

NEWS ROUND UP

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Wide-ranging support needed for SMEs: Study

Setting up an Advisory Commission, a centralised e-database and a one-stop shop for a business support service centre were some of the recommendations yielded by a study that assessed the institutional and regulatory framework of Small and Medium Enterprises (SMEs), which were presented yesterday at the final feedback session before the report was forwarded to the Cabinet.

The second draft of the report was officially handed over to the Minister of Industry and Commerce Rishad Bathiudeen at the final feedback session by the E&Y Senior Partner Arjuna Herath at the validation workshop held yesterday.

“There are more than one million registered SMEs in Sri Lanka providing employment to three million people. When we take the unregistered SMEs, the numbers will be much more. About 52% of our GDP is driven by this sector with more than 40% of employment. Also more than 70% of enterprises. All recent initiatives – including today’s assessment study – serve the reform vision of the Unity Government to link our SMEs to global markets,” Bathiudeen said, explaining the importance of SMEs.

The study, which was run for three months with over 200 interviews conducted, to set up a report to bring about institutional and regulatory reforms was commissioned by the Ministry of Industry and Commerce at a cost of Rs. 3.2 million and conducted by Ernst and Young (E&Y). The final feedback session opened discussions for entrepreneurs and policymakers to make changes in the draft report.

The study focuses on current business environment of SMEs in Sri Lanka, providing institutional framework supporting the sector and regulatory framework for the SMEs. The study has yielded 13 regulatory recommendations and 22 institutional recommendations in total.

It was proposed that an advisory commission for SMEs be set up to bring the three top institutions active in entrepreneurship, NEDA, IDB and SED-Small Enterprise Development, under one umbrella that would transform to Sri Lanka SME Authority, the apex SME body for national level coordination.

In the case of acquiring land, it was recommended that e-databases be created to handle old paperwork dating back a few years, so that processes could be faster and reliable. It was also recommended that more staff be allocated to help with speeding up such procedures.

By setting up a one-stop-shop business support centre, the report recognises that all SME licensing needs should be set up under one roof for a faster and more hassle-free process.

The study also recommends an SME Industrial Zone and an e-platform to manage SME market supplies. Another key suggestion made was to transfer the authority of SME regulations over to the Prime Minister’s office.

Questions were probed on the lack of consideration towards the opinions of private sector SMEs and more time was requested by private enterprise owners to present feedback, which received positive feedback from the policymakers and was promised consideration. (Daily FT)

BOI still in limbo

New appointments to the Board of Investment (BoI) remain in limbo, with three possible options under consideration by President Maithripala Sirisena.

Last week’s decision by President Maithripala Sirisena to suddenly dismiss the BoI Director General was also arbitrary, Daily FT learns.

According to the Bol Act, without a Board, the President cannot legally remove the Director General from his post as it requires consultation with the Board of Directors to oust the Director General from his office, sources said.

Despite the Bol issuing a statement last Friday noting that its Director General Duminda Ariyasinghe was still in office, Daily FT learned that he was removed from his post on Thursday.

The Director General of the Bol acts as both the Chief Executive Officer and the Chief Operating Officer.

“The Board was asked to resign and they did on last Wednesday (17). The Director General was removed the day after (18),” sources told Daily FT on conditions of anonymity.

Sources also said Thilan Wijesinghe, Prof. Lalith Samarakoon and Asela Iddawela have been shortlisted as potential candidates for the post of Chairman of Bol.

It is also learned that plans are underway to give the Director General post to the Chairman, ending the practice of the last few years of having two officials for the two positions.

At present, the country’s investment promotion body has no Chairman, Board or Director General to carry out its daily operations, particularly for promotion, coordination and facilitation of foreign direct and local investments.

President Sirisena last Wednesday (17) dissolved the Board of Directors of the State-run Bank of Ceylon, the People’s Bank and the Board of Investment.

Daily FT learned that the Secretary to the President had communicated that the President wished to reconstitute the Boards, hence requested the members of the Board to resign. Bank of Ceylon was led by Ronald Perera PC, People’s Bank by Hemasiri Fernando and BOI by Dumindra Ratnayake.

Senior United National Party (UNP) Ministers Public Enterprise Development Minister Lakshman Kiriella, Finance Minister Mangala Samaraweera and Highways and Road Development Minister Kabir Hashim also held discussions with President Maithripala Sirisena on Thursday (19) in an attempt to persuade the latter to reverse the decision to dissolve the Boards of Directors of several State institutions. (Daily FT)

Inflation dips to 4% in September

Despite increasing fuel prices, inflation for September reduced to 4% in September from 4.7% in August, driven downward by lower food prices, the Census and Statistics Department said yesterday.

Headline Inflation, as measured by the change in the National Consumer Price Index (NCPI, 2013=100), which is compiled by the Department of Census and Statistics (DCS), decreased to 0.9% in September 2018, the lowest since January 2016, from 2.5% in August 2018 on year-on-year basis.

The deceleration in year-on-year inflation in September was driven by both the base effect and the monthly decline in Food prices. The change in the NCPI measured on an annual average basis decreased from 4.7% in August 2018 to 4% in September 2018.

When the monthly change is considered, the NCPI decreased from 125.4 index points in August 2018 to 124.4 index points in September 2018 due to decline in prices of the items in the Food category, particularly that of vegetables, coconuts, green chillies and fresh fish.

Meanwhile, price increases were observed in the Non-food category, particularly that of Alcoholic Beverages and Tobacco; Transport and Restaurants and Hotels sub-categories.

The NCPI Core inflation, which reflects the underlying inflation in the economy, increased to 3.1% in September 2018 from 2.7% in August 2018 on year-on-year basis. Meanwhile, annual average NCPI Core inflation declined to 2.4% in September 2018 from 2.5% in August 2018. (Daily FT)

Govt. allows online direct sales to overseas buyers

The Finance Ministry yesterday said a regulatory framework enabling the Sri Lankan companies to initiate Business to Consumer (B2C) direct e-commerce transactions with overseas customers has been established as per a Budget 2018 proposal.

Sri Lankan customers do enjoy this B2C e-commerce facility via eBay and other trading platforms but not vice versa. Accordingly, hereafter companies or exporters in Sri Lanka can send goods in any number worth maximum \$ 3,000 each without submitting CUSDEC application to Sri Lanka Customs.

However, at the end of the particular month the exporter has to submit one CUSDEC application to Sri Lanka Customs covering all transactions, the statement released by the Finance Ministry said.

The Regulation issued by the Ministry of Finance will govern any approved online trading platform done by B2C operations by a Board of Investment approved hub enterprise, B2C operations by a Board of Investment approved enterprise, B2C operations by any other registered business enterprise and B2C operations by any individual registered exporter. (Daily FT)

Rupee at record low; stocks up from near 5-year closing trough

The rupee hit a record low on Monday as banks and importers purchased the dollar, while stocks edge up from their nearly five-year closing low hit in the previous session.

The rupee dropped 0.4% to an all-time low of 172.50 per dollar, surpassing its previous low of 171.80 hit on Friday, mainly due to importer demand for the greenback, market sources said. The rupee ended at 172.40/60 per dollar, compared with its previous close of 171.60/80.

Sri Lanka has selected China Development Bank for an eight-year \$ 1 billion syndicated loan, the South Asian country's Central Bank said.

The Central Bank surprised financial markets on 2 October by leaving its key policy rates unchanged despite heavy pressure on the rupee and foreign outflows from Government securities.

The rupee has weakened 2% so far this month after a 4.7% drop in September against the dollar. It dropped 12.4% so far this year.

The Colombo stock index ended 0.09% firmer at 5,766.00, edging up from its lowest close since 28 November 2013, hit on Friday. It shed 3.6% last month, and lost 9.6% so far this year.

Data from the Central Bank showed foreign investors sold government securities worth a net Rs. 5.3 billion (\$ 30.7 million) in the week ended 17 October. Sri Lanka has seen a net outflow of Rs. 85.9 billion in securities so far this year.

Stock market turnover was Rs. 214.1 million (\$ 1.24 million) on Monday, less than a third of this year's daily average of Rs. 765 million.

Foreign investors were net sellers of Rs. 59.3 million worth of shares on Monday, extending the year-to-date net foreign outflow to Rs. 9.1 billion worth of equities.(Daily FT)

Sri Lanka to call for bids to develop Mannar Basin natural gas find

The Sri Lankan government will soon call for bids to develop an offshore natural gas deposit in the Mannar Basin with the aim of getting fuel for a power plant nearby, officials said.

Petroleum Resources Development Secretariat (PRDS) Director General Vajira Dassanayaka said they will first offer the M2 block where Cairn India found natural gas in two test wells.

Government officials are meeting this week to decide on the tender, he told a news conference.

The PRDS also has got investor interest in other blocks in the Mannar Basin, he said.

“Our aim is to develop the Dorado well in the M2 block to supply natural gas to generate electricity,” Dassanayaka said.

The well is 38km from the Norochcholai coal power plant on the northwest coast.

“We estimate the deposit has 350 billion cubic metres of natural gas,” Dassanayaka said. “It’s a small discovery but enough for domestic consumption, for a 300MW power plant for 20 years.”

The well could be in production by 2023 if everything goes according to plan, he said.

The PRDS was having talks with the power ministry and Ceylon Electricity Board state power utility on an agreement to buy the gas for power generation. (Economy Next)