

DOING BUSINESS AMID WIDESPREAD HUMAN RIGHTS VIOLATIONS

Despite unreconciled tensions following the three-decade-long civil war, militarization of the state, human rights violations, and thousands of civilians in displacement camps, the World Bank generously ranked Sri Lanka 85 out of 189 countries on the Doing Business index in 2014, up from spot 101 in 2008. President Rajapaksa aspires for Sri Lanka to be ranked 30 by 2015.¹

During and after the war, the Sri Lankan military seized large tracts of land through forced evictions and by occupying land abandoned by civilians fleeing violence.² The Bank claims that “resettlement of the internally displaced persons is largely complete,”³ yet more than 200,000 people remain displaced and have no guarantee of getting their land back from the state.⁴ Many of the lands were deemed “High Security Zones” during the war, but are now being converted into “Economic Processing Zones” for foreign investors rather than being used for resettling displaced populations.⁵ The Bank’s measurements do not factor in this theft of resources nor the overwhelming human rights violations, affording the country a high ranking. In sharp contrast to the Bank, the United Nations (UN) has declared Sri Lanka’s human rights record to be unacceptable, noting military presence in civilian activities including education, agriculture, and tourism; the UN also found evidence of the state undermining democracy, limiting personal freedoms, and ignoring reconciliation.⁶

Foreign investors, however, appear more inclined to follow the World Bank’s ranking than to take into consideration the UN warnings: in 2013, Foreign Direct Investment increased 41% from the 2012 level.⁷

DOING BUSINESS REFORMS IN SRI LANKA

In 2013, Sri Lanka was among the DB’s top ten reformers in the world, largely due to its efforts to modernize its investment, labor, and property systems according to the World Bank’s business-friendly dictates. It carried out the following reforms:

- ✓ In 2012, Sri Lanka made paying taxes less costly for businesses by abolishing the turnover tax and social security contribution and by reducing corporate income tax, value added tax, and national building tax rates.
- ✓ In 2013, Sri Lanka made registering property faster by introducing administrative changes to ensure faster registration of the sale deeds¹² and implementing an electronic system at the Land Registry in Colombo. This system enables swift transfers of land to foreign investors. Consequently, the country’s ranking for registering property improved by 21 points from 164 to 143 between 2012 and 2013.

SRI LANKA AND THE WORLD BANK

The Bank’s Country Partnership Strategy (FYS 2013-2016) centers on investment targets comprising a third of gross domestic product. The Central Bank of Sri Lanka initiated a Doing Business Improvement Programme in 2009 to improve the country’s ranking and to attract investment.

The World Bank’s International Finance Corporation country strategy emphasizes global integration through competitiveness in finance, tourism, infrastructure, and agribusiness.⁸ The government claims that a huge portion of agricultural land is sparsely used, and that the end of the conflict has made arable land available.⁹ Sri Lanka has sought investment in agro-export projects, despite the fact that it is already heavily import dependent.¹⁰ Given the decline of agriculture as a dominant economic sector, the Bank has emphasized efficiency in production and investment for the modernization of agriculture.¹¹



ENDNOTES

1. Sri Lanka's 'Doing Business' Ranking: Two sides of a coin, *The Island*, October 29, 2013. http://www.island.lk/index.php?page_cat=article-details&page=article-details&code_title=64859, accessed March 12, 2014.
2. "Noroccholai: Displaced families complain of shocking deception," *The Sunday Times*, 2008; People's Alliance for Right to Land, 2012; Journalists for Democracy Sri Lanka, 2013. <http://www.sundaytimes.lk/130310/news/hundreds-displaced-livelihoods-destroyed-in-govt-land-grab-for-development-36314.html>, accessed March 9, 2014.
3. World Bank Country Partnership Strategy Site, <http://www.worldbank.org/en/news/feature/2012/10/26/sri-lanka-country-partnerships-strategy-cps-2012-2016>, accessed March 9, 2014.
4. 90,000 internally displaced as of 4 February 2014, 124,436 refugees originating from Sri Lanka. International Displacement Monitoring Centre, 2014. www.internal-displacement.org/asia-pacific/sri-lanka, accessed March 9, 2014.
5. People's Alliance for Right to Land, 2012; Journalists for Democracy Sri Lanka, 2013.
6. See Sri Lanka heading in 'authoritarian direction', says UN human rights chief, *UN News*, August 31, 2013. <http://www.un.org/apps/news/story.asp/story.asp?NewsID=45743&Cr=Sri+Lanka&Cr1=#.Uxo-foXqEfx>, accessed March 9, 2014.
7. Sri Lanka earns \$870m in Foreign Direct Investment in 2013, *The Republic Square*, December 9, 2013. <http://www.therepublicsquare.com/business/2013/12/09/sri-lanka-receives-870-m-in-foreign-direct-investment/>, accessed March 9, 2014.
8. "IFC in Sri Lanka," International Finance Corporation, World Bank Group. www.ifc.org, accessed March 9, 2014.
9. South Asia Citizens Web, "Sri Lanka: New Farmland Grab," April 5, 2012.
10. *Ibid.*
11. "Sri Lanka- Promoting agricultural and rural non-farm sector growth" World Bank, 2003.
12. Sri Lanka's 'Doing Business' Ranking: Two sides of a coin, *The Island*, October 29, 2013. http://www.island.lk/index.php?page_cat=article-details&page=article-details&code_title=64859, accessed March 12, 2014.

Sri Lanka Doing Business Factsheet was authored by Sophia Weiss.

Photo: Land seized by the Sri Lankan Army. © Tamilnet



The Oakland Institute

The Oakland Institute
PO Box 18978
Oakland, CA 94619 • USA
www.oaklandinstitute.org • info@oaklandinstitute.org