

29th July 2020
Our Ref: FTZMA 1118

Mr. Susantha Rathnayake
Chairman
Board of Investment of Sri Lanka
26th Floor, WTC West Tower, Echelon Square,
Colombo 1

Dear Mr. Rathnayake,

INTENT PROPOSALS FROM FTZMA FOR THE FORTHCOMING GOVERNMENT BUDGET

We being the sole trade chamber representing BOI investor companies in all the Free Trade Zones in the island do hereby wish to propose below items to be taken up by your good selves with the budget committee.

Suggestions for the "Budget Proposals-2020" from Free Trade Zone Manufacturers Association-FTZMA:-

1. Private Sector wages

We propose the following on the Private sector or specifically the Export sector enterprises established under the BOI Law.

- a. The GOSL must only declare national minimum wages but must not interfere in ad-hock and mandatory wage revision. Ex: in the form of a mandatory "budgetary relief allowance" etc.
- b. As a post COVID austerity measure, we propose that a two-year moratorium be declared on private sector minimum wage changes.

2. Labour Law Reforms

We propose the following reforms to the labour laws of Sri Lanka in order to make it more investor friendly.

- a. Remove night work restrictions for women
- b. Increase the legal number of overtime hours allow for women from the current 60 hours to 100 hours per month.
- c. Legalize Flexi hours and allow a five-day workweek arrangement
- d. Introduce legislature to allow Part-time work, Contract work and casual work
- e. Introduce legislature to engage outsourced work such as labour contractors with proper allocation and determination of "principal employer" responsibility to the supplier of labour.

3. Exporting of Industrial Scrap

Empower BOI to issue approvals for the export of industrial scrap of the BOI enterprises

4. License Requirement for project-related raw material, consumables and machinery

We propose that the BOI should be authorized to issue any approval concerning the import of such items without requiring the investors to go to many authorities get approvals from the various sectors.

5. The autonomy of the Board of Investment

The BOI was incepted as an autonomous body directly reporting only to the Executive i.e. H E the President. This character of BOI was the initial success of BOI to attract a large number of investors to the country as the necessary approvals and all services are given to the investors only by the BOI but no other authority.

This was how the ease of doing business was facilitated by the state making BOI the one-stop-shop for Investors. But by and by this unique and homogeneous feature of BOI diminished and due to the fact the investors under different sectors had to go to many Ministries, Departments, Authorities and Boards to get approvals of different kinds since the BOI was allocated to a Ministry.

We propose that the government must reinstate BOI to its former position in keeping the current investors and bringing in new investors to the country. This will facilitate BOI to work without interference or in-direct influence by any other authority within or outside of the Government.

6. Reduction in Import Bills

BOI companies are allowed 20% of their output to the local market. Request Government to consider in increasing it to 50% based on import Bills /input cost which can be substituted against the duties levied for un-finished import items. Revision of Taxes for export intense raw materials should also be considered. Hence the government is requested to take various measures to reduce the country's import bill and maintain foreign-exchange reserve levels.

7. Manufacturing Cost

The overall cost of production has considerably increased during Pre & post COVID-19. It is noted that cost on power, energy and Labour has been in an upward trend since of Pre COVID-19 era resulted in current manufacturing cost becoming highly uncompetitive. This is alarming the incumbent Investors to think twice before making their investment in the country as our current cost is far beyond the cost of production in neighboring countries such as Bangladesh and Nepal.

As a post-COVID recovery measure, we propose that the government shall provide Electricity, water and other utilities at a subsidized rate for a minimum period of two years initially.

8. Formation of New Policies

Most of the enterprises under BOI are categorized under section 17. However a couple of cost such as SLPA levy, Building cost has been increasing more often than expected therefore other than given Tax holidays period, Government should think of formulation of new rules to keep the policies remain constant for at least for two years without a change or else Investors entrepreneurs will have to face a dilemma due to frequent changes in the policies & rules. This always happens with uncertainty over the political transition that forcing trade policies are becoming subject to sudden changes.

9. Free Trade Agreement (FTA)

Countries like Vietnam has signed several FTAs with neighborhood countries and recently with EU. From Sri Lanka view point, there is an uncertainty prevail for Sri Lankan entrepreneurs who are slowly shifting production to the countries like Bangladesh, Cambodia and Ethiopia to set up their plants thus would result in weakening the local trade strength & Foreign Investment. Hence it is high time for Government to speed up in concluding proposed FTAs with India, Pakistan and People Republic of China.

10 Retention and Expansion of the Industries

It is also observed that whilst a few large enterprises are thriving hard to survive the rest are trying to convert the ongoing situation in the Globe to an opportunity in strengthening their position, mainly those who produce PPE (Personal Protective Equipment) such as Surgical Gloves, Examination Gloves, and Face Masks etc... Therefore it is strongly felt that Government must encourage them by forming up of new policies, tax holidays and any other incentives that can substantially impact positively for them to increase their capacities thereby expanding production output.

11. Abolishing of mandatory health check requirement of the issuance of Visas to the Expatriates under the BOI companies.

Mandatory Medical Examination for foreigners should be completely abolished for the issuance of residence visas and Investor should be granted with long term i.e. 3 to 5 years visa instead. This kind of visa policy is already exercised by countries like Qatar and the Middle East.

12. Tax free incentives to attract FDI

The overall cost of production has considerably increased during Pre & post COVID-19. It is noted that cost on energy and Labour has been in an upward trend since of Pre COVID-19 era resulted in current manufacturing cost becoming highly uncompetitive. This is alarming the incumbent Investors to think twice before making their investment in the country as our current cost is far beyond the cost of production in neighboring countries such as Bangladesh, India and Vietnam etc. Therefore Government should issue tax free incentives in order to attract the FDI in to the country

Look forward to a favourable outcome.

Yours faithfully

Free Trade Manufacturers' Association



Jatinder Biala

Chairman



Dhammika Fernando

Hon Secretary

Cc : Mr. Sanjaya Mohottala, Director General , Board of Investment of Sri Lanka