

SRI LANKA UPDATE | 20 - 27 JANUARY 2023

Politics & Policy:

[The Public Utilities Commission of Sri Lanka \(PUCSL\) takes measures to expedite the implementation of the proposed electricity tariff](#) - PUCSL stated that they had reached a unanimous decision to accelerate the implementation of the Ceylon Electricity Board's (CEB) tariff proposal in accordance with Electricity Act 2009. They further specified in seeking legal opinion on implementing an interim tariff with necessary Cabinet approval.

The Cabinet proposed a 70 per cent electricity tariff hike in two stages to be implemented in January and June of 2023. However, the electricity regulatory authority, the PUCSL, claimed the proposed electricity tariff hike is unaffordable to the public and will not be approved. Later [PUCSL launched a public stakeholder consultation](#) to seek their views on the proposed electricity tariff hike. Further, the Centre for Environmental Justice ([CEJ](#)) [filed a lawsuit petition](#) to revise the existing general policy guideline for the electricity industry. The petition stated that CEB has to comply with the procedures set out by the PUCSL to ensure the sensibility of the electricity cost and safeguard the public interest.

[The Election Expenditure Bill passed with majority votes](#) - With the President emphasizing the critical need for a speedy adoption of the regulation of the Election Expenditure Bill, it was passed with 61 majority votes in the Parliament. As per the regulations in the Election Expenditure Bill, candidates are required to report information on all donations or contributions accepted or received by them, or on their behalf, which provides an overview of the cost associated with elections. However, the Government refused to accept the amendment for the application of the bill to the recently announced Local Government Election.

Earlier this year, the National Elections Commission announced that nominations for the Local Government Election would commence on the 18th of January 2023. Further it was confirmed that the [Election would be held on 09th of March](#).

[Cabinet approves implementation of issuing e-licensing](#) - Implementation of the e-license issuing procedure at the Import and Export Control Department was approved by Cabinet. The process is set to bring forth transparency and boost efficiency of services offered by the Import and Export Control Department. The Cabinet Co-Spokesman stated that the above process would instrument a new automated computerized system and submission of online applications to the department, resulting in increased service efficiency to the trade community.

[China supports growth of tourism in Sri Lanka](#) - The Ministry of Culture and Tourism of China stated that Sri Lanka would be included in the outbound tourism pilot programme by China from the February 2023. This programme will boost the Sri Lanka's popular tourist destinations among Chinese tourists designed to increase much-needed foreign exchange revenue generated from the tourism industry.

Additionally, the Minister of Tourism stated that Sri Lanka is likely to reach its goal of 105,000 tourists for January. He further expressed his confidence in the country's ability to reach its goal of 1.55 million tourists by the end of 2023 with an income of USD 2.88 billion.

The Economy:

[Debt restructuring process makes positive progress](#) - Sri Lanka hosted critical debt negotiation discussions with India and China to expedite the process of securing financial assistance from the International Monetary Fund (IMF). Following the conversation, [India formally notified](#) the Managing Director of IMF that Sri Lanka would have India's assurance and support on the external debt restructuring. [IMF has accepted the assurance given by India](#) to re-structure debt and stated that they await similar commitments from other creditors. A letter by Reuters stated that [The Export-Import Bank of China has offered Sri Lanka a two-year moratorium](#) on its debt, however Sri Lanka [still awaits assurance from China](#) similar to what was provided by India.

Meanwhile, Japan's Vice Finance Minister for International Affairs stated that Japan is carefully collaborating with international organizations like the Paris Club or IMF to assure participation of Non-Paris Club members like China and India for an arrangement to address the crisis.

With the positive support extended by India and China, the [All Share Price Index \(ASPI\)](#) of the Colombo Stock Exchange rose by 3.13 per cent. In addition, the Governor of CBSL stated Sri Lanka is making substantial headway in negotiations with its creditors to secure financing guarantees for debt restructuring, which is a crucial step toward completing an IMF rescue plan.

[CBSL Governor reaffirms that the apparel industry has repatriated 100% of export earnings](#) - CBSL Governor stated that based on the reconciliation process conducted for the months September and October 2022, the apparel industry has repatriated 100% of the export earnings into the country. He further acknowledges that a greater portion of the export earnings has been used to purchase fuel and raw materials. CBSL governor also asserted that the findings from the Global Integrity Report 2022 is different to the repatriation of export earnings mentioned above.

[Inflation rate drops December 2022](#) - The Colombo Consumer Price Index (CCPI) detailed by the Department of Census and Statistics, stated that inflation in December 2022 declined to 57.2 per cent, compared to 61.0 per cent in November 2022. The same pattern is seen with a year-on-year movement of the National Consumer Price Index (NCPI) to 59.2 per cent in December 2022 from 65.0 per cent in November 2022.

[Colombo South Port development project to begin with China Merchant Port Company](#) - Based on the recommendations of the Cabinet-appointed negotiation committee, the first phase of the proposed Colombo South Port development project will begin with a Public-Private-Partnership (PPP) with an investment of USD 150 million. The PPP will be signed among the China Merchant Port Company, Colombo International Container Terminals Company and the Sri Lanka Ports Authority. This development will support the long-term goal of transforming the Colombo Port into a service supply hub in South Asia.

The Adani Group of India is currently building the Colombo West Container Terminal in a joint venture with John Keells Holdings, which also manages the South Asia Gateway Terminal together with a number of other partners.

WHAT YOU NEED TO KNOW



Sri Lanka-UK Chamber of Commerce provided opportunities for overseas Sri Lankans to invest in the country - During the recently held Annual General Meeting of Sri Lanka-UK Chamber of Commerce, members were promoted to support Sri Lanka by investing in the diverse sector, including apparel, tea, Fintech, food and beverages and tourism. Further discussions were held to strengthen the bilateral trade relations and promote additional investment, tourism and Small and Medium Enterprises.

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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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