

Media Release

BOARD OF INVESTMENT OF SRI LANKA

BOI records rising FDI trend

The Board of Investment of Sri Lanka has announced the achievement of the highest ever quarterly FDI inflow in Q1 of 2011. The inflow of US\$ 236 million in realized foreign investments for January to March this year is an increase of almost 160% versus the corresponding period in 2010.

The annual average FDI figure of the last five years was US\$ 668 million which accounts for approximately 2% of the GDP. The goal is to increase the FDI target gradually to US\$ 2.5 billion in 2015, resulting in an FDI/GDP ratio of approximately 4% and pave the way to achieving an economic growth rate of 8-10%.

“The strong performance was helped by investments in the dynamic tourism sector which accounted for US\$ 132 million”, Chairman/Director General of the BOI, Mr. Jayamapathi Bandaranayake said. The major contribution to this relatively high value came from strategic investments in Colombo and Hambantota by the luxury Shangri-La hotels chain.

The second largest contributor to FDI in Q1/2011 was the Utilities Sector, driven by investments in Telecommunications, representing a total value of US \$ 62 million. The Apparel Sector received inflows of US\$ 7 million. A decision has been taken in the first quarter of 2011 to grant approval for six garment manufacturing companies to set up expansion units in the Northern and Eastern Provinces with projected investment in excess of US\$ 40 million. At present, these companies are in the process of finalizing their locations and implementation plans.

With the increased emphasis on high value investments, the number of agreements signed in Q1/2011 declined to 29 from 42 in Q1/2010. However, the total value of estimated investments increased to US\$ 882 million from US\$ 302 million in the corresponding period. As a result, the average estimated investment per project increased to US\$ 30 million in 2011 (US \$ 18 million excluding strategic development projects) versus US\$ 7 million in Q1 of last year.

In accordance with the new tax policies with a reduced general rate of tax, many of the smaller investments (less than US\$ 3 million) will be operating under the normal tax regime and will not necessarily be coming within the purview of the BOI. However export companies as well as import substitution industries will benefit from operating under BOI facilitation.

The period also witnessed a strong increase in imports and exports of BOI companies. Total exports by BOI companies increased to US\$ 1,644 million in 2011 from US\$ 1,302 million (an increase of 26%), with quarterly Garment Sector exports increasing to US\$ 994 million in 2011 from US\$ 781 million from the previous year (an increase of 27 %).

The significant increase in FDI is a strong vote of confidence by the international investor community in Sri Lanka, following the 30 year civil unrest.

With the Government placing an increased focus on higher thresholds for investment to benefit from increased concessions, large scale projects which can make a substantial impact on the country's economy, are expected to account for a major share of investments to the country.

“The BOI is confident that the country will leverage the strong momentum into achieving a record inflow of US\$ 1 billion this year, and with policy consistency as well as the several state agencies working in harmony and coordination towards this common goal, the country will be a promising investment destination” Mr. Bandaranayake said.

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