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## **FOREIGN DIRECT INVESTMENT IN SRI LANKA : Directions for Policy\***

**Ruvini Fernando**

### **ABSTRACT**

The importance of foreign direct investment (FDI) in contributing to the process of economic development of a country such as Sri Lanka cannot be over-emphasised. This paper attempts to assess the benefits secured by Sri Lanka from FDI inflows in areas such as employment creation, technology and skills transfer, linkages with the local economy and access to international markets. This evaluation is followed by a suggested FDI policy for Sri Lanka drawing upon the experiences of the high performing East Asian economies. The policy framework suggested for Sri Lanka is developed along the lines of sectoral targeting, developing competitive advantages and facilitating project implementation by simplifying the rules and regulations governing FDI. An aggressive marketing effort aimed at countering regional competition for FDI is also advocated, while a regulatory framework able to monitor the macroeconomic impacts of FDI is considered necessary in order to further refine the policy formulation process.

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**Ruvini Fernando** is Planning Manager of Carsons Management Services Pvt (Ltd).

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