

SRI LANKA UPDATE | 10 - 17 MARCH 2023

Politics & Policy:

[Anti-Corruption Bill approved by Cabinet](#) - After several attempts and a number of years, the Cabinet has approved the Anti-Corruption Law, a significant piece of legislation that outlines steps to eliminate corruption and vulnerabilities by enhancing fiscal transparency and public financial management. According to the Cabinet spokesman, the International Monetary Fund (IMF) recommended that Sri Lanka improve fiscal transparency and public financial management, implementing a more robust anti-corruption legislation framework. The Anti-Corruption Law will help establish a comprehensive governance diagnostic to decrease vulnerabilities to corruption in the country.

[Cabinet to submit revised orders for Employees' Trust Fund \(ETF\) Act](#) - The Cabinet approved a proposal to send the revised Employees' Trust Fund Act orders to Parliament. The original orders were issued under the Employees' Trust Fund Act No. 46 of 1980 on January 23, 1981, in Government Gazette No. 125. They were amended on February 22, 2022, and announced in Extraordinary Gazette No. 2311/39.

[Sri Lanka Postal Service attracts attention from foreign investors](#) - A group of foreign investors have requested the Government's permission to invest in the Sri Lanka Postal Service with a goal of transforming the postal service, which is now operating at a significant loss, into a profitable entity with improved public service. The Treasury currently funds the postal service, and there are suggestions that privatization will reduce costs and could even generate a profit.

[Sri Lanka to promote meetings, incentive travel, conventions and exhibitions \(MICE\) tourism](#) - The number of tourists to Sri Lanka in 2023 is expected to be 1.55 million of which 10 to 12 per cent are likely to be MICE visitors. The leading travel destinations for MICE travellers are in South Asia, the Middle East and Europe. The number of MICE visitors to Sri Lanka has yet to reach pre-Covid levels, but there has been an increase. Several MICE sector companies which are currently in Sri Lanka have stated that the country's return to stability has made it an attractive market.

Further, as per the latest data released by the Sri Lanka Tourism Development Authority (SLTDA), **[tourist arrivals in the first 13 days of March have exceeded 50,000](#)**, which is a significant rebound from 2022.

The Economy:

[Sri Lanka to receive “very positive news” from the IMF](#) - Prior to the Executive Board's assessment and acceptance of the USD 2.9 billion four-year Extended Fund Facility (EFF) from the IMF, the [President has sent an open letter to all official bilateral creditors of Sri Lanka with several assurances accompanied with appeals](#). The letter's contents are intended to help Sri Lanka move quickly to the next round of debt restructuring discussions. With China's backing assured, quick approval for Sri Lanka's USD 2.9 billion EFF is now assured. According to Sri Lanka's Foreign Minister, [Saudi Arabia, Pakistan, Hungary, and Kuwait are the latest nations to provide the IMF with assurances](#) about debt restructuring.

[Economy contracts by 7.8 per cent in 2022](#) - Based on the data released by the Department of Census and Statistics (DCS), the Sri Lanka economy had the worst ever contraction of 7.8 per cent in 2022. Further the fourth quarter of 2022 showed a negative growth of 12.4 per cent, as against 11.8 per cent in quarter three.

[Moody's Investors Services expects Sri Lanka's gross domestic product \(GDP\) growth to contract by 3 per cent in 2023](#), but stated that with the country's efforts to secure an IMF bailout, GDP growth is expected to rebound in 2024.

[Workers' remittances in February double](#) - Workers' remittances in February increased to USD 407 million from a year earlier, although they fell for the second month sequentially. Workers' remittances peaked in December 2022 at USD 476 million, but fell to USD 438 million in January 2023 and USD 407 million in February 2023. Workers' remittances were USD 845 million in the first two months of 2023, which is an increase of 82 per cent from USD 464 million for the same period in 2022.

[The UK's Developing Countries Trading Scheme \(DCTS\) to launch soon](#) - The UK will launch a roadshow for its new Developing Countries Trade Scheme (DCTS), which replaces GSP+ post-Brexit. Sofie Kinsey and Fabian Hartwell, policy advisors for DCTS at the Department of International Trade in the UK (UKDIT), are in Sri Lanka to create awareness of the programme in the commercial sector and other stakeholders. The DCTS, a generous package of trading privileges would help Sri Lanka diversify its exports and grow its economy. Tariffs under the programme will be zero for a wide range of items. Sri Lanka is a beneficiary under the DCTS Enhanced Framework Scheme, with zero duty for over 7,000 eligible product lines.

[Investment opportunities high in Sri Lanka](#) - At a meeting with a group from China's Sinopec Group, President Ranil Wickremesinghe stated that Hambantota had been designated a critical energy centre to increase gasoline distribution. According to the President's Media Division, Sinopec has also committed to building a refinery in Hambantota.

Further, the [Sri Lanka-Thailand Business Council had extensive discussions on strengthening bilateral trade](#) between the two countries by optimising the FTA.

WHAT YOU NEED TO KNOW



Vietnam - Sri Lanka bilateral trade coming soon - According to Vietnam's ambassador to Sri Lanka, Ho Thi Thanh Truc, a company from Vietnam that sources apparel is eager to invest in Sri Lanka. A joint venture with a local business would be the first significant foreign direct investment (FDI) from Vietnam into Sri Lanka. Notwithstanding limits, Sri Lanka's imports fell from USD 62 million in 2021 to USD 45 million in 2022, favouring Vietnam's trade balance in that year. Vietnam's exports to Sri Lanka were USD 255 million.

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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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