

BOI – PLUNGING THE ECONOMY HEADLONG TO HIT ROCK BOTTOM



In further focusing on the re-privatisation of Mattegama Textile Mills Ltd. and referring back to the privatisation of Ceylon Steel Corporation Ltd., disclosed revealing data pertaining to the performance of the Board of Investment of Sri Lanka [BOI], given in a very recent authoritative report dated July 15, 1997, documented by the Department of Public Enterprises, Ministry of Finance & Planning, under which Ministry the BOI functions.

This report documented by the Ministry of Finance & Planning has been titled "*Examination on Auditor General's Report of the BOI by Committee on Public Enterprises, a Profile 1992-1996*", The title of the report by itself implies, that it had been prepared to facilitate, the examination by the Committee on Public Enterprises of the Auditor General's report on the finances and operations of the BOI.

The objectives of the BOI has been clearly set out in this Finance & Planning Ministry report as follows - 1. Foster and generate the economic development of the Republic - 2. Widen and strengthen the base of the economy of the Republic - 3. Encourage and promote foreign investment within the Republic - 4. Diversify the sources of foreign exchange earnings and to increase the export earnings - 5. Encourage and foster the establishment and development of industrial and commercial enterprises within the Republic - 6. Do all such other acts as may be necessary or conducive to the attainment of any or all of the above objects. The BOI functioning under the Ministry of Finance & Planning, no doubt such Ministry, ought to have known quite correctly the objectives of the BOI, as have been set out in such Ministry report.

FOREIGN INVESTMENT PROMOTION STRATEGY ?

The relevance of the revealing data disclosed by the Ministry of Finance & Planning, itself, to facilitate the examination of the Auditor General's report on the BOI, was brought into focus, in the context of the privatisation Ceylon Steel Corporation Ltd. and the re-privatisation of Mattegama Textile Mills Ltd., where 90% ownership of the former and 100% ownership of the latter had been given to two foreign investors from Korea, Hanjung and Kabool, primarily on the rationale, that both Korean companies concerned had agreed to invest around US \$ 10 million, in each of these respective privatised companies, i.e. Ceylon Steel Corporation Ltd. and Mattegama Textile Mills Ltd., after these Korean companies had acquired such ownership of 90% and 100%, respectively, of these privatised companies.

It was correctly pointed out this as a case of investing on themselves and that such investments cannot be considered, as a part and parcel of the purchase consideration paid for such public assets taken over by the respective Korean companies, in these cases, base industries in steel and textile sectors in this country, though the Chairman, PERC, Dr. P.B. Jayasundera, had puerilely endeavoured to make it out as otherwise to the media.

The BOI is committed to achieving its objectives, particularly to "*encourage and promote foreign investments within the country*", on the strength of BOI's own marketing strategies and promotional drives, that are to be designed and pursued to attract such foreign investments, for which a multitude of tax and other concessions have been structured, designed and made available, as a policy framework by the government. The BOI numbers that ought to be counted should only be in respect of the promotion of new investments and not those realised in the privatisations of existing state owned enterprises.

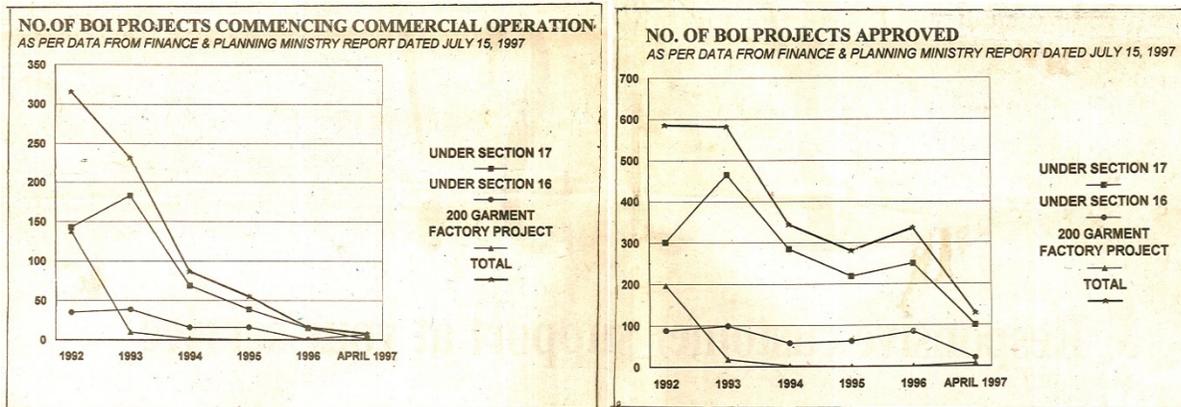
Examination and scrutiny of the privatisation of the Ceylon Steel Corporation Ltd. and the re-privatisation of Mattegama Textile Mills Ltd., revealed, that such privatisations have been driven by the attraction of mobilising investments of the levels of US \$ 10 million in each of these cases. Chairman & Director General, BOI, Thilan Wijesinghe also is an influential member of the Public Enterprise Reform Commission [PERC] participating in such decisions.

Such given transactions, would only reflect and imply, that it is the policy of the government to give away valuable public assets, particularly as in the case of Ceylon Steel Corporation Ltd., as an incentive to attract and mobilise foreign investments into this country. Should this be so ? Would this also not be reflective of a sense of desperation and the bankruptcy of proper strategy to attract and mobilise foreign investments?

ALARMINGLY DECLINING DOWNWARD TRENDS

For the benefit of the intelligent public of this country, the tabulated data contained in the report of the Ministry of Finance & Planning on the BOI, in a much more clear graphical presentation is presented. Surely, the officials of the Ministry of Finance & Planning, who prepared such report, ought to have known that such data ought to have been presented, in a meaningful and easily comprehensible manner, to facilitate easy and speedy review by hierarchical management; and in this instance, by the Committee on Public Enterprises, whose members, amidst other official and socio-political duties, would have very little time to delve into, scrutinise and respond to such tabulated data, which tend to hide the real facts in a mass of data, more than revealing and highlighting such important and material issues of national interest concern !

It is in such context, the graphs on the number of BOI projects approved annually since 1992 and the number of BOI projects commencing commercial operations annually since 1992, purely based on the data contained in the Finance & Planning Ministry report dated July 15, 1997 — an authoritative source for such data are given.



No doubt, from the point of view of concerns of national interests, the graphs disappointingly reveal, sharply declining downward trends, in terms of numbers of BOI projects approved and numbers of BOI projects commencing commercial operation. Unlike the tabulated data given amidst a mass of other data, the two graphs vividly bring out such very important and material trends very clearly, which would be very revealing and meaningful to all those, who are concerned with the important task and issue of attracting and mobilising foreign investments, expertise, technology and markets, in as many projects as possible in this country. Such highlighted disclosure could no doubt also bring into immediate focus, the need to take pragmatic corrective action, to arrest and reverse such sharply declining trends, which would be detrimental to national interests.

Quite clearly and obviously, the foreign investment mobilisation marketing strategies and promotional drives pursued by the BOI, do not appear to have borne fruitful results, in terms of the numbers of BOI projects approved and the numbers of projects going into commercial operation. The BOI ought to seriously focus on this sharply declining trends depicted by these graphs and develop professionally designed marketing strategies and professionally handled promotional drives to arrest and reverse such declining trends. Ought not the Ministry of Finance & Planning, under which Ministry the BOI functions, take immediate corrective action in this regard.

In the recent years, several foreign investment promotional missions have been undertaken, with the participation of the Chairman & Director General, BOI, Thilan Wijesinghe and some have even been led at the highest level by Her Excellency the President, Chandrika Bandaranaike Kumaratunga and some have been led by the Minister of Foreign Affairs, Lakshman Kadirgamar, Deputy Minister of Finance & Minister of Justice and Constitutional Affairs, G.L. Peiris and Minister Internal and External Commerce and Food, Kingsley T Wickramaratne.

On the contrary, is it that the BOI, without focusing its energies and strategising on the pursuit of its statutorily defined objectives, as set out in the report of the Ministry of Finance & Planning, got dis-oriented and focused upon other agendas, particularly on endeavours to blunt and counter the true to life disclosures and exposures.

FORMER DIRECTOR GENERAL BOI - A PUBLIC SERVANT



Finance Minister Kumaratunga (above) — In the background of the criticism of the public service, what action would be taken?



Chairman BOI and Member PERC Thilan Wijesinghe (right) — What would a good cricketer do when he gets bowled?

Thilan Wijesinghe was brought in as the Chairman & Director General of BOI on the personal intervention by Her Excellency the President, Chandrika Bandaranaike Kumaratunge, as the Minister of Finance, being in charge of the subject of BOI, with hosannas of praise sung in parliament, by none other than the Deputy Minister of Finance, G.L. Peiris. Vass Gunawardena an experienced and respected senior public servant, held in very high esteem and regard had been appointed Director General, BOI no sooner this government came into office in August 1994, as one of this government's first appointments. One year later, Vass Gunawardena was politely requested to resign, a very much disappointed and disillusioned man! This was to make way to bring in Thilan Wijesinghe as Chairman & Director General of the BOI with very high expectations. Vass Gunawardena must be having the last laugh now!

Vass Gunawardena had proved his mettle, as a seasoned and mature corporate leader, having very successfully functioned, as the Chairman of the Sri Lanka Ports Authority. He had earned the highest commendations for excellent achievements in managing the port from the most demanding task master of them all that this country has seen, the late President R. Premadasa, from whom Vass Gunawardena received many a rare public accolade. Vass Gunawardena had also been the Chairman of the National Development Bank, playing a key-role in the ambitious 200- export garment factory programme that was strenuously implemented.

Vass Gunawardena, himself, had had a longstanding stint previously at the BOI, particularly handling investment promotion and had also been a Director General of the BOI previously. Two other long standing senior public officials of the BOI, Executive Director (Investments) M.P.T. Cooray and Director (Investments) L.J. Isaacs, with much developed experience and expertise on foreign investments, ought to know what really has wrong, as depicted by these graphs.

PUBLIC SERVICE CRITICISED

Criticism of the public servants and the public service by President Chandrika Bandaranike Kumaratunga at the recent opening of the 'Industrial Exhibition 1997' was widely reported in the print media. *The Weekend Express* of August 2-3, 1997 carried a front page report captioned — "Corrupt public service, greater challenge than terrorism - Chandrika". *The Island* of August 1, 1997 reported under the caption — "Public service the bane of the country - President". The *Daily News* carried a front page report captioned — "Biggest problem now is the lethargic public service".

The *Weekend Express* report stated — "Some say that the biggest challenge facing the government today is the North-East war and the threat from the LTTE. But I would say that the bigger challenge facing the government today is the lethargy and inefficiency that has taken over the public service and the conduct of some corrupt officials who abuse their position. If those in public service fail to serve the public and continue with their corrupt practices, then we will be compelled to take stern measures against them". — *The Island* reported — "President Chandrika Bandaranaike Kumaratunga said last night that the biggest impediment to the nation's progress was not the separatist terrorists and the North-East war, but a totally dilapidated public service that was lethargic and unproductive However, the threat to development by an inefficient public service was so large that this had even overcome the threat of the war". — The *Daily News* reported — "People say that the North-East war is the biggest problem we face, but the LTTE has been contained to a great extent and the situation is turning for the better. The biggest problem now is the stagnation of the public service, which has been accused of being lethargic, inefficient and corrupt, she asserted. Noting that the government has introduced tough disciplinary measures against public servants who are not up to the mark, she urged them to work harder for the country's benefit. Disciplinary procedures will be strictly followed within the next six months"

Whilst no doubt there could and would be instances to complain of in the public service, by and large, the public service consists of persons, who have rendered lifelong invaluable and dedicated services to this country. Senior public servants are invariably at the beck and call of politicians and end up working long hours at tremendous sacrifice of their private lives, with no compensation for such efforts in comparison with the private sector. Such generalised criticism of such senior public servants, would not only be gravely unfair, but also would be of a demotivating and demoralising nature.

POLITICAL MISMANAGEMENT OF COUNTRY

Right thinking people of this country, on the contrary, direct such very same criticism, not at the public service, but at the politicians in general, who have held sway since the independence of this country. In fact some cynics even opine that the country would have been much better off, if it had been administered by an independent public service, devoid of politicisation, reminiscent of the state council era. What ofcourse comes into question is the competence of and performance by political appointees to public office privileged with power and position and what action the government would take against such appointees for any remiss or misdemeanors referred to by the President ?

In fact one of the most successful elder statesmen in this region, Singapore Prime Minister, Lee Kuan Yew, who directed the phenomenal development of Singapore overtaking this country, which was more developed than Singapore during the pre-independent era, had gone on record in citing, Sri Lanka, as a good example of a country that had been politically mis-managed.

If one were to sum-up and aggregate, the praise of and tributes to services purported to have been rendered to this country by various politicians since independence, as pronounced in newspaper anniversary supplements, the electronic media, books and publications and at felicitation ceremonies, then this country ought to have been a paradise today !

On the contrary, the socio-political problematic complexities, including the communal strife, youth unrest and economic stagnation compared with the development of Singapore, are woefully reflective of the real contribution, that has been made by the political management of this country since independence. For this, blame lies not with the public service, but fairly and squarely elsewhere.

- Published in The Sunday Leader on 10.8.1997 by Nihal Sri Ameresekere under the pseudonym 'Bismark'