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INDUSTRIAL PRIORITIES AND SPECIFIC
TECHNICAL ASSISTANCE ^{1/}

GENRIY PABSI

SRI LANKA

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id.76-126

THE five year national development plan envisages an increase of the contribution of the Industrial sector to the gross domestic product over the plan period. The industrial sector is also expected to provide employment opportunities to an additional 165,000 persons during the plan period. These targets are to be achieved through the expansion of existing public sector industries, the establishment of new public sector projects and also through the expansion of industries in the small scale sector. The increase in the volume of industrial production will come through the manufacture of commodities consumed by the large masses of the population, the expansion and establishment of industries manufacturing intermediate industrial inputs.

ONE of the basic defects of the industrial structure prior to the base year of the Five Year Plan was that the industrial sector was critically overdependant on import inputs for production. In seeking to achieve the targets set out in the plan, the need to keep the foreign exchange requirements for investment as well for operations at the barest minimum levels receives very special consideration. The development of the export-oriented industries is receiving the highest priority under the development plan. Apart from resulting in increasing foreign exchange earnings and thereby easing the prevalent general shortage of foreign exchange these industries will also be able to contribute much towards the import of industrial inputs and equipment.

TO achieve the targets relating to investment and export earnings set out in the Five Year Plan, a number of policy measures have been adopted and these are amplified in the White Paper on private foreign investments issued in June 1972.

IN the task of implementation of projects that have been identified, and included in the five year plan, the main constraint has been the lack of foreign exchange to finance the foreign component of the investment. The measures adopted to overcome this limitation has been to seek assistance from multi-lateral aid giving agencies as well to obtain aid on a Bi-lateral basis.

IN regard to the development of industrial exports, a breakthrough has been made to set up projects on the basis of joint collaboration. This includes ~~equity~~ equity participation, deferred payment for machinery imports, market guarantees for export etc.

THE highest priority is to be accorded to the development of a sound Agro-based ~~maxx~~ industrial sector which will contribute towards the supplementing of rural incomes by creating more employment opportunities and providing the demand for the raw materials originating in the rural agricultural sector. Manioc Starch flour, Essential Oils, Sericulture, development of local fibres such as sunhemp are some of the agro-based industries identified for further development.

THE light engineering industry too has been assigned a special role and its ability to serve as a catalyst in the industrial activities is being utilised to the maximum. This sector is expected to manufacture and supply the bulk of the simple agricultural implements and tools, motor spares and similar components required by the other industrial sectors.

BY virtue of its high employment potential and the low utilisation of capital as well as foreign exchange, the small scale sector is fundamental to the development programme undertaken. The expansion of small scale industries is to be carried out in the fields of textiles, light engineering, food products, rubber and leather products etc. Regional development is also being undertaken through the industrialisation programme. This will bring industries into areas which have hitherto been neglected.

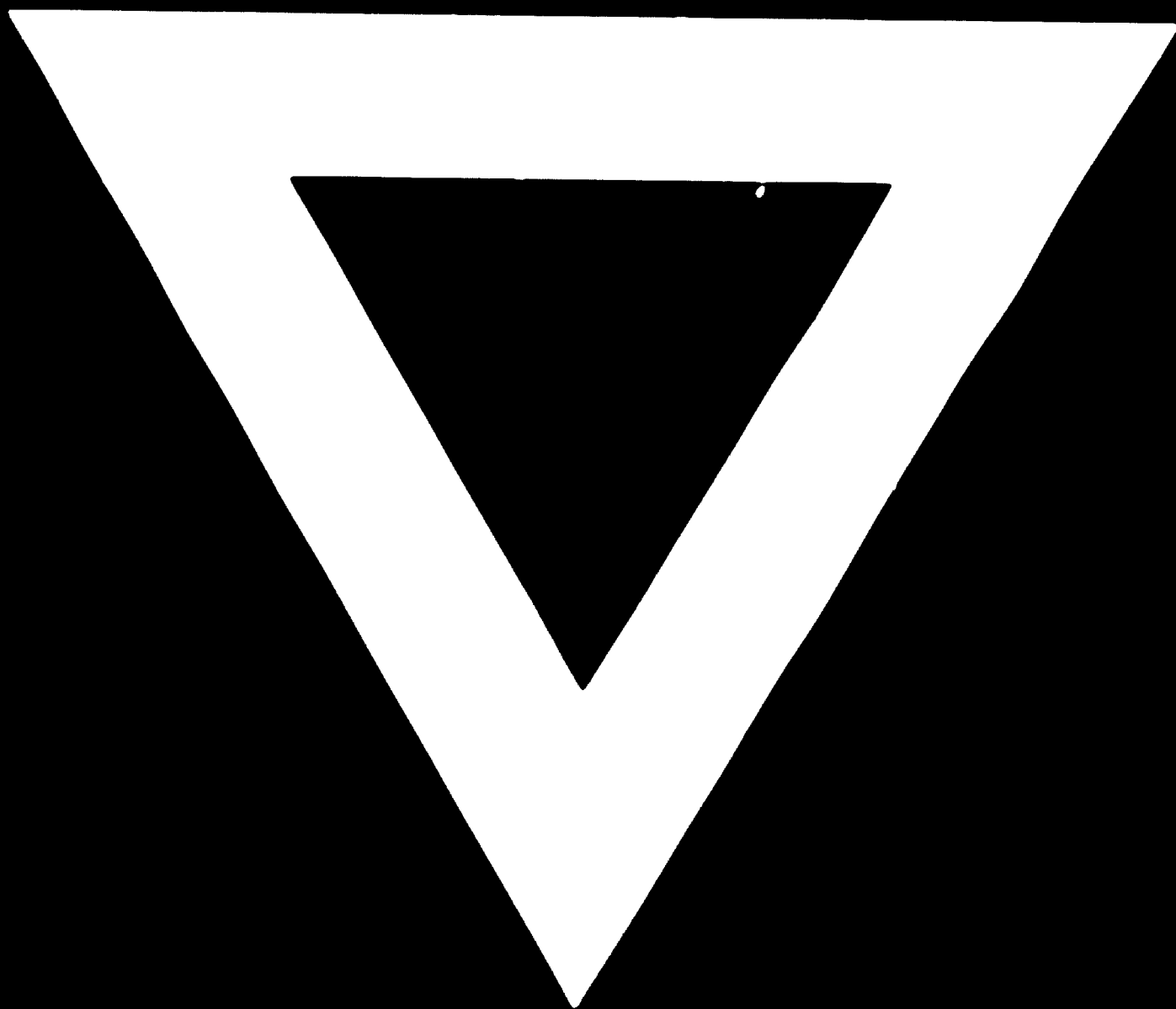
THE major lacunae in investment programme in Sri Lanka is the absence of a suitable Central information Bureau which provides data regarding the existing status quo in manufacturing inputs, the state of the economy, demand for various items, needed by the community, incentives available for the manufacturing sector etc. In other developing countries of this region in which foreign investment has made an impact in the economic development, Central Investment Bureaus has been established. The most celebrated example is Singapore where the Economic Development Board is assigned the functions of monitoring all applications for foreign investments. In the Budget speech of 1975 the Hon. Minister of finance has stated that a Central Foreign Investment Authority will be set up where all applications entailing foreign capital participation and technical participation will be evaluated. He also intends enacting a law guaranteeing foreign investment in this country. As at present the White Paper is the only statement intent which is not legally binding. Once the foreign investment law is enacted all the incentives and other guarantees provided will be legally guaranteed. In order to evaluate and examine applications received for foreign investments, it is necessary that the proposed Foreign Investment Authority be staffed with competent personnel who could fulfil these assignments with acceptance. The availability of basic data is a vital factor in project evaluation. UN and its allied agencies could furnish this country the necessary expertise to establish a Data Bank in this country for this purpose.

AT the 31st Sessions of ESCAP held in New Delhi in 1975 a proposal to set up an Asian Centre for technical transfer and investment was accepted by the Assembly and the Indian Government agreed to host this centre. This proposed Data Bank would also provide the necessary country support for the apex organisation to be set up by the ESCAP for regional transfer of technology.



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