

INVESTING IN SRI LANKA
WITH THE BOI CHAIRMAN,

SANJAYA MOHOTTALA



The BOI has been in operation for 40 years and there are over 2000 enterprises under its purview. Could you briefly take us back to the background and inception of the BOI?

The Board of Investment of Sri Lanka is the country's apex investment promotion agency. It was established in 1992, expanding the scope of the Greater Colombo Economic Commission (GCEC) which was formed in 1978. Its aim is to attract catalytic investments for the country and generate a globally competitive and compelling investment climate for investors to thrive in. The BOI has 2200 companies under its purview so far and contributes to 85% of the country's export output.

The BOI has throughout the decades supported the nation in its economic transformation. It is important for the organisation to evolve, to meet current challenges and global investor demands to continue to remain true to this course, supporting and building on the foundations it has set. Especially now, given that the Country is at an all-important crossroad, where the Nation is ready to rise to the

next level of economic transformation.

The primary function of the BOI is the facilitation of attractive investor benefits. Can you walk us through the facilities rendered by the BOI for local and foreign investors?

The BOI needs to function as a one-stop shop for all investor needs, whether they are potential investors looking to foray into Sri Lanka, or whether they are established enterprises, looking for support in either operational matters or strategic initiatives. It is our job, therefore, as the apex investment promotion agency of Sri Lanka, to provide that end-to-end facilitation where investors - both potential and existing alike - are given the support they need to achieve their business outcomes, right through the investment process, whether it be in setting up a business, or continuing operations on a daily basis, or even, in scaling down and terminating operations.

The BOI, therefore, provides much needed support to investors at each of these phases in the investor lifecycle.

When setting up a business, an investor

thirsts for information to enable them to narrow down on an attractive opportunity. For Sri Lanka to feature in their investment consideration set, there must be a focussed approach in providing investors with the information they need to be armed with. There is a quantum of work that is required to make an informed decision on a destination, based on the features of a country, its strategic fit and suitability, the specific market and sector dynamics it intends to play in etc. These are just a few examples and it is vitally important for investment promotion agencies to act as an enabler of information so that investors are sufficiently conversant in the knowledge required during the initial stages of the life cycle.

That is just the beginning of the journey. We have a seven-pronged approach in place, and through that, we bring to life our theme of re-imagining the future, clearly defining actionable investment attraction priorities aimed at transforming the current economic landscape of Sri Lanka and curating a conducive investment climate. It identifies a structured investor outreach platform,

targeted programme management initiatives, enhanced investor facilitation and aftercare programmes. These are all key elements of a proactively thought-out target investment-driven approach which is deployed through a globally collaborative approach, that is ably supported through line agencies, ministries and missions, including embassies and high commissions.

Through this collaborative framework, we have been able to successfully reach and impact, in the last 12 months alone, a wide cross-section of potential investors, through 100 webinars across 17 countries on 6 priority sectors. These were successfully orchestrated with line agencies and ministries, missions overseas and in Sri Lanka, global partner organisations and international Chambers of Commerce.

The recently held Sri Lanka Investor Forum (SLIF) is another example where we proudly showcased how unique Sri Lanka is and the transformative path it has undertaken to an international investor. With over 4500 registrations, over 100 speakers and sessions and over

The Board of Investment (BOI) of Sri Lanka was conceptualised and formulated to attract and acquire sustainable investments and improve the entire investment climate predominantly through the provision of investor facilities. With the wealth of expertise and diversified experience in consultancy, investment strategies and asset management, BOI's Chairman, Sanjaya Mohottala, provided valuable insights into the entire process of the BOI, facilities provided, alongside his views on investments and developments on the horizon.

150 one-on-one engagements, we were able to generate potential equity and showcase large-scale projects totalling USD 5 billion worth of Foreign Direct Investment (FDI) opportunities.

While there is a tremendous effort that must be invested by the BOI in this initial stage, it is just the beginning. As investors begin to demonstrate greater interest and dig deeper in their due diligence, we have a responsibility to ensure fundamentals are communicated and that fundamentals also cater to investment requirements, so that investors can firm upon their commitment to us. These can range from factors that influence ease of doing business or cost of doing business, supporting legal reforms, or providing input for tax policies, providing conducive tax breaks or changing legislation – all of which the BOI undertakes in the interest of the investor.

To support the investor further in this journey and in their decision-making process, we work closely with these enterprises through our Appraisal, Implementation Support, Project Monitoring teams, and also offer operational services, etc. Through these functions, we partner with enterprises to identify the type of business model and structure that works best for them, working cohesively to ensure the best returns are optimised for both the investor and the country. Further, an investor who opts

to establish themselves in any of our export processing zones has our firm commitment and support, where we will physically work alongside them, visiting them at their respective locations, providing pre-approved clearances for infrastructure to be built and ensuring an investor has what is needed, with minimal inconvenience. Even for those who opt to build outside the zones, we have facilitation programmes in place, such as assisting in obtaining clearances, etc., to support enterprises to get up and running as fast as practically possible.

It does not end there. We support enterprises from the project implementation stage where they start working out of a manufacturing facility or setting up offices before commissioning commercial activities. We provide support to build their factories as swiftly as possible by clearing roadblocks, helping with obtaining approvals, facilitating the importation and sourcing of capital goods to commence operations, providing tax concessions for capital equipment etc, and anything else required on a tax-free basis before the commencement of commercial operations.

As they ease into commercial operations, we continue to support them to enable them to function in the way that they had intended to, from labour, legal and environmental perspectives. Additionally, we also provide support

to facilitate companies by providing investor services through export/import services and speedier service over customs processes. We assist in the importation of raw materials, obtaining visas for key resources and specialised talent and ensure environmental clearances are obtained. That, in a nutshell, is what we do to ensure investors are able to seek out and set up in Sri Lanka.

The onset of the pandemic has led to many business dislocations across many sectors. In your view, to what extent has the pandemic affected the real-estate industry and foreign investments coming into real estate?

Overall, COVID-19 has impacted everyone and every industry and some of them significantly. There were cash flow problems that the hotel sector had to battle. Then there were interruptions of construction in some instances as a result of workforce contraction. In the case of a few larger projects, the inability to import specialised labour as a result of airport closures also contributed to a suspension of construction-related activities. Still, in other situations, supply chain disruptions also meant delays for essential products making their way to production sites.

Nonetheless, amidst these adverse and unprecedented impacts, in 2020, we were able to realise a capital formation worth almost USD

1.5 billion. A component of this was derived from real estate/FDI, while another component stemmed from existing BOI companies that were expanding. During this time, we were also able to secure investment approvals worth USD 2.3 billion as well.

For 2021, the first half of the year has generated USD 770 million in capital formation and USD 600 million worth of approved projects, with another USD 1.5 billion to 2 billion worth of projects in the pipeline. Real estate has a significant part to play in all these discussions and decisions.

What we must take into serious consideration is that for an economy like ours, that is at a per capita GDP of USD 4000, to soar to a USD 8000 GDP, much more must be done in terms of policy orchestration and implementation and laying the right foundation for key industries to take root and thrive. One such example in this regard is the creation of policies and frameworks. We are working hand-in-glove with other established organisations such as the Information and Communication Technology Agency of Sri Lanka (ICTA) and Sri Lanka Association for Software and Services Companies (SLASSCOM) to co-create these. We expect this work to help generate the required pool of talent and centre of excellence in anticipation of this shift. We are also collaborating with each other to source the right enterprises that can fa-

cilitate this ambition.

Similar to this, such thrusts need to extend to other industries and services as well, especially taking Sri Lanka's geographical position and its two ports into consideration, so that Sri Lanka can transcend into the next level, converting the country into a regional transshipment and economic hub.

As we double GDP over the next 10 years, levels of affluence will rise and there will be a need to construct over 40,000 hotel rooms. We can safely say that we are on the cusp of a huge boom. However, if you look at our construction costs today, it is 1.7 times more expensive than other regional counterparts. Our task, therefore, is to seek solutions to reduce the cost of construction. This is when financial instruments like Real Estate Investment Trusts (REITs) that are introduced by the Colombo Stock Exchange and other agencies, will be more viable to create a vibrant construction ecosystem, enabling companies to monetise their assets.

It must also be said that the pandemic's devastating effects are felt by countries such as Sri Lanka. Here the investment is focussed on export processing and imports, vs. countries that have large population bases like India, where Foreign Direct Investment (FDI) largely caters to local markets; or countries like Vietnam, that have significant backward linkages

in their industries, whilst also having China at their doorstep. To continue to attract the catalytic FDI we are looking for, Sri Lanka needs to ensure that backward linkages and the value chain are set up. This is so for the construction industry as well. If we have these in place, we can be reasonably confident that we can work towards achieving sustainable growth, where the overall cost of capital formation is reduced and rapidly expand the economy.

Further, as we shift into a knowledge-based economy in the next few years, one important point that the pandemic exposed is that office working cultures will transform into a hybrid model, with people opting to work from a combination of locations - be it office, home, hub or regional and distribution centres. This also means that there is further opportunity for the construction industry where regional-based development needs to keep up where the underlying infrastructure is concerned.

What's more, as higher salary structures and greater employment opportunities arise, it will compel the construction industry to experience a boom. As economic activity increases, it will dovetail back into the construction industry, as there will be a need to provide better housing and standards of living in line with rising affluence

The BOI intends to double GDP in 10 years.

Could you brief us more in this regard?

We have our work cut out for us, as we aim for a 7% GDP growth rate. As I mentioned earlier, the BOI has been steadily implementing its Strategy of "reimagining the future", to support the Government's ambition of doubling GDP. The timely strategy has been hinged on the two main pillars of Country Attractiveness and Transforming the BOI. Six (6) trust sectors identified as Manufacturing (Electronics, Pharma, Apparel) ICT, Tourism & Hospitality, Agri & Food Processing and Services Infrastructure will benefit through this focus to improve the investment climate and transform the BOI. This will include new zone development, attractive tax concessions and policy introduction, amendment of key laws along with other aspects relating to enhancing investment attractiveness, which is currently under discussion for operationalisation with key relevant ministries. We are also taking significant strides to reposition the BOI's orientation from the passive regulator (as it has been for many decades and administrations) to a proactive FDI seeker and an end-to-end facilitator.

Our revamping strategy, in addition to the existing facilitations and thrust sectors, includes embracing technology and digitisation, reorganising the structure to empower people, partnering with key public and private stakeholders and streamlining Project

Management Offices (PMOs) to a more robust task.

Besides that, our vision of a knowledge-driven economy as mentioned before, with 3 times more graduates and a focus on vocational training will facilitate smoother growth.

How significant do you think are the impacts of import restrictions on raw materials required for construction?

In the medium to long term, as a country, we have been an open economy since 1978 and this is something that will continue. In the short term, there have been some temporary restrictions that have been placed on imports recently and for good reason. For BOI projects such as hotels and commercial projects, we have been facilitating where necessary, to make sure the architect's intended product is delivered to its owners.

With Port City also being a much-debated topic and yet an extant matter of discussion, what is your perception?

As already mentioned, the strategy put forward by the BOI is to double GDP in 10 years. Eventually, businesses would only succeed if the cost, ease and risk of doing business are viable. As such, Port City acts as a significant enabler in Sri Lanka's growth story and is warmly welcomed.