

Concept Note

Sri Lanka is characterized by significant public sector involvement in economic activities through state-owned enterprises. SOEs are engaged in commercial activities in many sectors of the economy which suffer from institutional duplication, lack of commercial practices, inflexible pricing policies etc. Furthermore, SOEs are widely *perceived* to be overstaffed, inefficient, and a source of political patronage and corruption. Moreover, many infrastructure services and basic commodities have been priced below cost creating large operational losses, which has threatened the viability of these institutions and placed a considerable burden on public finances. Poor service quality (institutionalized power cuts, slow and inefficient public transport services, etc.) is also a problem that should be remedied by a comprehensive program of change that reorganize SOEs to improve their governance, stem operating losses, and restructure them operationally and financially.

Sri Lanka tried out various strategies to reform these SOEs. Such strategies varied from corporatization to management changes to sales of assets. The present government has nevertheless, made it clear that it does not consider privatization an acceptable or viable way forward to improving the performance of SOEs. However, an increased fiscal burden and the deterioration of service standards, has prompted the government to undertake at least some reforms in these SOEs. The time may therefore be ripe for a focused analysis of the costs and benefits accrued as a result of past reforms (or lack of reform/change) and a cost-benefit analysis of possible future reforms as opposed to a continuation with the present state of affairs.

The underlying rationale for this work is to take a holistic view on policy change by way of two questions that are generally seen as necessary conditions for change: Is there sufficient at stake (will change make a difference)? And, will change be politically beneficial – or at least, politically benign. We seek to better understand the various stakeholder perspectives on possible reforms/policy changes designed to ensure the sustainability of the entities concerned. In a nutshell, this event aims to bring together, in one package, the inputs usually provided separately by insiders, technocrats, and by policy advisors.

The discussion will focus on four selected enterprises, namely Ceylon Electricity Board (CEB); Ceylon Petroleum Corporation (CPC), Sri Lanka Railways (SLR), and Sri Lanka Central Transport Board (SLCTB) (public passenger bus transport). The SOEs have been selected as representative case studies of the SOE sector.