

COMPILED BY
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In response to the challenges faced during the pandemic, Sri Lanka's logistics sector has been prioritising digitalisation and modernisation. "Infrastructure expansion including the East and West Container Terminals at the Port of Colombo are strengthening trade connectivity," notes Chaminda Ranawana.

"However, rail freight remains underutilised as overreliance on road transportation accounting for nearly 97 percent of freight movement, resulting in congestion," he laments.

As part of the sector's modernisation, the National Single Window (NSW), backed by the World Bank, aims to unify import-export processes through a single digital platform to reduce delays.

Ranawana asserts that customs efficiency has improved following the 2021 upgrade of ASYCUDA World – an electronic customs management system that simplifies and automates the customs clearance process – including outward remittance integration.

In addition, private sector tools such as the Smart Truck app are reducing empty truck trips.

"Soaring fuel prices and global shipping disruptions have inflated logistics costs, leaving apparel firms facing 40-50 percent higher expenses than their regional peers. Exporters are increasingly adopting long-term freight contracts, air cargo and regional port partnerships to mitigate these challenges," he adds.

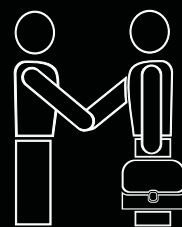
In addition, localisation strategies in the apparel and food sectors are reducing material imports, costs and supply-chain risks. However, customs delays and inadequate cold storage exacerbate

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 Blogger

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REFORM OR PERISH

Chaminda Ranawana stresses that infrastructure reforms must be accelerated

The interviewee is an Executive Director of DIMO (Infrastructure Cluster).



FACT FILE

EXPORT SECTOR

The East Container Terminal (ECT) and West Container Terminal-I (WCT-I) at the Port of Colombo are set for completion in 2026 and 2027 respectively.

Rs. 2.5 billion has been allocated through the 2025 budget to ease congestion at the port and advance digitalisation in the logistics sector – key proposals include 500 million rupees each for the Kerawalapitiya customs yard, Bloemendhal Logistics Park and a rail based dry port in Veyangoda.

An additional Rs. 1 billion has been earmarked for modern scanning systems at the port and main international airport, alongside digital platforms such as the National Single Window (NSW) and E-Cargo Tracking.

The Asian Development Bank (ADB) has approved a US\$ 100 million policy based loan to support Sri Lanka's water supply and sanitation sector reforms.

SOURCE: YAMINI SEQUEIRA (CENTRAL BANK OF SRI LANKA, ASIAN DEVELOPMENT BANK)

the challenges for time sensitive exports.

“Sustainability efforts are expanding with top apparel plants using rooftop solar energy, achieving 50 percent self-sufficiency, while GPS and electric vehicles (EVs) eliminate fleet fuel consumption by 30 percent,” Ranawana notes.

SECTOR REVIVAL He is enthusiastic that innovation in operations is reshaping the logistics sector: “Cloud based enterprise resource planning (ERP) systems and AI tools are streamlining inventory management.”

Meanwhile, manufacturers are adopting lean practices and renegotiating contracts to manage costs, while cross training of staff address labour needs without expanding headcounts. Despite some progress however, urgent policy reforms are becoming critical.

“Modernising ports, investing in rail networks and resolving customs inefficiencies to align with global trade demands are essential for Sri Lanka to remain competitive,” Ranawana emphasises.

VALUABLE RESOURCE “Sri Lanka’s ageing water infrastructure requires urgent modernisation. Although successive governments have allocated limited budgets for enhancing water infrastructure, the focus has shifted to smart phased solutions that deliver high impact at a lower cost,” he explains.

Ranawana adds: “Urban systems lose a staggering quantity of treated water due to

decades old piping and infrastructure, especially compared to other countries in the region. Alarmingly, nearly 30 percent of rural households still depend on unsafe water sources.”

Colombo’s pilot smart metering programme’s digital monitoring can reduce losses by 25 percent while pressure management systems and targeted pipe repairs offer cost-effective alternatives to complete network overhauls.

“These measures can typically save around 50 percent of the cost compared to building new infrastructure while delivering comparable benefits. The goal is to bring non-revenue water losses to less than 18 percent in Colombo and replicate the model islandwide through National Water Supply and Drainage Board (NWSDB) projects,” Ranawana explains.

But he cautions that “rural areas require different solutions – for example, Japan has backed some large-scale projects in Anuradhapura that blend traditional knowhow with modern engineering to meet the water needs of rural communities.”

However, funding these upgrades calls for creative financing approaches.

DONOR DEPENDENCY “The Asian Development Bank’s (ADB) funding of the Greater Colombo Water Programme illustrates how donor backed initiatives can improve critical infrastructure without straining public finances.



IMAGE

“

Projects such as the East and West Container Terminals at the Port of Colombo are expected to increase capacity by 40 percent

jects, automating water quality monitoring and improving service reliability. A wastewater treatment initiative is aligning public health and environmental outcomes in Kandy.”

He believes that capacity building is critical for long-term sustainability: “Training local technicians to manage and maintain these systems is essential to reduce donor dependency.”

Ancient cascade reservoir systems are being revived under the Climate Resilient Integrated Water Management Project (CRIWMP), backed by the Green Climate Fund (GCF), Japan International Cooperation Agency Sri Lanka (JICA) and United Nations Development Programme (UNDP) in the dry zone.

“This integrates climate resilient infrastructure and agro meteorological advisories, particularly in Anuradhapura and other dry zones, to strengthen water resilience in vulnerable regions,” he adds.

Ranawana reveals that Japan has pledged funding to revive 11 stalled projects including key water supply initiatives in Kalu Ganga and Anuradhapura. “The World Bank and IMF are also providing financial and technical assistance, to enhance public investment efficiency and implement structural reforms,” he observes.



Yamini is one of LMD's Contributing Editors and a regular columnist in the magazine.

CRITICAL INFRASTRUCTURE Sri Lanka is navigating its economic infrastructure development, tightly aligned with both short-term resilience and long-term growth.

According to policymakers, priority areas include trade, energy, urban mobility, water and digital infrastructure, each playing a critical role in the country’s turnaround story.

“Trade enabling infrastructure is priority number one. Projects such as the East and West Container Terminals at the Port of Colombo are expected to increase capacity by 40 percent, reinforcing Sri Lanka’s status as a regional transshipment hub.

Repairs to 100 ageing rural bridges and the Central Expressway are also underway, to boost agricultural logistics and lower transport costs,” he adds.

Energy security is another pressing need. “The Mannar wind project and rooftop solar rollout offer short-term gains, while the proposed LNG terminal supports long-term industrial energy demands and aligns with the 70 percent renewable energy goal by 2030,” he muses.

In urban development, projects such as the Colombo Port City target financial sector growth, although there’s an immediate need for cost-effective upgrades such as a rapid transit system for buses and stormwater drainage rehabilitation, which could protect jobs and reduce flooding risks.

Ranawana believes digital infrastructure could offer lower cost high impact potential for rural employment, and that water security efforts such as restoring dry zone tank cascades deliver climate, cultural and agricultural benefits.

However, he cautions that execution remains a key challenge: “With public investment capped at six percent of GDP, there is a need for blended finance, cost benefit discipline and institutions such as the proposed National Infrastructure Commission (NIC), to avoid costly missteps and ensure that landmark projects live up to their promise.”

Tariff reforms that ensure industries pay fairer rates, while shielding low-income households, can generate sustainable maintenance revenue,” he argues.

Ranawana notes: “The Welivita bulk water supply project that the government intends to execute via a public-private partnership (PPP) signals a cautious entry of private sector investment in a traditionally public domain. The government is currently pursuing a broader water sector reform agenda consisting of PPPs, policy overhauls and institutional reforms.”

Digital tools are also being introduced, he says, adding: “Supervisory Control and Data Acquisition (SCADA) systems are being installed in treatment plants and pro-

SRI LANKA | SWOT ANALYSIS

STRENGTHS

Strategic location along key shipping routes (The Port of Colombo’s transshipment capabilities)

Ninety-two percent literate workforce (skilled in apparel, manufacturing and IT-BPO services)

Diversified economy (spanning tourism, tea, rubber and textiles)

Relatively strong social indicators

Widespread electricity and telecom infrastructure

WEAKNESSES

Debt default in 2022 constrains fiscal space and limits critical public investments

Persistent policy instability

Bureaucratic inefficiencies

Outdated logistics infrastructure driving export costs up (especially in rail and port operations)

Overreliance on the US and EU markets for apparel exports (creates vulnerabilities to external shocks)

Government delays to make critical implementation decisions (i.e. port development)

OPPORTUNITIES

Tourism recovery – and expansion into ecotourism and wellness

Export diversification into electronics and ship repair coupled with regional integration through BIMSTEC

Abundant solar and wind resources for energy self-sufficiency and green sector development

Move beyond concept papers to implement steps to become a regional logistic hub

Prevent exchange losses in education by encouraging foreign institutes to invest here

THREATS

Global economic volatility risks

Climate change threats to agriculture and infrastructure

Geopolitical tensions in the Indian Ocean complicating foreign relations

Domestic unrest could surge if reforms prove to be inadequate

Ongoing brain drain further erodes institutional capacity

Newly introduced US tariffs