

SRI LANKA UPDATE | 10 - 17 FEBRUARY 2023

Politics & Policy:

[The Sri Lanka Public Utilities Commission \(PUCSL\) approved a 65 per cent hike in electricity tariffs](#) - As the country's power regulator, the PUCSL approved the proposed 65 per cent hike in electricity tariffs from the 15th of February, 2023. This hike would increase the revenue generated by the state-run Ceylon Electricity Board (CEB), which is currently running at a loss. The recent increase is in addition to the 75 per cent hike in August 2022.

As per the recommendations of the International Monetary Fund (IMF), the CEB proposed a hike in the electricity tariffs to secure the USD 2.9 billion Extended Fund Facility (EFF). This proposal looks at a 66.2 per cent revenue increase to avoid losses.

However, with many disagreements and discussions by the PUSCL on the proposed electricity tariff by CEB, a revised tariff proposal was submitted by the tariff division of the PUCSL following a public consultation. **[The revised tariff proposal by PUSCL recommends a 35 per cent increase in revenue based on a lower demand forecast](#)**, which led three members of the PUSCL to support the full tariff hike by CEB.

[The final draft of a new Central Bank Act approved](#) - Cabinet approved the final draft of a new Central Bank Act to be published in the Government gazette. The new legislation will give the Central Bank additional authority over monetary policy and enable it to function independently. The International Monetary Fund (IMF) and several other international organisations pressured the Government to pass the proposed new law to restore financial discipline and the economy's health.

[Cabinet approved relief measures for the public](#) - The proposal by the President to provide relief measures for the public was approved by the Cabinet. As a part of this effort, steps have been taken to keep providing support for individuals in need and to ease people's burdens in the face of the current crisis. Additionally, **[Cabinet has approved allocating the funds necessary for the Ministry of Health](#)** to prioritize the acquisition of essential medicine for the country.

[The Government has decided to ban single-use plastic products](#) - Intending to lower the level of pollution, the Government has decided to ban seven types of single-use plastic products from the 01st of June 2023. A committee of experts was appointed in 2021 to investigate the use of single-use plastic and recommend steps to reduce its usage. Accordingly, the production, importation, selling and use of single-use plastic products are prohibited as per the proposal submitted by the Minister of Environment.

The Economy:

[President is optimistic about the IMF board approval by March](#) - President Wickremesinghe stated he is hopeful of obtaining board approval for the USD 2.9 billion bailout package from the IMF in March. He mentioned the assurance provided by major creditors including China, India and the Paris Club. He further identified that political stability and social innovation are crucial for the country to go ahead with the debt restructuring process.

[Sri Lanka to enter into Free Trade Agreement \(FTA\) with Thailand within the first quarter](#) - The Cabinet Spokesman stated that the impending FTA with Thailand would be signed in Q1 of 2023. The Government is expecting a massive boost in exports from the current USD 550 million to USD 1500 million with the signing of this agreement. Sri Lanka will also be able to join the Regional Comprehensive Economic Partnership (RCEP) Trade Agreement with this signing, strengthening bilateral trade ties with Thailand.

The FTA would further assist Sri Lanka in embracing internationalization as the foundation for growth and enable exporters to explore new opportunities in a variety of overseas markets.

[India discusses path of economic recovery with Sri Lanka](#) - The Indian Minister of Commerce and Industry and Sri Lanka's High Commissioner for India held discussions to expand bilateral trade as a measure of economic recovery. The meeting also discussed mechanisms available to establish and promote rupee trade between the two countries. The possibility of bilateral integration in the textiles and apparel sector was also discussed in detail during the meeting.

[New Zealand offers support for Sri Lanka's development](#) - New Zealand High commissioner to Sri Lanka stated that the New Zealand Government would continue to provide required technical support for the country's development. The discussion held between the State Minister of Finance and the New Zealand High Commissioner to Sri Lanka extensively discussed how Sri Lanka could secure financial assistance from the IMF to improve the country's economic situation.

WHAT YOU NEED TO KNOW



[Grand Gain Industrial from Hong Kong invested USD 3.5 million in bra cup manufacturing](#) - Hong Kong-based Grand Gain Industrial Ltd., specialists in the development, manufacture and sales of polyurethane foam cups for the bra industry invested USD 3.5 million in Sri Lanka in a brand new Board of Investment approved facility in Rambukkana.

The new factory will generate 600 new job opportunities and directly impact Sri Lanka's value-added product portfolio, particularly the export strategy for intimate wear garments. The facility would further place the country as a one-stop solution for the apparel industry and strengthen its position in the supply chain.

[Sri Lankan firms participate in apparel related exhibitions held in Paris and USA](#) - Design Studio Manufacturing Ltd. participated at Apparel Sourcing Paris presenting fashion garments for buyers on the lookout for international textile and finished product manufacturers. Further Sarasavi Exports participated at Texworld USA showcasing products made from cotton and knit to buyers worldwide. These opportunities open doors for the Sri Lankan apparel manufacturer to meet international buyers and expand export opportunities.

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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.

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