NEWS ROUND UP

Friday, June 14, 2019

Contents

Value of moratorium sought by tourism biz tops Rs. 60 b

The Government-directed moratorium on repayment of capital and interest of tourism sector business borrowing from banks has drawn applications worth over Rs. 60 billion by end May, with the final numbers expected to be far higher.

Ministers John Amaratunga and Dr. Harsha de Silva yesterday made public the progress of Government initiatives for a quicker revival of tourism, following the Easter Sunday terror attacks on three churches and an equal number of five star hotels, killing 254, including nearly 50 tourists.

Quoting data from the Central Bank, Minister Dr. de Silva said as of end May, there had been 1,055 applications for the moratorium, and their collective repayment amount due was Rs. 62 billion. Of that total, around Rs. 26 billion has been processed and approved by banks. According to the Central Bank, the banking sector's total exposure to tourism is Rs. 280 billion.

Dr. de Silva emphasised the need for timely data, and asked the Central Bank to submit weekly information, as opposed to monthly.

At the media briefing, representatives of the Bank of Ceylon and People's Bank said they have each received over 1,000 applications which are being processed. The value of BOC applications was Rs. 8 billion.

Amaratunga and Dr. de Silva, who are part of the Cabinet Sub Committee to fast-track the revival of tourism post-21/4, said the Government has taken multiple initiatives to support the tourism sector, which is most affected. "We have done our part. Given the tragedy, the banks and non-bank financial institutions such as finance and leasing companies have a national responsibility to fast-track support via the moratorium," Dr. de Silva emphasised.

He also dismissed that the moratorium will further worsen Non-Performing Loan (NPL) ratio of banks. "The moratorium will not aggravate NPLs. On the contrary, if they don't support the moratorium, banks' NPLs will only increase. So it is in the banks' interest to sincerely extend support," he added.

Representatives of the tour guides, who also qualify for the moratorium, complained that banks and leasing and finance companies were not supportive or eager. "Several thousands of tour guides and their families are seriously affected, and if no action is taken there will be a bigger disaster," a representative warned.

Ministers Amaratunga and Dr. de Silva assured faster relief after talking to the banks.

The Central Bank has scheduled a Bank CEOs' meeting next week, where the progress and challenges concerning the moratorium will be taken up.

In early May, the Government announced that the Central Bank will direct banks not to seek capital and interest repayment of loans taken by all registered travel and tourism businesses for one year, i.e. till 31 March 2020. This is applicable for loans granted to the tourism sector as of 18 April 2019.

The one-year moratorium will be granted to loans taken under the Enterprise Sri Lanka program as well. State Minister of Finance Eran Wickramaratne revealed that around Rs. 15 billion had been lent under the Enterprise Sri Lanka loan schemes (Jaya Isura, Green Loan, etc.) for the tourism sector.

The borrowers' repayment will start from 1 April 2020, and capital and interest payments falling due during the moratorium can be recovered from July 2020 onwards. Alternatively, the repayment period can be extended for the number of months it was falling due during the moratorium.

Travel and tourism loans registered on or before 18 April will be granted before 31 March 2020, under Enterprise Sri Lanka. The interest subsidy borne by the Government will continue to these loans from the date of grant.

As an additional support, the Government also announced interest-subsidised working capital for the travel and tourism sector. These working capital loans, based on annual turnover, will be provided under the Enterprise Sri Lanka program, with a two-year repayment period. For these funds, the Government will bear a 75% interest subsidy until 31 March 2020, and the applicable interest rate will be 3.4%.

For a travel or tourism business with a turnover of less than Rs. 100 million, the maximum working capital available under this scheme is Rs. 20 million. Other slabs include Rs. 50 million for those with turnover of Rs. 100-250 million, Rs. 150 million for those with Rs. 250-750 million turnover, and Rs. 250 million for turnovers above Rs. 750 million.

As a further support measure, the VAT on tourism and travel industry was reduced to 7% from 15%.(Daily FT)

AG requests CID to expedite four key cases

Attorney General (AG) Dappula de Livera yesterday ordered acting Inspector General of Police (IGP) and senior Criminal Investigation Department (CID) officials to expedite four cases and forward all documents to him without further delay.

The notice sent by the AG

said the four cases, which include the murders of journalist Lasantha Wickrematunge and ruggerite Wasim Thajudeen, should be expedited, as they were cases that had garnered massive amounts of public attention. Therefore, investigations into the cases should be conducted efficiently and competently, and all details including extracts of the documents should be sent to the AG.

The four cases referred to by the Attorney General were: the murder case of former Sunday Leader Editor Lasantha Wickrematunge - Mount Lavinia Magistrate's Court B 92/2009; the murder case of ruggerite Wasim Thajudeen - Hulftsdorp Magistrate's Court B 849/12; the case into the abduction of 11 students for taking ransom and later killing them - Fort Magistrate's Court B 732/09; and the murder case of 11 members of Muttur Action Farm NGO - Muttur Magistrate's Court B 843/ 2006(Daily FT)

PM seeks AG opinion on taking over 'Sharia University'

Prime Minister Ranil Wickremesinghe has instructed his office to seek the Attorney General's opinion on the possibility of taking over what is referred to as the "Sharia University", using the extremist views expressed by the founders as a reason.

Secretary to the Prime Minister Saman Ekanayake has been advised to seek the AG's opinion to take over the non-State education facility using Article 70 (F), following comments made by the founding Chairman of the institution M.L.A.M. Hizbullah last week.

The Article 70 F (1) states "Where the Minister considers it necessary to do so, in the public interest, he may by Order published in the Gazette, vest in the Government with effect from such date as is specified in such Order, any undertaking carried on by a Degree Awarding Institute." Further items (2) to (4) of the articles further outlines the Power of the Minister to vest undertaking of a Degree Awarding Institute in the Government and the limitations.

The Prime Minister also condemned the comments made by made by former Eastern Governor M.L.A.M. Hizbullah regarding the Muslim community recently.

Addressing a meeting with civic groups earlier this week, Wickremesinghe emphasised that extremist remarks must be stopped immediately. (Daily FT)

SME Association head writes to President to block Health Ministry license

Small and Medium Entrepreneurs (SMEs) Association Chairman Sanjaya Perera yesterday said he has written to President Maithripala Sirisena, seeking to cancel a proposal by the Health Ministry to award manufacture of cancer drug 'Bevacizumab' to a local pharmaceutical company.

Small and Medium Entrepreneurs Association Chairman Sanjaya Perera

Voice for Justice Chairman Sirisena Amarasekara

Women for Justice Co-Chairman Sharmila Gonawela

Perera told reporters at a media briefing organised by Women for Justice that he had taken the decision to write to President Sirisena due to a range of issues allegedly linked to the pharmaceutical company. Perera alleged that the pharmaceutical company is also in the pipeline to be awarded a manufacturing license from the Health Ministry for ten years, to manufacture and sell the drug 'Bevacizumab' to the State Pharmaceutical Cooperation (SPC). Perera argued that the Health Ministry should not give a ten-year manufacturing license to the pharmaceutical company, as a better drug could enter the market during that period, and the Government would be wasting public funds in purchasing the outdated 'Bevacizumab' when a better version may become available in the future. He also alleged that sufficient clinical trials had not been conducted on 'Bevacizumab.' Perera claimed that businessmen linked to the pharmaceutical company also imported two other cancer drugs 'Trastuzumab' and 'Rituximab', which also had questionable registration processes. All three drugs, namely 'Trastuzumab', 'Bevacizumab', and 'Rituximab' were registered in February 2016, just a month after it was registered by the Russian company, and the Good Manufacturing Practice (GMP) Audit that is required by Sri Lankan law was only acquired in September 2017.

"When a new drug is to be registered and used in Sri Lanka, it has to have been used in the manufacturing country for 12 months, these drugs were in the Russian market for only a month. The GMP audit for these drugs had been compiled in September 2017 in Sri Lanka, after the registration was completed. In addition, it is required that the new drug has to be approved by three other countries, and the drug must possess a World Health Organisation GMP, which was revealed that it doesn't have, according to the statement given by Pharmacist Krishantha De Silva in April at the Presidential Commission of inquiry to investigate into acts of corruption & frauds occurred in state institutions in 2015-2018," he said.

Perera also alleged that approval had not been given to use these drugs by the relevant medical professional bodies, and was approved by a few doctors. Sanjaya Perera also claimed he has learnt that the alleged pharmaceutical company to manufacture the drug ‹Bevacizumab› does not possess a full-scale manufacturing site.

“We have reliably learnt that this company’s operation will be limited only to importing the finished product in bulk, and to have small scale re-packaging operation with no value addition.”

Speaking at the briefing, Women for Justice Co-Chairman Sharmila Gonawela also alleged another incident where pregnant mothers were distributed more than 500 million expired folic acid tablets.

“The audit report was done in 2016 about this distribution. The supplies division is responsible for releasing these expired medication for distribution,” she added.

Despite repeated attempts by Daily FT to get a response from the pharmaceutical company, they were not available for comment. (Daily FT)

Sri Lanka Auditor General bares Rs186bn 'contingent liability' fiddle on RDA loans

Sri Lanka's Auditor General has bared an accounting fiddle where 186 billion rupees of loans taken by the Road Development Authority about 1.2 percent of gross domestic has been taken of the central government and listed as contingent liabilities, understating national debt.

The AG said there were 94 loan agreements with local commercial and specialized banks up to December 2018 and another US dollar loan of 35.45 million dollars listed under contingent liabilities.

But they were not contingent but actual liabilities which were settled annually from Treasury allocations.

The Auditor General said "the full responsibility of Loan Servicing of the amount would be held by the General Treasury" but it had "not been identified as a liability in the financial statements."

"Likely it had not been applied even in the computation of the annual liability limit," the Auditor General said.

The Road Development Authority has no revenue on its own except for fees charged on expressways, which have their own loans.

Critics had earlier pointed out that there was no case to list debt of an agency which clearly did not have any revenue to service the loans at the time the loan was initiated as a liability contingent on the agency being unable to pay due to some unforeseen future event.

The Auditor General said the highways ministry allocated a 'sum equal to the loans and interest" to RDA which in turn accounted for them as 'revenue'.

Analysts say the effect of the mis-classification is to show a lower budget deficit in the years the loans were actually taken and the roads built.

Sri Lanka's budget deficit in the past decade would then be higher than the number declared.

At the same time the current the deficit now would be lower than the amount now reported, since the what is actually happening is not an expense but a loan repayment of loan taken for past expense.

The AG had also revealed that several other foreign loans that were not accounted for as central government debt saying the debt to gross domestic product ratio was around 87 percent.

The calculation did not include the 1.2 percent debt of the RDA. (Economy Next)

Sri Lanka to track tourism businesses to ensure fast recovery from bombings

Sri Lanka's government will track selected tourism businesses to ensure fast recovery from April's suicide bombings that hit the industry hard with banks considering a moratorium on 26 billion rupees of loans, an official said.

Non-Cabinet Minister of Public Distribution and Economic Reforms Harsha De Silva said the total exposure of banks to the tourism sector hit hard by suicide bombings of churches and hotels was 62 billion rupees.

"Of this amount, by end-May 26 billion rupees of loans are being evaluated under the moratorium on payments arranged by government as part of its relief package to the tourism industry," he told a news conference.

Up to 31 May 2019, the banks had got requests for relief from 1,055 borrowers and the total exposure of 62 billion rupees could also be considered for the moratorium eventually, he said.

The relief was arranged by government to help revive the tourism industry after Easter Sunday's suicide bombings of three churches and hotels which killed over 250 people, including tourists.

"We hope to have a panel – a sample of different tourism related entities and we will track them so we will know how fast they are recovering," De Silva said.

"That way we will be able to estimate any delays so we can make policy changes – and not wait for end of quarter results to come.

"Instead we will be proactive to follow the industry and see where the problems are."

Under the relief package, tourism sector businesses could also get working capital loans but data on this was not immediately available.

Minister of Tourism Development, Wildlife & Christian Religious Affairs John Amaratunga said the two big state banks, Bank of Ceylon and People's Bank, had responded fast to the government request to give relief to the beleaguered tourism businesses.

Bank of Ceylon had got 1,100 applications worth eight billion rupees to be considered for the moratorium while People's Bank had got 1,000 applications which were being evaluated.

But some private banks and leasing companies seemed slow to respond, Amaratunga said.

De Silva said banks have to evaluate applications "loan by loan", hence the possible delays.

"Private banks seem to be better than state banks. The data does not suggest private banks are a little reluctant."

De Silva said the government had adopted a dynamic approach to solve the problems of tourism businesses affected by the bombings and subsequent drop in arrivals and was monitoring the sector regularly.

“We need to find out whose applications have been rejected and reasons for rejection,” he said.

Tourism businesses are also eligible for working capital loans of 2.5 million rupees to 250 million rupees.

Amaratunga said the fee of 25,000 rupees to register for the relief package had been waived for three months and provisional registration was being given to affected businesses.

“Anyone can register – there are no fees.”

De Silva said the government was also studying the impact at small and micro business level and had asked the census and statistics department to do a study “so we will know the extent of the impact without waiting for the year-end statistics. (Economy Next)

Sri Lanka sells 2-yr bond at 9.79-pct, 9-yr bond at 10.63-pct

Sri Lanka sold a 2-year bond and a 9-year bond at close to market rates at Thursday's auction which will be settled on June 17, data from the state debt office showed.

The Public Debt Department sold 30 billion rupees of a 2-year bond maturing on 15.10.2021 at a weighted average yield of 9.79 percent in the primary auction.

The newly issued bond closed trading on Thursday in the secondary market at 9.75/80 percent, dealers said.

A closely maturing 15.12.2021 bond had opened at 9.75/85 percent before the auction and had closed flat on Thursday.

The state debt office sold 40 billion rupees of a 9-year bond maturing on 15.03.2028 at a weighted average yield of 10.63 percent at the auction.

The bond closed trading at 10.60/70 percent in the secondary market.

A closely maturing 01.08.2028 bond closed at 10.65/75 percent.

A 15.06.2027 bond closed at 10.60/70 percent, identical to the new bond, dealers said. (Economy Next)