Sri Lanka
Steps towards Investment Attraction through Investment Facilitation

Ganga Palakatiya
Deputy Director (Research & Policy Advocacy)

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Overview

- Country Profile – Sri Lanka
- Economic Liberalization to attract Foreign Investment
- Importance of Foreign Inflows
- Legal Framework to Attract FDI
- Are we on the right track? Performance of BOI
- Challenges to overcome
- Investment facilitation-Recent Reforms & Initiatives
- Way forward
Country Profile – Sri Lanka

• Socio-economic Progress & Human Development
  - With GDP growth of 3.1%, GDP US$ 87 Bn and per capita of US$ 4,065
  - Adult literacy rate – 93% on par with advanced countries
  - Human Development Index – 73 out of 188

• Quality Workforce
  - Educated, Highly trainable, English speaking & Capable of precision manufacturing

• Infrastructure
  - Rapidly expanding road and expressway network
  - Widespread broadband and 4G mobile connectivity
  - 99% electrification
  - High standards of public & private education & healthcare

• Strategic location
  - On the sea lanes between the East and the West with the 23rd best port in the world
  - Air connectivity to major routes and 100 cities around the world
Economic Liberalization to attract Foreign Investment

• First in the South Asian region to liberalize its economy to promote foreign investment way back in 1978.

• Establishment of Board of Investment (BOI) in 1978: the national investment promotion arm to promote and facilitate foreign investments.

• Encourage Foreign Investment: an essential source of foreign funding needed for economic development under prevailing circumstances.
Supportive Business Environment

- Total Foreign Ownership allowed
- No restrictions on the Repatriation of Earnings
- 99 Years Land Lease opportunities for Foreign Investors
- Safety of Foreign Investments Guaranteed by the Constitution
- Safety of Patents and Strong Intellectual Property Laws in line with WIPO Regulations
- Investment Protection Agreement with 28 Countries
- Double Taxation Avoidance Agreement with 44 Countries
Legal Framework to Attract FDI

- **BOI Act (BOI Law No 4 of 1978 and its amendments)**
  Establishment of Board of Investment of Sri Lanka. BOI is structured to function as the Central Facilitation point for investors and empowered to enter into agreements with investors.

- **Strategic Development Project Act (SDP Act No 14 of 2008)**
  Grant special concessions for special projects which are in the national interest, likely to bring economic and social benefit to the country and to change the landscape of the country.

- **Foreign Exchange Act (Foreign Exchange Act No.12of 2017)**

- **Hub Regulations under Finance Act (Finance Act No. 12 of 2012 and its amendments)**
  Declaration of Free Ports and Bonded Areas. Grant exemptions for identified hub activities conduct in declared Free ports and Bonded Areas.

- **Land (Restrictions on Alienation) Act** – Provide legal framework for ownership of lands for foreigners.
Are we on Right Track?
Performance of FDI Attraction

- FDI Trends
- Projects in Operation
- Export Earnings
- Employment Generation
FDI Trends (1978 – 2018)

Total FDI Received
From 1978 to 2018 (1H)
US$ 16.5 Bn
Projects in Operation

No. of Projects in Operation as at end of Year (Cumulative)

- **2013**: Green Field - 1698, Expansions - 206
- **2014**: Green Field - 1709, Expansions - 213
- **2015**: Green Field - 1710, Expansions - 202
- **2016**: Green Field - 1692, Expansions - 216
- **2017**: Green Field - 1709, Expansions - 222
- **2018 (1H)**: Green Field - 1702, Expansions - 222
Export Earnings

USD Bn

2013: 6926
2014: 7603
2015: 7227
2016: 7485
2017: 7792
2018 (1H): 8100

Target: 3,031

Over 70% of National Exports
Over 80% of National Industrial Exports
Over 98% of Apparel Exports

Performance of BOI

National
BOI Exports


0 1000 2000 3000 4000 5000 6000 7000 8000 9000 10000 11000 12000
BOI Export Processing Zones

Existing Zones:
- Mawathagama EPZ
- Polgahawela EPZ
- Mirigama EPZ
- Katunayake EPZ
- Biyagama EPZ
- Horana EPZ
- Seethawaka IP
- Koggala EPZ

Additional Zones:
- Kandy IP
- Malwatta EPP
- Wathupitiwela EPZ
- Mirijjawela EPZ
Employment Generation (Cumulative)

<table>
<thead>
<tr>
<th>Year</th>
<th>Employment Generation (Nos)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>483,470</td>
</tr>
<tr>
<td>2014</td>
<td>484,675</td>
</tr>
<tr>
<td>2015</td>
<td>490,675</td>
</tr>
<tr>
<td>2016</td>
<td>493,226</td>
</tr>
<tr>
<td>2017</td>
<td>493,000</td>
</tr>
</tbody>
</table>

5% of Total Labour Force of the country
Challenges to Overcome
Need to focus more towards Manufacturing Services & Agriculture to strike the right balance.

- FDI into Infrastructure has shown significant contribution.
- Need to focus more towards Manufacturing Services & Agriculture to strike the right balance.
Challenges from Peer Countries

FDI (2014-2016 Average)

<table>
<thead>
<tr>
<th>Country</th>
<th>FDI (2014-2016 Average)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>13,703</td>
</tr>
<tr>
<td>Vietnam</td>
<td>11,200</td>
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<tr>
<td>Malaysia</td>
<td>10,642</td>
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<tr>
<td>Korea</td>
<td>8,068</td>
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<tr>
<td>Philippines</td>
<td>6,196</td>
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<tr>
<td>Thailand</td>
<td>4,021</td>
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<tr>
<td>Bangladesh</td>
<td>2,040</td>
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<tr>
<td>Myanmar</td>
<td>1,987</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>824</td>
</tr>
</tbody>
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Ensure Investor Confidence & Predictability

- Harmonize investment policy with government development policy.
- Improve investment environment with consistent and predictable investment policy.
- Improve Line Agency coordination.
- Empower BOI as the lead investment promotion agency.
Recent Reforms & Initiatives taken to boost investment climate
Recent Reforms & Initiatives

- Moving away from granting traditional tax concessions to attract investments
- Initiatives more towards investment facilitation as guided by UNCTAD (10 items referred in ACTION MENU FOR INVESTMENT FACILITATION and UNCTAD IIA reform package)

- Targeted Investment Promotion
- Acceleration of investment approval process
- Development of new zones and upgrading of existing zones
- Introduction of A web portal to streamline and fast track the investment approval process
Targeted Investment Promotion

In-depth Study Carried out with Harvard University’s Centre for International Development (CID) and the World Bank Group

IT enabled Services
(IT software, BPM, KPM)

High value-added apparel
(Lingerie, Smart textiles, wearable technology, other potential high-value clothing items, Innovation & research)

Logistics
(Entrepot trade, Transportation, Warehousing & Storage)

Food processing
(Fish / seafood, Fruit and, Vegetables, Dairy)

Tourism
(Hotels, Recreational activities - theme Parks, Adventure sports & leisure facilities)

“RADAR”/“ASPIRATIONAL SECTORS”

- Fabricated metal parts
- Education (both vocational and higher education)
- Medical devices and pharmaceuticals
- Solar panel manufacturing
- Transport equipment (automotive components, trailers, trucks, mobile)
- Cranes, body parts for motor vehicles
- Value added Minerals

PRIORITY GEOGRAPHIC MARKETS
USA, UK, China, Japan, Malaysia & India
Accelerating investment approval process

Attraction and approval process

- Single Window Committee (Chaired by Sec. to the Treasury)
- Project Screening Committee
- Investment Promotion Dept.
- Investment Appraisal Dept.

Facilitation process

- Investment Approval Facilitation Committee (Chaired by Advisor to Hon.PM)
- Project Implementation Department
- BOI/ Other Line Agencies
Development of new zones and upgrading of existing zones

Bingiriya, Milleniya, Mawathagama and Charlie Mount Estate- Matara have already begun and they are in different stages of development process.
Establishment of Effective One-Stop-Shop

Virtual Platform for Line Agency Coordination

- Implement a Virtual One-Stop-Shop with the assistance of the World Bank to expedite the investment approval process by;
  - Improving transparency in regulatory procedures and simplify the line agency processes.
  - Improving line agency coordination; 24 line agencies have been identified and will be linked in the first phase including;
    - Inland Revenue Department
    - Colombo Municipal Council
    - Sri Lanka Customs
    - Central Environment Authority
    - Urban Development Authority
- Establishing Web enabled Application Tracking System (ATS)
Way Forward

- Focusing more towards promoting and attracting investments into identified target sectors with special focus on high-tech manufacturing.
- Stand out among peer countries on investment attractions.
- Strengthening Investment Policy Framework.
- Enhancing exports in merchandise goods as well as services.
- Enhancing market access through FTAs.
- Developing skills to match the industry demand.
- Improving Line Agency Coordination to promote Sri Lanka for investments
- Reform Orientation towards Exports and FDI
Thank You