

**IMPLEMENTATION OF  
BUDGET PROPOSALS  
FOR 2017**

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## **IMPLEMENTATION OF BUDGET PROPOSALS FOR 2017**

**Para 192 - To provide land, electricity and water facilities to private free trade zones along the expressway corridors**

### **1.0 Background**

According to letter no. BD/EE/195/03/16/7 dated 20.12.2016 by Deputy Secretary / Treasury addressed to Secretary / Ministry of Development Strategies & International Trade, the task of implementation of the Budget Proposal referred above has been entrusted to the Ministry of Development Strategies & International Trade (MIDSIT).

As per instructions of MIDSIT, following Action Plan has been prepared by the Board of Investment of Sri Lanka (BOI).

### **2.0 Plan of Action**

2.1 Following are the major tasks involved in the implementation of the Budget Proposal.

- (i) Identification of Expressway Corridors
- (ii) Identification of possible sites suitable for establishment of free trade zones.
- (iii) Preliminary assessment of identified sites
- (iv) Detailed assessment of short listed sites
- (v) Determination of infrastructure requirements
- (vi) Approval of the Cabinet of Ministers
- (vii) Land transfer / Land acquisition
- (viii) Preparation of RFP document
- (ix) Invitation of proposals from Potential Investors for establishment of Free Trade Zones
- (x) Selection of Investors/Developers for sites

2.2 Program for implementation of above action has been given in Attachment 1.

### **3.0 Identification of Expressway Corridors**

The map of Sri Lanka in Attachment 2 indicates the expressway network of the country.

Expressway corridors are considered on a two-step basis as follows.

- (a) Step 1 - Area falling within a 20 km radius of an Interchange
- (b) Step – 2 Area falling within 40 km radius of an interchange but the interchange is linked by a Class A or B road providing direct and easy access to sites from interchange.

### **4.0 Identification of possible sites for establishment of Free Trade Zones**

Within the area defined in section 3.0 above, using the two step approach, possible sites will be identified as follows.

- (a) Examination of Survey Department maps and Google Earth.
- (b) Physical inspection through site visits.
- (c) Co-ordination with District Secretaries and Divisional Secretaries of the respective areas identified as per section 3.0 above.
- (d) Co-ordination with state agencies such as Land Reforms Commission (LRC), Urban Development Authority (UDA), Mahaweli Authority of Sri Lanka (MASL), State Plantation Corporation, Janatha Estates Development Board, etc.

### **5.0 Preliminary assessment of identified sites**

Identified sites will be subjected to an initial screening process. The screening process will examine important aspects such as terrain of the land, whether the land is situated within an environmentally sensitive area, current usage of land, etc.

Following the completion of said screening process a shortlist of sites will be prepared.

## **6.0 Detailed assessment of shortlisted sites**

The detailed assessment of shortlisted sites will entail the following.

- (i) Identification of current ownership of the lands
- (ii) Obtaining concurrence of present owners to surrender the ownership or lease the land for the intended purpose.
- (iii) Preparation of survey plans including contours
- (iv) Determination of possible industries suitable for each site
- (v) Obtaining preliminary clearance from local authorities as well as Central Environmental Authority.

## **7.0 Determination of Infrastructure Requirement**

The determination of infrastructure requirement would be carried out for the sites shortlisted pursuant to preliminary assessment of identified sites in section 5.0 above.

The external infrastructure for each site is envisaged to be provided by the government and the infrastructure to be provided generally would be as follows.

- (i) Water supply
- (ii) Power supply
- (iii) Access roads
- (iv) Improvements to storm water drainage systems
- (v) Disposal of treated effluent

## **8.0 Budget Proposals 2017**

According to 'Para 192' of the Budget Proposals, cost of external infrastructure for water supply and power supply will be borne by the government.

## 8.1 Water Supply

The cost of external infrastructure for water supply will depend mainly on following.

- (a) Water requirement for the proposed free trade zone project.
- (b) Availability of a reliable source to extract water.
- (c) Availability of water distribution network of the NWS&DB and the possibility to meet the capacity requirement of the free trade zone.
- (d) Possibility to extract ground water to meet the initial water demand of the free trade zone.
- (e) The length of water transmission main to be constructed and the augmentation necessary for the head works in the event there is an existing water supply scheme.
- (f) Cost of construction of new water intakes, water treatment plants, etc., if the need arises to provide a new water supply scheme.

## 8.2 Power supply

Similarly, the external power supply will depend mainly on following.

- (i) Power demand for the proposed free trade zone.
- (ii) Availability of unutilized capacity in the power supply system to meet the power demand of the proposed free trade zone.
- (iii) Augmentation necessary for the grid sub-station, distribution systems, new feeders to be constructed, etc.

For the preparation of proposals for water supply and power supply, the officers of the NWS&DB and CEB will be consulted. To expedite the process action could be taken to make formal requests to the General Managers of both

NWS&DB and CEB to nominate officers to co-ordinate and carryout necessary work in the above task.

The Budgetary allocation of Rs. 1.0 Billion under ‘Para 192’ is expected to be incurred against the estimates received from NWS&DB and CEB. The forecast for expenditure has been given in Attachment 3.

## **9.0 Land Acquisition**

Following are different methods with regard to allocation of lands for private sector investors for the purpose of establishment of free trade zones.

- (i) Purchase the land from the current owners on payment of compensation based on the valuation to be determined by the Valuation Department.
- (ii) In the event the parties fail to reach agreement to follow the method in (i) above, the next option would be to follow the land acquisition process as per the Land Acquisition Act. To follow any of the above processes, approval of the Cabinet of Ministers may be obtained.

## **10.0 Preparation of RFP document**

In the event competitive bidding process is to be followed for any or many sites, a comprehensive Request for Proposals (RFP) document has to be prepared. It would be appropriate for a Project Committee to be in-charge of the bidding process including review of RFP document to suit each and every site and to evaluate proposals received.

When the investors are selected on ‘first come first served’ basis the competitive bidding process will not be applicable. However the approval of the Cabinet of Ministers may be required to be obtained.

## **11.0 Approval of the Cabinet of Ministers**

Generally the approval of the Cabinet of Ministers may have to be obtained at following stages of implementation of the process.

- (i) Prior to commencement of land transfer process
- (ii) Following the determination of external infrastructure and when the funds are required to be transferred to various agencies.
- (iii) At the time of identification of investors.

## **12.0 Invitation of Proposals for establishment of Free Trade Zones**

It is expected that the investors would be responsible for the on-site development of infrastructure including land development. The role of the government would be to provide off-site infrastructure at its cost.

The investors would be provided the land on lease basis generally for a lease period of 50 years. In exceptional cases 99 year lease may be considered. The investor shall be given the right to sub-lease land for different industries.

As explained previously, adequate publicity may be given to attract investors for different sites possibly by wide publicity, promotional missions, etc.

## **13.0 Selection of Investors/Developers for sites**

Final selection of investors/developers for various sites will be done based on the recommendation of a Project Committee and on approval of the Cabinet Committee on Economic Management.

## **14.0 Financial Plan**

Financial Plan for funding external infrastructure during the year 2017 has been given in Attachment 3.





EXPRESSWAY NETWORK IN OPERATION/UNDER CONSTRUCTION AND PLANNING

## BUDGET PROPOSALS OF 2017

**No: 192 - To Provide Land, Electricity and Water Facilities to Private Free Trade Zones Along the Expressway Corridors**

**Financial Plan (tentative) for Providing Off site Infrastructure (During 2017)**

Item No.	Infrastructure Facility	Rs: Mn												
		Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Item total
1	Water supply to (i) Site identified at Bingiriya  (ii) Sites identified at Millaniya and Millewa ,Horana						150							250
2	Electricity supply to (i) Site identified at Bingiriya  (ii) Sites identified at Millaniya and Millewa ,Horana							175						325
3	Water supply to other sites (identified for FTZs)											100	100	200
4	Electricity supply to other sites (identified for FTZs)											125	100	225
	<b>TOTAL</b>						<b>150</b>	<b>275</b>	<b>150</b>			<b>225</b>	<b>200</b>	<b>1000</b>

