BOI
SRI LANKA

ANNUAL REPORT
2011

Board of Investment of Sri Lanka
Ministry of Economic Development

BOI

SRI LANKA

CONTENTS

Chairman's Message

The year 2011 is a landmark because for the first time in the BOI's history, Sri Lanka was able to achieve inflows of Foreign Direct Investment that exceeded the US$ 1 Bn threshold. In addition, this was a 107% increase in FDI inflows when compared to the 2010 figure and this figure reflects the growing confidence Sri Lanka enjoys as a destination for investment.

Many of those investments came from Asian countries which are emerging increasingly as the leaders in terms of FDI to Sri Lanka.

There are many factors that played a significant part in this achievement which were the result of the efforts of the BOI and also other agencies of the government, particularly those of the Ministry of Economic Development.

The main areas of investment were the manufacturing sector which accounted for US $ 322 Mn in 2011 (compared to US$ 160 Mn in 2010) and the services and infrastructure sector that totaled US $ 726 Mn in 2011 (compared to US $ 350 Mn in 2010).

While these figures show a significant increase in FDI in 2011, it is equally important to consider that a new targeted approach towards FDI based on the identification and the promotion of a number of "Thrust Sectors" also contributed to the success.

These sectors meet the National Development Goals of the country and include key areas such agriculture and agro-processing, manufacturing, tourism, education and skill development, IT/BPO, and infrastructure.

Another area which the BOI is working is towards strengthening Sri Lanka's economic relations with friendly Asian countries by entering into bilateral promotion and protection agreements with the objective of making Sri Lanka more investor friendly.

It is equally vital for Sri Lanka to focus on her comparative advantages such as her increasingly conducive investment climate, liberal investment policies, strategic location, adequate infrastructure, productive workforce and strong and resilient banking and insurance sectors.

Sri Lanka should also make every effort to capitalize on her centrally located geographic position at the crossroads of most of the major shipping lines. Investment should therefore serve as a tool to improve the country's connectivity to become a major hub in the region. Investment in the development of infrastructure is a must and it should be used to build or upgrade the country's road network, harbours and domestic and international airports.

It is therefore vital that Sri Lanka is perceived as a country that is progressive and business friendly. In that respect some successes were achieved in 2011 where the country moved up the Global Competitiveness Index to the 52nd place from the 62nd slot. If Sri Lanka is to achieve a higher quantum of FDI, then there is a need to bring about reforms and improve facilitation within the BOI and other agencies to create a truly investor friendly environment.

Of course existing investors are often the best ambassadors so every effort has to be made to ensure that they are well looked after within the legal parameters under which they operate in the country. The very fact that there are so many expansions is proof that Sri Lanka is indeed an attractive investment destination for those who are already present in the country.

In 2011, the BOI has achieved some successes in strengthening the One-Stop- Shop and been able to co-ordinate more effectively its work with those of the line agencies involved in the investment approval process such as the Departments of the Land Commissioner General, Coast Conservation, Central Environmental Authority and other relevant authorities.

I take this opportunity to thank Mr. J D Bandaranayake who served as Chairman / Director General from May 2010 to June 2011 for steering the organization in a positive direction during his tenure and for his valuable contribution as a member of the Board from July 2011 to April 2012. I also wish to thank the other members of the Board Mr. Eshana De Silva, Mr. Sanjeewa Wickremanayake and Mr. Anura Jayasinghe for their collaboration and inputs and the Board observers from the Ministry of Enterprise Development, Ministry of Finance & Planning, Inland Revenue and Customs for their co-operation in relevant fields.

To conclude, it would be correct to say that by achieving over US $ 1 Bn in FDI, Sri Lanka is moving to a new area of increased growth and prosperity for her citizens. Every effort will therefore be made to reach higher levels of FDI to accelerate the country's economic development.

BOI Profile

The Board of Investment of Sri Lanka (BOI) was incorporated as a statutory body in 1978 named Greater Colombo Economic Commission (GCEC), to function as the government's principal agency for promotion, coordination and facilitation of industrial development in designated areas of Sri Lanka. The initial model of development was to demarcate specific areas as Export Promotion Zones for which concessions and other facilities were provided. These Zones were initially established in Katunayake and Biyagama. Later more Zones were added progressively, now resulting in a total of 12 Zones.

The GCEC was changed to BOI in 1992 by an act passed in Parliament expanding its scope to cover the entirety of the country. Prior to that, its authority was confined to the specific areas demarcated in Export Processing Zones hitherto established in Katunayake, Biyagama and Koggala.

BOI has since evolved from an agency primarily responsible for the promotion, coordination and facilitation of foreign and local investment in the area of industrial exports, to its present role which includes the promotion, coordination and facilitation of investments into the services and infrastructure sectors as well.

Our Objectives

The key objectives of the BOI focuses on fostering and generating economic development, widening and strengthening the base of the economy, encouraging and promoting local investments and Foreign Direct Investments, diversifying the sources of foreign exchange earnings and increasing export earnings, promoting innovation and adoption of new technologies and the generation of new employment opportunities and establishing Investment Promotion Zones (IPZs) throughout the country especially through public private partnerships.

Our Role

To target and attract investments to thrust sectors supporting implementation of the government's investment policy and to progressively increase the level of FDI thereby contributing towards achieving national growth targets.

The BOI acts as the first point of contact for investors who intend to set up projects in manufacturing, infrastructure, tourism, agriculture, IT related services or other chosen sector in Sri Lanka. Information and guidance is provided prior to submission of the project application and when required approvals from other Agencies are coordinated by the BOI.

Investment applications in respective sectors are evaluated by the BOI for approving and granting concessions on incentives, duty exemptions on raw materials and components and making recommendations to Immigration authorities for issuing visas for expatriate posts.

The BOI provides assistance to investors throughout the project cycle from the start-up to implementation and successful operation by facilitating and attending to import/export clearance, custom clearance for import of capital goods and raw material and the export of final products

The BOI invests in the development of Investor Promotion Zones with all infrastructure facilities to provide investors with suitable sites for the implementation of projects towards a quicker enhancement of overall investments and/or export earnings.

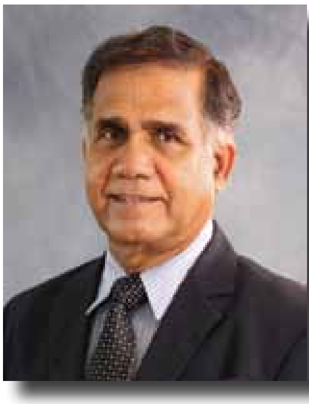
VISION

Ensure the wellbeing of all People of Sri Lanka
through Economic Prosperity

MISSION

Secure Investments both Local and Foreign to targeted sectors consistent with
Governments Monetary and Fiscal targets for national development

Board of Directors



Mr. M M C Ferdinando – Chairman/Director General

Mr. J D Bandaranayake
Member

Mr. Eshana De Silva
Member

Mr. Sanjeewa Wickramanayake
Member

Mr. Anura Jayasinghe
Member

Senior Officers of the BOI

Mr. M M C Ferdinando	-	Chairman/Director General
Mr. A M C Kulasekera	-	Deputy Director General
Dr. I N Samarappuli	-	Executive Director (Research & Policy Advocacy)
Mr. R M Karunaratne	-	Executive Director (Monitoring)
Mr. Shivan De Silva	-	Executive Director (Promotion & Mega Projects)
Ms. C P Matthias	-	Executive Director (Finance) & Head of PPP Unit
Mr. D P Ariyasinghe	-	Executive Director (Investment Promotion)
Mr. S B F De Silva	-	Executive Director (Technical Services)
Mr. W A H R Fernando	-	Executive Director (Engineering Approvals & Special Projects)
Ms. P K Walgama	-	Executive Director (Legal)
Ms. Y G Rajapakse	-	Actg. Executive Director (Investment)
Mr. K Dahanayake	-	Actg. Executive Director (Personnel & Administration)

Directors of the BOI

Mr. K P V D Fernando	-	Director (Mega Projects Unit)
Mr. P J Panapitiya	-	Director (Engineering Approvals & Special Projects)
Mr. U Sirigampola	-	Director (Zone) – Katunayake Export Processing Zone
Mr. D S Samarasinghe	-	Director (Media)
Ms. N Weerasekera	-	Director (Investor Services)
Ms. C P Malalgoda	-	Director (Research & Policy Advocacy)
Mr. H M Jayasundara	-	Director (Central Regional Office)
Mr. U J Weerasinghe	-	Director (North Western Regional Office)
Ms. M A S Perera	-	Director (Environment)
Mr. M K Garusinghe	-	Director (New Zones)
Ms. R M Weerakone	-	Director (Secretariat)
Ms. N De Silva	-	Director – Sector Group 02 (Education Sector)
Ms. D M R Liyanage	-	Director (Administration)
Mr. J P C Jayalath	-	Director (Information Technology)
Ms. S P De S Mutucumarana	-	Director (Finance)
Mr. A K Jayasinghe	-	Director (Seethawaka Export Processing Zone)
Ms. M S C Samarakoon	-	Director (Legal-Public Private Partnership Unit)
Mr. W A F Jayasiri	-	Director (Industrial Relations)
Mr. M K D Lawrance	-	Director (Zone) – Biyagama Export Processing Zone
Mr. J Gunasekera	-	Actg. Director (Koggala Export Processing Zone)
Mr. B A Perera	-	Actg. Director (IT Support & Strategic Planning)

Overview

Key Events & Highlights

- The BOI achieved its highest ever level of Foreign Direct Investment (FDI) for the first time its history, exceeding US $ 1Bn in the year 2011.The infrastructure sector contributed approx 43% of FDI received while 30% was from the manufacturing sector, 25% from the services sector and 2% from the agriculture sector.

- The value of exports effected by BOI Enterprises reached US $ 6386 Mn in the year 2011 an increase of 22% compared to 2010. This constitutes the bulk of Sri Lanka's exports in 2011.

- Sri Lanka's business rankings rose nine places to 89 from 98 in the global ranking of 183 economies as per findings of the Ease of Doing Business Report 2012 (published by the IFC & World Bank).This was achieved by streamlining procedure relating to selected indicators, to create a better environment for entrepreneurs.

- Convening of monthly 'one stop shop' meetings introduced giving priority for Line Ministries and government agencies to work closely to clear any bottlenecks faced by investors in the implementation and operation of projects.

- Major development projects by Cairn Lanka (Private) Limited for the exploration of oil, Colombo International Container Terminals Limited for the development of the South Container Terminal and Shangri-La Hotels Lanka (Private) Limited to build a luxury Hotel as a Mixed Use Complex were granted approval under the Strategic Development Projects Act to embark on projects that would change the landscape of the country and bring about economic and social benefit to Sri Lanka.

- BOI Deputy Director General, Mr A M C Kulasekera was felicitated at the Mass Lanka Awards ceremony by the Prime Minister D.M. Jayaratne, for the services rendered and contribution made by him for development of Trade, Industry and Promotion and the Facilitation of Investment into the country.

Sri Lanka Investment Outlook

- Sri Lanka attracted over USD 1 Bn for the first time in 2011 compared with USD 516 Mn in 2010, with a 107% increase.

FDI exceeds over USD 1 Bn in 2011

- Investment in the manufacturing sector account for USD 322 Mn in 2011, a 101% increase compared to USD 160 Mn in 2010.
- Investments in the services/infrastructure sector was USD 726 Mn in 2011, increase from USD 350 Mn in 2010; reflecting a 107% increase.
- In order to accomplish future FDI targets and to meet the national development goals of the country, the BOI has identified priority sectors aligned with the Government Policy. In this regard the BOI has undertaken measures to ensure that Sri Lanka remains an attractive location for investments in some specific sectors. These sectors include agriculture and agro processing, manufacturing, tourism, IT/BPO, education & skill development and infrastructure.

National goals and priority sectors

- There is also a growing trend of Sri Lankan companies undertaking business ventures abroad in efforts to secure new and larger markets, gain access to raw materials and reduce costs. This is expected to continue and lead to greater integration of Sri Lankan companies in the regional and global supply chains. Thus, a clear policy is needed whether BOI should promote outward investments as well.

Outward Investments

- Sri Lanka continued to negotiate Bilateral Investment Promotion and Protection Agreements (BITs) with the countries in Asian region.

BITs

- Sri Lanka has the ability to continue to attract substantial amounts of FDI due to its conducive investment climate; liberal investment policies; strategic location; adequate infrastructure; productive workforce; and strong, efficient and resilient banking and insurance sectors.

Competitive destination

- Also the proactive measures implemented by the government such as the continuous improvement in connectivity such as road, sea and airports and communication have made Sri Lanka a favourable investment location.

Proactive measures

- In addition, the government's continued drive to actively promote domestic investments where the private sector is invited to participate in these missions to explore business collaborations.
- The Global Competitiveness Index compute by the World Economic Forum, given in the Global Competitiveness Report (2011-2012) indicates that Sri Lanka has made an impressive jump of 10 places in the rankings, to 52nd (in a field of 142 countries) from 62nd in the previous 2010-2011 report. Sri Lanka has moved 27 positions upward from 79th position in 2009 to 52nd position in 2011.

Up-ward movement in the Global Competitiveness Index, by 10 positions.

- The competitiveness is defined as the set of institutions, policies and factors that determines the level of productivity of a country, which is one of the central determinants of the "returns to investment" and a nation's growth potential.

Rose to the 89th position in the doing business ranking.

- In 2011, Sri Lanka rose to the 89th position in the Global Ranking from 183 countries, as one of the best places to do business with, on the 'Doing Business Index' compiled by the World Bank and the International Finance Corporation. There has been a remarkable increase in some key areas such as dealing with construction permits, protecting investors and trading across borders. There are areas that can be further improved such as registering property, getting credit and starting a business.

Re-investments

- The existing foreign companies have also continued to show their confidence in Sri Lanka as an offshore location for their investments by undertaking reinvestments through expansion and diversification into other activities.

Better coordination

- Given the importance of FDI to the Sri Lankan economy, the BOI's priority is to work closely with the other line ministries and the private sector to create an operating environment which is conducive and competitive for businesses and thereby to further improve the business environment in the country.

"One-Stop-Shop"

- The "One-Stop-Shop" concept was introduced for the promotion of Investment in the tourism sector. The centre functions at the Sri Lanka Tourism Development Authority with the participation of Sri Lanka Tourism Development Authority, Urban Development Authority, Department of Wildlife Conservation, Coastal Conservation Department, Local Authorities, Central Environment Authority and the Board of Investment of Sri Lanka.

- The BOI also has re-introduced the "One-Stop-Shop" process in two different forums; i.e. for projects up to commencement of commercial operations and for projects already in commercial operation, with a view to resolve issues pertaining to these projects in an efficient manner.

Promotion Missions

During the year under review, the BOI continued with its promotion activities both locally and overseas receiving and facilitating 11 inward delegations and participating in 03 outward missions.

These programmes were co-ordinated with the participation of local Chambers and Trade Associations to promote key identified sectors amongst the business delegations.

Inward Delegation

Country	Programme
Thailand	An investment forum for a 40 member delegation led by President, Thai Trade Organization held at the BOI, with the participation of local construction sector companies and Chamber of Construction Industry Sri Lanka. The BOI facilitated signing of two MOU's between Sri Lanka and Thailand Architects and Engineering Associations.
Singapore	A delegation from Banyan Tree Group, Singapore held discussions with Chairman/ DG BOI on investment opportunities in the Tourism industry and traveled to Eastern and Southern areas to identify suitable locations; BOI facilitated a presentation outlining the incentives and facilities offered by the government of Sri Lanka for targeted sectors such as IT, Education, Healthcare and Fisheries to a 15 member Singaporean business and investment delegation led by H.E. Chay Wai Chuen, Singapore High Commissioner for Sri Lanka. A BOI presentation outlining the incentives and facilities offered by the Government of Sri Lanka for foreign investors was made to a 15 member Singaporean business and investment delegation led by Singapore Business Federation and Singapore-India Chamber of Commerce and Industry.
Malaysia	An awareness presentation was carried out by BOI to a 7 member delegation from the Federation of Malaysian Manufacturers. Awareness presentation on investment opportunities in thrust sectors made to a delegation from Federation of Malaysian Sri Lanka Organizations (FOMSO) on two visits to Sri Lanka.
Vietnam	Received a Vietnam business delegation accompanying the President of Vietnam, HE Truong Tan Sang. A MOU was signed on two way investment promotion co-operation between BOI and the Foreign Investment Agency of Vietnam during this visit.
India	Presentation on investment opportunities made to a 29 member CII delegation from State of Kerala.
Qatar	Received a delegation from Qatar Investment Authority visiting Sri Lanka to explore possibility of investing, followed by signing of a MOU with BOI.

Country	Programme
China	Fact finding visit to learn the new investment policies and opportunities available for investment by 05 member delegation from CPPC Shanghai led by Mr WengLiqi, was facilitated. Received a 05 member Delegation from China Tianjin Textile Group (Holdings) Co Ltd. interested in establishing a textiles Weaving Plant in Sri Lanka. Visits to Kabool Lace (Pvt) Ltd Mattegama to take over a closed down factory and Horana Perth Estate to explore land availability was arranged. Received a 24 member Chinese delegation from CCIE (China Centre for International Economic Exchange) invited by Governor of Western Province) for a fact finding visit to explore investment opportunities and new policy regulations of BOI. Facilitated a 06 member delegation from China Shangdong International Economic & Technical Corporation Group Ltd to explore possibilities of undertaking the Colombo Kandy Expressway project and for discussions with RDA. Facilitated a 07 member delegation from Chengdu Municipal Bureau of Commerce accompanied by Mr. Nihal Aluvihare to establish a special economic zone and to identify potential sites for development. Received a 05 member delegation (Organised by the Xinhua News Agency – Colombo Office) from the COOEC International Engineering Co (Third largest company in China for oil refining), led by Executive Deputy General Manager to discuss investment opportunities in auto manufacture, infrastructure sectors and Oil refining/ exploration activities. Facilitated a 06 member delegation comprising of senior officials of Guangxi investment Group Co Ltd. accompanied by China Development Bank Corporation (Sri Lanka Resident Mission). Received a 06 member delegation from CHD Power Plant Operation Co Ltd (Operation and Maintenance Co. of Puttlam Coal Power Plant) to discuss investment opportunities in the Tourism, mining and agriculture sectors. Facilitated a 06 member delegation from Dynamic Power Technology Corporation, Beijing to explore investment opportunities available for investment. Henan Yippee Industry Co Ltd Henan Province of China to manufacture Aluminium foil used for packaging, visited BOI after studying and understanding the policies through a services of online communications. Received a 04 member delegation from Yongfeng Hair Products Co. Ltd Foshan, Guangdong, China on a project to manufacture hair products, after studying and understanding the policies through online communication.

Country	Programme
	Meeting with a delegation from China Council for the Promotion of International Trade (CCPIT) Shanghai Sub Council through the Ministry of External Affairs, to discuss available Investment opportunities.
Hong-Kong	Received a 04 member delegation comprising of senior officials of Mansum Garments Textiles Group Ltd of Hong-Kong accompanied by official of Courttaulds Thread Co. interested to set up a textiles Weaving Plant in Sri Lanka.
Japan	Meeting with a 04 member Japanese delegation from Sam International Co Ltd; Facilitated a 04 member delegation from J R T Japan Co Ltd, Narita-shi, Kawakami visiting Sri Lanka to explore the possibility in setting up an Insulator sheets manufacturing plant. Received a 7 member delegation from Mitsui & Co. Ltd visiting Sri Lanka on a fact-finding mission to study the investment opportunities available in the Infrastructure sector. Meetings held with a 4-member delegation representing Inter Progress Inc,. Nagoya, 3 member delegation from Mitsubishi: UFJ Bank, 5 member delegation from Marubeni Co, Japan for Power & Oil and Gas Exploration and 3 member delegations from JICA to discuss the Investment Environment in Sri Lanka.
EU	Received a 06 member Austrian Business delegation organized by the Austrian Trade Commission based in New Delhi with the assistance of the European Chamber of Commerce in Sri Lanka. Facilitated a 10 member French Business delegation, comprising of representatives of French Companies based in South Asia, arranged by the French Embassy in Sri Lanka. Received a 30 member Business delegation from Czech Republic led by Minister of Industry & Trade on a visit arranged by European Chamber of Commerce of Sri Lanka(ECCISL); Meeting with INCANTO Fashion Group, Italy (Alpha Retail Group, Hong-Kong) – visiting Sri Lanka as an outcome of the previous communication with the BOI to finalize their investment in Sri Lanka.
Korea	Meetings held with 03 member delegation from Woori Investment & Securities Asia for a fact finding mission; 4 member delegation from An Eui Hwan for a Hotel project, 4 member delegation from Skyline Sports for manufacturing of Baseballs, 3 member delegation from Kab Soo Jee & Associates Inc for a Housing Project, 3 member delegation from Metro Alpha Co Ltd for a middle class housing units complex, 10 member delegation from Garam Space Consortium for discussions on a Monorail Project, 4 member delegation from Boo Young Co Ltd for under served Housing Project and 3 member delegation from KOTRA.

Outward Missions

Country	Programme
Singapore	A presentation on Sri Lanka's Investment Opportunities was made at an Investment Promotion Seminar held in Singapore organized by the Sri Lanka High Commission in Singapore, in collaboration with the International Enterprise (IE) Singapore. A number of one-to-one business meetings with Singaporean counterparts were held during this event.
Japan	Participated at an Investor Forum organized by the Japan-Sri Lanka Business Co-operation Committee in Tokyo, Japan. One-on-One meetings were held with potential Investors with the assistance of UNIDO.
Korea	Participated at an Investor Forum organized by the Korean Chamber of Commerce in Seoul, Korea. One-on-One meetings were held with potential Investors, with the assistance of KOTRA and the Sri Lanka Embassy in Korea.

Investment Performance

An Overview

FDI inflows reached the highest recorded level in 2011, amounting to US$ 1,066 Mn, a 2 fold increase compared with the US$ 516 Mn. FDI inflow in the previous year. The total numbers of approvals granted in 2011 was 157 with a total estimated Investment of US$ 4,503 Mn (Rs. 497,866 Mn) which is a 121% increase of estimated investment of approved projects compared with the previous year. The total number of projects signed agreements with BOI in 2011 accounted for 161, worth of US$ 3,359 Mn (Rs. 371,383 Mn) estimated Investment which shows a 170% increase compared with the year 2010. In the year 2011, 66 projects commenced implementation and 73 projects commenced commercial operation. The total realised investment of projects that commenced implementation was US$ 1,002 Mn (Rs. 110,755 Mn), and total realised Investment for projects that commenced commercial operation was US$ 135 Mn (Rs.14,905 Mn).

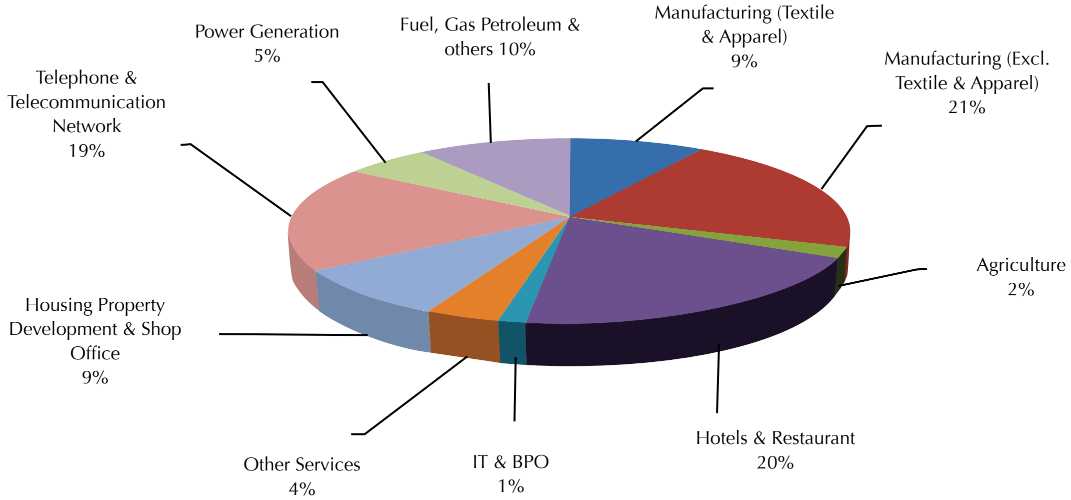
Performance - 2011

	No. of Projects	Investment (US$ Mn)
Projects Approved	157	4,503 (Est.)
Project Agreements Signed	161	3,359 (Est.)
Projects Commenced Implementation	66	1,002 (Est.)
Projects Commenced Commercial Operation	73	135 (Actual)

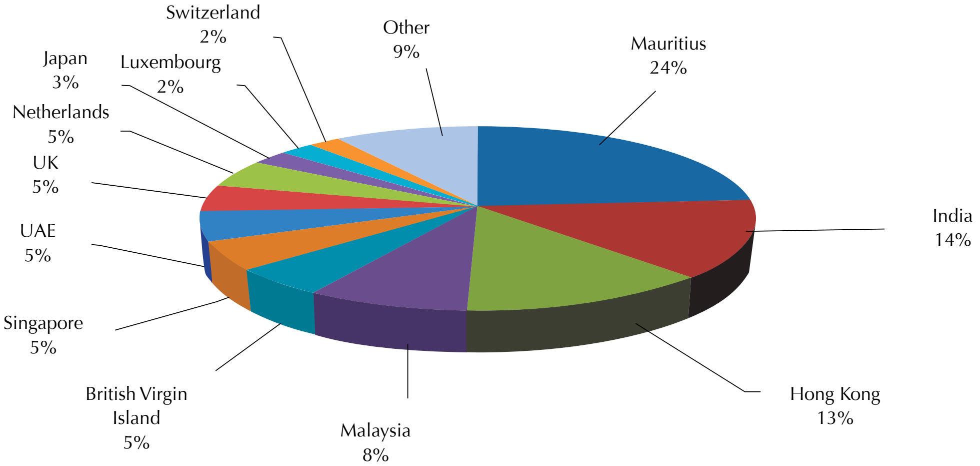
Foreign Direct Investment Attracted In 2011

Foreign Direct Investment (FDI) received in 2011 was the highest ever FDI recorded, amounts to US$ 1,066 Mn. Out of total FDI in 2011, the Manufacturing sector has received the highest FDI amounts to US$ 322 Mn (30%), in which the Textile & Wearing Apparel sector accounts for US$ 95 Mn (9%). Hotel & Restaurant sector was the second highest with US$ 216 Mn (20%) followed by the Telephone & Telecommunication sector with US$ 197 Mn (18%). Further, in the year 2011, Sri Lanka has received US$ 109 Mn FDI (10%) for Petroleum related projects and US$ 91.5 Mn (9%) for Housing, Shopping/Office complexes.

Sectoral Composition of FDI- 2011



Major Sources of Foreign Direct Investment



Mauritius was the largest source of FDI in 2011 with US$ 253 Mn. This was followed by India (US$ 147 Mn), Hong Kong (US$ 139 Mn), Malaysia (US$ 89.5 Mn.), British Virgin island (US$ 53.5 Mn), Singapore & UAE (US$ 53 Mn), UK (US$ 52 Mn), Netherlands (US$ 51 Mn), Japan (US$ 27 Mn), Luxembourg (US$ 25.6 Mn), Switzerland (US$ 21 Mn). These twelve countries together accounted for 90.5% of the total FDI received in the year 2011.

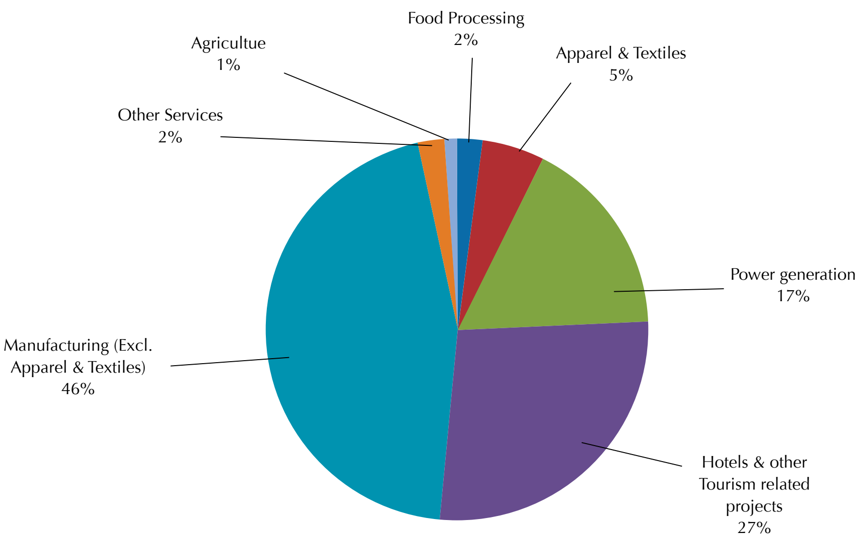
Realised Investment (Cumulative)

The realised cumulative total investment as at end of the year 2011 was US$ 9,339 Mn, which showed a 23% increase compared to the previous year. Out of US$ 9.339 Mn realised investment, 64% (US$ 5,948 Mn) represented the foreign component and the balance 36% (US$ 3,391 Mn) represented the domestic private investments.

The Infrastructure & Service sector accounted for 71% of the total realised cumulative investment and the balance 29% was from the Manufacturing sector including Apparel.

Projects Commenced Commercial Operation in 2011

In the year 2011, it was evident that 73 projects commenced commercial operations, of which 70 were new projects and 3 expansions of existing projects. The total realised investment from the projects that commenced commercial operation in 2011 accounted for US$ 135 Mn. 54 % of total realised investment (US$ 73 Mn.) is from foreign sources.

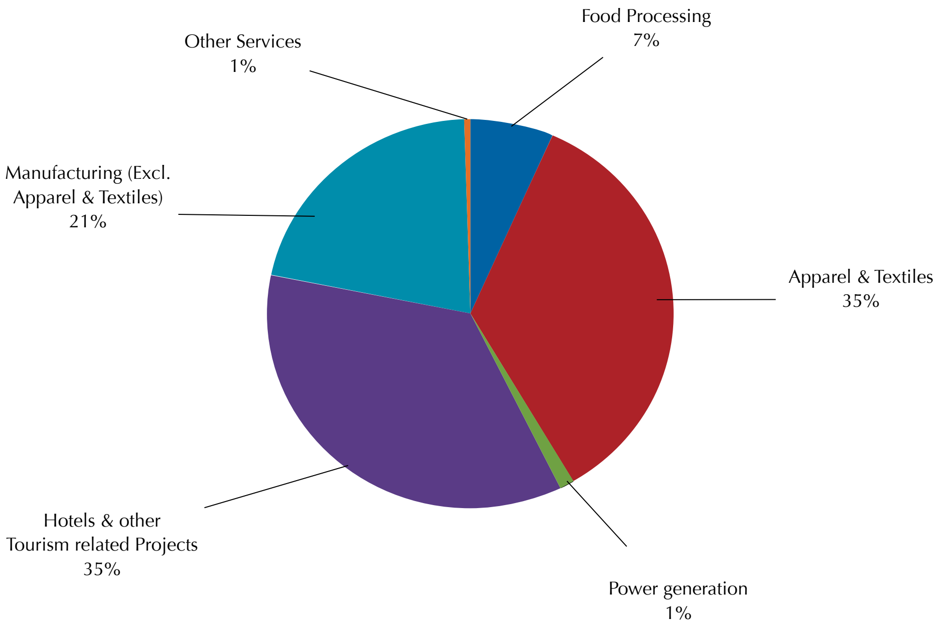


Sectoral Distribution of Realised Investment

Out of the total realised investment from projects that commenced commercial operation in 2011, manufacturing sector (Including Apparel & Textiles) accounted for the highest contribution of 51%, followed by the Hotel sector with 27% & Power sector with 17%.

Employment Generation

Projects that commenced commercial operation in 2011 have generated 6,555 new employment opportunities. Out of the total employment generation, 35 % (2,300) was from the Apparel & Textile sector and another 35% (2,322) is form Hotel sector. Manufacturing sector (Excl. apparel & textiles) has generated 1,399 (21%) employment opportunities in this year.



Departmental Performance

Director General's Secretariat

The activities of the office of the Director General are coordinated by the Director General's Secretariat.

In 2011, relations with Inter-Governmental Organizations were further developed with an initiative taken by Chairman/DG of BOI to convene "One-Stop-Shop" meetings with the participation of officials from line Ministries and Agencies to fast track approvals required by investors to implement projects expeditiously.

The BOI "One-Stop-Shop" meeting on New Projects commenced in August 2011, and four meetings were held during the year under review. The Secretariat co-ordinates convening of meetings and associated follow up on decisions taken. Matters relating to 23 projects to expedite land leases, issuance of development permits, environmental clearances, issuance of COCs and provision of infrastructure facilities were discussed, and 12 issues were immediately resolved at meetings held during the year under review.

The Secretariat is tasked with convening bi-monthly Meetings of the Board of Directors, the preparation and circulation of minutes to Board Members and dissemination of Board decisions to respective Departments. Twenty One Board Meetings and three Special Board Meetings were held during the year 2011. It is also responsible for convening bi-monthly Management Committee Meetings to discuss management issues and policy matters, and attend to associated documentation and ensure follow up action on decisions taken. Five Management Committee Meetings were held during 2011.

Another function carried out by this department is to co-ordinate various aspects of activities within the organization, external agencies and private sector organizations providing required assistance to Chairman /DG. It is also responsible to call for and collate information received from respective Departments for the publication of the Annual Report.

The Secretariat is also responsible for compiling information from internal departments and submitting timely responses to Parliamentary Questions, Parliamentary Consultative Committee Questions and other queries received from outside organizations. It also acts as the point of contact to liaise with the Ministry of Economic Development to coordinate on correspondence and meetings. It further engages in the drafting of Cabinet Memoranda, and policy papers/reports and to meet with investors to clear project related bottlenecks.

Investment Promotion

The year 2011, witnessed the amalgamation of 3 major departments namely, Investment Promotion, Investment Appraisal and Monitoring under a restructuring process carried out by the Board of Investment of Sri Lanka. The said departments were amalgamated and divided into three broad sector groups to improve the BOI facilitation process and enhance the quality of service provided to investors.

The three broad Sector Groups have been assigned 3 sub-sectors respectively, and categorized as Sector Group 1 responsible for Tourism and Leisure, Agriculture and IT/Knowledge Services, Sector Group 2 responsible for Infrastructure, Utilities and Ports, Education and Section 16 projects, with Sector Group 3 being responsible for Apparel, Manufacturing and Regional Programme and Export of Services.

The prime objective of this sectoral focus led by Sector Teams is to provide all required facilities to investors from the inquiry/application stage throughout the lifespan of the project. The teams will work with line ministries in their respective sector to identify investment priorities and to proactively promote investment opportunities. Once prospective investors decide to invest in a sector, these teams will act as relationship managers for all investors in their sector, from project evaluation to implementation to post-investment aftercare, thereby developing deep relationships with the stakeholders in their sector and acquiring a wider sectoral knowledge.

Sector Group I

During the year under review this Sector Group facilitated major companies/teams visiting Sri Lanka to explore investment prospects falling within the purview of the Group.

These included visits from Banyan Tree Group, Singapore, Avic International (CATIC), China, Accord Hotel Group, Switzerland, Rydges Hotels/Resorts, Australia, M-Far Hotels and Resorts Ltd, Oman/India, Bank of America Merryl Lynch, Hong Kong, Qatari Diar Investment Company, Qatar, Laguna Resorts & Hotels, Thailand, Sun International (Sun City Group), South Africa, T Panorama Development Uttama, Bali/Indonesia, ITC Group, India and Malasia-Maccau Enterprise Centre, Malaysia amongst others in the Tourism Sector; Vijanagar Sugar Pvt Ltd, India which participated in bidding for the Kantale Sugar Project in the Agriculture Sector and Exempler Group, Singapore exploring opportunities to develop a Hi-Tech City in Hambantota in the IT/Knowledge Services Sector.

Details of Project applications received from (Jan – Dec 2011) excluding projects under SDP Act.

Description	Tourism	Agriculture	IT/Knowledge Services	Total
New Applications received	35	05	04	44
Project approvals granted with expansion	26	02	02	30
Agreements signed	18	05	03	26
Started Operation	17	06	06	29

Anilana Passikudha

Major Projects negotiated/approved :

The Sector Group I was actively engaged in the approval and the negotiation of concessions for major projects under the Strategic Development Projects Act No. 14 of 2008 (as amended) which confers projects with greater exemptions from taxes and levies.

Accordingly Shangri-La Hotels Lanka Ltd was granted Strategic Development Project Status under the said Act to construct and operate a luxury hotel as mixed use complex inclusive of high quality residencies and high end shopping mall in opposite Galle Face Green, Colombo with an investment of US$ 408 Mn.

Similarly, Shangri-La Investments Lanka (Pvt) Ltd was conferred with Strategic Development Project Status to construct a luxury hotel including high-quality residencies, shopping mall and a golf course with an investment of US$ 120 Mn, in Hambantota.

Four other major investments proposals ranging between US$ 90 Mn – US$ 355 Mn from China and India seeking approval for Tourism related projects and proposal from a Singapore Company to establish a Hi-Tech City at Hambantota in the IT/Knowledge Services Sector under the Strategic Development Projects Act were also facilitated by the Group in the year under review.

Six major project proposals with two projects proposing to set up Sugar Mill and nursery, Dairy Farm, two Poultry Farms and agri based beverages project with investments ranging between US$ 3.8 Mn - US$ 110 Mn. were also facilitated under the Agriculture / Dairy / Poultry Sector.

Other Investment Promotion Activities:

Re-launching of BOI's new website – www.investsrilanka.com

After implementation of BOI's major restructuring initiatives for a Sector-focused approach in 2011, it was decided the BOI website be redesigned to convey a positive and dynamic image of the country in order to attract right investment. Accordingly, a team from Sector Group 1, engaged in re-designing of the Structure/Site map and Content of the BOI website, to make it more intuitive and investor friendly, to convey the key relevant information to potential investors. The website was developed while retaining the best elements of the previous site while benchmarking with best regarded IPA websites such as Ireland, Turkey, Malaysia and Thailand.

Head of Department (Sector Group 1) engaged as an active member in IT/BPO Country Competitive Study: "Sri Lanka – South Asian Affordability with Western Quality Standards" organized by ICTA. The report to be published in 2012.

Key Officials from Tourism Sector Group regularly participated at the Tourism Cluster meetings chaired by Secretary to the Treasury.

Further, team members participated at the One-Stop-Shop monthly meetings held at Sri Lanka Tourism Development Authority with a view to fast tracking the tourism projects which are under implementation stage.

Sector Group 2

During the year under review this Sector Group facilitated major companies/teams visiting Sri Lanka to explore investment prospects falling within the purview of the Group.

These included visits from Mitsui & Co Ltd, Japan, South City Projects (Kolkata) Ltd, India, Supalai Public Company Ltd, Thailand, Infinity Infotech Parks Ltd, India, Sunway City Berhard, Malaysia, Keangnam Eterprises Ltd, South Korea, IVRCL Assets & Holdings Ltd, India, Samsung C & T Corporation , Korea, Global Orion Pte Ltd, Singapore, Crown Limited, Australia, Dragon Asia Fertilizer Limited, Hong Kong, Malaysia Petroleum Resource Corporation, Malaysia, China Shandong Int'l Economic & Technical Cor. Group Ltd, China, and Boo Young Co

(Underserved Resettlement Construction), Korea amongst others in the Infrastructure Sector; R & A Telecommunication , SDN BHD, Malaysia, Green Pulse ,Belgium, CG Solar , China, Weihai China Gloass Solar Col Ltd, China, Samsung C & T India , India, Oziland Services, Malaysia, and Bhilwara Energy Ltd, India in the Utilities and Ports Sector and UK Universities of Central Lancashire, Hertfordshire, Staffordshire, Ulster and Laureate International Universities of USA in the Education Sector.

Details of Project applications received from (Jan – Dec 2011) excluding projects under SDP Act.

Description	Infrastructure	Ports & Utilities	Education	Section 16	Total
New Applications received	30	11	04	28	73
Project approvals granted with expansion	27	11	03	15	56
Agreements signed	22	20	01	N/A	43
Started Operation	0	04	0	10	14

Cairn Lanka Pvt Ltd.

Major Projects negotiated/approved :

The Sector Group 2 was actively engaged in the approval and the negotiation of concessions for major projects under the Strategic Development Projects Act No. 14 of 2008 (as amended) which confers projects with greater exemptions from taxes and levies.

Colombo International Container Terminals Ltd (CICT) was granted Strategic Development Project status for the development of the South Container Terminal under the Colombo Port Expansion programme on a Build Operate Transfer (BOT) basis with an investment of US$ 500 Mn.

Similarly discussions to confer Strategic Development Project status for a proposal made by Asian Resorts and Consortium to develop a large scale Integrated Tourism City in Katana comprising of four (04) five star hotels, Exhibition and Convention Centre, two (02) Shopping malls, Theme park and Entertainment facilities, Recreation Zones, Restaurants, Spa, Health Centre, and an International Business Incubation Centre and other related activities with all internal infrastructure facilities with envisaged FDI of US$ 1.5 Bn.

An investment proposal by Mitchell Consortium to establish a Heavy Industry Zone in Trincomalee with FDI of US$ 700 Mn. for Phase I of the project which will comprise of Coke Plant, Iron Ore Palletizing Plant, Blending of Raw Materials for Trans – shipment, special research focused on carbon and energy etc in Sampur, Trincomalee District is being facilitated by the Sector Group to obtain Strategic Development Project status.

Two other major project proposals from the Infrastructure Sector by Sithe Global Power Ventures LLC proposing to set up a project to provide LNG receiving facilities which shall include the development, financing, construction ownership and operation of an uploading terminal, storage, re-gasification facilities and pipeline together with a 520 Mw, LNG fuelled Power Station at Hambantota with an investment around US$ 1 Bn. for which the project proponents are preparing a feasibility study for consideration of the relevant line agencies and a proposal from the Education Sector by the University of Central Lancashire (UCLAN) to setup a branch campus with an envisaged investment of US$ 40Mn were also facilitated in the year under review.

Sector Group 3

During the year under review this Sector Group facilitated major companies/teams visiting Sri Lanka to explore investment prospects falling within the purview of the Group.

These included facilitating major expansion of apparel projects to Northern and Eastern Provinces under the "Negenahira Novodaya" and " Uthuru Wasanthaya" programmes by Brandix Apparels Ltd, Mas Active (Pvt) Ltd., Fergasm Garment Ind. Ltd., Timex Garments Ltd., Omegaline (Pvt) Ltd., and Unichela (Pvt) Ltd., with investments over US$ 42 Mn. and employment generation of over 3500 persons.

The Sector Group also facilitated projects under the Regional Programme and Export of Services Sector namely under the 300 Enterprise Programme, Accelerated Development Programme for the Eastern & Northern Provinces and Export Oriented Services focused on Regional Development.

Major expansion of projects were approved by this Sector Group in the year under review including capacity expansion of Prima Ceylon Ltd with an envisaged investment of US$ 30Mn and capacity expansion of Holcim Lanka (Pvt) Ltd with an envisaged investment of over US$ 35Mn and Ansel Lanka Ltd with an envisaged investment of over US$ 15Mn.

Overall Performance of Sector 3 :

Implementation stage of the sector (New Projects)

Status	Apparel		Regional & Export of Services	Mfg.	Sector Total	Total BOI Projects	Sector's Status
Awaiting approval	02		02	22	26	83	31%
Approved & awaiting agreement	07		09	13	29	112	26%
Awaiting implementation	11		55	30	96	224	43%
Awaiting commercial operation	07		53	21	81	249	33%
In commercial operation	333		189	377	899	1583	57%
Total	360	*	308	463	1131	2251	50%**

* 152 projects Operating under 200GFP should be included.

** Out of the total number of projects in operation 1583 projects fall under the above 3 sectors which account for 57% the total projects under the BOI.

Colombo International Container Terminals Ltd.

Major Projects negotiated/approved under the Strategic Development Projects Act

The Sector Group 3 was actively engaged in the approval and the negotiation of concessions for major projects under the Strategic Development Projects Act No. 14 of 2008 (as amended) which confers projects with greater exemptions from taxes and levies.

Accordingly, Ceylon Steel Corporation Ltd., was granted Strategic Development Project status for setting up five plants with an envisaged investment of US$.80 Mn in Athurugiriya.

Investor Services

Investor Services Department is responsible for permitting imports/exports of enterprises approved under section 17 of the BOI Law, as well as providing the investor related activities given below;

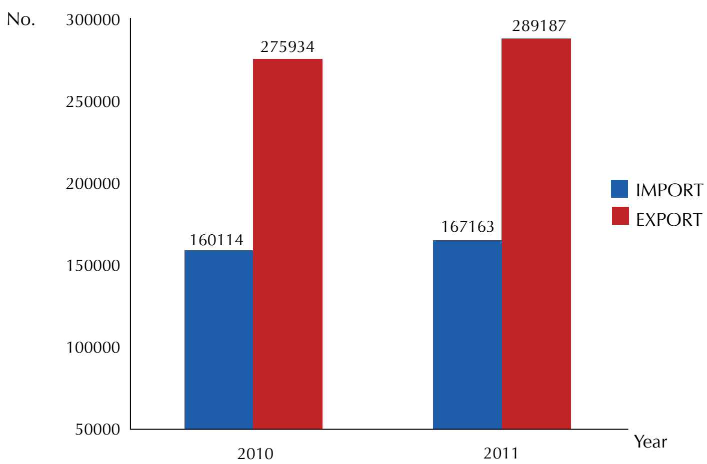
- Physical examination of import/export cargo.
- Monitoring subcontracts, transfers, re-imports and re-exports.
- Issuing of Certificates of Origin to EU countries on export of garments.
- Preparation of statistical data on import and export of BOI projects.
- Collection of government taxes on imports and exports.
- Recommendation for issue of expatriate visas (in respect of Zone enterprises)

This Department has five documentation centres viz Colombo, Katunayake, Biyagama, Koggala and Pallekele where import and export CUSDECs are approved by BOI officials. There are, however, 12 verification centres island wide where import and export cargo of BOI enterprise are physically examined.

Further, according to the corporate plan, the targeted export earnings for the year 2011 is US$ 5800 Mn. The actual export figure is US$ 6386Mn. As such, there is a 10% increase between the targeted and the achieved export figure.

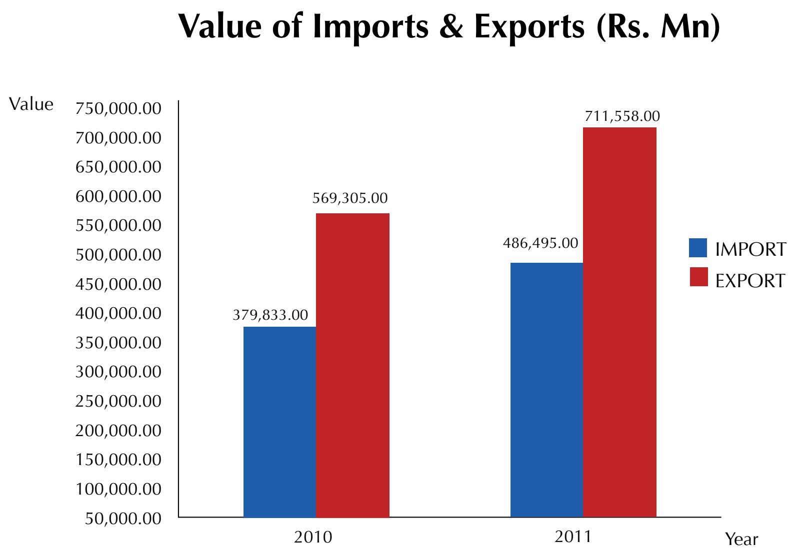
Custom Declarations:

No of Cusdecs Processed



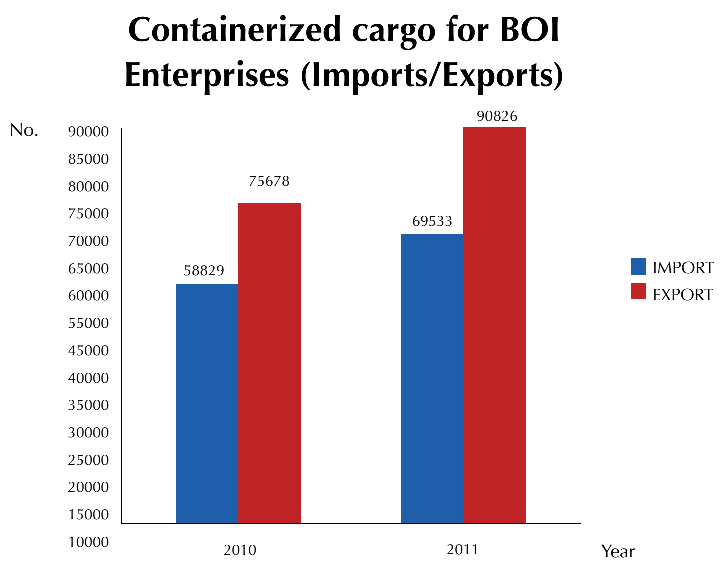
	2010	2011	Difference	Growth (%)
IMPORT	160114	167163	7049	4.22
EXPORT	275934	289187	13253	4.58

Value of Imports & Exports:



	2010	2011	Difference	Growth (%)
IMPORT	379,833.00	486,495.00	106,662.00	21.92
EXPORT	569,305.00	711,558.00	142,253.00	19.99

Containerized cargo for BOI enterprises (Imports/Exports):



	2010	2011	Difference	Growth (%)
IMPORT	58829	69533	10704	15.39
EXPORT	75678	90826	15148	16.68

Legal Support

The Legal Department of the Board of Investment (BOI) is responsible for providing professional advice/service to the Board as well as investors. The main role is providing investor-related services on legal regime applicable for investment and facilitating investment agreements for projects approved under Section 17 of the BOI Law. The Department attends to the duties in respect of its role in corporate legal affairs in the organizational litigation against the BOI and initiate legal action on behalf of the BOI in order to protect its legal interests.

The investor facilitation legal services are of advisory nature, which include the dissemination of information on Sri Lanka's legal regime applicable to establishment of projects under the auspices of section 17 of the BOI Law and under Strategic Development Project Act; perusal and approval of Articles of Association of ventures permitted to establish projects in Sri Lanka.

During the period under review, BOI has contracted 125 Agreements under section 17 of the BOI Law for the establishment of new business ventures in Sri Lanka. This includes 05 projects under the Strategic Development Projects Act, No. 14 of 2008 as amended. These 05 projects are namely –

(1) Shangri-la Investments Lanka (Pvt) Ltd;
(2) Shangri-la Hotels Lanka (Pvt) Ltd;
(3) Colombo International Container Terminals Ltd;
(4) Ceylon Heavy Industries and Consultancy Co. Ltd; and
(5) Cairn Lanka (Pvt) Ltd.

These 125 Agreements signed could be considered as a great achievement as the Department was able to exceed its target set for the year under review. In addition, 221 Supplementary Agreements were concluded with existing BOI projects, in relation to further investments, expansion of existing business, change of scope of business and relocation of projects, take over and revival of sick industries etc.

Apart from the above, Legal Department is involved in extending its investor related services by the provision of lands owned by BOI to investors in setting up of their industries.

Infrastructure Development & Regional Zones Operations

Overall co-ordination of infrastructure development in existing 12 Export Processing Zones and identification of sites, assessment of suitability and setting up new investment promotion zones is the key responsibility of the Technical Services Department.

The 12 Export Processing Zones (EPZZ) have been established at Katunayake, Biyagama, Koggala, Kandy, Seethawaka, Mirigama, Malwatta, Wathupitiwela, Horana, Polgahawela, Mawathagama and Mirijjawila. As at end of 2011, there were 276 industries in operation within the EPZZ generating employment for nearly 126,000.

The Board decided in 2010 to upgrade the existing Export Processing Zones of BOI as Model Industrial Zones to benchmark as international industrial zones of other countries. Accordingly, major improvements are in progress in the Zones. A total sum of Rs. 291.33 Mn was spent for infrastructure improvements, modifications and augmentation in 2011.

The BOI commenced preliminary activities in respect of the establishment of a Heavy Industry Zone at Sampoor in year 2011. A decision was taken by the Board to continue with the implementation of the Puttalam Investment Promotion Zone. Sites were identified for setting up of new Investment Promotion Zones at Hambantota, Jaffna & Batticaloa during 2011.

With a view to attract and facilitate more investment projects particularly in the textile manufacturing, the Board decided to design and construct off-site infrastructure required for the Zone.

Environment Management

Summary of the core activities of the Department are as follows :-

- grants environmental clearances to projects that operate under Section 17 of the BOI Law, with the concurrence of the Central Environmental Authority (CEA).

  With respect to projects requiring Environmental Impact Assessment process (EIA) in terms of the National Environmental (Procedure for approval of projects) Regulations, participated in the scoping sessions held in that regard and thereby facilitated the approval procedure.

  Also functions as the Project Approving Agency (PAA) as well, in the event the CEA appoints the BOI so.
- issues Environmental Protection Licences with the concurrence of the CEA.
- issues Environmental Recommendations (ERR) to the Telecommunication Regulatory Commission (TRC) in respect of sites proposed for erection of telecommunication towers.
- investigates complaints regarding environmental aspects made by the public and advised on required pollution control measures.
- monitors the industrial effluent discharged in the Export Processing Zones.

Summary of the above functions is given below as follows :-

Function	No.
1. No. of projects functioned as the PAA	02
2. (a) No. of environmental clearances granted for projects	86
(b) No. of environmental clearances granted for expansions/relocations	24
3. No. of EPLL issued/renewed	614
4. No. of ERR issued in respect of sites proposed for erection of telecommunication towers.	497
5. No. of complaints attended	9
6. Environmental Monitoring	
(a). No. of effluent samples collected from industries. (b). No. of effluent samples collected from common sewage treatment plant.	881
(c). No. of water samples	100

- In addition to above, compliance with the international conventions on environment by BOI projects was ensured in consultation with the Ministry of Environment and Natural Resources. These Conventions are Basel Convention on the Trans-boundary Movement of Hazardous Waste, the Montreal Protocol on Ozone Layer Depleting Substances and the Stockholm Convention on Persistent Organic Pollutants for which Sri Lanka is signatory.

Miscellaneous Activities

- Assisted the Industrial Technology Institute (ITI) for the preparation of the Environmental Impact Assessment Report (EIAR) in respect of the Proposed Puttlam Investment Promotion Zone.

  This EIAR now is submitted to the Provincial Environmental Authority (PEA) of the North Western Provincial Council (NWPC) and waiting for approval.

- The Central Environmental Authority (CEA) appointed the BOI as the Project Approving Agency (PAA) in terms of the National Environmental (Procedure for approval of projects) Regulations No. 1 of 1993 in respect of two five star hotel projects proposed in the Katunayake Zone. Accordingly, environmental approval was granted to these two projects after undergoing the Environmental Impacts Assessment (EIA) procedure.
- Participated in the activities carried out under the "Haritha Lanka Programme" conducted by the Ministry of Environment.

Under this programme, this Ministry introduced a new scheme for industries known as the National Green Reporting System. This is for industries to report on their performance sustainability to the international community. Under this sustainability of environment, economy and society are monitored. This is to be recognized as a good marketing tool. Facilitated BOI industries to join this system.

Engineering Approvals & Special Projects

The main responsibilities of the Engineering Approvals & Special Projects Department (EA&SP) are to :

(1) Facilitate all projects under BOI by assisting them to identify and obtain State lands wherever necessary as desired by the respective investors.

(2) Grant engineering site approvals to BOI projects under Section 17 of the BOI Law prior to signing the agreements.

(3) Issue duty free construction materials for all BOI projects under implementation following the signing of agreements.

(4) Grant approval for the building plans of the BOI projects as per the BOI approved Building Guidelines.

(5) Identify suitable land parcels for implementation of special projects such Export Processing Zones.

(6) Allocate State lands and obtaining the clearance for the same from Divisional Secretaries for the projects in Northern and Eastern Provinces and expediting the implementation.

(A) Facilitate to obtain State lands for BOI projects.

This Department is responsible for looking into the availability of BOI owned or State lands for various projects coming under the BOI all over the country. This involves co-ordination with relevant agencies such as Land Commissioner General's Dept. (LCG), Urban Development Authority (UDA), Sri Lanka Land Reclamation & Development Corporation (SLLR&DC), Sri Lanka Ports Authority (SLPA), Land Reform Commission (LRC), Sri Lanka State Plantations Corporation (SLSPC), Paddy Marketing Board (PMB), Mahaweli Authority of Sri Lanka (MASL), and other various government departments etc. with regard to land alienation and expediting the necessary procedural stages towards this end with different agencies by clearing bottlenecks encountered by projects. Execution of respective land lease agreements for such State lands are also facilitated following such clearances.

Accordingly, our functions relating to State lands can be described as follows.

(i) Expedite the land release and also the identification of the relevant potential lands expected by the investors, and facilitating the clearance of all the bottlenecks.

(ii) To co-ordinate with the relevant State agencies, other ministries, and create an environment for investors to proceed with their projects and to obtain the required infrastructure service facilities as well.

(iii) As the case may be, we get involved in acquisition and vesting of lands for certain BOI projects.

(iv) To make the selection of different lands in various districts of the country easier, a special computerized land bank database is maintained by us with timely updates for both private and State lands. Any prospective investor can gain access to land bank in our BOI web site.

Progress made in 2011

(1) Under the "Uthuru Wasanthaya" Programme handled by the Land Division of the Department managed to lease out the State/LRC lands in few Northern Districts and commence activities for few projects as described below.

Vavuniya District & Kilinochchi District

(i) Omega Line (Pvt) Ltd was allocated 22 acres land in Vavuniya District for an expansion project with a proposed employment of 1000 Nos. and an investment of US$ 20 Mn. The Company is now proceeding with the construction of the factory.

(ii) MAS Active (Pvt) Ltd was allocated 14 acres State land in Araviyal Nagar in Kilinochchi District for an expansion project with a proposed employment of 500 Nos. and an investment of US$ 04 Mn. The Company completed the land filling in 2011 and about to commence constructions.

(iii) MAS Intimate (Pvt) Ltd was allocated 15 acres of State owned lands at Araviyal Nagar in Kilinochchi District for an expansion project with a proposed employment of 600 Nos. and an investment of US$ 06 Mn.

(iv) Timex Garments (Pvt) Ltd and Fergasam Garments Industries (Pvt) Ltd were allocated LRC lands in the Industrial Park, Mannar under Ministry of Industry & Commerce in Mannar District for proposed expansion projects.

(2) Proposed Special Economic Zone in Puttalam District

Coordinated with Land Commissioner General's Department to obtain 250 acres of land identified in Kalladi, Puttalam to be vested in BOI free of charge under a State grant. Discussions were held with Divisional Secretary, Puttalam to evacuate, and re-locate the families residing within the proposed land by providing alternative houses. Awaiting Cabinet approval for the release of land through a State grant, free of charge.

(3) Continuation of the work pertaining to the proposed establishment of SEZ at Hambantota.

(4) Revival of closed down enterprises under former 50 & 200 GFP where following factories were re-activated:

- Former Prime Collection (Pvt) Ltd (50GFP) at Uragasmanhandiya was leased out to DSL Lanka (Pvt) Ltd.
- Closed down Heenatigala Garments (Pvt) Ltd (200 GFP) at Galewela was in the process of being leased out to CIC Agri Businesses (Pvt) Ltd through Land Commissioner General' Dept.
- Former P T K Enterprises (Pvt) Ltd (200 GFP) at Rambukkana was almost leased out to Brandix Lanka (Pvt) Ltd.
- Former Red Heart Fashions (Pvt) Ltd (50 GFP) at Weeraketiya was leased out to Non BOI Garment factory.
- Vino Lanka (Pvt) Ltd (200 GFP) at Ipalogama was leased out to BOI Rainbow Fashions (Pvt) Ltd.

(B) Engineering Approvals

Engineering Approvals Division carries out four key functions that are milestones in the project implementation phase of any Section 17 project. They are namely the granting of Site approvals, Building plan approvals, Quantity certifications and Certificates of Conformity.

1. The letter of site approval is a pre-requisite for any Section 17 investor to sign his agreement with BOI. Engineering Approvals Division issues this letter after studying the intended operation of the project and the given site. Engineering Approvals Division has issued 101 site approvals during the year 2011.
2. Investor is supposed to obtain approval for his building plans before commencing construction. Approval is granted after comparing the plans with the relevant regulations and guidelines. Engineering Approvals Division has issued 181 building plan approvals during the year 2011.
3. Section 17 projects are entitled to import construction items on duty free basis for their proposed construction works. It is the task for the Engineering Approvals Division to calculate the quantities required from each item/material and sending recommendations to the Director/IS Dept. Engineering Approvals Division has issued 1024 quantity certificates during the year 2011.
4. Once the construction is completed and before commencing commercial operation of the premises investors are supposed to obtain the Certificate of Conformity (CoC). Officers of this Dept inspect the site and study whether the construction has been completed in accordance with the approved plans and the quantities of materials imported using duty free facility have been properly utilized for the construction. Engineering Approvals Division has issued 29 COCs during the year 2011.

Industrial Relations

The Industrial Relations Department of the BOI plays a very vital role in maintaining a sound industrial relations climate conducive for higher efficiency and productivity within the BOI Enterprises. In order to achieve the said goal, the Industrial Relations Department handles the following functions:

- Promote, facilitate & maintain labour management co-operation, industrial peace & harmony and higher productivity in the enterprises coming under the purview of the BOI.
- Provide advisory services and guidance to employers and employees of BOI Enterprises where necessary.
- Assist investors to meet their manpower requirement through the BOI Employment Service Units functioning in EPZs, Job Bank Website and organizing recruitment assistance programmes.

The Industrial Relations Department achieved the following progress during the year 2011.

- **Maintaining Labour Standards**

  Periodical Labour Audits are being carried out in BOI Enterprises by the Industrial Relations Officers attached to Zones and the Head Office of the BOI with a view to maintaining labour standards stipulated in the BOI Labour Standards & Employment Relations Manual.

  In the year 2011, Labour Audits have been carried out in 565 BOI Enterprises in Zones and outside Zones as well and remedial actions have been taken to rectify the shortcomings / lapses found at the above audits.

- **Promotion of Labour Management Co-operation**

  Employees' Councils are the main tool utilized in promoting labour management co-operation in BOI Enterprises. Whilst encouraging and co-ordinating with Trade Unions, Employees' Councils are guided with a view to promote wider participation of Employees in BOI Enterprises in labour management co-operation.

  During the year 2011, Industrial Relations Department facilitated in formation and operation of 141 Employees' Councils.

  A system of "Facilitation Centres" has been established for Union Officials to meet the respective workers whom they want to meet at three main Zones namely Katunayake, Biyagama and Koggala.

  In addition, 71 Awareness Programmes have been conducted during the year 2011 for Employees and Management Officials of the BOI Enterprises on various subjects such as Social Dialogue, General Awareness, Workplace Co-operation, Decent Work Practices and Health & Safety, etc in collaboration with relevant government agencies.

- **Mediation /Conciliation of Industrial Disputes**

  In maintaining industrial peace & harmony in the BOI Enterprises, IR Officers mediate in settling any industrial dispute occurred in BOI Enterprises. 18 industrial disputes were settled during the year 2011.

- **Recruitment Assistance Scheme**

  The BOI Job Bank Website (www.boijobbank.com) facilitates interaction between BOI Enterprises and youth who are seeking jobs. This service is provided free of charge to inform the public of career opportunities available in BOI enterprises.

  During the year 2011, 60,463 job seekers were registered with the Employment Services Units at EPZs out of which 59,929 have been referred to the enterprises for recruitment interviews for placements.

  In addition, IR department facilitates in organizing Job Fairs in co-ordination with other relevant agencies in order to attract more job seekers to the employment opportunities existing in BOI Enterprises. During the year 2011, 18 such job fairs have been conducted island wide.

Media & Publicity

The Media Department of the BOI is responsible for external communications. The BOI took initiatives in 2011 to create awareness about investment opportunities in Sri Lanka, the country's business climate and the organization's successes through a variety of media addressed to different types of audiences.

In 2011, the BOI engaged in publicity campaigns using different types of media. Furthermore printed promotional material were developed, advertisement were placed in publications, documentary films produced by the BOI to convey its message to a wide audience.

The main functions of the BOI's Media Department in 2011 were the following:

- Media releases
- Developing and printing of "Invest in Sri Lanka" new promotional brochure.
- Development and placing of newspaper advertisements.

Holding of events:

- Participation at the Deyeta Kirula National Exhibition held in Buttala, Monaragala.
- The Media Department of the BOI in collaboration with the Ministry of Labour Relations and Productivity Promotion organized a Job Fair at the Mahinda Rajapaksa Conference Hall, Wellawaya on 10th December 2011. This Job Fair had been organized in parallel with the Deyata Kirula National Exhibition. The Job Fair created an ideal opportunity for an unemployed youth in the Wellawaya, Buttala and Monaragala areas to find suitable employment opportunities. More than 26 leading BOI enterprises who were seeking to employ staff participated at the Job Fair and therefore approximately 1000 job seekers were given a unique opportunity to meet company representatives looking for staff. This was indeed a new experience for the youth of the area. In this connection the Media Department has been used various promotional tools such as newspaper advertisements, posters, leaflets and direct mailing etc, to publicize the event. On this project the Media Department worked closely with the Industrial Relations Department.

Management of the BOI website:

Revamped BOI website www.investsrilanka.com received over 7 Mn hits in 2011.

Administration

The Administration Department provides logistical support for the smooth functioning of the BOI. It provides optimum services to its client Departments and 14 Zonal Offices as well. The Department plays the role of a facilitator to meet the work targets of the other Departments, Zones etc, by providing, transport, material and infrastructure facilities requirements in time.

The Administration Department consists of the following sub units :-

- Stores & Supplies Unit
- Transport Unit
- Building Maintenance
- General Administration
- Mail Section

Progress achieved in the year 2011

In the year 2011, the Administration Department was actively involved in the restructuring of the Departments in the BOI. Measures were taken to lease out the Fifth (5th) floor of the BOI office building at Sir Baron Jayathilake Mawatha to the Ministry of External Affairs thereby generating additional income.

Steps were initiated to identify the un-roadworthy vehicles in the BOI fleet in order to dispose the same in the near future.

Supplies Unit

The value of the procurement of goods and services handled by the Supplies Unit for the year 2011 was Rs. 73,290,089.24.

Supply of 156 Nos. of computers and 156 Nos. of UPS required for the implementation of the Asyworld system was successfully completed as per the requirement of the user department.

Human Resources Management

Core activities of the Personnel Department

Personnel department is the key department which has the responsibility to manage the total human resources of the Board. Its main functions are

- Human Resource Planning
  - Assessment of present and future Human resource requirements.
  - Implementation of Recruitment and Selection processes to satisfy the above requirements.
- Performance Assessment
  - Performance of employees are reviewed and assessed annually.
  - Granting annual salary increments on the performance of the employees.
  - Promoting employees to higher grades based on their performance, Qualifications & Experience.
- Maintenance of Discipline
  - Taking necessary measures to maintain and improve the discipline of the employees.
  - Attending to the labour issues at the external institutions such as Labour Tribunals, Labour Department, HRC and Courts.
- Maintenance of attendance and leave
- Employee Welfare Services
  - Implementation of various types of Loan schemes, Comprehensive life and disability insurance, Medical facilities, Funeral assistance schemes, Official bus transport services, Transport subsidy & Attendance incentive schemes, etc.

Achievements/Performance - 2011

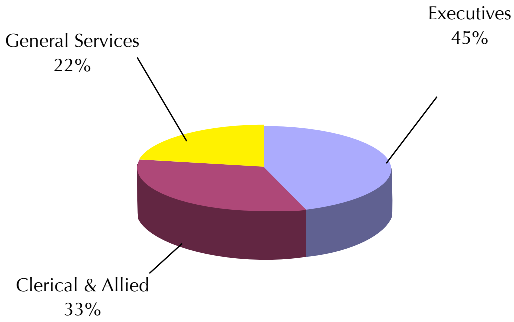
- Training & Development module and Employee Benefit module of new HR System (HCM – Human Capital Management) were implemented and the Performance Management module has been developed upto the final stage.
- Three (03) Executives, Six (06) Clerical & Allied employees and Eight (08) General Service employees were newly recruited to the Board's service.
- Thirteen (13) casual employees, One (01) contract employee and One (01) Management Trainee were absorbed into the permanent cadre.
- Twenty Two (22) Executives and Eight (08) Clerical & Allied staff were promoted to higher grades.
- Thirty Three (33) personnel were provided On the Job Training in the fields of Finance & Accountancy, HRM, IT, Computer Applications, Stenography, Secretarial practice, Technical Training and Auditing.
- 1094 employees were provided medical benefits, 96 employees were benefited under Funeral Assistance Scheme, granted 912 salary loans, 150 vehicle loans, 55 housing loans (re-imbursement of interest) & 34 push bicycle loans, 875 employees were granted festival/ special advances, 98 employees were granted festival vouchers, allocated 19 buses to provide official transport facilities as welfare services in the year 2011.

Professionally qualified Staff

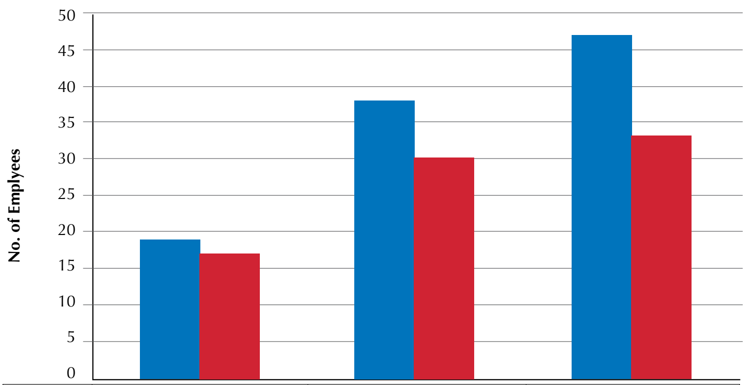
Ph.D	-	01
Master Degree Holders	-	51
Attorneys at Law	-	12
Accounting professionals	-	04
Engineering professionals	-	11
Town Planners	-	01
HR professionals	-	03
IT professionals	-	04
Degree holders	-	232
		319

Total workforce

The total staff strength of the BOI as at 31st December 2011 stands at 1099



Comparison of Key Performance areas - 2010 & 2011



	New recruitments	Promotions	On the Job Training
2010	19	38	47
2011	17	30	33

Department Highlights

- Training and Development Module of the Human Capital Management (HCM) was designed and implemented.

Functions :

- Preparation of an Annual Training Plan for implementation.
- Plan design and conduct in-house training programmes
- Liaises with other training organizations, Agencies both domestic and overseas to provided opportunities for the staff.
- Co-ordinate work connected with nomination of officers for offers received from Ministry and Department of External Resources and other foreign organizations.
- Nominations of Officers for programmes conducted by local as well as out-side Agencies.
- Conducting of Training Need Analysis (TNA) to ascertain the training needs of Officers to incorporate in the Training plan.
- Any other matters on Training & Development as assigned by the Management.

Summary Staff Training in the Year 2011

	Executive	Clerical & Allied	Minor	Total
Foreign Training Opportunities	14	-	-	14
Master Degree Programmes	2	-	-	2
Local Training (Soft Skills)	286	75	2	363
In-house Training Programmes	271	173	23	467
Total	573	248	25	846

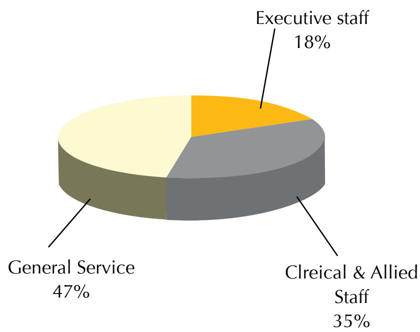
Achievements

- Training and Development Module of the Human Capital Management (HCM) was designed and implemented.
- 7 Nos. of in-house training programmes were conducted for 467 Officers of the Board in the year 2011
- 14 foreign training opportunities were provided for the BOI staff
- A sum of Rs.5,907,615.00 was incurred in the year 2011

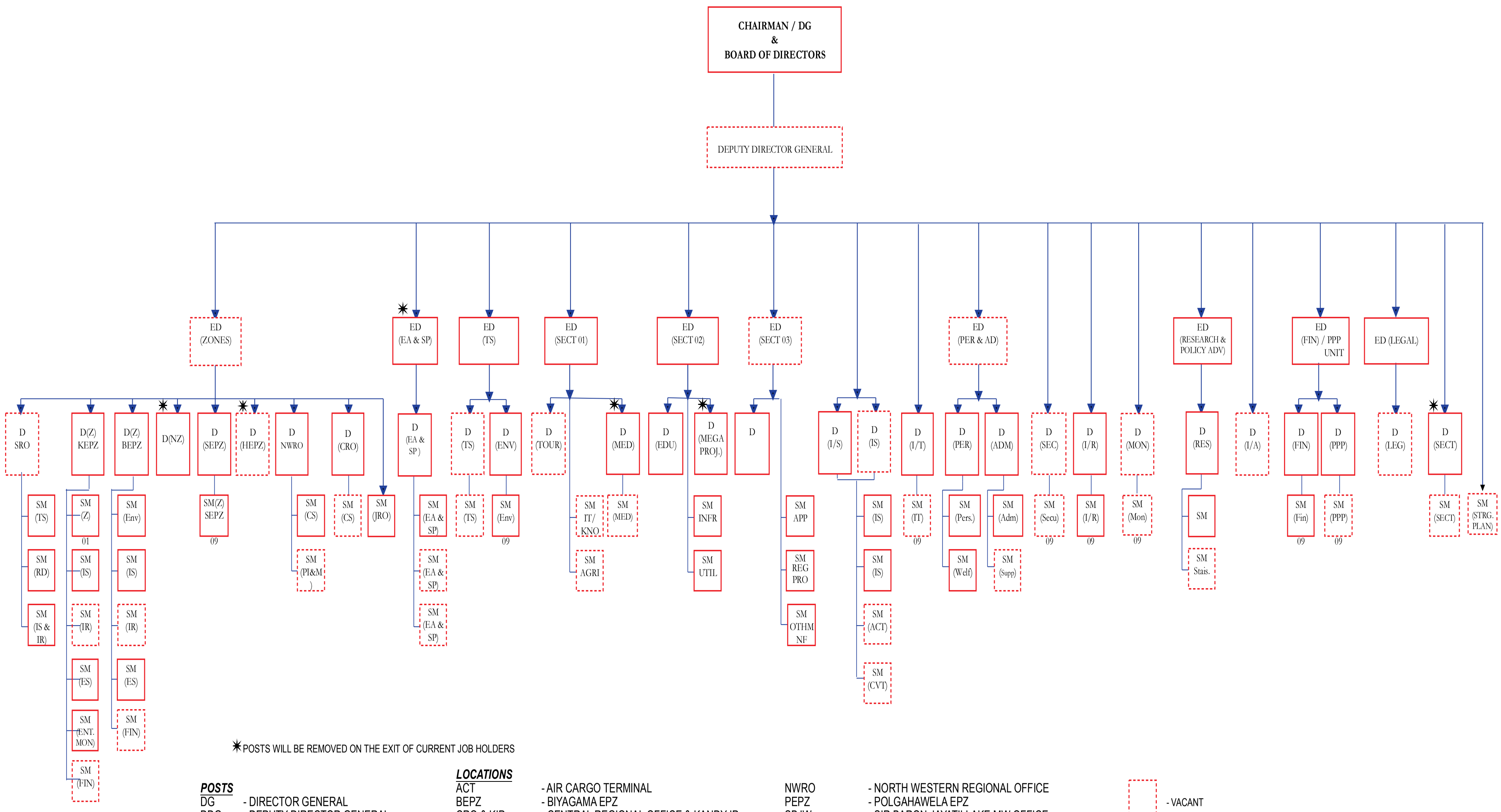
New Recruitments made during the year 2011

Designation	No. of employees Recruited
EXECUTIVE STAFF	
Assistant Director (01 permanent, 01 contract)	02
Co-ordinator (contract)	01
TOTAL NEW RECRUITMENTS - EXECUTIVES	03
CLERICAL & ALLIED STAFF	
Management Assistants (05 permanent, 01 contract)	06
TOTAL NEW RECRUITMENTS - CLERICAL & ALLIED	06
GENERAL SERVICE STAFF	
Driver (01 permanent, 01 casual	02
Electrician (01 casual)	01
Office Aide (contract)	02
Labourer (casual)	03
TOTAL NEW RECRUITMENTS - GENERAL SERVICE	08
TOTAL NO. OF NEW RECRUITMENTS IN 2011	17

New Recruitments - 2011



BOARD OF INVESTMENT OF SRI LANKA - ORGANIZATION CHART (31-12-2011)



✷ POSTS WILL BE REMOVED ON THE EXIT OF CURRENT JOB HOLDERS

POSTS	
DG	- DIRECTOR GENERAL
DDG	- DEPUTY DIRECTOR GENERAL
ED	- EXECUTIVE DIRECTOR
D	- DIRECTOR
SM	- SENIOR MANAGER

LOCATIONS	
ACT	- AIR CARGO TERMINAL
BEPZ	- BIYAGAMA EPZ
CRO & KIP	- CENTRAL REGIONAL OFFICE & KANDY IP
CVT	- CARGO VERIFICATION TERMINAL
HEPZ	- HORANA EPZ
JRO	- JAFFNA REGIONAL OFFICE
KEPZ	- KATUNAYAKE EPZ
MEPP	- MALWATTE EPP
MEPZ	- MIRIGAMA EPZ
MWEPZ	- MAWATHAGAMA EPZ
NWRO	- NORTH WESTERN REGIONAL OFFICE
PEPZ	- POLGAHAWELA EPZ
SBJW	- SIR BARON JAYATILLAKE MW OFFICE
SEPZ	- SEETHAWAKA EPZ
SRO & KGEPZ	- SOUTHERN REGIONAL OFFICE & KOGGALA EPZ
WEPZ	- WATHUPITIWALA EPZ
WTC	- WORLD TRADE CENTRE OFFICE

- VACANT

Research and Policy Advocacy

The Research and Policy Advocacy Department provides the Board of Investment of Sri Lanka the services of conducting research analysis on investment related issues and policy advocacy with a view to promote investments. It conducts research to benchmark Sri Lanka with international competitors. In policy advocacy role it works in close collaboration with relevant national and international organizations. The Department has its own full-time professional staff and support services. Occasionally, it draws upon expertise of external resource persons to obtain technical support mainly on areas of bilateral and regional investment treaties and greening of Export Processing Zones.

During this year Research and Policy Advocacy Department was able to complete over 30 in-house and external studies. Several of them have provided significant contributions in improving the country's business environment and in providing development strategies both of sectoral and regional growth.

Our main focus has been on formulating policy papers focusing import substitution industries such as pharmaceutical, cement and wheat flour industry and conducting sector studies on sectors such as tourism, food processing, steel, renewable energy, private higher education, sugar and special areas such as industrial factor cost, taxation and tariff structure. The studies conducted have revealed that positive outcomes can be derived through introducing appropriate policy reforms to address specific needs of these sectors. We have also submitted a research paper on gaming laws of Sri Lanka in respect of new gaming legislation.

Initiatives were taken to establish and sustain contact with authorities and agencies at various levels to promote action programmes and policy changes. The initiatives included, among others, having discussions and making presentations to decision makers at various levels and inviting their attention to the need for policy reforms and coordinated efforts among the Government and other relevant organizations. Follow-up action for policy and programme development has been continuing.

During the year 2011 the Research & Policy Advocacy Department has also involved in drafting and negotiating Bilateral Investment Promotion and Protection agreements with countries such as Qatar and Bangladesh. Several memorandums of Understandings with IPAs have been drafted & executed with counterpart agencies.

Research & Policy Advocacy Department emphasizes the importance of its "Research Team"; placing the focus on outcomes rather than inputs; and leave no room for interference from the structure for good team working.

Information Technology

1. Summary of Department's functions

- Provide advice and technical support to identify, evaluate & implement IT solutions for BOI,
- Planning, Recommending, Coordinating the procurement, commissioning and maintenance of ICT resource of BOI.
- Enhance and manage the corporate networks and data communication facilities.
- Design, develop, implement and maintain software application systems required by BOI.
- Provide user-support in solving the problems relating to hardware, software, communication, network, e-mail and virus problems.

- Support other departments in the use of information technology in business re-engineering efforts.
- Develop and maintain corporate data dictionary, database and related system documentation.

2. Projects completed in 2011

2.1 Enhancement of IT infrastructure during year 2011.

- Re-designed and commissioned the networks of Level 19th, 24th and 26th of WTC office with new technology to meet the requirements of New Sectors.
- The bandwidth of the leased line provided to ACV office was upgraded from 64Kbps to 128Kbps to improve the performances of the connected applications.
- Increased the number of e-mail users up to 502 by creating 36 new user accounts.
- A new server was procured to implement the existing Payroll System of BOI in order to improve its performance and to implement the proposed upgraded version of payroll system.
- 04 Nos. of high end PCs were purchased and commissioned for web application server and backup solutions for DNS, SQL, Email services.
- 138 Nos. of new PCs, 04 Nos. of Laptops and 57 Nos. of new printers were purchased to provide a better working environment and enhanced IT infrastructure to users in the organization.
- Arranged local training programs for 08 officers to enhance their knowledge and skills in respect of the latest technologies.

2.2 Software developments in 2011

- Enhanced the data capturing modules connected to Project Management Information System (MIS) to streamline monthly employment data and Bi-Annual performance data of the BOI projects.
- Amend the MIS and Project related systems to accommodate the New Sector concept.
- Improved the existing Entry Permit Issuance System (Web application and Back Office system) by introducing new features.
- Sub-Contract Monitoring System for Investor Services Department was developed and implemented in related service centers.
- Enhanced the TIN Validation system using by Investor Services Department to accommodate Sub-Contractors of Strategic Development Projects.

Internal Auditing

Main focus of the Internal Audit was on ensuring value addition of the BOI functions and improvement of its operations to accomplish the organizational objectives by way of a systematic, disciplined approach to evaluate and improve the effectiveness of internal controls and corporate governance.

Internal Audit conducted periodic audits covering the entire organization to provide reasonable assurance of proper implementation of internal controls, adherence to policies, procedures and regulatory requirements with a view of minimizing the risk exposure of the organizational activities.

Also the Internal Audit Department holds the responsibility of monitoring and maintaining the ISO 9001:2008 International Standard Based Quality Management System (QMS) which mainly covers the management audits of the processes of the Board of Investment of Sri Lanka. Holding the position of the "Management Representative" of the ISO programme, Internal Audit establishes implements and maintains the processes needed for QMS and reports to the top management on performance of the programme along with areas needed for its continual improvement.

Subsequent to the annual surveillance audit which was conducted by the Sri Lanka Standards Institution, the Accredited Registrar of the QMS programme, the Internal Audit Department conducted an internal quality audit cycle across the Board for ensuring the compliance of the requirements of QMS.

Additionally, Record Management Program was launched by the Internal Audit according to the directives of the Director General and it is being carried out continuously achieving the milestones of the approved work plan.

While carrying out the above activities, Internal Audit maintained independency by directly reporting to the Chairman/Director General and continuous coordination with the Audit Committee for reviewing its activities.

Financial Performance

Financial Review 2011

	Rs. Mn.
Operating Revenue	2,148.82
Operating Expenditure	1,998.83
Surplus from Operating Activities before tax	**149.99**
Tax on interest income	32.94
Surplus on Operating Activities after tax	117.05
Non Operating expenses	(33.45)
Net Surplus	**83.60**

Operating Revenue has increased by 0.67% to Rs. 2,148.82 Mn from 2010 to 2011.

Operating expenditure has increased by 2.41% over 2010 to Rs. 1,998.83 Mn.

An operating excess of Rs. 149.99 Mn is recorded for 2011 which is a 17.90% decrease over 2010.

The Net Surplus for the year ending 31st December 2011 is Rs. 83.60 Mn which is a decrease of 41.41% from 2010. The Net Surplus has decreased by Rs. 59.07 Mn compared to 2010. Main reason for the above decrease is the litigation settlement of Rs. 32.72 Mn paid to Dutch Lanka Accessories (Pvt) Ltd.

Operating Revenue

Marginal increase was seen in income from Ground Rent, Annual Fees, Import/Export Services, Supply of Water & Entry Permits while a 13% increase was seen in Land Premium from 2010 to 2011.

Increase in Land Premium can be attributed to land leased out in KEPZ, BEPZ, KIP, MEPP and MIP, during the year 2011.

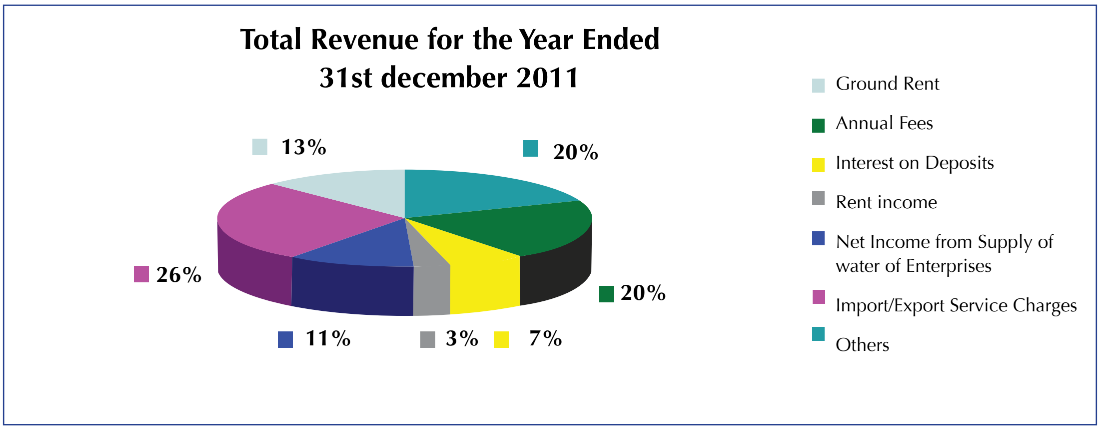
The highest contribution is from Import/Export Service Charges of Rs. 580 Mn accounting for 27% of the operating revenue.

The following sources of income has decreased from 2010 to 2011.

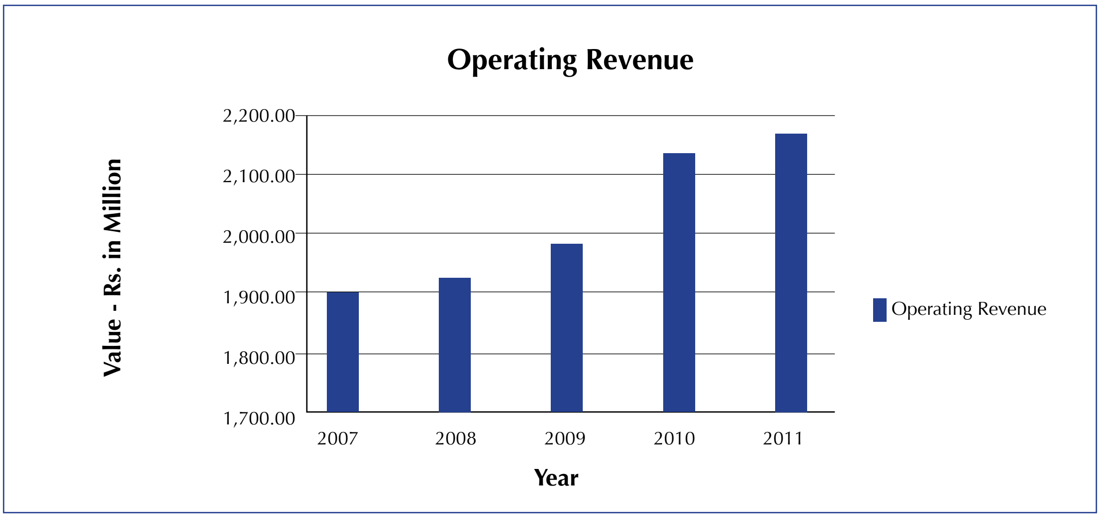
	% Decrease
Interest income	6
Agreement/Processing Fee	42

The drop in interest income is due to a drop in the investment base compared to 2010.

Drop in the Agreement/Processing Fee can be attributed to a change in policy of charging normal application processing fee of US$ 155 from projects over US$ 25 Mn in 2011.

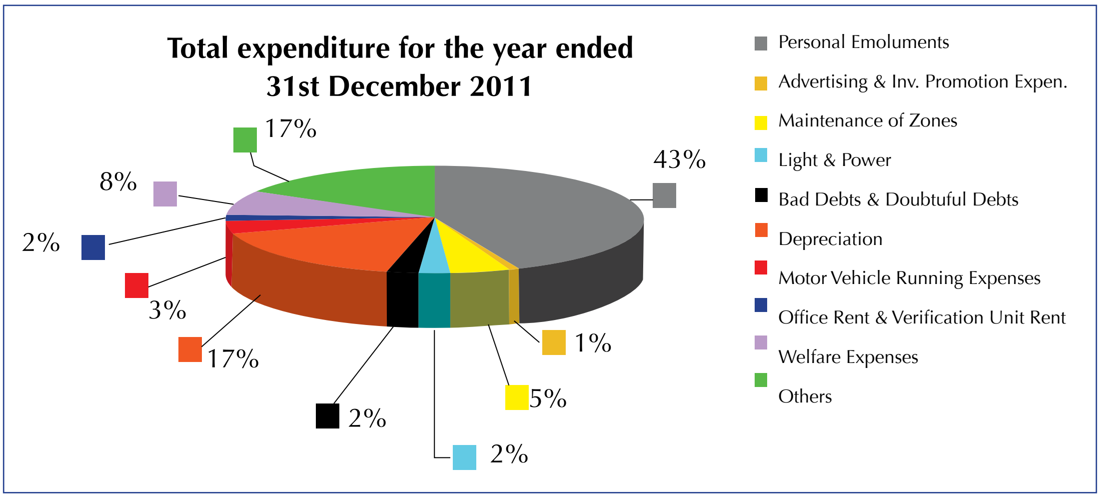


Operating Revenue has increased over the past 5 years from 2007 – 2011.

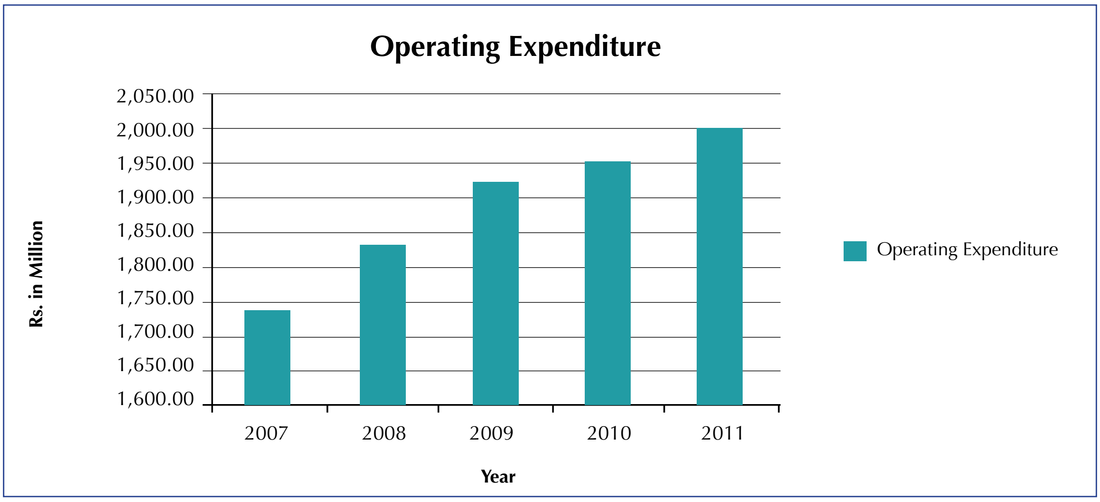


Operating Expenditure

Operating Expenditure in 2011 has increased by 2.41% compared to 2010. The BOI has paid Rs. 32.9 Mn as income tax on interest income for year of assessment 2011 and Rs. 137 Mn as VAT during the year 2011.

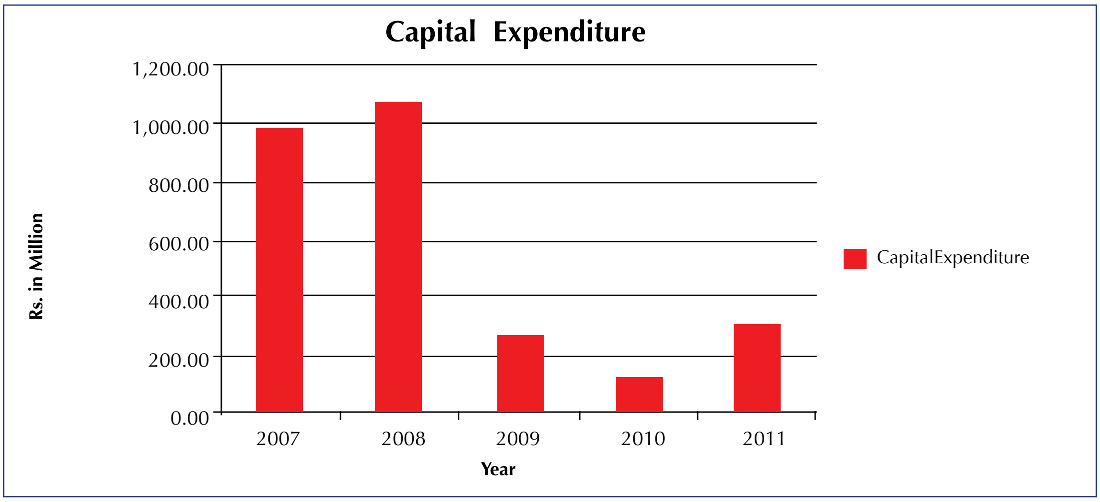


Operating expenditure has increased over the past 5 years from 2007 – 2011.



Capital Expenditure

Capital Expenditure amounting to Rs. 306.42 Mn has been incurred on developing infrastructure facilities in the EPZs and Industrial Parks. Capital Expenditure is funded entirely by internally generated funds of BOI.



Board of Investment of Sri Lanka

Statement of Financial Position as at 31st December 2011

	2011 Rs.	2011 Rs.	2010 Rs.	2010 Rs
ASSETS				
Non- Current Assets				
Property Plant and Equipment	22,129,212,413		22,393,533,609	
Temp.Surplus Fund-Central Bank	988,430,100		430,397,379	
Capital Works In Progress	189,445,840		182,256,166	
Deferred Expenditure	437,594,339		406,929,674	
Value of WEPZ Houses For Disposal	5,401,000		8,198,000	
Adv. for Prelim. Exp. on Projects	147,747,661	23,897,831,353	414,685,630	23,836,000,458
Current Assets				
Stocks	12,507,390		10,748,569	
Receivables				
Dues from Enterprises	353,720,292		382,459,356	
Employees Loans & Advances	474,532,730		336,550,552	
Other Debtors	53,515,522		55,575,876	
Financial Assistance Programme	63,065,244		84,207,892	
Interest & Deposit Receivables	38,961,932		85,289,944	
Payments in Advance	78,512,579		11,039,973	
Short Term Investments	105,356,765		1,249,509,100	
Cash in Hand & at Bank	177,230,133	1,357,402,587	244,131,099	2,459,512,361
Total Assets		**25,255,233,939**		**26,295,512,819**
LIABILITIES				
Current Liabilities				
Sundry Creditors	67,692,702		296,223,967	
Accrued Expenses	158,777,519		339,654,311	
Receipts in Advance	120,357,839		173,671,470	
Refundable Deposits	88,196,220	**435,024,280**	76,067,427	885,617,175
Non Current Liabilities				
Provision for Gratuity	300,446,413		279,671,634	
Land Premium	1,706,224,292	2,006,670,705	1,480,415,557	1,760,087,191
Total Liabilities		**2,441,694,985**		**2,645,704,366**
Total Net Assets		**22,813,538,954**		**23,649,808,453**
NET ASSETS / EQUITY				
Accumulated Fund	7,457,162,441		8,259,677,671	
Funds & Reserves	15,356,376,513		15,357,251,680	
Special Fund for Infrastructure Development	-	22,813,538,954	32,879,102	23,649,808,453
Total Net Assets / Equity		**22,813,538,954**		**23,649,808,453**

The Board of Directors is responsible for the preparation and presentation of these financial statements.
Approved and signed for and on behalf of the Board of Directors of Board of Investment of Sri Lanka.

M.M.C. Ferdinando
CHAIRMAN / DIRECTOR GENERAL
BOARD OF INVESTMENT OF SRI LANKA

(Mrs) Pauline Matthias
EX. DIRECTOR (FINANCE)
BOARD OF INVESTMENT OF SRI LANKA

Board of Investment of Sri Lanka

Statement of Financial Performance for the Period ended 31st December 2011

OPERATING REVENUE	2011 Rs.	2010 Rs.
Ground Rent	428,219,319	413,125,423
Annual Fees	421,097,317	413,643,910
Import/Export Service Charges	580,307,410	548,239,018
Net Income from Supply of Water for Enterprises	240,045,374	226,854,682
Land Premium	43,917,015	38,832,634
Interest on Deposits & Staff Loans	143,865,424	152,383,006
Rent Income	61,304,496	61,751,213
License Fee Sec.-16 Enterprises	19,686,244	19,086,126
Sale of Entry Permits	92,393,340	86,593,817
Agreement/Processing Fees	39,412,763	67,446,433
Profit on Housing & Other Projects	21,833,105	22,641,072
Miscellaneous Income	56,734,714	83,861,029
	2,148,816,521	**2,134,458,363**
OPERATING EXPENDITURE		
Staff Salaries	892,705,908	816,943,094
Staff Welfare Expenses	157,977,706	152,299,738
Investment Promotion Expenses	22,295,456	22,789,421
Printing & Stationery	21,698,563	23,105,626
Maintanance of P/M Computer & Offi.Equip	33,627,058	12,167,991
Building Maintenance	57,672,694	60,286,595
Transport Realated Expenses	71,217,499	70,603,728
Maintenance of Zones	95,334,336	95,107,913
Office Rent & Verification Unit Rent	34,370,337	33,531,080
Water Consumption	5,677,192	6,237,595
Light & Power	48,054,503	45,131,604
Communication Expenses	28,157,326	25,755,397
Municipality Rates	7,549,380	6,604,662
Security Services	46,306,120	56,177,311
Press Notifications	2,124,369	967,690
Staff Training	5,980,862	6,472,566
Legal & Professional Charges	8,262,382	44,433,548
General Expenses	26,707,503	29,581,461
General Expenses - Prom.of P/P Partnership		332,500
Corporate Social Responsibility Expenses	1,250,000	
Travelling & Subsistance	3,850,994	3,863,184
Nation Building Tax	25,852,810	38,412,616
Audit Fees	1,800,000	1,570,000
Bad Debts & Doubtful Debts	47,970,747	34,497,402
Depreciation	352,385,570	364,909,171
Total Operating Expenditure	**1,998,829,314**	**1,951,781,895**
Surplus On Operating Activities Before Tax	149,987,207	182,676,469
Tax on Interest Income	32,935,760	40,047,528
Surplus On Operating Activities After Tax	117,051,447	142,628,941
Gain on Sales of Property Plant and Eqiupment	(736,253)	39,080
Exceptional Item - Litigation Settlement	(32,719,097)	
Total non Operating Revenue / (Expenses)	(33,455,350)	39,080
NET SURPLUS FOR THE PERIOD	**83,596,097**	**142,668,021**

Board of Investment of Sri Lanka
Cash Flow Statement for the Period ended 31st December 2011

	2011 Rs. (Mn)	2010 Rs. (Mn)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations(Note A)	1,444.61	580.7
Income Tax Paid	(260.03)	
Gratuity paid	(28.63)	(11.3)
Adjustment in respect of previous year	(39.48)	0.6
Net cash inflow/(out flow from operating activities)	**1,116.48**	**569.9**
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	143.87	152.4
Purchase of fixed assets	(186.94)	(104.6)
Proceeds of sale of Fixed Assets	3.62	0.8
Temp.Surplus Fund-Central Bank	(558.03)	(406.3)
Township development	(248.08)	(27.7)
Capital work in progress	(7.19)	67.1
Adv.for Prelim.Exp.on Projects	266.94	(59.5)
Deferred expenditure	(64.59)	(51.2)
Net cash flows from investing activities	**(650.41)**	**(429.1)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Funds Transfer to Treasury	(500.00)	
Special Fund for Infrastructure Development	(32.88)	
Staff benevolent Fund	(0.08)	(0.2)
Net cash flows from financing activities	**(532.96)**	**(0.2)**
Net Increase/ (Decrease) in cash & cash equivalents	**(66.90)**	**140.6**
Cash & cash equivalents at beginning of the year	**244.1**	**103.5**
Cash & cash equivalents at end of the year (Note B)	**177.23**	**244.1**

	2011 Rs (Mn.)	**2010 Rs (Mn.)**
Note.A		
CASH GENERATED FROM OPERATIONS		
Net surplus from operations	83.60	142.7
Depreciation	352.39	364.9
Income Tax Paid	32.94	
Gratuity provision	49.40	67.5
Provision for bad debts-Net	47.97	11.4
(Over)/Under provision on bad debt written off	25.14	(3.1)
Land Premium added to income	(43.92)	(38.8)
(Profit)/Loss on sale of fixed assets	0.74	(0.0)
Investment income	(143.87)	(152.4)
Amotization of differed expenditure.	33.93	30.0
Operating surplus before working capital changes	**438.32**	**422.1**
Working capital changes		
Stocks	(1.76)	0.1
Dues from enterprises	(4.00)	(25.1)
Employees loans & advances	(137.98)	(29.1)
Other debtors	(40.34)	(0.8)
Financial assistance programme	21.14	13.9
Interest receivables	46.33	16.8
Payment in advance	(67.47)	6.3
Short Term Investement	1,144.15	(323.0)
Land premium received-Net	269.73	283.3
Sundry creditors	(228.53)	186.1
Accrued expenses	46.21	(1.1)
Receipt In advances	(53.31)	37.4
Refundable deposits	12.13	(6.3)
Operating surplus after working capital changes	**1,444.61**	**158.5**
Note B		
Analysis of Cash & Cash equivalents		
Bank & cash balances	177.23	244.1
Call Deposits	0.00	
	177.23	**244.1**

Notes to the Financial Statements as at 31st December, 2011

ACCOUNTING POLICIES

(a) The financial statements have been prepared using the Historical Cost Convention and presented in accordance with the Sri Lanka Accounting Standards. No adjustments have been made for inflatory factors affecting these accounts.

(b) Monetary assets and liabilities expressed in foreign currencies are converted to Sri Lanka Rupees at the rate of exchange prevailing at the Balance Sheet date. All exchange gains and losses resulting from conversion are taken to the Statement of Financial Performance.

(c) Lease of BOI Land for Large-scale Property Development Projects & Housing Projects

These agreements are mainly based on the provisions in the Cabinet Paper 97/4624/03/070 on "Proposals to Streamline Land Alienation Procedures & provide relief to Large Scale BOI Approved Projects" which has been approved by the Cabinet of Ministers on 8th October, 1997.

Accordingly, the market value of land as assessed by the Chief Valuer is payable by the lessee in installments. Such installments received during the financial year are considered as consideration for sale of land. The proceeds of the sale of land is shown as "Profit on Housing & Other Projects" in the Statement of Financial Performance.

Statement of Financial Position

Assets and the Basis of Valuation :

Non-Current Assets

1. Office Furniture, Equipments and Computers & Computer Related Accessories were revalued as at 01.01.2010 and related revaluation surplus amounting to Rs. 37.33 Mn and Rs. 28.41 Mn respectively have been shown as a reserve.

   Board has decided to discontinue the fixed asset category of Loose Tools with effect from 01.01.2010 and the balance cost of Loose Tools amounting to Rs. 1.88 Mn was charged to revaluation of office furniture & equipments account, since those items have been listed under the office furniture & equipments.

The fleet of motor vehicles & structures were revalued in year 2006 & 2007 respectively.

Land, Buildings and Plant & Machinery were revalued in year 2009.

Depreciation of fixed assets is provided on a straight line method using the following rates per annum.

Asset Category	
Buildings	5
Structures	5
Plant & Machinery	10
Fixtures & Fittings	10
Office Furniture & Equipment	10
Personal Computers	33 1/3
Vehicles	20
Loose Tools	25

Depreciation is not charged on fixed assets in the year of purchase whilst provided full in the year of disposal.

1. 15 Nos. Buses have been provided to Co-operative Societies under lease basis to augment the transport services around the zones.

   Even though, leased buses are in the physical possession of the Co-operative Societies, the legal ownership is with the BOI. The buses have been fully amortized.

   The ownership of these buses have been transferred to the Sri Lanka Transport Board in year 2011 as per the Board decision.

2. Work-in-progress is stated at historical cost.

3. Advance payments on preliminary expenses on capital projects which cannot be estimated and classified initially or as at balance sheet date have been treated as long term advances until those are realized.

4. Value of the balance housing units available for disposal at Watupitiwala Export Processing Zone has been taken into accounts as follows.

   * Housing units which had been committed to sell – based on the agreed selling price.

   * Housing units which have not yet been committed to sell – based on the valuation given by the Chief Valuer. Valuation given by the Chief Valuer in year 2010 has been revised by Chief Valuer in 2011 and it was adjusted in the accounts.

   Board has granted the approval to pay the balance of sale proceed in installment-wise for the Lot No. 13 and installment received have been shown in the accounts as installment received - Watupitiwala Houses under Current Liabilities Ownership of the house will be transferred when full payment is paid.

5. There are certain instances where the BOI has carried out projects to enhance infrastructure facilities on behalf of the government for the benefit of the community/country at large. On completion of work, these projects are handed over to the relevant authorities, since these projects are not owned by the BOI & not related to activities of the BOI.

   Hence, all expenditure relating to such projects are charged to the Township Account and at the end of the year, balance of the Township Account will be transferred to Accumulated Fund to reflect the correct position with regard to government ownership.

   Any funds received by the BOI in connection with projects of this nature are credited to the Township Account as the expenditure on such projects had been charged to the same account.

6. **Lands**

   Following lands have been transferred on free grant basis and said values were charged to Accumulated Fund Account.

Land Description	**Value**	**Transferee**
Regidale Estate – Piliyandala	Rs. 95,500,000	Ministry of Buddha Sasana & Religious Affairs
Land which was rented out to M/s Heenatigala Garments at Galewela	Rs. 768,000	Divisional Secretary Galewela

   Two lands situated at Rambewa and Puliyankulama in Anuradhapura District which were sold and deed executed in year 1999 have been taken into revaluation by an oversight. Corresponding book values were set off against revaluation surplus.

Current Assets :

Stocks are stated at the historical cost and issued on the basis of first in first out and is stated at the book value.

Receivables :

A provision of 7.5% has been made for debtors except for Annual Fees & Financial Assistance Programme.

100% provision made for receivables, due on cancelled & closed projects and 15% for balance dues on Annual Fees.

20% provision has been made for debtors under Financial Assistance Programme. 100% provision of Rs. 27.42 Mn has been made for defaulters of this programme. An enterprise which was treated as one of the defaulters has agreed to pay and therefore a general provision was applied thereon.

100% provision is made for Sundry Debtors amounting to Rs. 3.34 Mn in respect of specific debtors.

Sundry debtors amounting to Rs. 40.374 Mn has been written off as at 31.12.2011.

Interest is charged on delayed settlement of receivables and it is shown under respective sources of income & debtors.

Statement of Financial Performance

1. Revenue is accounted for on accrual basis.

2. **Net Income from Supply of Water to Enterprises :**

   This represents the income from supply of water & charges for waste water to the enterprises after deducting the cost of water, operation & maintenance cost of water & waste water treatment.

3. Gains & Losses on disposal of fixed assets are reflected in the 'Statement of Financial Performance' under 'Gain on Sales of Property, Plant & Equipment'.

4. Management of the 700 hectares rubber plantation of Perth Estate, Horana which belongs to BOI was given to State Plantations Corporation (SLSPC) under MOU in 1999 up to 2006.. According to the MOU, Rs. 16.4 Mn is due from SLSPC to BOI for the period of eight (8) years according to the audited accounts. As the recovery of this amount is doubtful, it has not been accounted as income.

5. **Voluntary Retirement Scheme**

   41 staff members have retired under the above scheme and respective cost amounting to Rs. 58.8 Mn has been shown under salaries & wages.

6. **Exceptional Item**

   Board granted approval to accept the Arbitral Award delivered on 03rd March 2011 against BOI and pay Rs. 32,719,096.90 together with legal interest from the date of the award till payment in full to Dutch Lanka Accessories (Pvt) Ltd., which was paid on 10th June 2011. This payment has been shown as an exceptional item.

   Agreement Processing Fee paid by M/s AL-AIN International Petroleum Derivatives Traders amounting to Rs. 17,808,402.74 was refunded and it was shown under Previous Year Account.

Deferred Expenditure :

(a) Since Board has acquired nine (9) floors of World Trade Centre in 2008, the cost of interior decorations, carpeting & partitioning is written off over a period of 10 years from year 2008 onwards.

(b) The cost of zone development incurred during the period has been written off over a period of 20 years.

Employee Benefits

(a) **Defined Benefit Plans**

Provision has been made for retiring gratuities from the first year of service for all employees in conformity with Sri Lanka Accounting Standards (SLAS – 16) – Retirement Benefit Costs. However, under the payment of Gratuities Act No. 12 of 1983, the liability to an employee arises only on completion of five (5) years of continued service.

The liability is not actuarially valued. This liability is computed on the basis of ½ month salary for each completed year of service.

The gratuity payable is funded by investments in Treasury Bills/Bonds through the Temporary Surplus Trust Fund maintained by the Ministry of Finance.

(b) **Defined Contribution Plans**

Obligations for contributions to Provident and Trust Funds covering all employees are recognized as an expense in the income statement as incurred.

Contingent Liabilities :

(a) The Board has signed an agreement with M/s Merbok MDF Lanka (Pvt) Ltd., who has set up a manufacturing plant at HEPZ. According to the agreement, the BOI has committed to indemnify the Company for increases in CEB tariff increases over 6.9% compound annual rate. According to the award of the arbitration, a sum of Rs. 356,793,568.21 due up to September 2007 plus related interest has been ordered & directed.

BOI has made an appeal to the High Court to set-aside the order of the International Arbitration.

(b) BOI has signed an agreement with Asia Pacific Golf Course Limited on 21st June 2001 to set up a project for the business to construct and operate international standard golf course, driving range, club house, sports and leisure related activities and apartment blocks.

In pursuant of the Supreme Court decision of October 2008, Acquitas Law LLP – a Law Firm in Singapore acting on behalf of said firm has made a claim from the BOI for Rs.19,191,380,000. Arbitration proceedings has commenced in Singapore regarding above.

Investments :

Investment in the Temporary Surplus Fund is shown under long term investments.

Pending Litigations

(a) The list of pending litigations is attached & actual liability of such litigations cannot be ascertained accurately.

(b) A total of Rs. 507,650/- is reflected under the other debtors as cash shortage at BEPZ. The court case is still pending.

Related Party Disclosures

(1) Mr. Jayampathi Bandaranayake, Chairman/Director General – BOI served on the Board of the following BOI enterprises.

1. Hayleys PLC
2. Finlays PLC

(2) Mr. Sanjeewa Wickramanayake, Member of the Board of Directors – BOI has a control and / or significant influence over the following BOI enterprises, with which business transactions were entered into with the BOI for the period January 2011 to December 2011.

1. E-W Information Systems Ltd.,
2. EWIS Peripherals (Pvt) Ltd.,
3. Open systems Integrators (Pvt) Ltd.,
4. Open Systems Technologies (Pvt) Ltd.,
5. Toppan Forms (Colombo) Ltd.,

(3) Mr. Eshana de Silva, Member of the Board of Directors – BOI has a control and / or significant influence over the following BOI enterprises.

1. Melanka Power Moraketiya (Pvt) Ltd.,
2. Vidul Madugeta (Pvt) Ltd.,

(4) Mr. Anura Jayasinghe, Member of the Board of Directors – BOI has indicated that he has no related party transactions with BOI enterprises.

Audit Report

The Report of the Auditor General
on the Financial Statements of the BOI
for the year ended 31.12.2011
in terms of section 14 (2) (C)
of the Finance Act No. 38 of 1971

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கணக்காய்வாளர் தலைமை அதிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT

මගේ අංකය / எனது இல / My No: TC/G/BOI/FA/2011
ඔබේ අංකය / உமது இல / Your No:
දිනය / திகதி / Date: 15 March 2013

The Chairman
Board of Investment of Sri Lanka

Report of the Auditor General on the Financial Statements of the Board of Investment of Sri Lanka for the year ended 31 December 2011 in terms of Section 14(2)(c) of the Finance Act, No. 38 of 1971

The audit of financial statements of the Board of Investment of Sri Lanka for the year ended 31 December 2011 comprising the statement of financial position as at 31 December 2011 and the statement of financial performance, statement of accumulated fund and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13(1) of the Finance Act, No. 38 of 1971 and Section 31 of the Greater Colombo Economic Commission Law No. 4 of 1978, as amended by Act No. 49 of 1992. My comments and observations which I consider should be published with the Annual Report of the Board in terms of Section 14(2)(c) of the Finance Act appear in this report.

1.2 Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards. Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

අංක 306/72 පොල්දුව පාර, බත්තරමුල්ල , ශ්‍රී ලංකාව
இல. 306/72, பொல்துவ வீதி, பத்தரமுல்லை இலங்கை
No.306/72, Polduwa Road, Battaramulla , Sri Lanka

දුරකථනය / தொலைபேசி / Telephone: 2887028 - 34
ෆැක්ස් අංකය / பக்ஸ் இல / Fax No.: 2887223
ඉලෙක්ට්‍රොනික් තැපැල් / ஈ- மெயில் / E-mail: oaggov@sltnet.lk

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Board's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Sub-sections (3) and (4) of Section 13 of the Finance Act, No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

1:4 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2. Financial Statements

2.1 Qualified Opinion

In my Opinion, except for the effects of the matters described in paragraph 2.2 of this report the financial statements give a true and fair view of the financial position of the Board of Investment (BOI) of Sri Lanka as at 31 December 2011 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting standards

2.2 Comments on Financial Statements

2.2.1 Non-compliance with Sri Lanka Accounting Standards (SLAS)

According to the financial statements, the gratuity expense and the provision for gratuity as at the end of the year under review amounted to Rs. 49,402,310 and Rs. 300,446,413 respectively with regard to 1,091 employees. However, the present value of the defined benefit obligation and related details of the total expenses recognized in the income statement as at the balance sheet date had not been disclosed in the financial statements in terms of SLAS 16.

2.2.2 Accounting Policies

Even though, it was disclosed in the notes to the financial statements of the BOI as at 31 December 2011 that the revenue was accounted for on accrual basis, license fees and agreement processing fees had been brought to account on cash basis.

2.2.3 Accounts Receivable

Following observations are made.

(a) Account Receivables and provision for doubtful debts

The details of the long outstanding receivable balances of the BOI approved projects and bad debts written off therefrom as at 31 December 2011 as compared with preceding five years are given below.

Description	2011	2010	2009	2008	2007	2006
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Dues to BOI from Enterprises	623,861,381	631,911,594	593,483,063	539,768,967	489,179,378	572,994,819
Provision for doubtful debts	270,141,090	249,452,238	227,775,883	199,355,398	140,704,693	94,017,637
Provision for doubtful debts as a percentage of total dues	43%	39%	38%	37%	29%	16%
Bad debts written off	73,113,266	8,306,417	9,279,995	8,994,408	45,234,172	26,465,290

Following observations are made in this connection.

(i) Provision for doubtful debts on dues to the BOI from enterprises had rapidly increased during the last six years from 16 per cent in 2006 to 43 per cent in 2011 due to 100 per cent provision made for debtors relating to closed and cancelled projects and thus indicating poor recoverability.

(ii) Other than closed and cancelled projects, specific provisions had not been made in the financial statements for outstanding debts for more than 4 years relating to ground rents, annual fees, water bills and office rents amounted to Rs.41,042,493.

(iii) The BOI had not taken any action to recover the fees under financial assistance programme amounting to Rs. 27,423,101 due from 03 enterprises outstanding for several years and 100 per cent provision had been made for that amount.

(iv) Out of the total dues of Rs. 623,861,381, a sum of Rs. 197,445,217 or 32 per cent had been outstanding for over 04 years.

(v) A provision for bad and doubtful debts of Rs. 160,470,388 or 70 per cent had been made on total annual fees amounting to Rs. 229,294,809 dues as at 31 December 2011.

(b) Other Debtors

The details of the long outstanding balances of other debtors of the BOI and provision for doubtful debts and bad debts written off thereon as at 31 December 2011 as compared with preceding four years are given below.

Description	2011	2010	2009	2008	2007
	Rs.	Rs.	Rs.	Rs.	Rs.
Other debtors	61,204,152	103,810,214	102,967,791	103,349,904	106,259,198
Provision for doubtful debts	7,688,630	48,234,339	48,171,157	48,199,816	48,418,013
Provision for doubtful debts as a percentage of the total dues	13	46	47	47	46
Bad debts written off	40,378,653	Nil	Nil	Nil	Nil

The following observations are made in this connection.

(i) Provision for doubtful debts on other debtors represented almost over 45 per cent in previous four years. Out of total other debtors at the end of the year 2010, a sum of Rs. 40,378,653 or 39 per cent due from three Government Institutions which were outstanding for over four years had been written off during the year under review in contrary to FR 108.

(ii) According to the age analysis of other debtors, amounts outstanding for over four years were Rs. 59,206,839 or 97 per cent of the total other debtors.

2.2.4 Non-compliance with Laws, Rules, Regulations and Management Decisions

Instances of non- compliance observed in audit are given bellow.

Reference to Laws, Rules, Regulations, etc.	Particulars
(a) Section 10 (3) of the Finance Act No. 38 of 1971.	The BOI had maintained the Staff Benevolent Fund without obtaining the approval of the relevant Minister and the General Treasury.
(b) Public Finance Circular No. PF/PE 6 dated 31 January 2000.	The BOI had paid Pay As You Earn (PAYE) Tax out of its own funds on behalf of its officers contrary to the Circular instructions. The total amount so paid for the period from 1997 to 2011 amounted to Rs. 147,190,308.
(c) Public Enterprises Circular No. 95 of 14 June 1994, Management Services Department Letter No.DMS/A2/BOI dated 02 January 2007 (based on Management Services Circular No. 30 of 22 September 2006) and Public Administration Circular No.14/2008 of 26 June 2008.	The employees of the BOI enjoyed allowances such as monthly allowance of Rs. 15,000 to its executive officers who opted to deploy personal driver in lieu of official driver, attendance incentive and professional allowances without the required approval. The total amount so paid by the BOI for the year 2011 amounted to Rs. 80,966,370.

03. Financial Review

Financial Results

According to the financial statements presented, the operations of the BOI during the year under review had resulted in a net surplus of Rs. 83,596,097 as compared with the corresponding net surplus of Rs. 142,668,020 for the preceding year thus indicating a decrease of Rs.59, 071,923 in the net surplus due to decrease of revenue from agreement processing fees and increase of expenditures on press notifications and maintenance of computer and office equipment.

4. Operating Review

4.1 Performance

Following observations are made.

(a) Performances of the Export Processing Zones, Export Processing Parks, Industrial Parks, Regional Offices and New Economic Zones for the year under review as compared with the preceding four years are given bellow.

Component	Surplus/ (Loss) on operating activities before tax for the year				
	2011	2010	2009	2008	2007
	(Rs. 000)	(Rs. 000)	(Rs. 000)	(Rs. 000)	(Rs. 000)
Head Office	12,735	45,582	55,205	3,181	85,555
Export Processing Zones:					
- Katunayake	45,528	47,687	14,016	50,120	45,271
- Biyagama	(51,989)	(36,989)	(39,927)	(11,078)	(14,627)
- Seethawake	121,715	108,245	87,203	-	-
- Mirigama	(11,418)	(11,584)	(18,720)	(22,978)	(16,624)
- Wathupitiwala	(15,743)	(13,703)	(12,787)	(11,872)	(18,214)
- Horana	30,578	27,430	(1,439)	4,252	4,665
- Mawathagama	(7,418)	8,412	(20,021)	(6,986)	(4,869)
- Polgahawela	(2,170)	(4,167)	(5,308)	(4,689)	(4,977)
- Koggala	(26,980)	(17,503)	(23,149)	(23,412)	(42,364)
Export Processing Park:					
- Malwatta	(3,226)	(3,458)	(3,639)	(2,576)	(6,237)
Industrial Parks:					
- Kandy	29,388	16,491	(3,082)	(2,236)	(4,929)
- Mirijjawila	238	341	643	(2,561)	(19,214)
- Seethawake	Nil	Nil	Nil	100,158	149,401
Regional Offices:					
- North Western	22,256	12,112	14,001	9,285	3,587
- North Eastern	6,493	3,780	648	1,123	(339)
- Central	Nil	Nil	18,698	13,285	11,971
- Southern	Nil	Nil	(3,546)	(1,416)	(5,310)
Total	**149,987**	**182,676**	**58,796**	**91,600**	**162,746**

The BOI had carried out its functions through 9 Export Processing Zones (EPZ), one Export Processing Park (EPP), 2 Industrial Parks (IP) and 2 Regional Offices (RO). According to the above information following observations are made.

(i) Out of 8 EPZs (Seethawake EPZ had started only in the year 2009) only one Zone had been earning profits continuously during the four years period from 2007 to 2011.

(ii) 5 EPZs had occurred losses continuously during such period. And also, the sole Export Processing Park had occurred losses during the above period.

(iii) In addition, the surplus on operating activities before tax of the Head Office had decreased drastically from Rs. 55.2 million to Rs. 12.7 million or 77 % within the period from 2009 to 2011.

(iv) Further, the continuous loss of the Biyagama EPZ had increased by Rs. 15 million or 41 % when compared to the previous year.

(v) Even though, the profitability of two ROs were showing an improvement, total profit on operating activities before tax for the year under review had decreased by Rs. 32.7 million or 17.9% when compared with the previous year.

However, as per the management comments, most of the EPZs were created to enhance employment generation and regional growth but not for the purpose of earning profit only.

(b) Progress of the BOI Projects

(i) Total number of projects approved under Section 17 of the BOI Law and signed agreements and the total number of cancelled and closed down or suspended projects during the year 2011 as compared with the 10 preceding years are given below.

Year	Agreement signed Projects√1 No.	Cancelled Projects√2 No.	Closed down or Suspended Projects√3 No.	Total No. of Cancelled and Closed down or Suspended Projects No.
2001	185	78	1	79
2002	202	68	3	71
2003	272	55	3	58
2004	274	75	7	82
2005	208	121	8	129
2006	258	113	14	127
2007	310	119	18	137
2008	252	107	22	129

2009	182	93	33	126
2010	269	124	61	185
2011	161	46	30	76
Total	**2,573**	**999**	**200**	**1,199**

Note: Information as per the current status of the projects.

√1 Including Agreement Cancelled/Closed /Operation Suspended projects and Expansions

√2 Agreement Cancelled after commencing commercial operation (Excluding cancellations of expansions)

√3 Closed/Suspended after commencing commercial operation (Excluding close down/suspended of expansions)

Source: MIS BOI

2,573 agreements had been signed for BOI projects during the period from 2001 to 2011 and the number of agreements signed after the year 2007 had been drastically decreased from 310 to 161. The total number of cancelled and closed down or suspended projects, during the period 2001 to 2011 were 1,199. Further out of the agreement signed projects during the period from 2001 to 2011, number of cancelled, closed down and suspended projects was 322 or 12.5 per cent of total agreement signed projects.

(ii) As per the current operational status of projects as included in the MIS of the BOI, details of number of applications received under Section 17 of the BOI Law (without expansion), approval granted, agreements signed and commenced commercial operations from the year of commencement of 1978 and up to 31 December 2011 are given below.

Year	No. of applications received		Approval granted		Agreement signed		Commenced commercial operations		
	During the year	Cumu-lative	During the year	Cumu-lative	During the year	Cumu-lative	During the year	Cumu-lative	As a % of Agreement Signed projects
Up to 2005		6151		5554		3623		2529	70
2006	512	6663	350	5904	258	3881	129	2658	68
2007	609	7272	652	6556	310	4191	149	2807	67
2008	472	7744	460	7016	252	4443	189	2996	67
2009	448	8192	384	7400	182	4625	126	3122	67
2010	456	8648	364	7764	269	4894	140	3262	67
2011	218	8866	160	7924	161	5055	86	3348	66

- According to the above cumulative information, 8,866 applications for BOI projects under Section 17 of the BOI Law (without expansion) had been received and 7,924 projects had been approved during the period from the year of commencement of 1978 and up to 31 December 2011. However agreements had been signed for only 5,055 projects. Out of agreement signed projects, only 3,348 projects or 66 per cent had been commenced commercial operations.

- Further, as per the current operational status of the BOI, all of the above 4 categories of projects i.e. applications received, approval granted, agreements signed and commenced commercial operations projects had gradually decreased since 2008.

(iii) Foreign direct investments and local realized investments made through the BOI during the period from 2005 to 2011 are given below.

Year	Foreign Direct Investments (FDI)	Local Realized Investments
	US$ Mn.	US$ Mn.
2005	287.2	350
2006	603.7	400
2007	734.4	490
2008	888.9	226
2009	601.3	151
2010	516.3	433.4
2011	1066.1	426.6

Even though foreign direct investments had been increased by 106 per cent in the year under review, there were no improvements in local investments.

4.2 Management Inefficiencies

The following issues pointed out in my audit report on the financial statements of the BOI for the year 2010 had not been settled even up to 31 December 2011.

(a) The BOI had agreed with a Rubber manufacturing company situated at Horana Export Processing Zone, to reimburse the electricity tariff if the rates that prevailed on 29 December 2000 had increased over 6.9 per cent per annum. It was observed that approval of the Board of Directors had not been obtained for this arrangement and on this basis the company had claimed a sum of Rs. 356,793,568 in respect of increased rate of electricity tariffs during the period of June 2002 to September 2007. Further, a sum of Rs. 388,161,877 had also been claimed in respect of interest on delay in the payment of indemnity and the arbitration cost incurred by the company in terms of the final decision awarded by the International Court of Arbitration of the International Chamber of Commerce. The Court of Arbitration had given a verdict in favor of the Company. The matter is still under litigation.

The following observations were made in this connection.

(i) BOI had not made any provision in the financial statements in this regard.

(ii) The BOI had not obtained an assessment report from the Rubber Development Department and Rubber Research Institute on the availability of rubber wood in this area for consumption before granting the approval for the Project.

(iii) The BOI had entered into an agreement unfavorable to the BOI and in addition exceptional concessions to the Company had been granted without safeguarding the interest of the BOI. The BOI had leased out additional lands to the Company but, considerable extent of lands remained as unutilized.

(iv) Accordingly, ground rental, water bills, bungalow rental etc. due from this company to BOI were not recovered during that period.

(b) The Perth Estate was purchased by the BOI and part of the Estate had been handed over to the State Plantations Corporation for management for a period of five (5) years. The following observations are made in this connection.

(i) The assets even as buildings, valuable trees, etc. in the Estate had not been verified and recorded after the purchase.

(ii) The agreement had not been reviewed after the expiry period and necessary actions had not been taken to renew or terminate the contract on the expiry of the term of 5 years.

(iii) The BOI had not received the accounts of the Institution from 2006.

(iv) The Corporation had not remitted the profits regularly to BOI except a sum of Rs. 10 million made in the year 2005.

(v) The Corporation had borrowed money from BOI pledging fixed deposits made from profits of the Perth Estate.

(vi) Out of Rs. 40.4 million as share of profit, the BIO was unable to collect Rs. 30 million as a result of poor monitoring of financial management.

(vii) According to the information made available at the State Plantations Corporation (SLSPC), out of the balance available in the "Perth Estate Current Account" a sum of Rs. 22,232,590 had been transferred to a fixed deposit account and the balance amount of Rs. 16,321,251 had been remained in the said current account. However, BOI had failed to resolve that issue, as directed by the Committee On Public Enterprises held on 15 November 2011 and 14 November 2012, up to end of February 2013 and instead it was disclosed in the notes to the financial statements for the year under review that a sum of Rs. 16.4 million had been due from SLSPC to BOI for the period of eight years.

(viii) Increased the management fees by 15 per cent by the contractor unilaterally.

(ix) Failure to prevent unilateral utilization of revenue of the Perth Estate contrary to the conditions of the agreement which required that a separate Bank Account should be maintained for the management of the Perth Estate.

(x) Investment of revenue amounting to Rs. 20 million generated from Perth Estate in fixed deposits in the name of the contractor and pledged the deposit certificates for obtaining Bank overdrafts.

(xi) Unauthorized transfer of motor vehicles rental and bungalow rental amounting to Rs. 12.42 million through the current account to the contractor.

(xii) Investment of Rs. 16 million appearing in the current account of Sri Lanka State Plantation Corporation maintained by the Perth Estate in fixed deposits in the name of the Corporation and utilizing the interest thereon amounting to Rs. 1,576,978 for its own purposes.

(xiii) Significant discrepancies observed in the extent in the land as appearing in the Schedule of the transfer of Deed No. 278 of 09 December 1999, and the extent of the land appearing in the Notification published in the Extraordinary Gazette No. 980/19 of 17 June 1997 and extent of land as recorded in the Register of Lands had not been investigated with a view to ascertain the reasons thereto and taking corrective action. The undervaluation of 241 acres of land had not been properly investigated to ascertain whether such lands could be utilized effectively.

(c) The extent of the land of the Perth Estate (acquired 700 hectares (1,729 acres) of land, by the Deed of transfer No. 278 dated 09 December 1999, from SLSPC at a purchase consideration of Rs.120 million) had decreased substantially according to the survey done in the year 2009.

Further, though the extents and values of certain sections of the land had been recorded in the Register of Lands, plans relating to such blocks of land were not made available.

Description	Total extent of land as per the deed	Deference between the		Observations
		Deed of transfer	Schedules to the deed of transfer	
	(Hectares)	(Hectares)	(Hectares)	
The first survey conducted by the BOI just after the acquisition of the land (Plan No. 1786 of 03 April 2000)	692.52 (1,711A-1R-0P)	7.48 (18A-1R-37P)	123.45 (305A-0R-8P)	BOI had paid for more than the actual extent of lands acquired.

Consecutive surveys carried out by the Technical Service Department of the BOI	645.08 (1,594A-0R-4P)	54.92 (135A-2R-34P)	170.89 (422A-1R-4P)	There were major shortages of lands.
The Land Register of the BOI, prepared by a qualified Valuer based on verification and revaluation of land of the BOI carried out in the year 2009	593.54 (1,466-A-2R-27P)	106.46 (263A-0R-11P)	222.43 (549A-2R-22P)	The total extent of lands owned by the BOI had further declined.

4.3 Operating Inefficiencies

The BOI had incurred a sum of Rs. 22,295,456 as investment promotion expenditure for the year 2011. Following observations are made in this regard.

(a) Investment Promotion Planning

As per Section 9.2 of the Public Enterprises Circular No. PED/12 of 2 June 2003 on Public Enterprises Guidelines for Good Governance, each enterprise should have an investment promotion plan and action plan with an approval of the Board of the institution. The following observations are made in this regard,

(i) An investment promotion plan or action plan had not been prepared and implemented properly for the year under review.

(ii) The investment promotion expenditure had not been properly budgeted for the year 2011 and accordingly, out of the budget of Rs. 72 million requested by the Promotion and Media Department, only a sum of Rs. 27.5 million had been allocated for that purpose and out of which only a sum of Rs. 22.3 million had been expended during the year under review.

(b) Control over the investment promotion activities

A sum of Rs. 3 million had been paid by the BOI during the year 2011 to the Sri Lanka Tourism Promotion Bureau towards organizing of "International Women's Day Celebration" held at the Sugathadasa Indoor Stadium. However, this programme had not been identified as an investment promotion programme. Further, the BOI had not properly design and maintained investment promotion programmes, policies and procedures in order to achieve the investment promotion targets.

(c) A Register of BOI Enterprises registered under Section 16 of the Board of Investment of Sri Lanka Law had not been maintained and the performance of such enterprises had not been effectively monitored by the Board.

4.4 Assets Management

The BOI had purchased 04 condominium units in the West Tower of the World Trade Centre (WTC) at a cost of Rs. 530 million on 31 December 2007 and another 05 units in the same tower had later been purchased at a cost of Rs. 625 million on 05 March 2008 of where the BOI had occupied since September 2000 on lease basis. Following observations are made in this regard.

(a) The level six, purchased at a cost of Rs. 128 million, had been entirely evacuated with effect from 01 July 2011 to be rented out. However, such floor area had not yet been utilized for any economic activity and remained idle up to February 2013. Accordingly, due to ineffective management over the property owned by the BOI, an estimated loss of approximately Rs. 11.4 million had been occurred to the BOI for the period from 01 July to 31 December 2011.

(b) Out of nine floors of the West Tower of the World Trade Centre, a floor area of 2,781 Ft^2 had been allocated for the line Ministry and a floor area of 6,318 Ft^2 had been allocated for the Ministry of Economic Development, without entering into an agreement and without charging any rent for the usage of said floor areas. The Board approval for the provision of such facility had also not been obtained.

(c) The BOI had spent a sum of Rs.18,141,499 as office rent and Rs. 832,882 as electricity charges out of its own funds on behalf of the above Ministries as at 31 December 2011.

4.5 Human Resource Management

Following observations are made.

(a) Control over the cadre management

Even though, effective control should have been exercised over cadre management with systems and procedures geared to meet the changing needs, the BOI had not taken proper actions to fulfill those requirements in terms of Section 9.3 of the Public Enterprises Circular No. PED/12 of 2 June 2003. Accordingly, there were 122 vacancies in different categories of the staff during the year under review due to unrealistic management on cadre levels together with periodic review. Following observations are made in this regard.

(i) 122 vacancies in different categories of the staff, including 70 of executive staff (including the post of Director Internal Audit), 34 of Clerical and Allied Staff and 18 of general service staff, were observed as at the end of the year under review.

(ii) A proper succession plan had not been established and implemented by the BOI with an understudy designated to take over in the event of such post fall in vacant, particularly at management levels.

(iii) As per Section 8.3.9 of the Public Enterprises Circular No. PED/12 of 2 June 2003, Public Enterprises are not permitted to incur expenditure or deploy its resources (including human resources) under any circumstances, on behalf of the line Ministry and also, as per Section 9.4 of the above Circulars, an employee of an enterprise should not be released to the Ministry without the approval of the Cabinet of Ministers and the enterprise should not pay any emoluments to the released employee during such period. Further, according to the Public Enterprises Circular No. 21 of 08 January 2004, all Secretaries to Ministries are advised to ensure that resources of public enterprises should not be used for Ministry purposes. However, it was observed that ten employees of the BOI staff had been attached to the then Ministry and five employees of the BOI staff had been attached to the present Ministry without obtaining proper approval. The BOI had paid a sum of Rs.10,615,864 as salaries and other allowances for those employees since 2009.

(b) Voluntary Retirement Scheme (VRS)

The BOI had offered a voluntary retirement scheme (VRS) to its employees who wish to retire prematurely provided their vacancies need not to be filled or where their vacancies would be filled by another who could have been released for the purpose and a sum of Rs. 58,836,386 had been paid as compensation during the year 2011. As per the Public Enterprises Circular No PED 10 of 28 May 2003, "Age of retirement for the purpose of computing compensation, shall be either 55 years or 60 years as stipulated in the letter of appointment of the officer concerned". According to the appointment letter, the age of retirement would be strictly in conformity with government policy on governing retirement of employees in Public Corporations. Further, as per the Public Enterprises Circular No. PED 60 of 29 April 2011, except in respect of public enterprises where the retirement age is specially determined by an Act passed in the Parliament, the employees of the other public enterprises may serve up to the age of 57 years on his/ her consent without a request made for an extension. Following observations are made in this regard.

(i) According to the above circular instructions, the age of retirement should be considered as 57 years for the purpose of payment of compensation for employees of the BOI who opted for voluntary retirement. However, in contrary to the above requirements, 10 officers who were beyond 57 years of age had been offered the said VRS and paid a sum of Rs. 10,466,523 as compensation.

(ii) If the above mentioned officers were granted service extension up to the age of 60 years beyond 57 years of age, the total amount payable calculated on the basis of the basic consolidated monthly salary drawn at the time of retirement, would be Rs. 8,127,805 only. Accordingly, it was observed that the BOI had paid an extra cost of Rs. 2,338,718 without obtaining any service as a result of offering VRS to officers who were beyond 57 years of age.

(iii) Although, compensation should be calculated on the basis of the consolidated monthly salary drawn at the time of retirement excluding other interim allowances, the BOI had calculated the compensation on the basis of consolidated monthly salary including cost of living allowance and special allowance of 5% on basic salary.

(c) The concurrence of the Secretary to the Treasury for the Manual of Procedures on Human Resource Management had not been obtained through the Department of Public Enterprises in accordance with the provisions in Section 9.14 of the Public Enterprises Circular No. PED/12 of 2 June 2003.

4.6 Utilization of Motor Vehicles

Release of vehicles to the Line Ministry

Two motor vehicles had been released to the Line Ministry during the year 2011 contrary to the provisions of Letter No.CSA/P1/40 of 04 January 2006 issued by H.E. the President and Section 8.3.9 of the Public Enterprises Circular No. PED/12 of 2 June 2003. The BOI had spent a sum of Rs. 7,847,130 for the period from 2005 to 2011 on repairs and maintenance for the motor vehicles released to the line Ministry. The amount reimbursable by the Ministry in this connection had neither been recovered nor brought to account as receivables.

5. Accountability and Good Governance

5.1 Corporate Plan

The corporate plan for 2007-2013 had set the direction for achieving the core objectives for the economic benefits of the country. However, following key targets set for the year 2011 were not achieved.

Sector	Annual targets	Actual	Achievement as a percentage of targets
			%
Foreign Direct Investments (US$ Mn.)	1,290	1,066	83
Employment generation (Nos.)	13,000	6,555	50

5.2 Action Plan

An action plan had not been prepared separately or with the corporate plan and the responsible officer for each activity had not been identified.

5.3 Internal Audit

Out of total cadre of 16 posts in the Internal Audit Department, six posts had remained vacant as at 31 December 2011. Even though the Director Internal Audit had retired in the year 2009, necessary actions had not been taken to fill such post. Further, two Senior Deputy Director posts had been in vacant for a long period.

5.4 Audit and Management Committee

Even though, according to Section 9.12 of the Public Enterprises Circular No. PED/12 of 2 June 2003, the Audit Committee should have met on a regular basis at least once in three months with the Chief Internal Auditor and should have submitted its observations to the Board of Directors with recommendations for necessary actions, such Committee had met only two times during the year under review.

5.5 Budgetary Control

Significant variances were observed between the Budget and the actual of income and expenditure for the year under review, thus indicating that the budget had not been made use of as an effective instrument of management control.

6. Systems and Controls

Deficiencies in systems and controls observed during the course of audit for the year under review were brought to the notice of the Chairman of the BOI from time to time. Special attention is needed in respect of the following areas of control.

(a) Compliance with Laws, Rules and Regulations
(b) Recovery of Staff Loans
(c) Monitoring of Projects
(d) Collection of Dues from Enterprises
(e) Personal Emoluments

H.A.S.Samaraweera
Auditor General

The reply to the Report of the Auditor General on the Financial Statements of the BOI for the year ended 31.12.2011 in terms of section 14 (2) (C) of the Finance Act No. 38 of 1971

Comments for the Observations in the Report of the Auditor General

Report of the Auditor General on the Financial Statements of the Board of Investment of Sri Lanka for the year ended 31 December 2011 in terms of Section 14(2)(c) of the Finance Act No. 38 of 1971.

2.2 Comments on Financial Statements

2.2.1 Non-compliance with Sri Lanka Accounting Standards (SLAS)

The present value of the defined benefit obligation would be disclosed commencing from year 2012 in compliance with Sri Lanka Financial Reporting Standards (SLFRS).

2.2.2 Accounting Policies

- License Fee for Section 16 is accounted for on cash basis & this would be disclosed in the notes commencing year 2012.
- Agreement Processing Fee is collected after the application is approved & before signing the agreement. Therefore, this income / cash is generated in between the above period.

  Further, the Agreement Processing Fee is non-refundable even if the Agreement is not signed.

  As such, Agreement Processing Fee is not accounted for on cash basis.

2.2.3 Accounts Receivable

(a) Accounts Receivables and Provision for Doubtful Debts

(i) Recovery of Ground Rent & Annual fee was 95% of invoiced value and recovery of Water & Rent is 98% (as at 30/06/2012) for 2008 to 2011 as follows.

Revenue	2011	2010	2009	2008
Ground Rent & Annual Fee (without VAT)	849 M	826 M	759 M	767M
Ground Rent & Annual Fee (with VAT)	950 M	926 M	851 M	883 M
Water & Rent	883 M	850 M	774 M	755 M

Debtors – (Balance due from above invoiced value as at 31/12/2011)

	2011	2010	2009	2008
Ground Rent & Annual Fee	51 M	34 M	46 M	34 M
Water & Rent	105 M (as at 30/06/2012 – Rs. 22M)	21 M	12 M	19 M
Debt Recovery Ratio of Ground Rent & Annual Fee (% on invoiced value of Ground Rent & Annual Fees)	95%	96%	96%	95%
Debt Recovery Ratio of Water & Rent (% on invoiced value of Water & Rent)	88%	98% (as at 30/06/2012 – 98%)	98%	97%

Therefore, recovery level of debts is at a higher level although provision for bad debt has increased from 16% to 43% from 2006 to 2011as a result of expediting the process of cancelling projects. It is noteworthy that 100% provision has been made for debtors relating to water of closed and cancelled projects commencing from 2007, which has also contributed to this increase.

Further, Accounting Policy adopted by BOI for the provision of Bad & Doubtful Debts is as follows;

Specific Provision - 100% for Cancelled and Closed Project dues

General Provision - 15% on Annual Fee dues (other than cancelled & closed projects)

7.5% on Ground Rent, Water and other receivables (other than cancelled & closed projects)

However, it is pertinent to note that the enterprises within the zones are charged a non refundable land premium as an upfront payment and when such enterprises default the ground rent within the lease period, BOI has a balance in land premium to set off the dues and in addition to that structures/buildings put up by the enterprise is also left.

The Board invoices all enterprises by the 1st of January each year for Ground Rent & Annual Fees. According to the agreements, the Annual Fees and Ground Rent are payable before 10th of January each year.

Every effort is made to collect dues from enterprises by dispatching reminders at regular intervals as follows;

1. 1st Reminder is sent during the 1st week of February, notifying suspension of services from 28th February, if not settled by 28th February.

2. Zone Offices are also informed giving the deadline for payment of Ground Rent and Annual Fees, as 28th February.

3. By 2nd March, Finance Department of the BOI informs the relevant departments to suspend all services given to enterprises which have defaulted payment.

4. A statement of outstanding balances as at end of every month is sent to Directors/Accountants/Managers at Zones/Regional Offices and they are instructed to follow up on dues.

5. 2nd Reminder is sent by 30th June.

6. Commencing 2011, 3rd Reminder is sent by 1st week of September.

7. Commencing 1st October 2007, interest is charged on delayed settlement of dues. Accordingly, interest is charged after 10th January of the year.

8. Beginning of every year, a list of enterprises who have defaulted Annual Fee/Ground Rent in the preceding year is submitted to relevant Investment Sector Group of the BOI for termination of Agreement.

9. A statement of non compliance / cancellation is sent by relevant Investment Sector Group before cancelling projects requesting for payment of dues.

10. Commencing 2012, Legal Department is informed to take Legal action in respect of all defaulters irrespective of the status of the enterprises. Before 2012, Letters of demand were sent to the cancelled enterprises only.

In addition to above, the Directors of the Zones have been delegated authority to monitor the operations of the enterprises under their purview and to take necessary action to improve debt recovery.

BOI is further considering establishing a separate Debt Collection Unit to support and expedite the recovery of dues.

As per our records, bad debt written off for account receivable is Rs. 32,734,612/47 where as it is shown as Rs. 73,113,266.00 in the Audit Report. The above Rs. 73,113,266/- includes a bad debt written off under other Debtors of Rs. 40,378,653/-

(ii) Accounting policy adopted by BOI for the provision of Bad & Doubtful debt is to provide100% only for cancelled & closed projects dues.

(iii)

- Acquired under Underperforming Enterprises & Underutilized Assets Act No. 43 of 2011

Dynamic Clothing (Pvt) Ltd	-	Rs. 12,249,330/-
Yobeeda Associates	-	Rs. 3,871,625/73

Outstanding dues pertaining to above enterprises which were taken over under the Underperforming Enterprises & Underutilized Assets Act No. 43 of 2011 will be recovered out of the compensation that will be paid for property (excluding land).

- STY International Garments (Pvt) Ltd - Rs. 11.3 M

  STY Int'l located at KgEPZ has been forced opened and handed over to another investor. This amount has already been set off against the value of building taken over by the BOI. The value of building as per Chief Valuer's valuation is Rs. 24 M.

According to the action being taken by the management for recovery of dues as mentioned above, it is expected to reduce the long outstanding dues.

(iv) & (v)

Beginning of every year, a list of enterprises who have defaulted fees in respect of Annual Fee is submitted to the Monitoring Department / Sectors of the BOI for necessary action and termination of the agreements.

Out of Rs.79 M outstanding on account of water, Rs. 70 M and Rs. 2.1 M in respect of rent is due from Merbok MDF Lanka (Pvt) Ltd.

(b) Other Debtors

(i) The said dues were written off after obtaining Board approval in order to finalize accounts pending approval of the Ministry. However, BOI has sought covering approval of the Ministry & awaiting same.

(ii) Noted.

2.2.4 Non-compliance with Laws, Rules, Regulations and Management Decisions

(a) Maintaining Staff Benevolent Fund in contrary to regulatory provisions

Objective - Minimize the impact on financial commitment of the organisation at the time of giving five months salary loan to its staff with concessionary interest rates by covering a part of the interest using the fund.

Contribution - Fund consists of membership contributions and initial contribution of the BOI.

Approval - Board approval was granted on 10.10.1994

(b) PAYE Tax

As instructed by the Secretary, Ministry of Economic Development by the letter dated 12.11.2012 BOI has commenced deducting PAYE tax attributable to the salary of employees with effect from November 2012.

(c) Allowances paid to employees

Professional Allowance

Objective - Attract professionally qualified personnel to the Board's service and encourage existing employees to gain higher professional qualifications in their respective disciplines and thus enhancing their contribution to achieve organisational goals.

Approval - Board approval was granted on 13.09.1991.

Driver Allowance

Objective - Make a monthly payment to officers who are assigned vehicles by the Board and do not deploy a driver from the BOI. This payment was recommended as it is financially and administratively cost beneficial to the BOI to pay an allowance to the officers who are assigned vehicles in lieu of employing a driver.

Approval - Board approval was granted on 14.01.2003.

Attendance Incentive

Objective - Attendance incentive allowance is based on employees' reporting for duty on time and also refraining from obtaining leave so that their contribution makes it possible for the BOI to contribute to the economic development of the country.

Approval - Board approval was granted on 06.11.1990

There is no need for BOI to obtain Treasury Approval to maintain the welfare scheme for the benefit of the Board's employees. There is no any circular of Public Enterprises, Public Finance or any other to prevent Board of Directors of the BOI exercising its prerogative powers vested in under the Sec. 13 of the BOI Act.

Therefore, in the absence of any Treasury instructions, Guidelines, Act or any circular of the Government which prevent the Board of the BOI exercising its powers, the decisions taken by the Board to operate a welfare scheme & benevolent fund and to give professional allowance, attendance incentive & driver allowance are in order.

3. Financial Review

3.1 Financial Results

No comments.

4. Operating Review

4.1 Performance

(a) Performance of Export Processing Zones, Export Processing Parks, Industrial parks, Regional Offices and New Economic Zones

Most of the Export Processing Zones (EPZs) were created in less developed areas of the country particularly to enhance employment generation and regional growth, but not with the objective of purely to operate them as profit centers.

(i) Noted.
The report mentions that the Seethawaka Export Processing Zone was started in the year 2009. However, the Seethawaka Industrial Park was commissioned in the year 1999 under the Ministry of Industries and subsequently it was vested on the BOI in year 2001. The name of the Zone was changed as Seethawaka Export Processing Zone in year 2009.

(ii) Noted.

(iii) Noted.

(iv) Noted.
One of the main reasons for the increase in the loss is due to increase of Depreciation amount and the amount of salaries, other expenditure items which are possible to control, remain with no significant change.

(v) Noted.
The Export Processing Zones, Industrial Parks and Export Processing Parks have been established with the main objective of contributing to the economic development of the country. Depending on the locations of the Export Processing Zones, utilization of land, nature of infrastructure facilities provided and the depreciation vary. It is to be noted that all the Zones are being managed by a team of officers who are responsible for the implementation of best practices, minimize losses and ensure a quality service to the investors and their employees. Although the overall status in certain Zones remain as loss making Zones management is satisfied with the Zonal Staff who carry out duties under the supervision of the Board, perform to their best possible levels minimizing losses.

(b) Progress of the BOI Projects

(i) As the period 2007 to 2011 includes the civil war prevailed in Sri Lanka which was a great hindrance to promote inward investments. However, with greatest difficulty, in the year 2008, BOI has been able to achieve the highest FDI figure of US$ 889 Mn prior to 2011 achievement. During this period the main focus of BOI was to attract high value investments and not the number of investment projects. Also it should be noted that prior to the 2011 budget, the tax holidays granted for projects were restricted to 3-5 years which discouraged investors. However, with operation of Strategic Development Projects Act, BOI was able to attract the highest ever FDI figure of over US$ 1 Bn in 2011 despite several issues pertaining to land, environment and other matters.

According to the records of MIS BOI; 2,573 (at present updated figure is 2,578) agreements have been signed during the period 2001-2011, whereas 1,199 projects have been cancelled, closed or suspended during the same period.

- However, this 1,199 include projects which have signed agreements even prior to the year 2001 (i.e. since 1978) and commenced commercial operation. Hence Auditor General's statement referring that 47% of total agreement signed projects have been cancelled, closed or suspended is not factually correct.
- Out of the 2,578 projects, only 322 projects have been cancelled, closed or suspended during the period 2001- 2011.
- Accordingly, the percentage of cancelled, closed or suspended projects is 12.5% (i. e. 322*100 /2578) and not 47%.
- Please note that BOI has mentioned the above fact in the reply for section 3.2.1 (b) (ii) of the "Report of the Auditor General on the Financial Statement of the BOI for the year ended 31.12.2010" too, which appears to have been ignored.
- The 12.5% is an acceptable level when it comes to projects cancellation, closure or suspension.

(ii) & (iii)

- Figures referred in item 4.1 (b) (ii) are correct as per the date provided by the Research Department of the BOI from the MIS.
- The percentage of realisation of projects which is in an average of 67% is quite acceptable compared to the other countries in the region.
- No country gets 100% realisation of projects out of the agreements that have been signed during a year.
- It is important to find out the reasons for failing to commence commercial operation of the projects such as land issues, environmental issues etc. beyond the control of BOI.

- Although the comments are only on numbers, the more important is the value of investment rather than numbers of applications, approvals, and agreements signed.
- The key objective of the BOI is to attract foreign investment although the local investment is facilitated as well.

4.2 Management Inefficiencies

(a) Manufacturing Company situated at Horana Export Processing Zone

BOI got a favourable order at the Commercial High Court of Colombo by the judgement dated 14.05.2012 stating that clause 20 of the BOI Agreement is not valid in terms of the Law of Sri Lanka. With regard to the High Court judgement, said manufacturing company has made an appeal to the Supreme Court under SC/HC/LA Application No. 55 2012.

(i) Contingent liability has been given as a note to the accounts.

(ii) It is observed that this project proposal had been considered and approved at Director General's level without obtaining an assessment report from Rubber Development Authority.

(iii) Except 80 acres, the balance extent of 457 acres has not been handed over to the Investor by the BOI yet, despite the signing of Lease Agreement, due to pending Court Cases. As such 457 acres of land remains unutilized pending the settlement of the Court Case.

(iv) Due to pending Court Cases BOI has not been able to recover the dues yet.

(b) Perth Estate

(i) As per the directive given at the Meeting held on 08.09.2006 to discuss the Perth Estate issues, Internal Audit – BOI had done a verification of Fixed Assets at Perth Estate, Horana during the year 2006.

(ii) There was no necessity to review the agreement as the BOI did not have an intention to renew the agreement for a further period.

(iii) BOI has written to Sri Lanka State Plantations Corporation (SLSPC) requesting the audited accounts of Perth Estate for the period from January 2007 to August 2007.

Chairman, SLSPC has informed by his letter of 02/03/2012 that the financial statement for the above period has been forwarded to their auditors and will be submitted to us in due course.

(iv) – (xii)

On the directive given at the COPE Meeting held on 15/11/2011, the Additional Secretary to the Ministry of Economic Development convened a meeting on 22/12/2011 under his Chairmanship to resolve the issue of profit due to BOI according to the Management Agreement.

At the above meeting, the BOI was informed that the audited accounts of the Perth Estate for the period 1999 – 2006 already submitted to the BOI were incorrect. The amount of Rs. 30.68 M was ascertained based on the above audited accounts.

SLSPC disputed the amount of Rs. 30.68 M claimed by the BOI. It was observed that a sum of Rs. 23.16 M was charged to BOI as compensation according to the audited accounts of the Perth Estate (1999 – 2006). SLSPC informed BOI that the compensation had been paid to employees.

As per the Cabinet Approval, BOI was liable to pay compensation to employees. As such, it was decided to claim Rs. 16.4 M from SLSPC as per the audited accounts of Perth Estate as at 31/12/2006.

Accordingly, resolving matters pertaining to Perth Estate is in progress.

(xiii) Please refer the reply 4.2 (c) below and corrective actions are in progress accordingly.

(c) Land Extent of Perth Estate

As per the approval granted by the Cabinet of Ministers on 21.07.1999, the extent of land to be purchased by the BOI from SLSPC has been mentioned as approximately 1500 acres.

In the respective Cabinet Memorandum the BOI has been instructed to make a payment of Rs. 120 Mn. for the purchase of the Perth Estate land at Horana. The amount of Rs. 120 Mn. has been determined by the Valuation Department considering the land in extent of 1563.15 acres based on the Survey Plan No. 1660 A dated 01.04.1997 prepared by Mr. M. T. Ratnayake, Licensed Surveyor.

As such the exact extent of land purchased by the BOI from SLSPC is 1563.15 acres.

However, the total extent of land appearing in the Deed of Transfer bearing No. 278 and Deed of Rectification No. 301 has indicated a different extent of land. Therefore, BOI with the consent of SLSPC conducted a fresh survey through the Survey Department recently and according to the Survey Plan SLSPC has agreed to provide shortage of lands and also to amend the Deed of Transfer suitably. This is in progress at present.

4.3 Operating Inefficiencies

(a) Investment Promotion Planning

(i) Since the restructuring process was under implementation throughout the period a specific investment promotion plan was not prepared for the year under review, instead plans were prepared on ad-hoc basis depending on the necessities arisen for the promotional activities.

(ii) Noted.

(b) Control over Investment Promotion Activities

BOI's comment for this matter is as same as the reply given by the Chairman / Director General of the BOI to the Committee on Public Enterprises (COPE) when it was raised at its last review held on 14.11.2012 which was duly accepted by COPE.

(c) Records of expatriates attached to BOI enterprises approved under Section 16 of the BOI Law are maintained by the BOI in a system called 'Visa Recommendation System'.

Examples of formats of reports that can be generated are as follows;

- List of expatriates attached to companies (incl. company name, name of expatriate, passport number etc)
- List of expatriates – Designation-wise
- List of expatriates – Country-wise
- List of expatriates – Sub-product category

Sample of such reports generated from above system are attached in **Annexure I.**

4.4 Assets Mismanagement

(a) With the restructuring of the BOI the two departments located at level 06 was shifted to other floors creating an opportunity to lease/rent the entire floor space. In the year 2011 the Securities and Exchange Commission had shown an interest to lease the floor but it did not pursue further.

BOI has signed a lease agreement with the Ministry of Justice to lease the said floor for 03 years. The Cabinet of Ministers have granted approval for the Ministry of Justice to establish an International Arbitration Centre at level 6 West Tower, WTC.

(b) BOI is under the purview of the Ministry of Economic Development and the two Deputy Ministers of the Line Ministry hold their offices at Level 25 and 27 of the World Trade Centre Building.

Board approval has been granted to lease out two floors to the Ministry. The draft Lease agreement has been sent to the Ministry for their concurrence to sign the agreement.

Balance area in 27th floor will be utilised by the Investor Services Dept. currently locates at Sir Baron Jayathilake Mawatha. Thereby the BOI will ensure optimum utilisation of its floors at WTC and generating revenue by renting out the building at Sir Baron Jayathilake Mawatha.

(c) Though the BOI has sent many reminders the Ministries have not paid the dues for electricity and rent.

4.5 Human Resource Management

(a) Control over the cadre management

(i) It is stated that there were 159 vacancies in different categories of staff including 84 of executive staff, 40 of Clerical & Allied Staff & 35 of General Service Staff as at 31.12.2011. However it should be noted that 38 vacancies created as at 31.12.2011 due to the Voluntary Retirement Scheme will not be filled. Further, 05 Casual employees in General Service Staff were not considered in the audit query. In addition, there were 06 existing Executive Staff without cadre positions and these posts are being maintained as personal to them and will not be filled on the retirement of the officer. Accordingly, actual number of vacancies as at 31.12.2011 is 122. However, 96 numbers of vacancies out of the above 122 were already filled in year 2012 and the remaining vacancies will be filled in due course on the necessity of filling those vacancies.

(ii) A succession plan of the BOI has already been formulated and implemented in a progressive manner.

(iii) The BOI had to release few employees to the Line Ministries considering the requirements arose from time to time. Especially, these employees were released considering the nature of their duties on the directives of the Hon. Ministers. Approval of the Board of Directors was obtained for these releases.

Accordingly, two (02) employees had been released to the Office of the Hon. Minister of Economic Development and three (03) employees had been released to the Office of the Hon. Deputy Minister of Economic Development during the year 2011.

(b) Voluntary Retirement Scheme (VRS)

(i) Voluntary Retirement Scheme - 2011 of the BOI has taken the precedent for its rules and regulations from the Voluntary Retirement Scheme introduced by the Government in year 2003. Accordingly, the age of retirement was considered as 60 years for the purpose of payment of compensation. Further, PED Circular No. 60 of 29.04.2011 has stated that the Board of Directors of relevant public enterprises has the authority to retain their employees up to the age of 60 years by giving them service extensions.

(ii) & (iii)
Detailed report on payment for VRS has been submitted to the Secretary to the COPE on 20.11.2012 as agreed at the COPE meeting held on 14.11.2012.

(c) The Human Resource Policy Manual of the BOI has been prepared and submitted for the information and approval of the Board. The Board has granted approval to adopt and implement the Human Resource Policy Manual. Action will be taken to obtain the concurrence of the Secretary to the Treasury for the Human Resource Policy Manual of the BOI in due course.

4.6 Utilisation of Motor Vehicles

Release of vehicles to the Line Ministry

Vehicles are released on request of the Ministry, time to time for the Investment and Promotion activities related to the BOI. BOI officials also travel with the Ministry officials for Investment Promotion activities. As these tasks are related to the BOI, the Ministry of Economic Development is not in a position to reimburse the repair expenditure incurred for BOI vehicles.

5. Accountability and Good Governance

5.1 Corporate Plan &
5.2 Action Plan

BOI developed a comprehensive Corporate Plan for the period from 2011 to 2015, which will be reviewed every year thereafter.

The Corporate Plan of the BOI for 2011 – 2015 was prepared to guide its staff in their task of supporting implementation of the Government's Investment Policy.

However, a major restructuring process was taken place at the end of 2010 pending policy changes in budget proposals for 2011.

The Corporate Plan outlines the mission of the BOI and the role of its employees in achieving the organisation's objectives. The priorities of the BOI are to provide efficient services to the investors and ensure that targeted investments are realized. The Corporate Plan has drawn its strategy focusing on three key sectors to be developed, indicating the main areas where the actions of the BOI are to be targeted, namely

- Thrust Sectors
- Fast Tracking of approved pipe line projects.
- Strategic Development Projects and Mega Projects

BOI targets have been set for the next 05 years (2011 – 2015) based on the value of investment, value of export earnings / foreign exchange savings and number of employment generation. This will be the BOI's contribution towards achieving a GDP growth rate of 8% - 10% annually.

However, reviewing of the existing Corporate Plan in the present context including development of strategies and action plan to achieve the Corporate Targets for the period from 2013 – 2017 is in progress and will be completed within 3 months time and will be submitted to the Line Ministry and Auditor General.

5.3 Internal Audit

Total cadre of the Internal Audit Department, Head Office consists of 16 posts and not as 17 posts as indicated in the audit query. Out of the total cadre of 16 posts, only 02 posts (i.e. Director & Senior Deputy Director) were vacant as at 31.12.2012. There is one Senior Deputy Director post in the above cadre (not as two Senior Deputy Directors mentioned in the audit query) and the duties of the said post are covered by an Acting Senior Deputy Director at present. The process of filling of that vacant Senior Deputy Director post is being progressed.

5.4 Audit and Management Committee

Guidelines stipulated in the 'Public Enterprises Guidelines for Good Governance' (Circular No. PED/12) are noted and wish to state that most of the principles laid down in the same are adhered to and any non-complied areas will be adopted to practice in the future.

5.5 Budgetary Control

It is incorrect to say that the budget has not been made use of as an effective instrument of management control. BOI definitely make use of the budget as a measure to control expenditure and achieve revenue targets.

6. Systems and Controls

(a) Compliance with Laws, Rules and Regulations

Please refer reply to 2.2.4 above.

(b) Recovery of Staff Loans

All actions have been taken to control and recovery of staff loans.

(c) Monitoring of Projects

In comparison to the situation prior to July 2011 and after the July 2011, there is a significant improvement in monitoring of projects from approving stage to liquidation which can be evidenced by Board Papers those have been presented for ratifications, cancellations, terminations, supplementary etc.

However, sector guidelines have already been issued to fix the responsibilities and duties assigned to the BOI officers in the Investment Sector Groups involved in various activities of the projects and their performance and progress is closely monitored by the Executive Directors of the Sector Groups and Director General at the weekly meetings and at the Management Committee Meeting.

(d) Collection of Dues from Enterprises

The Board Invoices all enterprises by the 1st of January each year for Ground Rent and Annual Fees. According to the agreements the Annual Fees and Ground Rent are payable before 10th of January each year.

Every effort is made to collect dues from enterprises by dispatching reminders at regular intervals as follows;

1. 1st Reminder is sent during the 1st week of February, notifying suspension of services from 28th February, if not settled by 28th February.

2. Zone Offices are also informed giving the deadline for payment of Ground Rent and Annual Fees, as 28th February.

3. By 2nd March, Finance Department of the BOI informs the relevant departments to suspend all services given to enterprises which have defaulted payment.

4. A statement of outstanding balances as at end of every month is sent to Directors/Accountants/Managers at Zones/Regional Offices and they are instructed to follow up on dues.

5. 2nd Reminder is sent by 30th June.

6. Commencing 2011, 3rd Reminder is sent by 1st week of September.

7. Commencing 1st October 2007, interest is charged on delayed settlement of dues. Accordingly, interest is charged after 10th January of the year.

8. Beginning of every year, a list of enterprises who have defaulted Annual Fee/Ground Rent in the preceding year is submitted to relevant Investment Sector Group of the BOI for termination of Agreement.

9. A statement of non compliance / cancellation is sent by relevant Investment Sector Group before cancelling projects requesting for payment of dues.

10. Commencing 2012, Legal Department is informed to take Legal action in respect of all defaulters irrespective of the status of the enterprises. Before 2012, letters of demand were sent to the cancelled enterprises only.

In addition to above, the Directors of the Zones have been delegated authority to monitor the operations of the enterprises under their purview and to take necessary action to improve debt recovery.

BOI is further considering establishing a separate Debt Collection Unit to support and expedite the recovery of dues.

(e) Personnel Emoluments

All the emoluments followed the provisions of Chapter 1 of Establishment Code, Volume I and the systems maintained in this regard are in order.

Report of the Audit Committee

The Audit Committee which was constituted in accordance with the provisions in the Public Finance Circular PF/PE3 of 19.11.1999 comprised of following members;

1.	Chairman	-	Mr. Eshana de Silva (Member of the Board of Directors of BOI)
2.	Member	-	Mr. Sanjeewa Wickramanayake (Member of the Board of Directors of BOI)
3.	Member	-	Mr. Anura Jayasinghe (Member of the Board of Directors of BOI)
4.	Member	-	Mr. S. R. Attygalle (Treasury Representative)
5.	Observer	-	Mr. G. L. R. Wasantha (Internal Auditor / Accountant, Ministry of Economic Development)

Actg. Senior Deputy Director (Internal Audit) acted as the Secretary / Convenor to the Audit Committee.

The Audit Committee monitored the effectiveness of Internal Audit Function and reviewed its material findings at its meetings with the presence of Internal Auditor, Superintendent of Government Audit as the Independent Auditor and a Representative of the Ministry of Economic Development.

Having considered the issues highlighted by the Superintendent of Government Audit, the Audit Committee directed relevant departments to comply with the deadlines and requirements of the Auditor General and the Internal Auditor to monitor such and report on any lapses to the Audit Committee.

The Audit Committee was of the view that terms and references for the Committee were complied within all material aspects.

APPENDICES

Performance Highlights

Statistical Summary 2010 vs. 2011

Key Indicators -by Project Status	2010	2011*	2010/2011 % Change
Projects Approved Under Sec 17 Of the BOI Law			
A. Application Received			
No of Applications			
New	401	175	-56.4
Expansions	54	36	-33.3
Total	455	211	-53.6
B. Approvals			
No. of Projects Approved			
New	324	121	-62.7
Expansions	40	36	-10.0
Total	364	157	-56.9
Estimated Investment			
- Foreign (Rs.Mn.)	82,866	353,189	326.2
- Local (Rs.Mn)	142,734	144,677	1.4
- Total (Rs.Mn.)	225,600	497,866	120.7
Employment Capacity (Nos.)	55,237	47,149	-14.6
C. Agreement Signed			
No. of Agreements			
New	237	127	-46.4
Expansions	32	34	6.3
Total	269	161	-40.1
Estimated Investment			
- Foreign (Rs.Mn.)	55,318	238,489	331.1
- Local (Rs.Mn)	82,494	132,894	61.1
-Total (Rs.Mn.)	137,812	371,383	169.5
Employment Capacity (Nos.)	34,827	42,715	22.6
D. Commenced Implementation			
No. of Projects			
New	125	66	-47.2
Expansions	8	0	0.0
Total	133	66	-50.4
Estimated Investment			
- Foreign (Rs.Mn.)	9,827	76,564	679.1
- Local (Rs.Mn)	37,315	34,190	-8.4
-Total (Rs.Mn.)	47,142	110,755	134.9
Employment Capacity (Nos.)	17,846	12,855	-28.0

Performance Highlights
Statistical Summary 2010 vs. 2011 *(Contd)*

Key Indicators -by Project Status		2010	2011*	2010/2011 % Change
E. Commenced Commercial Operation				
No. of Projects				
	New	121	70	-42.1
	Expansions	14	3	-78.6
	Total	135	73	-45.9
Realised Investment				
	- Foreign (Rs.Mn.)	29,589	8,106	-72.6
	- Local (Rs.Mn)	31,929	6,799	-78.8
	-Total (Rs.Mn.)	61,518	14,905	-75.8
Employment (Actual) (Nos.)		9,790	6,555	-33.0
F. No. of Projects in Commercial Operation (as at end of December) **				
	Parent Projects	-	1,577	
	Expansions	-	163	
	200 GFP	-	115	
	Total	-	1,855	
G. Foreign Direct Investment (Jan - Dec.)				
	(US $ Mn.)	516	1,066	106.6
	(Rs.Mn.)	58,339	117,868	102.0
H. Exports (Jan-December)				
Total (US$ Mn.)		5,175	6,571	27.0
Total (Rs. Mn.)		585,041	726,594	24.2
I. Imports (Jan-December)				
Total (US $ Mn.)		3,360	4,399	30.9
Total (Rs. Mn.)		379,874	486,414	28.0
	by Category - (Rs.Mn.)			
	Capital Goods	59,956	98,128	63.7
	Raw Material	314,991	382,663	21.5
	Other Materials	4,927	5,623	14.1
J. No of Projects***				
Closed Projects		52	30	-42.3
Projects Suspended		16	5	-68.8
Agreement Cancelled		125	44	-64.8
Total		193	79	-59.1

Performance Highlights
Statistical Summary 2010 vs. 2011 *(Contd)*

Key Indicators -by Project Status	2010	2011*	2010/2011 % Change
Projects Approved Under Sec 16 Of the BOI Law			
A. Approvals			
No. of projects Approved	74	22	-70.3
Estimated Investment			
- Foreign (Rs.Mn.)	4,551	2,517	-44.7
- Local (Rs.Mn)	316	1,136	259.2
-Total (Rs.Mn.)	4,867	3,652	-25.0
Employment Capacity (Nos.)	1,741	559	-67.9
**B. Projects In Commercial Operation (Cumulative) ** **			
No. of Projects	802	771	-3.9
Estimated Investment			
- Foreign (Rs. Mn.)	20,159	19,421	-3.7
- Local (Rs. Mn.)	10,517	10,087	-4.1
- Total (Rs.Mn)	30,676	29,508	-3.8
Employment capacity (nos.)	38,723	37,029	-4.4

	2010	2011
Exchange Rate (US$)	113.06	110.57

* Provisional

^ In the process of calculation

Applications: Total application received (Including Projects Rejects & Withdrawals)

Estimated Investment/Employment - Including value of expansions

Source : Board of Investment of Sri Lanka (MIS- 9th Feb. 2012, 22nd Mar 2012)

** Excluding Agreement Cancelled/Closed/suspended projects after commenced commercial Operation

*** Agreement Cancelled/Closed/suspended projects after commenced commercial Operation (Excluding expansions)

(As per current status of the project)

Compiled by: Statistical Unit/Research & PA Dept. -BOI

Summary of Approved Projects in 2011 - by Sector *

(Approved under Section 17 of the BOI Law)

Sector	No. of Projects	Estimated Investment (Rs.Mn.)			% of Share of Investment	Employment Capacity	% of share of Employment
		Foreign	Local	Total			
Manufacturing - New Projects	**47**	**85,101**	**13,427**	**98,528**	**19.79**	**20,104**	**42.64**
Beverages & Tobacco	1	-	192	192	0.04	185	0.39
Electronic & Electrical Goods	2	64	806	870	0.17	594	1.26
Fabricated Metal Products	2	333	146	479	0.10	226	0.48
Food Product (Processing)	6	27,527	819	28,346	5.69	1,516	3.22
Ind., Chemical, Petroleum, Coal & Plastic	3	52,427	176	52,603	10.57	305	0.65
Non-Metallic Mineral Products	1	286	121	407	0.08	515	1.09
Other Manufactured Product (N.E.S)	3	329	443	772	0.16	274	0.58
Paper & Paper Products	1	-	381	381	0.08	150	0.32
PVC Product	1	100	100	200	0.04	114	0.24
Rubber Products	3	594	773	1,367	0.27	630	1.34
Textiles & Fabrics	2	450.45	1,436.25	1,887	0.38	907	1.92
Transport Equipment	1	316	17	333	0.07	151	0.32
Wearing Apparel	19	2,494	7,173	9,667	1.94	13,809	29.29
Wood Products	2	181	843	1,024	0.21	728	1.54
Service/ Infrastructure - NEW Projects	**74**	**252,503**	**71,795**	**324,297**	**65.14**	**14,251**	**30.23**
Call Centers/BPO & Hostoring Centers	1	0	545	545	0.11	700	1.48
Computer S/W Development & Data Entry Operations	1	414	0	414	0.08	143	0.30
Container Services, Warehousing & Freight Forwarding	3	0	1,273	1,273	0.26	123	0.26
Educational & Training Institutions & Research Organizations	2	4,389	1,518	5,907	1.19	440	0.93
Exports/Imports Trading Houses - Buying Offices	1	0	224	224	0.04	520	1.10
Hospital Services & Medical Centres	5	2,775	3,441	6,216	1.25	1,764	3.74
Hotels, Restaurant Services & Entertainment Complexes	26	99,911	21,620	121,530	24.41	4,308	9.14
Housing & Property Development	8	20,418	9,240	29,658	5.96	828	1.76
Leasure and Recreation Projects & Goulf Courses	1	935	486	1,421	0.29	81	0.17
Marine Services	1	0	363	363	0.07	15	0.03
Other Services (N.E.S)	1	770	0	770	0.15	36	0.08
Port Development	1	47,575	7,425	55,000	11.05	962	2.04
Power Generation Plants	10	1,169	11,727	12,896	2.59	502	1.06
Shopping & Office Complex	11	73,557	13,835	87,392	17.55	3,811	8.08
Sea Cargo Services	1	359	0	359	0.07	8	0.02
Travel Agencies	1	231	99	330	0.07	10	0.02
Sub-Total New Projects	**121**	**337,604**	**85,221**	**422,825**	**85**	**34,355**	**73**
Sub-Total Expansions of the existing Projects	**36**	**15,585**	**59,455**	**75,040**	**15.07**	**12,794**	**27.14**
Grand Total	**157**	**353,189**	**144,677**	**497,866**	**100.00**	**47,149**	**100.00**

* provisional

Note: Include Cancellations

Source: MIS BOI(22nd March 2012)

Summary of Approved Projects in 2011 - by Sector

(Approved under Section 16 of the BOI Law)

Sector	No. of Projects	Estimated Investment (Rs.Mn.)			% of Share of Investment	Employment Capacity	% of share of Employment
		Foreign	Local	Total			
Manufacturing - New Projects	**2**	**139**	**-**	**139**	**3.79**	**26**	**4.65**
Food Product (Processing)	1	28	-	28	0.75	10	1.79
Other Manufactured Product (N.E.S)	1	111.00	0.00	111	3.04	16	2.86
Agriculture - NEW Projects	**1**	**15**	**0**	**15**	**0.41**	**43**	**7.69**
Agriculture	1	15	0	15	0.41	43	7.69
Service/ Infrastructure - NEW Projects	**19**	**2,363**	**1,136**	**3,499**	**95.80**	**490**	**87.66**
Educational & Training Institutions & Research Organizations	1	111	0	111.00	3.04	24	4.29
Exports/Imports Trading Houses - Buying Offices	4	665	0	664.50	18.19	220	39.36
Hotels, Restaurant Services & Entertainment Complexes	3	131	35	165.25	4.52	41	7.33
Housing & Property Development	1	110	0	110.00	3.01	50	8.94
Investment Holding Companies	7	1,277	1,100	2377.30	65.09	81	14.49
IT Enabled & IT Related Services	1	9	0.00	8.88	0.24	15	2.68
Management Consultancy Firms	1	55	0	55.00	1.51	25	4.47
Restaurant & Guest Houses	1	6	1.14	6.84	0.19	34	6.08
Grand Total	**22**	**2,517**	**1,136**	**3,652**	**100.00**	**559**	**100.00**

* provisional

Note: Include Cancellations

Source: MIS BOI(1st Mar 2012)

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