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FINAL REPORT ON CONTRACT NO: 90/022,  
UNIDO PROJECT NO:DP/SRL/87/007-SERVICES  
IN CONJUNCTION WITH INDUSTRIAL INVESTMENT  
PROJECTS PROMOTION FORUM  
FOR SRI LANKA

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**November, 1990**

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**FINAL REPORT ON CONTRACT NO: 90/022, UNIDO PROJECT NO: DP/SRL/87/007 -  
SERVICES IN CONJUNCTION WITH INDUSTRIAL INVESTMENT PROJECTS PROMOTION FORUM  
FOR SRI LANKA**

**1. BACKGROUND**

Within the framework of project DP/SRL/87/002, UNIDO's Industrial Investment Division was preparing a programme for the identification, formulation and promotion of industrial investment projects for Sri Lanka, including the holding of an Industrial Project Promotion Forum (IPPF) in Colombo, tentatively scheduled for February 1991. The primary objective of the Forum is to attract the flow of foreign resources needed for the implementation of specific industrial investment projects emanating from various industrial sub-sectors. Sri Lanka Business Development Centre (SLBDC) was contracted to provide services as laid down in Contract No:90/022 signed on 29th January and 1st February 1990.

**2. AIM OF THE CONTRACT**

The aim of the Contract is

- a. the identification and formulation of 50 industrial investment projects and
- b. the identification of serious local investors to sponsor each one of the projects.

**3. SCOPE OF WORK**

According to the above contract it was anticipated that SLBDC based in Colombo, will identify and formulate 50 industrial investment projects which need inputs from foreign partners. In carrying out this work conform with the

methodology, approach and schedule given in the proposal dated 19th January 1990, and identify serious local investors for each project. The contents of the projects would consist of the following components:

- a. Detailed description of the product(s), information of the Sri Lankan investors, and presentation of commercial and other rationale of the project; and the financial, technical, managerial or other resources required by the local investor.
- b. The market: Collection and analysis of market information such as demand, supply and prices in respect of both domestic and potential export markets; projected sales volume; Estimation of possible sales volume in relation to demand/supply.
- c. Plant capacity and brief description of proposed project location and site selection criteria.
- d. A list of available pre-investment studies (pre-feasibility, feasibility and other support studies) of the project will be provided. The content of each study will be described briefly. The date of each study and its author will be indicated.
- e. Materials and utilities: Assessment of the requirements and costs of raw materials, other material inputs and utilities.
- f. Manpower: Assessment of manpower needs and costs.
- g. Financial evaluation: Estimation of total investment cost, suitable financial structure, annual manufacturing costs, cash flows and financial parameters such as net present value, internal rate of return, break even production and payback period. To the extent possible, PROSPER software for investment project screening would be utilized. For this purpose UNIDO will make available to the JIBD, the relevant PROSPER software package.
- h. Concessions and incentives: Assessment of Government and other concessions and incentives available to the project.

- i. Economic analysis : Assessment of value addition, net foreign exchange earnings and other economic benefits of the project.

#### 4. WORK PERFORMED

The following activities were carried out in order to fulfill the contract in accordance to the contents of paragraph 2.01 and the UNIDO Terms of Reference dated 22nd January 1990.

- a. Work commenced on 15th February 1990 and the study team sat together on a number of planning sessions to detail out and schedule the activities.
- b. The team together with specialist consultants from different fields conducted identification of potential opportunities in the 16 priority areas given by GCEC namely
  - \* Agro based Industries
  - \* Agriculture
  - \* Gems & Jewellery
  - \* Fisheries
  - \* Soft toys and Novelties
  - \* Electronics
  - \* Handicrafts
  - \* Specialized Services
  - \* Food Beverages and Tobacco
  - \* Textiles & Wearing Apparel
  - \* Leather Products
  - \* Wood and Wood Products
  - \* PVC Products
  - \* Non-Metallic Mineral Products
  - \* Fabricated metal Products & Machinery (Light Engineering)
  - \* Manufactured Products not elsewhere specified
- c. Initially 74 investment opportunities were identified in the given priority areas and these are listed in Annex I.

these on being subjected to further evaluation yielded the 51 opportunities given in Annex II.

- d. These opportunities were published among the business community in Sri Lanka, through media advertisements, chamber publications, news letters and mailings, and from the applications received 146 serious investors interested in the fifty projects were identified.
- e. Based on the foregoing, pre-feasibility studies were prepared according to the agreed format and methodology given in SLBDC's proposal of 19th January 1990, exercising care and diligence in their preparation and using the services of suitable specialists in the different fields in order to ensure high professional standards. Preparation of pre-feasibility study reports were made according to basic principles of scientific report writing. Of those 51 opportunities listed in Annex II, studies on the items 1 to 50 were completed and submitted to UNIDO in 15 copies in the form of pre-feasibility study reports, and in the form of investment profiles derived from these pre-feasibility studies.
- f. The work on identification and formulation of the 50 investment projects, identification of serious local investors interested in these projects, the preparation of 50 pre-feasibility study reports and the 50 investment project profiles were completed by 13th July 1990.
- g. The 50 pre-feasibility study reports in 15 copies and the 50 investment project profiles in 15 copies were dispatched to Chief, Contracts Section, General Services Division, Department of Administration, UNIDO, P.O. Box: 330, A-1400, Vienna, Austria.

## 5. PERSONNEL USED IN THE EXECUTION OF THE CONTRACT

In carrying out the work as laid down in the contract, contractors personnel given below in 5.1, were used and these were further supplemented by specialist consultants in the different fields listed in section 5.2.



### 5.1. S L B D C Staff

Dr. C. Anton Balasuriya  
 Mr. R. Dias Bandaranaike  
 Mr. R.P.C. Rajapaksa  
 Ms. R. Jayasundera  
 Ms. G. Abeydeera  
 Mr. R. de Soysa  
 Mr. R. S. Palihawadana  
 Mr. M. I. Gunewardene

### 5.2. Specialist Consultants

Mr. K. L. Abevickrama  
 Dr. H.P.M. Gunasena  
 Mr. T.K.G. Ranasinghe  
 Dr. C.S.T.B. Perera  
 Mr. K.C. Silva  
 Mr. K.K.K. Wijesundera  
 Mr. L.A.C. Alles  
 Mr. P. Edirisinghe  
 Mr. S.M.G. Samarakoon  
 Mr. Wasantha de Silva  
 Mr. W. Kannangara  
 Mr. U.D. Jayawardana  
 Mr. R. Wijekoon  
 Mr. Patrick Dias  
 Mr. Kosala Jayasinghe  
 Mr. Sarath Kumara Jayakody  
 Mrs. S. Aththanayake  
 Dr. Nihal Gunasinghe  
 Mr. H.P. Soorivapperuma  
 Mr. H.J.V.A. Fernando  
 Dr. J.I. Samarakoon  
 Mr. D.S. Kotelawala  
 Mr. Shiraz Kabeel  
 Mr. Sri Lal Ranabahu

Mr. Sunil Sirisena  
Mr. R. Widesinghe  
Mr. K.J. Wanasinghe

## 6. SERVICES AND EFFORT

Much more 3050 man hours were spent by the SLBDC staff given in 5.1. and more than 2343 man hours were spent by the specialist consultants in 5.2. in execution of these project area services.

## 7. BRIEFING, DE-BRIEFING AND REVIEW

Briefing was expected to take place in Colombo in early March 1990, but took place only in mid May. By the time of arrival of the UN consultant for the briefing on 17th May, the selection of the projects had been carried out, and most of the pre-feasibility studies were completed and the preparation of others were well under way. Before his departure on 27th May, draft pre-feasibility study reports on the 50 projects were reviewed by the UN consultant. The comments and suggestions of the UN consultant were incorporated in to these studies by the Study Team as far as possible.

The same UN consultant made the second visit on 2nd July 1990 and conducted a second review. In the course of this second review he again examined the corrected draft study reports in detail and made further comments which were again incorporated in to the studies. This exercise was completed by 13th July 1990 and prior to his departure for Vienna on the same day the UN consultant was handed over one copy each of the finalised investment project profiles and one sample copy of a pre-feasibility study report for delivery to the Contracts Section at UNIDO, Vienna.

## 8. DIFFICULTIES AND CONSTRAINTS

in the execution of the above contract the following difficulties and constraints were experienced.

### 8.1. Propspin Software

8.1.1. Propspin Software was made available by UNIBO at commencement of the work, but the software Manual was not available. This caused considerable waste of staff time in learning the use of the Propspin Software and by the time the manual was received on 19th March 1990, the staff concerned was proficient in the use of this software package.

8.1.2. It was found that when using this software, the input of expatriate staff salary gave erroneous results in certain outputs. After very many attempts these errors were finally corrected by using the annual salary of the expatriate instead of the monthly salary as required in the input sheet in obtaining some outputs and using the monthly expatriate staff salary input in obtaining other outputs such as foreign exchange savings and interest additions, and combining the correct outputs in the final analysis.

8.1.3. The repairs and maintenance costs are taken as operational expenses by Propspin Software used in the feasibility evaluation. However, these costs are taken by this software as a percentage of the depreciated value of the assets and as a result diminishes with age. In order to compensate for this shortcoming an average additional maintenance cost had to be computed and added on to the overhead costs.

8.1.4. The depreciation rates and maintenance/insurance rates were fixed and protected in the software and these could not be changed even when required.

### **8.2. Briefing**

As stated before, though the briefing of the study team by the UN consultant was scheduled for early March, the consultant arrived only on 17th of April, by which time some of the studies were completed and others were nearing completion. This delay in briefing made it necessary to incorporate a considerable amount of modifications which could have been avoided.

### **8.3. Interpretations**

As pointed out by the UN consultant himself, the term investment project study was interpreted differently by different organisations. It was finally agreed that study reports of 70 pages  $\pm$  20% on the agreed format termed pre-feasibility studies were to be the target products.

### **8.4. Local Investors**

Though 146 serious local investors were identified, there were several of these investors sponsoring for each project, except in the case of glass table ware manufacture which had only one sponsor. This created a difficulty in tailoring one project study to suit several local sponsors.

### **8.5. Confidential nature of Contents of Previous pre-Investment Studies**

The pre-investment studies carried out earlier on the different projects encountered by the Study Team were mostly feasibility studies prepared for specific investors most of whom were keen on maintaining the confidentiality of the information regarding projects in which they have invested or in which they were planning to invest. This created a difficulty in giving a summary of the contents or even in listing them.

## 9. ASSISTANCE AND CO-OPERATION

SIIBD wish to acknowledge the co-operation and assistance received from the GDFC, UNIDO office Colombo, the TV officials and the consultants and the other organisations and individuals in Sri Lanka who helped in the execution of this contract.

Dr. G. Anton Balasuriya  
**MANAGING DIRECTOR**

Ct. Colombo, 1990

**List of Projects Identified for Developing Investment Profiles  
for the UNIDO Investors' Forum - February 1991**

**Agro based Industries**

1. Aseptic Packaging/Canning of Fruit Juices
2. Cultivation and Processing of Pineapples  
- (Export of the fruit/Canned fruit/juice)
3. Cultivation & Processing of tomato
4. Extraction of Essential Oils
5. Sericulture
6. Cultivation & Processing of Gherkins

**Agriculture**

1. Growing and Export of Asparagus
2. Cultivation and export of Banana
3. Cultivation of Strawberries for export
4. Cut Flower Exports
5. Aquatic Plants for Export
6. Foliage Plant Production for export

**Gems & Jewellery**

1. Cutting and Polishing of Diamonds
2. Manufacture of Jewellery for Export
3. Calibrated Gem processing
4. Heat treatment of Gouda Stones
5. Radiation Treatment of Topaz

**Fisheries**

1. Prawn Culture
2. Breeding and Rearing of Ornamental Fish for Export Markets
3. Shrimp Mariculture

**Soft Toys and Novelties**

1. Manufacture of Stuffed/Soft Toys

**Electronics**

1. Manufacture of Printed Circuit Board Assemblies
2. Toys, Games and Sports requisites
3. Communication Equipment

**Handicrafts**

1. Silverware
2. Imitation Jewellery

### **Specialised Services**

1. Development of Software Designs
2. Data Entry Services

### **Food Beverages & Tobacco**

1. Mineral Water Bottling

### **Textiles & Wearing Apparel**

1. Socks knitting Plant
2. Embroidered Fabrics
3. Silk Production
4. Fabrics for the Garment Manufacturing Industry

### **Leather Products**

1. Leather Shoes
2. Miscellaneous Leather Goods

### **Wood & Wood Products**

1. Knocked down Furniture
2. Wooden Sports Goods
3. Wood cased Pencils

### **Rubber & Plastic Products**

1. Manufacture of Rubber V-Belts
2. Solid Rubber Tyres
3. Automobile Tyres for Export
4. Rubber Automotive Components
5. Manufacture of Conveyor Belts
6. Manufacture of Motor Cycle and Bicycle Tyres
7. Poly Propylene Bags
8. Pressure Sensitive Adhesive Tapes
9. ABS (Acrylonitrile Butadiene Styrene Copolymer)  
Brief Cases, Suitcases & Attach Cases
10. Manufacture of Surgical Examination Gloves for Export

### **Non - Metallic Mineral Products**

1. Manufacture of Sheet Glass
2. Phosphate Fertilizer manufacture
3. Manufacture of Ornamental Ceramics
4. Manufacture of Graphite Crucible
5. Manufacture of Pencil Lead
6. Manufacture of Ceramic Sanitaryware
7. Ceramic Tableware
8. Glass Tableware
9. Manufacture of Ceramic Tiles for Export
10. Manufacture of Granite Slabs for Export

**Fabricated Metal Products and machinery (Light Engineering)**

1. Container Manufacture
2. Manufacture of Screws Nuts and Bolts
3. Sports Goods
4. Precision Tools and Moulds
4. Modern Packaging Plants
6. Sheet Metal Furniture
7. Fishing Nets and Accessories
8. Manufacture of Yachts/Boats
9. Umbrellas, Sun Shades etc.
10. Clocks & watches
11. Musical Instruments
12. Brake and Clutch Lining
13. Lead Acid Batteries
14. Spectacle Frames
15. Spectacle Lenses
16. Laboratory Equipment
17. Medical Instruments and Equipment

**Manufactured Products not elsewhere specified**

1. Coir mats and matting (Coconut based)
2. Manufacture of Saline Solution (pharmaceutical)
3. Manufacture of Abrasive Cloth and Paper for Export
4. Manufacture of Power Distribution Transformers for Export



### List of Project Profiles

1. Cultivation of Banana for Export
2. Cultivation and Export of Pineapple
3. Cultivation of Asparagus for Export
4. Cultivation and Processing of Gherkins for Export
5. Cultivation of Foliage Plants for Export
6. Cultivation of Cut Flowers for Export
7. Production and Export of Ornamental Fish
8. Breeding of Fresh Water Prawns for Export
9. Mariculture of Peneaus Monodon (Shrimp) for Export
10. Production of Fabrics to supply the Export - Oriented Garment Manufacturing Industry
11. Production of Raw Silk for Export
12. Socks Knitting for Export
13. Manufacture of Coir Mats & Mattings for Export
14. Manufacture of Pressure Sensitive Adhesive Tape for Export
15. Manufacture of Intravenous Infusion Solution
16. Manufacture of Leather Goods for Export
17. Extraction of Essential Oils for Export
18. Manufacture of Motor Cycle & Bicycle Tyres for Export
19. Manufacture of Solid Tyres for Export
20. Manufacture of Automobile Tyres
21. Manufacture of Conveyor Belts
22. Manufacture of Rubber Automotive Components
23. Manufacture of V - Belts for Export
24. Manufacture of Surgical/Examination Gloves for Export
25. Manufacture of Ceramic Sanitaryware for Export
26. Manufacture of Porcelain Tableware for Export
27. Manufacture of Ornamental Ceramicware for Export
28. Manufacture of Glass Tableware for Export
29. Manufacture of Ceramic Tiles for Export
30. Manufacture of Graphite Crucibles for Export
31. Manufacture of Granite Slabs for Export
32. Manufacture of Abrasive Cloth and paper for Export
33. Manufacture of Sheet Metal Furniture for Export
34. Manufacture of Screws, Nuts and Bolts for Export
35. Manufacture of Tools, Dies & Moulds for Export
36. Manufacture of Power Distribution Transformers for Export
37. Production of Printed Circuit Board Assemblies
38. Production of T V Sub Assemblies for Export
39. Manufacture of Lead Acid Batteries for Export
40. Laboratory Equipment for Export
41. Facetting and Polishing of Diamonds
42. Colour Conversion of Topaz through irradiation
43. Heat Treatment of Gauda Stones for Conversion to Blue Sapphire
44. Establishment of a Factory for Calibrated Gem Processing
45. Manufacture of Jewellery for Export
46. Manufacture of Imitation Jewellery for Export
47. Soft Toys for Export
48. Manufacture of Wood - Cased Pencils for Export
49. Manufacture of Graphite Pencils Leads for Export
50. Establishment of a Data Entry Bureau in Sri Lanka
51. Development of Software Designs