BRI and SDGs: The Case of Sri Lanka

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Workshop on Assessing the Potential Impact of the Belt and Road Initiative on Sustainable Development Goals in Asian Economies
Bangkok, 25-26 September 2019
Sri Lanka: Basic Facts

Mid year population (2018):
21.7 Million

Total geographical area:
65,610 sq.km

Level of income:
Upper Middle-Income Country

GDP per capita (2018):
4102 USD

Human Development Index:
0.770 - High Human Development

Life expectancy (2017):
75.5 years
SDGs in Sri Lanka: Key Initiatives

Sri Lanka Sustainable Development Act No. 19 of 2017

❖ to improve institutional and policy coherence and to provide the legal framework for implementing SDGs

❖ The Sustainable Development Council to guide and oversee SDG implementation and to formulate a National Policy and Strategy on Sustainable Development

Integrating SDGs into National Policies/Plans

Sri Lanka’s strategic development framework, reflected through its:
- Medium-term plan- Public Investment Programme (PIP) 2017-2020
- Short –term plan - ‘Blue-Green’ Budget of 2018

... aligns with the SDGs and have integrated all three dimensions of sustainable development: Economic, Social and Environmental

(Sri Lanka VNR)
BRI – Context of Sri Lanka

- Sri Lanka recognizes the BRI as an important initiative in strengthening cooperation along the silk road.

- In the ancient Silk route too, Sri Lanka has played a central role due to its strategic location that connects the East and the West.

- No specific MOU on BRI. But, several agreements have been signed between Sri Lanka and China including agreements on Chinese funded investment projects.

- 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.
BRI and SDGs in Sri Lanka: Exploring Potential Links

- Identify projects and activities related to the BRI and explore their potential link/impact on SDGs

**Five Priority Areas of BRI**

- Policy Coordination
- Facilities Connectivity
- Unimpeded Trade
- Financial Integration
- People-to-People Bond

**17 SDGs**

1. No Poverty
2. Zero Hunger
3. Good Health and Well-being
4. Quality Education
5. Gender Equality
6. Clean Water and Sanitation
7. Affordable and Clean Energy
8. Decent Work and Economic Growth
9. Industry, Innovation and Infrastructure
10. Reduced Inequalities
11. Sustainable Cities and Communities
12. Responsible Consumption and Production
13. Climate Action
14. Life Below Water
15. Life on Land
16. Peace, Justice and Strong Institutions
17. Partnerships for the Goals
1. Facilities Connectivity
i) Colombo Port City Project

- Vision: build a world-class city for South Asia, which will include high quality facilities such as healthcare, education, entertainment, hotels and restaurants and a marina.

- Sri Lanka’s single largest FDI.

- The project plays an important role in the BRI as Colombo port city provides a key link between Asia and Europe in the silk road, due to its strategic location.

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**Timeline:**

- **2016**: Commencement of land reclamation.
- **2018**: Commencement of development works.
- **2019**: Completion of Reclamation Works and Marine Structure.
- **2020**: Completion of phase I infrastructure work.
- **2041**: Targeted completion of port city project.

*Source: CHEC Port City Colombo (Pvt) Ltd., Port City, Colombo Face Sheet. (2018); CHEC Port City Colombo (Pvt) Ltd., Port City Colombo, Master Plan (2018) & IPS KII*s
The First and only Deepwater terminal in South Asia capable of handling the largest vessels afloat

- It was constructed in the Port of Colombo, under the Colombo South Harbor expansion project and implemented under a 35-year Build-Operate-Transfer (BOT) agreement between CICT and Sri Lanka Ports Authority

- Investment was around USD 500 million

- Awarded the best Container Terminal in Asia in the Under 4 million TEUs category at the 2019 Asian Freight, Logistics and Supply Chain Awards (AFLAS) for the third time.

iii) Extension of Southern Expressway Project

- 96km long extension of the Southern Expressway from Matara to Hambantota (commenced in 2016)
- Funded through project loans from China EXIM Bank
- Expected to improve connectivity between Colombo and major economic centers (including Hambantota port and industrial zone)

iv) Hambantota Port Development Project

- Aims to develop Hambantota port into a global maritime Centre - to become a world-class sea port with global connectivity
- It is a multi-purpose port which provides port services, maritime services, port related industrial zone, integrated logistics and business incubator

Source: Department of External Resources, 2019 and Road Development Authority, 2018 (http://www.rda.gov.lk/supported/project_progress_pmu/esep/esep1.html)
v) Moragahakanda Irrigation Development Project

- Expects to contribute to agriculture productivity, generate hydro power to the national grid, provide safe drinking water facilities and helps flood control
- Directly benefits four districts
- Project period: 2012-2017
- Investment value: USD 214.2 Million

vi) Greater Kurunegala Water Supply Project

- Aimed at improving access to pure drinking water and establishing a proper waste water disposal system in Kurunegala area.
- Timeline: 2013-2018
- Investment value: USD 77 Million

Facilities Connectivity: Potential Benefits and Opportunities

- Provide a gateway for Sri Lanka to improve its overall logistics performance & competitiveness as a logistics hub in the Silk Road.

- As per the LPI, Sri Lanka has fared well compared to South Asian averages but has scope for improvement compared to the upper-middle income category.

- These projects may have potential impacts on trade, investment, employment creation over time thereby contributing to a number of SDGs (e.g. SDG 8, 9, 11).

- Further, the Moragahakanda Irrigation Development project and Greater Kurunegala Water Supply Project could have potential contribution to SDGs like SDG 1, 6 and 7.
2. Unimpeded Trade
China is an important trading partner for Sri Lanka - the second largest import origin of Sri Lanka, accounting for 18.5 per cent of total imports in 2018.

However, with regard to Exports, China accounts for only about 2 of Sri Lanka’s total exports (in 2018). It is the 9th largest export destination for Sri Lanka.
China has also emerged as a major development partner and an investor for Sri Lanka. During 2005-2017, China accounted for the highest amount of FDI in Sri Lanka.
There is potential for further expanding trade between Sri Lanka & China under the proposed FTA - China-Sri Lanka Free Trade Agreement

- The Joint Feasibility Study on a China-Sri Lanka Free Trade Agreement, 2014: finds that the proposed FTA will increase trade in certain product 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 jewelry, fruits and vegetables, machinery and electronics

However, potential to improve trade and investment activities along the BRI goes beyond the bilateral cooperation with China. There is opportunity to capitalize on improved trade and investment activities along the silk road

- Studies reveal that BRI increases trade flows by: 4.1 per cent among participating countries (Baniya,S, Rocha,N & Ruta, M, 2019, Trade Effects of the New Silk Road : A Gravity Analysis)
3. People- to- People Bond
Tourism Industry is a major source of foreign exchange for Sri Lanka.

China is the second major source of tourists in Sri Lanka, accounting for 12.7% of total tourist arrivals (2017).

The number of tourist from China has increased significantly in recent years.

Greater potential to improve tourism through enhanced connectivity along the silk road.
People- to-People Bond: Education

There have been student exchanges between China and Sri Lanka for several years and various scholarships have been awarded by the Chinese Government for Sri Lankan students to study in China as well as in local universities.

Number of Scholarships awarded by the Chinese Government (2013 to 2018)

Chinese Ambassador Scholarship Programme - 2016-2019

Source: Ministry of City Planning, Water Supply & Higher Education
4. Financial Integration

- 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.
- Two development projects approved by the AIIB in April 2019.

1) Colombo Urban Regeneration Project (US$ 200 million)
   - Objective is to improve housing conditions of low-income communities through investments in the construction of affordable housing and the redevelopment of land.
   - Implemented by the UDA under the Ministry of Megapolis and Western Development.

2) Reduction of Landslide Vulnerability by Mitigation Measures Project (US$ 80 million)
   - Objective is to reduce risk and damage from landslides through the implementation of physical mitigation measures and enhancement of policy and regulation associated with landslide management.
   - Implemented by National Building Research Organization (NBRO) under the supervision of Ministry of Public Administration and Disaster Management.

Source: ERD and AIIB
5. Policy Coordination

- High-level exchanges and visits between Sri Lanka and China

- MOUs signed between Sri Lanka and China include:
  - “Comprehensive Implementation of Investment, Economic and Technological Cooperation” (07.04. 2016): objectives - enhance Investment, economic and technological cooperation and improve cooperation on enterprises between both countries
  - “Promotion of Investment and Economic Cooperation” (16.05. 2017): objectives - promote sustainable social and economic development, expansion of export & increase employment opportunities.
  - “The Outline of the Medium and Long-term Development Plan for Investment, Economic and Technological Cooperation” (16.05.2017): objectives - promote rapid, stable and orderly development of the bilateral investment, economic and technological cooperation, to improve the level and quality of bilateral investment and promote social, economic and friendly cooperation.

BRI and SDGs: Potential Linkages

Five Priority Areas of BRI

- Policy Coordination
- Facilities Connectivity
- Unimpeded Trade
- Financial Integration
- People-to-People Bond

17 SDGs
# BRI Facilities Connectivity: Potential Linkages to SDGs

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<thead>
<tr>
<th>Facilities Connectivity</th>
<th>Direct Link</th>
<th>Indirect Link</th>
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<tbody>
<tr>
<td>1. Colombo Port City Project</td>
<td><img src="image" alt="Sustainable Cities and Communities" /></td>
<td><img src="image" alt="No Poverty" /></td>
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<tr>
<td>2. Colombo International Container Terminals (CICT)</td>
<td><img src="image" alt="Decent Work and Economic Growth" /></td>
<td><img src="image" alt="Reduced Inequalities" /></td>
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# BRI - Potential Linkages to SDGs

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<td>Unimpeded Trade</td>
<td><img src="image1" alt="8 Decent Work and Economic Growth" /> <img src="image2" alt="9 Industry, Innovation and Infrastructure" /> <img src="image3" alt="17 Partnerships for the Goals" /></td>
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<td>People-to-people Bond</td>
<td><img src="image5" alt="4 Quality Education" /> <img src="image1" alt="8 Decent Work and Economic Growth" /></td>
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Some Concluding Remarks...

- Preliminary findings reveal potential contribution of BRI related projects/activities on several SDGs.

- Measures needed to maximize the potential impact on SDGs. E.g. creating an enabling environment for trade and investment by improving efficiency of administrative and regulatory processes and ensuring policy consistency is key to successful implementation of some infrastructure projects.

- Despite the potential benefits, there could also be some concerns such as environmental impacts.

- BRI related activities have to be complemented with other national, sectoral and regional policies/strategies.

- Important ensure that the benefits are received by all groups including vulnerable/marginalized communities. This is key to ensure that ‘no one is left behind’
Thank you

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