

INDUSTRY

OVERALL PERFORMANCE

The performance of the industrial sector witnessed a significant improvement as reflected in higher levels of production, exports and value added in 1993. This was the result of increased production of existing industries and creation of new capacities in many industrial product categories. The value of industrial output which grew by 12 per cent in real terms in 1992, expanded by 14 per cent in 1993. The bulk of this growth originated from private sector industry which grew by 13 per cent. Public sector which constitutes only one eighth of the total industrial production also recorded an increase of 20 per cent. With impressive expansion in production, the industrial sector has become the main growth sector of the economy. This growth performance had been reflected in both domestic oriented and export-oriented industries.

In the private sector, industrial sub-sectors that recorded large increases in production were textiles, wearing apparel and leather; chemicals, rubber and plastic products; non-metallic mineral products; food, beverages and tobacco; wood and wood products and paper and paper products. The increased production of the public sector industries was primarily due to a sharp increase in the output of the petroleum refinery.

Export-oriented industries as a group, registered an appreciable growth of 21 per cent in SDR terms in 1993. The value of industrial exports increased from Rs.76,699 million in 1992 to Rs.100,420 million in 1993. Two products, viz. wearing apparel and petroleum products accounted for 68 per cent of the total industrial exports during the year.

PRODUCTION

In real terms, the value of industrial output is estimated to have increased by 14 per cent in 1993. When the value of Petroleum output is excluded, the estimated expansion in industrial production was 12 per cent.

Industrial sub-sectors that recorded increases in production in 1993 were: Chemicals, Petroleum, Rubber and Plastic products (25 per cent), Paper and Paper products (18 per cent), Textile, Wearing Apparel and Leather products (17 per cent), Wood and Wood products (18 per cent), Food, Beverages and Tobacco (7 per cent) and manufactured products not elsewhere specified (20 per cent). The sectors that recorded decreases in output were: Basic Metal products (9 per cent) and Fabricated Metal products (2 per cent).

The value of production in private sector industries which grew by 20 per cent in real terms in 1992, expanded by a further 13 per cent in 1993. This growth originated largely from three product categories, viz. textile, wearing apparel and leather; food, beverages and tobacco and chemicals, rubber and plastic products.

With the privatisation of three textile mills and a leather manufacturing unit, almost the entire output of the textiles, wearing apparel and leather products sub-sector was contributed by private sector industries. Despite rising protectionism and stiffer competition coupled with recessionary conditions in the Western market, output of the textiles and wearing apparel industry grew by 17 per cent in 1993. The comparable increase in the previous year was 31 per cent. The continued expansion in the output of the textile, wearing apparel and leather products category was largely a result of export oriented garment industry catering to European and Northern American markets. Small scale garment industry manufacturing, mostly shirts, trousers, underwear and children's clothing for the domestic market, also contributed substantially to this expansion.

During 1993, non-quota garment exports continued to expand particularly to the European Economic Community (EEC). The increase in the export of non-quota garment was largely due to the initiatives taken by the 134 new garment factories that commenced operations during the year under the 200 garment factory programme, which were constrained to promote non-quota exports, in the context of the limitation of quotas available to the country.

Despite competition and depressed external markets, garment industry continued to sustain itself as the largest gross foreign exchange earner of the country. Export earnings of the garment industry recorded Rs.66,785 million in 1993.

The installed capacity of the garment industry expanded substantially with the commencement of operations of 134 factories under the 200 garment factories programme in 1993. However, the sudden expansion of the supply of garments tended to depress prices in the short run. Although the industry has improved its standards in the recent past, it needs to further upgrade quality, sophistication of production processes as well as adopt better marketing strategies to deepen and diversify activities and expand its market in the context of a rising competition from newly emerging other low cost producers in the region.

The output of the textile manufacturing industry, comprising spinning, weaving and printing, expanded significantly in 1993. An export oriented BOI enterprise recording a 39 per cent of growth in output largely contributed to this increase. Domestic market oriented textile industry which showed rapid improvement in quality also recorded an expansion of output during the year. Increased output levels of three major manufacturers and a large number of small production units manufacturing footwear were responsible for the increased output of leather products category.

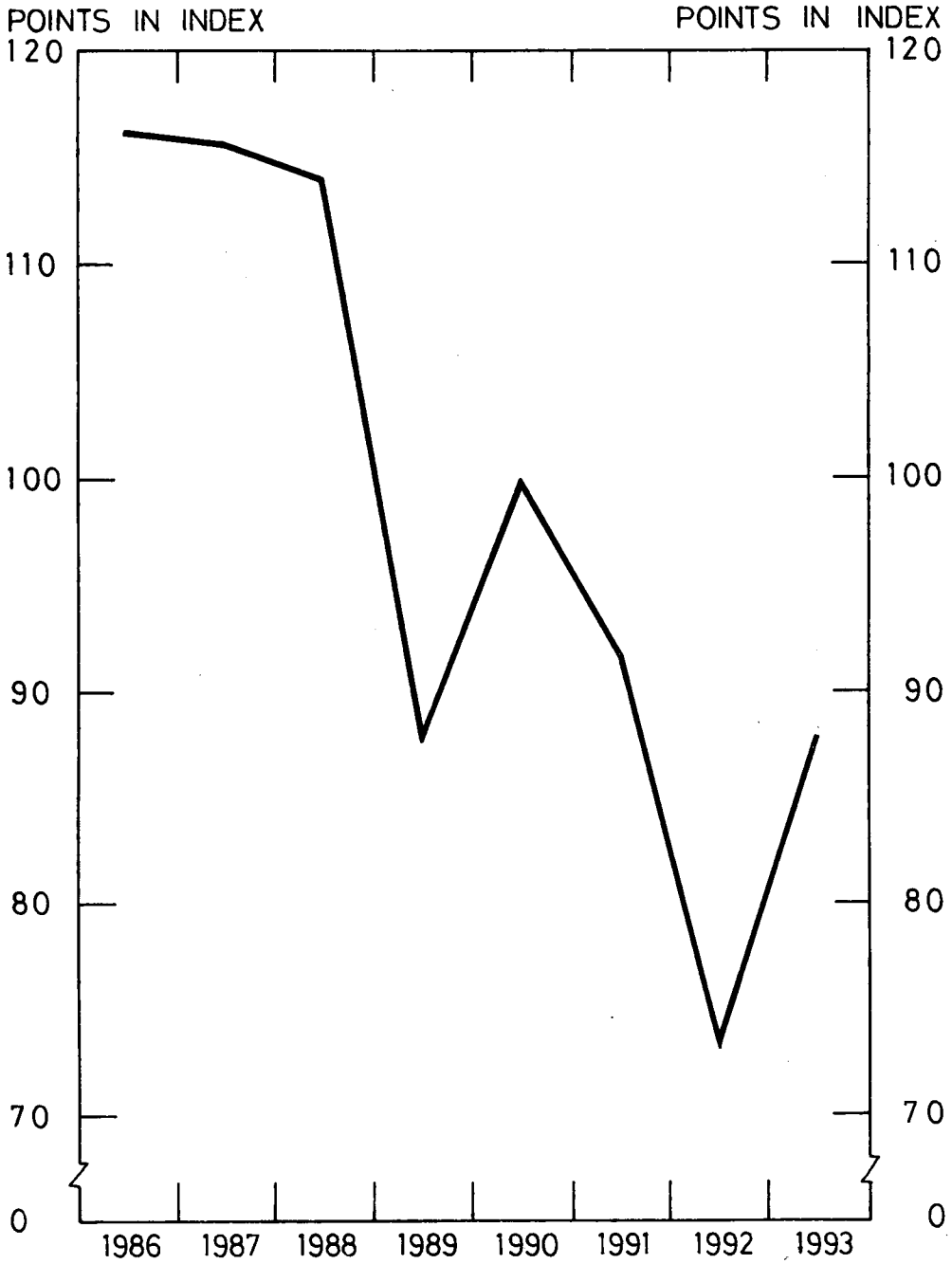
The output of food, beverages and tobacco category which recorded poor performance in 1992 largely due to prolonged drought conditions expanded by 9 per cent in 1993. The increased expansion of the output of private sector industries in this category largely originated from the improved production of flour, tea packetting, dairy products, biscuits, poultry feed, sugar and liquor. Despite the reduction in cost of production resulting from reduced import duty on inputs, production of margarine recorded only a marginal increase. Export oriented industries engaged in the processing of tobacco and production of fish, crustacean and other similar products also contributed to the increased output of the food, beverages and tobacco category.

The output of tobacco products which is the highest contributor to the total production of the food, beverages and tobacco category recorded a 6 per cent growth resulting from increased production of cigarettes.

The output of private sector industries accounted for about half of the total output of chemicals, petroleum, rubber and plastic products category in 1993. Increased output levels were recorded in private sector industries engaged in the manufacture of rubber products, agro chemicals and fertilizer and paints and varnishes. The main source of growth in output was the export oriented BOI rubber industries, particularly those manufacturing surgical and industrial gloves, agricultural and industrial tyres. The improved performance of chemicals, rubber and plastic products category was also reflected in the increased domestic demand during the year.

Private sector industries which contributed about four-fifths of the total output of the non-metallic mineral products sub-sector continued to expand in 1993 due to the improved performance of the construction industry. Increased output levels were recorded in private sector industries engaged in the manufacture of ceramics, cement, concrete derivatives and asbestos and cutting and polishing of gems and diamonds. The output of glass and glass products continued to decline and this decline in production was mainly attributed to the closure of the largest glass manufacturing industry following a labour dispute which lasted for about 12 months. Export-oriented BOI industries in the non-metallic mineral products sub-sector engaged in the manufacturing of porcelain figurines, dolomite products, and decorative candles recorded improved

INDEX OF INDUSTRIAL PRODUCTION OF THE PUBLIC SECTOR



performance in output. However, cutting and polishing of diamonds recorded poor performance largely due to a sharp decline in production of a foreign enterprise engaged in processing diamonds.

Private sector industry which accounted for two thirds of the total output of the paper and paper products category engaged mainly in printing and manufacturing of paper and paper boards, labels and cartoons. Higher growth in output of paper and paper products in 1993 originated largely from the printing category. Production of labels and cartoons has also contributed substantially to the increased level of output in this category. Export-oriented BOI industries engaged in printing and security printing recorded increased output during the year.

The output of wood and wood products including furniture expanded by 23 per cent during 1993. The increase in output resulted from higher domestic absorption, specially by the construction sector and increased external demand. Export oriented BOI industries engaged in manufacture of wood based packaging, sports goods and wooden toys recorded a substantial increase in output during the year.

Output of the fabricated metal products category which originated entirely from the private sector recorded poor performance in 1993. The decline in output of this category was mainly a result of a sharp drop in the output of two export-oriented BOI industries engaged in the manufacture of steel enclosures, steel fasteners and steel moulds. However, in this product category, output of industries engaged in the manufacture of fabricated metal, electrical appliances, cables and bulbs increased largely due to the continued growth in the construction industry.

Production of manufactured products not elsewhere specified recorded a marginal increase in 1993. This increase originated largely in the industries engaged in the manufacturing of stuff toys, surf sails, brushes, fishing gear and nylon net. In contrast, industries manufacturing umbrellas and coir fibre recorded decreases in output during the year.

VALUE OF PRODUCTION IN CURRENT TERMS

The value of overall industrial production, in current terms is estimated to have increased by 23 per cent in 1993. The value of paper and paper products rose by 33 per cent, chemicals,

TABLE 1.18
Value of Industrial Production 1989 - 1993
(Current Prices)

Category	Rs. Million				
	1989	1990	1991	1992(b)	1993(a)
1. Food, beverages and tobacco	18,458	21,955	30,003	34,157	39,709
2. Textile, wearing apparel and leather products	22,073	27,930	33,854	53,929	70,057
3. Wood and wood products (including furniture)	667	721	802	1,005	1,230
4. Paper and paper products	1,456	1,880	2,214	2,586	3,438
5. Chemicals, petroleum, coal, rubber and plastic products	12,041	21,215	20,140	23,817	28,876
6. Non-metallic mineral products (except petroleum and coal)	6,007	7,554	8,181	10,582	12,351
7. Basic metal products	792	1,006	1,264	1,424	1,488
8. Fabricated metal products, machinery and transport equipment	3,182	4,199	5,093	5,948	5,915
9. Products not elsewhere specified	231	296	2,373	2,658	3,402
Total	64,907	86,756	103,924	136,106	166,466

(a) Provisional

(b) Revised

Source: Central Bank of Sri Lanka.

petroleum, rubber and plastic products by 21 per cent, textiles, wearing apparel and leather by 30 per cent, wood and wood products by 22 per cent, non-metallic mineral products by 17 per cent, food, beverages and tobacco by 16 per cent, basic metal products by 5 per cent and manufactured products n.e.s. by 28 per cent. The value of fabricated metal products declined by 1 per cent.

PUBLIC SECTOR INDUSTRIES

In real terms, the public sector industrial output increased by 20 per cent in 1993, in contrast to a 19 per cent decline in the previous year. This sharp expansion in the public sector industrial output in 1993 came entirely from a 40 per cent growth in the output of the Ceylon Petroleum Corporation (CPC) which accounted for about 77 per cent of total public sector industrial output. When petroleum is excluded, public sector industrial output is estimated to have decreased by 21 per cent.

TABLE 1.19
Public Sector Major Industry Output Index 1991 - 1993
(1977 = 100)

Category	1991	1992	1993 (a)
1. Food, beverages and tobacco	18.3	13.4	8.1
2. Textile, wearing apparel and leather products	66.6	27.5	10.3
2.1 Textile	90.5	37.9	14.2
3. Wood and wood products	12.3	20.5	25.4
4. Paper and paper products	137.4	156.6	174.1
5. Chemical products	112.5	86.9	121.8
5.1 Petroleum products	113.1	91.8	129.4
6. Non-metallic mineral products	143.5	143.4	124.0
6.1 Cement	171.4	179.8	152.5
7. Basic metal products	111.5	125.7	92.4
8. Fabricated metal products	17.4	-	-
All categories	91.9	73.3	87.9
Excluding petroleum products	68.2	52.7	41.7

(a) Provisional

Source : Central Bank of Sri Lanka.

The enterprises that recorded decreases in output were: Lanka Salt (61 per cent), Sri Lanka Sugar (31 per cent), Ceylon Steel (26 per cent), State Mining and Mineral Development (25 per cent), Sri Lanka Cement (15 per cent) and Lanka Ceramic (10 per cent).

Under the Government's peoplisation programme, the ownership of the Mattegama Textile Mill, Hingurana Sugar Factory and two cement factories in Galle and Puttalam was transferred from the public to the private sector during the year. The reduced output level of Lanka Salt Co. Ltd. was largely due to a production shortfall in the Puttalam saltern caused by adverse weather conditions that prevailed in the area during the year. The decline in output of the State Mining and Mineral Development Corporation was mainly due to the accumulated stock position of the Lanka Phosphate Ltd. Inadequate supply of raw materials resulted in a decline in the output of Ceylon Steel Corporation.

Public sector industrial enterprises that recorded production increases during the year were: Ceylon Mineral Sands (85 per cent), Ceylon Petroleum (40 per cent), State Timber (23 per cent), National Paper (11 per cent) and State Rubber Manufacturing (8 per cent).

An increase in installed capacity and the uninterrupted operation of the refinery throughout the year were the major reasons for the increased output of the Ceylon Petroleum Corporation (CPC), compared with the previous year when the refinery was closed for a major modification to the crude distiller unit for about 14 weeks. The rise in production of the Ceylon Mineral Sands Corporation was mainly a result of increased availability of storage facilities for ilmenite during the year. Adequate supply of timber with higher level of felling operations throughout the year resulted in the increased production of the State Timber Corporation. The expansion in production of the National Paper Co. Ltd. was largely due to the higher output levels recorded by both Embilipitiya and Valachchenai Mills during the year.

In terms of sectoral classification of public enterprises, chemical products sector recorded the highest growth rate (40 per cent). The other sectors that recorded increased levels of output were: wood and wood products (24 per cent) and paper and paper products (11 per cent). The sectors that recorded decrease in output were: textile wearing apparel and leather (62 per cent), food, beverages and tobacco (40 per cent), basic metal products (26 per cent) and non-metallic mineral products (14 per cent).

VALUE ADDED

In current terms, the value added in industry increased by 21 per cent in 1993, compared with a 24 per cent growth in the previous year. The value added is derived by subtracting the cost of raw materials and power and fuel from the ex-factory value of output.

Total value added in manufacturing industry in 1993, amounted to Rs.60,751 million. As a percentage of value of output, the average value added was 36 per cent in 1993 compared with 37 per cent in the previous year. Among the categories of industries with value added ratios above 50 per cent were wood and wood products (68 per cent); fabricated metal products (61 per cent); non-metallic mineral products (58 per cent); paper and paper products (56 per cent) and food.

TABLE 1.20
Value Added in Industry 1989 - 1993

Category	Rs. Million				
	1989	1990	1991	1992(b)	1993(a)
1. Food, beverages and tobacco	10,168	12,065	15,070	18,668	21,706
2. Textile, wearing apparel and leather products	5,746	7,167	8,542	14,630	18,994
3. Wood and wood products (including furniture)	496	485	571	677	831
4. Paper and paper products	745	1,019	1,167	1,397	1,911
5. Chemicals, petroleum, coal, rubber and plastic products	3,531	2,428	3,199	3,989	4,738
6. Non-metallic mineral products (except petroleum and coal)	1,218	4,742	4,905	5,918	7,153
7. Basic metal products	77	194	248	263	278
8. Fabricated metal products, machinery and transport equipment	1,969	2,746	3,247	3,629	3,609
9. Manufactured products (n.e.s.)	117	138	1,092	1,196	1,531
T O T A L	24,067	30,984	38,041	50,367	60,751

(a) Provisional.

(b) Revised.

Source: Central Bank of Sri Lanka.

beverages and tobacco (55 per cent). Value added ratios were below 50 per cent in textile, wearing apparel and leather products (27 per cent); basic metal products (19 per cent) and petroleum and chemical products (16 per cent) categories.

POWER AND FUEL

The sales of industrial fuel, excluding those to the Ceylon Electricity Board, increased by 8 per cent in 1993. Sales of furnace oil and heavy diesel rose by 8 per cent and 10 per cent, respectively.

TABLE 1.21
Power and Fuel used in Industry 1992 - 1993

Item	1992 (b)	1993 (a)
1. Electricity (Gwh) (c)	1,051.8	1,183.0
1.1 Small Industry	76.0	78.4
1.2 Medium Industry	505.2	602.2
1.3 Large Industry	470.6	502.4
2. Domestic sales of industrial fuel ('000 metric tons) (d)	179.7	193.9
2.1 Heavy Diesel	16.3	18.0
2.2 Furnace Oil	163.4	175.9

(a) Provisional.

(b) Revised.

(c) Includes manufacturing and export processing industries.

Small industry is defined as those units having rated capacity below 50 Kva, medium industry as 50-500 Kva and large industry as above 500 Kva.

(d) Sales other than to the Ceylon Electricity Board.

Sources: Ceylon Electricity Board,
Ceylon Petroleum Corporation.

The use of electricity in industry rose by 12 per cent during 1993. This was made up of increases of 3 per cent in small scale industries, 19 per cent in medium scale industries and 7 per cent in large scale industries.

INDUSTRIAL POLICY

Industrial policy continued to aim at promoting international competitiveness of the domestic industries by facilitating industrial activities through infrastructure development and rationalisation of approval procedures and the tariff structure during the year. With a view to minimising distortions in the incentive regime, modifications were announced to incentives granted by the Board of Investment (BOI). These included withdrawal of tax holidays, downward revision of taxes for the export sector and reduction in import duties.

Policy measures were also taken to encourage greater regional co-ordination of industrial activities and provide infrastructure facilities in the provinces. Six Regional Industry Service Committees (RISC) which were set up in the Sabaragamuwa, Uva, Southern, Central, North Western and North Central Provinces commenced operations during 1993. Further, seven Regional Industrial Service Centres were also set up to facilitate various services required by industries in the provinces. Under the Government's programme of developing infrastructure in regions by setting up industrial estates throughout the island, 34 locations were identified. Development of seven industrial estates in Gampaha, Matara, Galle, Moneragala and Chilaw commenced during the year.

The Geological Survey and Mines Bureau was established on March 18, 1993 under the Mines and Minerals Act of 1992, with a view to developing and promoting mineral based industries in the country. The functions of the Bureau include undertaking systematic geological mapping, identifying and assessing of the mineral resources of the country, evaluating the commercial viability of mining for processing and exporting and regulating the exploration and mining of mineral resources.

In keeping with the Government's policy on privatisation, the majority shares representing 90 per cent each of the Hingurana Sugar Industries Ltd., Mattegama Textile Mills Ltd. and Puttalam Cement Co. Ltd. and shares representing 60 per cent each of the Ruhunu Cement Co. Ltd. and Lanka Canaries Ltd. to the value of Rs.128 million, Rs.61 million, Rs.2,028 million, Rs.219 million and Rs.102 million, respectively were sold through Cabinet appointed Tender Boards during the year. In addition, shares representing 37 per cent and 30 per cent of Lanka Ceramics Ltd. and Kelani Tyres Ltd. to the value of Rs.443 million and Rs.182 million respectively were sold to the public.

FACILITIES TO INDUSTRIES

The industrial sector continued to receive financial assistance on concessional terms during the year under review. The Small and Medium-term Industrial Project Scheme (SMI) of the National

TABLE 1.22

Approvals of Credit and Financial Assistance sanctioned by the National Development Bank and Development Finance Corporation of Ceylon - 1993

Category	NDB						DFCC		Grand Total	
	Refinance Approvals SMI Project IV		Direct Financial Assistance		Total		Approvals			
	No.	Amount Rs. Mn.	No.	Amount Rs. Mn.	No.	Amount Rs. Mn.	No.	Amount Rs. Mn.	No.	Amount Rs. Mn.
1. Food, beverages and tobacco	528	243	27	603	555	846	75	329	630	1,175
2. Textile, wearing apparel and leather products	192	114	51	778	243	892	62	330	305	1,222
3. Wood and wood products	157	61	3	5	160	66	29	44	189	110
4. Paper and paper products	80	64	3	12	83	76	34	168	117	244
5. Chemicals, petroleum, coal, rubber and plastic products	101	95	30	476	131	571	71	361	202	932
6. Non-metallic mineral products	101	28	-	-	101	28	29	589	130	617
7. Basic metal products	204	67	32	645	236	712	03	2	239	714
8. Fabricated metal products, machinery and transport equipment	-	-	-	-	-	-	44	378	44	378
9. Products not elsewhere specified	1,202	588	116	1,595	1,318	2,183	-	-	1,318	2,183
T O T A L	2,565	1,260	262	4,114	2,827	5,374	347	2,201	3,174	7,575

Sources : National Development Bank,
Development Finance Corporation of Ceylon

Development Bank was the major financing programme under which industries received financial assistance. In addition, the Development Finance Corporation of Ceylon (DFCC), the National Development Bank (NDB) and commercial banks provided direct financial facilities to industrial ventures in the form of loans and equity participation.

As at end December, 1993, the Central Bank had issued 12,997 guarantees covering loan disbursements of Rs.4,309 million in respect of Small Scale Industries (SSI) and SMI I, II, III, and IV. A sum of Rs.979 million was fully recovered in respect of 3,711 loans amounting to Rs.2,884 million as at the end of the year. With regard to the loans outstanding, a sum of Rs.2,884 millions had fallen into arrears in respect of 7,850 loans. As at end of 1993, Central Bank had paid a sum of Rs.66 million in settlement of 464 claims.

The National Development Bank (NDB) provides direct financial facilities to industrial projects by way of loans and equity participation. In 1993, the NDB approved 262 projects with an outlay of Rs.4,114 million for direct financial facilities, in comparison to 312 projects serviced with an outlay of Rs.4,007 million in 1992. The industrial categories that received major share of these facilities were: textile, wearing apparel and leather products; basic metal products; food, beverages, tobacco and chemical, rubber and plastic products.

The DFCC approved 347 projects with an outlay of Rs.2,322 million for the industrial sector by way of loans and equity participation. The industrial categories that received major share of these facilities were: food, beverages and tobacco, textile, wearing apparel and leather products, rubber and plastic products and fabricated metal products.

During 1993, commercial banks too continued to provide financial facilities to industries. However, commercial banks advances to industrial sector during the first nine months of the year decreased by 8 per cent from Rs.18,700 million as at December 1992 to Rs.17,164 million as at end of September 1993.

PRIVATE INVESTMENT

There was an upsurge of investment in the industrial sector during the post-1990 period in response to further economic reforms and liberalisation measures. Policy measures introduced during the last four years included the provision of enhanced incentives/facilities to foreign and domestic investment, further relaxation of exchange controls, easing of restrictions with respect to trade and payments, rationalisation of industrial policy and enhanced foreign currency banking facilities to resident enterprises.

By the end of 1993, industrial sector received new investments amounting to Rs.7 billion in respect of 405 industries under the schemes of pioneer industries and expansion of existing industries introduced by the Ministry of Industries, Science and Technology in January 1990. This was aimed at promoting industries with new or high quality products and high technology. Further, new investments to the value of Rs.36.2 billion had taken place in respect of 280 enterprises within the purview of Board of Investment (BOI). Capital outlay commitments in garment factories under the 200 garment factory programme is estimated at Rs.4.8 billion.

PIONEER INDUSTRIES AND EXPANSION OF EXISTING INDUSTRIES

Of the total investment of Rs.7 billion coming under the purview of Ministry of Industries, Science and Technology, 80 per cent has been utilized in the expansion of the existing industries and the balance in pioneer industries. The bulk of the new investment in pioneer industries was in the non-garment sector. The chemicals, rubber and plastic products category received the highest investment amounting to Rs.346 million or 26 per cent of the total investment in pioneer industries. A half of the total investment was in the food, beverages and tobacco, non-metallic mineral

products and manufactured products n.e.s. categories. Of the new investments made on the expansion of existing industries, three product categories namely food, beverages and tobacco; textile, wearing apparel and leather and chemicals, rubber and plastic products received Rs.4,348 million or 75 per cent of the total.

TABLE 1.23
Actual Investment in Industry under Pioneer and Expansion Schemes

Categories	Pioneer Industries		Expansion		Total	
	No. of enterprises	Investment (Rs. Mn.)	No. enterprises	Investment (Rs. Mn.)	No. of enterprises	Investment (Rs. Mn.)
1. Food, beverages and tobacco	8	107	34	1,989	42	2,096
2. Textile, wearing apparel and leather products	4	84	71	1,331	75	1,415
3. Wood and wood products	1	1	4	30	5	31
4. Paper and paper products	5	92	15	213	20	305
5. Chemicals, rubber and plastics	31	346	57	1,028	88	1,374
6. Non-metallic mineral products	5	290	9	453	14	743
7. Fabricated metal products	3	80	5	146	8	226
8. Manufacturing products n.e.s.	34	258	47	451	81	709
9. Services (including horticulture)	7	61	8	151	15	212
T O T A L	98	1,319	250	5,792	348	7,111

Source : Ministry of Industries, Science and Technology

INVESTMENT UNDER BOI

The Board of Investment of Sri Lanka (BOI) continued to function as "One-Stop Investment Promotion Centre". The BOI approved 455 projects in 1993, under Section 17 of the GCEC Law (special incentive scheme) bringing the total number of projects approved to 1,179 by the end of 1993. Of these, agreements had been signed in respect of 721 projects with the BOI to set up various industries.

A total of 305 enterprises were in commercial operation as at end of 1993. Of those in operation, 84 were in Katunayake Investment Promotion Zone (KIPZ), 40 in Biyagama Investment Promotion Zone (BIPZ), 10 in Koggala Investment Promotion Zone (KgIPZ) and 171 in other parts of the country.

The industrial sector recorded substantial new investment in projects that were in operation under Section 17 of the BOI Act (special incentive scheme) by the end of 1993. By that time, of the enterprises that were in commercial operation, 280 enterprises with an investment of Rs.36,266 million was in operation. The foreign component of this investment was 61 per cent. Textiles,

wearing apparel and leather; chemicals, rubber and plastic products; and manufactured products not elsewhere specified categories absorbed 18 per cent, 11 per cent and 8 per cent of total investment, respectively.

TABLE 1.24
Actual Investments in BOI Enterprises (a)

Categories	No. of enterprises in operation	Actual Foreign Investments (Rs. Mn.)	Actual Local Investments (Rs. Mn.)	Total (b) Investment (Rs. Mn.)
1. Food, beverages and tobacco	16	197	133	330
2. Textile, wearing apparel and leather products	82	5,529	924	6,453
3. Wood and wood products	3	109	-	109
4. Paper and paper products	3	81	37	118
5. Chemicals, rubber and plastics	23	3,503	393	3,896
6. Non-metallic mineral products	24	709	30	739
7. Fabricated metal products	9	1,557	30	1,587
8. Manufacturing products (n.e.s.)	64	2,687	273	2,960
9. Services (including horticulture)	56	7,789	12,276	20,065
T O T A L	280	22,161	14,096	36,257

(a) Projects approved under section 17 of Board of Investment Law.

Source : Board of Investment of Sri Lanka.

(b) As at 31.12.93

In 1993, employment in BOI enterprises increased by 17 per cent, bringing the total number employed in these enterprises to 122,165 persons. Of these, 69,952 were engaged in the textile, wearing apparel and leather products sector. The relative share of employment in this category, however, declined from 63 per cent in 1992 to 57 per cent in 1993. Wood and wood products; chemicals, petroleum, rubber and plastic products and food, beverages and tobacco products were among the product categories that recorded high rates of employment generation.

The total envisaged investment of projects approved in 1993 amounted to Rs.43,669 million. Foreign investors came from a number of countries such as the United Kingdom, Japan, South Korea, Germany, Hongkong, Australia, Sweden, United State of America, Pakistan and Belgium. The projects approved by the BOI in 1993, included the manufacture of computer software, latex foam rubber products, rubber wood furniture, mineral water, corrugated cartons, ceramic products, electrical appliances, vehicle accessories, telecommunication equipment, solar power generators, magnetic materials, jewellery, coir briqueettes, footwear and plastic products.

The BOI has also approved 87 projects in 1993, under the Inland Revenue and Tax Related Laws (general incentive scheme). The total envisaged investment in these projects amounted to Rs.1,566 million, of which the foreign component was Rs.1,079 million and the local component Rs.487 million. The employment potential of these enterprises was 3,157 persons.

Gross export earnings of BOI enterprises in 1993 amounted to Rs.76,321 million (SDR 1,133 million) compared with Rs.49,130 million (SDR 796 million) in 1992. This was an increase of Rs.27,191 million or 55 per cent. In SDR terms, the increase was 42 per cent. Gross export earnings

TABLE 1.25
Investment Promotion Zones
Employment and Export Earnings 1992 - 1993

Category	1992		1993 (a)	
	Employment (End Dec.)	Gross Export Earnings (f.o.b.) (Rs. Mn.)	Employment (End Dec.)	Gross Export Earnings (f.o.b.) (Rs. Mn.)
1. Food, beverages and tobacco	2,480	1,730	3,094	2,838
2. Textile, wearing apparel and leather products	63,103	30,488	69,952	56,890
3. Wood and wood products (including furniture)	58	18	628	145
4. Paper, paper products, printing & publishing	150	111	276	155
5. Chemicals, petroleum, coal, rubber and plastic products	7,291	2,436	10,349	4,114
6. Non-metallic mineral products (except petroleum and coal)	6,966	3,315	7,270	3,410
7. Fabricated metal products, machinery and transport equipment	1,498	994	609	297
8. Products not elsewhere specified	16,447	8,858	21,182	7,012
9. Services (b)	6,227	1,180	8,805	1,879
T O T A L	104,220	49,130	122,165	76,740

(a) Provisional

Source : Board of Investment of Sri Lanka.

(b) Excluding Air Lanka Ltd.

from textile, ready-made garments and leather products were 86 per cent higher than the previous year's level. This category continued to be the major foreign exchange earner, accounting 74 per cent of the total export earnings of BOI enterprises. In the non-garment export sector, product categories that showed significant increases in export earnings were: electronic parts, stuffed toys, fish products, chemicals, rubber and plastic products and tobacco products.

During the year, promotional activities were undertaken in Singapore, Malaysia, Germany, UK, Canada, France, Australia and Middle East. Five local seminars were also held in Sri Lanka during the year, including the Economist's Roundtable with the Government of Sri Lanka held during 29th June to 1st July, 1993.

THE 200 GARMENT FACTORY PROGRAMME

Under the 200 Garment Factory Programme, 134 enterprises were in commercial operation providing employment for about 70,000 persons by the end of December 1993, while 27 enterprises were in various stages of implementation. Capital outlay committed to the programme by the private sector is estimated at Rs.4.8 billion. Export earnings of these enterprises amounted to Rs.29,589 million or 52 per cent of the total textile and garment exports of the BOI industries during 1993.

REGIONAL DISTRIBUTION OF NEW INDUSTRIES

Industrial policy pursued in the post-1990 period aimed at promoting industrial activities in the rural areas with a view to developing regions as well as minimising the adverse effects of the

excessive concentration of industries in the Colombo district. The regional distribution of industries approved under the pioneer industries and expansion of existing industries schemes of the Ministry of Industries, Science and Technology disclosed that 348 enterprises were located in 21 districts. Of these enterprises 40 per cent was located outside the Colombo district.

By the end of 1993, 305 BOI enterprises were in operation in 14 districts, of which 82 per cent or 251 enterprises were located in Colombo and Gampaha districts due to the infrastructure facilities provided in the Katunayake and Biyagama Investment Promotion Zones. Location of BOI enterprises in difficult areas was also a notable feature, particularly in districts such as Ampara, Trincomalee, Batticaloa, Vavuniya, Moneragala, Matale and Hambantota. With the implementation of the 200 Garment Factory Programme, a large number of textile factories came into existence in most difficult areas of the country. Out of the 134 garment factories that were in operation by the end of 1993, 118 factories were located outside Colombo and Gampaha districts. The largest beneficiaries were the Anuradhapura, Ratnapura, Kurunegala and Kegalle districts with 15, 13, 10 and 9 factories, respectively.

TABLE 1.26
Regional Distribution of New Industries

District	Industries under Ministry of Industries (a)				Total
	Expansion		Industries (b) under BOI	Industries (b) under 200 garment programme	
	Expansion	Pioneer Industries			
1. Colombo	136	80	64	10	290
2. Gampaha	72	3	187	6	268
3. Ampara	-	-	-	2	2
4. Trincomalee	-	-	-	2	2
5. Batticaloa	-	-	-	3	3
6. Anuradhapura	1	2	1	15	19
7. Vavuniya	-	-	-	2	2
8. Polonnaruwa	-	-	2	4	6
9. Kurunegala	7	1	5	10	23
10. Puttalam	4	1	10	8	23
11. Badulla	-	-	2	9	11
12. Monaragala	-	-	-	3	3
13. Kandy	5	1	3	6	15
14. Nuwara Eliya	5	-	3	4	12
15. Matale	1	-	-	3	4
16. Hambantota	-	-	-	7	7
17. Kalutara	11	8	5	8	32
18. Galle	3	1	7	6	17
19. Matara	1	1	10	4	16
20. Ratnapura	2	-	4	13	19
21. Kegalle	2	-	2	9	13
T O T A L	250	98	305	134	787

(a) As at 25.10.93

(b) As at 31.12.93

Sources : Ministry of Industries, Science and Technology;
Board of Investment of Sri Lanka.