

Optimising National Wealth



Sri Lanka is on the path towards becoming the Wonder of Asia. On this route towards rapid development, it is vital to get the best out of State enterprises and also tap the diverse resources that this country is endowed with. During his tenure as the Chairman of the Strategic Enterprise Management Agency, Dr Willie Gamage has been able to turn around many unprofitable businesses of the State to revenue generating entities. At present serving the country in the capacity of Secretary to the newly formed Ministry of State Resources and Enterprise Development, Dr Gamage speaks to Business Today about the changes he brought about in the organisations under him and the plans underway to derive the best out of the many resources of the country for the benefit of the nation.

By Thilini Kahandawaarachchi
Photography by Prabhath Chathuranga

Over your three decade long career history you have been in various fields spanning from the co-operatives, to NGOs and currently to the public sector. Could you tell us about your journey thus far?

Whilst at the Vidyodaya University I started my active career as a social worker and reformist by associating with a number of social and political movements in the country. Shortly after my bachelors, I found full time employment in the co-oporative sector as a Production Manager of the Tangalle Co-operative Society in the Hambantota district. Subsequently, I worked as the General Manager of the Land Reform Co-operative in Hambantota district and also as the General Manager of the Textile Co-operative Society in Hambantota. My first three jobs were all related to the co-operative sector. During that time I gained much knowledge, and had the opportunity to work with people at the grassroots level, and understood their needs, particularly their development needs. I worked very closely with the then Government and when the Government was defeated in 1977 I was unemployed for about one and a half years till 1979.

I later joined Marga Institute, which is a well-known research institute, as a

Research Officer until 1986. I worked with fisher folk and carried out research on their socio-economic conditions. Afterwards I joined an international networking organisation called Development Innovation and Networks (IRED) where I worked as their Regional Programme Officer of the Asian region for about nine years. The work at IRED was mostly related to the kind of social non-governmental development sector and we worked with the grassroots level communities and initiated many schemes such as handicraft projects, fisher folk development and small-scale farming.

I started my own development organisation named National Forum of Peoples' Organisations (NFPO) soon after leaving IRED. I networked with more than 30 NGOs and provided services to them. It also carries out capacity development of small organisations through national programmes.

My career in the public sector began in the mid 2000s. In 2004, President Mahinda Rajapaksa, then Leader of the Opposition, requested me to lend a helping hand with his political work. Having previously worked with him, without any hesitance I accepted his proposition. Then I served as a consultant at the Monitoring and Implementation Unit and the Prime Minister's Office when he was the Prime Minister. With his election as the President in 2005, I was made an Additional Secretary to the Ministry of Defence. I was a cabinet appointee and worked at the Ministry of Defence for five years. During that period I initiated and successfully completed the Ipologama housing project, and we also started the Api Wenuwen Api fund.

I was also involved in a number of other assignments in diverse fields of interest in different capacities. They include Consultant at the Greater Colombo Environmental Management Programme – Phrase III, Central Environmental Authority/Ministry of Environment and Natural Resources; Consultant at the Monitoring and Implementation Unit, the Prime Minister's Office; Senior Policy Advisor at the Resettlement Component Lunawa Environment Improvement and Community Development Project, Ministry of Housing, Plantation and Infrastructure Development and Team Leader at the Urban Settlement Improvement Project (USIP) of the Ministry of Urban Development Housing and Construction. I also served as a member at the National Environmental Council of the Central Environmental Authority, and in addition as an executive committee member at the Community

Environmental Initiative Facility (CEIF) Ministry of Forestry and Environment. Last April subsequent to the Parliamentary Election, I was promoted as the Secretary to the Ministry of State Resources and Enterprise Development.

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You were the Additional Secretary to the Ministry of Defence at the height of the humanitarian operations. An important step that was taken during this time was providing housing for service personnel. Would you like to talk about this?

Upon assuming duties, the Defence Secretary Gotabaya Rajapksa wanted to have people with similar intellect and thinking as support staff, and two people were invited to assist him in the capacity of Additional Secretaries, Udeni Wickremasinghe and myself. Udeni Wickremasinghe is an engineer who was in the Government service and the two of us joined at the same time as the Defence Secretary assumed duties. He was in charge of the technical aspects while I was in charge of the development sector. It was at that time that the Defence Secretary Gotabaya Rajapaksa started Api Wenuwen Api. This was more of a morale boosting theme to attract people to join the Armed Forces than a fund. Several programmes of Api Wenuwen Api were started and one was the housing development project.

At the time the war was going on in the North and East, the Ipolagama project was started with the intent of providing facilities for soldiers serving in the battlefront. The Defence Secretary wanted to build it similar to a middle class housing site, not just low cost housing. Thus, though costly, we have been able to build quite a comprehensive and integrated site of 1,509 houses with all facilities such as schools, super markets, health centres, playgrounds and a well maintained internal road system. However, at present we have slightly changed the housing policy and currently focus on individual housing units. Api Wenuwen Api fund is providing facilities to people to construct houses on their own land.

Just over one year after the victory of the war, people seem to have almost forgotten about the Api Wenuwen Api fund and the other programmes for the benefit of those who gave for the country. What are

your views on that?

It is a misconception and things are to the contrary. After the end of the war, the Defence Secretary and the Chairman of the Seva Vanitha Unit looked after and are still caring for the disabled and the families of those who sacrificed their lives. Very recently, 25 houses in the district of Kandy were handed over to families. Our next intention is to distribute and provide housing to soldiers in different districts. The soldiers are being looked after very well. Not only the Seva Vanitha Unit, there are several other entities such as the Ranaviru Seva Authority and the other Seva Vanitha Units belonging to the Armed Forces that are working hard to serve these people.

During that time we had to concentrate on both the war and the welfare of the Service Personnel. Now the war is no more and we have to concentrate on the welfare aspect of the soldiers. There are several categories and more than 25,000 families have to be looked after, the disabled and personnel who are still in service. Although this is a difficult task, the Defence Secretary is keen on making this work. We have had several meetings with the families of those who have lost their lives. The Defence Secretary met all the widows; he went to all the districts, held camps and understood their issues, and even settled most of the problems then and there.

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What about the support of the people for Api Wenuwen Api and other funds?

It is good. With the publicity campaigns we were able to raise only Rs 725 million by the time I resigned from the Ministry. Developing that kind of a fund was not easy. We were not merely concerned about the monetary worth; it was more the commitment and the concern of the general public about the issue, that is our rationale. Thus, people giving Rs 5, 10, 100 or even a million, there is no difference. People are quite concerned about the welfare of the soldiers and they want to be part of this worthy cause. That was the notion of the Defence Secretary.

You were responsible for taking a number of memorable initiatives with innovations in small-scale fisheries development, community development, urban solid waste management and such. Would you like to talk about some of these memorable initiatives?

Yes, in my opinion, I am responsible for taking a number of memorable initiatives by introducing novel ideas in shaping public policies at the National Policy Development level. As I remember, they include restructuring current national strategies for poverty alleviation, local economic development, promoting alternative energy generation and enhancing capacities in public enterprises. In addition, I have contributed considerably to local and regional development initiatives in Rural Water Supply and Sanitation; Small Scale Fisheries Development; Community Development, local Solid Waste Management; Rural Enterprise Development, Rural Housing Development, setting up of model housing development project and promoting Sri Lankan consciousness of “Be Sri Lankan, buy Sri Lankan” business promotional programme in Sri Lanka.

However, I would say the most memorable was my involvement with solid waste management, at that time it was a laughing matter. If we talk to the mayors they would laugh at making compost, biogas and used to say that it was a big issue that cannot be controlled like that. But finally after a decade or so I am happy that most of the municipalities are in agreement that solid waste management can be coped up with those kinds of projects. We were able to introduce a bin system with plastic composting bins and about 15 years ago we started with tar barrels. Now most of the middle class families are using them and the concept is well taken. But the issue is still there and there is the matter of dumping solid waste and it is creating problems. Nowadays dengue is spreading as a result of improper disposal of waste. Waste management is not handled by professionals and that is one of the main issues. That is one area where I was happy with in my career.

Secondly, I was able to introduce new raw materials to the handicraft sector i.e. Pollmatulla which is freely available at the crown of the coconut tree. We introduced this raw material in the Puttalam area to a women’s organisation. Now more than 150 families are making their livelihoods from the activities based on this raw material. It was not only a change in their attitudes, but behaviours too, even waste material is now used in preparing file folders, toys etc.

Thirdly, I introduced a type of banking, a micro credit concept called day banking. I did a research at the St John's market and I used to go to the market at about four thirty in the morning every day for my research. Most of the bicycle traders were borrowing money for a higher rate of ten percent per day and I thought that we needed to have a supportive credit system and came up with a day banking system. I was able to introduce the concept of day banking for 25 cents per day, and it was organised and managed by their own people. It saved a lot, but unfortunately it collapsed because the people who were chosen did not manage it properly. Nevertheless the concept was taken up, even by mainstream banking. The concept is still there but the micro credit system that we introduced at that time no longer exists.

In two and a half years, on our own, we were able to turn these companies around. Last year we paid Rs 51 million dividends to the Treasury and that is one of the main achievements in my lifetime.

During your tenure as Chairman of SEMA you made many changes in the organisations that came under its purview. What were the changes you made?

The Strategic Enterprise Management Agency (SEMA) was established as part of the Government of Sri Lanka's key initiatives towards enterprise reform under article 33 of the Constitution by a Presidential directive on June 4, 2004. This was renewed on April 24, 2006 by President Mahinda Rajapaksa with additional responsibilities allocated in terms of eight additional strategic enterprises added to the existing twelve. When SEMA was established in 2004, the economic policy in the country was facing a number of critical issues, the People's Bank and the Bank of Ceylon were about to be privatised and they wanted to keep it within the Government management system. Therefore, a concept called Strategic Enterprise Management was formed to convince outside donor agencies that the Government wants to retain strategically vital, security-wise important, economically imperative enterprises within the purview of the Government. Twelve Government-owned institutions such as the five banks, Ports Authority, Airport Authority, Electricity Board, petroleum, water and sanitation, transport, railway and Ceylon Transport Board were brought under its purview. Subsequently, Asian Development Bank assisted by giving four billion rupees capital to the People's Bank. Through SEMA they took the private sector intervention to the People's Bank. Even foreigners came and revived the bank. That was how SEMA originated.

When I took over SEMA in May 2006, I requested the President to incorporate some other institutions including plantations. There were 265,000 hectares of plantations owned by the Government earlier. Out of that, 215,000 hectares were given to the Regional Plantation Companies (RPC), which are privately owned. The balance 55,000 hectares were unprofitable and therefore were not attractive to the private sector. Thus the Government was left with the Janatha Estate Development Board (JEDB), Sri Lanka State Plantations Corporation (SLSPC) and Elkaduwa Plantation, which were loss-making entities. The Treasury provided a lot of assistance and it was a burden for the general treasury. Therefore, I requested that to be allocated for SEMA and I tried to address this issue. At the time when we took over these plantation companies the Treasury was annually providing more than Rs 300 million to cover the salaries. Finally, in two and a half years, on our own, we were able to turn these companies around. Last year we paid Rs 51 million dividends to the Treasury and that is one of the main achievements in my lifetime. Furthermore, in my opinion, when viewed as a portion of the national economy, the steps taken by SEMA may appear as insignificant in the minds of some. Yet, the example set by us as an instrument of management; it is definitely a long leap forward.

Even with the Ministry of State Resources and Enterprise Development, within this month or early next month we want to give the Treasury Rs 165 million dividends from the plantation sector and mineral sands. Our Ministry budget is Rs 174 million and we are going to give Rs 165 million to the Government. Then we will owe only nine million rupees to the Government. My target is to go up to one billion rupees in dividends within three years time and that is the purpose of establishing this Ministry.

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When I was the Chairman of the SEMA, although I could take policy decisions and policy directions, implementing them was difficult. There were at least 25 enterprises belonging to six different ministries including the Finance Ministry, Transport Ministry, Ministry of Ports and Aviation and Health Ministry. Most of the time these organisations were reluctant to put into operation our decisions and we also did not have the authority to give direction to implement it.

The Secretary is the chief accounting officer of any ministry and he/she has the authority to give directions in-line with the mandate of the ministry. As the Secretary to the Ministry of State Resources and Enterprise Development, now I am in a position to give directions to those heading the organisations to implement the Ministry mandate, which is to make state institutions coming under it as viable entities. We have 26 entities with this Ministry and most of them are loss-making. Initially we selected three institutions, the BCC, Lanka Fabrics and a rubber manufacturing company in order to revamp them as profitable ventures. I am certain, we could slowly recover these three and they will be in the mainstream before December.

We also have a huge operation underway at the paper corporation. There is also the Ceramic Corporation, which is problematic, and the sugar factory in Kantale. The Ministry alone cannot address these issues. The workforce is there, and they have to be paid although most of them are not doing anything productive. They are used to being paid by the Government. In the Paper Corporation there are 300 employees, at the Ceramic Corporation also there is an equal number of people. They should be addressed with the support of the Treasury.

SEMA was responsible for turning around Janatha Estate Development Board (JEDB) and the Sri Lanka State Plantations Corporation (SLSPC) and making them profit making entities. What measures were taken to turn them around?

In a nutshell it is good governance, transparency and discipline. These organisations had a lot of properties, warehouses, land and assets. The JEDB owned 14 acres of commercially valuable land in the heart of the city of Colombo. The earlier management awarded leases for longer periods without properly following the directives by the Government. Then we set a principle in order to put things right. We established a committee chaired by the Secretary of the Ministry. The principle we set is that anybody who wants a land should pay four percent of the Government valuation per annum. It is a must and they should come through this committee and qualify with the project. Even if that particular corporation owns that land, they can ask for a three-year advance to protect their rights. That way, nobody can bypass this and it helped us to establish good governance, and also to get the real property value. This was one way in which we managed and also helped us avoid unnecessary political intervention. Even if it is a person who comes with

political interference, they should obey the procedure. It eased managing things and also protecting the peoples' and Government owned property. That was the first.

Secondly, these plantations were not fertilised for a very long time. At the beginning with the help of Minister Basil Rajapaksa who was in charge of Strategic Enterprise Management Agency we brought down Rs 100 million rupees worth fertiliser on a credit line. We started applying fertilisers to these plantations and we were able to increase the yield. Thus, slowly we got these plantations into proper management.

If we start producing super phosphate we are going to produce 110,000 metric tonnes per month. At present we produce only 46,000 metric tonnes per annum. This is 110,000 metric tonnes per month and that is the scale and we can cope up. Even at that scale this resource base will be sufficient for another 80 years. We can save a huge amount of resources that go out of the country.

You were involved with the "Be Sri Lankan, buy Sri Lankan" campaign that promoted Sri Lanka consciousness. How did it come about?

The "Be Sri Lankan, buy Sri Lankan" concept was brought out by the private sector. They asked for the help of the Government. The Ministry of Industries and the Strategic Enterprise Management Agency were the two supportive industries named by the Government side and we helped them. People like Ariyaseela Wickremanayaka and Kulathunga Rajapaksha, are the people who initiated that concept. It is very healthy for the industrial sector and also for the Government, as it does not cost anything. We should support them. It is still going on and most organisations of Sri Lankan origin are members of the "Be Sri Lankan, buy Sri Lankan" organisation.

You mentioned that the Ministry of State Resources and Enterprise Development has a target to achieve one billion rupees in three years. What plans are in place to reach this goal?

The 26 institutions can be categorised into three. Firstly, the institutions that are already profit-making. Secondly the ones that can be turned around into profit-

making ventures but those that are still loss-making. The last category is loss-making institutions that we have to revitalise differently. Now I am working on making profitable institutions more lucrative. For example, mineral sand located in the sand beds are aligned with the war affected areas and currently we are planning to tap those resources. However, the factory has very old machines, which are more than 50 years old, and it is difficult to work with outdated equipment. Already we have allocated Rs 400 million to bring down new machines and by that to start with more value addition. Through that we will turn this already profitable institution to a more profitable one.

Similarly, if you look at the phosphate company, we have a Government owned company. It was about to be privatised and then a concerned group of people went to courts and it was stopped. Now there is a court decision that we cannot privatise it. The size of the phosphate resource is huge. We are producing 46,000 metric tonnes per annum. If we continue on that scale the resource base is sufficient for 1,400 years. That is how large the resource is. We want to accelerate the production and make use of this deposit for the benefit of the country.

On the other hand the Government is providing subsidies for fertilisers. It was estimated in 2010 that the cost was Rs 30 billion. We have this resource here and we are not utilising it. For paddy cultivation we should go for super phosphate. Since we cannot privatise, currently we are discussing with the Chinese Government to get down the necessary technology and capital for the company to utilise. Now the discussions are in the final stage and perhaps within next year we might be able to start producing super phosphate. If we start producing super phosphate we are going to produce 110,000 metric tonnes per month. At present we produce only 46,000 metric tonnes per annum. This is 110,000metric tonnes per month and that is the scale and we can cope up. Even at that scale this resource base will be sufficient for another 80 years. We can save a huge amount of resources that go out of the country. A tonne of fertiliser is brought down for Rs 25,000. Here we can produce it for Rs 15,000. It is beneficial to the country in a different way.

We also have Paranthan chemicals, which was destroyed by the war. Now we have a factory in Kalutara and it is functioning in a small way. We have already located our land in Paranthan and we have 50 acres. We want to have a big factory with the

collaboration of the private sector.

This time we have selected people who are qualified and capable in bringing a difference in managing state owned enterprises. In some organisations we do not have a Board of Directors and we have appointed only a competent authority.

With regard to the lucrative entities we have, we are moving towards getting more profits. Businesses such as BCC, Lanka Fabrics and rubber manufacturing are not massive and we can get them back to normal. The only thing is, you need to have commitment, you need to be transparent, you should be able to apply good governance models and also need to be able to make decision without much political interference. However, it has been the case in our country to see the political connectivity when appointing chairmen for a public institution. I do not say it is not necessary or not practical. The issue is that in this process sometimes you would see some are not professionally qualified or capable to serve as chairmen and to run those organisations. In my opinion, this situation has been contributed to a large extent for making losses and making state owned business unprofitable and nonviable. I am not saying that they are corrupt or doing anything wrong but simply some of them are not capable of handling these organisations. However, this time we have selected people who are qualified and capable in bringing a difference in managing state owned enterprises. In some organisations we do not have a Board of Directors and we have appointed only a competent authority. Three institutions coming under our Ministry are in the hands of competent authorities, in my assessment; they are capable of handling them. They have been appointed only for a period of one year. Let us see how this model works. All what I could see is that we need some kind of flexibility and conducive environment to run the affairs of business which certainly would convert them as profitable and economically viable entities.

You mentioned the support given by China in developing the phosphate resources. Similarly are you seeking the support of any other foreign nations in developing the resources?

Yes indeed, external support is very much needed. For example, the Kankasanthurai cement factory is now open. It is a massive deposit and a huge factory was there. The Armed Forces are still occupying this area and we need to

discuss with them on how to move forward. However many people are interested in it. Therefore, we want to have a company to do business under the Treasury or the Government. When it comes to business, you should take decisions on business prepositions not only bureaucratic decisions. That is why people say that the Government cannot run businesses. For example, if you want to bring down cement from somewhere, if you are under the Government you have to follow all these procurement systems and it takes at least three or four months. It is useless bringing down that cement because the need no longer exists by the time we get it. You should take very quick decisions and I think this company will help us to do that. But we have to institutionalise properly and we have to select a very good directorate. We are also thinking of listing that company in the share market to convince people to buy shares of that company.

You need the freedom, you need the flexibility and you need to be quick in taking decisions, otherwise the Government cannot finalise these decisions at the right time. That is why this company will be established under the Ministry. We are open to discuss with any private party or any government but sometimes we have to keep in mind the national security interests.

Our Ministry and another two or three ministries can be directly involved with what the President wants to achieve. It is possible. As I indicated earlier, with the resources available it is possible for our country to be the Wonder of Asia. However, we should tap into the resources properly and bring those resources to the top.

Sri Lanka is on the way to becoming the Wonder of Asia. How is your Ministry working towards that goal?

Our Ministry and another two or three ministries can be directly involved with what the President wants to achieve. It is possible. As I indicated earlier, with the resources available it is possible for our country to be the Wonder of Asia. However, we should tap into the resources properly and bring those resources to the top. That is an issue because of several problems. Firstly, the capital requirements and secondly, finding professionally qualified people both at the managerial and operational levels. If we are free to do that, it is possible. As aforementioned a very good example is on the subject of fertiliser. In minerals, this is one of the top mineral sands available in the world. 60 percent of our sand contains mineral. We are separating only the very basic at the moment and it is a preliminary separation.

Separating minerals such as Titanium are at the higher level. With the mineral resources we will be able to contribute to the national budget. Even countries that have oil, they do not get any grants from anywhere. We also have resources. Even water itself is a resource. We have to bring those to the market.

Any concluding remarks?

We need ministries to work efficiently for our development process and we need the support of the people. People should be aware of what we are trying to do here. The media only highlight the negative aspects of it. For example, regarding the Embilipitiya paper factory, after five years of closure, we were able to start the factory, but the labour force was not cooperative. They have been paid their salaries throughout the last five years, though they have not been working. I know some have found new employment while others are not interested in continuing their employment at the paper factory. Even if we offer them employment and request them to come back and work again, I am sure, they would refuse and they may think it is unnecessary. Most certainly some would say, yes, but they would sabotage our plan. We have been trying for the last two years and it is not possible with this workforce. Therefore, we have to see the possible alternatives and proceed with new people. We too need to create a new culture at the work place, if you look at the current scenario in the paper factory, if we do not pay salaries for one month they would go on strike and get the media attention, unfortunately the media highlight only that part. They are not willing to discuss the core of the problem in running the business; it should be a give and take scenario. This culture would not help, and it would certainly destroy our genuine effort. We need the support of the media so that we can turn things around.

Ceramic Corporation is one other institution which is running with a number of issues. We have appointed a Competent Authority for the Ceramic Corporation, an industry exposed personality. Our team, is now in the process of identifying the possibilities to make Ceramic Corporation to be converted as a viable business entity, thus, we need everyone to understand issues of running business by the state and the necessity of genuine efforts to make them viable. That is the message that I want to give to the general public in this country including media.

I am enjoying my job very much. I could have taken an easy job. I personally

requested the President that I wanted to be accountable and to see how I could use my experience effectively in managing state resources while developing state enterprises as viable ventures. Now I am answerable to the Parliament and I am trying hard to do my best for the country, then people would remember us for our good work.





