



## THE FATE OF INVESTMENT AND GROWTH IN SRI LANKA WITH Manohari Abeyesekera

Manohari Abeyesekera serves as a Non-Executive Director of the National Savings Bank, a premier Savings Bank in Sri Lanka. Prior to this, Manohari was the Head of Strategic Business Development in Hayleys PLC, a leading blue-chip conglomerate in Sri Lanka. She carried out acquisitions in excess of USD 200 million in Hayleys.

**Sri Lanka has been through many hurdles in the past such as the Easter Sunday attacks and this ongoing pandemic is a new challenge for us. What has been the impact of these unfortunate events?**

It was unfortunate that Sri Lanka had to face the Easter Terror attack in April 2019, after enjoying peace for nearly a decade with the cessation of the ethnic conflict with LTTE. The loss of human lives in the Easter Attack had a significant social cost to their loved ones. In addition, a few luxury hotels in Colombo were attacked.

The main issue was the negative travel advisory that prevailed throughout the year in 2019. When the tourism industry was beginning to recover in Jan-Feb 2020, the COVID-19 pandemic surfaced in March 2020. This was a double whammy, as international travel was restricted with many Governments shutting their borders to protect their citizens.

Tourism earnings which were around USD 4.3 billion during the 2018 calendar year, declined to USD 3.6 billion in 2019 due to the Easter Attacks and suffered

a severe setback in 2020 because of the COVID-19 pandemic, with tourism earnings dwindling to USD 0.7 billion.

Hence, in light of the pandemic, conventional revenue streams have been disrupted. Although there are revenue streams from restaurants and banquets, the primary revenue stream which drives the sustainability of the leisure industry is by increasing room occupancy with attractive Average Rate of Returns (ARR).

There could be consolidation of the players in the tourism industry as many smaller hotels may not be able to endure this challenging period, whereas the larger hotel chains have the financial stability to sustain due to their accumulated reserves. In addition, chains such as Aitken Spence, Hayleys and John Keells operate resorts in the Maldives, which is quite advantageous as the Maldives were able to open up their leisure industry in July 2021.

Another strategic move made by some hotels is converting their spaces into quarantine centres which

enabled them to utilise their hotels, earning operating cash flows to pay their staff and upkeep the property.

The Government of Sri Lanka has now opened its borders for tourists under the "bio bubble" concept, where they will stay in approved hotels, visiting tourist sites in regulated transport.

Overall, I think the Sri Lankan industries have performed admirably during this challenging period. Sri Lanka is a country that has endured a 30-year civil war. We, Sri Lankans, have been resilient and we are hopeful of the future.

**The Government of Sri Lanka has taken many initiatives to try and support the economy. What are your thoughts on these initiatives?**

One of the key initiatives taken by the Central Bank of Sri Lanka was to provide a debt moratorium to individuals and SME businesses that were impacted by the pandemic.

The Government of Sri Lanka has also been able to maintain a low single-digit interest rate regime, en-

couraging the private sector to make necessary investments to drive the economy. It also curtailed imports for non-essential luxury goods such as motor cars, to preserve the foreign currency reserves of the country.

Some listed companies on the Colombo Stock Exchange have performed admirably well under the circumstances. I believe this was due to the Government's strategy in reducing the finance cost and the Central Bank providing a six to nine months moratorium, especially to SMEs and other businesses, allowing them financial relief during this time.

The Colombo Stock Exchange recorded a landmark, with reported earnings crossing the LKR 100 billion mark (USD 0.5 billion) during the first quarter from Jan – March 2021. The main contributors were the growth of exports and domestic manufactured products which enjoyed higher margins due to the curtailment of imports. Furthermore, personal taxation was reduced from 24% to 18% and VAT was reduced from 15% to 8%, etc. whilst the tax reductions, in

general, provided benefits to the taxpayers, especially the middle class. Therefore, many individuals had more disposable income available to spend on consumables. During the initial COVID-19 wave, there was an expectation of decreased consumer spending. However, the opposite occurred. Due to the "work from home" concept, people had to upgrade their laptops, TV's and other electronic devices, plus furniture to enable them to work from the comfort of their homes.

Moreover, the Inland Revenue Department has been proactive in simplifying the taxation system. Previously there were 20-25 various taxes, which are now consolidated into fewer taxes and has allowed taxpayers to submit their tax returns online.

I believe the Government's accelerated vaccination drive to vaccinate the over 30's population would be the key to the turnaround of the Sri Lankan economy.

**Are there any other initiatives the Government should implement to improve the overall economy and Foreign Direct Investments in Sri Lanka?**

The key would be to drive value-added exports, curtailing non-essential imports to manage the trade deficit. In addition, earnings from foreign remittances where the scope is to be widened to include skilled personnel, increasing FDIs, tourism earnings are other factors that impact the foreign reserves.

I suggest reconsidering our approach to marketing the leisure industry in Sri Lanka. There is increased awareness of finding spiritual happiness with good health. Thus, we need to market Sri Lanka as an exclusive

wellness destination and an experiential holiday providing experiences such as agricultural farming, Sri Lankan cuisine, yoga, etc. Therefore, we need to take an initiative to partner with Ayurvedic and wellness herbal product ventures.

Furthermore, Sri Lanka is blessed with fertile soil aiding us to expand our portfolio of agricultural exports (preferably organic) beyond the traditional tea and rubber. E.g. fruits like avocado, bananas, mangoes and soursop with value addition (puree, dehydrated, etc.) are high in demand across Europe. Additionally, moringa leaf powder and virgin coconut oil have significant demand from overseas markets. The Export Development Board and other relevant chambers play a pivotal role in terms of not only financial aid but also in providing access to overseas markets.

Another key to success in Sri Lanka is to formulate Public-Private Partnership (PPP) projects. The Government should provide the land as its share of capital, while the private sector could provide the financial and technical capital for the relevant project. Moreover, the Government could provide tax concessions for around 5 to 7 years to encourage the private sector to invest. PPP projects will ease the financial burden on the Government.

The Board of Investment (BOI) should aim to be a one-stop shop for all investors. As Sri Lanka is not the exclusive destination for foreign investors in Asia, investors need a rationale to invest here instead of other competing markets such as India, Indonesia, Singapore, Vietnam, etc. We need to be competitive with other markets to attract FDIs by

increasing our rank in the Ease of Doing Business Index. Government institutions such as the BOI, Customs, Inland Revenue, etc., need to ensure there is a digital collaboration between the authorities to faster clearances. The Government would need to improve Sri Lanka's ranking in the World Bank's Doing Business Index, as this is one crucial piece that needs to be improved to encourage foreign investments. Currently, Sri Lanka is ranked in the 99th position. We need to fast track the delays in hearing legal cases, enforcing contracts, etc. The Government would need to have an implementation framework in order to climb up the Ease of Doing Business Index to the 50th position in a period of 3 to 5 years. With proper coordination and overcoming these inefficiencies, Sri Lanka will hopefully be able to muster the FDIs required.

**The Port City development is expected to be the future of Colombo in 30 to 40 years. In your opinion, what are the impacts of the development and how will this affect Sri Lanka in the long run?**

Sri Lanka is fortunate with its strategic location in the Indian Ocean. The Port City, which is built on reclaimed land from the sea spanning 269 hectares, is set to be the next financial and commercial hub in South Asia. Being a financial hub, regional banks would set their sights on Sri Lanka, similar to Mumbai. In addition to being a financial city, the Port City is poised to be a mixed developed city with commercial ventures, hospitals, residences, schools, etc.

A potential political concern is that India would feel uneasy with numerous Chinese investments close

to its territory. However, as a developing nation, it is vital that Sri Lanka attracts FDIs, and follows a non-aligned foreign policy.

I remain positive and hope that Sri Lanka would make its mark as a commercial hub in South Asia, with its citizens being able to reap the dividends of peace and political stability.

**Over the years, we have seen a lot of Sri Lankan talent exploring opportunities overseas. What are your thoughts on Sri Lanka's youth and how they can be supported better?**

We need to encourage the youth to become entrepreneurs especially with the advancements in technology. Capitalising on emerging digital platforms and introducing financial and IT literacy as early as grade 6 in schools, would ensure cultivating the entrepreneurial mindset amongst the youth in Sri Lanka.

In the USA, students are encouraged to develop their own ideas as there are facilities such as incubation labs at universities, that motivate students to pursue their own business plans where funding is provided if they are lucrative. In India, there are Government schemes encouraging professional Indians to return and disseminate their knowledge and skills with the undergraduates in exchange for tax exemptions during their summer vacations.

We need to harness the talent of the Sri Lankan diaspora and utilise their skills to fuel the country's growth.