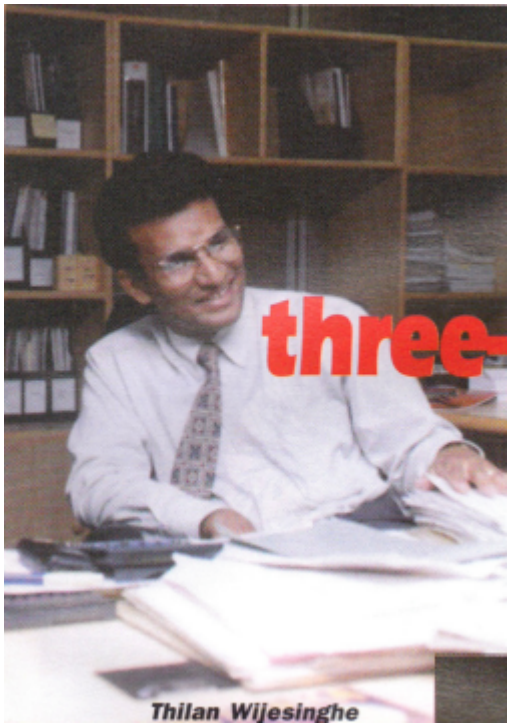
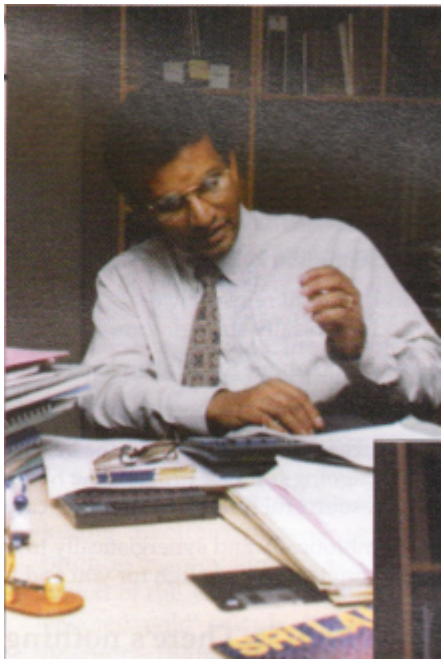
BOI’s three-pronged strategy: Investment, Infrastructure, Promotion

Sri Lanka, which already has fundamentally a sound investment policy and offers a set of attractive incentives, plans to strengthen its infrastructure before it embarks on a major investment promotion in the second half of this year, Thilan Wijesinghe, Chairman and Director General of the Board of Investment (BOI) told ‘BusinessToday’. “It is a three-pronged strategy. We have put in place a comprehensive plan for the second half of this year, once other fundamentals that have an impact on investment come on stream”, Wijesinghe said. On the threshold of a new millennium, the BOI, the government agency responsible for mobilising foreign investment, faces the challenge of making this tiny Indian Ocean island an attractive place for the world’s top investors, he said “Today, an investor is far more sophisticated than an investor five years ago. The choice they have is far wider and greater. The degree of analysis an investor goes through before picking on a location is far more sophisticated than in the past. We find the degree of information that is requested by investors typically requires that the BOI itself upgrades its own level of service by several degrees. It is no longer an exercise done in a mechanical sense, where you simply talk about incentives. Every country is offering incentives. What an investor also expects today is a far greater value-added service from investment investment promotion agencies. We’re trying to gear ourselves to provide that service.”



Despite having in place some of the most generous investment incentives anywhere in Asia, the anticipated degree of domestic and foreign direct investment has not taken place in Sri Lanka, according to Wijesinghe. Some of the fundamental weaknesses inhibiting investments are, as follows: Risks associated with investing in a country where separatist guerrillas have launched a fierce 14-year war for an independent state, risks associated with macroeconomic imbalances caused primarily by sky- rocketing defence expenditure. consequent under-expenditure in the public sector resulting in run- down infrastructure; and an inadequate pool of local suppliers and sub-contractors due to lack of supportive measures to form industry linkages and industrial clusters The BOI plans to minimise these weaknesses by embarking on a few well planned strategies, Wijesinghe said



One would be to attract large multinationals into the infrastructure sector where rates of return are adequate for private investment “We have embarked on a strategy of attracting as much as possible private sector investments into the infrastructure sector. We have aggressively pursued attracting investment into the ports. power, telecom and transport sectors. Some of them are already under implementation, he said.

Private sector investment in the infrastructure sector would not only help supplement deficiencies in state expenditure, but would generate sufficient momentum and perception changes, leading to increased investment flows in the manufacturing and services sectors, he added. Another strategy would be to create industrial town- ships and industrial clusters. Encompassing an integrated all round network. “We are at various stages of building new industrial parks. Katunayake and Biyagama (the country’s first investment promotion zones) are full, whereas zones outside Colombo, such as Pallakelle and Koggala, are more than 75% vacant.

“We’re looking at new industrial estates in Mirigama, Ekala, Seetawaka, Attanagalle and Horana, all located within a comfortably close distance to Colombo, but still not in highly developed areas.

According to Wijesinghe, once the infrastructure comes into place, the BOI plans to impose severe restrictions on companies locating elsewhere. “Ever since the whole country was identified as an investment zone, investors have scattered all over, creating monitoring problems and difficulties in providing them with sufficient support services. We’re going to put a stop to it.”

Also in the pipeline are industrial townships, where comfortable housing facilities, professional services and other facilities are integrated into an industrial park “An industrial township is an integrated development which includes not only industrial

parks but residential, recreational and other social infrastructure. An industrial township would have about 40% of its land devoted to industries, while the balance would be for luxury housing for management staff, low cost housing for employees, playgrounds, shopping, medical facilities, international schools, etc. It is a process where you bring together the investor, the entrepreneur and the workers into a harmonious co-existence.

Once the infrastucture is in place, the BOI plans to embark on a focused promotions scheme targeting particular sectors and particular companies, Wijesinghe said. “Once we are ready with our infrastructure and various other issues. our promo promotions strategy should be focused on a few sectors where we feel we have a comparative advantage.”

According to him, Sri Lanka has a comparative advantage in three areas certain areas of manufacturing, those capitalising mainly on Sri Lanka’s location advantage and tourism and recreational activities. “In manufacturing, our focus would be on electronics and electronics components assembly and manufacturing, textiles, non-metallic minerals, rubber based industries, jewellery and food processing

“We are also in the process of marketing what I call location- based investment opportunities, Those who take specific advantage of the location of Sri Lanka. Among them are: Shipping and shipping-related services; aviation services, financial services; reconditioning of vehicles; retailing and information technology”

Attractive niche investment opportunities exist in the tourism and leisure area, regardless of the country’s ongoing ethnic war, Wijesinghe said. “There is tremendous potential remaining to be tapped in the tourism sector, by focusing on certain up-market tourism products, such as nature- related tourism and golf.”

The country’s first new golf course after about 100 years is currently being constructed at Rajawela off Digana in the Kandy district, he said Sri Lanka has also not benefited from the rapid growth (over 25% per annum) of Asian travellers, who are also less risk-averse and spend more than their European counterparts, he added, Almost 600 companies today enjoy BOI incentives since the agency was set up in 1978 as the Greater Colombo Economic Commission. BOI enterprises account for approximately 55% of total exports from Sri Lanka. Last year, a total of 68 new BOI companies commenced operation.