

SRI LANKA UPDATE | 24 - 31 MARCH 2023

Politics & Policy:

[Sri Lanka commended by the United Nations Population Fund \(UNFPA\) for establishing strong national evaluation capabilities](#) - Sri Lanka received praise from the UNFPA for its accomplishments in building strong national assessment capacities at the policy, institutional, and professional levels. A statement issued by the President's Media Office stated that the UNFPA commended President Ranil Wickremesinghe's leadership in encouraging assessment, especially in the public sector, which they claimed will play a key role in tackling the challenges faced by Sri Lanka. UNFPA experts recognized Sri Lanka's remarkable progress in building strong national evaluation capacities compared to other countries.

[Sri Lanka working towards becoming region's first green economy](#) - The Ministries of Environment and Power & Energy and the Climate Change Office are collaborating to develop a green economy policy to be implemented over the course of the next two months, making Sri Lanka the first nation in the region to adopt a green economy. According to President Wickremesinghe, restructuring debt and switching to renewable energy are now Sri Lanka's two most significant challenges. Sri Lanka has much potential to produce energy from renewable resources including solar, wind, biogas and ocean waves. According to President Wickremesinghe, Sri Lanka's economy will be strengthened with the move toward a green economy.

[Sri Lanka seeks advice on divestments](#) - According to a statement from the Finance Ministry, Sri Lanka is in negotiations with the International Financial Corporation in Washington to assist with restructuring Sri Lankan Airlines and two other SOEs. The State-owned Enterprises Restructuring Unit (SRU) says it would hire reputed and experienced consultancy companies and/or development financial institutions to assist the divestiture process by offering transaction advisory services. The transaction advisers are to support SRU with sell-side due diligence, valuation, the development of a data room, transaction strategy and marketing of the identified SOEs.

The Economy:

Government to make presentations on the International Monetary Fund (IMF) Extended Fund Facility (EFF) to creditors - The USD 2.9 billion, four-year EFF agreed by the IMF Executive Board for Sri Lanka will be discussed virtually by the Ministry of Finance, Economic Stabilization, and National Policy, for commercial creditors and investors of Sri Lanka. The presentation, which will be presided by Central Bank Governor Dr. Nandalal Weerasinghe, will detail the goals of the EFF-supported initiative and the next stages for engaging with creditors.

As stated by the Finance Ministry, Sri Lanka is wholly committed to effectively completing the current IMF programme. The Ministry also emphasized the ambitious reform plan the Sri Lankan Government has launched, to achieve fiscal consolidation, increase tax collections, restore its foreign reserves, reinforce the Central Bank's independence and assure economic governance. The Finance Ministry noted that Sri Lanka will keep in touch with all its creditors transparently and in good faith and looks forward to constructive negotiations for a speedy resolution of the public debt issue.

Export earnings for February dips - Export earnings declined for the second consecutive month as February's shipments reduced by 8.06 per cent year on year (YoY) to USD 1 billion, reflecting a reduction in global demand and increase in inflation. Despite the export sector experiencing a difficult start in 2023, the Export Development Board (EDB) stated that earnings nonetheless managed to reach USD 1 billion. Despite a YoY decline in the first two months, profits were greater than they were in 2021. Earnings increased by 7 per cent in January, while performance increased by 6 per cent in February as compared to 2021. The EDB expects exports to climb over USD 15.93 billion in 2023, an increase from the USD 13.01 billion it had in 2022.

Tourism industry improving - With more than 100,000 people arriving in the first 26 days of March, Sri Lanka's tourism sector is showing good signs for 2023. There have been over 300,000 arrivals in the first three months of the year. This is the first time since 2019 that Sri Lanka's tourism sector had more than 100,000 arrivals for three months consecutively. The Ministry of Tourism stated that after a slew of significant losses in 2019, Sri Lanka's tourism industry is seeing a comeback.

With input from germane stakeholders, the Cabinet adopted a **Master Plan to establish Sigiriya as the nation's first sustainable tourist destination**. Sigiriya, which is regarded as both a significant archaeological site in Sri Lanka and a UNESCO World Heritage Site, is a popular destination for both domestic and international travelers.

Sri Lanka engages in more trade talks - Sri Lanka has restarted discussions with Thailand on the planned Sri Lanka-Thailand Free Trade Agreement (STFTA), which concluded after the fourth round of talks. The FTA is slated for signature in early 2024. Discussions on the China-Sri Lanka Free Trade Agreement (CSFTA) began a few years ago with the goal of gaining access to the sizable Chinese market for Sri Lankan goods, particularly for future exports to China. Currently six rounds of negotiations have been completed. Both nations have exchanged diplomatic memoranda and are in discussion for the seventh session of negotiations.

Import restrictions on 100 - 150 items to be lifted - According to the Treasury, the Government has planned to remove import restrictions on 100 to 150 products over the course of the next four months, provided that it will not have a negative impact on currency exchange rates, foreign exchange reserves or inflation. The Treasury stated that the import ban on vehicles will remain in situ as the sector depletes foreign reserves by at least USD 2 billion annually.

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[Export led economy is the way forward for Sri Lanka](#) - Addressing the IMF and Beyond forum, Sharad Amalean, the Chairman of the Joint Apparel Association Forum (JAAF), stated that an export-led economy is the way forward for the country and commended President Wickremesinghe's commitments in supporting the same. He further mentioned that confidence in the apparel industry is one of the main reasons the industry could deliver through the hard times that passed. Amalean further highlighted the importance of being competitive and relevant in today's markets and stated that the Government need to take measure to increase the ease of doing business in the country.

[Handloom industry pioneer develops blockchain technology with London College of Fashion & University of Arts London](#) - Selyna Peiris, Sri Lanka's pioneer in fair trade handloom manufacturing together with students from the University of the Arts London (UAL) and London College of Fashion (LCF) recently showcased an innovative use of blockchain technology in a handloom industry. The exhibition included unique fabric designed for home, lifestyle and clothing, aiming to create products that appeal to a global consumer with blockchain technology. The fabrics were manufactured by regional craftsmen who supported and inspired communities around Sri Lanka, using organic, fair trade, vegan, and cruelty-free materials. The "Sandra" Clapping Bag, created in collaboration with Selyn and the London College of Fashion was one of the innovative products exhibited.

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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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