

PD-ABC-696
191172

**REPORT ON INVESTMENT PROMOTION ACTIVITIES
OF THE
MAHAWELI ENTERPRISE DEVELOPMENT PROJECT**

COLOMBO, SRI LANKA

**Tom Healy
4/91**

Report on Investment Promotions Activities of the MED
Project

The consultant spent two days with the MED and EIED teams reviewing and advising on promotional activities currently underway.

There were three projects underway:

- (a) the production of a guide for potential investors in the Mahaweli region (aimed primarily at domestic investors),
- (b) the production of a short guide on agribusiness investment opportunities in the Mahaweli region (aimed at potential foreign investors and to be distributed by the Greater Colombo Economic Commission in the context of its overall promotional pack), and
- (c) the production of a promotional leaflet which would highlight early investment success in the

Mahaweli region (aimed at domestic and foreign investors).

In each of these cases, the consultant felt that the planned approach should be modified. In the case of (a) and (b) above, a brief and contents structure are set out at A and B beneath. In the case of (c) above a brief and full text is set out at C beneath.

In the case of A and B beneath the MED and EIED team have commissioned a local writer and the approaches outlined in these briefs have been discussed with him.

A. INVESTORS GUIDE TO THE MAHAWELI REGION -
BRIEF AND CONTENTS STRUCTURE

BRIEF

1. Target Audience

- Local business persons/investors who have expressed an interest (and who may use experienced partners),
- foreigners who have expressed an interest.

2. Objectives

- Persuade the audience that the Mahaweli is sufficiently interesting to explore it in detail with the EIED,

- give sufficient relevant information to achieve this,
- outline the range of Government incentives and aids.

3. Approach

- Project an image of modern facilities and practices by using photos that illustrate only this i.e. avoid traditional scenes including paddy,
- allow a three year life for the brochure by avoiding details which will become dated e.g. list of existing investors,
- use tables, graphs, etc. as far as possible to project a business document impression.

CONTENTS STRUCTURE

Introduction

- Description of the current state of development in the Mahaweli region with a brief history (emphasis on current state and minimum history),
- description of EIED role and mission (brief)

Area of Opportunity

- The Mahaweli region is the only remaining area in Sri Lanka where a large amount of land and water are available for development,
- this allows a unique opportunity for the development of a modern and export-orientated agri-business sector, which can also introduce new crops in which the region has major natural advantages,
- Sri Lanka has never developed major export markets; the Mahaweli project offers an opportunity to develop profitable niches in foreign markets based on economic and natural advantages.

The Full Range Of Resources You Need Are In Place Now

- Land is available to suitable investors and the supply of produce can be expanded cost-effectively by subcontracting local producers,
- water is available locally due to the enormous irrigation systems investment now in place,
- infrastructural systems are fully developed (describe the transport, telecommunications and electricity availabilities),
- labour is available (emphasise the quality, education and flexibility of the labour force, as well as its low cost),

- the region has a natural advantage over most of its competitors in many crops due to its climate and length of growing seasons (give a number of examples compared to other countries in the Indo-Asian region),
- detail the soil types and the crops most suited to them.

A Wide Range of Supports is Available

- The EIED and GCEC offer advice and a range of incentives.
 - Taxation Incentives
 - Duty free import and export
 - No restrictions on ownership
- Technical research and information
 - what can be produced, both traditional and new
 - analysis of international competitiveness in a wide range of crops
 - details of main export markets and distribution structures in them
 - export market contacts and introductions

Investment Opportunities

This should be a detailed chapter designed to encourage the potential investor to focus on specific opportunities in terms of products and markets. It should give as full a list as possible of the range of crops most suited to the

region and outlines of the export markets for each. Where appropriate it should highlight market advantages based on seasonality of supply.

It should emphasise that this information is a bare outline and that more detailed information is available from EIED.

It should have a "Next Step Contact EIED" section which assures a positive response as well as confidentiality.

**B. AGRIBUSINESS OPPORTUNITIES IN THE MAHAWELI REGION
BRIEF AND CONTENTS STRUCTURE**

BRIEF

Audiences

- Potential foreign investors via the GCEC
- Potential Sri Lankan investors

Objectives

- Generate interest in agribusiness investment in the Mahaweli region
- Encourage further contact

Style

- Same as other inserts in GCEC pack as it must fit in with the general style
- Project modern facilities and practices with a photo of the main dam
- Double A4 folded in terms of size

Contents Structure

New Resources and Facilities for Agribusiness

- Major investment in new irrigation facilities
- Large area of land now available for a wide range of agribusiness projects
- Modern efficient infrastructure - roads and telecommunications
- Long growing seasons and excellent soil types
- Labour is plentiful, educated, flexible and low cost
- Land productivity is high
- Production is very cost-effective due to the combination of factors above.

Wide Range of Production Opportunities

- A wide range of vegetables, fruits and other crops can be cost-effectively and profitably produced.
- Give examples of a number of crops with details of productivity, costs of production, seasonality of supply and comparisons with other countries.

Full Range of Supports for the Investor

As well as the general range of incentives described elsewhere in this information pack, the Mahaweli region offers extra supports

- describe EIED
- advisory services

- research results available

For Further Information

- contact EIED

C. Investments in the Mahaweli Region - Early Success

Target Audience: Potential investors, mainly Sri Lankan
but also foreign

Objective of

Brochure: To demonstrate that an investment in the
Mahaweli can be successful.

Approach: - State that early investments have proved
successful

- Give the gherkin experience as an
example
- Suggest that this is just the beginning
- Produce this item as a simple insert to
go with the Investors Guide.

SUGGESTED TEXT:

Investments in the Mahaweli Region - Early Successes

In the short time that the EIED has been promoting
investment in the Mahaweli, there have already been examples
of early investors making healthy profits.

The EIED strategy for the Mahaweli has been to encourage investors to concentrate on crops, some new to the area, that will sell profitably in export markets and to use the best available techniques in producing those crops. To help investors in this effort the EIED has available a large amount of relevant technical information, prepared by a range of specialists in agronomy.

One of the first crops to be identified as having a ready export market and capable of being produced profitably in the Mahaweli was gherkins. Some hundreds of producers, ranging in size from large investors to small out-growers, working as sub-suppliers, set out to produce gherkins. Research showed that since growing gherkins is a very labour-intensive process, Sri Lanka's low labour costs gives it a distinct cost advantage from this point of view. However this labour-cost advantage would not be enough on its own to guarantee success. The growers, particularly the small out-growers, had to be educated in how to look after a gherkin crop and ensure that high levels of attention were given to it, particularly in weed control.

On the commercial side the typical arrangement was that a large, or indeed medium-size, investor would contract with outgrowers to produce gherkins for sale to him, which he would then process, along with gherkins which he would produce himself, and sell onwards into identified export

markets. Under these contracts, the main investors provided seeds and advice on production and quality standards to the out-growers and undertook to buy all their production, at a pre-determined price.

This combined effort between large operators and small farmers worked very successfully and was strongly supported by the EIED. The returns were very good for all concerned. Net profits were up to 40% overall, at about Rs30,000 per hectare per crop, with two crops produced per year.

Largely due to this initiative in the Mahaweli region, Sri Lankan exports of gherkins grew from 321 tons in 1988 to over 5000 tons in 1990. Exports to the EEC countries rose from a mere 85 tons to 2,000 tons in the same two-year period.

Now that it has been clearly demonstrated that gherkins can be profitably grown and sold into major world markets, including Europe and Australia, more investors are considering setting up in production in the Mahaweli.

Meanwhile the EIED and investors are co-operating to develop other combinations of new crops and new markets that can offer a major step forward in agribusiness profitability. It is already clear that the driving force in the future development of high-return and export-orientated

agribusiness in Sri Lanka will be the Mahaweli region due to its unique combination of available land and EIED support.