

## SRI LANKA ECONOMIC SUMMIT - INSIGHTS FROM AUDIENCE SURVEY

Participants at the recently concluded Sri Lanka Economic Summit 2016 are optimistic about the government’s ability to deliver economic results in the next four years, but are critical of the progress made so far and have mixed views about Budget 2017, according to a survey conducted at the event. Strong support for Private Public Partnerships (PPPs) and for freeing up trade and logistics was also seen.

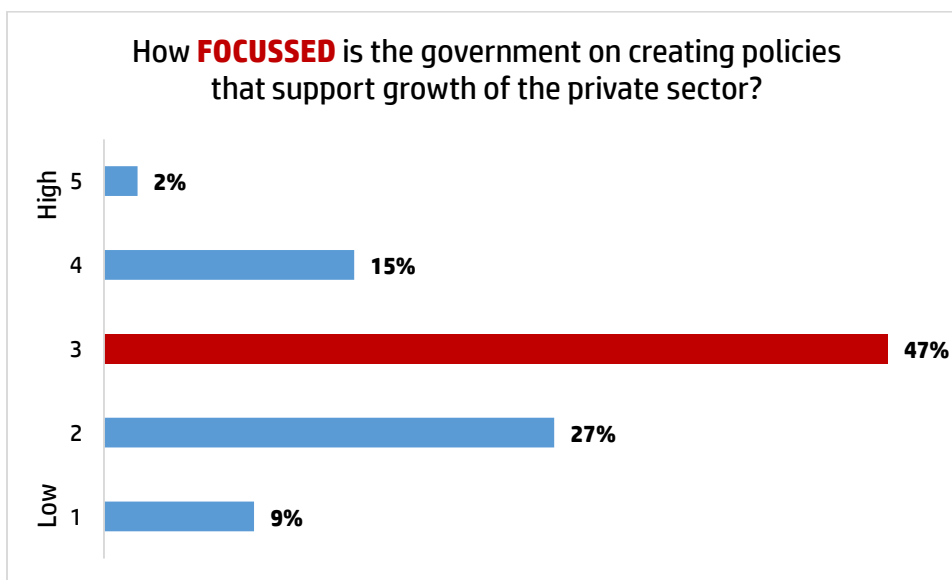
The Ceylon Chamber of Commerce surveyed top corporate executives at the Summit through a combination of mobile and written questionnaires.

The questions were anchored to the overall theme of the Summit of ‘**Focus.Act.Deliver.**’ as well as to specific issues tackled in the sessions, ranging from PPPs, to tourism, human capital, and international trade and logistics.

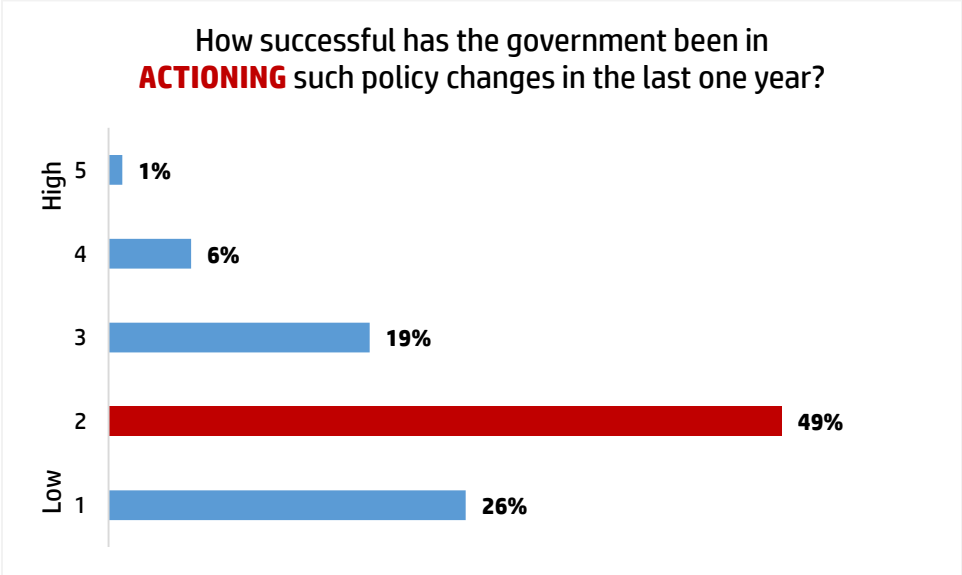
The results on specific sector questions need to be interpreted with the caveat that the audience would not entirely consist of experts of each of those subject areas

### Views on Performance is Poor, but Optimism for Next 4 Years

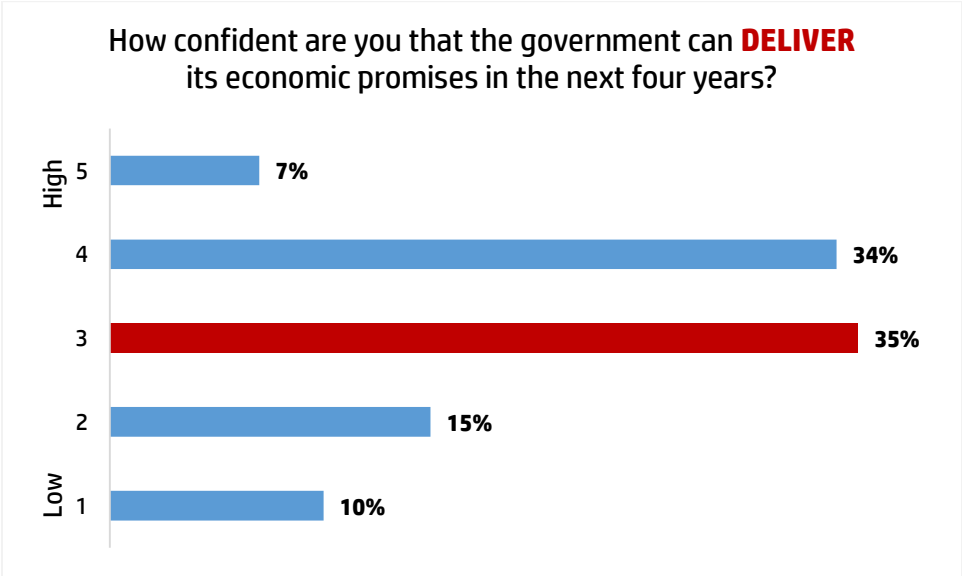
The poll asked three questions inked to the Summit’s theme of ‘Focus.Act.Deliver.’ The first on, ‘*How **focussed** is the government on creating policies that support private sector growth?*’ showed a lot of pessimism with 47% of respondents giving a score of 3 out of 5 (with 1 being the lowest and 5 being the highest). 36% scored a 1 or 2, and only 15% scoring a 4 or 5. This reflects the wider feelings of confusion and uncertainty among the private sector on the government’s economic policy plans.



On the question of 'How successful has the government been in **actioning** such policy changes during the last one year?', a majority of 49% scored a low 2 out of 5, indicating strong disappointment in the progress of reform in the first year of the government's term. Only a low 7% gave a score of 4 or 5, and 26% gave a score of 1, the lowest.



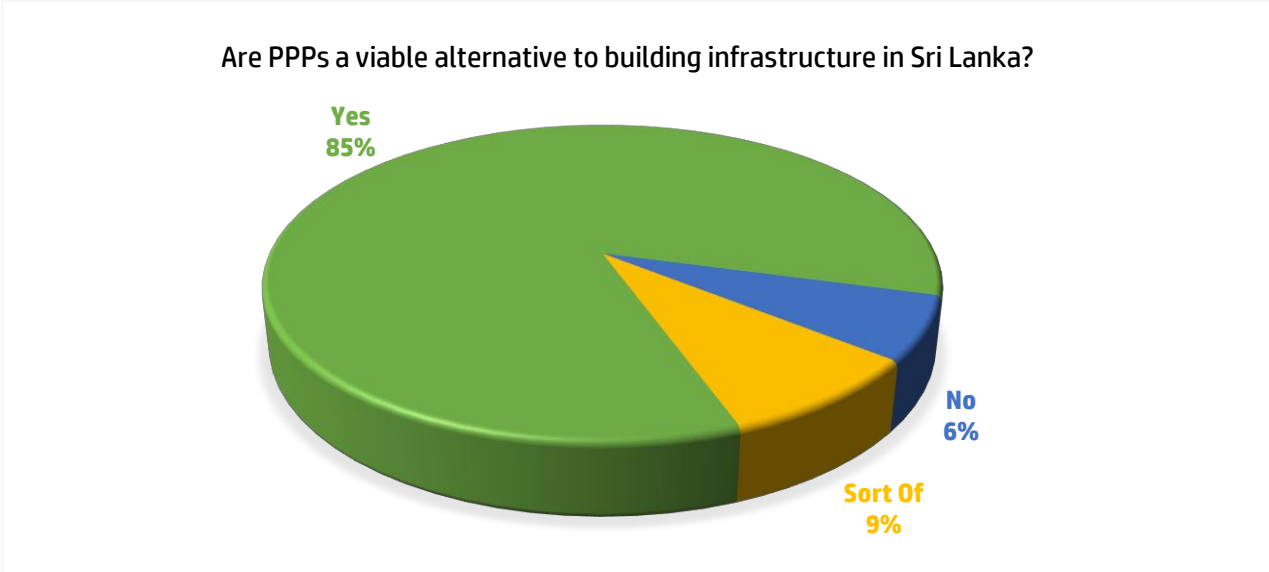
Interestingly, however, top executives were a bit more optimistic about the future, but uncertainty prevailed. On the question of 'How confident are you that the government can **deliver** its economic promises in the next four years?', 41% of respondents scored either a 4 or 5, while 35% scored a moderate 3 out of 5. A quarter or respondents were still pessimistic, scoring a 1 or 2.



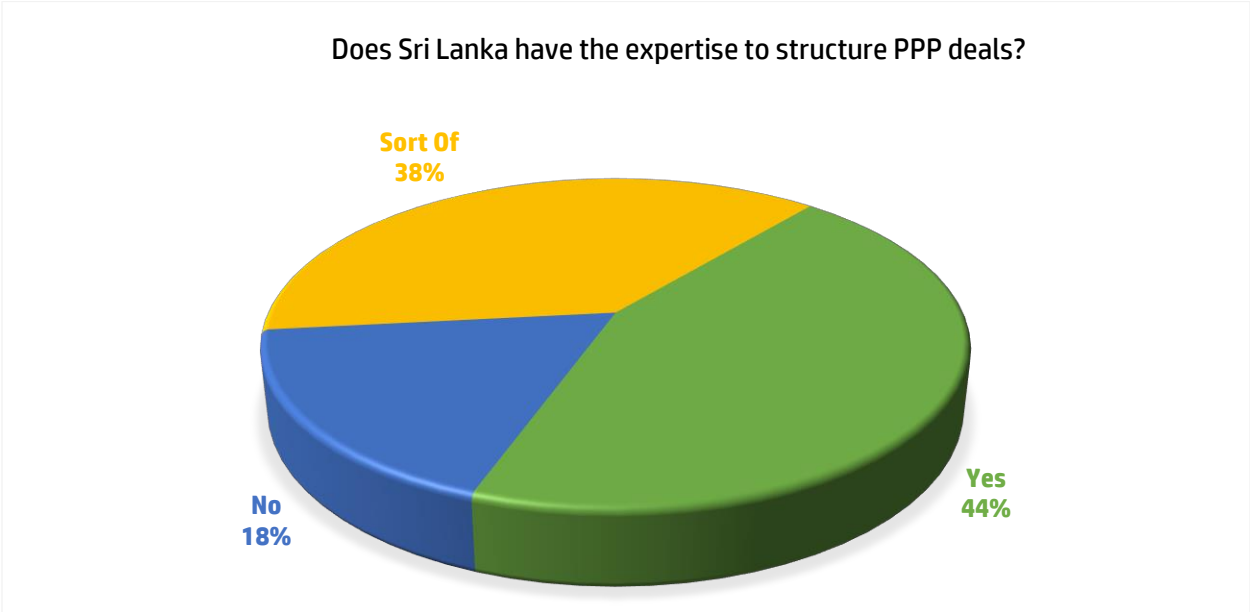
On trade policy, an overwhelming majority of 70% of them agreed that economic and trade agreements with partner countries would boost Sri Lanka's economy. Only 2% disagreed, while 28% were undecided.

**Strong Support for PPPs, But Concerns on Capabilities**

The session on Private Public Partnerships (PPPs) explored the key reasons why PPPs are needed right now, particularly due to the constrained fiscal space and growing debt burden as well as the need to bring down project costs, and improve the viability and accountability of public infrastructure projects. The audience strongly endorsed this, with 85% voting 'yes' to the question of whether PPPs are a viable alternative to building infrastructure in Sri Lanka, and only 6% voting 'no' and 9% unsure.



Yet, there are some concerns of the capabilities for structuring PPP deals as highlighted by the experts on the panel, and echoed in the votes of the audience.

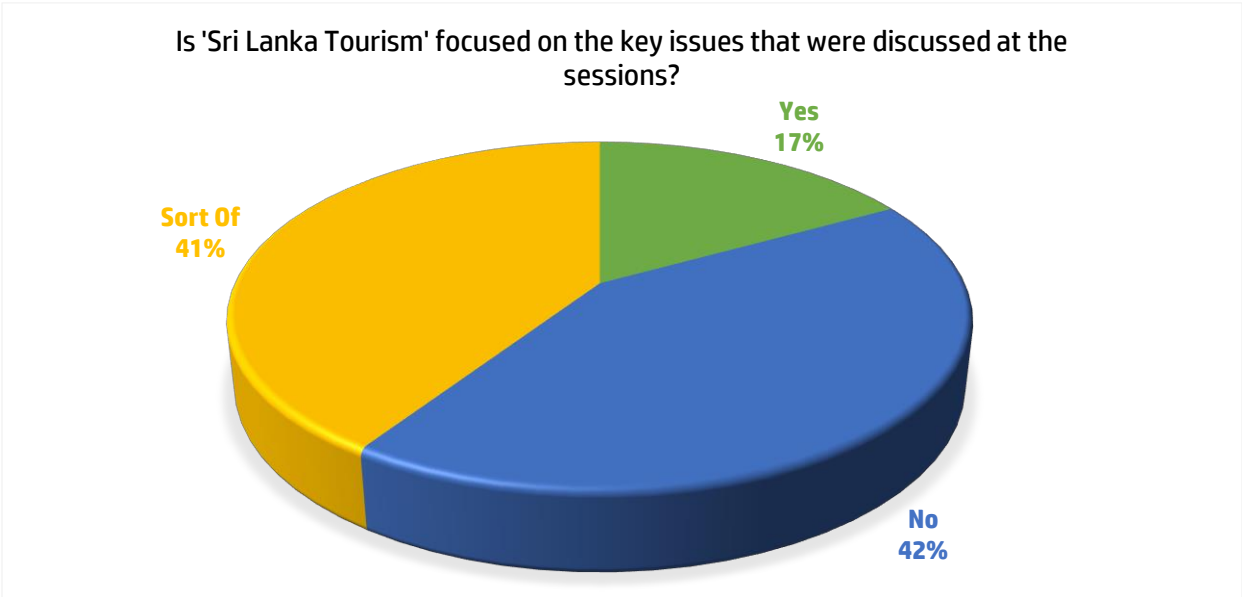


56% of the audience either said 'no' or were unsure on the question of 'Does Sri Lanka have the expertise/capacity to structure PPP deals that are viable in the short and long term and can attract investors', while 44% said 'yes'. Meanwhile 64% voted 'yes' on whether roads, ports, energy and airports were the top priority sectors for PPPs right now.

**Tourism – Positioning as a Value Brand**

The tourism session highlighted the need for continual investments to improve infrastructure to ease tourism bottlenecks, a focussed campaign to brand and market the destination globally, informed by research; and a comprehensive and accelerated programme to tackle the gaps in skills availability and service standards.

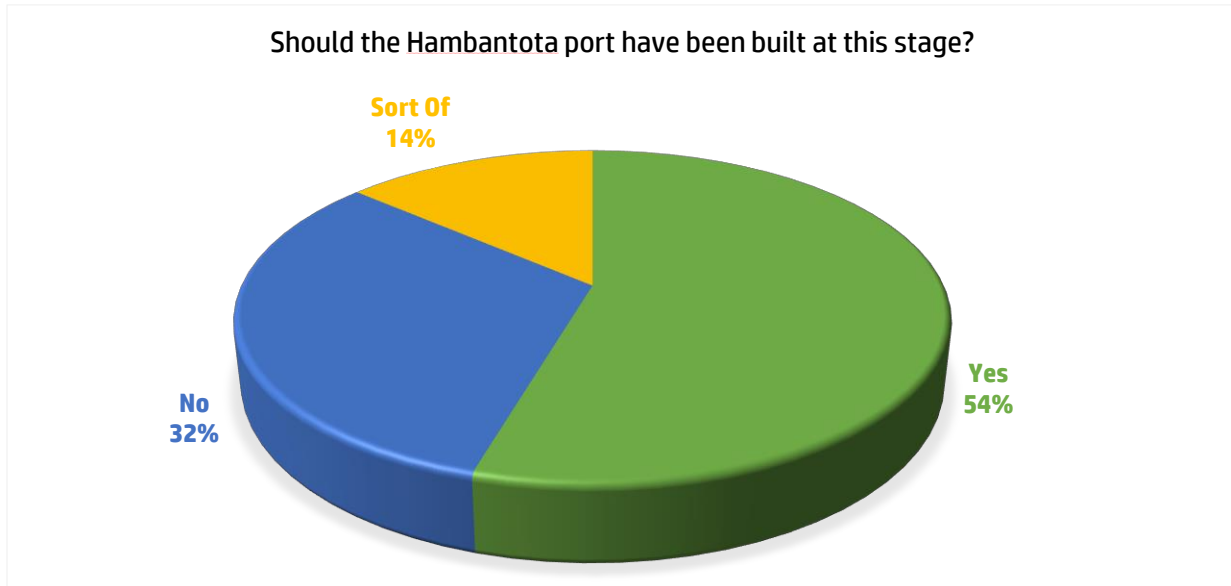
On the question of whether Sri Lanka Tourism was focussed on these issues, a significant portion of the participants (42%) believed that it was not, while 41% were ambivalent, and 17% said yes. An overwhelming majority, 83%, indicated that these issues are important and Sri Lanka Tourism should address them if tourism is to deliver on its potential.



Participants were also asked to comment on what positioning Sri Lanka should promote on the tourism level, 44% said that Sri Lanka should be 'positioned as up-market', while 25% disagreed; the majority felt Sri Lanka should not be 'positioned as a budget market' (54%) with only a minority (9%) saying it should; and overwhelmingly the consensus was that Sri Lanka should be 'positioned as a value for money market' (71%) with just 5% disagreeing.

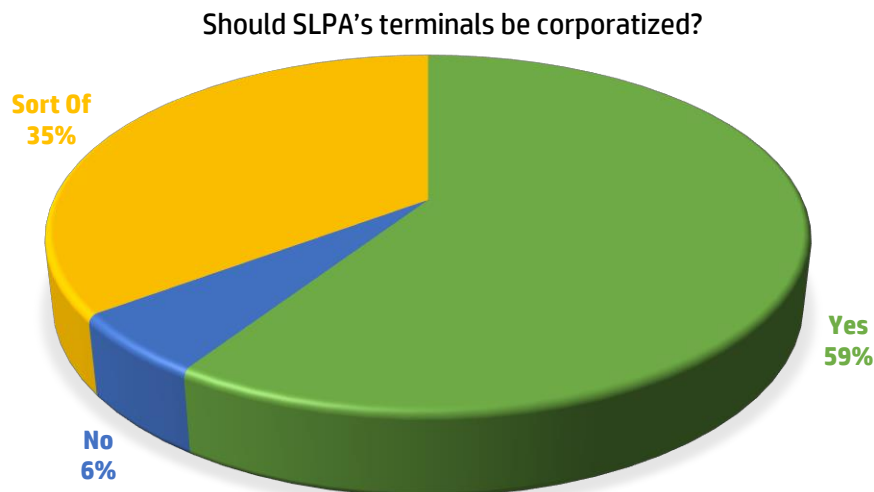
## Location Advantage – Ports and Shipping are Key

The leveraging on location session focussed largely on Sri Lanka's international connectivity infrastructure – particularly ports and shipping. Interestingly, the majority of participants were in agreement that constructing the Hambantota Port at this stage was positive (54%), but with a number of them (32%) disagreeing, and a further 14% ambivalent.



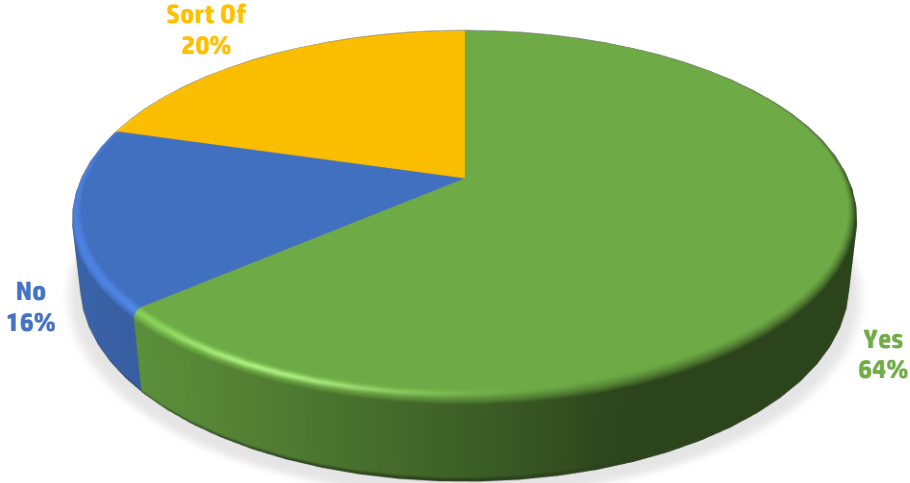
An issue that was scrutinized quite a bit during the session was the role of the Sri Lanka Ports Authority – and its conflict of interest as both a regulator as well as a port developer and terminal operator. SLPA Chairman strongly acknowledged the need to reform this, and he proposed that SLPA should remain as a port and terminal developer, with a higher authority set up as the port regulator.

On the question of whether SLPA's terminals should be corporatized (so it competed on equal footing with the private players) a sharp majority (59%) voted 'yes', while only 6% voted no and 35% were ambivalent.



Participants were also strongly in favour of removing foreign ownership restrictions on freight forwarding and shipping (64%), while just 16% opposed it.

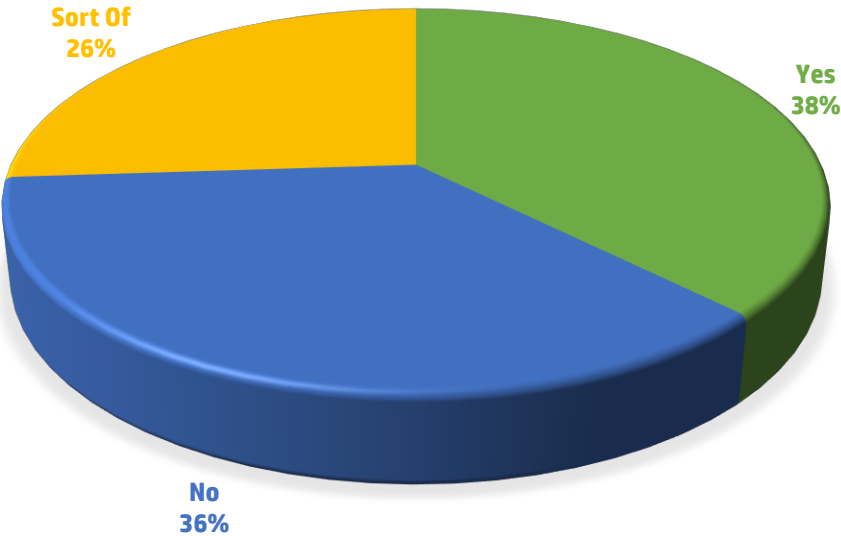
Should foreign ownership restrictions on freight forwarding and shipping be removed?



**Talent Pool – Investment in Education**

The results in the talent pool session were rather mixed. On the question of whether Sri Lanka has sufficient numbers of skilled talent to meet the country’s growth aspirations over the next five years, 36% said ‘no’ while 38% said ‘yes’. A further 26% were ambivalent.

Does Sri Lanka have good enough and talent to meet growth aspirations?

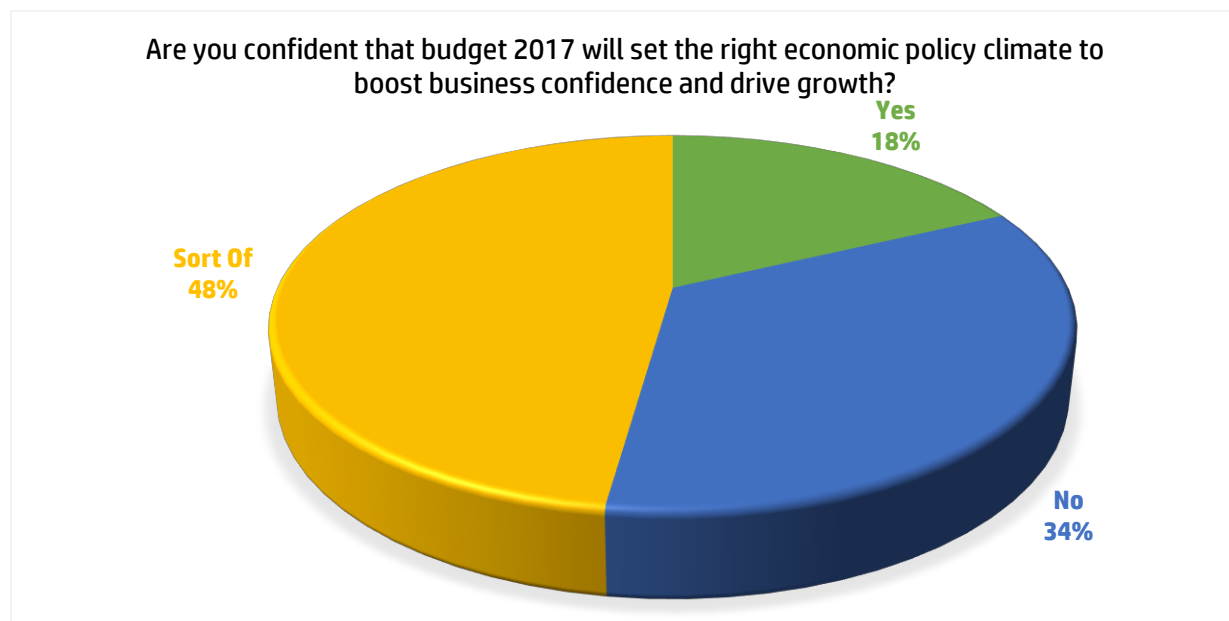


On whether the executives' companies would be interested in hiring talent from countries in the region if the process of obtaining work visas for such candidates was simpler, 43% responded 'yes', 32% responded 'no', and 20% were ambivalent.

What there was strong consensus on, however, was that the budget outlay on education must increase even if it means that taxes need to be increased - 75% said 'yes', 12% said 'no', and 13% were unsure.

### **Immediate Issue – Budget 2017**

On the immediate future of macro and growth policies – Budget 2017 – participants were rather skeptical. Only a minority of executives – 18% - expressed confidence that Budget 2017 will set the right economic policy climate to boost business confidence and drive growth. Meanwhile, 34% were not confident, and a significant share – 48% - was unsure.



These results, while based on a sample of 100 respondents for the questions related to specific sessions and 200 for the 3 overall questions, could hint at a wider dissatisfaction among the corporate community of the country's economic condition. A challenging global economic climate, legacy issues from the previous government, persistent domestic policy bottlenecks are no doubt feeding into this sentiment.

It is important that the government take steps to boost confidence among the private sector, so that it rekindles their animal spirits and they recalibrate their risk. The Prime Minister's Economic Policy statement due this month is eagerly awaited by the business community, which, together with Budget 2017, ought to set the stage for a period of sustained inclusive growth over the next four years with a focus on action and delivering on the country's abundant economic potential.