

NEWS ROUND UP

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Contents

Tax and policy incentives for Port City soon.....	2
SL shifts to digital literacy as smartphone usage grows	2
Sagala defers port tariff revision to 15 March.....	3
Sri Lanka to send close to 10,000 skilled workers abroad	4
SL stagnant in Transparency Index; no significant headway since 2013	5
Rupee firmer on dollar sales; stocks climb	5

Tax and policy incentives for Port City soon

Government incentives given for Port City investors will be announced in the coming weeks, while regulations for the Colombo International Financial City (CIFC) are also to be presented to Cabinet after presentation to the Prime Minister, Economic Reforms and Public Distribution Minister Dr. Harsha de Silva said.

De Silva, who chaired the Cabinet-appointed CIFC Steering Committee on Soft Infrastructure for the Port City project, told Daily FT that the incentives given for investors in Sri Lanka's first manmade city would be announced in the coming weeks.

"We had made major progress on tax and investment incentives and they were already finalised to be announced in the Budget, but the coup prevented it," said Dr. de Silva.

The committee, which has been reassigned under the Ministry of National Policies and Economic Affairs headed by Prime Minister Ranil Wickremesinghe, is to be reappointed, de Silva confirmed.

The Port City Project was gazetted under the Megapolis and Western Development Ministry when the Cabinet was reappointed in December. However, the Policy Formulation Committee that was earlier the under National Policies and Economic Affairs Ministry was not gazetted under any ministry. This committee will be reappointed under Prime Minister Wickremesinghe's portfolio and is expected to be headed by de Silva, Daily FT learns.

"All legal and regulatory frameworks will be handled by the Prime Minister's Ministry. These are clearly matters dealing with national policies and economic affairs and coordinated among many ministries, particularly the Ministry of Finance," de Silva said.

"In terms of the legal framework, former Attorney General Yuwanjan Wijetelleke is the Head of the Legal Task Force and there have been multiple discussions and deliberations on the matter," he said.

Disputes over land ownership and sales have been ironed out, de Silva said. The legal framework is to be presented to the Cabinet "without further delay," he said.

SL shifts to digital literacy as smartphone usage grows

More than one out of every five households in Sri Lanka owns a computer or laptop, the latest computer literacy statistics released by the Census and Statistics Department said yesterday, but it also showed that digital literacy is outstripping computer literacy as smartphone usage grows in the country.

In the 1st half of 2018, at least one computer was available in 22.9% of households in the country. That is more than one out of every five households owns either a desktop or a laptop computer. This percentage is 39.5% in the Urban sector. The Rural and Estate sectors show 20.3% and 4.9% respectively. The highest availability is in the Western Province (33.4%) while the lowest availability is reported from the Uva Province (10.7%).

"When digital literacy is considered two out of every five (aged five to 69) has digital literacy. Digital literacy is higher than computer literacy for all disaggregated levels, showing the drift from personal computers to smartphones/tablets," the report released by the department said.

Overall computer literacy reported in the 1st half of 2018 for Sri Lanka is 27.5%. The survey results show a decrease of 0.8% from 2017 (1st half) to 2018 (1st half). The Urban sector shows the highest computer literacy rate (38.4%) among residential sectors. Computer literacy rate for Rural and Estate sectors are 25.9% and 11.1% respectively.

Among the provinces the highest level of computer literacy is reported from the Western Province (36.1%) while the lowest percentage is reported from the Eastern Province. Computer literacy rate among districts show variations ranging from 8.6% (Kilinochchi) to 42.6% (Colombo) and shows the still-prevailing digital divide.

Computer literacy among males (29.7%) was higher than that of females (25.4%) in the 1st half of 2017. Youth (aged 15-19 years) show the highest computer literacy rate (56.6%) among all other age groups. Age 60 years and above groups show low computer literacy rates.

The survey results reveal the higher the level of education the higher the computer literacy level. The group with A/L or above level of education shows the highest computer literacy rate (70.2%). Also computer literacy is higher among those who are literate in the English language (67.6%).

Computer literacy among the employed population in Sri Lanka is around 61.7% in the 1st half of 2018 and the positions such as managers, senior officials and legislators (67.6%), professionals (85.8%), technical and associate professionals (83.3%) and clerks and clerical support workers (89.4%) have higher computer literacy rates. Also, even among the individuals engaged in elementary occupations 25.3% are computer literate.

Among the unemployed, aged (25-29) group shows highest computer literate population (74.0%). The survey results reveal that among unemployed, many of them have at least some ICT skills.

Of the population aged five to 69 years, 21.3% used the internet facility at least once during the last 12 months. The survey results further reveal that the Urban sector, where the facilities are largely available, shows the highest usage of both e-mail and internet compared to the other two sectors. Persons in the age group 20-24 indicate a higher internet and email usage compared to the persons in other age groups.

Different patterns of internet usage can be observed among districts. In the 1st half of 2018 Colombo District shows the highest percentage (44.9%) of population using internet while Badulla District shows the lowest percentage (10.1%).

The survey results reveal that 9.8% of the household population aged five to 69 years have used e-mail facility at least once during the last 12-month period. The highest e-mail usage is reported from the Colombo District (20.4%). The lowest e-mail usage among the districts has reported from the Monaragala District (3.7%).

Sagala defers port tariff revision to 15 March

Ports, Shipping and Southern Development Minister Sagala Ratnayaka has decided the implementation of the proposed port tariff revision will be deferred until 15 March following concerns raised by the industry.

Minister Sagala Ratnayaka

Cabinet approved the decision to delay on Monday after a Cabinet paper was presented by Minister Ratnayaka that sought to defer the implementation of the tariff revision. The deferment was done due to concerns raised by multiple industry stakeholders, the Ministry said in a statement.

The Cabinet will review the tariffs after considering the report of the committee appointed to look into the matter. The committee comprises of several senior officials of the Sri Lanka Ports Authority (SLPA), and a member each from the Ceylon Association of Shipping Agents (CASA), the Chamber of Exporters, the Import Section of the Ceylon Chamber of Commerce, the Sri Lanka Logistics and Freight Forward Association (SLAFFA), Joint Apparel Associations Forum (JAAF), Association of Clearing and Forwarding Agent (ACFA) and the National Chamber of Commerce.

The committee, the Minister's Cabinet memorandum said, would study the tariff consolidation further and make necessary recommendations on the way forward.

The tariff revision was approved by the Cabinet on 5 November, during the second Cabinet meeting of the Sirisena-Rajapaksa Government. However, multiple industry stakeholders raised concerns about the revision and said it would be detrimental to the import and export sectors.

Sri Lanka to send close to 10,000 skilled workers abroad

Undeterred by declining migrant worker numbers, Telecommunication, Foreign Employment and Sports Minister Harin Fernando yesterday said that the country was now in the process of training workers to fulfil 10,000 vacancies in Japan and a number of European countries.

Minister Harin Fernando

"The opportunities are mostly in caregiving and the construction sector," Minister Fernando told Daily FT.

Fernando, defending the decision to impose a minimum wage for foreign employment, said that the focus had now shifted from just increasing numbers to increasing the quality of workers going abroad.

"I am not bothered by the drop in migrant worker numbers as we are focusing on increasing the number of skilled workers. We have imposed a minimum wage of \$ 300 and we will stick by it, so we should focus on sending more skilled workers," he said.

"The country has already secured 6,000 skilled vacancies from Europe and another 4,000 jobs for caregiver positions from Japan. We have already sent a few batches to Japan and we are now in the process of training more workers. At any given time, we have about 200 workers training in our centres," Fernando added.

"The biggest issue the Government is facing is in training the workers in the language of the host country," he noted.

However, the training centres run by the Sri Lanka Bureau of Foreign Employment are running below capacity, although some centres are equipped with modern resources to train large numbers.

The Government will also do away with the discriminatory Family Background Report which places restrictions on female workers with children under the age of five from travelling abroad.

Recommendations have been made to the Cabinet to revise the program and put in place a system where children of migrant workers are cared for during their absence with State supervision, Fernando told Daily FT. The regulation will apply to both male and female migrant workers.

"The proposal which was presented to Cabinet last week will be discussed in Cabinet today," he said.

“The President wanted one week to study the proposed system and approve it, he will let us know this week,” Fernando added.

SL stagnant in Transparency Index; no significant headway since 2013

Sri Lanka has failed to show progress on the 2018 Corruption Perceptions Index (CPI), compiled by Transparency International (TI), the global coalition against corruption, retaining the same score from 2017 and ranked third in South Asia.

Sri Lanka has scored 38 on the CPI 2018 retaining the same score from 2017, on a scale of 0 (highly corrupt) to 100 (very clean). Sri Lanka is ranked 89th in the world and 3rd in South Asia, behind Bhutan (25th) and India (78th), Transparency International Sri Lanka said in a statement.

The CPI performance of Sri Lanka underscores its stagnant anti-corruption environment, which has seen the country’s CPI score fluctuate between 36 and 38 since 2013, despite the anti-corruption mandate provided to the Government.

Speaking on Sri Lanka’s performance on the CPI 2018, Transparency International Sri Lanka’s Executive Director Asoka Obeyesekere said: “It is important to note that the CPI deals with perceived levels of public sector corruption and as such the existence of a legislative framework, without the will or operational ability to ensure timely justice, reflects on Sri Lanka’s clear lack of progress to date. However, with the likely conclusion of several high-profile corruption cases in 2019, it is essential that all authorities uphold their impartiality and independence. If the application of the law is interpreted as selective or politically motivated, it could prove detrimental to the anti-corruption drive and the justice system.”

Transparency International noted that a cross analysis with global democracy data reveals a link between corruption and the health of democracies. Full democracies score an average of 75 on the CPI; flawed democracies score an average of 49; hybrid regimes – which show elements of autocratic tendencies – score 35; autocratic regimes perform worst, with an average score of just 30 on the CPI. Sri Lanka’s CPI score suggests that it falls between a flawed democracy and a hybrid regime.

To make real progress against corruption and strengthen democracy around the world, Transparency International calls on all governments to strengthen the institutions responsible for maintaining checks and balances over political power, and ensure their ability to operate without intimidation; close the implementation gap between anti-corruption legislation, practice and enforcement; support civil society organisations which enhance political engagement and public oversight over government spending, particularly at the local level; and support a free and independent media and ensure the safety of journalists and their ability to work without intimidation or harassment.

The 2018 CPI is computed using 13 surveys and expert assessments to measure public sector corruption in 180 countries and territories. Denmark and New Zealand are ranked 1st and 2nd respectively with scores of 88 and 87, with Somalia coming in last at 180th with a score of 10.

Rupee firmer on dollar sales; stocks climb

The rupee closed firmer on Tuesday on banks’ dollar sales from inward remittances and on behalf of foreign investors who are purchasing short-term bills, while stocks ended firmer.

The rupee closed at 180.90/15 per dollar, compared with Monday’s close of 181.40/60, market sources said. On 3 January, the rupee dropped to an all-time low of 183.00 against the dollar.

The currency has appreciated 1.05% so far this year.

Investor confidence in Sri Lanka is stabilising after the country repaid a \$1 billion sovereign bond in mid-January, Central Bank Governor Indrajit Coomaraswamy told Reuters on Monday.

However, investors maintained a cautious stance, awaiting cues about the Government's borrowing and repayment of foreign loans, analysts told Reuters. The Government paid \$1 billion five-year sovereign bond borrowing this month.

Worries over heavy debt repayment after a 51-day political crisis have dented investor sentiment as the county is struggling to repay its foreign loans, with a record \$5.9 billion due this year, including \$2.6 billion in the first three months. The Central Bank Chief on 14 January said about \$5 billion borrowing in the pipeline could help debt repayments.

The International Monetary Fund on 16 January said it would resume discussions for further disbursement of part of a \$ 1.5 billion loan amid investor worries of heavy debt repayments.

The rupee dropped 16% in 2018, and was one of the worst-performing currencies in Asia due to heavy foreign outflows.

The rupee declined 4.3% since a political crisis started in October. That crisis had dented investor sentiment and delayed Sri Lanka's borrowing plans.

Sri Lanka was plunged into political turmoil when President Maithripala Sirisena abruptly removed Prime Minister Ranil Wickremesinghe and then dissolved Parliament. A Court later ruled the move was unconstitutional. Wickremesinghe was reinstated as Premier.

A series of credit rating downgrades after the political crisis made it tough for the island nation to borrow as it faces record high repayments. The Colombo Stock Index ended 0.4% firmer at 5,997.46 on Tuesday. The bourse dropped 0.16% last week, while the benchmark index lost 5% in 2018.

Turnover was Rs. 841.9 million (\$4.66 million), more than last year's daily average of Rs. 834 million. Foreign investors net sold Rs. 382.1 million worth shares on Tuesday. They have been net sellers of Rs. 2.3 billion worth of stocks so far this year and Rs. 15.6 billion since the political crisis began on 26 October 2018.

The bond market saw an inflow of Rs. 4.7 billion in the week ended 23 January. But the market saw an outflows of Rs. 81.9 billion between 25 October and 23 January, the latest Central Bank data showed.