During my career, I have worked with multiple development organisations and in academia. One area of particular interest was foreign investment and private sector development.

Yet I felt something was missing. How could I write about foreign direct investment (FDI) and private sector development, and consider policies related to it, without having invested in a private business in a developing country context? How different were the practicalities to theory?

So in 2016, I took a risk and founded a property development company in Sri Lanka, where I previously lived for two years. The trajectory of Sri Lanka looked promising, with enhanced development prospects and growing tourism numbers. Unfortunately, subsequent to 2016, the country faced political turmoil, experienced a sharp wave of Easter bombings, and now COVID-19.

Despite this, our property development company is fortunate enough to have almost finished its first development, has just launched its second and has plans to launch another project this year. We will directly employ over 50 people in 2021 and our company is self-sustainable.

Upon reflection, starting a business in Sri Lanka was the toughest experience of my professional career. That said, I learned more about the complexities of private sector development in the last five years than I did in my previous career. While we had to overcome standard business-related obstacles, there were two that stood out as being particularly amplified in a developing country context.

The first involved navigating government bureaucracy. I found many well-meaning public servants who were very supportive. However, there were others who actively placed roadblocks. Their general strategy was to delay processes, until I was so demoralised and desperate that they hoped I would relent to their unspoken demands. For example, with
In some developing countries, public servants are not necessarily incentivised to support the private sector. Business Liaison Offices could flip the status quo. At a minimum, the mere possibility of having to attend a mediation hearing could discourage negative behaviour among public servants.

The second key obstacle was creating a competent, trustworthy, respected team with deep local contacts. In any country, this generates credibility and assists investors to ‘open doors’. In a developing country, it does that and deters borderline criminal actors with vested interests from causing problems – which in turn enables business owners to focus on business development. An example are locals who pressure you for money or employment just because you are operating in their neighbourhood.

My solution was finding the team I needed – one key person at a Christmas Party and another at my children’s school. Not everyone is so lucky. A possible alternative solution would be to have a Chamber of Commerce with reputable representatives from key industries who are specifically tasked with assisting and advising foreign investors. They can warn investors of pitfalls that are localised to specific areas within a developing country and suggest specific solutions. It’s not foolproof, but it’s a start.

Developing country governments are constantly spruiking FDI and the untapped opportunities available. Investors are rightly concerned about whether the rewards
outweigh the risks. If I had reflected more deeply on the difficulties of building a business in a developing country, I’m not sure I would have taken the chance.

Looking back, I’m glad I did, and I’m cautiously optimistic we’re succeeding, despite the delays and obstacles. That said, I saw many around me fail for reasons that had nothing to do with the intrinsic merits of their project. My suggestions are reflections on what can be done in Sri Lanka, and perhaps other developing countries, to make sure that more enthusiastic, good-willed foreign and domestic investors with good ideas are able to translate their ideas into projects, and jobs, on the ground.

Some sections of this blog were included in an earlier newspaper article about investing in Sri Lanka.

About the author/s

Dinuk Jayasuriya
Dr Dinuk Jayasuriya is a Director of two Sri Lankan-based companies. He was previously employed by the World Bank Group and was an academic at the ANU Development Policy Centre.

Link: https://devpolicy.org/challenges-starting-a-business-a-personal-account-20210419/
Date downloaded: 30 May 2022