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REPORT
ON THE SURVEY
of
COMMERCIAL TECHNOLOGY NEEDS,
CONSULTANCY AND TRAINING SERVICES
IN SRI LANKA

Prepared for ITMIN Ltd

by

IIS Ltd

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Background

IIS Ltd were contracted by UNIDO to work with ITMIN Ltd of Columbo, Sri Lanka, on a 4 week contract to:

- a) evaluate the local infrastructure in terms of it's ability to support the adoption of technology-transfer based development projects by local SMEs.
- b) to identify added-value business services capable of financially sustaining ITMIN activity to Sri Lankan industry beyond the life of the UNIDO project

This report represents the consultants findings from a 2 week visit to the site 9 Nov 1995 to 25 Nov 1995.T

Methodology

The IIS consultant used the following method:

to undertake market research with manufacturers and service companies selected from amongst the 1600 businesses operating within the Columbo region. These organisations to include multinationals, companies incorporated in Sri Lanka subsidiaries of larger groups and SMEs. A questionnaire was devised based on a benchmark of a best practice model of management, production and marketing requirements and their associated information, training, consultancy and support service needs.

This work was undertaken by ITMIN personnel under the supervision of the contractor's consultant.

From these results a survey of competitive activity including types of services, method of delivery and pricing structure for each of the service areas was undertaken by ITMIN staff supervised by the contractor's consultant. This information is available from ITMIN and is outside the scope of this report.

In consultation with ITMIN management and personnel a survey of existing and proposed skills and capabilities was undertaken. in order to identify and prioritise those areas most likely to deliver an income stream to ITMIN in the short and medium terms. Possible added value services were identified by applying the following criteria:

- a. existence of a growth market with clearly defined customer needs
- b. existence of synergy between ITMIN's ability to deliver in terms of ITMIN skills and capabilities both existant and proposed and it's ability to commercially and technically support the proposed added value activities.
- c. the ability in the medium term to deliver product or service differentiation in order to establish ITMIN as having competitive advantage in the chosen market places.

Personal interviews were undertaken by the contractor's consultant with the major international grant awarding business support services including TIPS, BESO and TTF (see appendix).

Concurrently and throughout the programme a series of workshops and seminars were delivered to ITMIN management and personnel on the following subjects:

- * selling high value-added services
- * planning and implementation for quality control
- * finding and licensing new products and technologies
- * business development programme including these modules -
 - market research
 - selling
 - marketing
 - finance and administration
- * business planning software

MARKET RESEARCH FINDINGS

The following tables represent the market research findings from the potential new customer survey undertaken by ITMIN staff.:

A commentary on their significance is included after each section.

1. QUALITY STANDARDS

All companies were asked if they manufactured their products to an international quality standard. 41 % of companies asked said ' yes 'and 59% answered ' no'

The table below demonstrates the range of specific quality standards mentioned:

SLS
Buyers quality standard
British quality standards
Japan
In-company quality standards
ISO 9001
Dutch
SGS
UN
Export quality
SLC
German
CEB
PSP
CISIR
ISO 2000
Swiss
USA

From the responses obtained in the above table it is clear that there is great diversity of quality standards operable in the Sri Lankan market. Many companies cited suppliers or buyers quality standards as evidence of an internationally recognised quality procedure. Furthermore many companies stated national ie. British, German, American or Swiss standards as examples of internationally recognised quality procedures. It is clear that the diversity of standards mentioned and the low incidence of recognition of the ISO 9001 type standards represents a heavy reliance of Sri Lankan companies on their European, Asian or American joint venture partners' policies for quality procedures. There is a generally low level of training, consultancy provision and technical support available to the Sri Lankan companies in the survey which prevents them from implementing internationally recognised quality procedures for themselves. The

implications of this for Sri Lankan industry as a whole seems to be an overdependence on foreign joint venture partners (in most instances these Sri Lankan companies have manufacturing and technical support provided by their overseas joint venture partners).

This lack of independence may well restrict local companies from training and developing their own expertise and from competing in terms of technology and manufacturing processes with the best available practises recognised by world markets.

There is some evidence that ISO 9001 is becoming the universally recognised quality procedure and the American TIPS organisation is currently providing consultancy support. It is likely that demand for quality procedures in the form of consultancy, training and seminars will grow significantly in the short and medium term. ITMIN has no existing capabilities in this area at the moment, but may well recruit appropriate personnel at a later date should the management feel that quality training and consultancy is a worthwhile and lucrative market to enter.

2. BUSINESS PLANNING

The questionnaire asked local companies if they undertook business planning and then requested additional information to verify the extent and quality of the planning processes. 80% of the surveyed companies said they did not have a business plan and only 20% did have a business plan.

Of the companies which indicated that a business plan was a part of their business strategy a large percentage could not actually state a plan or strategy for the next 2 years or for a 2 - 5 year time scale. It is therefore quite obvious that only a very small proportion of the organisations taking part in the survey undertake business planning as a formal process. These findings are consistent with a similar picture regarding the previously discussed quality control activity. Business planning as a formal activity is undertaken in highly developed organisations for planning business activities, formalising a pattern of growth and development for the company, assigning budgets and costs and controlling the organisation. In addition business planning is also used as a device to assist a company to raise growth capital.

During the visit the contractor's consultant familiarised ITMIN personnel with a software-based business planning package. This package will be of great assistance helping ITMIN to define an overall mission statement. It will be an invaluable aid to formalise action plans within the areas of sales and marketing, production control, financial control, to monitor the resulting activity and track the effects of specific programmes, their associated budgets and resulting profit/loss accounts and balance sheets.

It is unlikely that demand for business planning as an ITMIN service other than as a tool for producing tighter quality controls would be high from Sri Lankan companies. It is essential nonetheless that ITMIN adopt the most advanced practises and procedures by applying rigorous business planning procedures within it's existing or proposed business, information, training and consultancy activities.

3. TECHNICAL SUPPORT

Companies were asked whether they had any kind of formal training plans for their staff. 78% of companies surveyed did have some kind of training available to staff and 22% did not. Respondents were also asked in which areas staff were trained and responses have been collated in the table below.

Areas of staff training:

Manufacturing processes	51%
Product design	42%
Technical	39%
Quality	37%
Information technology	29%
Marketing	26%
Selling	24%
None	16%
Management development	14%
Financial & management control	13%
Administration	6%
Internet/E-mail	4%
In-house	4%

The first 3 categories manufacturing processes, product design and technological training are directly related to the high level of overseas investment and production capacity within the manufacturing sector of Sri Lankan business. Since this type of training is frequently industry and sector specific and quite often in addition also company specific it is unlikely that ITMIN could regard these sectors as potential targets for either training, consultancy or in most cases information services. The issue of policy has been dealt with in a previous paragraph, but it could also be similarly regarded that quality training may well be company specific for the majority of Sri Lankan companies with most or all input coming from the foreign investor or joint venture partner. ITMIN may however want to explore the option of including total quality implementation in its portfolio of services offered.

The areas Information Technology, marketing, selling, financial management and control, internet and E-mail services are all areas where the criteria of

**growth markets
synergy with ITMIN technical and commercial capabilities
user cost benefit or product differentiation**

are either currently in place or can be achieved.

The market for these services in Sri Lanka is characterised by a small number of local suppliers plus an increase in relative sophistication of customer demand which is indicative of the growth phase of an industry life cycle. It is relatively easy for new entrants to establish themselves during this phase provided they establish product or service differentiation or user cost benefit.

This means that in order to offer any or all of these services ITMIN would need to establish in real terms unique customer benefits to attract customers and potential customers or deliver more cost effectively than the competition.

4. TECHNICAL PROBLEM SOLVING

The surveyed companies were asked how they currently solve any technical problems that arise. 100% reported that they attempted to resolve them using in-house resources. 40% of those companies also utilised outside resources available to them.

The following table indicates the source of technical problem-solving and information related to this activity:

Singapore
Germany
UK
Japan
Malaysia
Agents
Textile Institute
Parent Company
CIC
Bours
Buyers
Suppliers
CISIR

Once again a clear pattern emerges in which significant assistance from overseas investors is the primary source of technical support and expertise. Within this context the provision of technical information services alone without the relevant consultancy or process specific/experience based support is unlikely to have anything other than a minimal impact on ITMIN profitability.

5.USE OF OUTSIDE CONSULTANTS

37% of Sri Lankan companies had at some stage of their development used consultants. The most common areas of consultancy are as follows in descending order of significance with the rest being variously mentioned.

manufacturing

Information Technology

technical

personnel

financial

quality

marketing

management

factory design

recycling

fibreglass

textiles

brewing

cable manufacture

pastry management

The significance of these findings confirms the willingness of Sri Lankan companies to collaborate with technical and consultancy support from outside the companies' own resources. This further confirms the willingness to pay and is evidence of an established and growing market for business development and support measures.

6. TECHNOLOGY TRANSFER

Sri Lankan companies were asked if they had ever undertaken licensing as a means of acquiring technology. 91% of companies questioned answered 'no' and only 9% answered positively. They were further asked if they felt acquiring new technology would benefit their business. 81% affirmed this, 15% said 'no' and 4% remained undecided. The most common reason given for citing that technology would not benefit the business was that there was insufficient financial support available.

The companies were also asked to what extent they felt new technology could benefit their business.

On a scale of 1 to 10 (little to very much) 72% of companies did feel that new technology and manufacturing processes would assist them a great deal as the table below demonstrates

1	2	3	4	5	6	7	8	9	10
3%	-	-	-	6%	3%	9%	12%	12%	39%
little				moderate					very much

The following specific technologies were requested within this context:

Paper and Printing

packaging
manufacturing stationary
SP carbonless paper
paper manufacturing
paper corrugating
publishing paper
printing

Chemicals and paints

wood finishes
manufacturing chemicals
detergents
liquid CAN technology
image processing
fertiliser mixing
paints manufacture
automotive & wood chemicals and paints

Plastics

packaging
manufacturing PVC
cable manufacturing
finishing
manufacturing fibreglass
recycling

Food

manufacturing confectionery
brewing
poultry feed

Manufacturing wood and metal

manufacturing furniture
cable manufacturing
MJS system
construction
spare parts
highgain antennas
metal filler manufacture
electrical manufacture

Textiles

coir yarn
mattresses
textile computerised cutting M/C

The previous tables are evidence of very significant demand for new technologies and manufacturing processes to assist Sri Lankan companies in their development. Taken in context with the overall scenario it is unlikely that the simple provision of technology related business opportunities in the form of patents, licences and other forms of technologies and technical information would be adopted by any but a very small number of the most sophisticated manufacturing companies. However, the level of this demand is likely to be satisfied by access to new manufacturing processes, products and technologies in the areas of paper and printing, chemicals, plastics, food processing, textiles and manufacturing in wood and metal. Sri Lankan companies would require not only access to these technologies but access to a significant level of operative training and technical support.

The level of development of the Sri Lankan economy and the associated demand for technology is focused upon a basic industry and only a moderate level of technological and technical sophistication. In all but a few cases there is no demand for very high levels of high technology manufacturing processes or end-products. The type of supporting activity these conditions justify in terms of possible areas of ITMIN activity would be the need to establish a company matching and brokerage service.

Company matching and brokerage would begin by identifying a specific technology need such as a computerised textile cutting, metal filler manufacturing, paper corrugating, GRP manufacturing etc and proceed to identifying potential joint venture partners to establish a mutually beneficial working relationship.

This working relationship would be characterised by a turnkey equipment package well financed (see appendices for available support measures) to include supplier based training programmes and teaching seminars and ITMIN resourced project management facilities.

TOWARD A STRATEGY FOR ITMIN

The current implied ITMIN strategy of developing extensive databases from exhaustive questionnaires is not capable of sustaining the organisation financially beyond the term of the current UN financial support.

Information provision alone within the context of a small and relatively unsophisticated market place is incapable of generating the income stream necessary to sustain the operation at the proposed staffing levels. It is unlikely that even some of the proposed databases would generate anything other than a token income. The existing commitment to data collection equates to approximately 7 1/2 man-years of effort, whilst there is no existing market intelligence or evidence to justify this expenditure. As a matter of urgency ITMIN should undertake market research to establish which of the proposed databases is capable of generating demand on the level of information provision. The resulting market intelligence can then be used as a basis for estimating potential market size, the nature of the competition, pricing and market strategy. Data collection could then be prioritised and undertaken in direct relation to the probable demand for information for each area. Data collection should not take place unless there is confirming evidence to suggest that the information can be sold to Sri Lankan organisations. Furthermore, the decision to collect data from any of the 8 areas should be taken on the basis that each of the areas is a profit centre. The cost incurred in collecting and maintaining up-to-date databases plus a reasonable profit margin should not exceed the market's ability to pay for the service. ITMIN's organisational structure, marketing strategy and working procedures as they stand are not consistent with a demand-led, market oriented, income generating organisation. The market research undertaken during the recent visit has identified a number of areas that can be commercially exploited by ITMIN in the short and medium term. To be consistent with a market-oriented model any future proposed services whether information provision, seminars, training or consultancy, must be thoroughly market researched and demand for them verified. The introduction of new services should follow the pattern of establishing the growth market, identifying the nature of the competition and then determining technical and commercial compatibility with ITMIN skills and capabilities. Any skill shortfalls must be overcome by "head-hunting" recruiting the highest quality professionals. From here ITMIN can develop either user-cost benefit or sufficient differentiation of the service so as to achieve a competitive edge.

A consistent marketing strategy can then be developed to include one or more of the following:

- brochure
- direct mail shot
- telephone sales campaign
- press advertising
- radio and television advertising
- public relations

Having identified appropriate marketing strategy ITMIN should implement quality control procedures consistent with ISO 9001. This may be achieved by outside consultants or a temporary post for an experienced quality implementor.

In all of these activities ITMIN should avoid a top-down hierarchical structure in favour of team-building oriented, flatter, organisational structures capable of responding quickly to changing market needs and conditions.

The research undertaken by the contractor's consultant and ITMIN staff has indicated 3 areas where the criteria of synergy and growth-market are operable within ITMIN and the Sri Lankan market place for training and consultancy. With some reorganisation and further training and development these areas could become primary for ITMIN fee-generation. The research also indicates other areas which could become viable with considerably more training and investment.

The 3 primary areas are:

Technology Transfer

As already discussed the research indicates significant demand for technologies to provide basic and intermediate goods and products. There would need to be extensive training and technical support provided by a foreign joint venture partner. The prevailing market conditions are best suited to ITMIN establishing a brokerage for a company matching activity. ITMIN should proceed from the initial market survey to an analysis of specific company requirements by undertaking a series of personal and site visits. These visits to be undertaken by Rodrigo. Advertisements could then be placed in foreign newspapers and trade journals requesting collaboration on specific projects. ITMIN could provide project

management and liase between the parties. There is considerable overseas financial support available in the form of grant assistance from TIPS (USA) and TTF (Sri Lanka) with qualified technical support supplied by BESO. The resulting package of technology sourcing and grant assistance would prove extremely attractive to Sri Lanka industry as there is evidence of a general lack of awareness of the financial support currently available. ITMIN would be a valuable focal point to concentrate these resources and provide the necessary credibility, administrative capability, co-ordination and liason.

Information Technology training

IT training is already an established activity with a number of local providers. This activity is slightly more developed and hence customer needs are well defined. There is a high degree of synergy between ITMIN personnel skills and capabilities and market requirements. The largest likely demand is for basic computer training such as word processing, data base etc. This should be the primary focus of ITMIN's training programmes. Once a successful marketing and sales activity has generated sufficient enquiries and training courses have been completed to the satisfaction of delegates and their sponsoring companies more sophisticated training programmes such as desk-top publishing etc should be incorporated into the training programme. Whilst ITMIN have these skills and capabilities readily at their disposal there is a significant difference between in-house use of IT skills and training other organisations. It is imperative therefore that the training manageress be exposed to best-practise training methods in a commercial IT organisation in terms of sales and marketing, enquiry handling, resource allocation and administration. The contractors consultant has identified an appropriate host organisation in the UK for this purpose.

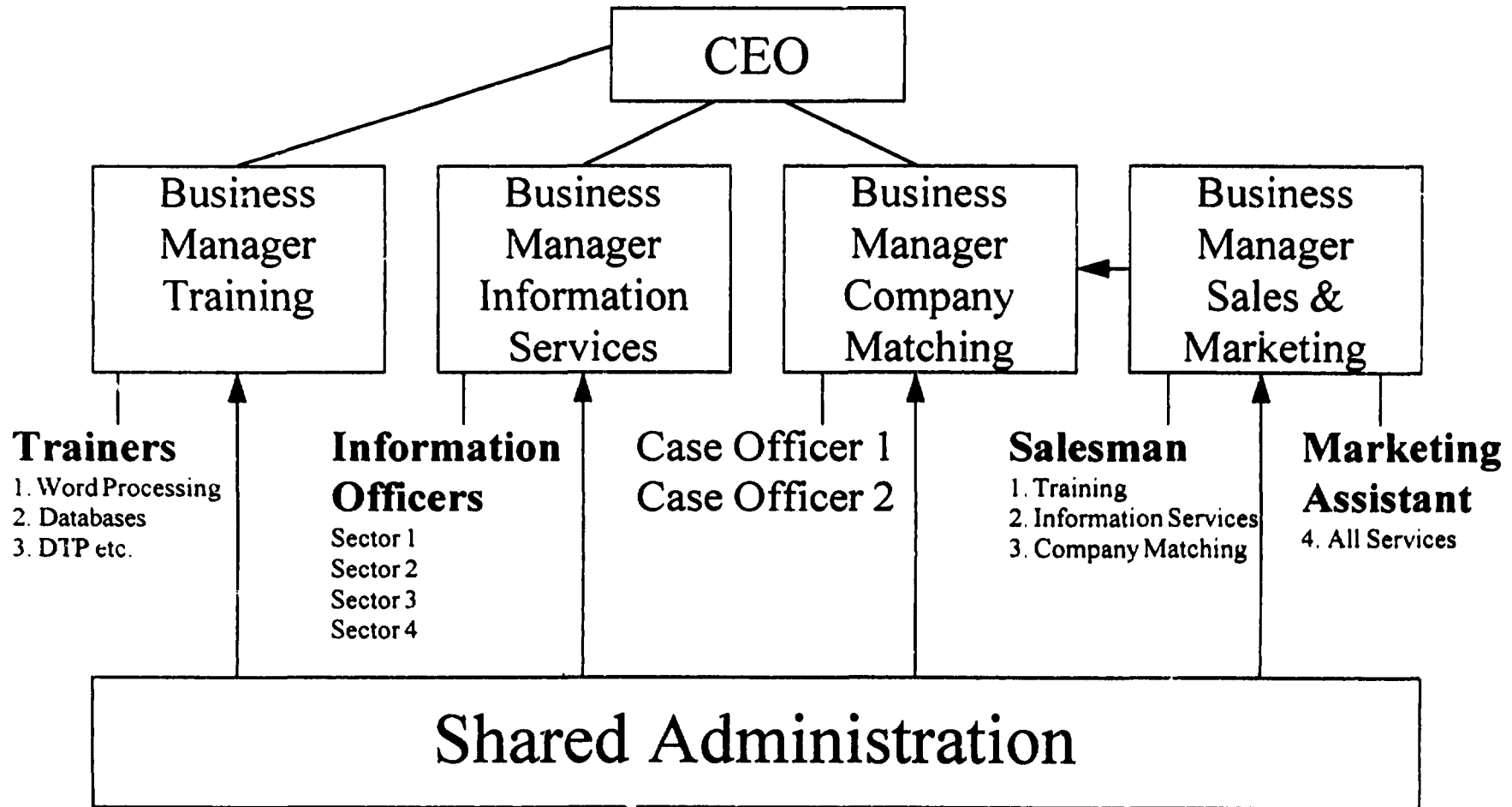
Information Services

The proposed data collection activity as already discussed should be carried out as and when there is commercial justification in the form of verifiable demand from commercial organisations within Sri Lanka. It is conceivable that a company's information data base may well be of use to ITMIN itself, but the information could also be sold to other organisations for the purpose of direct mail advertising for instance. Database projects on the other hand may not only be difficult information to collect because of commercial confidentiality and secrecy, but also prove to possess only doubtful commercial value. The contractors consultant has devised a

questionnaire to determine which data collection activities are commercially relevant and could support added-value services or sales information. It is not appropriate to comment further until the results of this market research have been fully evaluated.

The market research indicates early stage demand for Internet and E-mail services and there is every opportunity for ITMIN to establish itself as a host provider in these areas. Particular attention should be paid to the competition and to ensuring the type of service offered by ITMIN, in terms of price promotion the product itself and the ease of access to end-users is sufficiently differentiated in order to give ITMIN a competitive advantage where ever possible.

ITMIN Proposed Organisational Chart



Added value services in demand by Sri Lankan industry	Added value services appropriate to ITMIN Strategy
AMT Consultancy	N/A
Advanced manufacturing	
Technology implementation	N/A
Product design training	O
Technical information provision	S
Technical training	N/A
Information technology training	S
Market research	S
Market information provision	S
Quality implementation (ISO 9001)	M
Management development	M
Financial information provision	S
Financial investment training	O
Administration systems training	M
Business growth training	S
Company matching or technology transfer	S
Internet HCST	S
E-mail HOST	S
Improving Sales training	S

Marketing management development

M

Financial consultancy

N/A

Business planning

N/A - not applicable

O - optional

S - short term. Delivery possible

M - denotes medium term delivery capability

BRITISH EXECUTIVE SERVICE OVERSEAS

BESO

1 WHAT IS BESO?

BESO is a not-for-profit organisation providing expert advice and training to promote the self-sufficiency, prosperity and social welfare of people and communities overseas.

BESO sends highly qualified Volunteers for short term visits of from two weeks to six months. No fee is charged or their advice.

Instructor training will upgrade the management training skills provided to help many small firms

2 THE PEOPLE WHO PROVIDE BESO ASSISTANCE

BESO has over 3,000 Volunteer Advisers, representing virtually every profession and field of expertise.

These men and women, mostly retired, share the skills and knowledge of successful careers with minimum formality and maximum commitment.

If you could use advice in anything from finance to farming; banking to beekeeping; taxation to technology - BESO has a Volunteer with the knowledge companies need.

BESO - EXAMPLES

A tuna processing plant was redesigned to reduce harmful effluents and improve water quality and availability - SEYCHELLES

The hotel industry was studied as part of the development of an infrastructure for international tourism - NICARAGUA

3 IS YOUR ORGANISATION ELIGIBLE?

BESO assistance is primarily aimed at small and medium sized enterprises and organisations, in both the public and private sectors, which **can not afford commercial consultants**.

While on assignment, BESO Volunteers act as advisors or trainers to suitably qualified staff. They do not fill management roles and should work with a counterpart provided by the client.

Villages received training to undertake a co-operative road building scheme - SOUTH AFRICA.

4 HOW MUCH DOES A BESO VISIT COST?

Very little - there is no charge for the advice and BESO Volunteer Advisers' travel and insurance are arranged and paid for by BESO. Accompanying partners are sometimes included.

The requesting organisation is normally asked to pay accommodation, living expenses and local travel costs during an assignment. These arrangements can be varied in some cases.

To apply for a BESO Volunteer Adviser: complete an application form describing **precisely** the assistance required.

Advice to rural leech farmers resulted in a joint venture and an entree to the international medical market - BANGLADESH.

BESO will send a Professional Volunteer to help you.

If you need to improve efficiency, learn new skills, develop products, cut costs, find new markets, establish systems, obtain financing, expand/diversify...but can not afford commercial advice 0 may be you need BESO.

For information and application forms contact your BESO representative:

BESO'S APPLICATION PROCESS:

1 STAGE ONE: Your completed application form is received by the BESO Resident Representative in your country and forwarded to the London Office. *BESO needs a clear and detailed job description to find the best expert for you.* An application must be signed and dated before it can be registered as a BESO assignment.

2 STAGE TWO: A qualified Volunteer Advisor is identified for the job from BESO's register, which contains the career details of 3,000 expert volunteers. The Advisor evaluates the assignment and confirms that his/her experience is suitable.

The Adviser's full particulars are sent to you, the client organisation, for agreement. Only then does the BESO contract come into force.

3 STAGE THREE: Travel arrangements and insurance (sometimes to include spouse) are organised and paid for by BESO.

Normally, the client organisation is asked to provide meals, accommodation and local transport during the assignment.

4 STAGE FOUR: When the assignment is completed, the client is asked to assess the benefits achieved. An additional six month report provides further evaluation. Follow-up visits are possible.

Information and application forms are also available from your British Embassy/High Commission, British Council Library or by post from BESO, 164 Vauxhall Road, London SW1V 2RB, UK.

Tel: 0171 630 0644; Fax: 0171 630 0624

Comments from client organisations about their BESO assignment:

(The BESO Advisors) offered guidance and experience from which the students could learn rather than presenting a prepared ideal solution.

Central American Technical Institute

If you had not come out to visit us when you did we would now be in serious financial trouble.

Kenya, Private Company

We were very fortunate in having an expert of Mr Hopkin's calibre and experience.

Fiji, Banking Assignment

For information and application forms contact your local BESO Representative:

Or the British Embassy/High Commission, the British Council Library or by post to:

The Director, BESO, 164 Vauxhall Bridge Road, London SW1V 2RB UK.

Tel: 0171 630 0644;

Fax: 0171 630 0624

Training in well drilling techniques has enabled ex-soldiers to help restore damaged water supplies - NAMIBIA

A specialist's advice on new systems, targets and recruitment, helped to ensure a insurance firm's survival - KENYA

Honey producers were given pointers to improve quality and explore new markets - MAURITIUS.

Technical advice provided via link with small firms support service has secured ceramic company workers' jobs - BRAZIL

TECHNOLOGY INITIATIVE FOR THE PRIVATE SECTOR

Technology Initiative for the Private Sector (TIPS) is designed to increase international competitiveness of Sri Lanka's private sector. To accomplish this, TIPS will help Sri Lankan companies in choosing, acquiring, and mastering technologies.

TIPS provides selected information services and cost sharing grants to support technological improvement including fees to technology suppliers.

Most private companies registered to do business in Sri Lanka are eligible for TIPS Grants and other assistance.

TIPS TECHNOLOGY, MANAGEMENT & MARKETING SERVICES

The TIPS program in Sri Lanka provides the following services to the Sri Lankan private sector.

TECHNOLOGY GRANTS

TIPS provides non repayable Grants to cover up to 1/2 of eligible costs for:

- * Applied R&D
- * Acquiring new technologies
- * Installing new technologies
- * Installing technology management systems
- * Test marketing trips
- * Attending trade fairs
- * Training activities
- * In company training programs
- * Purchasing testing, laboratory, pollution, control systems, safety and energy saving equipment

BUSINESS INFORMATION

TIPS helps firms acquire information concerning:

- * New technologies
- * Equipment suppliers
- * Raw material suppliers
- * Technical & Management consultants
- * New markets
- * Trade shows

FINDING PARTNERS

TIPS helps firms find joint and co-venture partners for such transactions as franchising, technology licensing and co-production agreements.

FINDING MARKETS

TIPS helps firms identify buyers and establish distribution channels.

COMPANY STRATEGIES

TIPS helps firms bridge the gaps between their goals and current capabilities and implement solutions to problems.

BUSINESS ASSISTANCE

TIPS Staff

- * Help firms prepare TIPS Grant applications;
- * Recommend appropriate trade shows and trade missions;
- * Help facilitate travel;
- * Set up meetings with technology suppliers;
- * Locate research sources for extensive studies (feasibility, etc.)

TECHNOLOGY TRANSFER FUND (TTF)

Non-repayable financial grants to Small and Medium Industries to upgrade technology from:

Bank of Ceylon
People's Bank
Commercial Bank of Ceylon Ltd
Hatton National Bank Ltd
Development Finance Corpn of Ceylon
Sampath Bank Ltd
Seylan Bank Ltd
Regional Rural Development Banks
- Kurunegala
- Kegalle
- Kandy

in collaboration with the National Development Bank (NDB)

1 What is the TTF?

The TTF is a fund established under the Small & Medium Industry Project to provide financial assistance on a grant basis to small and medium industrialists to help upgrade technology and solve technology related problems

2 Who can obtain a grant from this fund?

Any industrial unit where the value of the fixed assets do not exceed Rs. 16.0 Mn. is eligible to obtain a grant from the fund. The unit applying need not be an existing borrower under the SMI Loan Scheme. Both existing and new industries can apply for assistance.

3 For what purposes can assistance be obtained?

Financial assistance can be obtained for -

A *Upgrading Technology* - This would include purchase of new technology, payment to foreign or local experts hired to improve quality, conserve energy eliminate waste, improve packaging, control pollution, etc.

B *Training* - This would include supervisory training, exposure visits to other units, participation in workshops for technology improvement, training abroad in recognised institutes or establishments, etc.

C *Acquisition of know-how* - This would include payments for acquiring design/process know-how, importation of prototypes etc.

Activities not mentioned above, but are designed to upgrade technology and/or solve technology related problems can be considered on a case by case basis

4 How much can be obtained?

Maximum grant of 50% of the total cost of implementing the proposal subject to a upper limit of US\$ 5,000 (approx. Rs. 200,000/-) which ever is lower can be obtained from the fund. In the case of proposals falling under category 3(c) above, the maximum upper limit can go up to US\$ 10,000 (approx. Rs 400,000/-). Here too, 50% of the cost should be financed by the applicant.

5 How can one apply for assistance?

No special application form need to filled for this purpose. All what is needed is to address a letter to any one of the institutions listed under para 6 below giving the following details:

- * Name and address of applicant
- * Product/service
- * Details of any SMI ioan already obtained
(Give name of Bank, Branch, and amount borrowed)
- * Details of proposal for which assistance is sought.

(Give name and address and from whom technology assistance is to be obtained, how such person/institution was chosen , the nature of assistance required, the benefits expected, an estimate of the total cost of implementing proposal giving basis for calculations, schedule of time for implementing the proposal).

6 To whom should I apply?

All applications should be sent to a Branch/Regional/Provincial office or the Head Office SMI Unit of the Banks listed in this report.

If you have already obtained a SMI loan from a Bank, your application should be sent to such Bank/Branch.

7 Who could provide technology?

Assistance could be obtained for acquisition of technology from any acceptable local or foreign source.

Some of the local institutions which could help you in upgrading technology are

- * **Industrial Development Board (IDB)**
615, Galle Road, Katubedda, Moratuwa
- * **Ceylon Institute of Scientific & Industrial Research (CISIR)**
363, Bauddhaloka Mawatha, Colombo 7
- * **National Engineering Research & Development Centre (NERD)**
53, Dharmapala Mawatha, Colombo 3

* **Centre for Industrial Technology Information Service (CITIS)**
615, Galle Road, Katubedda, Moratuwa

* **Clothing Industry Training Institute (CITI)**
Kandawela Estate No. 2, Gen. Sir John Kotelawala Road,
Ratmalana

If guidance is needed in identifying foreign sources of assistance, you may contact one of the above institutions or the National Development Bank.

Further Information/Guidance

Please contact

Mr R D Gunapala - Manager, SMI Department or Mr W D Premachandra - Senior Executive, SMI Department, National Development Bank of Sri Lanka, NO. 40, Navam Mawatha, Colombo 2.

Tel: 437350-3, 437701-10

National Development Bank of Sri Lanka, No 40 Navam Mawatha, Colombo 2.

Telephone: 437350-3, 437701-10#

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People's Bank, SMI Unit, Head Office, Sir Chittampalam A Gardiner Mawatha, Colombo 2.

Tel: 431033, 27841-9 (Ext. 580)

Commercial Bank of Ceylon Ltd, Project Finance Unit, 21 Bristol Street, Colombo 1,

Tel: 23575, 445010-6, 430416-25

Hatton National Bank Ltd, Project Finance Division, 285, Galle Road, Colombo 4

Tel: 500308, 502822, 503908

Development Finance Corpn of Ceylon, PO Box 1397, 73/5 Galle Road, Colombo 3

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**Sampath Bank Ltd, Development Banking Division, 59 D R Wijewardena
Mawatha, Colombo 10
Tel: 438331-7**

**Seylan Bank Ltd, 33, Sir Baron Jayatillake, Mawatha, Colombo 1
Tel: 437901-7, 29514, 434106**

**Kurunegala Regional Rural Development Bank
Head Office, 137, Essedduma, Kuliyaipitiya
Tel: 037-41378**

**Kegalle Regional Rural Development Bank
Head Office, 143/2 Main Street, Kegalle
Tel: 035-2784**

**Kandy Regional Rural Development Bank
Head Office, 87 Mulgampola Road, Kandy
Tel: 08-24049**

FISCAL INCENTIVES FOR NEW INVESTMENTS UTILISING ADVANCED TECHNOLOGY

The Government of Sri Lanka has announced a package of incentives consisting of attractive tax and import duty concessions to investors who will utilise advanced technology.

1 WHO ARE ELIGIBLE FOR CONCESSIONS?

- * **New Companies in the Manufacturing and Services sectors utilising advanced technology.**
- * **Existing Companies and firms in the Manufacturing and Services sector utilising advanced technology.**

2 WHAT ARE THE CONCESSIONS?

(i) For new Companies with:

- **Minimum employment of 50 persons, and**
- **Minimum investment of Rs. 10 million on machinery & equipment, and approved by the Minister, by Order published in the Gazette on or before March 31, 1997 on an application made on or before September 30, 1996. (Reference-Section 17J of the Inland Revenue Act.)**
- * **Five year Tax Holiday** from the year of assessment in which the business commences.
- * **Exemption of dividends** paid out of tax-exempt profits during the tax holiday period and one year thereafter.
- * **Import duty waiver and corresponding turnover tax exception** on machinery and equipment imported for the purpose within one year of the recommendation by the Fiscal Incentives Committee as indicated in paragraph 4.

- ### **(ii) For Existing Companies and Firms with a minimum investment in machinery and equipment of Rs. 2.5 million.**

- * **Import duty waiver and corresponding turnover tax exemption on machinery and equipment imported for the purpose within one year of the recommendation by the Fiscal Incentives Committee as indicated in paragraph 4.**

(iii) For Existing Companies and Firms with:

- **Minimum additional employment of 50 persons.**
- **Minimum investment of Rs. 10 million on machinery & equipment, and approved by the Minister, by Order published in the Gazette on or before March 31, 1997 on an applications made on or before September 30, 1996 (To be given effect to by an Inland Revenue Amending Bill).**
- * **Five year Tax Holiday from the year of assessment in which approval is granted by Order published in the Gazette on the incremental profits adjusted annually for inflation.**
- * **Import Duty waiver and corresponding turnover tax exception on machinery and equipment imported for the purpose within one year of the recommendation by the Fiscal Incentives Committee as indicated in paragraph 4.**

3 WHAT IS ADVANCED TECHNOLOGY

- (i) **Technology which introduces a new design, formula or process in the manufacture of an article or in the provision of a service resulting in one or more of the following will be deemed as Advance Technology -**
 - (a) **Higher productivity resulting in lower cost of production**
 - (b) **Quality improvement of product/service**
 - (c) **Better utilisation of raw materials**
 - (d) **Upgrading of technical skills**

- (e) Minimises/controls environmental pollution and/or wastage
- (ii) Technology hitherto not applied in Sri Lanka for manufacture of new product or provision of new service
- (iii) Technology for the local processing of raw materials, which are currently imported in processed form, excluding simple types of processing
- (iv) Technology hitherto unutilized in Sri Lanka that would make use of local resources to produce public utilities and infrastructure services.

4 HOW TO OBTAIN CONCESSIONS

- * **Apply as early as possible but not later than September 30, 1996** to Secretary, Fiscal Incentives Committee, Ministry of industrial Development, 73/1, Galle Road, Colombo 3 in the specimen form given below in triplicate.
- * **New Companies** could make the application for tax holiday in terms of Section 17J the Inland Revenue Act.
- * **Existing Companies and Firms**, which are recommended by the Fiscal Incentives Committee for import duty waiver and turnover tax exemption on machinery and equipment, would be considered for tax exemption once the amending legislation is enacted. If such companies satisfy the stipulated criteria, an application in terms of the relevant Section of the Inland Revenue Act could be made direct to the Ministry of Finance at that stage. Applications thereafter, by existing companies for the tax holiday as well as for duty and turnover tax exemption should be routed through the Fiscal Incentives Committee to the Ministry of Finance.
- * **Fiscal Incentives Committee** will process the applications for tax holidays as well as for import duty and turnover tax exemption and recommend applications which qualify for

approval.

- * **The Ministry of Finance**, will follow up on statutory procedures regarding the Tax Holidays and the grant of duty waivers under Section 19A of the Customs Ordinance which will also entail turnover tax exemption on imports of relevant machinery and equipment.
- * **To qualify for duty and turnover tax exemption**, relevant machinery and equipment should be imported within one year of the date of recommendation of the Fiscal Incentive Committee.

D Y Liyanage
Actg Secretary
Ministry of Finance, Planning, Ethnic Affairs and National
Integration

Application for Tax Concessions for
New/Existing Firms Utilising Advanced Technology

Application for Tax Holiday, Customs Duty and Turnover Tax
Exemption

- | | | |
|---|--------------------------|----------------------|
| 1 | Name of Company | |
| 2 | New/Existing Co | Existing Firm |
| | Date of Incorporation | Date of Registration |
| 3 | Address (Head Office) | |
| | Name and Telephone No of | |
| | Contact Person | |
| 4 | Factory/Location | |
| 5 | Planned Investment | |

		Rs
1	Land and Building
2	Machinery & Equipment*
3	Working Capital
4	Other (specify)
	TOTAL

* Please indicate relevant HS Code Number

6 **Planned Employment**

No of Person

- a - Managerial
- b - Skilled
- c - Other

Total

Confirm that the criteria relating to the minimum employment of 50 employees will be satisfied within 6 months from the date of commencement of business and continued throughout the tax holiday period.

7 Proposed technology-briefly describe how such technology would qualify as advanced technology in terms of the guidelines that have been announced.

8 **Production & Sales Plan**

	Year 1	Year 2	Year 3	Year 4	Year 5
	Exp/	Exp/	Exp/	Exp/	Exp/
Product	Local	Local	Local	Local	Local

- a)
- b)
- c)
- d)
- e)

9 **Tax Holiday**

Indicate relevant provision of Inland Revenue Act
Annex copies of Certificate of Incorporation and the Memorandum and Articles of Association/

I hereby apply for tax and other concessions announced by the Government. I am aware that the concession granted will be withdrawn and that past due taxes will have to be paid if the investment and employment objectives are not achieved within the stipulated period.

Signature

.....

Name

.....

Organisation

.....

Date:

.....