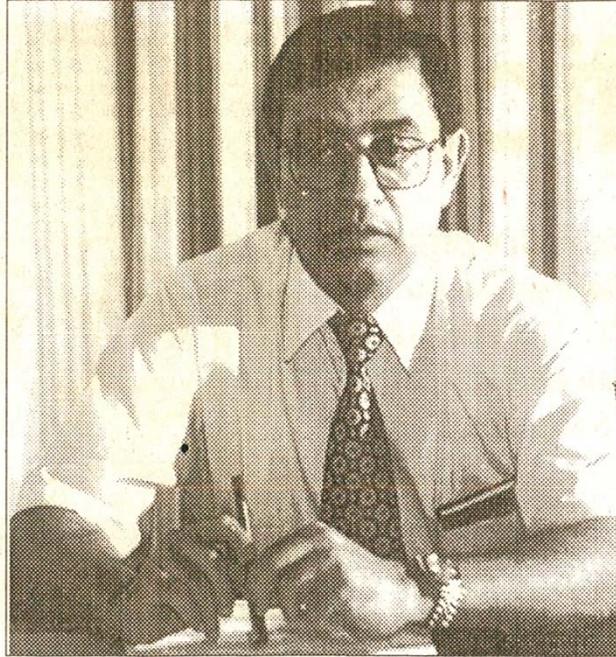


SRI LANKA – A NATION OF SHOPKEEPERS?

PERC CHAIRMAN SPEAKS



DST and PERC Chairman P.B. Jayasundera — Why such biased political patronage devoid of real answers?

Some of the privatisation transactions carried out by this government, handled by the Public Enterprises Reform Commission [PERC] have been analytically exposed. Such analytical exposures have also focused on some of the other transactions by government, other than privatisations. Such analysis considered the issue, as to whether such privatisations and/or transactions had been carried out in the best of national and public interests.

Furthermore, such analysis on these privatisations and other transactions were made in the light of the high profile policies on transparency and public accountability professed and propounded by the government, severely criticising the privatisations and other transactions carried out by the previous regime, for its lack of transparency and public accountability.

GOVERNMENT'S POLICIES

In such context, it is pertinent to quote once again from the first policy statement made to Parliament on January 6, 1995 by Her Excellency President Chandrika Bandaranaike Kumaratunge -

"The Airbus deal and the ground bus deal had particularly offended the international financial institutions In the name of privatisation, the past regime had engaged in virtual daylight robbery of valuable national assets. In most cases, the award of contracts had violated all accepted norms and procedures. Of some 43 privatised ventures, (excluding the plantations sector) a significant number could boast of major frauds perpetrated upon the state coffers Many of these ventures were grossly undervalued by reducing their sale price by as much as 2/3rd or 3/4th of the actual value. Some were sold with the buyer advancing only a small portion of the sale price, the rest being granted as loans from the state banks or from state coffers."

"Nowhere in the entire world would you come across such brazen pillage and plunder of a people's wealth. Today, quite a number of these ventures are bankrupt, and the Treasury is being compelled to pay wages to the workers of these enterprises. In short, the state has not only gained little but continues also to lose out financially as a result of these so-called privatisations. They have only succeeded in enriching some powerful persons close to the leadership of the last regime"

"The Government's approach to privatization will be distinguished by full transparency and accountability, which have been notoriously absent in the past. There will be no crony privatization in the future We have also to ensure that the process of government is transparent and free of corruption, and that everyone in public life is accountable for their actions".

Notwithstanding, such high profile policies enunciated, there had been no response, whatsoever, from those responsible on such analytical exposures and the relevant issues that had been highlighted and spotlighted, thereby undisputedly conceding and endorsing the correctness, without any argument, whatsoever, of such exposures.

ISSUES AVOIDED

Given such background the interview given to 'Business Today' by Dr. P.B. Jayasundera, Deputy Secretary to the Treasury and Chairman PERC, who had been interviewed by Lucien Rajakarunanayake, a leading journalist and political commentator, as published in the October issue of 'Business Today' is being focused upon.

Significantly, the controversial issues concerning both national economic interests and public interests, arising from the several analytical exposures appear to have been deftly avoided and such issues remain defenselessly unanswered, blatantly regardless of the dicta of the aforesaid policy statement, which upheld and committed - "We have also to ensure that the process of government is transparent and free of corruption, and that everyone in public life is accountable for their actions".

On the contrary, in such interview published in 'Business Today', Dr. Jayasundera has endeavoured to portray and project a "hunky dory" picture with gloss of success. In conformity with the professed policies on transparency and public accountability and in the realms of the business world, in inter-action with whom such transactions have been perpetrated, one would have expected the Chairman PERC, Dr. P.B. Jayasundera to have pragmatically addressed some of the issues raised in a business like manner and thereby upheld his duty and responsibility on public accountability concerning such transactions.

Dr. Jayasundera has stated " However, one good thing this government did was to clearly identify the priorities first. So, I will give full credit for having done first things first, despite the tremendous political cost" - as to how such tremendous political costs were economically determined would be left to one's own imagination, whereas on the contrary, Dr. Jayasundera has ironically failed to take cognisance of the costs to the government and the much more important colossal economic costs to the public of this country, as a consequence of some of the debacles in the privatisation transactions carried out by PERC, as had been analytically clearly exposed.

FUTURE VISION ?

However, on the other hand, at the same time Dr. Jayasundera has endorsed that privatisations must be done in national interest. When one seriously and honestly examines some of the privatisation transactions that had been carried out by PERC, of which Dr. Jayasundera is now the Chairman and was then a member, can one honestly state, that such privatisation transactions had been carried out upholding national interests ? It is left to the intelligent public to draw their own conclusions from all that has been hitherto published, which stand undisputed and unrefuted by those responsible.

Dr. Jayasundera however must be given due credit for the truism he had opined, that he sees a good future ahead, provided Sri Lanka has a vision for the future. Nothing could be more further from the truth. Does it not, in itself, spell out, without any doubt, whatsoever, that Sri Lanka has no vision for the future, since Dr. Jayasundera has himself stated that, "provided that there is a vision for the future, that he could see a good future ahead". This is the prognosis of one of the top economists of a government after 3-years in office. Dr. Jayasundera has repeatedly reiterated that "there must be a vision". Has this not been the tragedy of this country saddled with political mismanagement regretfully often supported by professionals and technocrats for political favour ?

In a good part of his interview, Dr. Jayasundera has repeatedly reiterated the adherence to economic fundamentals. There is no dispute, whatsoever, on that score. However, in terms of developing a country towards a market economy, one must also pursue pragmatic business-like approaches in terms of tangible and meaningful strategies towards mobilising macro investments and improving the quality of life. In a third world developing country, such as ours. lack of employment opportunities, as a consequence of failure to mobilise macro-investments and the lack of sensitivity to cost of living, would be real, practical issues, that would necessarily have to be taken cognisance of, if one were to develop the country in real, pragmatic, meaningful and tangible terms.

MACRO INVESTMENTS ?

The former regime catalysed the whole process of a new dimension of economic activity in this country by mobilising the multi-faceted gigantic accelerated Mahaweli Development Programme. That was most certainly conceived, not only with a vision, but also with pragmatic and tangible strategies to propel economic activity. Regretfully, there has been no such mobilisation of such macro investments to spur economic activity under the present regime. One must not overlook also the dynamic efforts that were made to establish an island-wide network of export garment industries, to uplift the quality of life of people in backward and rural areas.

In fact, BOI project approvals and investments mobilised during the tenure of this government, as exposed based upon a report compiled by the Ministry of Finance & Planning, itself, woefully spoke volumes ! Ofcourse such issues have been deftly avoided by Dr. Jayasundera in his interview. Why ?

On the contrary, Dr. Jayasundera has underscored growth in investments and economic activity in this country in his own words - quote - "Look at the boom in restaurants, eating houses, caterers, take away food vendors, shops, these are investments taking place in the economy and the issue now is how are we to really take off. Get on to the fast track". Are these the real fundamentals of investments and economic activity ? Are we to end up as a nation of restaurant keepers and shop owners ?

REAL CAUSES ?

Dr. Jayasundera has further highlighted the unacceptable levels of economic parameters in 1980, which as a result, the country was compelled for the first time to go through IMF and World Bank reforms. But what is not clear and cogent is, whether this state of the economy in 1980 was as a consequence of the country having been through an era of a controlled economy during preceding decade reminiscent of queues, particularly during the years 1970 to 1977 or was it a sudden debacle and deterioration in economic parameters caused just two years after the previous regime ushered in a free and open economy in 1977 ?

Surely, should not the correct causes for such economic parameters ought to have been also given, lest the uninitiated public be misled ? Ofcourse, it is transparently clear that Dr. Jayasundera has gone beyond the ambit of professional technocracy when he states, - "although politically it is now been mentioned as a record of broken promises by many, in my view I would describe it as accepting the reality. Can any of those promises be translated into reality simply in political terms, or can this be done in economic terms". What has been conveniently ignored is that such promises had been formulated and pronounced with the advice and support of economists and professionals, who rallied round the campaign and the government is

in office based upon such very promises. However, on the contrary, could it be explained as to why and how, promises on policies of transparency, public accountability and corruption could not be upheld and adhered to ?

ECONOMIC INFRASTRUCTURE

With such political bias, Dr. Jayasundera goes on to opine "Now, this is what I try to emphasise as part of the failure of the previous government. They should have open not only trade, but also open other enterprises to the private sector. They could have done much more through privatisation, carried out properly. If they started thinking of the private sector to handle even some aspects of infrastructure, today Sri Lanka would be a different country."

This regretfully, is a fundamentally incorrect statement. As far back as 1991, the former regime had promoted the concept of private sector investments into infrastructure - actively supported by the present Leader of the Opposition, Ranil Wickremasinghe, when he was then Minister of Industries, resulting in the establishment of the Secretariat for Infrastructure Development and Investment [SIDI] in 1992 supported by USAID to promote and mobilise private sector investments into infrastructure. Ironically, the projects such as the KHD Power Plant, Galle Harbour, Southern Highway and the P & O Terminal Project had been some of the projects not only conceived, but also had been developed by such project office, that was headed by Dr. P. Ramanujam. Even the Private Sector Infrastructure Development Fund, had been mooted and developed by this project office, to be funded by the World Bank.

IMPROPER PRIVATISATION

Dr. Jayasundera has also gone on record to have stated, that the former regime could have done more through privatisation carried out properly. Implicitly, it is implied that such privatisations had not been carried out properly. On the contrary, have the privatisations carried out by PERC of which Dr. Jayasundera, is the Chairman and a then member, been carried out properly ? The scandalous privatisations with colossal losses to the state, particularly of the plantations, virtually given on a platter on private treaty at questionable prices with bonanzas, without open market competition have been spotlighted - so has been the privatisation of Steel Corporation and the questionable manner of the privatisation of Orient Lanka, detrimental to national interests and contrary to established international practice.

In the same issue of 'Business Today', coincidentally is also an interview given by Mano Tittawella, Director General, PERC captioned "Privatisation brings huge chunk of economy into stock market" - Quite amazing, since knowledgeable business circles have been aghast, as to why PERC carried out many a privatisation transactions, shying away from the established stock market, contrary to policy pursued by the previous regime, as in such cases of Lanka Oberoi, Trans Asia, Distilleries, Lanka Milk Foods, Lanka Canneries etc.; obviously opting for negotiations through private treaty, devoid of open competition contrary to free market reforms, resulting in debacles and colossal losses to the state, such as in the plantations, steel corporation and Orient Lanka.

Significantly, even the Director General PERC, Mano Tittawella, though speaking mainly on the plantation privatisations, has deftly avoided the controversial issues of debacles and colossal losses to the state, which resulted in Her Excellency the President intervening to suspend such privatisations based on a ludicrously absurd price formula, with one such deal, structured by the Merchant Bank of Sri Lanka, of which then Chairman PERC was also the Chairman, being investigated by the Exchange Control, precipitating resignations from PERC for alleged conflict of interests.

It is left to the intelligent public of this country to consider whether such privatisations carried out by the present government, with Dr. Jayasundera's direct involvement had in fact been carried out properly, whereas Dr. Jayasundera has avoided responding in a pragmatic manner to the very specific issues highlighted and spotlighted, and whereas on the contrary Dr. Jayasundera has ironically chosen to opine, that the privatisations under the previous regime had not been carried out properly. Apparently by way of

defence, Dr. Jayasundera has merely stated "Just now PERC has reached a situation of maturity as an institution." Ofcourse, the country has had to bear the cost of such childhood, amateurish adolescence and growth into such maturity !

COLOMBO GAS

This ofcourse, admittedly is very clear by what Dr. Jayasundera has articulated in his interview — "Now in certain cases, in the early stages, one could not be certain which stage should have come first. Whether the regulatory arrangements should be enforced and then privatised, or privatisation first and then the regulatory work". The well known elementary and cardinal fundamentals of privatisation established globally is not so confusing - they are much more simpler than the fundamentals of economics.

Is this not an apology for the amateurish and questionable manner as to how Colombo Gas was privatised, where the consumer public were called upon to pay for PERC's debacle caused by such learning process ? Nevertheless, did not PERC have expatriate experts funded by the World Bank, advising and assisting ? Should not such fundamentals of privatisations ought to have been known by those who purported to have known and undertook the responsibilities of privatisation, dealing with public assets and not their own ?

AIR LANKA

In relation to the privatisation of Air Lanka, Dr. Jayasundera is quoted to have stated — "For instance if it is a pure revenue maximization matter we get the government valuer and go for the highest price. But on the other hand, the danger of that approach for a big enterprise is that you may not achieve your development objectives. Because at the end, you can sell an enterprise and get a huge sum of money. But the investor will come here and start recovering that first, rather than developing the industry. So, in my view even politically that consensus has to be developed, because we should not run behind the revenue objective per-se."

Does this not broadly mean that Air Lanka is not to be sold to the highest bidder ? Would it not be the honest logic, that greater the cost of acquisition of investment, greater would have to be the development investment to recover a return on such investment. Surely, would not the privatisation transaction and the commitment to subsequent investment for development be a part of a binding contractual agreement ? Would this not be the responsibility of those carrying out the privatisation ? Could all this illogic only mean that Air Lanka is not likely to be sold to the highest bidder as logically ought to be done ?

Would not the very achieving of goals of national objectives and development could only be ensured by proper public dissemination and transparency in carrying out such transactions ? How could one ensure achievement of national goals and objectives, if such transactions are closeted away from the public glare ? PERC has pursued a policy of strict confidentiality, obviously for private treaty negotiations, that have resulted in several debacles with colossal losses and of detriment to national interests and objectives, contrary to what has been propounded by Dr. Jayasundera. In such background, how could the public of this country be assured of achievement of such national goals and objectives through closeted transactions by a few, a way from the public glare, with transparency blatantly breached ?

ORIENT LANKA

Dr. Jayasundera has gone on to state "The attack on the oil storage tanks, followed by the attack on the Central Bank on January 31, last year. The economy was really affected. In fact some of the people, who are critical about privatization have forgotten that fact. For a example PERC had to let the investors discount for the risk." How does Dr. Jayasundera reconcile such statement, with PERC's privatisation of Orient Lanka after such Central Bank bomb blast, in the face of a much more profitable conventional franchise offer, with continuous and renewable revenue potentials to the government, commencing from as much as Rs. 3000-5000 million for a 10-year franchise, whereas PERC regardlessly sold outright 60% shareholding for Rs. 1000 million, giving stocks and cash of Rs. 285 million, with a further option to purchase another 37% shareholding, that too to a party who could not have been pre-qualified and shortlisted, thereby making a

mockery and farce of such pre-qualification and shortlisting a process endorsed by Dr. Jayasundera in his interview.

In the face of such much better option, even after the Central Bank bomb blast, how was Orient Lanka privatised in breach of the fundamentals of privatisation ? Dr. Jayasundera has failed to address such a vitally important issue, for which he too stands accountable and responsible, whereas ironically he has endeavoured to castigate the privatisations carried out by the previous regime.

ELIMINATION OF CORRUPTION

So much so on transparency and public accountability. This is what the present government's first policy statement to Parliament pronounced by Her Excellency the President stated on corruption, under the caption "*The elimination of corruption*"

"You will recall that the first piece of legislation presented by my government to this August assembly had, as its aim, the restoration of integrity and honour to the public life of our motherland. This legislation, which Parliament enacted unanimously, provided for the establishment of a Permanent Commission on Bribery and Corruption. The most striking feature of this legislation is the robust and complete independence of the Commission from political influence."

"Corrupt politicians can no longer have recourse to membership of the country's supreme legislature as a shield against investigation of, and punishment for, gross abuse of public power. In this way we have espoused and upheld, the value of transparency and accountability in the public life of the Republic."

"In harmony with this tradition my Government has embarked upon the task of cleansing the public life of Sri Lanka. This is not being done in any spirit of rancour or acrimony, ill-will or resentment. It is our deep conviction that the very fabric of our social institutions will inevitably disintegrate if a concerted and persevering attempt is not made to rid our country of corruption and fraud."

Do we really see and experience such a promised environment today, devoid of political cronyism? Are investigations free of political influence and cronies being investigated politically shielded? The exposures in the very words of such policy statement of government, are not being carried out in any spirit of rancour or acrimony, ill-will or resentment. It is with deep conviction that the very fabric of the social institutions will inevitably disintegrate, if a concerted and persevering attempt is not made to rid the country of corruption and fraud. Indeed, noble words well spoken no doubt, but what is the real action today by the very government that so spoke?

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