

SRI LANKA UPDATE | 02 - 09 DECEMBER 2022

Politics & Policy:

USA and China call for joint efforts to support Sri Lanka in the IMF program - The Secretary of State stated that the United States would play a key role in the expedition of the IMF program and is eager to see Sri Lanka advance in truth-seeking mechanisms for reconciliation and repeal the Prevention of Terrorism Act, according to Foreign Minister Ali Sabry. Furthermore, China aspires to contribute positively towards Sri Lanka's efforts to address its current challenges by collaborating with relevant countries and international financial institutions.

Electricity tariffs may increase in 2023 to cover cost of CEB operations - Electricity tariffs may increase in 2023 to cover cost of CEB operations - The Power and Energy Minister issued a statement that electricity tariffs could increase in 2023, to avoid power outages lasting six to eight hours in the new year. The Ceylon Electricity Board (CEB) has been providing electricity for concessionary prices below market rate causing the state-owned enterprise to operate at massive losses. To rectify this and to ensure uninterrupted energy supply, the Government is discussing implementing cost reflective energy prices in 2023. As stated by the Minister, it will cost 56.90 rupees per unit under the new tariff structure.

Gender Equality and Women's Empowerment Bill to be submitted to Parliament - The President announced that a Bill on Gender Equality and Women's Empowerment will be introduced in Parliament in order to boost the proportion of women in Government and the public and private sectors. Additionally, it is suggested that a National Women's Commission be established, an impartial body with the mandate to lead and advise Parliament on subjects pertaining to gender equality and women's empowerment. This can assist in improving worker welfare measures already taken by the apparel industry given that women account for nearly [78% of the industry workforce](#).

Sri Lanka offers East Container Terminal to Japan - The President stated that Sri Lanka had offered the East Container Terminal (ECT) to Japan in order to develop the Colombo Port and maximize potential for trade facilitation. Following the cancellation of the ECT deal with India and Japan through a tripartite agreement, Colombo Port's West Terminal has been given to the Adani group of India for development as a joint venture. At the Ceylon Chamber of Commerce's Sri Lanka Economic Summit, the President said, "If we genuinely want to achieve port development, we have to offer the East Terminal to Japan in order to get maximum benefits for the country."

The Economy:

The World Bank (WB) has approved Sri Lanka's eligibility for concessional financing - The concessional financing is provided with the overall aim of implementing the reform program to stabilize the economy and safeguard the livelihood of those who are in need of financial assistance. With this, Sri Lanka becomes an International Development Association (IDA) country, where the WB will also provide technical assistance, and policy advice towards economic recovery. The World Bank was Sri Lanka's first development partner to repurpose a 400 million US dollar funding during the economic crisis.

Negotiations with the IMF in January 2023 – After receiving financial guarantees in mid-November from bilateral creditors, early January 2023 is expected to be an optimistic deadline to secure a bailout package. In the meantime, the year-on-year inflation rate decreased from 66% in October 2022 to 61% in November 2022.

BOI attracted FDI's of USD 713 million in the first nine months of 2022 – The BOI stated that the FDI funds received in the first nine months of 2022, helped achieve 71% of the full-year FDI forecast for 2022. The majority of the 41 new projects, brought in through the investments, were from the manufacturing sector, especially the textile industry. New initiatives came from countries like India, Japan, Norway, Hong Kong, the UK, the United States, and Singapore. Between January and November 2022, the BOI enterprises' export revenue exceeded USD 7.9 billion. Further, the President has requested the [Maldives](#) to invest in Sri Lanka's high-tech agriculture industry, cruise tourism, and high-end tourism sectors.

Sri Lanka's official reserves boosted – Sri Lanka's gross official reserves increase 5.8% to 1.8 Bn US dollars in November due to the surge in tourists and remittances coming into the country. Sri Lanka's tourism earnings hit USD 107.5 million in November, with the total earnings from January to November topping USD 1.1 billion. November saw total arrivals reaching nearly 52,000 mark for the first time since April. The November arrivals brought the cumulative arrivals in the first eleven months to 620,120. Foreign remittances too added USD 3 billion in the first eleven months of the year.

Central Bank Governor confirms nearly 100% of export proceedings have been remitted back to Sri Lanka - As per data from Sri Lanka Customs and banks, the CBSL Governor confirmed that almost 100% of export proceedings have been repatriated in the months of October and September. He stressed that despite exporters abiding by the country's repatriation requirements, CBSL's conversion requirements have not been fully met with only 25% of export proceedings in average being converted to rupees. He went on to say that as the local value addition for the apparel industry is 50%, the remaining conversions of 25% is unaccounted for. However, the Governor stated that this could also mean that the industry is utilizing these dollars for the purchase of fuel and raw material which is necessary to keep the industry operational. The Governor concluded that the CBSL is analyzing the data to understand where the discrepancy lies.

WHAT YOU NEED TO KNOW



Officina39 seeks to improve the sustainability of denim washing and textile dyeing - Nasir Ullah, Country Director (Bangladesh) of Officina39 stated that South Asian countries including, Sri Lanka, are significant markets for them. He stated they are seeking fresh strategies to increase sustainability of the denim portfolio. A few examples include RecycromTM, a patented process that produces a broad range of colour powders using textile fibers from used clothing and manufacturing waste, Smart Bleach technology, which decreases offensive odour from the garments, and others.

Disclaimer - This advisory is intended for circulation among JAAF stakeholders only. Please do not circulate or share on social media.

This twenty-first 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.

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