

WAVERLEY GATEWAY GUIDE

Connecting International Capital with Emerging & Frontier Markets

SRI LANKA

Asia West

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office@lordwaverley.com

www.lordwaverley.com

WHERE AND HOW TO ENTER

KEY INVESTMENT LOCATIONS

Location / Region	Strategic Importance	Priority Sectors
Colombo	Commercial capital; Port of Colombo, South Asia's premier transshipment hub	Finance, logistics, IT/BPO, real estate
Colombo Port City	Flagship \$1.4B+ Chinese-backed special financial zone being built out on reclaimed land	Financial services, offshore business, real estate
Hambantota	Deep-sea port (99-year Chinese lease) and adjacent industrial zone on the southern coast	Port logistics, industrial manufacturing
Katunayake / Free Trade Zone	Established export-processing zone near the main international airport	Apparel, electronics assembly, export manufacturing
Kandy / Central Highlands	Hill-country tourism heartland; tea estates; hardest hit by Cyclone Ditwah (Dec 2025)	Tourism, hospitality, tea processing
Trincomalee	Deep natural harbor on the northeast coast; proposed energy and petroleum-tank-farm hub	Energy infrastructure, port logistics
Jaffna / Northern Province	Post-conflict reconstruction zone; agriculture and fisheries potential	Agro-processing, fisheries

INVESTOR ENTRY ROUTES

- Board of Investment of Sri Lanka (BOI) single-window approval and incentive packages for qualifying projects
- Colombo Port City Economic Commission for investment within the special financial zone, including tax and regulatory concessions
- Export Processing Zones administered by the BOI offering duty exemptions for export-oriented manufacturing
- Central Bank of Sri Lanka approval required for capital account transactions and profit repatriation
- Public-private partnership structures for infrastructure, energy, and port projects coordinated with relevant line ministries
- Colombo Stock Exchange listing and portfolio-investment routes for foreign institutional investors

MARKET-ENTRY OBSERVATION

Sri Lanka in October 2026 is two years into a genuine, IMF-anchored recovery from its 2022 sovereign default, and the macro picture has turned convincingly positive. President Anura Kumara Disnayake's National People's Power (NPP) government, elected in September 2024 and backed by a strong parliamentary majority since November 2024, has maintained continuity with the IMF-supported Extended Fund Facility rather than disrupting it, a reassurance to investors who worried a left-leaning, anti-establishment government might renegotiate aggressively. The IMF completed Sri Lanka's combined fifth and sixth program reviews in May 2026, releasing a further SDR 508 million (about \$695 million) tranche, and projects 2026 GDP growth of around 3.1%. Sovereign bond restructuring covering roughly \$12.5-14.2 billion is effectively complete, with only a small residual sliver of commercial creditors (about 1.7% of the restructuring perimeter) and some bilateral official-creditor agreements still being finalized as of April 2026.

The recovery was tested in December 2025 when Cyclone Ditwah struck during peak tourist season, killing at least 486 people and affecting nearly 10% of the population, with the hill-country tourism heartland around Kandy and Nuwara Eliya hit hardest. The damage was real but contained: major hotels stayed open with minimal cancellations, and the government received IMF Rapid

Financing Instrument support plus up to \$120 million in repurposed World Bank emergency funding. Sri Lanka is targeting 3 million tourist arrivals and roughly \$5 billion in tourism revenue for 2026, continuing its recovery toward pre-pandemic peak visitor numbers. For investors, Sri Lanka today represents a rare case of a frontier-market debt crisis working through its resolution roughly on schedule, under a government that has so far prioritized continuity over disruption.

INVESTOR RISK & MARKET ACCESS

KEY ENTRY BARRIERS

Issue	Potential Impact	Possible Mitigation
Residual debt-restructuring finalization	A small share of commercial creditors and some bilateral official-creditor agreements remain unresolved as of mid-2026	Monitor finalization progress; structure new financing with awareness of sovereign credit trajectory
Climate and natural-disaster exposure	Cyclone Ditwah (Dec 2025) demonstrated acute vulnerability, particularly in hill-country tourism areas	Build climate resilience and insurance coverage into tourism and agriculture-sector investment planning
IMF program conditionality	Continued fiscal consolidation, revenue-based adjustment, and governance reforms remain preconditions for ongoing disbursements	Track IMF review outcomes as a leading indicator of fiscal and regulatory direction
Currency and capital controls	Central Bank of Sri Lanka approval required for capital repatriation; rupee remains subject to managed flexibility	Plan repatriation timelines around CBSL approval processes
Land ownership restrictions	Foreign ownership of land is restricted or subject to additional taxation in many cases, complicating site control	Structure through long-term leases or joint ventures with Sri Lankan partners
Political transition risk from an untested governing party	NPP/JVP is a first-time governing party with limited administrative track record at the national level	Engage ministries directly to assess implementation capacity on a sector-by-sector basis
Geopolitical balancing (India-China)	Hambantota and Colombo Port City's Chinese financing sit alongside deepening India-Sri Lanka economic ties, requiring careful positioning	Structure major infrastructure investment with awareness of the India-China dynamic and its effect on approvals

INVESTOR RISK NOTE

Sri Lanka's risk profile has improved substantially since the depths of the 2022 crisis, and the country now offers a relatively rare frontier-market story: a sovereign default worked through in a reasonably orderly, IMF-anchored fashion, with a government that campaigned on anti-establishment, reformist credentials but has chosen program continuity over disruption. The residual risks are now more conventional than existential, climate exposure (underscored by Cyclone Ditwah), the final mile of debt-restructuring negotiations, and the test of whether a first-time governing party can execute reforms at the pace the IMF program requires. Sri Lanka's geopolitical position between India and China, visible in the contrast between Hambantota's Chinese financing and strengthening India ties, remains a long-term structural factor for investors in strategic infrastructure to watch, though it has not materially disrupted the investment climate to date.

MARKET ACCESS

Sri Lanka is a World Trade Organization member and benefits from the EU's GSP+ preferential trade scheme, providing duty-free access for a substantial share of exports including apparel, its largest export category, in exchange for compliance with international governance and rights conventions. Sri Lanka is a founding member of the South Asian Association for Regional Cooperation (SAARC) and participates in the South Asian Free Trade Area (SAFTA), alongside a long-standing bilateral free trade agreement with India that underpins much of its regional trade. The Port of Colombo remains South Asia's leading transshipment hub, handling significant volumes of Indian cargo, which gives Sri Lanka an outsized logistics role relative to its own economy. Negotiations toward deeper economic partnership agreements with India and Singapore have proceeded at varying paces, and Colombo Port City's financial-zone regulatory framework is designed to attract offshore business beyond Sri Lanka's own domestic market.

WHO SHOULD THE INVESTOR MEET?

INSTITUTIONAL LANDSCAPE

Actor	Why It Matters	Waverley Engagement Angle
Office of the President (Anura Kumara Disasanayake, NPP)	Sets the reform agenda for Sri Lanka's first NPP/JVP-led government, now governing with a strong parliamentary majority	Early engagement valuable given the government's untested but currently stable mandate
Board of Investment of Sri Lanka (BOI)	Primary facilitation body for foreign investment approvals and incentives	Standard first point of contact for market entry
Central Bank of Sri Lanka (CBSL)	Monetary authority; administers capital account and repatriation approvals; key IMF program counterpart	Essential for repatriation planning and macro-policy monitoring
Ministry of Finance / IMF program team	Negotiates and implements the ongoing IMF Extended Fund Facility and coordinates residual debt-restructuring talks	Monitor program review outcomes as a leading indicator of fiscal direction
Colombo Port City Economic Commission	Regulates the flagship special financial zone and its tax/regulatory concessions	Primary channel for financial-services and offshore-business entry
Sri Lanka Tourism Development Authority	Coordinates the post-Ditwah tourism recovery push and the 2026 arrivals/revenue targets	Relevant partner for hospitality and tourism-infrastructure investment
Disaster Management Centre	Coordinates climate-disaster response and resilience planning following Cyclone Ditwah	Useful partner for climate-risk assessment in tourism and agriculture investment

CURRENT INTERNATIONAL BUSINESS CHANNELS

The Ceylon Chamber of Commerce remains Sri Lanka's leading business association for market intelligence and government liaison, alongside sector bodies such as the Joint Apparel Association Forum for the textile and garment industry and the Sri Lanka Association of Inbound Tour Operators for tourism. The American Chamber of Commerce in Sri Lanka and various bilateral chambers (Sri Lanka-India, Sri Lanka-China) provide additional sector-specific and country-specific networks. Multilateral partners, the IMF, World Bank, and Asian Development Bank, maintain a substantial and currently very active presence given the ongoing program and post-cyclone emergency financing, and their continued engagement is a useful signal of program credibility.

INVESTOR PROFILE BEST SUITED

Sri Lanka today suits investors comfortable with a frontier market in active, IMF-anchored recovery: development-finance institutions and impact investors targeting climate-resilient tourism and agriculture infrastructure, apparel and export-manufacturing groups able to leverage GSP+ access and the Katunayake free trade zone, and financial-services investors eyeing Colombo Port City's offshore regulatory framework. Infrastructure and logistics investors with experience navigating India-China geopolitical balancing are well-positioned for Hambantota, Trincomalee, and Colombo port-adjacent opportunities. Pure portfolio investors have a credible, improving Colombo Stock Exchange story as the recovery consolidates, though liquidity remains modest by regional standards. Investors unwilling to factor in climate-disaster risk, underscored by Cyclone Ditwah, into tourism and agriculture-sector planning are poorly matched to the current environment.

FROM INTELLIGENCE TO ENGAGEMENT

STEP 1: Confirm IMF program and debt-restructuring status

Check the latest IMF review outcome and residual debt-restructuring progress before finalizing any large-scale capital commitment tied to sovereign credit conditions.

STEP 2: Engage the Board of Investment early

Open direct dialogue with the BOI to understand current incentive packages and sector priorities under the NPP government.

STEP 3: Build climate resilience into tourism and agriculture planning

Given Cyclone Ditwah's demonstrated impact, commission climate-risk assessments and secure appropriate insurance for hill-country and coastal investment.

STEP 4: Assess geopolitical positioning for strategic infrastructure

For port, energy, or large infrastructure investment, map the India-China dynamic and its implications for approvals and long-term positioning.

STEP 5: Plan repatriation and land-structuring strategy upfront

Coordinate with the Central Bank of Sri Lanka on repatriation timing and structure land access through leases or joint ventures given foreign-ownership restrictions.

WAVERLEY'S ROLE

- Independent due diligence on Sri Lankan counterparties, land-lease structures, and BOI incentive eligibility ahead of capital commitment

- Direct liaison with the Board of Investment, Colombo Port City Economic Commission, and relevant ministries
- Climate-risk and resilience assessment support for tourism and agriculture-sector investment following Cyclone Ditwah
- Ongoing monitoring of the IMF program, residual debt-restructuring progress, and the NPP government's policy delivery

INVESTOR CALL TO ACTION

Engage Waverley for an updated assessment of Sri Lanka's debt-restructuring finalization and its implications for your target sector before committing capital.

Request a tailored briefing on climate-resilient tourism or port-logistics entry structures suited to Sri Lanka's post-cyclone recovery environment.

WAVERLEY INVESTOR INTELLIGENCE & OPPORTUNITY PIPELINE

Sri Lanka's clearest near-term opportunity lies in tourism recovery and reconstruction, with the government targeting 3 million arrivals and roughly \$5 billion in revenue for 2026 and genuine investor interest in rebuilding and upgrading hill-country hospitality capacity post-Ditwah. Apparel and export manufacturing in the Katunayake free trade zone and similar export-processing zones remain a structural strength, underpinned by GSP+ access to the EU. Colombo Port City's financial-services zone represents a longer-horizon but potentially significant opportunity as the special regulatory framework matures and attracts offshore business activity, while Trincomalee's deep natural harbor offers an emerging, less-developed energy-infrastructure opportunity relative to the more established Colombo and Hambantota ports.

POSITIONING

Waverley views Sri Lanka as a genuine recovery story: a sovereign default worked through methodically under IMF anchoring, a reformist government that has chosen continuity over disruption, and a tourism sector demonstrating real resilience even after a severe natural disaster.

For investors able to factor climate risk into their planning and navigate Sri Lanka's position between Indian and Chinese strategic interests, the country offers a credible, de-risking frontier-market opportunity across tourism, export manufacturing, and port-adjacent infrastructure, structured with the safeguards this briefing sets out.

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