

**Talking Points
for Rebecca Cohn
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EU Sri Lanka Business Summit 2009
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**THE ROLE OF AND SUPPORT OF OTHER KEY DEVELOPMENT
PARTNERS IN SRI LANKA'S
DEVELOPMENT**

May 5, 2009, 4:45-5:00 PM

Distinguished speakers, participants, friends, ladies and gentlemen:

It is indeed a great honor and pleasure for me to speak to you today about the vital role and support of the U.S. Agency for International Development, or USAID, in Sri Lanka's development.

The EU SRI LANKA BUSINESS SUMMIT 2009, is a distinct opportunity for the Government of Sri Lanka, international donors, non-governmental organizations, and the international and domestic business community to build upon collaborative efforts to restore economic sustainability in the Eastern Province and to plan for the eventual stabilization and development of the Northern Province. To date, the Government of Sri Lanka has made progress in lowering poverty, reducing inflation, and gradual decentralization of power. But, there are still major obstacles to sustained economic revitalization in these provinces, such as:

- A lack of qualified workers due to skilled labor migration and limited higher education and technical training.
- Inadequate basic and economic infrastructure such as roads, electricity, distribution centers, and storage facilities.
- The high cost of finance and lack of access to credit, especially as banks limit their risk exposure and tighten credit in the face of the global financial crisis.
- Restrictive security measures that impede transport efficiency and prohibit fishing along the coast and aquaculture farming in the lagoons.
- The constrained capacity of local and provincial government institutions to ensure law and order, and control corruption.
- Confusing business regulations and processes that are under the purview of a multiplicity of Ministries.
- The elevated cost of doing business with inefficient contract enforcement, significant firing cost, and a high tax burden
- And lack of clarity on land policies and regulations remains a major factor in the conflict dynamic.

Answering these challenges will require a multi-faceted and multi-stakeholder approach. In my speech, I want to mention USAID's integrated approach for the Eastern Province and how we may carry-forward and transition similar programs into the North. But first, let me give you a brief history of USAID's long-standing engagement in Sri Lanka.

USAID, the development agency of the U.S. Government, has been working in Sri Lanka for more than 50 years, and we are proud of the work we have done and the partnerships we have built across this country. During more than five decades of assistance, USAID has contributed more than \$1.9 billion to Sri Lanka, working in the areas of economic growth, agricultural development, environment and natural resources, health, education and training, democracy and governance, transition initiatives, and humanitarian assistance.

Presently, USAID is implementing a new strategy to deliver assistance to conflict-affected populations, focusing in particular on contributing to a positive transformation of the Eastern Province. Our strategy in the East is based on the premise that economic growth can contribute to building social and economic security, which in turn can help establish conditions conducive to a sustainable political solution. Our programs do this by focusing on regional needs, but also by working at the national level, from which many of the most critical democracy, governance and conflict mitigation opportunities emanate.

USAID's integrated approach of complementary Economic Growth and Democracy and Governance programs focuses on the development needs in conflict-affected areas of the Eastern, Uva, and North Central Provinces. Overriding all our stabilization and development activities are two key requirements: First, that our programs should "do no harm" to the people of Sri Lanka; and Second, that our programs should encourage equitable participation, so that all Sri Lankans living in these areas have the opportunity to benefit from our programs.

As part of our integrated approach, the Supporting Regional Governance program, or SuRG, is implementing democracy and governance, and conflict resolution activities to create structures and capacity for increased citizen engagement in regional and local government, strengthening inter-community reconciliation, and promoting social equity.

Equal in the integrated approach is our Economic Development focus. USAID strongly believes that the private sector is the most important engine for economic growth in Sri Lanka. Public-Private Partnerships, or PPPs, allow USAID to work collaboratively with the private sector to create new jobs, jump-start much-needed economic growth, and foster stability, especially in the Eastern Province. The PPP model marries the core competencies of USAID and private sector partners to leverage funding and magnify the impact of our economic growth programs. The private sector provides capital, market access, sustainability and technical expertise, while USAID supplies funding, development expertise, long-term in-country presence, a network of local and global partners, and a policy focus.

USAID is currently implementing two private-sector-focused programs – Connecting Regional Economies, or CORE, and Partnership for Eastern Economic Revitalization, or PEER. These economic growth programs are designed to catalyze private investment by mitigating risk, which will allow businesses to become economically viable and create sustainable development in the former conflict-affected provinces. Both programs will encourage maximum participation by minority regional businesses.

Specifically, CORE is designed to create investment-friendly conditions so that sustained private sector-led economic development can be launched. CORE's main objectives are to support livelihood development for vulnerable populations, promote the competitiveness of agriculturally-based value chains, ensure that groups in conflict-affected areas benefit from participation in selected value chains, implement a workforce development strategy, and promote a business enabling environment.

PEER leverages USAID funding for investment through at least a one-to-one match from private sector firms. PEER promotes public-private partnerships to foster innovation, create jobs, and increase incomes from both on-farm and off-farm enterprises in Eastern Sri Lanka by supporting demand-driven links to markets, innovative production methodologies, training, financial services, workforce development, and applied or adaptive research.

Utilizing the public-private partnership model, USAID has successfully partnered with the private sector to stimulate economic development in Sri Lanka. Here are some highlights of those partnerships:

- With leveraged investment from Brandix Lanka Limited, USAID established the Apparel Sector Training Partnership, which is training 600 workers in western Batticaloa District for permanent jobs at the new Brandix factory in Punani. This partnership created several hundred new jobs in the apparel sector, with workers acquiring new skills and earning salaries three times the local monthly average.

- In partnership with Hayleys Group, USAID linked more than 300 farmers in conflict-affected Eastern Sri Lanka to global agricultural supply chains, including companies such as McDonalds, Burger King, Unilever and Heinz. This project increased farmers' net incomes by more than 100% by helping them switch from subsistence farming to market-demand crops such as cucumbers used to make gherkins, as well as jalapeno peppers and pineapples.
- An information technology partnership with Microsoft and a local non-profit technology company, InfoShare, developed information and communication technology-based curricula to serve the agriculture, apparel, media and tourism sectors. It will also train at least 11,250 students at more than 40 technology centers across Sri Lanka by 2010.

As events unfold in the North and Sri Lanka moves closer to the formal end to the conflict, USAID and other key development partners have a unique opportunity to promote and shape a sustainable peace for Sri Lanka by supporting the relief, recovery, stabilization, and development of the war-ravaged region. In order to ensure successful and sustainable returns, rapid development assistance will be required to rebuild critical economic and governance infrastructure that has been damaged or destroyed due to the conflict.

USAID's integrated approach to development and private-public-partnership focus, which is being implemented successfully in the Eastern Province, can serve as a foundational model to carry forward as the Key Development Partners look to expand assistance to the North and transition the focus to rebuilding Sri Lanka as one nation. For the North, the Government of Sri Lanka should put in place and lead a transparent participatory process to write a development

plan for the North, in consultation with local beneficiaries, civil society and private sector representatives, donors, UN agencies, and local and international NGOs.

For the East and eventually the North, the Government of Sri Lanka should take the following starting points to facilitate investments:

- Create a one-stop-shop entity for business assistance and development similar to the Southern Development Authority.
- Ease access restrictions for coastal fishing and lagoon aquaculture to enhance livelihoods.
- Hasten the devolution of power and capacity building to local and provincial governments, including budget control and management.
- Open dialogue for serious reforms on longstanding tax, fiscal, and land policy issues.

Looking ahead, USAID's investment will focus, firstly, on governance infrastructure that will provide a platform for legal and policy reform to ensure more effective, decentralized and accountable governance. Secondly, USAID will continue to build public-private partnerships to promote private sector investment in the region. Finally, USAID will work to tap the substantial financial and political capital within the Sri Lankan diaspora, including Tamils, Sinhalese and Muslims to support the revitalization of economic and governance infrastructure.

There is much work to be done, both to stabilize and develop the former conflict-affected areas of the East and the more recently secured areas of the North. USAID is committed to helping conflict-affected communities return to normalcy as quickly as possible, and we believe that all

stakeholders must work cooperatively to help bring peace, safety, and prosperity to the people of the East and the North.

Thank you.