

SRI LANKA UPDATE | 09 - 16 DECEMBER 2022

Politics & Policy:

[Sri Lanka & India discuss avenues to engage with the G20](#) - Sri Lanka's High Commissioner to India and the Chief Coordinator for India's G20 Presidency for 2023 discussed Sri Lanka's prospects to participate in the work of the Group of 20 (G20). The main topic of discussion was the possibility of comprehending the G20's global financial cooperation and debt restructuring strategy. This is a good opportunity for Sri Lanka to get assistance and have the G20 involved in the country's economic development as the G20 addresses critical issues related to the global economy, including international financial stability, climate change mitigation and sustainable development.

[Amendments to the Parliamentary Elections Act](#) - According to section 8(8) of the Parliamentary Elections Act No. 1 of 1981, the Election Commission published a code of conduct for political parties, independent groups and candidates running for office in Extraordinary Gazette No. 2178/25 dated 03.06.2020. It has been acknowledged that it would be preferable to amend the Parliamentary Elections Act (No. 1 of 1981) as well. These amendments will include clauses outlining the actions that can be taken in the event of a violation of the said Code of Conduct. Moreover, as per the provisions of the Local Authorities Elections (Amendment) Act, the [nominations for Local Government Elections will be called during the final week of December](#) by the National Elections Commission.

[Britain to support Sri Lanka in the implementation of the Climate Prosperity Plan](#) - Deputy High Commissioner of Great Britain to Sri Lanka stated that it recognizes Sri Lanka's efforts to combat climate change and expressed support to provide the necessary technical and academic assistance to implement the "Climate Prosperity Plan" in Sri Lanka. With the recent warnings issued by the National Building Research Organization (NBRO) on the [drop in air quality to unhealthy levels in several parts of the island](#), the implementation of a Climate Prosperity Plan and further development of both green hydrogen and renewable energy will add a positive outlook to the country.

[Sexual harassment and bribery laws to be amended](#) - The Cabinet of Ministers have approved changes to the existing rules to make sexual bribery solicitation a crime and toughen the penalties for sexual harassment. The Minister of Justice stated that the legal draftsman would be advised to incorporate paragraphs criminalizing sexual assault and all forms of sexual harassment in the Penal Code. Particular focus will be drawn to introducing a new section to mete out stricter punishment for sexual harassment and sexual bribery offences.

In November 2022, JAAF partnered the International Finance Corporation (IFC) to train JAAF member organizations on the principles and policies necessary to foster a respectful workplace.

The Economy:

[The third and final reading of the 2023 Budget passed](#) - The 2023 budget, which proposed higher taxes and reforms to appease the International Monetary Fund (IMF) for the envisaged bailout package, was passed with 43 majority votes. The budget aims to increase income taxation by 69 per cent to fund Government spending. These changes are anticipated to establish the groundwork for a robust and contemporary economy that generates opportunities for the young people of the island nation.

Leading to Budget 2023, [JAAF presented several reforms in rebuilding the nation and strengthening export-led growth](#), stating that rising tax rates would lead to increased tax evasion.

[Sri Lanka's official remittances increase in November](#) - According to the Central Bank of Sri Lanka (CBSL), Sri Lanka's official remittance increased to USD 384.4 million in November 2022 from USD 355.3 million in October 2022 due to curbed credit with higher interest rates and decreased parallel market prices. CBSL has raised its policy rates and is operating a peg at LKR 360 to the USD.

[World Bank Vice President states Sri Lanka has an opportunity for fundamental reforms](#) - After a three-day visit to Sri Lanka, the Vice President of the World Bank for South Asia, Martin Raiser, highlighted the pressing need for swift action to implement long overdue reforms and reverse the profound crisis in the country. He prioritized debt reduction and consensus-based reform initiatives and carefully targeted poor protection measures. He stated that although rapid action on Government reform is needed, its success will depend on strong economic, social, and political agreement because reforms call for holistic adjustments, including businesses, employees and taxpayers.

[National Council Sub-committee tasked with identifying programs related to economic stabilization](#) - Due to Sri Lanka's lack of a National Digital Policy, the National Council Sub-committee was tasked with identifying short- and medium-term projects connected to economic stability. It extensively discussed the prompt production of associated economic development strategies and bridge the gap between the government, citizens and business community.

[Sri Lanka to resume negotiations on the stalled FTA with India](#) - The International Trade Office in Sri Lanka stated that Sri Lanka is soon to resume discussing the Economic and Technological Cooperation Agreement (ETCA). Eleven rounds of bilateral talks were completed between 2016 and 2019, and the resumed discussions will focus on the trade pacts and foreign direct investments to rebuild the country's economy.

[Tourism to support the country's rebuilding in 2023](#) - According to the Minister of Tourism, 2023 will be one of the best recovery years for the nation and tourism will be crucial in reviving the country's economy. He further stated that aggressively promoting Indian tourism to Sri Lanka will help achieve this goal to some extent. The [opening of the third International Airport in Jaffna](#) after a gap of 33 months with direct flights from the South Indian city of Chennai and the possibility of a launch of a budget airline in Sri Lanka will add to the momentum.

[Port City to help kickstart the economy of Sri Lanka](#) - According to the CHEC Port City Colombo, The Port City, which is Sri Lanka's biggest FDI-funded development project, is designed to be a hub for international investment, trade, finance, entertainment, leisure and other services with infrastructure development slated for completion by Q3 of 2023. The project will generate significant employment opportunities and can begin to support Sri Lanka's economic recovery.

[Public servants & employees of loss making SOEs not entitled for salary increments and other financial benefits](#) - The government has decided against the public servants or staff members of SOEs that are experiencing losses receiving salary increments, overtime payments, or bonuses until the economy is fully recovered. Further, the Board of Directors and Trade Unions of the [Ceylon Electricity Board \(CEB\) have agreed to forego bonuses](#) for 2022.

[Sri Lanka expects up to USD 8 billion funding from loans and asset restructuring](#) - Sri Lanka's Foreign Minister stated that Sri Lanka is expecting as much as USD 5 billion in loans from multilateral agencies besides an IMF deal in 2023. He further added that the government is aiming to raise to USD 3 billion through restructuring of state assets. These additional funds will be critical for the country and, as per the Minister, will strengthen the country's reserves.

WHAT YOU NEED TO KNOW



[Migration of prime-age working population affecting Sri Lanka's economy](#) - According to a monthly survey on broader economic activity conducted by the CBSL, employment losses were noted in the manufacturing and service sectors as a result of contractionary economic dynamics, which have led to widespread migration. Although the apparel sector has cited the slowing demand in its North American and European markets, the industry accounts for 40% of Sri Lanka's exports.

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 summarizes 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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