

NEWS ROUND UP

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Dhammika makes strong case for national strategy for AI

Business leader Dhammika Perera last week made a compelling case for why Sri Lanka should urgently prepare a national strategy for Artificial Intelligence (AI) as a progressive move to address multiple socio-economic problems, warning failure would make the country a laggard.

Inspired by one and half years of self-learning with inputs from international data scientists, Dhammika spent two hours at the Computer Society of Sri Lanka (CSSL) forum demystifying AI and showcasing examples of how this pervasive technology can fix daily problems faced by people as a society and overcome challenges faced as a country.

As per experts, AI is the intelligence demonstrated by machines, in contrast to the natural intelligence displayed by humans. Computer science defines AI research as the study of “intelligent agents” – any device that perceives its environment and takes actions that maximise its chance of successfully achieving its goals.

Dhammika said the origins of AI go back to 1936, when English mathematician and computer scientist Alan Turing developed what is known as the ‘Turing machine’, incorporating the principles of modern computing. Artificial Intelligence as a concept emerged in 1956.

He said that today, AI-driven solutions are globally used in multiple sectors, whilst even ordinary people benefit from AI-embedded features in widely-used smartphones. “AI is not complex or overwhelming, but once you understand it properly the possibilities of solving problems with precision are endless,” said Dhammika.

A lot of present-day problems or failure to solve perennial ones is because of emotional thinking rather than practical. With AI, machine-learning and deep-learning - all developed by human intelligence – is the way forward. We must start work today on a national strategy for AI if Sri Lanka is to progress, or we may miss the AI bus and its host of benefits

He predicted that by 2030, with the advent of 6G satellite technology, AI will be known as “Artificial General Intelligence”, and by 2040 with 7G space technology, AI will be regarded as “Artificial Super Intelligence.”

“A lot of present-day problems or failure to solve perennial ones is because of emotional thinking rather than practical,” he said, adding that with AI, machine-learning and deep-learning - all developed by human intelligence – was the way forward. “We must start work today on a national strategy for AI if Sri Lanka is to progress, or we may miss the AI bus and its host of benefits,” Dhammika emphasised.

At the CSSL Forum attended by over 1,000 people, Dhammika shared possible AI-driven solutions to resolve problems and issues in medical and healthcare, public transportation, crime prevention, public safety and law and order, waste management, education and human capital development and poverty

reduction, among others. To drive home the point that AI is real and effective, he cited several examples of how it is used in many countries to reduce cost and improve efficiency and productivity.

“AI’s ultimate goal is usher the world into a more sustainable era. In Sri Lanka, people are subjected to various harassments daily and I strongly feel with AI-driven solutions we can aspire to be a caring and efficient society,” said Dhammika, who has also served as a Ministry Secretary and Chairman of the Board of Investment in the past.

Dhammika said the geo-tagging of people’s pictures and AI-driven solutions such as biometrics can help enforcement of law and order effectively and efficiently, thereby reducing crime and violence. Compared with Rs. 65 billion annually spent on police, he said the investment required for AI-driven solutions was paltry but has wider benefits. By geo-tagging households and land, Sri Lanka can go for poverty reduction efforts and agricultural development with precision. He said the same applies with regard to enhancing education – both primary and higher – by geo-tagging schools, or dealing with healthcare, Non Communicable Diseases (NCDs), disabled people or reducing the number of suicides. At the CSSL Forum, he shared examples of how AI can be used locally, highlighting some of global developments such AI Medical Centres in Hong Kong.

Leading the private sector by example, Dhammika said there are completed or on-going AI initiatives within his two business groups - Vallibel One and Hayleys Plc. Singer Sri Lanka has instated smart sales forecasting, route optimisation and intelligent field service management; Hayleys Agriculture - smart farm management system; Hayleys Advantis - route optimisation system; Singer, Royal Ceramics and Lanka Tiles - business intelligence and analysis; LB Finance - deposit and withdrawal forecasting.

Dhammika said the technology start up Arimac Lanka has also developed an app as a crowd-sourced solution for dengue, and another app titled “FixIt” to deal with social issues.

It was pointed out that investments into AI initiatives can be funded via existing budgetary allocations and urged the youth to embrace coding and software engineering to develop AI-driven solutions as a business, whilst putting pressure on the Government to embrace the adoption of this technology. He said knowledge on AI is freely available online as well and cited Coursera (www.coursera.org) and Microsoft last week launching a free online AI Business School (<https://www.microsoft.com/en-us/ai/ai-business-school>) to help business leaders navigate creating an AI strategy.

He also listed 19 areas of AI technologies or AI-inspired activities being used at present. These include natural language generation, speech recognition, virtual agents, machine learning platforms, AI-optimised hardware, decision management, deep learning platforms, biometrics, robotic process automation, text analytics and natural language processing, digital twin - AI modelling, cyber defence, compliance, knowledge worker aid, content creation, peer-to-peer networks, emotion recognition, image recognition and marketing automation. (Daily FT)

National Action Plan for Combating Bribery and Corruption debuts today

A National Action Plan for Combating Bribery and Corruption will be launched today by President Maithripala Sirisena.

The plan, which got Cabinet approval on 5 February, is premised on four strategies for combating bribery and corruption in Sri Lanka. They are namely Prevention Measures, Value-based Education and Community Engagement, Institutional Strengthening of CIABOC and other Law Enforcement Agencies, and Law and Policy Reforms.

President Maithripala Sirisena

Additionally, four handbooks will be released today alongside the action plan, exploring decisive factors which would shape the course of combating bribery and corruption in the nation.

The handbooks are: Draft Proposal on Gift Rules; Draft Proposal on Conflict of Interest Rules; Integrity Handbook for State Officials and Law Amendment Proposal for Areas of Bribery, Asset Declaration, Commission Act, Election Campaign Finance and Whistle-blower Provision.

Government sources said the action plan and the handbooks have been translated to Tamil and Sinhalese.

“The true ownership of these publications rest with the individuals representing a cross-section of the society who contributed to this intellectual discourse for a period of one year. We aim at creating a new generation instilled with values and virtues, a public sector as well as a private sector of integrity, and a law enforcement system which is just and equal to all. Through the collective effort in dispensing their respective responsibilities, we aim at combating bribery and corruption within the course of the next five years,” sources added.

Government sources said eradication of bribery and corruption from a country requires a vision. That vision must be displayed to the entirety of the nation in the form of a plan. This would ensure the support of the public in combating bribery and corruption. The Government, which came into effect in the year 2015, realised this in October 2017.

It entrusted the Commission to Investigate Allegations of Bribery or Corruption (CIABOC) with the task of formulating a National Action Plan.

CIABOC, along with the Presidential Secretariat and the Ministry of Public Administration, brought together all relevant stakeholder institutions to gather and collate the opinions/suggestions of the public.

Sources said 50 consultations have been carried out throughout Sri Lanka, which concluded with four such meetings being held at the Parliament. Public representatives were given an opportunity to share their ideas. Furthermore, this endeavour included the input of various sectors, including State officials, professionals, civil societies, and artistes. The collation of all these suggestions and recommendations have contributed to the formulation of the National Action Plan for Combating Bribery and Corruption. (Daily FT)

\$ 70 m from World Bank for \$ 100 m project to improve local services in rural areas

The World Bank Board of Directors has approved a \$ 70 million credit to improve the quality of life of around one million people living in Northern, North Central, Eastern and Uva Provinces in Sri Lanka.

The new local development project will put local communities at the centre of planning and delivery of essential services such as roads, healthcare and sanitation through closer collaboration with local government authorities.

Sri Lanka has performed well in poverty reduction over the years with a national poverty rate of 4.1% in 2016. However, pockets of poverty prevail. A recent World Bank study of socioeconomic conditions in the North and East found many factors challenging development in these areas including weak

community institutions, gender vulnerabilities, especially among female headed households, trauma symptoms and risk behaviour of youth and affected populations.

“Creating responsive systems and the space for citizens’ voice is at the heart of this project, which aims at matching people’s needs with local service delivery solutions,” said the World Bank Country Director for Sri Lanka, Maldives and Nepal Idah Z. Pswarayi-Riddihough. “We are happy to partner with the Government to deliver a project that will build systems to be responsive to the needs of the local population, and particularly the most vulnerable groups.”

This project will also pilot the provision of infrastructure services that will promote local economic activities and livelihoods – including roads and drains, markets, water supply, minor irrigation, IT connectivity, and rural electrification.

Project Task Team Leaders Yarissa Sommer and Sonya Sultan highlighted that “Strong local government authorities which can be responsive to citizens are critical for the development of a country, and the wellbeing of its citizens. We hope that the Local Development Support Project can make a significant contribution in setting up strong systems for accountable, effective and responsive local government that serve the citizens of Sri Lanka well.”

The new Local Development Support Project will be implemented by the Ministry of Internal and Home Affairs and Provincial Councils and Local Government along with the four Provincial Councils participating in the project. The total project cost is \$ 100 million, including a \$ 70 million credit from the International Development Association, with a \$ 23.65 million grant from the EU and \$ 7 million contribution from the Government of Sri Lanka. (Daily FT)

Slow growth for manufacturing, services in February

The country’s manufacturing and Services sector experienced slow growth in February as per the Sri Lanka Purchasing Managers’ Index (PMI) compiled by the Central Bank.

It said manufacturing activities increased at a slower rate in February compared to January, mainly driven by the decrease in new orders and production, especially in manufacturing of textiles, wearing apparels, leather and related activities. This decline was mainly due to the fewer number of working days in February. Stock of purchases also decreased during the month in line with the decrease in new orders and production.

However, a slight improvement in employment was experienced with the recruitment of new employees to enhance business activities for upcoming seasonal demand. Meanwhile, suppliers’ delivery time lengthened at a slower rate. Logistical issues experienced at the beginning of February and supply disruptions due to the Chinese New Year holiday season have lengthened the suppliers’ delivery time. All sub-indices, apart from new orders and production, recorded values above the neutral 50 threshold.

The Central Bank also said the Services sector expanded in February, albeit at a slower rate, underpinned by slower expansion in New Businesses, Business Activity, Employment and Expectations for Activities compared to January.

This slowdown was observed after witnessing continuous acceleration in the Services sector expansion for two consecutive months. The expansion in Business Activities was mainly seen across financial services and transportation sub sectors due to technology-based improvements and expansion in export volumes. Both New Businesses and Expectations for Activities slowed down due to many people taking a wait-and-see approach as there is an uncertainty in the business climate. Further, expectations in the

wholesale and retail trade subsector deteriorated due to new vehicle duty reforms introduced in the Budget 2019. Some respondents cited that growth of Employment may decline since they are focusing on business processes automation and adoption of artificial intelligence.

Prices Charged in the Services sector increased at a slower rate in February while the expected Labour Cost in the Services sector also increased at a slower pace. (Daily FT)

Sri Lanka's state-run CEB loses Rs25bn in 2018

Sri Lanka's state-run Ceylon Electricity Board has lost 25 billion rupees in 2018, including 11.5 billion rupees of finance charges, while the losses have been funded with more bank loans.

CEB has posted provisional revenues of 229.35 billion rupees slightly up from 223.7 billion rupees a year earlier.

Power costs were 165.26 billion rupees and other direct costs were 87.7 billion rupees, generating an operational loss of 12.6 billion rupees.

There were other income of 10.1 billion rupees, generating a loss before interest of 13.5 billion rupees.

Finance charges were 11.53 billion rupees, leading to losses of 25.04 billion rupees.

In 2018 the central bank printed money and cut rates in the first quarter just as the economy was recovering, and generated monetary instability, leading to a collapse of the currency from 153 to 180 to the US dollar.

The currency collapses has pushed up fuel import costs.

Sri Lanka's central bank and its soft-pegged exchange rate regime is a key obstacle to the progress of the country.

Monetary instability has worsened in recent year with an explicit strategy of depreciating the currency to cut real wages of the export sector through real effective exchange rate targeting.

Currency collapses also gives an additional subsidy to exporters at the expense of society and future stability of the country as electricity is not market priced. Water prices have also not been adjusted.

Finance Minister Mangala Samaraweera said in March that fuel was also priced below a formula as late as March. (Economy Next)

Sri Lanka forex reserves drop to US\$6,005mn in Feb

Sri Lanka's gross official reserves dropped to 6,005 million US dollars in February 2019, down 147 million dollars from 6,152 million US dollars in January 2019, official data showed.

Foreign reserves are down 1.9 billion US dollars from a peak of 7,914 billion reached in the current credit cycle which started with the end of a 2015/2016 balance of payments crisis.

Gross official reserves also includes fiscal reserves and do not consider monetary liabilities.

Net foreign assets of the central bank were down to about 4 billion US dollars by end December.

Sri Lanka's central bank stopped collecting forex reserves in February 2018, suddenly halting sterilization auctions (to mop up inflows), taking the first steps to generate monetary instability.

In March the central bank terminated term reverse repo deals it had entered into shortly beforehand, which analysts have likened to the Central Bank of Argentina creating a secondary market for its own sterilization securities to generate balance of payments trouble in that country.

In April, active money printing began with tens of billions of rupees being printed to generate excess liquidity and enforce a rate cut. The central bank then let go of the peg with excess liquidity remaining in the system undermining the credibility of the peg.

Policy improved slightly with interbank markets being kept short with partially sterilized interventions and a rate hike in the second half of 2018, though permanent liquidity was injected via a reserve ratio cut.

The central bank depreciated the rupee from 153 to 180 to the US dollars in 2018 amid capital flight and exporter hold-backs with confidence worsened by a political crisis in October.

The central bank is still keeping interbank markets short with overnight or term injections to sterilize earlier interventions, which tends to support the rupee.

In February the central bank was a net buyer of 29 million US dollars from the interbank market preventing the rupee from floating cleanly and moving higher.

Data showed that the central bank had also bought 33 million dollars in January just as the currency stabilized with confidence returning to the market, while selling 36 million dollars to enforce convertibility undertakings in both sides of the peg signaling to forex market participants about the latest level of the exchange rate that it was happy with.

In 2017, the central bank depreciated the rupee, apparently for real effective exchange rate targeting, despite mopping up inflows and generating a balance of payments surplus, amid weaker domestic credit.

Analysts have warned that as long as the central bank injects new money into the banking system while enforcing convertibility undertakings (pegging including a REER peg), it will not be able to collect forex reserves to repay debt. (Economy Next)

Tokyo stocks open higher tracking gains in US shares

Tokyo stocks opened higher on Monday, tracking gains on Wall Street due to optimism over US-China trade talks, with investors closely eyeing the US Federal Reserve's meeting later this week.

The Nikkei 225 index added 0.65 percent, or 139.64 points, to 21,590.49 in early trade, while the broader Topix index climbed 0.43 percent, or 6.82 points, to 1,609.45.

"Japanese shares are seen supported by rallies in the US market," Toshiyuki Kanayama, senior market analyst at Monex, said in a commentary.

But traders may stay on the sidelines as they eye the Fed's two-day policy meeting through Wednesday, analysts said.

Japanese exports declined for the third straight month, according to government data released 10 minutes before the opening bell.

The continued decline in exports "may prompt concerns that the Japanese economy may be slowing down on the backdrop of the slowing Chinese economy," Daiwa Securities strategist Tsuyoshi Nomaguchi said in a commentary.

The dollar fetched 111.53 yen in early Asian trade, against 111.51 yen in New York on Friday.

In Tokyo, mobile and investment fund SoftBank Group rose 1.98 percent to 11,055 yen, chip-making equipment manufacturer Tokyo Electron rallied 3.25 percent to 15,715 yen, and market heavyweight Fast Retailing was up 0.11 percent at 53,550 yen. (Economy Next)