

## **Sri Lanka in the doorstep of Sustainable Development: A comprehensive legal regime to mitigate the impacts of Foreign Direct Investment (FDI) on natural resources**

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Foreign Direct Investment (FDI) is essential for a state to achieve a sustainable economic development. However, since much of the economic development achieved by FDI comes at the cost of the environment, the necessity for a sound legal framework to mitigate the environmental degradation caused by FDI has become a vital concern. In this backdrop, the objective of this study was to evaluate the comprehensiveness of the existing legal regime in Sri Lanka in mitigating the adverse effects of FDI on natural resources in the light of respective international standards and to make recommendations for the further development of legal framework in this field. This research was conducted based on secondary sources including books, legal journals, statutes, international conventions and case laws.

FDI factor gives rise to many environmental issues such as air pollution, water pollution, and deforestation and also harm the fauna and flora. United Nations Declaration on the Right to Development recognizes right to development as an inalienable human right. At the same time Rio Declaration and Stockholm Declaration provides for sustainable development which seeks to achieve development through ensuring environmental concerns in terms of mechanisms such as Environmental Impact Assessment (EIA) and Environment Protection Licence (EPL), and environmental law principles such as precautionary principle and polluter pays theory. In the Sri Lankan context both the right to development and right to environment are embodied in the constitution. As it was emphasized in Bulankulama case reconciling between these two competing interests is of vital importance. To this end National Environment Act provides for EIA and EPL and the Board of Investment of Sri Lanka requires these mechanisms to be adhered into by foreign investors seeking entrance to the country.

Although the domestic legislative framework provides substantive safeguards to mitigate the environmental degradation caused by FDI, the implementation and the efficacy of enforcement mechanisms are still in the primitive stages. Hence it is recommended the establishment of advisory and monitoring bodies, integration and better coordination among relevant legislative and enforcement institutions, provide for active public participation and dissemination of information to the public, motivating investors to adhere into these policies by providing incentives like concessions, tax holidays and noncompliance to be addressed with establishing liability and compensation regimes.

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