

SRI LANKA UPDATE | 24 FEBRUARY - 03 MARCH 2023

Politics & Policy:

[The Central Bank of Sri Lanka \(CBSL\) modifies rules on mandatory forex conversion](#) - To encourage market-driven foreign exchange activities in the domestic market, the CBSL reduced the weekly mandatory forex sales/conversion requirement by banks from 25 per cent to 15 per cent. The reduced mandatory conversion rate is a reflection of the improvement in the country's foreign currency reserves. This will apply to inward remittances, converted service sector related export proceeds/receipts and the residual value of mandatorily converted export proceeds of goods.

[Cabinet approves proposal on solar-powered electric buses](#) - To reduce the cost of importing fuel, the Cabinet has approved a pilot project introducing solar-powered electric buses. The pilot project will be initiated in the Colombo and Gampaha districts and implemented through a public-private partnership. Once the project gets off the ground, it is expected to significantly reduce the country's dependence on imported fossil fuels for the Sri Lanka Transport Board (SLTB). Electrification of transport was one of the areas highlighted by Ban Ki-moon at Sri Lanka's signing of the Global Green Growth Initiative earlier this year.

[Committee appointed to fast-track investigations of goods at customs](#) - The Government appointed a committee to expedite investigations into the delayed clearance of goods detained by Sri Lanka Customs. One of the consequences of the delays was that goods become unusable, imposing a significant cost on operations. The committee will review the clearance process and identify amendments that may be required to the Customs Ordinance.

[Cyber Security Bill to be presented to Parliament in 2023](#) - The State Minister for Technology Kanaka Herath stated that the Cyber Security Bill will be presented to Parliament in 2023. This aligns with the proposals within Sri Lanka's Information and Cyber Security Strategy for 2023. The Cyber Security Bill will lead to the establishment of the Cyber Security Regulatory Authority and ensure protection for the Critical National Information Infrastructure. Further, the bill will help to mitigate the risk of malicious abuse of digital systems from various cyber threats.

[Tourist arrivals exceed 100,000 in February 2023](#) - For the first time since 2019, Sri Lanka Tourism recorded over 100,000 tourist arrivals for two months consecutively this year. The Minister of Tourism Harin Fernando stated that The National Tourism Policy Blueprint is ready and Sri Lanka will participate in several trade shows and promotional campaigns to boost the tourism industry further.

Sri Lanka was also listed by [Forbes's "Top Wildlife Safaris Outside of Africa"](#), with highlights given to blue whale watching as well. Further, [Vistara Airlines announced they would resume flights](#) to Sri Lanka from the 01st of March.

The Economy:

World Bank (WB) reaffirms support for Sri Lanka - On a recent visit to Sri Lanka, World Bank Vice President for South Asia Martin Raiser said the World Bank will continue to support the country in navigating economic challenges, assisting in the implementation of critical reforms the country requires to build a resilient and inclusive recovery.

He elaborated on the importance and urgency of improved communication and consistent implementation of reforms and discussed the progress on reforms to transform economic governance in Sri Lanka. His four-day visit included travel to the North Central and North Western Provinces to review WB funded projects in the health and agriculture sectors. During these visits Raiser engaged with a broad range of stakeholders in discussions related to Sri Lanka's development needs.

World Bank to introduce new Country Partnership Framework for Sri Lanka - The World Bank has begun work on a new Country Partnership Framework for Sri Lanka for 2023 - 2026, in line with the government working towards obtaining the Extended Fund Facility (EFF) from the International Monetary Fund (IMF).

Sri Lanka Rupee (LKR) appreciates to LKR 353 - With the CBSL tweaking the guidance peg, the LKR appreciated against the US Dollar, the lowest rupee value against the US Dollar since May 4th 2022. The middle rate USD/LKR SPOT Exchange rate is recorded at LKR 353.65 as at Thursday 2nd Feb. The CBSL further stated that since 28th February 2023, the LKR has appreciated 0.4 percent against the US dollar, resulting in an appreciation against the Euro, Pound Sterling, AUD, INR and Japanese Yen.

Government will expedite proposed Preferential Trade Agreement (PTA) with Bangladesh - To enhance trade volumes between the two countries, the Government has taken measures to expedite the finalisation of the proposed PTA with Bangladesh, under the guidance of the International Trade Office. With finalisation, Bangladesh will become the third South Asian country to enter into a Free or Preferential Trade Arrangement with Sri Lanka. While being a catalyst to strengthen relationships with key trade stakeholders at regional level, the PTA will also support developing market access opportunities by removing market trade barriers.

Headline inflation down to 50.6 per cent in February 2023 - The Department of Census and Statistics said that headline inflation YoY as measured by the Colombo Consumer Price Index (CCPI) declined to 50.6 per cent in February 2023, from 51.7 per cent in January 2023. The year-on-year movement of the National Consumer Price Index (NCPI) also declined to 53.2 per cent in January 2023, from 59.2 per cent in December 2022.

WHAT YOU NEED TO KNOW



[Hela Apparel Holdings PLC to expand with Norfund investment](#) - Norfund, the Norwegian Government's investment fund, signed a financing agreement of USD 14 million with Hela Apparel Holdings PLC. The investment will support sustainably driven business operations in the country and bolster the development of its manufacturing operations in East Africa.

Disclaimer - This advisory is intended for circulation among JAAF stakeholders only. Please do not circulate or share on social media.

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.

*This Advisory was prepared by the Strategic Communications Unit of Adfactors PR Lanka.
For inquiries, contact pumudika.amarasekara@adfactorspr.com*