

SRI LANKA UPDATE | 21 - 27 JULY 2023

The Economy:

Government eases restrictions on outward forex remittances - According to the Central Bank of Sri Lanka (CBSL), the Finance Minister issued a new Order under Section 22 of the Foreign Exchange Act, No. 12 of 2017 on the recommendation of the Monetary Board of the CBSL and with the approval of the Cabinet of Ministers. This order was issued taking into account the recent and anticipated developments in the domestic foreign exchange market and with a view to further facilitating international transactions. While maintaining the other suspensions and limitations imposed by the previous Order, this directive has relaxed some restrictions on outbound remittances for capital transactions and lifted the constraints on current transfers of emigrants.

Cabinet approves rule amendment to increase Cess on clinker imports - A resolution that contains a regulation that was previously published in the Government Extraordinary Gazette Notification No. 2336/71 dated 16th of June was accepted by the Cabinet of Ministers and is to be submitted to the Parliament for approval. The resolution was placed for adoption by the Parliament by President Ranil Wickremesinghe in his capacity as Minister for Investment Promotion. The main goal is to raise the Cess tax assessed on the import of clinker, an essential intermediate or raw material used in the production of cement as well as in the production and sale of cement-related products.

India-Sri Lanka Economic Partnership Vision published - Indian Prime Minister Shri Narendra Modi and President Ranil Wickremesinghe held discussions in New Delhi, focusing on strengthening the India-Sri Lanka economic partnership. They viewed the current economic conditions in both countries as an opportunity to enhance bilateral economic ties, potentially boosting growth in the Indian Ocean Region. The agreements targeted five major areas: maritime and air connectivity, energy and power, trade, and people-to-people connections. Discussions also underscored tourism promotion and cooperation between educations and research institutions.

Key Points:

- Strengthen maritime and air connectivity, including the development of ports and the expansion of flights
- Cooperate on renewable energy and establish a high-capacity power grid interconnection for mutual benefits
- Initiatives to facilitate mutual trade and investments, including digital payment systems

Politics & Policy:

CBSL Bill passed with amendments - One of the goals outlined in the agreement inked with the International Monetary Fund (IMF) was achieved with the passing of the Central Bank Bill by the Parliament. The new legislation would grant the Central Bank the authority to seek theoretical advice from international organisations through agreements if needed. Further, the importance of collaboration between the Central Bank and the Treasury to address the ongoing economic crisis and work towards stabilising the country's financial situation, was highlighted by the Cabinet.

Government lifts import restrictions on over 300 products - The Government issued an

extraordinary gazette notification No. 2341/38 stipulating the lifting of import restrictions on 328 items, including vehicle spare parts, tiles, medical supplies, and single-use plastic, with effect from 20th July 2023. This is a significant move to increase trade and ease supply chain constraints. The State Minister of Finance confirmed the intention to ease import restrictions, which intends to promote a more open and effective import environment and add relief for both firms and consumers.

New tourism strategy, 'Visit Sri Lanka' to be unveiled: President - President Ranil Wickremesinghe announced the imminent launch of a new tourism strategy - "Visit Sri Lanka" - in an effort to revitalize the sector and strengthen the nation's economy. Pending final touches, the strategy is expected to be unveiled in August or September. President Wickremesinghe emphasized the critical function that the tourism industry performs in advancing the nation's economy. The ambitious plan hopes to pull a record 5 million tourists to the country.

Sri Lanka Railway Department to undergo restructuring following Cabinet approval - The Cabinet of Ministers gave its assent for the appointment of an expert committee which will result in a considerable restructuring of the Sri Lanka Railway Department. The suggestion to submit viable proposals to restructure the Department presented by Transport and Highways Minister Bandula Gunawardena, got unanimous support. The selected committee will comprise topic specialists with extensive knowledge of the transportation industry. They will be tasked with evaluating the current framework, potential areas for improvement and design solutions in line with industry standards and the particular requirements of the Department.

WHAT YOU NEED TO KNOW



Port City Colombo inks Memorandum of Understanding (MoU) with Thai-Sri Lanka Chamber of Commerce - In order to foster closer ties between the Thai and Sri Lankan business communities, Port City Colombo (PCC), the most ambitious integrated development project in Sri Lanka and the first Special Economic Zone designated for exports of services in the nation, has made significant progress. As a result, Port City Colombo and the Thai-Sri Lanka Chamber of Commerce (TSLCC) recently signed a Memorandum of Understanding (MoU) representing a turning point in the promotion of bilateral trade and investment prospects between Thailand and Sri Lanka. The agreement's goal is to improve cooperation between the two countries by giving them a platform for economic growth and cooperation.

Sri Lanka, Australia hold 3rd Joint Trade and Investment Committee Meeting - The Department of Commerce hosted the third Joint Trade and Investment Committee Meeting (JTICM) in accordance with the Sri Lanka-Australia Trade and Investment Framework Agreement (TIFA) on July 12. Both parties agreed to work together to strengthen trade and investment relations by seeking opportunities in the industries of agriculture, manufacturing, power and energy, education, tourism, IT, and mining.

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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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