

SRI LANKA UPDATE | 14 - 21 APRIL 2023

The team that compiles this advisory would like to get to know our readership and provide a more informative and better curated experience. A short survey has been created for this purpose and we would much appreciate a minuet of your time to complete it through, <https://forms.gle/P8kobGvDdPmGJaEx6>. Should you have any questions please email us at info@jaafsl.com. Please ignore if the survey is already filled out.

The Economy:

Principal bilateral creditors begin debt restructuring negotiations - Sri Lanka and key creditors formally began discussions to restructure the country's debt without China, which is its largest bilateral lender, as a sign of growing dissatisfaction with Beijing's response to the debt problems in the developing world. Launching the process, Finance Directors from India, Japan and the Paris Club of sovereign creditors met in Washington with the International Monetary Fund (IMF). The gathering was intended to give Sri Lankan debt negotiations a fresh launch pad as these negotiations had stalled due to disagreements between China and other lenders on how to best address the island nation's debt issues.

India reaffirms commitment to support Sri Lanka in dealing with current economic crisis - India reaffirmed its commitment to help Sri Lanka cope with its present economic crisis at the High-Level Event on Sri Lankan Debt Issues held in conjunction with the IMF-World Bank (WB) Spring Meetings. The event's primary goal was to demonstrate creditors' and Sri Lanka's cooperative multilateral approach to the debt restructuring process.

IMF accord to be presented to Parliament next week - The Government plans to gauge the support of all political parties on the Extended Fund Facility (EFF) by the IMF when Parliament meets next week. The provision of the USD 2.9 billion, four-year Extended Fund Facility (EFF) was approved by the Cabinet of Ministers. As part of the IMF package, the Government pledged significant changes which must be fulfilled to gain access to its bilateral and commercial creditors' borrowing capacity.

Foreign holdings of Government securities increased by 50 per cent - Data from the Central Bank of Sri Lanka (CBSL) indicates that since Sri Lanka received IMF approval for the USD 2.9 billion, foreign holdings of Government securities had surged by 50 per cent. The CBSL reports that as of 12 April, there were LKR 13.8 trillion worth of Treasury Bills and Treasury Bonds outstanding, of which LKR 102.4 billion were owned by foreign investors. This is an increase of LKR 33.61 billion or 48.4 per cent since 23 March. Growth in international ownership of Government securities was partly a result of the clarity over domestic debt, as foreign investors often wait for clear indications of a recovery before making decisions.

Politics & Policy:

[Government to invest LKR 206 billion on social benefit scheme](#) - With a new method that creates a social safety net to help economically vulnerable groups, the Government expects to spend LKR 206 billion annually on a welfare benefit programme. The Cabinet Co-Spokesman stated that the new programme's funding details, deadlines and recipients were established as of July 1. The decision was made in response to concerns that some segments of the population are left out of the safety net and not gaining any benefits under the current system. Benefits will be distributed according to the recommendations of a technical committee to people who are poor, extremely poor or at danger.

[The Cabinet approves process map for reorganizing the Ceylon Electricity Board \(CEB\)](#) - The proposed schedule and roadmap for the CEB reform process were accepted by the Cabinet of Ministers. The statement was made on Twitter by the Minister of Power and Energy who also stated the changeover process will be completed by October 2023. Parliament will be presented with the final text of the new Electricity Act for approval by end April 2023.

The creation of a Reform Secretariat and enlisting the assistance of development organizations were agreed on by the Cabinet of Ministers. The United States Agency for International Development (USAID), World Bank, Japan International Cooperation Agency (JICA) and Asian Development Bank (ADB) are some of the development organizations listed.

[Japan International Cooperation Agency \(JICA\) eager to resume Japan-funded development projects in Sri Lanka](#) - According to the Japanese State Minister of Finance who was at the J2023 Spring Meetings, discussions were held with the President of the Asian Infrastructure Investment Bank (AIIB), on collaborations between Sri Lanka and the AIIB to closely finance the development of sustainable infrastructure. JICA's Senior VP for South Asia Imoto Sachiko reaffirmed JICA's commitment to assisting Sri Lanka's economic recovery when she met with the Sri Lankan envoy on the side-lines of the 2023 Spring Meetings.

[Import restrictions to be lifted on more products](#) - The State Minister of Finance stated that import restrictions will soon be lifted on a variety of products. Following a meeting to evaluate the year's revenue projections for Sri Lanka Customs, he noted that this will also aid the Department in income generation. [The first quarter of the year's revenue objective for Sri Lanka Customs was LKR 270 billion. However the Minister remarked that the actual revenue collection during the period was 12% less than the projected income.](#) He asserted that the Government-imposed import limits were the primary reason for the loss of revenue.

The [Government has agreed to gradually reduce non-Custom charges placed on imports to ease local and international commerce](#), while adopting crucial changes to improve external trade in an effort to support manufacturing businesses. On Monday, a proposal to present the Ports and Airport Development Levy Act No. 18 of 2011's draft rules to Parliament was approved by the Cabinet of Ministers.

[Key to Sri Lanka's economic revival is tourism](#) - Expert in digital payment technologies Visa predicts that tourism will add significant fillip to Sri Lanka's economy, expressing optimism that the industry would play a key role in the nation's rehabilitation. [According to a Government statement, Sri Lanka's Cabinet of Ministers also approved amending the country's civil aviation law to permit public-private partnerships in aviation services.](#)

In order to attract more tourists and hasten the recovery of an industry that has faced unprecedented challenges especially in the last four years, [Sri Lanka Tourism launches its first phase of roadshows the post-COVID epidemic](#) in targeted Chinese cities including Shanghai, Beijing, and Guangzhou. With China being one of Sri Lanka's major source markets, the primary goal of these roadshows is to promote Sri Lanka as a preferred travel destination.

WHAT YOU NEED TO KNOW



[Sri Lanka and UK begin strategic dialogue](#) - The Secretary of Sri Lanka's Ministry of Foreign Affairs will meet UK officials to launch a series of strategic dialogue between the two countries which celebrate 75 years of diplomatic ties. The first Strategic Dialogue is being held at the invitation of the UK's Foreign Commonwealth and Development Office.

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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.

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