

SRI LANKA UPDATE | 9 - 15 SEPTEMBER 2022

Politics & Policy:

President's Office & Prime Minister extending [support](#) to the apparel industry has led to increased confidence placed in the industry. A senior delegation of the Joint Apparel Association Forum met with Prime Minister Gunawardena on 9th September. During the discussion, the Premier assured Government assistance for the expansion and further diversification of the apparel industry. The Government plans to streamline facilities given to the industry, which will simplify processes, help attract more investors, improve ease of doing business and aid macro-economic stability and inflow of foreign currency in the long term. Further, the President's Secretary Saman Ekanayake has echoed the Premier's assurances and directed Government officials to identify and solve the challenges faced by the apparel industry, highlighting the need to overcome the setbacks and achieve competitive market goals.

Progress on SL's debt restructuring talks igniting hope in macroeconomic stability. According to the Cabinet spokesman Ramesh Pathirana, Sri Lanka's financial and legal advisors Lazard and Clifford Chance have made initial approaches to Japan, China and India to [discuss debt restructuring](#). The recently achieved staff level agreement with the IMF is considered an indication of the Government's commitment to implement necessary reforms highlighted by the IMF and other western creditors.

SL's position at UNHRC's 51st Session. The Core Group on Sri Lanka is preparing to [present a draft resolution](#) during the ongoing UNHRC session. It intends to call upon the Government to fulfil its commitments to the devolution of political authority, which is considered integral to reconciliation, and fulfilment of human rights and to address longstanding impunity and corruption in Sri Lanka. The Sri Lankan Government has [expressed](#) its intention to reject any follow-up measures to the previous (46/1) resolution, while the Chinese delegation in Geneva has [announced](#) its support to Sri Lanka, considering the country capable of overcoming temporary difficulties.

Government to strengthen participatory democracy in achieving political & economic stability. During a [discussion](#) between the Prime Minister and the Inter-Parliamentary Committee, the strategy to strengthen participatory democracy by establishing effective 'Sectoral Oversight Committees', that include public participation was highlighted. Additionally, the formation of a National Council with the participation of all political parties to prioritise national interest was emphasized.

Sri Lanka prioritizes reforms by appointing a Cabinet sub-committee on economic revival and development. The [sub-committee](#) is expected to take expeditious decisions and provide strategic guidance required for national economic management tasks. It will comprise the President, the Prime Minister and five Cabinet Ministers.

Development and humanitarian aid for Sri Lanka. During [USAID](#) Administrator Samantha Power's visit to Sri Lanka, her organization pledged to provide USD 60 million for humanitarian aid and agriculture development. Further to this, an emergency assistance [loan](#) amounting to USD 203 million from the Asian Development Bank (ADB) will be provided to ensure food access to the vulnerable and USD 100 million was [allocated](#) by the Asian Infrastructure Investment Bank (AIIB) to purchase essential medicines and supplies.

The Economy:

Sri Lanka to develop an [export-oriented](#), competitive market economy. The urgency of reorienting the economy was emphasized again by the President during his briefing to USAID Administrator Samantha Power. This process will require a considerable amount of political will as it involves aligning the political reform agenda and the economic agenda.

Government to prioritize independence of CBSL. Reports [reveal](#) that the CBSL intends to proceed with an Act proposed in 2019 intended to strengthen its independence. The institution will be separated into two boards, namely the 'Monetary Board' and a new 'Governing Board'. The Act [aims](#) to remove the fiscal dominance of monetary policy by maintaining CBSL's independence from the Treasury.

Interim budget's Social Security Contribution (SSC) levy. The [SSC](#) is an indirect tax of 2.5 per cent charged on turnover and thus has a cascading effect on a wide base of businesses including importers, manufacturers, service providers, wholesalers, and retailers. It is noteworthy that exporters are exempt from the SSC levy given the export industry's valued contribution toward balancing the trade deficit. The SSC has been heavily criticized by Opposition lawmakers and leading economists as it's considered a missed opportunity to implement progressive tax reforms in Sri Lanka.

Sri Lanka is allowed to use new IMF funding for [budget finance](#). According to the CBSL Governor, it is expected to increase foreign reserves and decrease the domestic borrowing requirement. Thus, he is certain that Sri Lanka will accumulate less debt from the domestic market and more money would be available for private sector development.

WHAT YOU NEED TO KNOW



The Government is prepared to lift import bans, a step in the right direction for industries reliant on imported raw materials. The Cabinet Spokesperson [assured](#) that the import ban is a temporary measure and it will be systematically amended once the foreign exchange crisis is alleviated. Additionally, the import restrictions will be reviewed every two weeks to accommodate valid recommendations by the private sector and the trading community. Notably, companies registered under the Board of Investment (BOI) are not affected by the ongoing import ban.

SL to improve ease of doing business with new visa & BOI regulations. The Prime Minister has [assured](#) the newly introduced relaxed visa regulations and investment facilitation schemes of the Board of Investment will help to attract more investors to Sri Lanka. Investors from Turkey have already shown interest in potential opportunities in several sectors including the production of agricultural machinery, medicine, pharmaceuticals and renewable energy.

Colombo International Container Terminals (CICT) overcomes adversity. The CICT has been [awarded](#) the Best Container Terminal in Asia title in the under 4 million TEUs category for the sixth consecutive year. The Colombo terminals have continued to maintain efficient shipping operations during the COVID-19 pandemic and the economic crisis.

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This twenty-fourth Advisory, written for our partners interested in developments in Sri Lanka against the backdrop of the current crisis, is an update on the one issued last week. This document summarises developments covering significant political and economic events.

The Advisory includes economic, political, social and governance perspectives. It draws on news reports, analyses, government announcements and documents, and other sources that we may be in contact with or have access to.

*This Advisory was prepared by the Strategic Communications Unit of Adfactors PR Lanka.
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