

The Potential of Port City as a major tool to attract Foreign Investment to Sri Lanka



**BUILDING A WORLD CLASS CITY
FOR SOUTH ASIA**

Progress update



Landscaping & utility corridors in progress



Roads, foot & vehicular bridges under construction



Progress update

1. **\$ 1.12 Bn** invested as of March 2021
2. Port City was declared under the Colombo Administration District in August 2019
3. **Three rounds of EIAs** with public comments was concluded
4. The Development Control Regulations were approved by the UDA and ready for gazette
6. As of now, **100 Ha of land** is ready for Construction
7. Colombo Port City Economic Commission Bill approved by Cabinet for tabling in Parliament
8. **Colombo International Financial Centre** mixed used project
 - i. Further \$ 1.0 b investment commitment by Project Company post Covid-19
 - ii. Original conceptual design by SOM, being re-calibrated by CallisonRTKL
 - iii. Ground breaking during 2H 2021
 - iv. A transitionary downtown duty-free store will be ready by year end

Infrastructure timeline

Phase I infrastructure is in progress



100 Ha is now ready for construction with temporary utility connections

Bringing Port City to life



Port City Master Plan

Port City infrastructure



PHASE 1

Marketable area	% (Phase 1)
Office	33%
Retail	18%
Hospitality	4%
Other	19%
Facilities	2%
Residential	25%

~74% of Phase 1 GFA is allocated for commercial spaces

Port City infrastructure

PHASE 2

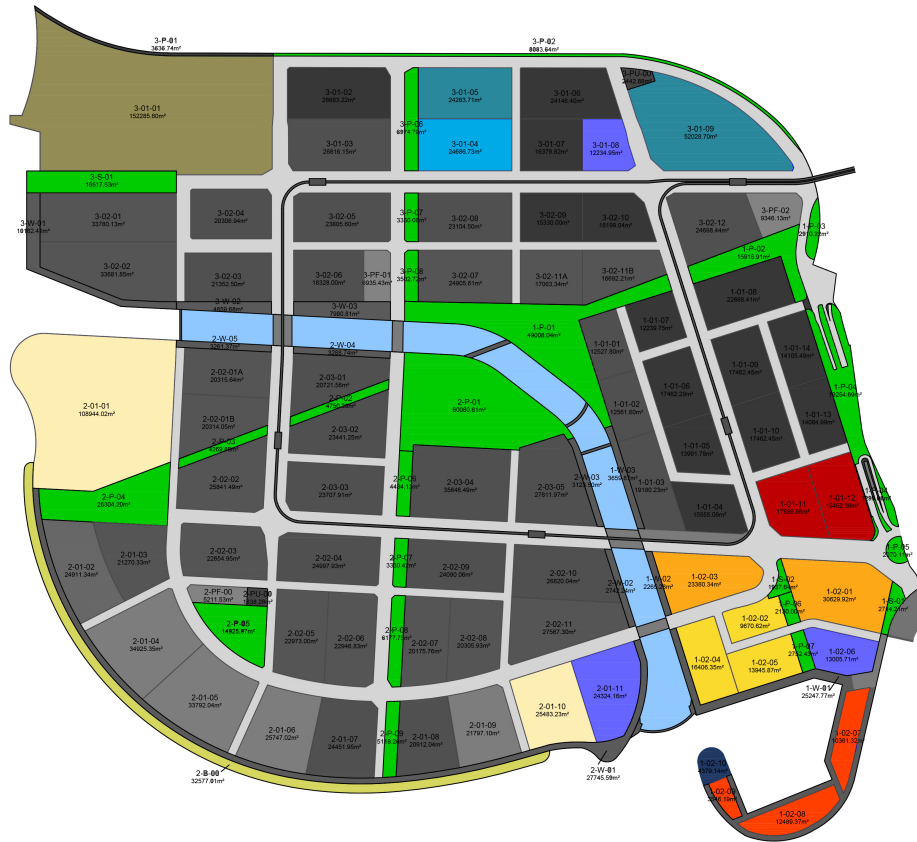
Marketable area	% (Phase 2)
Office	3%
Retail	8%
Residential	71%
Hospitality	7%
Facilities	0%
Other	11%

Commercial development in Phase 1 is imperative for residential occupation in Phase 2



5-year strategic plot roll out

20 plots located adjacent to existing CBD have been identified as “pilot” development projects to kick start and drive demand



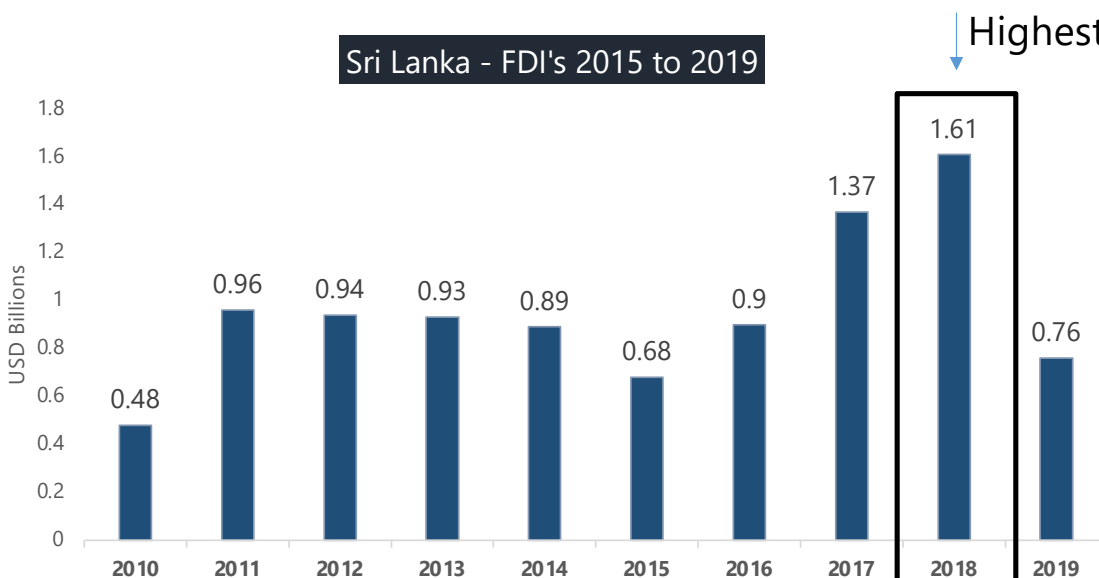
1. CIFIC Phase I
2. CIFIC Phase II (2 plots)
3. Yacht Marina
4. Marina hotel, retail & entertainment (5 plots)
5. Social infrastructure (school, hospital, MICE)
6. Convention hotel
7. Luxury villas
8. Marina residences (3 plots)
9. Waterfront mixed-use
10. Iconic Hotel
11. Integrated Resort

Estimated investment requirement of over \$ 5 b for development activities across 60 Ha land bank

Sri Lanka FDI Landscape

Historically, Sri Lanka has not attracted its fair share of FDIs.....

Sri Lanka - FDI's 2015 to 2019



Source: World Bank, FDI

Last 5-year overview,

2015

- FDI channeled largely to **property development, tourism, and telecommunications.**
- Suspension of Colombo Port City Project

2016

- FDI mainly channeled to **tourism and telecommunication.**

2017

- Major inflows of FDI included **Hambantota Port project and the Colombo Port City Project.**

2018

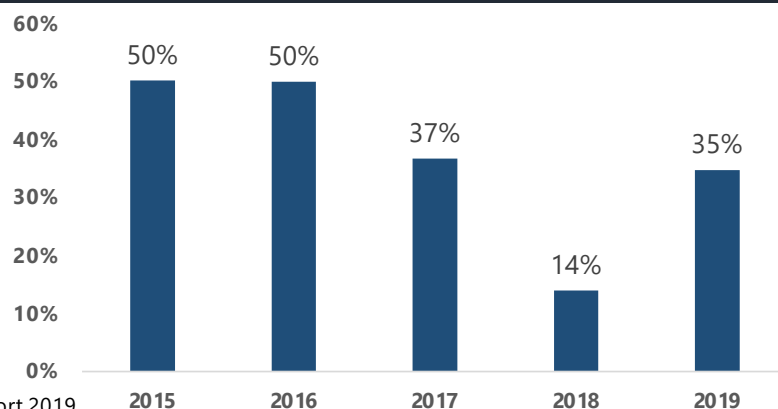
- USD 828 million received by **Hambantota Port Project.** Inflows channeled largely to projects related to **ports, telecommunications, and Property development.**

2019

- Moderation of FDI inflows primarily attributed due to increased uncertainties post Easter Sunday attacks. FDIs were driven by the **Infrastructure sector** to Port, Property development and telecommunications.

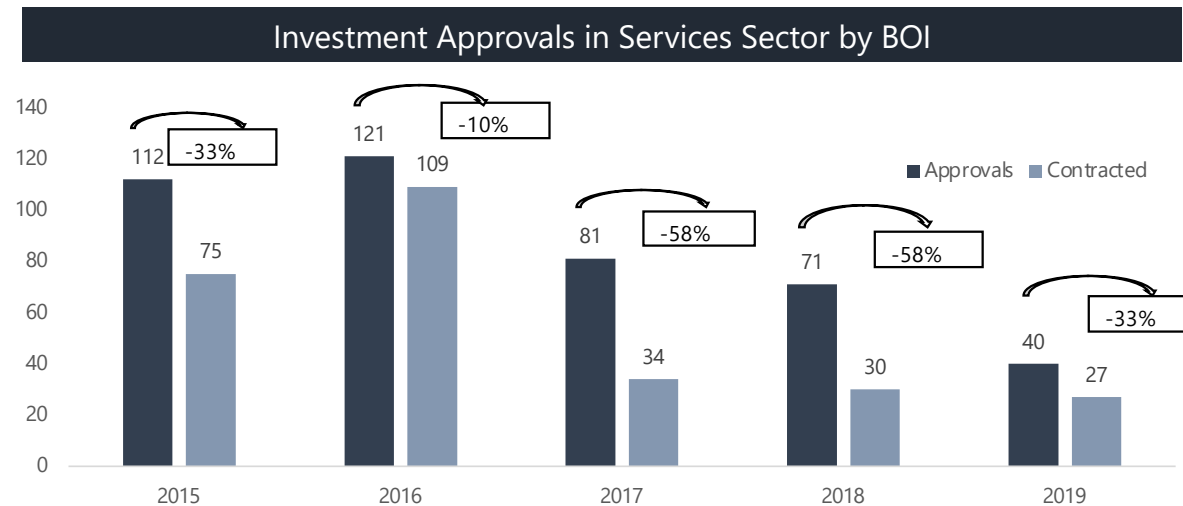
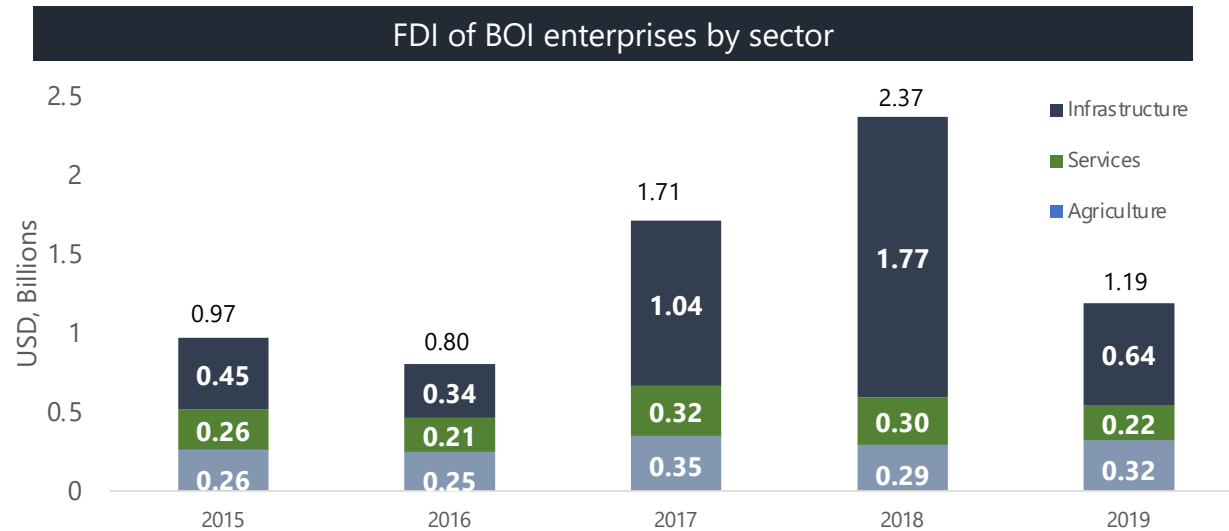
❖ It should be highlighted that FDI has been historically driven **by reinvested earnings.**

Component of reinvested earnings, 2015- 2019



Source: CBSL Annual Report, 2019

Services Sector FDI contribution...



Source: CBSL, Statistical Appendix, 2015- 2019

- FDI contribution of BOI enterprises from the **services sector** has witnessed a **negative growth** over a 5-year period from 2015 to 2019, giving rise to a CAGR of -3% in the period.
- Services sector** contribution to FDI has also decrease from 26% to 19% in year 2015 to 2019 respectively.
- The major drivers for FDI into services sector has been from **Hotel and tourism** , & **IT AND BPO**.

- There is a significant difference between **BOI approved** and **actual contracted** projects. In the last 3-year period this gives rise to an average difference of -50%.
- The primary reason for this difference is because of delays arising from obtaining line ministry approvals and land approvals.

Key sector-wise split of the Greenfield FDI investments, 2016-2018

Significant room exists to gain fair share in many large sectors. With the correct enablers, which are important to attract FDI, such as Ease of Doing Business, Incentives and Investment policy stability Port City will be well positioned to attract FDIs in the key prioritized sectors.

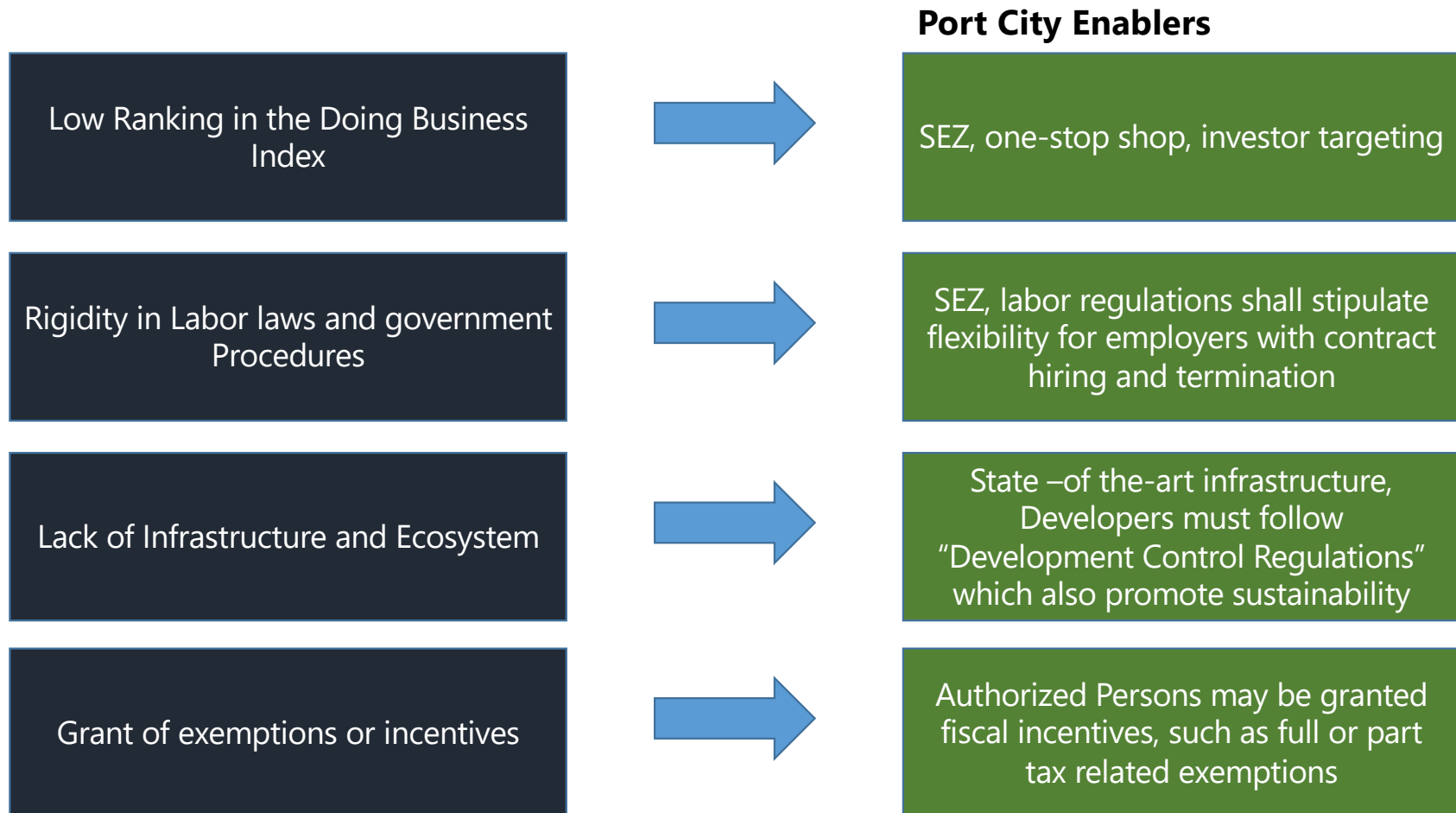
Destination of Greenfield FDI, for emerging Asian Countries, 2016-2018									
Key sources of Greenfield FDI	Source	China	India	Vietnam	Indonesia	Singapore	Malaysia	Philippines	Sri Lanka
	Electronics	62%	16%	10%	0%	7%	3%	2%	0.2%
	Textiles	40%	7%	32%	3%	7%	4%	3%	0.1%
	IT & Software	14%	44%	1%	2%	32%	2%	3%	0.1%
	Transportation	33%	20%	10%	2%	14%	7%	6%	0.3%
	Financial Services	35%	25%	13%	2%	14%	1%	8%	0.6%
	Communications	18%	44%	6%	2%	14%	7%	4%	0.3%
	Pharma & Chemicals	68%	11%	1%	12%	4%	2%	0%	0.3%
	Automotive	72%	20%	2%	2%	1%	2%	1%	0.3%
	Food Processing	34%	16%	10%	6%	4%	6%	20%	0.3%

Source: FDI Benchmark Tool, BCG Analysis

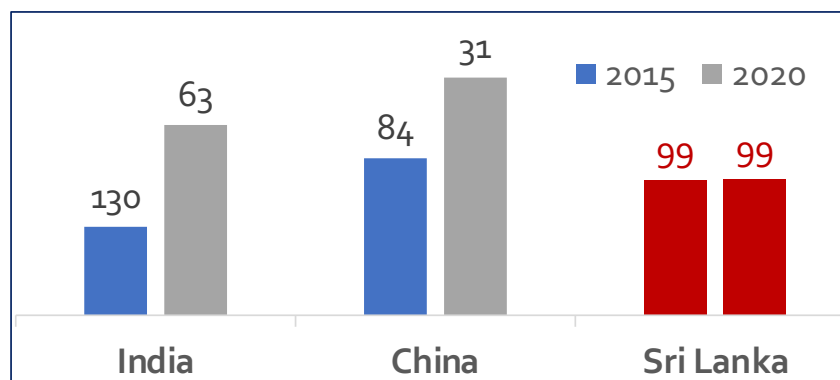
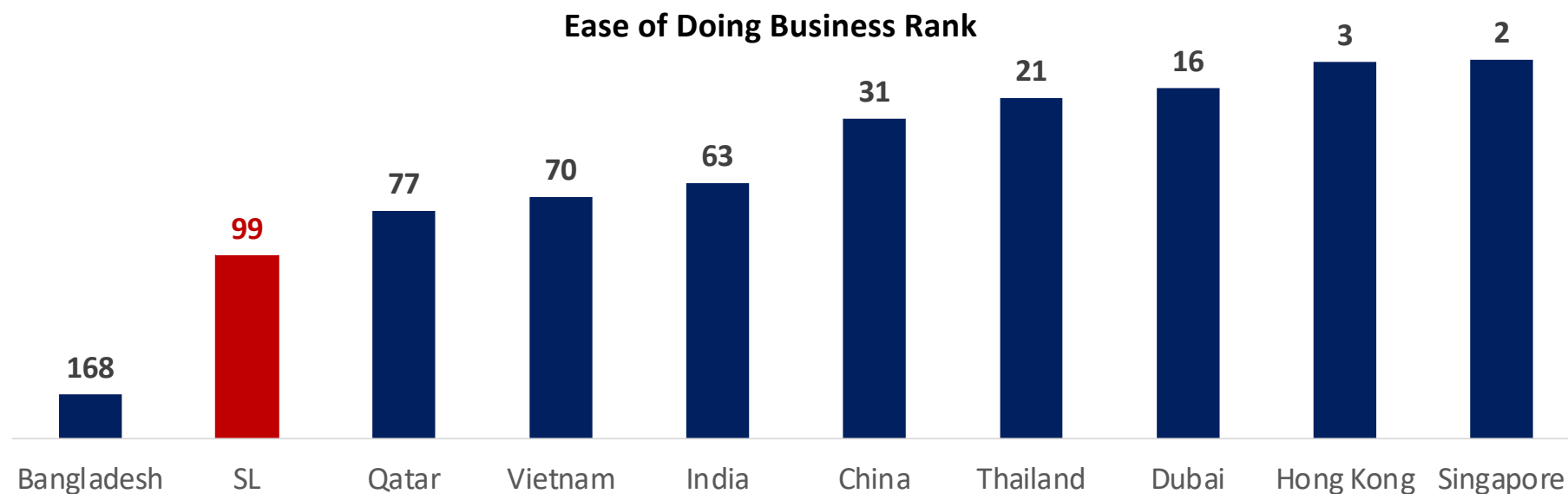
Port City, SEZ

A tool to attract FDI

Main impediment to attract FDI to the country



The need to create a conducive business environment



Colombo Port City Economic Commission Bill addresses many pain points.....

- Starting a business
- Construction permits
- Getting electricity
- Registering property

**Single
Window
Facilitator**

Enforcing contracts streamlined:

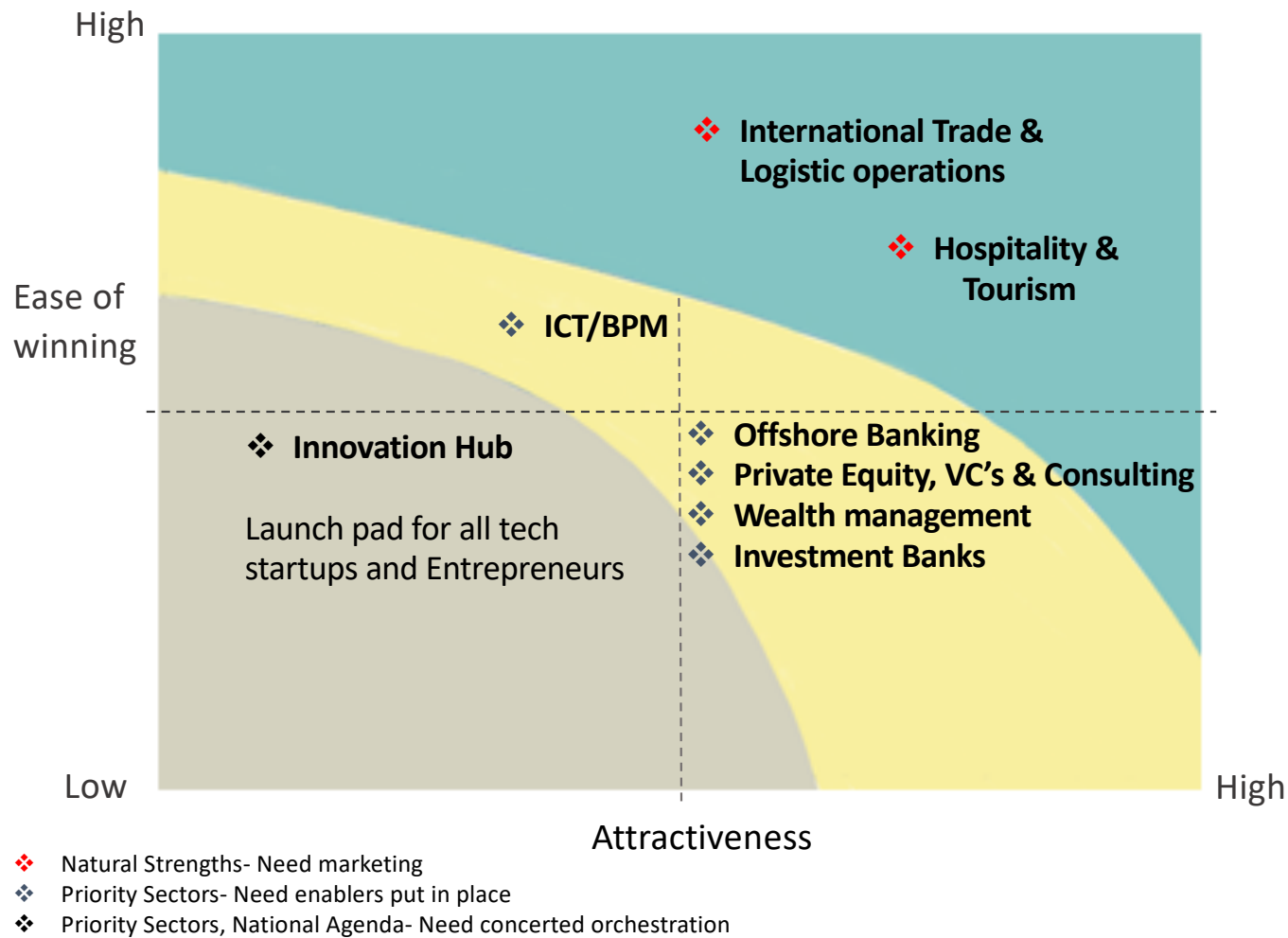
- International Commercial Dispute Resolution Centre
- Priority in hearing civil and commercial legal proceedings

Economy	Starting a Business	Construction Permits	Getting Electricity	Registering Property	Getting Credit	Protecting Minority Investors	Paying Taxes	Trading across Borders	Enforcing Contracts	Resolving Insolvency
Singapore	4	5	19	21	37	3	7	47	1	27
Hong Kong	5	1	3	51	37	7	2	29	31	45
UAE	17	3	1	10	48	13	30	92	9	80
Thailand	47	34	6	67	48	3	68	62	37	24
China	27	33	12	28	80	28	105	56	5	51
India	136	27	22	154	25	13	115	68	163	52
Vietnam	115	25	27	64	25	97	109	104	68	122
Qatar	108	13	49	1	119	157	3	101	115	123
Sri Lanka	85	66	89	138	132	28	142	96	164	94
Bangladesh	131	135	176	184	119	72	151	176	189	154

Creating Secondary Demand is Key:



Priority sectors to drive FDI into Port City



Priority sectors to drive FDI into Port City



ICT



Property
development/construction



Hospitality &
Tourism



Maritime & Logistics
Operations



Offshore Financial Services

- Opportunity exists within IT Services & BPO, KPO, Training Centers, IT & ITes to attract substantial FDIs by big-tech and global businesses
 - ❖ Set up **innovation hub** for driving next gen technology and create **startup ecosystem**
 - ❖ Develop academia collaboration with global partners to position Port City as a Centre of excellence
 - ❖ Opportunity for PPP projects to develop start-up accelerators
 - ❖ Establish partnerships with global innovation hubs
- Construction related to Development Projects at Port City
 - ❖ **20 marquee developments, spanning across 148 acres** have been identified to kick start the Project where some of these are **"first ever" initiatives** to be driven- Marina and Yacht club, World class Health Care Facility and MICE Facility, Luxury Hotels
- Mice facility
 - ❖ Potential to attract approximately **6.9 million tourist days**, over a 5-year period.
This translates to **USD 1.24 Bn** of economic value in terms of foreign inflows into the country.
 - ❖ World class health care facility – **With the right directives**, there is major potential to establish itself as a destination for Medical Value Tourism. At present the value of MVT going outside is **~15 bn LKR**
- Mature Industry, making SL a maritime hub.
 - ❖ Current landscape -Transshipment of cargo, movement of goods for consumption and support services
- Advanced support services may be relevant for Port City
 - ❖ Business Services- Marine finance, arbitration, insurance, brokers, surveyors, inspectors
 - ❖ HQ & Logistics – Implantation of regional HQ for freight forwarders and liners
 - ❖ Training- Development of education and training centers, skilling universities
- Opportunity to attract global offshore banks, PE and VC firms
 - ❖ Port City will provide a platform to help startups expand, access capital, and potentially list on an International Exchange.

Roll-out strategy

- ✓ Collaborations with industry associations to attract secondary demand
- ✓ Establishing regional network of marketing agencies
 - ❖ India
 - ❖ Singapore
 - ❖ Middle East
 - ❖ China
- ✓ Series of virtual events, catering to a global audience, until travel resumes
- ✓ Physical events, once back to normal
 - ❖ Inaugural international marketing launch scheduled in July 2020 at World Cities Summit in Singapore was postponed due to the pandemic

Competition for capital intensified post COVID-19

- Even developed countries embarked on bold reforms
 - ❖ Foreign investors were permitted to own 100% of companies outside of SEZs in UAE
 - ❖ Citizenship laws liberalized in UAE to attract investors, talent and intellectuals
 - ❖ Hong Kong & Singapore moves to attract tech, finance & entrepreneurial talent
- Developing countries have fast-tracked reform agenda
 - ❖ Land, Labor, Liquidity, Laws amongst reforms worth 10% of India's GDP
 - ❖ The Omnibus Law of Indonesia simplifies 1,200 articles across 79 laws
 - ❖ Philippines immediately cut tax rate to 25% from 30%, plans to cut a further 5% whilst offering incentives up to 40 years
- **Thus, it is key that Port City SEZ makes a statement amongst these**

Benefits of Port City SEZ for Sri Lanka

- ✓ Drive economy towards high value modern services



**130,000+
direct jobs**

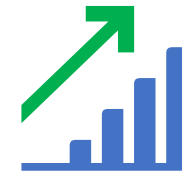
- ✓ Boost for local construction & material supplies industry



USD 15 Bn investment



USD 9.5 Bn in FDI



**+USD 11.8 Bn
Annual GDP**

- ✓ Entice the return of non-resident Sri Lankans
- ✓ Interim provision allows an opportunity for vacant real estate to be occupied for next 5 years
- ✓ Ability to incorporate learnings from Port City into wider economic reform agenda over time

Thank you!

