

THE MINISTRY OF ENTERPRISE DEVELOPMENT AND INVESTMENT PROMOTION

NATIONAL POLICY  
DECLARATION ON  
ENTERPRISE DEVELOPMENT

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AN ENTERPRISING NATION IN THE TWENTY  
FIRST CENTURY

JULY 2009

Introducing a vision across the nation for all enterprises, in all sectors, of sizes and types, public and private.

# **1 THE PREAMBLE**

- 1.1 Sri Lanka faces the challenge of making its enterprises more productive, dynamic and globally competitive. This action is considered necessary in order to promote and sustain a more rapid and better distributed process of development. Therefore, policy initiatives are found necessary to remove constraints for the development of the national enterprises and to sustain the competitiveness of those for rapid economic development with a better distribution system of economic gains. By upgrading human skills to facilitate this change and sustain the economic gains by upgrading human skills and technologies and will collaborate, in a well organized manner, with the enterprise sector to develop and promote necessary policies.
- 1.2 The Government's Ten Year Plan<sup>1</sup> expects to implement policies and programs to reach an economic growth target rate of eight percent for six years and higher rates thereafter. Enterprise development and investment promotion with a focus on higher productivity, dynamism in the face of global competition in an open economic environment, and better income and employment growth will be an important aspect of the national effort towards the economic growth.
- 1.3 For this purpose, the Ministry of Enterprise Development and Investment Promotion of the Democratic Socialist Republic of Sri Lanka, intends to work in collaboration with other Ministries that are involved in the development of enterprises, submits this National Policy Declaration for Enterprise Development, titled 'Enterprise Sri Lanka an Enterprising Nation in the Twenty-First Century'.
- 1.4 The existing enterprise base is a vital starting point for the national endeavor of improving the overall performance and development of the enterprise sector. While new and better enterprise will be established in an improved and more enterprise friendly policy environment, at the same time, this policy will also have to address issues of improving performance and competitiveness of the many more numerous enterprises that exist and are already functioning.
- 1.5 Among the wide range of enterprises that are functioning in Sri Lanka, the manufacturing sector is an important economic sub-sector because its activities tend to draw in support of enterprises in other sectors that produce or provide inputs and services. Furthermore, small and medium sized enterprises are also an important part of the entire enterprise sector since they account for a large proportion of start-ups, using investments and generating employment opportunities.

- 1.6 An Industrial Policy Framework has been proposed by the Government, with the vision of a "large base of vibrant and competitive world class manufacturing industrial firms to generate higher economic value added, higher profitability and sustainable employment to offer widened opportunities for improved job quality and higher family income to alleviate poverty"<sup>2</sup>. This provides an opportunity to develop a framework for Enterprise Sri Lanka, an Enterprising Nation in the Twenty-First Century.

## 2 THE RATIONAL

- 2.1 **Recognizing** that Sri Lanka's enterprises span a wide range of competencies and capacities ranging from producers who are internationally competitive to those who supply very small market, those using modern technology and machinery to those with little investment in equipment, those engaging highly skilled workers to those who use mostly those with little skill.
- 2.2 **Being aware** that the information on the distribution by size, sector and location of enterprises has many gaps.
- 2.3 **Noting** that within the enterprise sector, the category small and medium predominates the number of enterprises, and that transformation and development of the enterprise sector is also how this SME category is able to adapt and become more productive and competitive in a rapidly changing environment.
- 2.4 **Learning** from the experiences of other nations about the various policy measures adopted under different socio -political and economic conditions, national priorities and needs, and that in most economies the SME sector generates a substantial proportion of new employment and investment and therefore its performance is important to overall national development, and further that the SME sector performs best when linked across enterprises and sectors of varying sizes.
- 2.5 **Recognizing** that SME development is crucial to the rapid transformation and improvement in livelihoods in a well distributed development process, realizing that it is opportune for the promulgation of an Enterprise Policy as a framework for a partnership between the public sector and the private sector.
- 2.6 **Learning** from the responses of enterprises in the country regarding their perceived constraints and impediments that include the slow pace of growth of infrastructure, in transport, the availability and cost of power, energy and telecommunication services.
- 2.7 **Further noting** that the industrial sector is an important component of the entire enterprise field and that the pace of transformation of this component is important

and affects the progress of the wider enterprise arena.

- 2.9 **Committing** to the principles of equity, non-discrimination, accountability and transparency in policy related to enterprises and its implementation, with consideration of regional needs and requirements.
- 2.10 **Promoting** coordination at the national level among ministries and their departments and agencies, other levels of government at the Provincial and Local levels for the transformation, growth and development of enterprise and investment.

### **3 OBJECTIVES**

- 3.1 To bring together the institutional support infrastructure for enterprise development within a cohesive and comprehensive framework.
- 3.2 To provide all enterprises the regulatory and legal environment at national as well as sub national levels for enterprises to begin, operate, grow and transform and where necessary exit and resume activities in more productive ventures.
- 3.3 To increase awareness of the benefits, rights, responsibilities and obligations of enterprise through programs that address youth and young adults.
- 3.4 To build better capacity and its distribution to encourage and serve enterprises during their life cycle to compete, improve processes and products, gain more productive technology, assess markets, manage finance, network and cooperate with other enterprises.
- 3.5 To make the network of public and public related enterprise service more effective and work with the private sector to improve quality and to facilitate the growth and distribution of enterprises in the business and enterprise development service sector.
- 3.6 To strengthen the enabling environment and growth impetus of the enterprise sector to enable it to contribute fully to the economy, particularly in terms of growth of output and by employment.
- 3.7 To promote and protect the equalization of opportunities for all enterprises to access credit, business services and gain protection of the law irrespective of size, sector and socio economic background of the operator.
- 3.8 To increase the commitment of national and sub-national government in enterprise development and investment promotion.

## **4. POLICY FRAMEWORK**

The National Enterprise Policy will provide the overall framework for enterprise, taking into account various specific needs of enterprises depending on scale, sector and vintage. The policies will introduce practical solutions to address the current impediments to economic growth. The policies are as follows:

- Policies on promoting sustained competitiveness of enterprise sector
- Policies on participatory approach to policy formulation and regulatory reform
- Policies on facilitating promotion of enterprise development
- Policies on promoting quality improvement and innovation
- Policies on promoting better awareness of enterprise, dissemination of information and Entrepreneurship
- Development of physical infrastructure
- Policy on promoting foreign direct investment and regional investment and linking them to well distributed enterprise development

### ***4.1. Policies on promoting sustained competitiveness of enterprise sector***

- 4.1.1 Promote and sustain a globally competitive enterprise sector by addressing issues pertaining to competitiveness at both national and sub-national enterprises.
- 4.1.2 Sustain a market position by supplying quality products on time and at competitive prices by building up the innovative capability and establishing an effective marketing system.
- 4.1.3 Create a conducive environment for enterprises to enter the field, make investments, grow and transform through a review of the regulatory framework and its implementation at national and sub-national levels, through dialogue and collaboration with the private sector.
- 4.1.4 Increase productivity through improved access to technology and skills.
- 4.1.5 Design trade policy to maintain a balance between export oriented and import substitution industries.
- 4.1.6 Increase the availability and access to product testing services, quality improvement and product development.
- 4.1.7 Promote Industrial Zones and Technical Parks that bring together enterprise types that enable shared services and infrastructure with private sector collaboration.
- 4.1.8 Encourage value addition for the potential products/services focusing on both export and

domestic markets.

## ***4.2 Policies on participatory approach to policy formulation and regulatory reform***

- 4.2.1 Develop policy and regulatory changes in close consultation with national and sub-national level private enterprises, through their representative associations, local, provincial and national ministries.
- 4.2.2 Promote the development of private, representative, self-governing business service organizations that undertake policy advocacy at national and sub-national levels.
- 4.2.3 Explore the improvements needed to the institutional architecture for representation, advocacy and policy dialogue for private enterprise.
- 4.2.4 Facilitate increase of the member bases and representation and service outreach of trade associations, national and regional chambers of commerce and the Federation of Chamber of Commerce.
- 4.2.5 Undertake revision of policy periodically through a consultative process that involves other Ministries, representatives of enterprise associations at the national and regional levels.
- 4.2.6 Assess and evaluate performance of enterprise development periodically.
- 4.2.7 Design specific policies for sectors and enterprises to maintain a balance of distribution.

## ***4.3 Policies on facilitating promotion of enterprise development***

- 4.3.1 Create the necessary environment for public-private partnerships to develop and facilitate growth of business development services and improve awareness about enterprise.
- 4.3.2 Encourage and promote registration of enterprises at national and sub-national levels to undertake the production of the basic data on enterprises and their performance.
- 4.3.3 Streamline the competition policy regulations in consultation with Consumer Affairs Authority to provide a sustainable environment for business development.
- 4.3.4 Promote entrepreneurship and institutionalization of entrepreneurship through the education system.

- 4.3.5 Develop a consistent definition of enterprises such as large, medium, small and micro based on enterprise parameters, which can be broad and flexible to address the specific and special needs of sectors, value chains, clusters, and types of enterprise.
- 4.3.6 Promote a dynamic and responsive financial system that enables entrepreneurs to access loans and other financial services at competitive interest rates.
- 4.3.7 Promote enterprise and economic growth while respecting the rights of all workers.

#### **4.4 *Policies on promoting quality improvement and innovation***

- 4.4.1 Promote quality improvement and product innovation across sectors, types and sizes of enterprises as an important activity.
- 4.4.2 Facilitate the commercialization of Research and Development results undertaken by local universities and research institutions, companies and individual researchers or inventors.
- 4.4.3 Encourage and develop inventions through active application of intellectual property activity in industry, commerce and science.
- 4.4.4 Link national institutions supporting enterprise technology, processes, research and development with enterprise clusters.
- 4.4.5 Examine the capacities of the various state agencies that provide research and development services and promote and develop a mechanism to facilitate private sector participation and joint expansion of outreach.
- 4.4.6 Facilitate and encourage experimentation and promotion of incubation processes, location policies for aggregating enterprises into enterprise and economic zones for SMEs.
- 4.4.7 Promote and encourage Industrial Development Research to facilitate utilization of local raw materials for Industrial Development.



#### ***4.5 Policies on promoting better awareness of enterprise; dissemination of information of information and entrepreneurship.***

- 4.5.1 Promote awareness from an early stage and introduce the enterprise orientation in formal education, skill development and training activities to build a firm foundation needed in an entrepreneurial culture.
- 4.5.2 Introduce and strengthen a needs based education to facilitate provision of skills and competencies which are required by the enterprises.
- 4.5.3 Strengthen the National Enterprise Development Authority to assume the role of 'one stop shop' for enterprises, specifically SMEs.
- 4.5.4 Improve the timeliness of data flow regarding the enterprise sector in partnership and in collaboration with the private sector and the Government data collection agencies.
- 4.5.5 Promote the establishment and continuation of activities undertaken through collaborative private sector initiatives that generate information on enterprise sentiment, investor climate, and economic governance at national and sub-national levels.

#### ***4.6 Development of physical infrastructure***

- 4.6.1 Improve availability and accessibility to better infrastructure.
- 4.6.2 Promote the role of local and provincial governments in the provision, operation and maintenance of local infrastructure.
- 4.6.3 Develop physical infrastructure by taking into consideration the physical plans for regions under review.

#### ***4.7 Policy on promoting foreign direct investment and regional investment and linking them to well distributed enterprise development.***

- 4.7.1 Reduce disparities and anomalies between domestic and foreign investors within enterprise clusters that would retard domestic investment and enterprise.
- 4.7.2 Review, assess and adjust the policy approach where needed in relation to Foreign Direct Investment.
- 4.7.3 Address the promotion of Foreign Direct Investment and its links to enterprise development and promote assessments by the Enterprise Clusters regarding the potential for Foreign Direct Investment within the clusters.

- 4.7.4 Encourage the production of timely information on the programs and projects that are being undertaken through government actions that relate to enterprise clusters, their regional distribution and their Foreign Direct Investment components.
- 4.7.5 Facilitate regional investment through public-private partnerships.
- 4.7.6 Facilitate national and regional enterprise associations/chamber enterprise clusters, local and provincial government to actively promote domestic investment and Foreign Direct Investment flows to the regions.

## **5 NATIONAL COMMITMENT**

- 5.1 For this purpose, the Government of Sri Lanka pledges its support, services and resources to ensure immediate implementation of this Policy for which a well articulated implementation strategy will be formulated and carried out by the Ministry of Enterprise Development and Investment Promotion and the National Enterprise Development Authority.
- 5.2 The Ministry of Enterprise Development and Investment Promotion and the National Enterprise Development Authority will setup a National Council for Enterprise Development which shall be the focal point for implementation of this Policy. The Council mandate will be defined with provisions for sub-committees.
- 5.3 The Ministry of Enterprise Development and Investment Promotion and the National Enterprise Development Authority will work in collaboration with other Government Ministries and agencies with different support functions and activities in order to ensure that all work within a common framework of national effort to develop enterprises.

## **6 REVISION OF POLICY**

- 6.1 This Policy will be reviewed and updated periodically through a consultative process that involves other Ministries and representatives of enterprise associations at national and sub national levels.

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<sup>1</sup> Department of National Planning, Ministry of Finance and Planning. Mahinda Chintana: Vision for a Net. J-Lanka. Ten year horizon development framework 2006 - 2016. Discussion paper 2006.

<sup>2</sup> Ibid,p51