



# INVESTMENT OPPORTUNITIES IN SRI LANKA



# Sri Lanka



- ❑ Total Land Area: **65,610 s.q. km**
- ❑ Population: **20.48 Million**
- ❑ Commercial capital & largest city: **Colombo**
- ❑ Currency: **Sri Lankan Rupee (LKR)**
- ❑ GDP Growth Rate: **7.3% (2013)**
- ❑ Per Capita GDP Income: **US\$ 3,280 (2013)**
- ❑ Literacy rate: **95.6%**

# Facilitation Body for Foreign Investments



## □ The Board of Investment of Sri Lanka

- The central facilitation point for investors for assistance and advice throughout the investment process
- 36 yrs of experience, an engine of growth creating a considerable impact on the country's economic development
- Committed towards continuously improving the country's investment climate
- BOI companies today employ over 470,000 workers
- 65% % of Sri Lankan exports and 86% of the country's industrial exports
- Agreement with the BOI remains valid for the life of the enterprise . Provisions unalterable by successive govts.
- Facilitates investors on a sector-focused approach, covering all vital areas of the economy.
- Country specific information, can be obtained from Country Desk Officer pertaining to the origin of your investment.
  
- **Note :**
  - An investment application form can be obtained from the relevant sector.
  - Duly completed application forms need to be handed over to the relevant sector heads.
  - The sectors will act as relationship managers for all investors in their sector, from project evaluation to implementation to post - investment aftercare.
  - Hours of Operation are Monday to Friday : 8.30am to 4.30pm (GMT +5.30)

# Why Sri Lanka?

## A) Strong Resilient Economy

- Peaceful domestic environment, favorable government policies & improved investor confidence → commendable performance in 2013
- The improved performances in all key sectors → high economic growth
- Services sector: largest contributor to national economy 56.8%
- The strong economic performances → lifted country's per capita income → graduated to middle income status from the list of Poverty reduction & Growth Trust (PRGT) eligible countries
- Government plans to transform Sri Lanka into a strategically important economic centre by developing five strategic hubs:
  - Knowledge hub
  - Commercial hub
  - Naval & maritime hub
  - Aviation hub
  - Energy hub
- Development of hubs based on Sri Lanka's strategic location & resources

# Why Sri Lanka?

## B) Supportive Government Policies



- Pioneer of economic liberalization among South Asia (3+ decades ago)
- Government has embraced Strategies and policies conducive for international investment embraced
- Transparent investment laws that aim to foster foreign direct investments:
  - Total foreign ownership
  - No restrictions on repatriation of earnings, fees, capital, and on forex transactions relating to current account payments.
  - Safety of foreign investment - guaranteed by the constitution.
  - Existence of a transparent legal and regulatory framework, covering all prerequisite business law enactments.
  - Bilateral investment protection agreements (28 countries) & double taxation avoidance agreements (38 countries)
  - Founder member of the Multilateral Investment Guarantee Agency (MIGA)
  - According to the Index of Economic Freedom (2014), Sri Lanka has been ranked 90 of 186 countries

Index of World Economic Freedom Rankings -2014

Country	World Ranking	Country	World Ranking
Singapore	2	Indonesia	100
Korea, South	31	India	119
Malaysia	37	Pakistan	126
Thailand	72	Bangladesh	131
Philippines	89	China	137
Sri Lanka	90	Vietnam	147
Burma	162	Nepal	149
		Iran	173

# Why Sri Lanka?

## B) Supportive Government Policies (contd..)



- Efforts intensified to attract investments to target sectors in which Sri Lanka has strong foundation for growth + to areas where it is nationally important to develop.
- Incentives to induce high value investment to priority sectors. BOI promotes diversification of Sri Lanka's industry and services with special focus on advanced technology and value addition.
- Amendments to the tax system → overall tax regime for all sectors will be less complex and at a lower rate across the economy.

### **Target Sectors Actively Promoted by Sri Lanka through Board of Investment (BOI)**

1. Target Sectors Actively Promoted by Sri Lanka through Board of Investment (BOI)
2. Export Oriented Manufacturing
3. Export Oriented Services
4. Tourism, Tourism Related Projects
5. Infrastructure Projects
6. Higher Education/Skill Development
7. Value Added Strategic Projects
8. Agriculture (Agro Processing, Fish Based Industry, Dairy)
9. Establishment of Industrial Estates, Special Economic Zones, Knowledge Cities.

# Why Sri Lanka?

## C) Educated and Adaptable Workforce

- 2011: most literate population in South Asia - 94.2% (Male: 91.1% and Female: 93.5%)
- Investment in public education → a competent, intelligent, trainable workforce that's comfortable with high tech production and services
- 50% of the students who have completed higher education are trained in technical and business disciplines
- Business language: English
- Well educated and energetic, skilled and semi-skilled human resources are readily available at competitive wage rates.

### Literacy Rates of Selected Asian Countries in 2011

Country	Literacy Rate %	World Ranking
Thailand	94.1	84
Indonesia	92	94
Malaysia	92.5	92
<b>Sri Lanka</b>	<b>94.2</b>	<b>83</b>
Vietnam	92.8	91
India	74.1	139
Bangladesh	55.9	164
Pakistan	62.2	159

Source : UNDP Report, 2011

# Why Sri Lanka?

## C) Educated and Adaptable Workforce (contd...)

- Labour force: 49.8 % of the population - men 67.8% & women 33.4%
- Reputed for its precision, quality and productivity
- Skilled and semi-skilled workers at competitive wage rates
- Renowned for high caliber professional skills esp. in Financial Accounting and Marketing sectors
- World class reputation in the production of high end garments and lingerie markets

Wage Rates - 2013		
Country	Min. Wage (USD/Month) [probationer to skilled worker]	Factory Worker Monthly Base Salary (USD/Month)
Bangladesh	39 - 109 *	74
<b>Sri Lanka</b>	<b>73 - 82 *</b>	108
Pakistan	82	173
Vietnam	145	113
India	28 - 155 *	276
Indonesia	226	239
Thailand	9.85 / Day	345

Source: Investment related costs in Asia and Oceania, 23rd Survey, JETRO, 2013





# Why Sri Lanka?

## D) Location and Connectivity

- ❑ Situated at the crossroads of major shipping routes connecting South Asia, Far East and the Pacific with Europe and the Americas.
- ❑ Located next to the fast growing Indian sub-continent with close proximity to Southeast Asia and the Middle East.
- ❑ Strong air connectivity with over 100 weekly flights to India alone.
- ❑ Connected to the SEA-ME-WE III and IV (South East Asia – Middle East – Western Europe) fibre optic communication backbone with over 11 communication satellites orbiting above the south of the country.



# Why Sri Lanka?

## E) Vibrant Business Environment

- ❑ The most liberalized economy in South Asia
- ❑ 1978: Open market free economic policies adapted
- ❑ Successive governments further liberalized the economy, leading to deregulation, greater privatization and opening the economy to international competition
- ❑ Transparent investment laws aim to foster foreign direct investments
- ❑ 100% foreign ownership of companies permitted ie. local partners for foreign investments - not required
- ❑ 100% repatriation of annual earnings/ profits permitted ie. re-investment of proportion in the business – not stipulated
- ❑ Never defaulted international debt obligations
- ❑ Commercial laws are based on British laws + highly independent judicial system
- ❑ Safety of foreign investments guaranteed by the Constitution ie. foreign owned assets cannot be expropriated

# Why Sri Lanka?

## E) Vibrant Business Environment (contd...)

- ❑ Strong Intellectual Property law in line with WIPO and WTO regulations
- ❑ Guaranteed national treatment ie. no discrimination between a local and a foreign investor
- ❑ Insurance cover against political risk from Multilateral Investment Guarantee Agency (MIGA) (Sri Lanka is a signatory)
- ❑ Sense of security & financial advantage (due to the attractive tax holidays) guaranteed by :
  - ❑ Bilateral Investment Protection Agreement with 28 countries
  - ❑ Double Tax Avoidance Agreements with 38 countries including Saudi Arabia on limited basis
- ❑ Dynamic and resilient private sector - possible joint venture partnership for foreign investors.
- ❑ Concessions granted under an agreement with the Board of Investment – for qualifying investment projects - remain valid over the lifetime of the enterprise

# Why Sri Lanka?

## F) Investment Protection and Double Taxation

- ❑ One of the safest countries in the world to invest
- ❑ Mechanisms in place to protect investors:
  - ❑ Article 157 of the constitution guarantees the safety of investment protection treaties and agreements approved by parliament by a two thirds majority
  - ❑ Signed Bilateral Investment Protection Agreements (IPA) with 28 countries
  - ❑ Independent system of courts which can redress any concerns of investors
  - ❑ Bilateral Double Tax Avoidance Agreements with 38 countries.

## Bilateral Investment Treaties signed with:



Australia	France	Republic of Korea	Singapore
Belgium-Luxembourg	Germany	Kuwait	Sweden
China	India	Malaysia	Switzerland
Czech Republic	Indonesia	Netherlands	Thailand
Denmark	Iran	Norway	United Kingdom
Egypt	Italy	Pakistan	USA
Finland	Japan	Romania	Vietnam

# Double Taxation Avoidance Agreements signed with:

Australia

Bangladesh

Belgium

Canada

China

Denmark

Finland

France

Germany

Hong Kong (Limited)

India

Indonesia

Iran

Italy

Japan

Korea (Republic of)

Kuwait

Malaysia

Mauritius

Nepal

Netherlands

Norway

Oman (Limited)

Pakistan

Philippines

Poland

Qatar

Romania

Russia

Saudi Arabia (Limited)

Singapore

Sweden

Switzerland

Thailand

UAE

United Kingdom

USA

Vietnam