

Sri Lanka needs to grow IT sector: former BOI chief

Sri Lanka needs to stimulate the IT and software sector with more encouragement and incentives as there is huge potential for growth, according to Upul Jayasuriya, PC and a former Board of Investment (BOI) chairman. He was delivering the Daya Wettasinghe Memorial Oration at the Lanka Japan Friendship Society (LJFS) in Colombo on Wednesday. The Japanese Ambassador Mizukoshi Hideaki was present at the event.

Here are excerpts of his speech:

“Daya Wettasinghe, a lawyer, businessman, friend and a colleague and more than anything he was a human being. It was only upon his passing away that I came to know that he was 78 years of age. He was a member of the legal profession for more than 50 years. With my 8-year long Association with Sri Lanka State Trading Tractor Corporation, I invited him to join the consortium in the takeover of this entity in 1993. We were the agents of Kubota two wheel tractors from Japan. Daya was a live wire of the Lanka Japan Friendship Association. Later he became its President for two years.

He was bestowed by the Japanese government with the prestigious “Order of the Rising Sun” a Japanese order, established in 1875 by Emperor Meiji. The order is awarded to those who have made distinguished achievements in international relations, promotion of Japanese culture, advancements in their field, development in welfare,

As a nation we have much to learn from Japan and its people. They rose from the ashes after the World War. Of course, the speech made in 1951, by the then Sri Lankan Minister of Finance J.R. Jayawardena may have changed the attitude of the world towards Japan after the peace conference in San Francisco.

Japan has given Sri Lanka 1.35 Trillion yen in loans, approximately Rs. 270 billion as grant aid and so far we have about 130 Japanese investments in Sri Lanka.

During the past 73 years what have we done as a country and a nation? Of the 73 years we were plagued by a war for 30 years. Thanks to the battle-hardened political leadership of President Mahinda Rajapaksa and a valiant army led by Field Marshal Sarath Fonseka along with the Navy, Air-force and the Police we conquered the war in 2009.

Since the war we have had many governments. They were all democratically elected; people get the government they deserve.

We have a checkered past. We are proud of our ancestry. We still keep on talking about the great kings of the past. But can we be living in the glorified past and not face the naked realities of the present and the future?

As a nation we are at best blowing our own trumpet....with much pomp and pageantry. Those with such illusions are at the peak of ecstasy living in a false paradise. For some people, with numerous personal bodyguards round the clock, posh vehicles acquired with public funds whisking through crowded streets (probably now they fly about in helicopters or even private jets)... they have all unimaginable luxury lives.

People have entered a rat race with an insatiable greed for money, power...with self-indulgence and empty glory at the expense of the innocent peasantry struggling hard to make their ends meet. This race is not only among themselves but also amongst the haves and the have nots. Some get a sadistic delight displaying their prowess and money power with Aston Martin, Lamborghini, Porsche and of course the Louis Vuitton, Gucci, Giorgio Armani at the expense of bare-footed children who walk their way to the school in hot sun.....some without furniture, toilets or even water in the school. They can barely afford their meals. Where is our development, where is our artificial intelligence, where are we heading?

Are we doing the right thing by those of the next generation who are hapless with no hope for the future.... those who are voiceless and speechless? 80 per cent of our population suffers from abject poverty.

Where have we failed? Let's go back a few decades. We have had an excellent civil administration, highly commendable judiciary, police and public service and the education system. These belong to the inheritance from the Colonial forefathers. Of course we could be proud of what we inherited. But where are we today? Is it that the systems have failed or the people have failed? I would say that the deteriorated systems have failed the people. Our values have failed. Our expectations have failed, Our attitudes have failed. In short, we have failed. I don't blame anyone but ourselves. We are all to blame for it.

Our administrative service has become a lip service with insincerity towards the people and a bunch of 'yes' men to the politicians.

Where does the buck stop? The US \$ vs Rs: In 1948 it began with 1 Rupee to a US\$ and now to Rupees 203 officially.

The main source of income for the country is by way of increasing foreign investment. Garment exports in 2021 were only \$4.4 billion down from \$5.6 billion in 2020. What is the contribution of the garment trade to the GDP? As you know 70 per cent of the inputs are imported. The contribution is only 25-30 per cent. Whereas in the field of software it is 100 per cent contribution to the GDP! Well then what are we doing to improve our IT industry! That's our future.

Sri Lanka has earned \$1.5 billion from the export of software. Japanese IT companies are currently seeking to move out from India, they are looking at Vietnam, why not Sri Lanka? But to act on this, currently we need to learn and teach the Japanese language. Crash courses should be incorporated in schools and universities, we need Japanese teachers. We can have an IT diploma awarded. They are our future. It will be their future.

Similar to the German Technical Institute we had established long years back successfully, we need Japanese technical institutes in every province.

We don't have to put up new buildings ... we can use the school buildings after school hours and universities. I am sure your Excellency (the Japanese Ambassador), your government will positively look into this whole heartedly as we need your help.

We need government officials taking decisions positively with changes in attitudes and if they can't fall in line they must be replaced. Such positivity can be inculcated only from the top down not bottom up.

I invite your Excellency to kindly consider this to be an appeal from the Lanka Japan Friendship Society to help Sri Lanka to set up these centres and teach the Japanese language and simultaneously IT training centres and have them trained in software development.

Bengaluru is the Silicon Valley of India with a large number of IT companies many of whom are from Japan. They are seeking to move away from Bengaluru. Why can't Sri Lanka be the solution?

Hatch Centre

During my tenure at the BOI, we identified the need to have an incubator for start-ups in the IT industry, with nearly 2500 young men who were qualified but were struggling to launch a start-up. We decided to notify the Foreign Ministry that was occupying the 7-storied building at Baron Jayatilake Mawatha to vacate the premises. They were paying a rent of no substance and thereafter we (I mean the BOI) called for new proposals for an incubator for start-ups to develop IT corporates.

We invited Mr. Jeevan Gnanam, an aspiring young businessman who was possessed with the necessary experience and exposure in the field. He took up the challenge. I am proud to state at this gathering that it became a pioneering project that was initiated by the BOI in 2017 during my tenure. Hatch today is Sri Lanka's first and largest Incubator/Accelerator and Co-Working space combined.

Hatch won this year's Global Startups Award for best co-working space in the world amongst 18,000 nominees, representing Sri Lanka on a global stage. This is the first time a Sri Lankan or a South Asian organisation has secured a win in this category, marking a momentous milestone for Sri Lanka's start-up ecosystem.

Presently the IT industry is annually losing 20 per cent of its skilled staff to the overseas corporate sector while some companies come to Sri Lanka and train their staff. An Indian company by the name of HCL has taken up the challenge and are training young men giving them the exposure needed and have them employed.

I invite your Excellency to visit the Hatch Centre to observe what Sri Lanka is doing in this sector and to examine the potential. We can provide the necessary infrastructure and can offer the best possible human resource capital in the sector to become the most preferred destination in the area of Information Technology for the 1700 Japanese companies that are in the process of pulling out of India and China.

Why do we have an energy crisis? Sri Lanka has sunshine around the year. The solar energy that we generate is around only 1 per cent of our requirement. European countries that have four months of sunshine have 50 per cent of their power generated from renewable energy. Why is it that we haven't had any investments in renewable energy in the recent past materialise?

If you need power generated by LNG there are many companies in the world willing to invest in LNG in Sri Lanka. Why should the state owned institutions sign contracts to buy LNG for 25 years not knowing how the technology would change within the next five years?

During my tenure at the BOI, there were five companies that made proposals for investments in LNG power generation in Sri Lanka. This was during 2017. They were; Lanka Aloka AB Ltd, proposed investment - \$550 million- power generation 488 MW; Sithe Global Power Ventures - \$ 1 billion - 500 MW; Energy World International Ltd - \$750 million - 500 MW; Shapoorji & Pallongi Group - \$400 million - 140 MW; and China Machinery Engineering Corp. -\$728.8 million - 400 MW.

None of these investments have realised but instead they have fallen by the wayside. All these investments proposed to sell power at a price between 7-11 US cents with no charge for idle power.

Instead the government, CEB, Lanka Transformer Ltd. (a subsidiary of the CEB with a joint venture of ABB Ltd.) and LECO engaged themselves in setting up power plants in Sri Lanka.

Why should the government make investments in power generation and make continued losses? It has always been a case of politically appointed management personnel themselves embroiled in non-transparent procurement processes!

Investment in Minerals

It is vitally important that the government should invite Public Private Partnership whilst keeping majority shares in the value adding process for all our minerals such as ilmenite in making Titanium and Nano Titanium, rutile, graphite making graphene, phosphate in making much needed NPK fertilizer for the farming community, tea extracts such as antioxidants and in cosmetics.

These are industries that the government should participate in joint ventures with technically qualified overseas partners and hand over the management to them. We don't want political cronies to be sitting in management and dictating terms to the investors.

Unmatched mineral resources in Sri Lanka

We are selling our gold. I am not referring to Gold sold by the Central Bank. There is stuff more valuable than gold itself. Sri Lanka is rich with all the natural resources of metals in its raw format!

Graphite, ilmenite and phosphate from Eppawala, to name a few. We have the best graphite in the world. Whereas if you add value to it we can export graphene at \$700 per kg. Then you can process it to titanium and Nano Titanium. A ton can be sold for \$25,000.

We sell graphite in gunny bags at \$2000 per ton. Is it not a crime? I would like to take this opportunity to recognise and salute a Sri Lankan company that has made the investment in a graphite processing plant that is producing graphene.

A Japanese company, Ishihara is importing 200,000 tons of our ilmenite of which you can produce 100,000 tons of Titanium. Sri Lanka is importing 7000 tons of Titanium paying more than what we earn from selling 200,000 tons of ilmenite.

The Government abolished the GST and thereby we have lost 25 per cent of our revenue. It was probably well intended. But not well thought of.

Unfortunately the benefits didn't pass on to the public. The duty on sugar was reduced. But the benefit didn't pass on to the public. Well intended, but not well thought of. The fertilizer issue is the same; there is no benefit to the public.

In Germany in 2011, Angela Merkel's regime decided to close down three out of six nuclear power plants in 10 years giving sufficient time for the industry to be prepared for it. Angela Merkel stepped down and her regime was defeated. The new government made no change of the policy but the decision for the closure was implemented.

For sure there should be an underlying factor. All political parties should get involved in the process in making policy for the next 10 years. If we do that the governments may change but the policy shall remain firm.

Where have we gone wrong? Scientist Ray Wijewardena developed the two wheel tractor. That was called the "Land Master". What happened? Nothing happened..... it is in the Kubota museum. Kubota made the commercial production of the two wheeled tractor and we imported more than 100,000 of those two wheel tractors from Kubota.

Upali Wijewardena started the assembly of UMC Mazda with collaboration from the Mazda company of Japan. He was crucified by the media as he happened to be J.R. Jayawardena's nephew married to Mrs Sirimavo Bandaranaike's niece

At that time India didn't manufacture nor at least assemble cars with foreign technology. Not even Hindustan! Not even in China. China started motor car assembly in 1950 with the Soviet collaboration in 1950. It was not successful. Today Japan is the third largest automobile manufacturer in the world. It was not done overnight. It was a long drawn process. We are proud of you Japan.

In 2016 the BOI executed an agreement to assemble Volkswagen cars in Sri Lanka..... It was an assembly plant.... It was a laughing matter for the media. Investors were ridiculed. German Ambassador Dr Juergen Morhard took part at every stage of the negotiating process. They were present at the signing of the agreement with the BOI.

The media and others continued to scoff at it and ridiculed. It was destroyed by everyone. What is the reality? A Training Centre is now ready to train 2000 technicians in 10 years. It has lodging facilities.....350,000 sq ft., the assembly plant is ready. I hope the government would give it the necessary encouragement and the economic backing to begin operations with a renowned brand of West European origin.

We started the open economy in 1978 with the BOI Law promulgated. The first zone was located close to the airport. In a few years' time Katunayake had 50,000 employees. Today it has less than 32,000 working in the zone.

In 1989 President R. Premadasa opened up the whole country with an amendment to the BOI Law and launched the 200 garment factories. With this amendment he enabled Section 17 agreements to be entered into anywhere in the island as Katunayake and Biyagama zone found it difficult to attract laborers from outstations.

Let me share with you how I assumed duties as the Chairman of the BOI on the 5th of February 2015. I went in my private car and went looking for my office. It was on the 26th floor. There was no ceremony, no priests chanting Pirith or other religious dignitaries. No pomp and pageantry. When I gave my resignation on 13th July 2017 I hadn't even told my wife that I was going to resign. I came to the office and typed the resignation and handed in my resignation. I gave it to my secretary to send it to the Presidential Secretariat through a peon. Then I called my senior management and thanked them for the assistance given to me to discharge my duties and walked out with my head held high and went home in my own car.

Prime Minister Ranil Wickremesinghe invited the Harvard business school to teach the BOI on investments we needed to attract. World Bank team was also invited for the same purpose. I didn't see much sense in it as it was the prerogative of the investor to decide on the type of the investment as we were struggling at the deep end for survival.

It was another dream of Mr. Wickremesinghe to bring in a draft bill in the name of.....'Agency for Development' Act; it is still a draft bill. The BOI was never consulted in the making of this ghost law. It was to override the BOI whilst totally ignoring its role. It never became Law thankfully,

The BOI Law that was the old soldier that needed much attention was ignored.

There was a special gazette that was in operation, granting tax relief that expired in March 2016. I inquired from my staff as to what relief was granted before 2006? I helped to obtain with the concurrence of the Board of Directors to apply the 2006 gazette in principle to all the new applications, the Cabinet decided to prevent the BOI giving tax exemptions in July. All the project proposals that were in the pipeline were approved and executed.

That year BOI was very busy approving all that were initiated and signing the agreements. In the month of June alone I signed 56 section 17 agreements, that is how the FDI into the country increased in the year 2017 and 2018. I was prepared to take the blame.

In the past two years our world has been plagued with COVID. How did that affect the South Asian region? How did it become a blessing to India, Bangladesh & Vietnam etc.

Foreign education: Sri Lanka is losing over \$\$2 billion per year! At any given time there are more than 70,000 Sri Lankan students studying overseas. Simply because successive governments are molycoddling a particular trade union which has totally forgotten about the Hippocratic oath. But they do act in a hippo-critical manner. All the developed countries in the world - US, China, Japan, India, Australia, Malaysia, Bangladesh and Nepal attract our students. Why can't Sri Lanka follow suit? There were several universities that were interested in setting up universities in Sri Lanka. There was a famous British university that had been allocated 20 acres of land in the Mirigama Zone. They refused to start off. There was Manilal University and Deaken University that were extremely enthusiastic in starting their universities in Sri Lanka.

They were all traumatized with the actions of this trade union who were a law unto themselves in opposing SAIMT. At the moment Sri Lanka has no hope of such educational institutes starting in Sri Lanka that would have averted the dollar drain but also to earn much needed foreign investments and the inflow of dollars from prospective foreign students particularly from India. It is so vital as India has no foreign universities granting foreign degrees. If Sri Lanka can offer these foreign degrees Indian parents would be so happy to send their children to Sri Lanka rather than to European destinations particularly Australia where some of them are getting brutally assaulted and undergo cultural disparities.

Capital inflow

Foreign capital can be invited by offering resident visas to those interested at \$500,000 to make Sri Lanka a second home. Similar schemes are already practiced in Malaysia with \$80,000 whereas earlier it was only \$30,000. Similar laws are available in many countries in the West and East.

Re-enact BOI Law

The BOI Law of 1978 is now unproductive and ineffective. In fact it is now a white elephant!

Schedule B of the BOI Law: Application of the Customs Law, Tax Law, Exchange Control Law. They are no more in schedule B as new laws have been brought in repealing the old laws. Why? The new laws that have been brought in are not included in schedule B! There should be other laws also brought in with required amendments under the BOI Law.

Port city: Why don't we create a tax haven? Why not a Cayman Island' or 'Liechtenstein' in Sri Lanka? Why not develop Delft Island in a similar manner? it has 4000 acres! It won't require nearly \$1.5 billion dumping into the sea to reclaim land. It is already there. You can even have casinos and every other facility that investors need to make them comfortable. Make no mistake, if we want to satisfy our desire to attract those dollars we have to be much more liberal and flexible. We need to offer what our investors need! I sincerely hope the Port City will be a success. But for it to be a success there should be pre-requisites that ought to be fulfilled.

Democracy - Rule of Law

The authority and influence of law in society, especially when viewed as a constraint on individual and institutional behaviour; (hence) the principle whereby all members of a society (including those in government) are considered equally subject to publicly disclosed legal codes and processes." The predominance that is absolute of an ordinary law over every citizen regardless of that citizens' power."

"Rule of law is a principle under which all persons, institutions, and entities are accountable to laws that are: Publicly promulgated, equally enforced, independently adjudicated, and consistent with international human rights principles, this principle is enunciated in Article 12(1) of the 1978 Constitution. Thankfully it is held high as sacrosanct by Courts of Sri Lanka. Respect and enforce judgements of court.

Examples

Lanka Kect is a company that has supplied construction equipment to the Director General Buildings Department on a contract. The construction was going on in Jaffna. The bill was some Rs. 9 million per year. Money wasn't paid and the company sued the Buildings Department and the Secretary. The Commercial High Court gave judgment in favour of the plaintiff company. The Attorney General promptly filed an appeal to the Supreme Court. Appeal was dismissed in 2010. Money was not paid. Annually the company was charging Rs.10 million. In 2015 when the company moved for a writ of execution, money was paid by that time the Buildings Department with the Treasury had paid Rs. 216 million. Then the company put in another claim for the interest as provided for in law. The claim was Rs. 130 million. Finally the Treasury had to condescend to the company and to beg them to settle the interest at Rs. 65 million as a settlement. Money was paid. But finally who pays? It is the people.

I have observed many public private partnerships that have been invited by the government in developing many lands in Colombo and suburbs. Will the investors have a semblance of confidence in the government if the contracts that are to be signed have no effect in law! It is not that the contracts have no effect in law. Unfortunately it is some of the officials who have no regard or concern.

The Kantale Sugar project is another example. The agreement was signed but not put into effect. Isn't this blatant high scale corruption? Speedy judicial process, summons, enjoining orders have to be speedily issued and enforced. BOI Law contains special provision by having to give one month notice prior to obtaining and enjoining orders (preventive interim orders) - similarly these provisions can be included in an amendment to the BOI Law.

Transparency

There should be a special police unit created under the IGP and a special unit under the Bribery and Corruption Commission to deal with complaints made by investors. All the applications for approval should be submitted online. Human contact should be eliminated. Corruption can be eliminated only by putting an end to the approval process and to do away with human contact in the application process.

Is BOI on the right path? BOI is not a regulatory authority. It is the prime institution for the facilitation of FDI into the country. Every project proposal should be approved within 24 hours. BOI can't say no to any investor. Every investor should be accommodated

If there is no way to accommodate an investment you must find a way.....But must play the game within the rule book.

London Stock exchange back office

One day in the office one Gentleman walked in. My office was always open to investors. He had a bit of an accent. He informed me that he has been living all his life in London and asked whether the BOI could help him to shift part of the back office of the London Stock Exchange to Sri Lanka? I never believed him but I could never reject it either. It was my duty to support him. When I inquired as to what kind of support he would require he informed me that he would like to have a letter stating that the BOI would approve a project of such nature. He wanted it urgently as he was planning to go back to London in three days. He also informed me that this project would earn substantial foreign earnings with high potential for employment. I laughed

and said how can I give you a letter without your making an application. He was a bit disappointed. Anyway I told him not to worry and called the Director Investment to come to my room with an application for approval of a project. We helped him to fill up the application. Then my intention was to give him a letter stating that his application has been received and the same is under consideration. He said no way. He needed much more than that. Finally I issued him a letter under my signature with dramatic assertions stating that the BOI was very much excited about the proposed project and we would endeavour to give it all the necessary support to make it a reality.

This was just a one off meeting. Everything happened across the table. He went away promising the reality of the project. It didn't bother me too much. Within two months. We signed the project.

Within five months I received an invitation for the opening of the project at a storage facility of the railways department. I must also pay a compliment to Mr. Ranjith Fernando the then Chairman of the UDA, whose contribution was pivotal in the implementation of this project with the allocation of the UDA building in front of the Elphinstone theatre. Today it has more than 1600 people working I am proud to say that the entire back office of the London Stock Exchange is now shifted to Sri Lanka, what cannot be done within the legal framework

Dole project – plantation: The Dole project had come under flak and criticism by successive governments and politicians. It was approved in 2013. It was the Dole project that started planting bananas in a scientific manner and was exporting bananas to the west, at that time it was earning more than \$15 million. It had employed more than 2000 employees. That was the livelihood for more than 1500 families. Forest conservator has given them marching orders and filed action for the recovery of the land under the Forest Ordinance. I called him for a meeting and tried my best to convince him. I failed. I then advised the company concerned to file action making BOI a party. The company has been waiting for nearly 7-8 agonizing years to get their approvals sorted out and obtain more land to expand the plantation.

All I say is that those who do not see the larger picture (of investments) and adopt a positive approach are sick people. They are sick parasites... Some of these errant officials mislead the politicians. Unfortunately some of the politicians wouldn't have the courage to overrule them as they wouldn't know the subject.

I am aware that the Minister of Justice is making inroads into changes of law, making changes so that some of the archaic laws will be able to meet the current challenges. I hope he would look into these areas where there are substantive hindrances in making Sri Lanka a viable destination for investments. They have to be hurried. It is not tomorrow.... Rather it should have been done yesterday. If we don't do these changes we would have missed the bus. This is the need of the hour for economic stability and should be implemented immediately.

I wouldn't hesitate to say that these officials who stand as an impediment to the ease of doing business, officials who proffer negative advice... suck the blood and the life of our present and future generations. The silent majority continued to suffer in desperation and frustration.”