

NEWS ROUND UP

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IPS Chief stresses Budget implementation key to revive growth

Institute of Policy Studies Sri Lanka Executive Director Dushni Weerakoon says the implementation of Budget proposals is crucial amidst mounting pressure on the fiscal side and challenges to revive economic growth.

“Despite the wide range of spending particularly targeted at improving social sector, there are concerns as to how much of these Budget proposals will reach the implementation stage by the end of the year,” she told at ‘Policy Dialogue on the UNESCAP Economic and Social Survey of Asia and the Pacific 2019’ organised by IPS last week.

She also pointed out that the Government lost its focus on the ‘Blue-Green Economy’ before it even reached the implementation stage while they had already moved to another theme which shows that there is lack of consistency in policy and outcomes.

In terms of the survey she said that by and large, the report argues that the region is fairly well poised for a period of stable economic growth as well as macro stability, but there are pressures with regards to fiscal situations in many of the countries and in sub-regions of the Asia Pacific including Sri Lanka.

Weerakoon said the survey has looked quite comprehensively to the economic prospects of the Asia Pacific region in the context of economic challenges in global economy at large and the bilateral trade issues emerging as a major policy issue that needs to be resolved.

Looking at Sri Lanka's performance against the countries in the Asia Pacific, she asserted that the country was clearly underperforming in terms of the growth outlook.

“Sri Lanka is a very poor performer in terms of the revenue side. All we can do in the interim is try and spend better. Overall investments and efficiency are some of the things we should focus on the interim until we can get the revenues up to a reasonable level,” she added.

She also said the country was burdened by a heavy overhang of debt. “Given the fact that Sri Lanka has 85% debt to GDP, the Government must think about additional spending as large chunk of the debt repayments are in foreign currency, which makes Sri Lanka much more vulnerable to external shocks,” she said.

According to her, the average debt to GDP in Asia Pacific countries is about 45%, while in Sri Lanka it is as high as over 85% of the GDP.

Highlighting another risk factor that has been pointed out in the report, she said that Sri Lanka has fairly limited short-term foreign debt cover considering the total reserves the economy has in hand.

With all these macro challenges, Weerakoon stress it was critical for us to look at investing in education, health and other areas in order to ensure that Sri Lanka was on track to meet sustainable development goals (SDGs) by 2030.

She said that one message that clearly highlights is that although there has been a reasonably good growth in the region, it has not always lead to equitable outcomes.

“The estimates that the UNESCAP report has come up with in terms of what additional sources of funding are required to make SDGs a reality. There is a very clear need to look at these fiscal pressures these countries are faced with and address them,” she added.

China outlines fresh tax cuts to lift economy

BEIJING, AFP: China has unveiled tens of billions of dollars' worth of tax and fee cuts as part of a drive to kickstart the stuttering economy, extending pledges worth \$300 billion announced last month.

With growth at a near three-decade low and the economy struggling under the weight of the US trade row and a soft global outlook, leaders are looking to grease the cogs by getting the country's vast army of consumers to start spending.

The State Council, or cabinet, said late Wednesday it would reduce electricity and internet costs, port and railway charges, and a variety of fees for individuals and businesses to cut their annual burdens by about CNY 300 billion (\$45 billion).

For businesses, the Government will lower average electricity fees by 10% and cut broadband fees for small- and medium-sized businesses by 15%, the official Xinhua news agency reported.

It will also cut trademark registration fees, the State Council said.

For individuals, China will cut a variety of bureaucratic red tape, like fees on postal imports, real estate registration, passport issuance and mobile internet rates.

"Tax and fee cuts are our key measures to tackle the downward economic pressure this year," said Premier Li Keqiang, according to Xinhua.

The announcement follows promises last month to cut company taxes and employer social insurance contributions by nearly CNY 2 trillion (\$298 billion), with the first batch of cuts kicking in 1 April.

The meeting Wednesday also outlined new draft amendments to beef up the foreign investment law passed last month, with a provision for 'non-discrimination' in administrative licensing as well as measures to improve the protection of trademarks. (DailyFT)

Tourist arrivals up 4.7% in March

Tourist arrivals in March have improved by 4.7% to 244,328, bringing the cumulative first quarter figure to 740,600, reflecting a 4.6% growth year-on-year.

The largest source market for tourists was India (up 5.6% to 34,812), followed by the United Kingdom (up 8.8% to 29,682), and China (up 12.6% to 23,759).

Arrivals from Germany and France were down 26% and 6%, respectively, to 18,134 and 13,957.

Almost 93% of tourists travelled by air to Sri Lanka. Last year, tourist arrivals amounted to 2.3 million, and the projection for 2019 is 2.8 million.

Europe became the largest source of tourist traffic to Sri Lanka with 49% of the total traffic received in March. Asia and Pacific accounted for 40% of the total traffic followed by America at 8%, Middle

East at 2%, and Africa at 1%.

India, United Kingdom, China, Germany and France were Sri Lanka's top five international tourist generating markets in the month of March this year. India was the largest source of tourist traffic to Sri Lanka with 14% of the total traffic received in March. UK accounted for 12% of the total traffic while China, Germany and France accounted for 10%, 7%, and 6%, respectively. (DailyFT)

New rail line costing \$ 278 m from Matara to Beliatta opens today

Marking another milestone in Sri Lanka Railway history, the Matara-Beliatta railway line will be declared open today by Minister of Transports and Civil Aviation Arjuna Ranatunga.

At the national ceremony held under the theme 'Dakunu Lakata Aluth Magak' (New Road to Southern Sri Lanka), the first train will commence the journey on the new track at the auspicious time of 9 a.m.

Following the inaugural run, the track would be opened for transportation from 2 p.m. onwards.

In the future, on the Matara-Beliatta line, seven trains have been scheduled to start from Beliatta Station. One of them will be plying up to Galle and four trains will travel up to Maradana. The two remaining trains will be heading to Jaffna and Vavuniya.

Construction of the Matara to Beliatta section at a cost of \$ 278 million was carried out by a Chinese company with the funding from China Exim Bank. Supervision is being carried out under the guidance of the Central Engineering Bureau.

The main stations have been constructed at Kekunadura, Bambarenda, Wevurukannala and Beliatta. Two sub stations have been setup at Piladuwa and Veherahena.

Both the longest railway bridge in Sri Lanka and the second longest bridge are on the Matara-Beliatta track. The longest, Watagama Bridge, is 1,500m long, and the second longest bridge across the Nil Wala River is 1,400m in length.

The tunnel next to the Kekunadura Railway station, measuring 2,017ft in length, is the longest tunnel in the country. The platform of the Beliatta train station is the longest train platform in Sri Lanka at a length of 300m. (DailyFT)

Pakistan PM Imran Khan accuses India of war hysteria over downed F-16 claim

KARACHI, Pakistan/MUMBAI (Reuters): Pakistani Prime Minister Imran Khan blamed India's ruling Bharatiya Janata Party (BJP) for "whipping up war hysteria" over claims that India shot down a Pakistani F-16 during a standoff in February, saying the truth is always the best policy.

US-based Foreign Policy magazine, citing US officials, said all of Pakistan's F-16 combat jets had been accounted for, contradicting an Indian air force assessment that it had shot down one of the jets.

"The truth always prevails and is always the best policy," Khan said in a Tweet. "BJP's attempt to win elections through whipping up war hysteria and false claims of downing a Pak F-16 has backfired with US Defence officials also confirming that no F-16 was missing from Pakistan's fleet."

Nuclear-armed neighbours India and Pakistan engaged in an aerial battle over the disputed region of Kashmir a day after Indian jets crossed over into Pakistan to attack a suspected camp of anti-India militants.

An Indian jet was brought down during the fight and its pilot captured when he ejected on the Pakistani side of the border. He was later released.

India said it too had shot down a Pakistani aircraft and the air force displayed pieces of a missile that it said had been fired by a Pakistani F-16 before it went down.

Foreign Policy said in a report published on Thursday two US defence officials with direct knowledge of the matter said US personnel had done a count of Pakistan's F-16s and found none missing.

Details of the India-Pakistan air engagement have not been fully provided by either side. If the US report turns out to be true, it would be a further blow to Prime Minister Narendra Modi, who had said that India had taught Pakistan a lesson, ahead of elections next week.

The BJP is campaigning on a platform of tough national security, especially with regard to arch foe Pakistan. New Delhi blames Pakistan for stoking a 30-year revolt in Muslim-majority Kashmir but Islamabad denies any involvement.

The success of Indian airstrikes on a camp of the Jaish-e-Mohammed militant group in north-western Pakistan has also been thrown into doubt after satellite images showed little sign of damage.

High-resolution satellite images reviewed by Reuters last month showed that a religious school run by Jaish appeared to be still standing days after India said its warplanes had hit the Islamist group's training camp on the site and killed a large number of militants.

Pakistan closed its airspace amid the standoff but most commercial air traffic has since resumed and major airports have opened.

Pakistan offered to open one air route on Friday, an Indian Government official said, without specifying details and declining to be named as the matter was not public.

An Air India official said on condition of anonymity that Pakistan has opened one of its 11 air routes, from the southern side, adding that the carrier began operations via this route on Friday.

"Pakistan has opened one air route over India on 4 April, it is a north-west bound route," Pakistan Civil Aviation Authority spokesman Mujtaba Baig told Reuters on Saturday.

An email sent to the Indian Directorate General of Civil Aviation was not immediately answered. Air India did not immediately respond to an email seeking comment. (DailyFT)

Nasheed makes comeback with landslide win

MALE, AFP: The former Maldives President on Sunday vowed sweeping reforms and an end to Government corruption after leading his party to a landslide victory just five months since returning from exile.

Mohamed Nasheed, 51, made a dramatic return to the top of the national Parliament, with his Maldivian Democratic Party (MDP) headed for a two-thirds majority in the 87-member assembly.

Nasheed promised to use his party's mandate to usher in a new era of stability and democracy in the Indian Ocean archipelago as it emerges from years of strongman rule, political crises and corruption scandals miring the Government and Judiciary.

“Our foremost duty is to bring peace to the Government,” Nasheed told supporters in the capital Male on Sunday.

The comprehensive victory was another rebuke for Nasheed’s arch-rival and autocratic former President Abdulla Yameen, who was dumped in a shock election defeat in September 2018 under a cloud of corruption and embezzlement allegations.

Yameen did not run, but his party – the Progressive Party of Maldives – ended with a poor showing and is projected to only secure four seats in the People’s Majlis, or Parliament.

Nasheed was barred from running in the election but his former deputy, President Ibrahim Mohamed Solih, emerged triumphant over Yameen.

The former leader declared the days of “Rolex watches and Kohinoor are over”, referring to high-profile scandals in the Maldives where MPs have allegedly been bought with luxury gifts.

“The Parliament you have elected today possesses integrity,” said Nasheed, who won a seat in the People’s Majlis.

“You desired to reform the general well-being of the nation... Hopefully we will succeed in fulfilling your wishes.” Nasheed also vowed to transform the Maldives, a popular honeymoon destination, home to 340,000 Sunni Muslims, into a parliamentary democracy.

An Executive Presidential system was adopted under political reforms in 2008, when the dictator Maumoon Abdul Gayoom stood down after 30 years in power.

Preliminary results from Saturday’s election showed the MDP winning nearly 60 out of the 87 seats. Some local media projected Nasheed’s party was on track to win up to 68 seats.

Another anti-Yameen party that won seven seats, and several independent candidates, are also expected to throw their support behind the MDP government, political sources said.

As the results trickled in Saturday, and Nasheed’s victory was clearly within grasp, the dogged political veteran declared the Maldives was heading for “a golden yellow dawn”. Yellow is the colour of his party.

Election officials estimated the final turn out to be just under 80%, down from 89% recorded at the September presidential election. The official results could take days.

President Solih, who has promised to investigate corruption allegations against Yameen, thanked voters for delivering “a huge majority” for the MDP.

“While we celebrate, we must also not forget the immense challenges that lie ahead of us,” he said in a statement.

Election commissioner Ahmed Shareef told reporters there had been no complaints of irregularities in the run up to the vote, during balloting or at the count.

The thumping MDP victory caps a remarkable comeback for Nasheed, who until November was a fugitive in exile.

Nasheed was sentenced to 13 years prison in 2015 but left the Maldives a year later, after being granted prison leave for medical treatment in the UK.

The charges were dropped by the Supreme Court after Solih toppled Yameen, with judges saying there was no basis for the charges.

International rights groups had decried the terrorism conviction, imposed while Yameen was in power, as politically motivated and unjustified.

The Maldives was on the verge of being slapped with Western-led sanctions before Solih won the Presidential election on a pledge to end corruption in the country, best known for its luxury tourism.

Nasheed has also opposed heavy borrowing from China under Yameen's administration, accusing the former strongman of mortgaging the island paradise to Beijing for infrastructure projects. (DailyFT)

Economic sentiment in no man's land: Survey

The latest LMD-Nielsen Business Confidence (BCI) poll reveals that in the eyes of a majority (55%) in the corporate community, the economy is likely to deteriorate in the next 12 months. However, 45% of those spoken to say that economic conditions will 'improve' or 'stay the same' during this period.

In terms of business prospects, 32% and 24% of businesspeople consulted by Nielsen expect sales volumes to improve in the long- and short-terms respectively, compared with 50% and 34% in the previous month.

To this end, one survey respondent states: "We can't really say if our business will get better in the coming months mainly due to the continuing political instability in our country." The respondent notes that "many businesses are waiting to see how the budget will affect business for the rest of the year".

Meanwhile, sentiment surrounding the investment climate has remained largely the same with nine in 100 respondents saying it is 'good' or 'better'.

One corporate executive opines that "currently, the investment climate is fair. Most investments are taking place in the construction field and tourism industry; however, we need to focus on driving investment in other sectors as well".

In contrast, another respondent highlights the need to for affirmative action: "As the political climate in the country is volatile, investors do not have the confidence to invest in Sri Lanka. The Government first needs to build the trust of (prospective) investors."

Media Services, the publisher of LMD, says the April edition of the magazine has been released to leading supermarkets and bookstores in Colombo and the outstations. Its Cover Story features an in-depth analysis of income inequality, and factors contributing to the gap between the rich and poor across the world. (DailyFT)

Cabinet to fix crisis over Inland Revenue Commissioner tomorrow

Speculation was rife that Cabinet this week will make a decision on a permanent appointment of a new Inland Revenue Commissioner.

Failure to make a permanent appointment had triggered a slew of court cases challenging the IRD's authority to carry out tax collection. At present, career Revenue Officer and Senior Deputy Commissioner Nadun Gamage is acting.

Daily FT learns Finance Minister Mangala Samaraweera is likely to submit a Cabinet paper recommending Gamage for the permanent post. A previous move by the Ministry to appoint former Central Bank Deputy Governor Premaratne saw opposition from Inland Revenue officers, leading to it being challenged in court as well.

It was reported last week that private sector tax dues have exceeded Rs. 50 billion and keep mounting due to a continuing legal dispute concern IRD.

Cases have been filed in the Supreme Court, the Court of Appeal and the Civil Appellate High Court seeking rulings.

IRD legal officers have pointed out that these court cases have become an obstacle to collecting the tax revenue due to the Department. (DailyFT)