

SRI LANKA UPDATE | 09 - 15 JUNE 2023

The Economy:

[MP for opposition SJB submits Value Added Tax \(VAT\) amendment Bill to restore parliamentary powers on public finance](#) - The opposition Samagi Jana Balawegaya (SJB) Member of Parliament Eran Wickramaratne presented a Private Members Bill by to modify the Value Added Tax (VAT) Act, No. 14 of 2002, giving Parliament control over the Minister of Finance's duties. The proposed law stated that any orders issued by the Minister of Finance can only take effect when Parliament has approved the amendment. Currently, the Minister of Finance has the authority to use overnight Gazette notices to impose, abolish, increase or cut the VAT rate as he sees fit. It typically takes three months for publication of the legislation in the Gazette, when it comes into effect.

[Nearly LKR 700 Mn worth shares sold by foreign investors in first eight days of June](#) - In the first eight days of June, approximately LKR 700 million worth of net selling was seen by foreign investors on the Colombo Stock Exchange (CSE). The net outflow over the last four consecutive trading days was LKR 678 million, compared to LKR 682 million so far in June. The CSE nevertheless reported LKR 678 million in net foreign purchasing year to far, down from LKR 1.4 billion as of end May and LKR 4.4 billion in mid-February, despite the increased foreign selling.

[Foreign worker remittances for May USD 480 Mn](#) - Minister of Labour and Foreign Employment Manusha Nanayakkara reported that remittances from Sri Lankan foreign workers totalled USD 480 million in May 2023. The overall remittances for 2023 was USD 2.34 billion compared to USD 1.33 billion in 2022 during the same month. The Minister added that additional remittances of USD 150 million per month is required to return to pre-crisis levels. He also stated that the Government is attempting to turn Sri Lanka into a centre for high-skill exports.

[Government extends curbs on outward forex capital transactions](#) - The suspension of outbound forex capital transactions will be extended by an additional six months beginning on July 1; the Government will request Parliament to support the measure. On the recommendation of the Central Bank of Sri Lanka (CBSL), and in accordance with Act No. 12 of 2017, the Ministry of Finance, Economic Stabilization and National Policies has periodically issued orders for the temporary suspension/restriction of outward remittances related to certain capital transactions and mobile transfers, effective from April 2020. The final order, which was issued on December 22, 2022, is set to expire on June 30, 2023.

Politics & Policy:

[SDGs accelerated for Sri Lankan corporates](#) - A five-phase accelerator programme designed by the United Nations Global Compact which included the inaugural SDG Innovation Accelerator was presented by the Global Compact Network Sri Lanka to 60+ participants from 12 Sri Lankan corporates. Conceptualised to develop the companies' sustainability efforts, spur creativity and provide practical solutions, the main goal of the accelerator programme was to deliver innovation and intrapreneurship accelerators for professionals under 35 years of age. This initiative emphasizes the significance of corporate accountability and supportive ecosystems, where solutions are tracked throughout the development cycle to serve as models and sources of inspiration.

[Exporters request relief from mandatory conversion rule](#) - The export industry is requesting relief from the quarterly conversion for greater market freedom instead of the Central Bank's required conversion requirement. Exporters believe that the present CBSL-mandated practice of converting the entire residual balances on the seventh day of every month is unjust and has an impact on cash flow given the industry's numerous challenges. This means exporters are being left out of the market since they are bound to the banks and compelled to convert earnings devoid of autonomy and freedom to bargain and book forward rates in a volatile currency market.

[Cabinet approval for 25 recommendations to boost tourism industry](#) - The Cabinet of Ministers accepted 25 suggestions made by a six-member Ministerial Sub-Committee to support the tourist sector and promote a quicker recovery of the economy. On May 30, a six-person Ministerial subcommittee headed by the Minister of Ports, Shipping, and Aviation Services, was formed to address industry challenges and offer suggestions to promote the tourism sector while also optimising on the already-existing opportunities.

[Sydney Morning Herald \(SMH\) Traveller Magazine positions Sri Lanka on travel bucket list](#): Sri Lanka continues to gain global promotion for its distinctive travel experiences, most recently being on the cover of Sydney Morning Herald's Traveller magazine. The cover story explained, "Why you should visit this undersold, teardrop-shaped island right now," with a thorough overview of the country.

And in a further bid to stimulate the economy via tourism, [Sri Lanka to grant free visas to South Asian countries \(SAARC\) to stimulate local economy](#).

WHAT YOU NEED TO KNOW



[Port City strengthens China - Sri Lanka ties](#) - Sri Lanka's Prime Minister Dinesh Gunawardena in an interview with China's Global Television Network states that the Colombo Port City strengthens China-Sri Lanka relations. He said the Colombo Port City will be a significant investment area helping Sri Lanka in its exports and augment conducting business with other nations.

[Sri Lanka negotiating FTA with Thailand for March next year](#) - Sri Lanka and Thailand may negotiate a Free Trade Agreement (FTA) by March 2024. The two countries resumed talks in January. A Thai delegation is scheduled to visit Colombo from June 26 to June 28 for the next round of negotiations on trade, customs cooperation, investment, dispute settlement and services.

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 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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