

- [Post Conflict Business Opportunities – Report by UKTI](#)
- [Report by KPMG - Exploring the Opportunity](#)
- [Presentation – Board of Investment Sri Lanka](#)

The Sri Lankan economy grew at an average rate of 6%, during the period from 2004-2009, despite the adverse effects of terrorism, the 2004 tsunami disaster and the recent global economic slowdown. This significant growth resulted in more than doubling the GDP per capita from US\$1,062 to US\$ 2,399 during the period from 2004-2010.

Sri Lanka's foreign investment regime has been significantly liberalized since 1977. 100% foreign ownership is permitted in most industrial and a number of service sector activities including banking, insurance, finance, construction, mass transportation, telecommunications and information technology, and petroleum distribution. There is no restriction on repatriation of profits/dividends of foreign companies. Remittance of management fees, royalties and licensing fees are also permitted for companies with majority foreign investment approved under Section 17 of the Board of Investment (BOI) Act. Stock market investments can be remitted without prior approval from the Central Bank. Investment returns can be remitted in any convertible currency at the market rate while foreign investors may invest in foreign-currency denominated bonds. National treatment is offered to all foreign investors.

Foreign investment protection is guaranteed by the Constitution of the Democratic Socialist Republic of Sri Lanka.

Foreign direct investment (FDI) has played a key role in the development of the manufacturing sector, particularly in export-oriented industries. In 2009, the Board of Investment (BOI) attracted US\$601 million worth of FDI, of which US\$163 million were directed to the manufacturing sector. The main contribution of the FDIs in the manufacturing sector during 2009 was to the textile, apparels and leather products sub-categories.

Services sector contributes 59.3% to GDP (2010) and 43.1% of employment as the dominant sector in the Sri Lankan economy. This sector has maintained average annual growth rate of 6% during the last last few years. From the development perspective, Sri Lanka looks to service sectors liberalization in order to attract foreign investments and develop infrastructure. The major sub-sectors in the service sector are wholesale and retail trade, transport and communication, banking, insurance and real estate and Government services that contributed 23.2%, 13.9%, 8.9%, and 7.6% to GDP 2010, respectively. Telecommunication, trading, financial services and port services in Sri Lanka have been the driving force of the service sector growth in the recent past.

The manufacturing sector accounted for 17.3% GDP in 2010 as the second largest sector to contribute to the GDP after the service sector. The food, beverages and tobacco sub-sector accounted for 47.7% of total manufacturing output in 2010, while textile & clothing contributed

22.2%, rubber based products 16.1%, metal products 8.6% and others 5.4% respectively. Together, the three largest sub-sectors accounted for 86% of total manufacturing output in 2010. The manufacturing sector employs 17.7% (in 2010) of the total employment. Major players in the apparel industry were able to remain competitive in the export markets during 2010 by maintaining the reputation for high quality products catering for leading brands. In addition, manufacturers in the apparel sector have taken measures to differentiate their products by adhering to innovative environment-friendly manufacturing practices and high international labour standards under the theme of "Garments without Guilt". Pioneering work undertaken by the Sri Lankan apparel industry in these areas has been globally acclaimed.

Agriculture continues to play an important role in Sri Lanka's economy, in terms of contribution to the GDP, employment, foreign exchange earnings, and a source of inputs for the industrial sector. Agriculture employs 32.7% of the labour force, accounts for 24.6% of merchandise exports (2010), and is an important supplier of raw materials for the manufacturing industry.