

SRI LANKA UPDATE | 03 - 10 FEBRUARY 2023

Politics & Policy:

[President states that Sri Lanka will emerge from bankruptcy by 2026](#) - Addressing the fourth session of the ninth Parliament, President Ranil Wickremesinghe stated that Sri Lanka is on the right path to emerging from bankruptcy by 2026. He further expressed confidence in bringing down inflation to single digits by end 2023, highlighting the inflation drop from 70 per cent in July 2022 to 54 per cent in January 2023. During the address, the President also proposed a [Parliamentary budget office which is a fully independent entity and a new electoral system](#).

[Formation of the International Trade Office \(ITO\) approved](#) - The Cabinet Spokesman stated that approval to establish the ITO was granted by the Cabinet. The ITO will be established under the Finance, Economic Stabilization and National Policy Ministry and will be amalgamated with the Ministry of Foreign Affairs. The ITO is expected to network all necessary organizations and coordinate their efforts to optimize output to the national economy from the external trade sector.

[Cabinet approves amendments to the Employees' Trust Fund \(ETF\) Act](#) - Cabinet issued directives to the Legal Draftsman to amend the ETF Act which will include a health insurance fund for private sector employees. This will be similar to the "Agrahara" medical insurance scheme, introduced to employees of the public sector in 2006 with the objective of uplifting the living standards of public sector employees and their families.

[Sri Lanka signs agreement with Global Green Growth Institute \(GGGI\)](#) - GGGI, headed by former UN chief Ban Ki-Moon, is an enabler and a supporter providing policy advice and technical support to transit into a low-carbon green economy. Sri Lanka joined GGGI as a Member in 2019 and has now entered into an agreement to develop and implement green growth plans in the country. This agreement further looks at improving the policies and regulations on a green economy, mobilizing green investments and boosting local capacity.

[United Nations Development Program \(UNDP\) to support Sri Lanka in archiving the country's Sustainable Development Goals \(SDGs\)](#) - Representatives of the UNDP state they would extend their cooperation in adding the SDGs to budgeting and assist the country in archiving them as well. Further, maintaining transparency in public funding allocations to meet SDGs, increasing public understanding of government actions and benefits to providing a proper system for resource mobilization were also discussed.

[Growth in tourism continues](#) - As per provisional data released by the Sri Lanka Tourism Development Authority, Sri Lanka welcomed more than 26,000 tourists in the first week of February 2023. There is also a significant [increase in international airlines operating in Sri Lanka](#), boosting connectivity and the attractiveness of the destination.

The Economy:

[Paris Club Creditors provide financing assurance in the International Monetary Fund \(IMF\) bailout](#) - Paris Club creditors have provided financial assurances to support the IMF's Extended Fund Facility (EFF) for Sri Lanka. They further extended support to work with all bilateral creditors and other key stakeholders to expedite the IMF program for Sri Lanka, which would support the country's macroeconomic stability.

Further, [China's Exim Bank provided Sri Lanka a two-year moratorium](#) on its defaulted loan repayments. The Bank presented a plan to provide an extension on debt service due in 2022 and 2023, where Sri Lanka will not have pay the principal and interest due on bank loans in that period.

[Cabinet approves systematic review on budget estimates](#) - A committee chaired by the deputy treasury secretary was appointed to conduct a systematic review of 10 Ministries identified as having higher allocations from the annual budget estimates in 2023. This investigation aims to introduce zero-based budgeting to rationalize state expenditure, as presented by the dent in the 2023 budget speech. Zero-based budgeting will eliminate double counting, identify low-priority activities and provide a proper methodology to allocate existing provisions.

[Sri Lanka's official reserve assets increase in January](#) - Central Bank of Sri Lanka (CBSL) announces the increase of Sri Lanka's official reserve assets to USD 2,120 million at the end of January 2023. This is an increase of 11.7 per cent from December 2022, where the reserve assets stood at USD 1,898 million. Similarly, foreign exchange reserves, the main component of the official reserve assets saw an increase of 10.8 per cent. This was a boost from USD 1,863 million in December 2022 to USD 2,064 million in January 2023.

[Basic infrastructure work of the Port City will be completed in 2023](#) - The Investment Promotion Ministry states that infrastructure development activities of the Colombo Port City, the largest FDI-driven project in Sri Lanka will be completed at the end of this year. He further stated that project officials are adhering to a strict timeframe to complete the project. Once completed, the Port City will be made available for investment opportunities and will have a permeating positive impact on the real estate value in Sri Lanka.

Further, Cabinet approved a proposal to submit orders enacted under the [Colombo Port City Economic Commission Act](#) No. 11 of 2021.

WHAT YOU NEED TO KNOW



“Gateway to the North” to be held in March - The 13th edition of the Jaffna International Trade Fair, also known as “Gateway to the North” will be held from 3rd- 5th March 2023. The event is organized by Lanka Exhibition & Conference Services (Pvt) Ltd (LECS), in association with the Chamber of Commerce & Industries of Yarlpanam (CCiy). Major corporations representing diverse industries including Textile, Agriculture, Hospitality, Education, Food, Machinery and Construction will be among the exhibitors. The three-day exhibition will be a major boost to the hospitality industry and Jaffna’s economy, while also being a massive opportunity for small and medium entrepreneurs in the region.

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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 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 from other sources that we may be in contact with or have access to.

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