Doing Business
In Sri Lanka
Demographics of Sri Lanka

- Area: 65,610 sq km
- Population: 19.74 million
- Labour Force: 7.49 million
- Per capita income: 2014 USD
- Literacy Rate: 90.7%
- Languages: Sinhala, Tamil, English
- Religions: Buddhism 70%, Hinduism 15%, Christianity 8%, Islam 7%
- Government type: Republic
- Capital: Colombo
About Sri Lanka

- Sri Lanka is an island located in the Indian Ocean, at the base of the Indian Sub-Continent, 880 km North of the Equator
- Sri Lanka is a multi-ethnic, multi-religious country with a diverse and rich culture dating back to 2,500 years
- A land of endless enchantment for visitors from all over the world
- It’s fragrant spices, precious gems, legendary natural beauty, sublime culture and hospitable people made it South Asia’s paradise island
- Sri Lanka’s strategic location on the sea lanes between the East and the West is an advantage to the island’s positioning as the “hub” of South Asia.
Business Climate

Sri Lanka offers the most friendly business climate & is ranked as the most liberalized economy in South Asia

- Sri Lanka was the first in the South Asian region to promote foreign investment
- Foreign investment is an important element in Sri Lanka’s economic growth and is therefore actively encouraged
- Approval is required from the Board of Investment (BOI) prior to the establishment of a foreign business venture in Sri Lanka
## Trading with Latvia

<table>
<thead>
<tr>
<th>Year</th>
<th>Export US$ Mn</th>
<th>Import US$ Mn</th>
<th>Balance of Trade US$ Mn</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>1.15</td>
<td>0.09</td>
<td>1.06</td>
</tr>
<tr>
<td>2005</td>
<td>0.81</td>
<td>0.11</td>
<td>0.70</td>
</tr>
<tr>
<td>2006</td>
<td>1.20</td>
<td>0.04</td>
<td>1.16</td>
</tr>
<tr>
<td>2007</td>
<td>1.28</td>
<td>0.35</td>
<td>0.93</td>
</tr>
<tr>
<td>2008</td>
<td>1.63</td>
<td>0.66</td>
<td>0.97</td>
</tr>
</tbody>
</table>
### Trading with Latvia

<table>
<thead>
<tr>
<th>Product</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rubber &amp; Rubber Products</td>
<td>53.25%</td>
</tr>
<tr>
<td>Electrical Machinery &amp; Equipment</td>
<td>32.47%</td>
</tr>
<tr>
<td>Knitted and Crocheted Fabrics</td>
<td>12.99%</td>
</tr>
<tr>
<td>Others</td>
<td>1.30%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100.00%</strong></td>
</tr>
</tbody>
</table>
Sri Lanka’s Trade with Latvia
## Trading statistics of SL with all countries

<table>
<thead>
<tr>
<th>Year</th>
<th>Export US$ Mn</th>
<th>Import US$ Mn</th>
<th>Balance of Trade US$ Mn</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>4,924.21</td>
<td>6,873.31</td>
<td>(1,949.10)</td>
</tr>
<tr>
<td>2005</td>
<td>5,420.34</td>
<td>7,210.86</td>
<td>(1,790.52)</td>
</tr>
<tr>
<td>2006</td>
<td>6,127.77</td>
<td>8,771.77</td>
<td>(2,644.00)</td>
</tr>
<tr>
<td>2007</td>
<td>7,431.63</td>
<td>10,879.64</td>
<td>(3,448.02)</td>
</tr>
<tr>
<td>2008</td>
<td>7,902.44</td>
<td>12,749.48</td>
<td>(4,847.04)</td>
</tr>
</tbody>
</table>
Why Sri Lanka should be your investment choice

Compelling policy Environment

- 100% foreign ownership is permitted across virtually all areas of the economy
- No restrictions on the repatriation of earnings, fees and capital, and on foreign exchange transactions relating to current account payments
- The safety of foreign investment is guaranteed by the constitution
- A sophisticated legal and regulatory framework covering, intellectual property, settlement of disputes through arbitration, company laws etc.
- Bilateral investment protection agreements with 26 countries and double tax relief agreements with 37 countries
Why Sri Lanka should be your investment choice

Natural attributes and competitive advantage

- Strategic location of the country which is now poised to exploit the location as a regional hub for communications, cargo and services
- It is ideally locate as the gateway to vast Indian sub continent – home to a quarter of the world population
Why Sri Lanka should be your investment choice

Natural attributes and competitive advantage

- Skilled work force – Sri Lankan labour is reputed for precision, quality and productivity. The labour force is educated and energetic whose trainability is best among the comparable investment locations. The wage rates are very competitive.

- The quality of life in terms of Gross domestic Product per capita adjusted to reflect purchasing power parity is high and more than the double that of India.

- The country’s scenic beauty and bio-diversity are ranked among the best in the world.
Why Sri Lanka should be your investment choice

Natural attributes and competitive advantage

- Business friendly liberalized economic policy which encourage the private sector investment
- Transparent laws – the BOI has the wide ranging authority to grant exemptions from various laws including Inland Revenue, Customs and Exchange Control
- Generous Tax Incentives – Concessionary tax rates, tax holidays and tax exemptions are in place
- BOI will provide necessary facilitation through advisory services and assistance at every stage
Preferred areas of Investment

- Agricultural and livestock sector
- Infrastructure development
- Tourism and recreation
- Research and development
- Construction
- Education & Training
- Information Technology
- BPO Industries
- Apparel Industry
- Export oriented manufacture and services
- Venture capital companies
Economic Development

The Sri Lankan economy shows a robust growth while other countries in the world showing negative results. The economy shows a growth rate 6% or over for forth consecutive year. All three sectors of the economy contributed towards this.

Sector-wise Economic Growth (%)
The Government is engaged in mega infrastructure projects, like Maga Neguma, Gama Neguma. And under Randora, Upper Kotmale Hydropower project, Puttalam Coal Power Plant, Colombo Port Expansion Project, Hamabantota Sea port development project, Galle Port Development Project, Southern expressway, Colombo Katunayake Expressway.
Situation prevailed during the war period

- Northern province one of the biggest provinces (13.6% of the total land area of the country)
- The area is enriched with a range of natural resources such as fertile agricultural lands, mineral ores, forests, scrublands, wetlands, beautiful white sand beaches, the coastal shallow sea from Trincomalee to Mulaitivu enriched with a very high fish density.
- For 25 years the government involvement in developing those areas were severely restricted and the area was caused a significant devastation by the war.
- Before the intensification of the civil war the region played a vital role in the overall economy
Foreign direct investment

- FDI inflows reached the highest recorded level in 2008
- Mainly due to reinvestment of retained earnings
- The strategic choice of reinvestment shows the confidence in the investors
- A more conducive environment for investments is created by providing required infrastructures facilities, establishment of property rights, faster allocation of lands for new investments, transparent licensing procedures, a fast dispute settlement system, greater labour mobility
Regaining the prosperity through peace

• The development projects have been identified in the name of “Randora”. Through the infrastructure development projects in the region the province can become a major contributor towards the economy.

• Re-establishment of the major factories such as Cement and chemical and promotion of Palmyrah based industries and processing of other agricultural products such as onions, chilies, potatoes, grapes and mangoes which the most growing crops in the region.
Regaining the prosperity through peace

- The region can add a tremendous value to tourism development.
- Having successfully defeated terrorism after nearly thirty years of war, Sri Lanka’s investment potential has become ever more stronger and promising.
- The liberalization of Northern and Eastern provinces will provide a stimulus to the overall prosperity to the country.
Major Economic Changes and measures during recent past

- A separate special credit guarantee scheme for gem and jewellery industry
- Fuel Adjustment levy, charged on tourist hotels was removed
- A duty waiver of 13% was granted on the importation of Palm oil and coconut oil
- Tea packets and tea bags were exempted from Export Cess
- Raw materials for manufacturing of leather products were exempted from import duty and VAT
- Gem and Jewellery exporters were permitted to freely deal in foreign exchange for their business using special currency account
- New investments in Eastern Revival is exempted from tax for 5 years
Sri Lanka has always been a tourist destination. The country's placement also enables it to attract transit visitors. Its uniqueness and size earned it the name 'Taprobane' and 'The Pearl of the Indian Ocean'. 
Today, small Miracle offers leisure and business travelers a spectrum of attractions. Incorporating the diverse culture of the country, the various tourist establishments offer visitors a unique yet memorable experience.

The sandy white beaches and attractive underwater life that surrounds the Island give visitors a chance to unwind and relax in a warm and comfortable setting. The beautiful rain forests, mountain ranges and scenic plantations can be visited within a few hours and visitors can also visit the wildlife sanctuaries that are located in this Small Miracle.

*Sri Lanka is an island to be explored! Discover its uniqueness and enjoy an experience of a lifetime.*
Government Commitment

- There are 45 tourism zones have been introduced by the government of Sri Lanka in order to avoid development all over the country.
- Tourism is almost a 100 percent value-added industry.
- Attractive and transparent laws.
- Sri Lanka, though small in size, has limitless investment opportunities and offers investors a rich harvest for small investments.
Government Commitment

- The Sri Lankan government is keen to see the Tourism industry to grow.

- Tax benefits and concessions are in place to attract investors and immigration and tourism development levies are charged to assist the industry and its growth.

- Sri Lanka’s open economy is ranked as the most liberalized economy in South Asia. Investors are provided with preferential tax rates, constitutional guarantees on investment agreements, exemptions from exchange control and 100% repatriation of profits.
Developments in the industry

World tourists arrival growth (%)

Year | South Asia | World
--- | --- | ---
2006 | 10.0% | 4.0%
2007 | 12.0% | 6.0%
2008 | 18.0% | 2.0%
Prospects for tourism post war

• tourism will be one of the important beneficiaries of the post-war scenario

• Certainly more Airlines will look at Sri Lanka more favorably as Sri Lanka will be seen as a safe, value-for-money destination

• the quality of the Sri Lanka Tourism product has lagged far behind its competitors
Prospects for tourism

• Strategic access to the Indian markets, A highly literate and cost competitive labour force

• Developing Hambantota, Kalpitiya and Arugam Bay as major tourist resorts,

• Added with Passikudah and Trincomalee, up to Kokilai Lagoon in the East, and many locations in the North too, as part of the Uthuru Vasanthaya – the development agenda for the North the government recently announced a major new 4,000-acre tourist development 100 miles north of Colombo at Kalpitiya."
Prospects for tourism

- The Ministry of Tourism has made a proposal to implement a Sustainable Tourism Development Project, funded by the World Bank, over four years to be implemented by the Sri Lanka Tourism Development Authority (SLTDA). The project objectives are to:
  
  - Improve the efficacy and efficiency of the institutional framework by devolving the powers of the SLTDA at the center to the provinces;
  - Improve localized tourism related infrastructure services in the Eastern Province; and improve and extend the product content and supply chains that are aligned with sustainable tourism.

- The improvement in the tourism industry will create more opportunities in agriculture, fisheries and cottage industries as well.
Thank You