

Technology

Why Tim Draper Is Betting on Sri Lanka's Unlikely Startup Scene

- Venture investor seeks to back the island nation's tech sector
- Technology seen as key growth area for Sri Lanka's economy



Tim Draper in Colombo in January. *Photographer: Jonathan Wyjaratne/Bloomberg*

By Saritha Rai

29 March 2023 at 07:30 GMT+8

Sri Lanka's economic meltdown was one for the history books. At its cataclysmic height last summer, protesters stormed the presidential palace in Colombo, jumping in the pool, taking selfies in the kitchen and refusing to leave until top officials resigned.

But a few minutes down the road, in an elegant building housing the country's top startups, Sri Lanka's entrepreneurs are brimming with optimism. The clash is over, and venture investors including Tim Draper are discovering the island nation and its blossoming technology sector.

The wealthy tycoon, a crypto-enthusiast and early backer of companies like Tesla Inc. and Baidu Inc., spent several days this year in Colombo filming an episode of the US show *Meet the Drapers* – in which startups compete for a \$1 million check from the investor and his family. At a recent speakers panel called Troubled Nation to Startup Nation, Draper urged Sri Lankan entrepreneurs to inaugurate “a global hackathon against corruption.”

“Sri Lanka has been painted into a corner,” he told the crowd, a mix of local business brass and startup founders. “Entrepreneurs can be the little ripple that turns a tidal wave of economic growth.”

That vision has promise for the indebted nation, whose default last year forced the government to seek a bailout from the International Monetary Fund. The lender approved a \$3 billion loan program last week. With a strong labor force and near-universal literacy, Sri Lanka can scale its technology industry fairly seamlessly, Draper and others argue. Technology is already Sri Lanka’s third-largest export after apparel and tea. The country is setting an ambitious goal of raising \$5 billion by 2025 – more than tripling the current figure.



Mahela Jayawardane *Photographer: Jonathan Wijyaratne/Bloomberg*

Over the last decade, the South Asian nation has increased the number of startups from a few dozen to over 550. Even with that progress, Mahela Jayawardane, a cricket star who has invested in a grocery delivery startup called Providore, said the country hasn’t grasped “even 10% of what can be done with tech in areas like health care, transport and financial payments.”

“Sri Lanka’s middle class has become its lower middle class,” he said. “Savings have halved. The only way out is to create tech jobs.”

Entrepreneurs are casting a wide net to fix the country’s economic woes. They’re building lending apps, electric bicycles and artificial intelligence tools. Technology outsourcers are boosting exports to narrow the country’s crushing foreign debt.

Mangala Karunaratne’s Calcey Technologies, a software developer with over 200 employees, caters to clients including Stanford University’s Graduate School of Business, the Swedish e-commerce player Nelly and Upflex, an Uber-like provider of flexible working spaces. And companies like Spectrify are trying to improve the quality of tea by using spectral analysis and machine learning to catch over-dried leaves.

“Tech holds hope,” said Spectrify’s founder, Lakshan D’Silva, who described plans to export his technology to Kenyan tea growers, Australian wine makers and Japanese strawberry farmers.



Employees from the start-up Spectrify visit a tea factory in Pebotuwa, Sri Lanka. *Photographer: Jonathan Wijayaratne/Bloomberg*

Sri Lanka’s government, headed by President Ranil Wickremesinghe, has committed to clearing red tape. The nation’s business community has long complained about a culture of paying kickbacks to secure licenses and get work done. The 48-month IMF deal will also help Sri Lanka stabilize its coffers and fill supply shortages.

“The government wants to make Sri Lanka a tech epicenter in the Indian Ocean,” Wickremesinghe told Bloomberg News in a rare interview, one of his first since the economic collapse.

But some founders are still skeptical that a country tarnished by corruption scandals and financial excesses is ready to absorb new ideas. With a low gross domestic product and a population only twice that of Bengaluru, Sri Lanka is ultimately a small market and entrepreneurs have to look outward.

Consider the electric bicycle startup Rhoda. Eyas Fazul, 31, launched his business at the end of 2020 with the catchphrase “No license, no gas. Load your surfboards and ride it anywhere.” Within two hours, he sold a dozen \$900 bikes – and then a hundred more. As Sri Lanka’s economy started to tank and gas prices rose to a record high, people were desperate for an alternative.



Eyas Fazul *Photographer: Jonathan Wijayaratne/Bloomberg*

But Fazul hadn’t even delivered his first few bikes when the government clamped down on imports last year to save foreign exchange. Fazul couldn’t import battery packs and investors jumped ship. Rhoda eventually defaulted on delivery deadlines, including on a bulk order to a large food delivery startup. The company is so fund-strapped that it can’t even return advance payments it collected.

“Building a startup in the midst of an economic crisis is like climbing a hill that’s on another hill that’s atop yet another hill,” he said.

Though Fazul didn't make the final cut of *Meet the Drapers*, which will air this summer, he did get a bit of free exposure. Draper, who is 6'4" (193 cm), drove the tiny Rhoda bicycle through Colombo's streets to a meeting earlier this year with President Wickremesinghe.

"Would you like to be a judge on the *Meet the Drapers* show?" he asked the president in his office. "We shoot tomorrow."

"I'm occupied," Wickremesinghe replied.

Draper, the founder of California-based venture capital firm Draper Fisher Jurvetson, spent much of his three-day trip in and around a diversified incubator-accelerator-venture fund called Hatch.



The Hatch headquarters in Colombo. *Photographer: Jonathan Wijayaratne/Bloomberg*

The venture fund wants to become a "hub of innovation in Asia" by backing a wide assortment of projects. Among them: an app developer that helps clients like plant-based meat makers popularize their products and a startup that offers money planning solutions to financial advisers in Australia.

At Hatch's headquarters, a colonial-era building near the presidential palace, plumbing pipes serve as light fixtures and a conference table sits atop a neon-lit depiction of stars, planets and a wormhole. Draper recently collaborated with Hatch's founders – a married duo, Brindha Selvadurai and Jeevan Gnanam – to launch a co-working and living space for entrepreneurs, expanding the billionaire's ambit in Sri Lanka beyond backing startups.

During his visit, Draper wandered around the 60,000 square-foot (5,570 square-meter) space, offering encouragement, tough love and hundreds of handshakes.



Draper visits one of the start-ups based out of Hatch. *Source: Bloomberg*

At one table, he tried his luck playing an educational game about Covid safety. (“I just died,” he lamented, after succumbing to a virtual pathogen.) At another, he debated nonfungible token auctions. (“Nobody wants NFT anymore.”) At another, he applauded the founder of a company developing polymer materials. (“We might have a job for you.”)

Before moving to the next table, Draper assiduously handed out his business card. Every exchange came with a warning:

“No life stories! Only business plans!”