

## SRI LANKA UPDATE | 30 DECEMBER 2022 - 6 JANUARY 2023

### Politics & Policy:

[Public Utilities Commission of Sri Lanka \(PUCSL\) opposes electricity tariff hike proposed by the Government](#) - The Cabinet is proposing a 70 per cent electricity tariff hike in two stages to be implemented in January and June of 2023, which is scheduled to be tabled in parliament next week. However, the electricity regulatory authority, the PUCSL, claimed the proposed electricity tariff hike is unaffordable to the public and will not be approved. They urged the Government to look for alternatives. However, the Government is now looking to overrule the power sector regulator's objections and push through with an average 65 per cent tariff increase. The above occurred after the Attorney General stated that the country's law gave the Power and Energy Minister full authority to formulate general policy guidelines for the industry. However, Attorney General stated that the PUCSL "is duty-bound and obliged" to give effect to such guidelines.

[UN states Sri Lanka is moving in the right direction](#) - Director of the UNDP Regional Bureau for Asia and the Pacific, Kanni Wignaraja, applauded the plans underway for Sri Lanka's social and political development. She stated that Sri Lanka is moving in the right direction and reassured the UNDP's continuous support for the island nation. The discussion with Kanni Wignaraja and the Prime Minister focused on the current situation of obtaining approval from the International Monetary Fund (IMF) for the bailout package and other Government reforms that need to be introduced. Introduction of programs to achieve Sustainable Development Goals and a green economy were also discussed during the meeting. Meanwhile, the UN Humanitarian Appeal for Sri Lanka achieves USD 101.5 million to be provided to 3.4 million vulnerable people.

[Tourism & remittances on upward trajectory](#) - According to the statistics of the Sri Lanka Tourism Development Authority (SLTDA), over 700,000 tourists visited Sri Lanka in 2022, a significant increase from 195,000 tourists in 2021. Further as per the data from CBSL, Sri Lanka's official remittances increased to USD 384.4 million in November 2022 from USD 355.3 million in October. Norway's former Minister of Climate and the Environment, Erik Solheim visiting Sri Lanka mentioned that [tourism from China will be resuming in 2023](#), and this will be an excellent opportunity for the country to expand tourism further.

### The Economy:

[The Central Bank of Sri Lanka \(CBSL\) stated that the IMF Extended Fund Facility \(EFF\) is expected in early 2023](#) - Issuing a statement in the new year, CBSL stated they would remain committed to the implementation of the needed medium to long-term structural reforms and policy measures to fast track the economic recovery. In parallel with the performance of economic stabilization measures, negotiations with the IMF for an EFF are envisaged to transpire in early 2023. CBSL further stated that collective and coordinated efforts are needed from all corners of society to ensure that the economy makes a sustainable recovery.

Meanwhile, IMF Managing Director Kristalina Georgieva stated they are [working hard to push for critical debt resolution](#) for many countries, including Sri Lanka.

[Government to expedite securing FTAs](#) - Sri Lanka's Cabinet Spokesman stated that the Government is having a positive outlook on FTAs with China. The country is proceeding with multiple FTAs with Singapore, India and China, as this will allow trade activities to flourish in the coming years. FTAs will help to enhance the country's resilience and global competitiveness amid the global economic recession.

[Sri Lanka to increase Government revenue in 2023 through tax increments](#) - In lieu of increasing Government revenue and recommendations from the IMF, multiple tax changes will be effected from 1<sup>st</sup> January 2023 including revisions in personal income tax rates and tax slabs. Further, excise duty on all varieties of liquor, wine, beer and cigarettes was increased by 20 per cent from 03rd January 2023. State Minister for Finance stated that Sri Lanka [expects to collect LKR 22 billion](#) from these increases in taxation.

[Cabinet approved the establishment of a holding company to expedite the restructuring program of State-owned enterprises \(SOE\)](#) - Approval was given by the Cabinet for the incorporation of a 100 per cent treasury-owned holding company to fast-track the SOE restructuring announced in the Interim Budget for 2022. In 2022, the [Government decided against](#) public servants or staff members of loss-making SOEs receiving salary increments, overtime payments, or bonuses until the economy is fully recovered.

[CBSL decides to limit access to policy rate windows](#) - Starting from 16th of January 2023, CBSL will be limiting access to its overnight liquidity facilities to licensed commercial banks. Restricting access to the deposit window is expected to encourage liquid banks to lend in the interbank market and invest in Treasury Bills to earn a return.

[Sri Lanka is taking measures to streamline the import-export of the country](#) - The Ministry of Finance has introduced 142 new HS codes with effect from 01st of January 2023. This will aim to expand and streamline the import and the export activities of the country. In light of new export activities, Sri Lanka successfully undertook the [first export of palmyra-based products to France and Britain](#) under the full supervision of the Palmyra Development Board and the Palmyra Research Institute. The promotion was in collaboration with the Palmyra Development Board's registered distribution agency in England. This initiative is to revive neglected industries and earn much-needed foreign exchange through exports. Further, The Government stated that the customs of the Republic of China had [approved the export of 33 Sri Lankan food products to China](#). Accordingly, the Cabinet has agreed to sign the protocol on inspection, quarantine, and veterinary hygiene requirements of marine fisheries aquatic products to be exported from Sri Lanka to China.

## WHAT YOU NEED TO KNOW



[Japan International Apparel Machinery & Textile Industry Trade Show \(JIAM\) concluded](#) - The 2022 edition of JIAM under the theme, “The forefront of technology and master craftsmanship”, concluded successfully in Osaka, Japan. The four-day exhibition showcased apparel manufacturing solutions, combining high-level skillsets and time-tested know-how with the latest modern-day technology, with more than 10,000 visitors attending the fair. Buyers from many countries including Sri Lanka participated, compensating for a drop in visitors last year due to the pandemic. The next edition of JIAM will be from 27-30 November 2024.

We wish you a Happy and a Prosperous 2023 filled with opportunity and hope!

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*This 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 summaries 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 from 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.  
For inquiries, contact [pumudika.amarasekara@adfactorspr.com](mailto:pumudika.amarasekara@adfactorspr.com)*