential output growth in 2018 is related to increased labour force participation.

Stronger investment inflows and productivity gains drive real GDP to grow faster in the modified model (Figure 11, e). Initial acceleration of GPD growth causes the output gap to close in 2019. However, as the productivity increase boosts potential output more than actual GDP later on, output gap stays negative in the WEFM-e, while it grows (and stays positive) in the original model (Figure 11, f). Supply side effects, such as the positive shocks in technology and growing labour participation, are stronger than aggregate demand effects. It is probable however, that in reality, aggregate demand would grow faster due to expectations about future faster growth. This mechanism is difficult to strengthen in the WEFM-e due to problems with the overall stability of the model.

Faster GDP growth helps the country accumulate more revenues and therefore, budget deficit quickly declines to about 2 per cent of GDP (Figure 11, h). Modifying the fiscal side of the model and introducing government interest rate payments on debt also contribute to the decline of fiscal deficit. Series $O_{t}^{OTH}$ for government other spending is lowered, leading to lower budget deficit. As a result of improved

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government finances, the country borrows less, leading to a faster decline in debt-to-GDP ratio in the modified model (Figure 11, g).\(^79\)

Since WEFM-e implies improved government finances and a reduced debt-to-GDP ratio, nominal interest rate stabilizes around 16 per cent after 2022, causing the real rate of interest (RIR) to stabilize around 12 per cent (Figure 11, i). Regarding the poverty side, the poverty rate is low and just at 4.1 per cent in 2015-2016. Poverty rate declines further to 3 per cent by the end of the forecast horizon (Figure 11, j).

Modifying the labour market leads to higher labour force participation (Figure 11, k). This is driven by faster real GDP growth and growing female labour force participation driven by growth in skills ratio, which overcomes the downward impact of the overall lower female labour participation at the beginning of the simulation. Acceleration of economic activity also leads to undesirable consequences in terms of pollution. According to WEFM-e, CO\(_2\) emissions increase over the forecast horizon (Figure 11, l).

In summary, in the simulated scenarios, GDP growth could lead to lower fiscal deficit in the modified model, which in turn implies less borrowing and a declining debt-to-GDP ratio. Moreover, labour force participation increases and poverty rate declines. However, this simulation is based on critical assumptions that Sri Lanka is able to manage the debt level until the revenue from the BRI investments is raised. Sri Lanka’s government debit is over 100 per cent of GDP in 2020, according to the IMF, and projected to sharply increase further in coming years.\(^80\) Rating agencies downgraded Sri Lanka’s long-term sovereign credit rating in late 2020, with references to an increasing debt to GDP ratio and substantial external funding needs.\(^81\) Sri Lanka has sought support from multilateral and bilateral development partners, including an approved US$ 1.5 billion currency swap agreement with China, and a request for financial support from the IMF.\(^82\) Maintaining macro-economic and debt sustainability is the key factor to realize the potential synergies between BRI and SDGs in Sri Lanka.

\(^79\) The actual development in Sri Lanka was, by far, less positive in reality, compared with the model simulation. This is due to the fact that the historical database ends in 2017 and that significant shocks, such as the terrorist attack during Easter in 2019, are not incorporated into the model.

\(^80\) https://www.imf.org/en/Countries/LKA#countrydata

\(^81\) Downgrading announcements by Moody’s (28 September), Fitch (27 November), S&P (11 December).

Figure 11. Sri Lanka: Baseline Scenario

a) Growth of the overall investment (in %)

b) Growth of the government, private and II (in %)

Investment growth

Investment growth (modified model)

Original  Modified

-20%  0%  10%

-10%  10%  20%

0%

-20%

0%

10%

-10%

20%

Years: 2012-2023

Modified

Original

-20%  0%  10%

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3. Policy options

3.1. Discussions at the national workshop

The first national workshop on “Jointly Building the Belt and Road towards the Sustainable Development Goals” was held on August 8, 2019 at the Institute of Policy Studies of Sri Lanka (IPS) with the participation of experts representing the government, private sector, development partners and academia.

First, the National Consultant for UN DESA, Dr. Ganga Tilakaratna made a presentation on 'The Belt and Road Initiative and SDGs: Potential Linkages, Opportunities and Challenges,' which was followed by a discussion moderated by Dr. Sugath Yalegama, Director General of the Sustainable Development Council, Ministry of Mahaweli Development and Environment. The discussion was based on three questions: (i) What are the projects and activities that can be broadly identified as related to the BRI? (ii) What is their potential impact/contribution on advancing SDGs in Sri Lanka? and (iii) To what extent are these projects activities aligned to national policies and strategies? Presented below are some issues, challenges and opportunities that were identified during the discussion.

Issues, challenges and opportunities related to the BRI in Sri Lanka

- The difficulty in identifying projects/activities related to the BRI was raised during the discussion, primarily due to the lack of clarity on the definition of the BRI. In particular, differentiating BRI projects/activities from others funded by China was highlighted as a challenge as some Chinese-funded projects/activities that were mentioned under the five key pillars of the BRI had been initiated prior to 2013, the year in which the BRI was launched.
- It was also mentioned that apart from the five priority areas, there are other important principles of the BRI like joint contribution, joint consultation and sharing benefits that China contributes to countries in various development aspects.
- It was highlighted that according to the annual reports of the Central Bank of Sri Lanka and the performance report of the Department of External Resources, the external debt to China only accounts for 12 per cent of total external debt in Sri Lanka. Furthermore, it was stated that two-thirds of Chinese debt are based on concessional loans with interest rates that are much lower than the international capital market.
- Moreover, it was suggested that Sri Lanka should take certain measures to facilitate these BRI investments by empowering law and order, providing sufficient incentives for investors and developing soft infrastructure.
- In addition to tourism and scholarships from China, people-to-people connectivity can also include various training opportunities for Sri Lankan government officials. These training opportunities are specifically provided for government officials and specialists of the Ministry of Health, Ministry of Agriculture and other line ministries with the purpose of conducting field studies and exchanging know-how based on Chinese expertise.
- One of the key areas that Sri Lanka can seek Chinese cooperation on is technical knowledge and expertise on food production and post-harvest losses. Accordingly, there have been opportunities for exchange between the two countries. Apart from that, China is currently considering extending soft cooperation instead of hard cooperation to Sri Lanka. In line with this thought, the

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83 A detailed summary of the presentation is included in the National Workshop Report in the Annex 2.
discussion highlighted the importance of promoting entrepreneurship in Sri Lanka under people-to-people bond, given the level of entrepreneurship in China.

- Furthermore, it was suggested that under the BRI, Sri Lanka has the opportunity to tap into the most advanced technologies in the world to facilitate a brand new type of economy, and develop industries and competitive markets. In addition, projects such as CICT have the capacity to create more than 10,000 skilled employment opportunities for the Sri Lankan labour market.
- The importance of data related to SDGs and the BRI was also underlined. Similarly, the importance of the multi-stakeholder process as well as how reliant data can be obtained through the collaboration of these various stakeholders was emphasized.

BRI-related projects/activities and national policies and strategies

- It was highlighted that almost all the BRI projects are in line with national priorities. In fact, these projects were initially proposed by the Government of Sri Lanka and later funded by the Chinese government.
- It was noted that the BRI projects/activities, in particular, those related to facilities connectivity and the country’s logistical performance, are in line with the National Export Strategy that has identified the logistics sector as a key sector in boosting exports. It was highlighted that the majority of these projects funded by the Chinese government conform to the country’s national policies and strategies.
- The importance of analyzing the potential of BRI-related projects and activities in bridging specific development needs of Sri Lanka was also underscored. For instance, it was noted that in addition to analyzing the overall potential employment benefits of BRI-related projects, it is also important to look into key issues relating to employment such as youth unemployment and female labour force participation.

Suggested actions to maximize benefits and avoid risks

As discussed in preceding sections of the report, there are potential linkages between BRI-related projects/activities in Sri Lanka and the SDGs. Maximizing benefits and minimizing risks of BRI-related projects and activities depend on several key factors.

Creating an enabling environment for trade and investment

Most Chinese-funded facilities connectivity projects in Sri Lanka are currently in the implementation stage, and project success and benefits delivery to the local economy depend largely on the ability of projects to attract investors. For instance, Port City Colombo and Hambantota Port Development are two projects that are currently encouraging investors. Moreover, these projects face competition from other similar infrastructure developments in neighboring countries. Having a conducive environment in place, with efficient and internationally competitive administrative and regulatory processes, and consistent economic policies will strengthen investor confidence in Sri Lanka and enhance the country’s investment potential.
Sri Lanka fares relatively well in South Asia in terms of the World Bank’s Doing Business rankings, but there is considerable room for improvement compared to other countries in its income group.\textsuperscript{84} Thus, it is vital for Sri Lanka to develop an enabling regulatory environment for attracting trade and investment opportunities along the Silk Road.

**BRI-related activities have to complement other national, sectoral and regional policies/strategies**

There are several other complementary policies, strategies and projects in Sri Lanka, including those funded by other development partners. Examples include the South Asia Sub-regional Economic Cooperation (SASEC) Program that, like the BRI, focuses on priorities such as enhancing physical connectivity through multimodal transport systems, and trade and transport facilitation. Moreover, government policy documents such as the National Port Master Plan, and the National Export Strategy focus on improving Sri Lanka’s logistics and maritime sectors. Thus, it is important to align BRI activities/projects with other policies/strategies. Moreover, they must contribute towards the advancement of SDGs. In this regard, greater partnerships for facilitating linkages between the BRI and such complementary policies/strategies/programmes are of importance.

**Ensuring that benefits trickle down to vulnerable/marginalized communities**

Although BRI-related projects and activities present potential benefits to Sri Lanka in advancing sustainable development, ensuring that such projects can generate growth and employment benefits to vulnerable/marginalized communities including those from low-income groups and women as well as Small and Medium Enterprises (SMEs), should be a key priority.

**Improving local production capacities**

Boosting local production capacities to meet potentially greater demand from the BRI is crucial to latching onto the opportunities presented by the BRI. For instance, although a possible FTA with China can help expand Sri Lanka’s exports, there could be potential capacity constraints by local exporters in meeting this higher volume of demand. These potential constraints should be assessed. Furthermore, capitalizing on improved tourism opportunities along the Silk Road depends on the capacity of the local tourism industry in catering to higher demand.

**Addressing data challenges and gaps in relation to the BRI**

One of the key challenges in analyzing the impact of the BRI is due to the limited availability of data. Sri Lanka, like some other BRI partner countries, has not signed a specific MoU on the BRI although the country has been cooperating bilaterally with China over the years. Thus, identifying projects and activities that are specifically related to the BRI and differentiating them from other Chinese-funded projects and activities is a key challenge in assessing the impact of the BRI in Sri Lanka. Moreover, information on such Chinese-funded projects and programs are scattered across various sources and cannot be consolidated. More clarification on what constitutes as a BRI project and the compilation of such data will help address

\textsuperscript{84} Based on World Bank, 2019, Ease of Doing Business Rankings, \url{https://www.doingbusiness.org/en/rankings?region=south-asia}
some of the prevailing data challenges and enable a more comprehensive assessment of the socioeconomic impact of BRI-related projects and activities in Sri Lanka.
References


Sri Lanka Ports Authority (2019). CICT voted Best Container Terminal in Asia for 3rd successive year. https://www.slpa.lk/port-colombo-page/f0dd7f496d5ac568e6d598777f78e8d/9a14d70c3d34d9f73f2983ae36923d971aee6356


Annex 1.

List of Institutions interviewed or contacted for information and data

Department of External Resources, Ministry of Finance of Sri Lanka

Board of Investment of Sri Lanka (BOI) (IT & Infrastructure sector, Chinese Investment Promotion Sector and Media & Publicity)

Department of National Planning, Ministry of National Policies, Economic Affairs, Resettlement & Rehabilitation, Northern Province Development and Youth Affairs

Sri Lanka Ports Authority (SLPA)

Colombo Port City Project, Urban Development Authority, Ministry of Megapolis & Western Development

Ministry of Development Strategies & International Trade (MODSIT)

Embassy of People’s Republic of China in Sri Lanka

CHEC Port City Colombo (Pvt) Ltd.

Colombo International Container Terminals (CICT)

Ministry of City Planning, Water Supply and Higher Education
Annex 2. Report on national workshop

National Consultation Workshop on

“Jointly Building the Belt and Road towards the Sustainable Development Goals”

8 August 2019

Institute of Policy Studies of Sri Lanka (IPS)

Colombo, Sri Lanka

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<td>9.30 am – 9.35 am</td>
<td>Welcome address – Dr. Dushni Weerakoon, Executive Director, Institute of Policy Studies of Sri Lanka (IPS)</td>
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<td>9.35 am – 9.40 am</td>
<td>Brief introductory video on the UN DESA project on ‘Strengthening National Policy Capacities for Jointly Building the Belt and Road towards the SDGs’ – Dr Namsuk Kim, Projects Coordinator/Economic Affairs Officer, United Nations Department for Economic and Social Affairs (UN DESA)</td>
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<td>9.40 am – 10.10 am</td>
<td>Presentation on ‘The Belt and Road Initiative and SDGs: Potential Linkages, Opportunities and Challenges’ – Dr Ganga Tilakaratna, Research Fellow and Head of the Poverty and Social Welfare Policy Research (IPS) and UN DESA National Consultant – Sri Lanka</td>
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<tr>
<td>10.10 am – 11.30 am</td>
<td>Discussion moderated by Dr. Sugath Yalagama, Director General, Sustainable development Council, Ministry of Mahaweli Development and Environment</td>
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Participants


Presentation and Discussion

The presentation on ‘The Belt and Road Initiative and SDGs: Potential Linkages, Opportunities and Challenges’ (by Dr. Ganga Tilakaratna of UN DESA National Consultant) highlighted the preliminary findings of the research, including the background and context to SDGs and the BRI in Sri Lanka, and the main projects/activities related to the BRI in Sri Lanka and their linkages/potential impact on SDGs.
SDGs and the BRI: The Country Context

Sri Lanka has pledged commitment to the 2030 Agenda on Sustainable Development including the 17 SDGs and has taken several measures since 2015 to implement the SDGs. It has also recognized the BRI as an important initiative in strengthening cooperation along the Silk Road. Sri Lanka has played a central role in the ancient Silk route due to its strategic connection of the East and the West. Sri Lanka is among the 21 founding members that signed the MOU on the establishment of the Asian Infrastructure Investment Bank (AIIB) in October 2014. Although Sri Lanka has not signed a specific MOU on the BRI, several agreements have been signed between Sri Lanka and China including agreements on Chinese-funded investment projects, which could help strengthen Sri Lanka’s position in the Silk Road.

Projects/activities related to the five Priority Areas of the BRI

1) Facilities Connectivity – Four key projects were identified as broadly related to the BRI under facilities connectivity.

- **Colombo Port City Project** aims to build a world-class city for South Asia, which will include high quality facilities such as healthcare, education, entertainment, hotels and restaurants. It is considered to be Sri Lanka’s single largest FDI with an initial investment of US$ 1.4 billion and a total investment of US$ 15 billion. The project plays an important role in the BRI as the port city of Colombo provides a key link between Asia and Europe along the Silk Road.

- **Colombo International Container Terminal (CICT)** is the first and only deep-water terminal in South Asia capable of keeping the largest vessels afloat. It was constructed in the port of Colombo, under the Colombo Port Expansion Project through a 35-year Build-Operate-Transfer (BOT) agreement between CICT and Sri Lanka Ports Authority (SLPA) with an investment of US$ 500 million.

- **Extension of Southern Expressway Project (ESEP)** involves the construction of a 96 km long extension of the Southern Expressway from Matara to Hambantota. It was funded through the project loans from China EXIM bank.

- **Hambantota Port Development Project** aims to develop Hambantota port into a global maritime center and a world-class sea port with global connectivity. It is a multi-purpose port that provides port services, maritime services, port related industrial zone, integrated logistics and business incubator.

2) Unimpeded Trade

China is an important trading partner for Sri Lanka as the second largest origin of imports in Sri Lanka, accounting for 18.5 per cent of total imports in 2018. Yet, exports to China account only about 2 per cent of Sri Lanka’s total exports. China has also emerged as a major development partner and investor for Sri Lanka. During 2005-2017, China accounted for the highest amount of FDI in Sri Lanka. However, potential to improve trade and investment activities along the BRI go beyond the bilateral trade and investment cooperation with China. There are opportunities to capitalize on improved trade and investment activities all along the Silk Road.
3) **People-to-People Bond**
- **Tourism** - China is known to be the second major source of tourists in Sri Lanka and tourist arrivals have increased in recent years. Furthermore, there is great potential to improve tourism under the BRI in the long-run due to enhanced connectivity along the Silk Road.
- **Education** – There have been significant student exchanges between China and Sri Lanka. The Chinese government has been providing a significant amount of undergraduate and post-graduate scholarships for Sri Lankan students.

4) **Financial Integration**
Two development projects were approved by the **AIIB** in April 2019 (a total of US$ 280 million loan):
- **Colombo Urban Regeneration Project** – Implemented by Urban Development Authority under the Ministry of Megapolis and Western Development in order to improve the housing conditions of low-income communities.
- **Reduction of Landslide Vulnerability by Mitigation Measures Project** – Implemented by National Building Research Organization (NBRO) under the supervision of Ministry of Public Administration and Disaster Management with the purpose of reducing risk and damage from landslides.

5) **Policy Coordination**
Several MOUs have been signed between China and Sri Lanka while high-level exchanges and visits have also taken place between the two countries.

Potential links between the BRI and SDGs

1) **Facilities Connectivity**
The infrastructure projects related to the BRI have the potential to contribute to a number of SDGs, in particular SDG 8 (Decent work and Economic growth), SDG 9 (Industry, Innovation and Infrastructure), SDG 11 (Sustainable Cities and Communities) and SDG 17 (Partnerships for the Goals) by generating employment, developing infrastructure, enhancing access to safe public spaces, building multi-stakeholder partnerships and mobilizing additional financial resources. These projects also have the potential to indirectly impact many other areas including poverty reduction in the long-run, which enables attainment of SDG 1.

2) **Unimpeded Trade**
The enhanced trade related activities under this priority could have a potential impact on the achievement of SDG 8 on decent work and economic growth, SDG 9 on industry, innovation and infrastructure, and SDG 17 on partnerships.

3) **People-to-People Bond**
People-to-people bond has the potential to contribute towards SDG 8 through promotion of
the tourism industry and increased tourist arrivals, and SDG 4 through education opportunities specifically for tertiary, technical and vocational education.

4) **Financial Integration**
Financial integration is mainly linked to SDG 17 through mobilizing additional financial resources. The AIIB financed projects also have the potential to contribute towards many SDGs. The Urban Regeneration Project, for instance, has the potential to impact SDG 11 on sustainable cities and communities, while the Reduction of Landslide Vulnerability by Mitigation Measures Project has the potential to contribute to a number of SDGs like SDG 1 on ending poverty, SDG 13 on climate action and SDG 15 on life on land.

5) **Policy Coordination**
This priority also can be broadly linked to the achievement of SDG 17 on partnerships.

**Policy Implications and Way Forward**

- The preliminary findings revealed potential impact of BRI projects/activities, either directly or indirectly, on several SDGs.
- Several measures are needed to maximize the potential impact on SDGs such as creating an enabling environment and ensuring policy consistency to successfully implement some of the infrastructure development projects.
- Even though there are potential positive impacts on many SDGs, there can also be some concerns such as environmental impacts.
- BRI-related projects/activities have to complement other national and sectoral policies, and strategies of Sri Lanka.
- It is important to ensure that the benefits are received by all groups including vulnerable/marginalized communities. This is key to ensuring that ‘no one is left behind.’

**Discussion**
After the presentation, the discussion was moderated by Dr. Sugath Yalegama, Director General of the Sustainable Development Council, Ministry of Mahaweli Development and Environment. The discussion was guided by three questions:

1) What are the projects and activities that can be broadly identified as related to the BRI?
2) What is their potential impact/contribution to advancing SDGs in Sri Lanka?
3) To what extent are these projects/activities aligned to national policies and strategies?

1) **Identifying key projects and activities related to the BRI**
- The difficulty in identifying projects/activities related to the BRI was raised during the discussion, primarily due to a lack of clarity on the definition of the BRI. Furthermore, differentiating the BRI projects/activities from other projects funded by China was highlighted as a challenge, as some of the Chinese-funded projects/activities that were
mentioned under the five key pillars of the BRI have been initiated prior to 2013, the year in which the BRI was launched.

- It was pointed out that infrastructure investment projects by China such as the Moragahakanda Dam Project, Kurunegala Water Treatment Project and the Katunayake Airport Expressway Project could also have potential impact on the achievement SDGs in Sri Lanka. These investment projects can, therefore, be considered for the research study.
- Apart from tourism and scholarships offered by the Chinese government, people-to-people connectivity can also include various training opportunities in China that are for Sri Lankan government officials.

2) The potential impact of BRI-related projects/activities in advancing SDGs in Sri Lanka

In addition to the SDGs that were identified in the presentation under the five priority areas of the BRI, a few additional SDGs that might have potential links to BRI related projects/activities were highlighted during the discussion.

- **SDG 2 – Zero Hunger**: There have been a number of government-to-government exchanges and study tours to China particularly on food security and post-harvest losses in recent years. These exchanges have provided opportunities for Sri Lanka to learn from China’s experience in ending poverty and hunger. While such exchanges and other support from China certainly have contributed to addressing food security concerns, how much these efforts are directly linked to the BRI remains unclear.

- **SDG 5 – Gender Equality**: BRI-related projects may also have some potential impact on gender inequality. Given the prevailing low female labour force participation in Sri Lanka, it would be important to look into these BRI-related projects to understand whether they are contributing to female labour force participation/employment or perpetuating ongoing gender stereotypes in the labour market.

- **SDG 3 – Good Health and Well-Being**: Some of the Chinese-funded infrastructure projects that were initiated recently, such as the construction of the hospital in the District of Polonnaruwa to treat patients with kidney diseases, could also have potential contributions to advancing SDG 3.

3) BRI-related projects/activities, national policies and strategies

- It was noted that the BRI projects/activities, in particular those related to facilities connectivity and contribute to the country’s logistical performance, are in line with the National Export Strategy that has identified the logistics sector as a key sector in boosting exports. It was highlighted that the majority of these projects funded by the Chinese government are in conformity with the country’s national policies and strategies.

- The importance of analyzing the potential of BRI-related projects and activities in bridging specific development needs of Sri Lanka was also highlighted. For instance, it was underlined that in addition to analyzing the overall potential employment benefits of BRI-related projects, it is important to look into their impact on key issues related to employment such as youth unemployment and low female labour force participation.
<table>
<thead>
<tr>
<th>Follow-up actions</th>
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<tbody>
<tr>
<td>• The suggestions and inputs received from all stakeholders will be taken into account to help further research improvements.</td>
</tr>
<tr>
<td>• The National Consultant will liaise with the relevant stakeholders to gather further information and data related to BRI projects/activities.</td>
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<table>
<thead>
<tr>
<th>Key Areas</th>
<th>Sector of Focus</th>
<th>Key Strategies</th>
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<tbody>
<tr>
<td>An efficient country free</td>
<td>Governance</td>
<td>Replace National Economic Council and Strategic Enterprise Management Agency with ‘National Policy-Planning and Implementation Commission’, review existing laws and regulations, systematic plan to achieve Millennium Development Goals, take Sri Lanka to topmost rungs of the World Happiness Index, rearrange structure of the cabinet of ministers, proper assessment of skills and competencies for state appointments, temporary suspension on vehicle procurement for the public sector.</td>
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<td>from corruption</td>
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<tr>
<td>Corruption</td>
<td></td>
<td>Regularize Financial Crimes Investigation Division, special court to hear financial crime and fraud cases, National Procurement System, e-technology system to receive public complaints anonymously, online procurement system for all public investments and expenditure/tax determination/awarding of competitive bidding contracts etc.</td>
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<td>State Enterprise Management</td>
<td></td>
<td>Strategic plans to make state enterprises profitable and financially independent, forensic audits, laws to stop public enterprises being privatized, a National Enterprises Authority, laws to safeguard majority stake of the State in already privatized entities, amalgamate State Enterprises performing similar activities,</td>
</tr>
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10 Key Policies

- Priority to national security
- Friendly, non-aligned foreign policy
- An administration free from corruption
- New constitution that fulfils the people’s wishes
- Productive citizenry and a vibrant human resource
- People-centric economic development
- Technology based society
- Development of physical resources
- Sustainable environmental management
- Disciplined, law abiding and value-based society
<table>
<thead>
<tr>
<th>A safe and secure country for all</th>
<th>National Unity</th>
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<tbody>
<tr>
<td>mandatory performance appraisals, performance monitoring schemes, make State Enterprises independent and competing with private organizations, free from political interference.</td>
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<tr>
<td>Promulgate a new constitution reflating the aspirations of the people, Parliamentary Select Committee to engage with people/civil society groups/leaders etc., strengthen independence of the judiciary, religious freedom, Inter-Religious Advisory Council, fundamental rights of the people, bridge the communication gap, laws to curb election related expenditure, indicate or discharge those under detention/charged with terrorism related offences, National Land Commissions to prepare proper land use policies.</td>
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<tr>
<td><strong>National Security</strong></td>
<td>Ensure Sri Lanka remains a unitary state, dismantle extremism, revamp intelligence services, strong working links with foreign intelligence agencies, protection from international threats, independent commission to investigate April 21st terror attack, long-term care scheme for those permanently affected due to the terror attack.</td>
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<tr>
<td><strong>A Country free from Drugs</strong></td>
<td>Stop influx of drugs into the country, proper surveillance and inspection mechanisms, island wide rehabilitation centers.</td>
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<tr>
<td><strong>Security Services</strong></td>
<td>Police university, release officers imprisoned on false allegations, additional opportunities to serve in UN peace keeping missions, rectify anomalies in salaries, promotions and pensions, lodging facilities, medical facilities, revisit existing loan schemes, end deductions from salaries of disabled soldiers, foreign training opportunities, fill recruitment gaps, more family centric welfare systems and insurance schemes, entitle permanently disabled soldiers to salaries during their lifetime and after demise, mechanism for disabled soldiers to obtain artificial limbs at the cost of the State, rest and rehabilitation centers.</td>
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<tr>
<td><strong>Foreign Policy</strong></td>
<td>Non-aligned policy in all foreign dealings, engage with SAARC and BIMSTEC nations, re-examine bi-lateral trade agreements signed in the past 5 years, work closely with India to ensure regional security, reciprocal commercial ties and trade relationships with Asian neighbors.</td>
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<tr>
<td><strong>A productive citizen and a happy family</strong></td>
<td>Reduce unskilled labour in the labour force, all institutions related to education under one ministry, State patronage to establish one preschool and one day care center in each Grama Niladharith division, infrastructure and modern technology to rural schools, upgrade three schools as National Schools per Divisional Secretariat, one trilingual-model secondary national school in each district, digitalize education system, amend age limits for O levels and A levels, absence of child abuse in education system, new method to test students’ IQ, subsidized transport, more time in curriculums for sports/aesthetics etc., Open University education to provide distance learning, fair promotion and pay for teachers, compulsory teacher training, convert existing National Colleges of education to university faculties, upgrade State universities to be world ranking universities, aviation university, nautical university, minimize no. of years</td>
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<td>Category</td>
<td>Details</td>
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<tr>
<td>Health</td>
<td>Suwa Divimaga program, upgrade National Hospital Colombo to international standard, equip and upgrade one hospital in every district, adequate staff, e-health facilities, retain doctors within the country, minimize waiting lists for surgical operations, regulatory authority to govern all related bodies, compulsory safe stock levels of essential drugs and supplies, eradicate non-communicable diseases, ban low-quality drug imports, local medicine production, WHO standard quality control laboratory, 24-hour online psychological counselling service, upgrade nursing schools to degree awarding level, health tourism, National Indigenous Medical Council, Sri Lanka Ayurvedic Medical Council, increase annual allocation for the Ministry of Health, upgrade Institute of Indigenous Medicine to Ayurveda University, cultivation of herb gardens, herbal cosmetics export, system to rectify issues.</td>
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<tr>
<td>Youth</td>
<td>25 per cent of local government election nominations for youth, Youth Entrepreneur Counselling Centers, National Youth Fund, Youth Human Resource Data Bank, easy payment scheme to purchase latest technologies, interest free loans for higher education, 1st period of two school days for physical exercise, nutrition for school children excelling in sports, Sports University of international standard, develop coaches/trainers/physiotherapists, international grade stadium in each provincial Sports University College, foreign training, tax concessions, ministry sponsored international sporting events.</td>
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<tr>
<td>Children</td>
<td>Uphold and fulfill provisions of the UN Convention on child rights, special child nutrition program, address exploitation/abuse and violence towards children, section dedicated to resolve court cases pertaining to children in each district court, national ‘foster family system’ program.</td>
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<tr>
<td>Women</td>
<td>Childcare facilities for working mothers, training and development, financial assistance, reduce gender-based violence, mechanism to report violence through mobile phones, 24-hour emotional support and advisory help line.</td>
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<tr>
<td>Differently abled and Disabled</td>
<td>Ratify the UN Convention on Rights of Persons with Disabilities, system to address difficulties in access encountered by persons with disabilities, train sign language translators, call centers with technologies and systems for the access of the differently abled, updated training programs, separate authority to attend to needs of disabled individuals, tax relief packages, abolish taxes for foreign aid and grants for welfare of the disabled, compulsory for TV media to use sign language during news telecasts.</td>
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<tr>
<td><strong>Senior Citizens</strong></td>
<td>Five-year plan to overcome challenges during old age, review the National Policy for Senior Citizens, Voluntary Service Task Force’, program support senior citizens who wish to improve their livelihoods, increase monthly allowance to Rs. 2500, subsidy scheme for seniors over 65 years, standards for maintaining Homes for the Elderly and Aged, increase government allocation towards Elders Homes, private sector to open elders Homes as a business operation, low interest loans to senior to go on pilgrimages abroad.</td>
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<tr>
<td><strong>Culture - work for the country</strong></td>
<td>Long-term Human Resource Plan, Long-term Succession Plan, new Code of Ethics, amend Shop and Office Act, amend Industrial Disputes Act No. 43 of 1950, contributory pension schemes besides EPF, foreign training for public service personnel, commission to workout salary anomalies, healthcare allowance to lower grade employees, salary increase of Rs.2500 to semi-government employees, reduce retirement gratuity taxes to 15 per cent, amend Workmen’s Compensation Ordinance No.19 of 1934, support workers in free trade zones, increase employer contribution for EPF to 15 per cent, arbitration system for labour disputes for public sector, annual State award festival Lak Vyawasayaka Harasara for private sector employees, send skilled workers (instead of unskilled) to the Middle East, duty-free vehicle permit to migrant worker and Sri Lankans abroad who have remitted US dollars 50,000 annually continuously for 10 years, unit to oversee private sector security related matters.</td>
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<tr>
<td><strong>People-centric economy</strong></td>
<td><strong>Macroeconomic Targets</strong></td>
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<td><strong>Emergency Relief Plan</strong></td>
<td>Replace Inland Revenue Act with new tax law (income tax on productive enterprise reduced to 18 per cent, eliminate Economic Service Charge and Withholding Tax, 15 per cent ceiling on personal income tax, eliminate PAYE tax, eliminate tax on religious institutions etc.), special system to help the poor during natural disasters, demutualization of Colombo stock market, inclusive development indicator approach.</td>
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<tr>
<td><strong>Agriculture</strong></td>
<td>Cooperative farm produce methodology, agricultural insurance, lower production costs, integrated soil fertility management system, agricultural crop management system, low interest loan schemes, increase domestic animal feed production, domestic production of essential fertilizers, seeds bank, tax free import of machinery, quality management systems, bio-technical solutions, government assistance schemes, innovative products.</td>
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<tr>
<td><strong>Fisheries</strong></td>
<td>Scientific methods to increase fish population, develop refrigeration systems using sea water, interest free loan scheme.</td>
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<td><strong>Milk</strong></td>
<td>Vertical cattle shed system, promote small scale milk production, new milk pricing system.</td>
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<td><strong>Meat and Eggs Export</strong></td>
<td>Expand domestic production, international monitoring standards, financial and technical support.</td>
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<td><strong>Beyond Industrialization</strong></td>
<td>Industrial cities/free trade zones and free ports, restrict export of natural resources in raw form, strengthen domestic entrepreneurs.</td>
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<td><strong>Tourism</strong></td>
<td>Efficient immigration and emigration processes, new tourist attractions, community-based tourism.</td>
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<td><strong>Apparel</strong></td>
<td>Development of a ‘garments town’.</td>
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<td><strong>Construction</strong></td>
<td>Reduce approval time, reserve state construction for domestic firms.</td>
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<td><strong>SMIs</strong></td>
<td>Develop one organization for all SMI needs, lease underutilized state lands, duty free import of logs.</td>
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<td><strong>Co-operatives</strong></td>
<td>De-politicize cooperatives, introduce a cooperative development bank, revised salary scales, business freedom.</td>
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<tr>
<td><strong>A technology-based society</strong></td>
<td>Maximize use of Artificial Intelligence/Biotechnology/Robotics/3D etc., digital and electronic payments, Citizen Service Centers, e-Procurement system, country wide High-Speed Optical Transmission System and high speed 5G Mobile Broadband System, digital monitoring to cities, increase no. of software engineers and programmers, develop software locally, legislation to ensure Data Protection/Cyber Security/Intellectual Property Rights etc., set up IT and BPO centers.</td>
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<tr>
<td><strong>Urban and Rural Divide</strong></td>
<td>C shaped economic corridor system, integrated physical spatial system, develop major cities as connecting centers, Metro Rail system, reduce traffic congestion in Colombo by 50 per cent, New Colombo beautification project, complete all unfinished road networks, overtaking lane in high congestion areas, modernize CTB, environmentally friendly busses, e-ticket system, develop all train stations and trains, utilize railway to transport goods.</td>
</tr>
<tr>
<td><strong>Port and Air Services</strong></td>
<td>Upgrade Colombo and other major sea and airports, revisit lease agreement for the Hambantota port, physical infrastructure requirements for Hambantota Free Trade zone, facilitate internal flights.</td>
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<tr>
<td><strong>Renewable Energy</strong></td>
<td>Energy Security and self-sufficiency, exploration of natural gas, modernize existing oil refinery and oil storage tank, new hydropower stations, convert existing fuel powered plants into natural gas turbines, Smart Grid, increase use of wind and solar energy, efficient energy generation program, incentivize private sector to setup renewable energy projects.</td>
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<tr>
<td><strong>Water</strong></td>
<td>Ensure 100 per cent of the population has access to clean-pipe borne drinking water, educate people on importance of maintaining natural water sources pollution free, drip irrigation methods to collect rain water, water storage mechanisms, special committee to develop flood control mechanisms, effective water recycling processes.</td>
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<tr>
<td><strong>Disaster Management</strong></td>
<td>Revise Disaster Management Act, Disaster Management Authority, National Disaster Database, permanent Care Center System, resolve human-elephant conflict, upgrade equipment, rectify anomalies for those affected by disasters in previous years.</td>
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<tr>
<td><strong>Land</strong></td>
<td>Re-activate National Physical Plan, re-establish and enhance green cover on mountains and hilly areas, technologies to control landslides/improve agriculture etc., conserve marshy lands and mangrove ecosystems, identify barren/abandoned land and restore them.</td>
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<tr>
<td><strong>Industries</strong></td>
<td>Eco-industrial zones, replace linear economy with circular economy.</td>
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<tr>
<td><strong>Waste Management</strong></td>
<td>Sustainable consumption concepts, safeguard oceans from pollution, proper waste collection and disposal systems.</td>
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<tr>
<td><strong>Atmosphere</strong></td>
<td>Reduce air pollution, discourage fossil fuel use, be a net carbon zero country.</td>
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<tr>
<td><strong>Biodiversity</strong></td>
<td>Increase national forest cover by 30 per cent, rehabilitate degraded ecosystems.</td>
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<tr>
<td><strong>Ocean</strong></td>
<td>Implement blue-green economy concept, upgrade the Ocean University.</td>
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<tr>
<td><strong>Settlements and cities</strong></td>
<td>SEA carried out for every district, Neighborhood Principle and Vertical Green Development, ensure settlement areas generate minimal environmental impact, Disaster Resilient Villages, mitigate illegal sand mining.</td>
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<tr>
<td><strong>Environmental Education</strong></td>
<td>Simplify current environmental regulatory framework, environmental education starting grade one, awareness programs.</td>
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<tr>
<td><strong>Religion</strong></td>
<td>Steps against religious extremism, infrastructure development, ensure foremost place of Buddhism, protect rights of every religion, monthly scholarship for student monks, assistance to parents of monks, uplift pirivena education, program to combat shortcomings of registered religious schools.</td>
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<tr>
<td><strong>Legal System</strong></td>
<td>Amend obsolete legal procedures and ordinances, environment where everyone is bound by the same laws, settle civil disputes at Median Boards, restructure law enforcement agencies, transparent mechanism for appointment of judges and President’s Counsels, upgrade legal education system.</td>
</tr>
<tr>
<td><strong>Mass Media</strong></td>
<td>Freedom of speech, regulations for upholding media standards, Higher Education Institute for Mass Media, committee to develop media education, regulate foreign direct investments in setting up media stations, restructure Press Council, SLRC and SLBC under one commission, housing complex for mass media professionals, provincial Press Clubs.</td>
</tr>
<tr>
<td><strong>History, Archeology and National Heritage</strong></td>
<td>Sites with high security, conserve places of worship, Digital Archeological Encyclopedia, tour guides with accurate knowledge, necessary amenities for tourists, restructure the Central Cultural Fund.</td>
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<tr>
<td><strong>Dialogue with the village</strong></td>
<td><strong>Culture, Literature and the Arts</strong></td>
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<td>Tax concessions, scheme to promote creative literature, expand Publication Assistance Project, monetary assistance, modern state-of-the-art theatre, fully revitalize Professor Ediriweera Sarachchandra Drama Training School, special task force to study problems in the film industry, state-of-the-art film processing laboratory, compulsory semi-annual royalty payments, job stability for artists, fully fledged art and sculpture exhibition theatre and special museum.</td>
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<tr>
<td><strong>Social Protection and Welfare</strong></td>
<td>Restart ‘Divineguma’ program, professional training opportunities, increase no. of Samurdhi beneficiaries, new contributory pension scheme, concessionary pricing, increase monthly allowance for fatal diseases, prevent political support for criminals, rehabilitation centers and programs, CCTV monitoring on roads, pedestrian paths, protection centers for discarded pets, legal action against animal cruelty.</td>
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<tr>
<td><strong>Village Development</strong></td>
<td>People-centric board and people-centric center in every Grama Sewa division, state-sponsored mechanisms for female entrepreneurs, better regulations for micro-finance schemes.</td>
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<tr>
<td><strong>Regional Development</strong></td>
<td>New provincial boundaries, more power to Provincial councils, transition villages to fully integrated economy centers.</td>
</tr>
<tr>
<td><strong>Tamil-Muslim Brotherhood</strong></td>
<td>Punarjeewana Fund, housing for families affected by war, concessionary loan schemes, investment schemes, economic development zones, Nelum Pokuna in Jaffna, training and development for youth.</td>
</tr>
<tr>
<td><strong>Estate Population</strong></td>
<td>Daily wage increased to Rs. 1000, utilization of unused estate land, human resources and infrastructure for schools, low-rise housing projects, New Nutrition Aid Program, Agricultural Institute, industrial zone, streamline management processes for government-owned estates.</td>
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<tr>
<td><strong>Housing</strong></td>
<td>Provide those in need with income based payment plans to purchase housing in complexes built under public-private partnerships, land at reasonable prices for housing construction companies, special housing projects, temporary accommodation packages, multi-story housing complexes, housing schemes for displaced persons, interest payments on loans to build the first house to be considered an expense when paying taxes, Housing Bank.</td>
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<table>
<thead>
<tr>
<th>Key Areas</th>
<th>Key strategies</th>
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<tbody>
<tr>
<td>Strengthening the macroeconomic framework</td>
<td>Fiscal consolidation, Price stability, Market based competitive exchange rate</td>
</tr>
<tr>
<td>Strengthening the growth framework</td>
<td>Incentivize domestic and foreign investment, Restructure trade policy to enable an export driven economy and service expansion, Tourism sector development</td>
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<tr>
<td>Reforms in land, labour and capital markets</td>
<td>Reform existing land policy, create efficient labour markets, Strengthen capital markets</td>
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<tr>
<td>Economic and social infrastructure</td>
<td>Education and skills development, Improve healthcare, Adequate physical infrastructure</td>
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<tr>
<td>Technology and digitalization</td>
<td>Robust science and technology field</td>
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<tr>
<td>Social safety nets</td>
<td>Adequate coverage and efficient social protection programmes</td>
</tr>
<tr>
<td>Agriculture and sustainable development</td>
<td>Improve productivity of the agricultural sector, Address disparities in regional economic development, Strengthen the existing disaster management systems, Promotion of low cost, sustainable and clean energy sources</td>
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<tr>
<td>Governance and accountability</td>
<td>Strong governance and institutional mechanism</td>
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<tr>
<td>Strengthening coordination and monitoring implementation</td>
<td>Create an enabling environment to capitalize on the efficiency and productivity of the economy</td>
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<tr>
<th>Sustainable Development Goal</th>
<th>Status/Progress</th>
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<tr>
<td><strong>Goal 1. No Poverty</strong></td>
<td>As a developing country, Sri Lanka has performed well in combating poverty over the last few years. Accordingly, the extreme poverty, measured by the proportion of population below the international poverty line of US$ 1.90 per day has decreased from 3.8 per cent to 0.8 per cent during the period from 2006 to 2016 (World Bank, 2019a). During the said period the poverty headcount ratio has also decreased from 15.2 per cent to 4.1. According to Department of Census and Statistics estimates, 34 per cent of the population were covered by prevailing social protection systems in Sri Lanka (MSDWRD, 2018).</td>
</tr>
<tr>
<td><strong>Goal 2. Zero Hunger</strong></td>
<td>The country is currently producing 80 per cent of its food requirement and has achieved near self-sufficiency in rice. According to Household Food Insecurity Access Scale Score, 90 per cent of the households were food secured in 2014, bearing a value of 9.2 in a scale which ranges from 0 to 24. Furthermore, there has been an increasing trend in the agricultural production index with a value of 216.9 in 2016 from 100 in the base period 2007/10. The major concern in relation to this goal can be identified as the threat imposed by impulsive climate change (MSDWRD, 2018).</td>
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<tr>
<td><strong>Goal 3. Good health and well being</strong></td>
<td>In 2015 maternal mortality ratio was 33.7 per 100000 live births, which was well below the SDG target. According to 2014 statistics, under five mortality rate and neonatal mortality rate were 9.4 and 5.6 per 1000 live births which are also below the respective SDG targets (MSDWRD, 2018). In addition to that 99.5 per cent of births were attended by skilled health personnel in 2016. Growth in the Non-Communicable Diseases (NCDs) and aging population have significant implications in the health sector in Sri Lanka (DSC, 2017b).</td>
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<tr>
<td><strong>Goal 4. Quality education</strong></td>
<td>As a country who has pursued the universal free education policy, Sri Lanka has achieved a substantial progress with regard to educational sector. In relation to early childhood education (ECE) the access to ECE has increased over time. However, it is still lower than most of the middle- and high-income countries (MSDWRD, 2018). Further, 85 per cent of the teachers in the primary and lower secondary levels have completed the minimum organized teacher training. In 2016 the proportion of Sri Lankans with information and communication technology (ICT) skills was reported as 27.6 per cent whereas the corresponding youth population was reported as 28.8 per cent. Statistics show that only 35.4 per cent of schools have access to electricity (DCS, 2017b). Quality and relevance of the tertiary education as well as the Technical and Vocational education can be identified as the major concerns in this regard (MSDWRD, 2018).</td>
</tr>
<tr>
<td><strong>Goal 5. Gender equality</strong></td>
<td>In 2016, out of total number of persons employed in senior and middle management the proportion of females were estimated at 28.4 per cent (DCS, 2017b). The key issue identified in this regard includes, the inability to convert female educational achievements into labour market achievements given the gender disparities in the labour force participation (MSDWRD, 2018).</td>
</tr>
</tbody>
</table>
Goal 6. Clean water and sanitation

The proportion of households with access to safe drinking water has increased from 80.9 per cent in 2012 to 88.8 per cent in 2016 (DSC 2018). Another significant achievement with regards to this, is the 87 per cent of the population are having access to onsite sanitation facilities. Prevailing regional disparities to access safe drinking water, the quality of safe drinking water as well as the lack of institutional coordination can be identified as barriers in achieving this goal (MSDWRD, 2018).

Goal 7. Affordable and clean energy

Sri Lanka is considered as the only South Asian country who has 24 hours uninterrupted electricity supply (Ministry of Power and Renewable Energy, 2017). Sri Lanka has achieved near universal coverage of domestic supply of electricity reaching almost 100 per cent households. Apart from that country’s renewable energy sources account for 44 per cent of the total primary energy supply whereas Fossil fuel sources account for 56 per cent. Increased dependency on fossil-fuel energy resources as well as production and consumption efficiencies are the major challenges in this regard (MSDWRD, 2018).

Goal 8. Decent work and economic growth

Sri Lanka appears to be well on track to eliminate all forms of child labour by 2025 - children engaged in child labour accounted for only 1 per cent of the total child population in 2016. (MSDWRD,2018). As per the 2016 estimates, the growth rate of real GDP per employed person was 2.9 per cent while the unemployment rate was reported 4.4 per cent reflecting the fact that Sri Lanka has performed well in providing employment opportunities for all and maintaining unemployment rate around 4 per cent over past few years (World Bank, 2019g). However, the country has been experiencing a decline in growth rate over past few years from 4.3 per cent in 2015, to 3.2 per cent in 2016, to 2.1 per cent in 2017 (World Bank, 2019f). Furthermore, the tourism earnings have increased from 1.8 per cent to 5.6 per cent as a percentage of GDP during the period from 2009 to 2016. Nevertheless, the youth unemployment rate is high reporting 19 per cent average over last six years, while 26.1 per cent of the youth population is not in education, employment or training (MSDWRD,2018).

Goal 9. Industry, Innovation and Infrastructure

According to the 2012/2013 estimates, 95.6 per cent of the rural population live within 2km of an all-season road indicating the availability of inclusive infrastructure facilities in Sri Lanka (DCS, 2017b). The manufacturing value added per capita in 2016, was US$ 576.9 in value and 15.4 per cent as a percentage of GDP. When it comes to the employment 18 per cent of the total employment was employed in manufacturing sector in 2015. However, in 2013/2014 the share of small-scale industries in total industry value added was 2.7 per cent. Lack of entrepreneurship, innovations and management skills, low investor confidence, poor diversification of products, quality of the domestic market can be identified as the major challenges in this regard.

Goal 10. Reduce inequalities

In 2012/2013, 13.5 per cent of the population in Sri Lanka live below 50 per cent of median income while the household income per capita of the bottom 40 per cent has grown at 26 per cent during the period of 2013 to 2016 in comparison with 18 per cent of the national average. In addition to that, there was an increase of FDI inflows by 11 per cent during the period from 2006/2008 to 2015 while ODA has decreased by 11 per cent (MSDWRD, 2018).
| Goal 11. Sustainable cities and communities | As the forecasts indicate, around 80 per cent of the population will be more than 80 per cent urbanized by 2030. Furthermore, out of total urban population, only 0.8 per cent live in the huts and shanties reflecting the fact that country has been providing sufficient permanent housing to all. But the country should be more focused on providing affordable and quality housing given that the growing middle-class population. Further emphasis should be given in upgrading transport systems, urban waste management as well as disaster risk management (MSDWRD, 2018)\textsuperscript{xxi}. |
| Goal 12. Responsible production and consumption. | “A Resource Pack on sustainable consumption and production” and “An active healthy lifestyle programme” were introduced with the purpose of educating citizens regarding the sustainable consumption and production. Moreover, the five-year action plan for 2015-2020 aimed at increasing recycling waste rate up to 38 per cent by 2020 from 17 per cent in 2015. With regard to this goal, country is more concerned about the post-harvest loss in the agriculture sector as well as promotion of sustainable public procurement practices (MSDWRD, 2018)\textsuperscript{xxii}. |
| Goal 13. Climate action | According to the recent estimates, Sri Lanka to lose 6 per cent of its GDP during the period from 2010 to 2050, unless the country undertakes necessary measures in combating climate change (MSDWRD, 2018)\textsuperscript{xxiii}. It is evident that, the higher level of awareness, readiness and initiatives for action are there in the agriculture and water management sectors. Accordingly, Climate Resilient Improvement Project (CRIP), Climate Resilient Integrated Water Management Project (CRIWMP) and projects related to Marginalized Agricultural Communities are in place to facilitate vulnerable farmers. In relation to this, the country has five challenges to overcome; namely information gap, technology gap, policy gap and institution gap; amongst the information gap is the most crucial and should be addressed immediately (MSDWRD, 2018)\textsuperscript{xxiv}. |
| Goal 14. Life below water | As an island nation, Sri Lanka has identified the significance of SDG 14 in sustainable usage of marine resources. Accordingly, illegal fishing activities by Indian fishermen, unregulated fishing activities, marine pollution and lack of institutional capacity have been identified as crucial challenges in achieving this goal (MSDWRD, 2018)\textsuperscript{xxv}. |
| Goal 15. Life in land | In Sri Lanka, 35 per cent of its land is considered as protected areas. Even though, natural eco-systems of the country are enriched with vast amount of species, considerable number of species have been identified as threatened. According to the national red list prepared by Ministry of Mahaweli Development and Environment (MMDE) together with International Union for Conservation on Nature (IUCN) 44 per cent of flowering plants, all pteridophytes and terrestrial vertebrates—freshwater fish (50 per cent), amphibians (65 per cent), reptiles (50 per cent), resident birds (27 per cent) and mammals (55 per cent) were identified as threatened. Major cause for this issue is the deforestation owing to the growth of export plantation in the wet zone, colonial policy on commercial timber extraction, colonization and irrigation development in the dry zone (MSDWRD, 2018)\textsuperscript{xxvi}. |
Goal 16. Peace and justice

In 2006, violence and related death rate (homicide rate) was 10.4 per 100000 of population where it has decreased to 2.5 per 100000 of population in 2016. Apart from that number of victims of human trafficking was recorded as 0.12 per 100000 population (MSDWRD, 2018). Further, the proportion of population subjected to physical, psychological or sexual violence was 55.2 per 100000 population in 2016 (DCS, 2017b). Lack of strong institutions, weak governance, data and information gaps are the major challenges that Sri Lanka is confronting today (MSDWRD, 2018).

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iii Ibid

iv Ibid


xvi Ibid

xvii World Bank, World Development Indicators. (2019g). Unemployment, total (% of total labour force) (modeled ILO estimate) [Data file]. Retrieved from https://data.worldbank.org/indicator/SL.UEM.TOTL.ZS


xxi Ibid

xxii Ibid

xxiii Ibid

xxiv Ibid

xxv Ibid

xxvi Ibid

xxvii Ibid
