Sri Lanka Country Statement (Long Version)

to be delivered by Her Excellency C.A. Chaminda I. Colonne, Sri Lanka Ambassador to the
Kingdom of Thailand and Permanent Representative to the UNESCAP

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“A common agenda to advance sustainable development in Asia and the Pacific”

Honorable Chair,

Excellencies,

Distinguished delegates.

On behalf of His Excellency the President Gotabaya Rajapaksa, the Government and the People of Sri Lanka, I extend my warm best wishes for the celebration of 75th Anniversary of UNESCAP.

Sri Lanka became a Member of ESCAP in 1954. I take this opportunity to place Sri Lanka’s sincere appreciation to ESCAP for the continuous support given for its development throughout this long journey.

Honorable Chair,

Amidst severe socio-economic challenges posed by the global pandemic, the Government of Sri Lanka has taken key strategic interventions to ensure adherence of our country’s development process with sustainable pathways reinforcing our commitment to the 2030 Agenda for Sustainable Development.

According to the latest analysis done by the UNESCAP, Sri Lanka has come to the 10th place out of 53 countries in the Asia-Pacific region in SDG data availability. In South and South-West Asia region, Sri Lanka ranks at the 3rd place, showing our commitment to promote transparency and accountability through open SDG Data.

With the launch of the National SDG Data Portal, the Sustainable Development Council pioneered SDG data governance and management system in Sri Lanka connecting over 80 government institutions responsible for data production to a central platform.

We have increased public and private investments in renewable energy generation to accelerate the sustainable energy transformation in Sri Lanka in line with our medium-term target of fulfilling 70% of Sri Lanka’s energy demands from renewable sources by 2030 and our long-term commitment to achieving carbon neutrality in electricity generation by 2050 and carbon neutrality by 2060.

Initiatives have been taken towards increasing the capacity of solar roof top panels to 410MW, construction of 7,000 small rural solar power plants across the country and construction of hydropower plants. Two of the largest wind power plants located in North-western and Southern Coasts of Sri Lanka amounting to 100 MW commenced operations in 2021. We have also launched our maiden project to generate electricity from urban solid waste.
It is our expectation to add approximately 2,000 MW to the national grid from renewable sources in the next (03) years and financial and technical assistance needed for its’ expansion at industrial and household levels.

The Government has beefed up efforts to **strengthen transport connectivity** by improving road infrastructure linking the capital, ports and airports with suburban regions to develop one major economic corridor to see increased activities in exports, tourism, financial and logistic services. Towards this end, construction of new expressways connecting main cities with the provinces as well as flyover bridges to ease traffic congestion in cities, have been fast tracked.

Financial and technical assistance is essential to revamp existing public transport infrastructure while improving available infrastructure through the improved fleet and the introduction of modern and high-speed modes of transportation.

Providing **safe drinking water** for all is one of the highest social priorities for the Government and an accelerated programme was launched to provide clean drinking water to all households before the end of 2025. Access to Safe Drinking Water shows an upward trend and is currently at 93.2 per cent of all Households.

In line with the national policy commitments relating to ‘Establishing a Technology-based Society’, several initiatives to fast track our transition to a **digital economy** have been implemented. These include strengthening digital governance through projects such as e-Grama Niladhari project, appointing and training ‘Chief Digital Information Officers’ (CDIO) in the Public Sector.

Other key initiatives include formulating the **Sri Lanka Digital Economy Strategy**, enhancement of digital literacy of students and teachers and setting up five fully fledged techno parks in five districts across Sri Lanka with connectivity to expressway networks and commercial centres providing a conducive environment to increase IT based business operations in Sri Lanka. To improve digital literacy and telecommunications infrastructure in periphery areas, especially in the rural and estate sectors, further assistance is needed.

Sri Lanka is one of the few **biodiversity hotspots** identified in the world and has among the highest biodiversity per unit area within the Asian region. Issues about human-elephant conflict, unsafe open waste disposal, deforestation, and marine habitat destruction caused by third parties remain unaddressed. Accordingly, financial and technical assistance is needed to enhance natural resource preservation and build capacity regarding financial instruments linked with natural resource preservation such as carbon credit trading, carbon pricing, green bonds, and debt-for-nature swaps, among others.

Recent poverty data, adjusted for developments in income and expenditure patterns, highlight that poverty in Sri Lanka stood at 14.3 per cent in 2019, even before COVID-19. This situation would likely have worsened in the wake of COVID-19 and further deteriorated by the current crisis that the economy is facing. Therefore, financial and technical assistance is needed to improve coverage and benefits extended through **social safety nets** while improving targeting and implementation of appropriate and well-incentivised exit schemes.

Over 30 per cent of Sri Lanka’s labour force contributes to about 6-7 per cent of GDP through the Agriculture sector. For the **urgent modernization of the agriculture sector** as a means of preserving
not only domestic food security but also leveraging these resources to create a resilient export-oriented agriculture sector, the financial and technical support is much needed.

Sri Lanka is in the process of improving and enhancing judicial infrastructure and capacities to ensure much stronger law enforcement and rights protection regimes. Efforts are under way towards digitization and court automation, increasing the number of judges to achieve a higher judge-to-citizen ratio commensurate with the international standards as well as to build the institutional capacities of those institutions that provide supportive functions to judicial processes such as the Government Analyst Department, the Attorney-General’s Department etc.

Alongside these, comprehensive legal reform programmes have been initiated under three separate committees appointed to make recommendations to reform criminal law, civil law and commercial law with a view to repealing obsolete, outdated and discriminatory provisions in our legal system in order to bring our laws on par with that of contemporary global standards and in full compliance with our human rights obligations.

Significant among these are the reform of laws and ordinances including special laws (Muslim, Kandyan and Tesawalamai laws) and personal laws with gender discriminatory provisions that hinder the full empowerment of women and girls in our society. Some important examples are:

- the initiative taken to repeal the discriminatory provisions in the Land Development Ordinance by amending discriminatory provisions in relation to succession, inheritance and ownership of land making them more empowerment focused particularly relating to women’s ownership of land.

- the initiative to introduce amendments to the Muslim Marriage and Divorce Act. (MMDA) to increase the age limit of marriages (to address issues relating to underage marriages) and to prohibit polygamous marriages

For the establishment of organised and regulated care centers while seeking technical assistance concerning the legalisation of flexible working arrangements and revisiting labour legislation that may be hindering the entry of women into the formal labour force, financial assistance is needed.

Honorable Chair,

During the pandemic, the priority of the Government of Sri Lanka was to implement a rapid vaccination programme to ensure the health of our people and to restore our country to pre-pandemic normalcy. Alongside, a host of relief measures have been provided to the people to ensure their socio-economic resilience including moratoriums on loans, tax reductions and other concessions.

Such additional COVID-related spending in health and social protection coupled with a significant drop in tourism revenue has resulted in a significant increase in the country’s fiscal deficit and public financing needs. While COVID-19 impacted government social spending, it also was an economic shock that significantly impacted SMEs which make up 75 per cent of the Sri Lankan economy and 45 per cent of the employment sector.

The macroeconomic imbalances in the Sri Lankan economy, which were triggered by the COVID-19 pandemic that unearthed long-standing structural issues, particularly fiscal indiscipline and related imbalances, amplified causing issues in the external sector, monetary imbalances and financial sector
vulnerabilities. Accordingly, the Sri Lankan economy is currently undergoing a distressed situation, in a level never experienced in its history. Official reserves are at critically low levels, the external debt servicing is currently at a standstill pending debt restructuring process with lenders and inflation has accelerated to significantly high levels, exchange rate overshot since allowing more flexibility in its determination and fiscal space remains extremely low. Financial sector is faced with a severe foreign currency liquidity shortage due to the lack of foreign inflows to the country. The energy and power crisis, arising from the foreign exchange crisis, is hindering economic activity. Continuous provision of daily essentials to the general public is disturbed. Social and political unrest has aggravated. However, large corrective policy measures are being implemented.

Political stability is currently being established gradually, significant monetary tightening by the Central Bank is carried out recently while policy measures to stabilise the external sector are also being implemented. Further, it is expected that a fiscal consolidation programme is implemented soon. The technical discussions with International Monitory Fund (IMF) are progressing to initiate an IMF programme, while the external debt restructuring process has been initiated. In the meantime, the Government and the Central Bank are working closely with bilateral and multilateral partners to obtain bridging finance in order to secure foreign exchange required to finance imports of essential goods and strengthen the social safety net programmes.

While meeting sustainable development goals remains a significant priority, Sri Lanka currently is in need of a significant bridging finance to overcome the difficulties faced by the country in the near term. Under the current economic crisis in the country and the expected setback in the economic growth, it is likely that most of the development initiatives, particularly those that are led by the Government of Sri Lanka to be delayed by a significant degree.

Further, in the current context, the Central Bank of Sri Lanka has estimated a significant bridging financing requirement in the second half of 2022 to provide for the basic imports necessary to sustain the livelihoods of the country’s citizens and to keep the fundamental economic activities ongoing during this crisis period. These import financing requirements for the rest of 2022 are totaling to around USD 6.3 bn including around USD 1.8 bn to obtain basic food items such as rice, wheat, dhal, potatoes, onions, milk powder and sugar, USD 3.3 bn for fuel for transportation and energy generation, USD 0.3 bn for supply of domestic cooking gas particularly poor urban households that are unable to use firewood, USD 0.2 bn for coal for power generation, USD 0.5 bn for emergency medicine and USD 0.4 bn for fertilizer for basic agricultural crops including rice, vegetables, tea, rubber and coconuts.

Of the total financing requirement, we are expecting around USD 1.2 bn to be funded through two Indian Credit Lines, for which discussions are still underway. Therefore, Sri Lanka needs immediate bridging financing sources to finance around USD 4.4 bn of immediate bridging financing in order to avoid a potential social calamity and some segments of the country’s population been driven extreme hardships and adverse poverty.

On the sustainable finance front the Central bank of Sri Lanka took national initiatives to formally institutionalise sustainable finance framework in Sri Lanka. Central Bank of Sri Lanka launched a Roadmap for Sustainable Finance in Sri Lanka in 2019. This Roadmap provides a broad direction to financial regulators and financial institutions to effectively manage environmental, social and governance (ESG) risks associated with projects they finance and help increase assistance to
businesses that are greener, climate-friendly and socially inclusive. **Sri Lanka Green Finance Taxonomy**, a key action item outlined in the roadmap, was launched in May 2022. The Sri Lanka Green Finance Taxonomy is a classification system, which defines and categorizes economic activities that are environmentally sustainable, which would be applicable to all domestic and foreign market participants offering financial products. These actions are expected to benefit the country immensely to mobilise green financing from international sources and well as to promote financing options for sustainable economic activity. Sri Lanka is currently exploring the possibility of raising affordable green financing options from regional and global partners.

Sri Lanka is currently facing formidable challenges in the **fiscal front**, with a sharp decline in government revenue and limited access to foreign financing amidst the pandemic induced economic downturn, increase in government expenses owing to pandemic curtailment measures and higher interest expenditure, lower foreign inflows to the country and bunching of substantial debt service payments in the near to medium term, particularly in relation to external debt.

Consequently, in April 2022, the Government of Sri Lanka announced its decision to temporarily suspend selected foreign debt service payments until obtaining assistance from the International Monetary Fund and finalise the restructuring of the country’s foreign debt portfolio. The debt restructuring process is expected bring a workable solution for the debt service payment issues of the country with the support of the creditors, while reverting the country to a **sustainable debt trajectory** in the medium term.

Simultaneously, Sri Lanka is in the process of an IMF engagement with the aim of improving the fiscal and external sector stability, while enhancing the macroeconomic stability of the country. In the meantime, the Government of Sri Lanka is already planning to implement a strong fiscal consolidation programme, with a special focus on revenue enhancement measures via both direct and indirect taxes as well as widen the tax base through tax reforms, some of which have been already employed. At the same time, government has initiated trimming unproductive government expenses towards with the aim to achieving a primary surplus in the medium term.

Since loss making state-owned business enterprises (SOBEs) are creating a significant burden on the government budget and the domestic financial system, the Government is planning to expeditiously implement SOBE reforms such as cost reflective pricing mechanisms, restructuring of SOBEs for efficiency gains and enhancing the accountability and transparency of those institutions.

Since fiscal consolidation efforts can adversely affect the economic revival process, it is crucial to implement the same in a ‘growth friendly’ manner. Since the fiscal consolidation measures amidst monetary policy tightening may have a disproportionate impact on the vulnerable groups, Sri Lanka is currently seeking financial assistance from the international agencies and donors to strengthen the country’s safety nets during this period of economic crisis. Therefore, international community and funding agencies can play a major role in supporting Sri Lanka during this adjustment period to restore the country’s fiscal and external sector stability while ensuring inclusive economic growth and development, going forward.

Regional countries are an important part of the **tourism sector** in Sri Lanka and if travel advisories are issued to prospective tourists to Sri Lanka, the expected recovery in tourism will be imperiled.
The Sri Lankan economy is envisaged to record a gradual recovery over the medium term. The regional countries may extend assistance to such recovery by providing preferential market access for Sri Lanka’s exports by lowering tariffs, providing/increasing quotas or implementing special procurement schemes, and helping Sri Lankan industries in which they are specialised by providing technical assistance.

Honorable Chair,

Sri Lanka faces a significant immediate challenge to regain economic stability while also facing the challenge of identifying ways to finance the SDGs.

As such, the call for stronger regional economic cooperation to ensure that the hard-earned development outcomes are not reversed in the post-pandemic era becomes more compelling.

Regional Platforms such as ESCAP can play a pivotal role in strengthening regional cooperation and partnerships for sustainable financing, investments, trade and tourism, technical cooperation and knowledge sharing in order to accelerate progress on SDGs.

Hence, we would like to appeal to the Economic and Social Commission of the Asia Pacific Region to request their respective Government or a multilateral regional institution affiliated to ESCAP to put forward the current need of emergency financing of Sri Lanka as a priority item in the agenda.

Thank you.