

BOI INTERVENTION IN REGIONAL INDUSTRIAL DEVELOPMENT OF SRI LANKA

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It is accepted both by physical and economic planners that industry would play a catalytic role in developing an area and quite apart from the general desire to increase national output and country's wealth there are pressing social reasons for industrial development.

While the need to develop industry is not generally in question, the best means of introducing industrial strategies has long been the subject of argument especially of the politicians and physical planners. The industrial policies and strategies hitherto presented since early 1950's show the overall effort of the industrial sector in the economy, social and spatial development of the country. Sri Lanka's industrial policies in the past were influenced to a great extent by the political ideology of the Governments in power. Since independence the industrial policy seems to have evolved in seeking solutions to major economic constraints, balance of payment, generation of employment opportunities, and alleviate regional disparities etc. The need for regional industrialization has been recognized since 1970's. "New Industrialization Strategy for Sri Lanka" - November 1995 published by the Ministry of Industrial Development outline the Government objectives as follows.

- a) Efficient management of physical and manpower resources;
- b) Employment and income generation in both rural and urban sectors;
- c) Export orientation; and
- d) Regional industrialization

Amongst fourteen strategies formulated to achieve these objectives an emphasis has been given to regional industrialization. Most of the industries in Sri Lanka have been confined to the Western Province. The common salient problem in regional growth of the country is the widespread phenomenon of "depressed" or "lagging" regions, usually the rural sector, which grows at a much slower rate than that of more developed Western Province. These backward areas create development problems in terms of slow rate of economic growth and inequitous spatial distribution of income among the regions. This problem has often been attributed due to lack of integration of national economy resulting from geographical isolation, inadequate system of transportation and communication, under-utilization of regional productive resources for the region and for the national benefits.

Establishment of Export Processing Zones & Industrial Parks

Within the present policy framework of industrial development, the Board of Investment (BOI) will have to play a catalytic role in the regional development of the country. Hitherto, BOI has established five Export Processing Zones and Industrial Parks in the country.

The Katunayake Export Processing Zone (KEPZ) was established in 1978 as the first EPZ in the country. It is located near the Katunayake International Airport which has locational advantages for foreign investors who require air transportation for both imports and exports. It is also close to Colombo Port which is only 29 km away from the Zone. From locational point of view, it has more advantages as the zone is more close to Ekala Industrial Estate, large housing complex at Raddoluwa, Negombo Town Centre and several beach resorts.

At the outset, with the setting up of the zone at Katunayake on a 450 acre of land, the BOI then known as GCEC, declared a large area which is in extent of approximately 450 sq. kms. as its "area of Authority" for the provision of off-site infrastructure required for the EPZ and regulate and control the land use pattern that existed through systematic planning process in terms of Town & Country Planning Ordinance, Home & Town Improvement Ordinance and other relevant rapid development in the area.

Within the same "Area of Authority" the development of the second EPZ at Biyagama commenced and came into operation in 1986. This zone is located 24 kms. North East the Kelani River. Biyagama is another fast developing industrial cluster with large scale other industries such as Petroleum Refinery, Industrial Gas, Private Industrial Estate namely, Lanka Industrial Estate Limited (LINDEL), etc.

The third zone was established at Koggala in 1991 in terms of Section 22 A of the BOI Act. It is expected to provide a growth centre through the development of this EPZ in the Southern Region centered at Koggala and to supplement those existing economic activities in place, such as at Galle which is the main regional centre of the Southern Province and other development proposals being planned vis-à-vis the Development Plans of Southern Area Development Authority.

One of the objectives of locating the EPZ at Koggala was to increase non-agricultural employment opportunities in the South having observed the large number

of educated school leavers from the South who could not find jobs outside the agricultural sector resulting in migration to Colombo and other suburban areas. It is expected that Koggala EPZ will play a catalytic role and induce development to the areas which has been hitherto neglected.

The Asian Development Bank (ADB) who carried out a feasibility study on Koggala EPZ stated that, "If the justification for siting the EPZ in the Southern Wet Zone is based on the regional development it may catalyze, then backward linkages with the region must be encouraged. To this end, it may be useful to favor the selection of industrial processes which are based on regional resources and where much of the production is done at decentralized locations in the region".

KEPZ is located at Koggala by the side of Koggala Lake on a land of 180 hectares. There are two centres namely Habaraduwa and Ahangama which could be developed as industrial town centres to cater services required by the zone and for its workers. The zone has direct access to Galle main road and the railway line passes through the site. Koggala has an additional advantage of a good airstrip and related facilities adjacent to the site provided by the Sri Lanka Air Force. It should be mentioned here that Koggala is the birth place of the famous writer, DR Martin Wickrema-singhe. His house has been conserved with the Museum and the industrial layout plan of the zone has been designed in such a manner to create a separate entity with exclusive access to the Museum.

In order to prevent adverse impact on Koggala Lake, beach and other important characteristics of the area, with the setting up of an industrial zone, a Licensed Zone was gazetted in terms of the Section 22A of the BOI Act No.4 of 1978.

However, anticipated development in the surroundings area especially linkages with other sectors of the economy has been rather slow mainly due to limited numbers of investment projects established in the zone for last six years.

The fourth Industrial Estate was established in 1994 at Pallekele, Kandy developing an area of approximately 250 acres. Unlike other three Export Processing Zones, the Industrial Park at Kandy was planned to accommodate both foreign investment projects and other non BOI local investment projects. Hence it was named as an Industrial Park.

The fifth Industrial Estate was established in 1996 at Attanagalla developing 10 industrial plots. Presently this small Industrial Park is completely occupied with investment projects. It is expected that those industries would create more than 2000 employment opportunities during the year 1998.

Planning and construction work of the sixth zone has already been commenced. The proposed Export Processing Zone site is located at Mirigama Divisional Secretariat area of Gampaha District, about 58 kms North East of the Colombo City. Access to the site is directly from the Mirigama - Giriulla Road which is a "A" class. The Port of Colombo could be reached from the site via Pasyala on the Colombo-Kandy high way about 1 ½ hours travel time for a container. The Colombo Airport, and the Katunayake Export Processing Zone are about 37 kms from the site, about 1 hour travel time.

It is also planned to open up another Industrial Park at Mirigama and Wathupitiwala, Nittambuwa enabling to provide more industrial plots to prospective investors who are looking for land close distance to airports and seaports.

Other than the industries located in Export Processing Zones and Industrial Parks nearly another 700 investment projects have been approved in various parts of the country with the declaration of the whole of Sri Lanka as a free trade zone in early 1992. The total employment created by these industries located outside were around 78,800.

Regional Impact

Main benefits envisaged with setting up of these Industrial areas were;

- Attraction of both local and foreign investment for manufacturing projects for export and local linkage industries
- Creation of employment opportunities at various level for unemployed youth, also, create more employment opportunities some time to offset periodic irregularities in agricultural employment
- Increase in foreign exchange earnings into the country and advance national economy by accelerating industrial development.
- Introduction of transfer of technology and skills especially in high tech industries.
- Spinn-off effects and particularly the generation of economic activity in the region including service and linkage projects catering to the needs of the region.
- To decentralize industry and to spread the benefits of industrialization more evenly in the country thus diversifying and increasing economic activities in rural and backward areas.
- To promote and raise productivity in industry
- To promote specific industrial sectors and groups of skilled and qualified persons
- To relocate industries specially small and medium scale away from congested areas thereby promoting regional development
- To promote requisite infrastructure facilities on minimal cost which would assist the industrialists.

Industrial Township Concept

With the establishment of large industrial zones accommodating large worker population in a particular area invariably would open up for activities required to sustain worker population by providing services required for them. The service population has been estimated at least at the rate of one inside worker to serve two outside workers.

Creating other economic activities in the area, Katunayake Export Processing Zone has accommodated nearly 60,000 employees. Its service population in an around Seeduwa, Katunayake, Katana areas has been increased during last decade and half. In the absence of proper worker housing ac-

Name of the Zone/ Industrial Park	District	Year of Commencement	Extent	No. of Factories	Employment
1. Katunayake EPZ	Gampaha	1978	500	92	69,300
2. Biyagama EPZ	Gampaha	1982	445	45	22,160
3. Koggala EPZ	Galle	1992	225	11	6,714
4. Kandy IP	Kandy	1994	205	03	1,100
5. Malwatta IP	Gampaha	1996	25	(Approved) 09	2,100

commodation employees are scattered in these areas searching for residential facilities. The BOI has launched a scheme to provide more facilities under "Industrial Township Programme" one of the major objectives of the township development is the improvements of the living conditions of the worker population, a large number of whom are presently compelled to live in insanitary boarding houses, some of which are improvised structures. The benefits of industrial locations have not been properly utilized due to non availability of adequate infrastructure in the surrounding areas. Hence, the township development programs considers that the basic infrastructure such as access roads, water supply and environmental protection, are vital component. In developing areas which has impact of these industrial zones. Under this exercise, it is also intended to locate some basic social infrastructure at identified locations. Studies carried out by the Urban Development Authority has suggested the levels of delivery to be determined in consultation with the relevant local authorities responsible for them medical, postal, education etc. In the case of Katunayake it is an expansion of the Urban Council limits; the new areas are having planned and developed as neighborhood centers with the potential to grow with accelerated residential development and supporting commercial and other social facilities, especially due to the continuing changes to commercial/light industrial uses of residential blocks along the main transport route Negombo-Colombo highway with the setting up of EPZ at Katunayake. As suggested by the UDA under this industrial township programme, the strategy is to steer the development of Katunayake Urban Council area towards the peripheral areas South-East of the KEPZ and make use of the natural resources that are there to economic advantage in a sustainable manner.

Biyagama where the second EPZ was established has been a typically rural area, which is now undergoing changes with new industrial development introduced to the area last one and half decades ago. It is observed that the establishment of the EPZ has given an impetus to other industrial activities and opened up

the area for setting up a large industrial venture such as Colombo Gas Co., Pure Beverages and private sector developers to open up private industrial estates etc.

Other urban areas surrounding the zone such as Delgoda, Kadawatha, Makola, Kiribathgoda are now undergoing rapid changes to cater to large worker and migrant Population.

A strategy for Regional Investment Promotion

Unlike in the past, BOI now intends to develop industrial zones in other parts of the island providing more incentives not simply locating industrial estates but developing industrial townships.

"At present, a plethora of incentives are available to investors under the BOI Law and Inland Revenue Law. However, virtually all incentives are applied uniformly across industrial sectors and regions. Consequently, most investors would prefer to locate projects within easy access to the Port of Airport or in areas where infrastructure facilities are easily available. This has led to several problems:

- A heavy concentration of industries in the Western Province resulting in shortages of labour and high labour turnover consequent to migration of labour from rural areas to more industrialized areas.

- Infrastructure bottlenecks in the Western Province e.g.: shortage of industrial land and difficulties in obtaining utility connections."

In this context, the BOI intervention in regional development through industrialization of the country is appreciated.

"A strategy for Regional Investment Programs - Thilan Wijesinghe, Director General, BOI (unpublished paper)

