

BUSINESS DIALOGUE



JANUARY - JUNE 2022

DISSECTING SRI LANKA'S FOREX EARNINGS: BUSINESS AND ECONOMIC PERSPECTIVES

2022

ISSUE 1



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fields. It is defined by its mission as a creative and innovative school of future generations. NSBM is driven by the themes of innovation, entrepreneurship, technology and globalization to direct the country towards knowledge based globalized economy, while creating synergies with existing body of knowledge after considering the needs of 21st century in the fields of Management, Computing and Engineering Education. As a forward thinking school in higher education, NSBM assures the vital need to make learning relevant to industry expectations. NSBM has forged strategic collaborations with leading universities such as University of Victoria, Australia and University of Plymouth, UK which enable its students to expose themselves to global thinking and best practices in global industries.

OUR VISION

“ To be Sri Lanka’s best performing graduate school and to be recognized internationally ”

OUR MISSION

“ To develop globally competitive and responsible graduates that businesses demand, working in synergy with all our stakeholders and contributing to our society ”

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VICE-CHANCELLOR'S MESSAGE

NSBM Business Dialogue magazine, on its 10th consecutive publication, has proven to be a timely and valuable source that explores modern world affairs worthy of discussion and debate. The current issue published on the theme; Dissecting Sri Lanka's Forex Earnings, encapsulates the thoughts, opinions, and innovative solutions of industry experts and renowned economists in Sri Lanka.

As a leading higher educational institute, NSBM Green University Town nurtures and develops its students into globally competitive, responsible graduates equipped with both knowledge and practical skills. We, at NSBM, constantly strive to succeed in the challenging, yet rewarding task of producing responsible citizens; while guiding our undergraduates and postgraduate candidates with the assistance of a well-qualified panel of lecturers composed of local and foreign academics, we also focus on providing practical experience and industry exposure with the support of our partners. We believe that this comprehensive approach to education coupled with high tech facilities creates a conducive environment for the birth and growth of innovative leaders.

The 10th issue of NSBM Business Dialogue will, most definitely, play a pivotal role in exposing our students to the current socio-political and economic context while encouraging them to plan and seek creative solutions. I strongly believe that the students and postgraduate candidates at NSBM, equipped with the knowledge shared by experts, will actively contribute to revitalizing our motherland.

With this grand hope in mind, NSBM will strive towards excellence!

Finally, I would like to thank and extend my sincere gratitude to the team at NSBM for their hard work and commitment while wishing them all the best for future endeavors.

Prof. E. A. Weerasinghe
Vice Chancellor
NSBM Green University



MESSAGE FROM THE EDITOR-IN-CHIEF

It gives me immense joy and satisfaction to pen this message for the first issue of the Business Dialogue magazine 2022. Business Dialogue is a testament to the active contribution NSBM Green University has rendered to the academia and the industry over the years. With each issue of the magazine, we have established lively and note-worthy dialogues on a plethora of business-related topics. We have also covered various success stories of business giants who have made their name in the country and beyond in hope that our young graduates will be inspired to venture on similar paths. Therefore, I think Business Dialogue has become

much more than a mere completion of articles but a platform where academics, local and international business personalities, practitioners, policymakers and researchers come together to disseminate the knowledge for future generations. The magazine archives a wealth of knowledge in various corners of the local and international business arena which will always be a source of inspiration to those who are in search of inspiration and innovative ways to change the world.

This issue of the magazine focuses on a timely and apt theme which requires a substantial discourse in the country. The country's foreign currency reserves have been a main topic on the table for the past few months but there seems to be a lack of dialogue which

facilitates various perspectives on the same platform. This issue of the Business Dialogue magazine attempts to bring together many different perspectives, viewpoints and opinions on the theme; "Dissecting Sri Lanka's Forex earnings: Business and Economic Perspectives." The articles in the magazine are comprise interviews by experts on the matter representing various industries, ranging from private and state-owned institutions to academia. We, as a country, are in need of practical, and functional expert knowledge in order to brave the storms we are facing at present. It is no secret that we are facing one of the most difficult times in Sri Lanka's history, but the content of this magazine stands witness that even in these difficult times we have the knowledge, strength, and power to rise above the current challenges and move forward.

Business Dialogue has always been a product of a passionate team without whose immense contribution the publication would not have been possible. Therefore, I would like to extend my sincere appreciation to all contributors, including the resourceful and distinguished personnel who devoted their valuable time to take part in the interviews. Further, my appreciation goes to the Business Dialogue magazine team, academics, administration, students and all the other teams behind this great endeavor. Concludingly, I would like to present you the newest issue of Business Dialogue with hope that the content of this magazine will clear the seemingly difficult paths ahead of our country and that it will inspire young generations to create innovative pathways for a better tomorrow.

Prof. J. Baratha Dodankotuwa



BUSINESS DIALOGUE

DISSECTING SRI LANKA'S FOREX
EARNINGS: BUSINESS AND
ECONOMIC PERSPECTIVES

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LESSONS FROM GLOBAL ECONOMIC LANDSCAPE

FROM REBOUNDS TO RECOVERY

Years later, after the World War II, the entire world faced the deepest recession with COVID-19 pandemic, along with high inflation and slow growth across the world. The pain of “stagflation”; persistent high inflation coupled with high unemployment and stagnant demand will be a common phenomenon, however, the danger is that the world has not seen such since 1970s. With the surge in energy prices and food prices along with supply side shocks, many economists had to face recessionary situations which are hard to avoid. According to the Global Economic Outlook (2022) published by the World Bank, the subdued growth will likely persist throughout the decade because of weak investment in most of the

world. Thus, they suggest that the impactful and targeted measures need to be established to minimize the risk of stagflation by the policymakers across the world.

The shadows of pandemic will remain for a few years across the globe and amidst those new challenges, Sri Lanka has become a popular case study for many scholars since it is currently facing its worst economic recession. There are lessons to be learnt from the past. The eurozone crisis in 2010 was the result of a similar mix of bad policy choices and bad luck. The collapse of the US investment bank Lehman Brothers in September 2008 caused a meltdown of the global financial system. Money markets froze and there was a major credit crunch as the ability to borrow money suddenly dried up. If looking back further,





EURO ZONE CRISIS

- *Started: Mid 2010, economic imbalances with high private and public debt and the culprit was the large intra-Euro Zone capital flows that emerged before the crisis. The sudden stop of this triggered by global crisis created the imbalances mainly.*
- *Impact: Most of the Euro Zone countries got hit by the crisis*

IN 2007-2008 (BEGINNING OF THE CRISIS)

					
	Portugal	Greece	Italy	Belgium	France
Debt-GDP (%)	72	109	102	92	68
Inflation	77.6%	4%	5.2%	4.3%	10.4%

Source: Ali, 2012



The Asian Financial crisis started in Thailand in 1997 when the Thai government ran out of foreign currency and was forced to float the Thai Baht. This caused the exchange rate of the Bhat to collapse immediately. It was not only a crisis in Thailand, but also it was spread internationally, and the Asian stock market and capital markets were plunged. The biggest lesson learnt is that it is vital to build up the foreign reserves to hedge against the external shocks. Therefore,

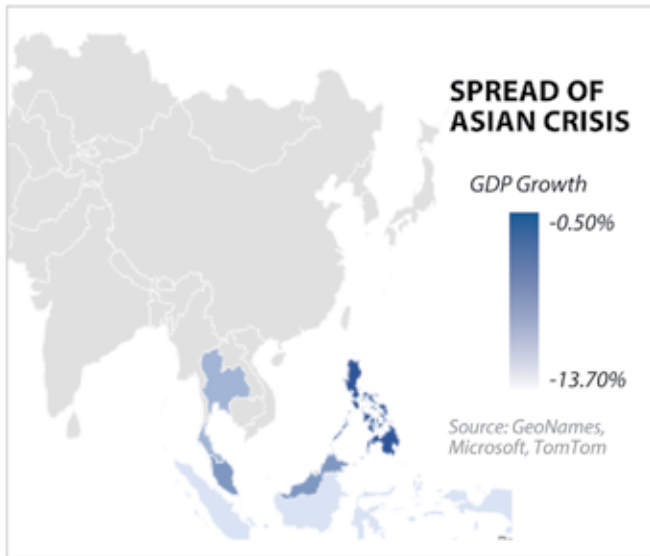
many Asian economists weakened their currencies and adjusted economic structure after this Asian Crisis to create current account surplus and thereby increased their foreign reserves.

ASIAN FINANCIAL CRISIS

- *Started: With Thai baht's devaluation in mid - 1997*
- *Impact: Most of the Asian countries got hit by the crisis*

					
	Indonesia	Korea	Malaysia	Thailand	Philippines
In 1998					
GDP Growth	-13.7%	-5.8%	-6.7%	-9.4%	-0.5%
Inflation	77.6%	4%	5.2%	4.3%	10.4%

Source: IMF working paper, 1999



Looking back, we cannot forget the Argentina as well. It was one of the richest countries in the world that now, owes 18 billion dollars in payments this year, which the country could not afford, and which have now been postponed until 2026. The International Monetary Fund (IMF) has helped Argentina in 2018 with a 45-billion-dollar loan which is the biggest loan IMF has ever provided a country. The recovery was kind of a success story; however, the negative side was that they kept on being a dependent economy on their basic exports which are natural resource-based goods and commodities. Therefore, the business sector has a very important role to play, being an important forex earner in exporting value added products.

ARGENTINA'S FINANCIAL CRISIS

- *Started: Had around 8% of GDP growth rate in mid 1990s, however turned -4.5% in 2001 due to rampant corruption causing many investors to take their investments out of the country.*
- *Impact: The government stopped payment on more than \$100 billion in debt, the world's biggest-ever sovereign default.*

	1991	1992	1993	1994	1995	1996
Real GDP growth (percent)	10.5	10.3	6.3	5.8	-2.8	5.5
External Debt/GDP (percent)	32.9	27.4	30.5	33.3	38.2	40.3

	1997	1998	1999	2000	2001	2002
Real GDP growth (percent)	8.1	3.9	-3.4	-0.8	-4.4	-11.0
External Debt/GDP (percent)	42.7	47.3	51.0	51.5	52.2	132.6



Both the Asian crisis and the Argentina's crisis gave Sri Lanka some important lessons to be learnt. The current account surplus and diversified value-added exports will be able to change the direction of the country. One of the first steps in designing an export strategy should be to secure private sector participation. A national strategy should be developed through a collaborative process with members from the public and commercial sectors who compose the national strategy team to reach an agreement on requirements and priorities. The government can oversee by determining sectoral priorities, whereas the private sector should be in charge of setting sectoral priorities. This translates to a top-down, bottom-up approach that ensures private sector leadership and public sector assistance when appropriate.

A large component of the export plan must be implemented by the private sector. Chambers of commerce and business groups, for example, play an important role in expanding the breadth and the quality of business support services available to businesses, while marketing the country and its industries. Businesses spend in upgrading logistical services, while producers invest in expanding or diversifying supply capacity. In the development of export-enabling infrastructure, private sector investment is becoming increasingly significant.

As critics say, the roots of the situation in Sri Lanka lie in the economic mismanagement of the successive governments which has led to its twin budget deficit and current account deficit. The recovery will be detrimental, and it will require a systematic approach with more objective and prudent financial standards.

By Sashini Gayanika
Senior Lecturer/ Head of Department
of Economics and Decision Sciences
NSBM Green University

PhD

DOCTOR OF PHILOSOPHY IN MANAGEMENT

LEAD TOWARDS SUCCESS

The PhD in Management of NSBM Green University lifts you to the pinnacle of excellence whilst giving you the opportunity to work with leading academics and to be a part of a growing and vibrant community of doctoral candidates. We welcome applicants who want to undertake innovative and exciting research to build a new understanding of business and management.

REGISTRATIONS OPEN FOR
2022 INTAKE

ENTRY REQUIREMENTS

- A Master of Philosophy Degree in Management or related field **or**
- A Master's Degree in Management or related field

PROGRAMME TIMELINE

The programme is a three-year study programme and consists of the preparatory phase and the execution phase.
Expected completion : July 2025

APPLICATION PROCEDURE

The applicant should send the his/her Curriculum Vitae to phd@nsbm.ac.lk mentioning the interested field of study. (Marketing, Human Resource Management, Accounting and Finance, Operations Management, Logistic Management etc.) The shortlisted candidates will then be informed about the rest of the selection process.

PREPARATORY PHASE

(YEAR 1 SEMESTER I – YEAR 2 SEMESTER I)

- Introductory Workshop and Taught Modules
- Appointment of Supervisors
- Thesis Proposal Preparation and Defense
- Laboratory Sessions on Data Analysis

EXECUTION PHASE

(YEAR 2 SEMESTER II – YEAR 3 SEMESTER II)

- Conduct of the Doctoral Research
- Thesis Submission and Defense



Could you tell us a bit about the role of the Ceylon Chamber of Commerce?

Ceylon Chamber of Commerce is a 185-year-old organization initially started under the British Regime as an organization consisting of a group of businessmen dedicated to make business related decisions. But today, the Chamber is a place of advocacy with more than 600 members that gives a voice for businesses with the government, regulators and policy makers. The Chamber closely works in shaping

the policies to be fair, just and free from any political interference for the businesses.

The term 'unprecedented' is often used to describe what the whole world has been going through from the beginning of 2020. In your opinion how well is Sri Lanka facing this 'unprecedented' situation?

Unfortunately, not very well; we have not done all the things we should have done for various

“ IT IS THE BUSINESS COMMUNITY THAT IS CONTRIBUTING TO THE ECONOMY BY BRINGING EVERY DOLLAR FROM THEIR EXPORT INCOME. SRI LANKAN CORPORATES ARE WILLING TO PAY HIGHER TAXES AND THEY HAVE EXPRESSED THEIR WILLINGNESS AT A PRESS CONFERENCE HELD JOINTLY WITH THE CHAMBER OF COMMERCE. WE, AS THE BUSINESS COMMUNITY, CAN PROVIDE MORE SUPPORT TO THE ECONOMY, IF NECESSARY, STEPS ARE TAKEN TO REMOVE THE ROADBLOCKS, PROMOTE THE EASY EXECUTION OF BUSINESS AND REDUCE THE TIME WASTED ON INCONSISTENT BUREAUCRATIC PROCEDURES ”

ROLE OF THE BUSINESS COMMUNITY IN THE ROAD TO REFORMATION

MR. VISH GOVINDASAMY
CHAIRMAN-CEYLON CHAMBER OF COMMERCE

reasons. Some of the decisions taken such as reducing corporate taxes and PAYE tax, reducing the NBT from 15% to 8% and increasing the threshold from Rs.100 million to 300 million for VAT led to complications on the revenue side. Apart from these, our country has been running with a budget deficit for a long period of time. When there are such long standing fiscal deficits, you can't run a country using temporary measures to cover up the deficit. As a developing country we should have known how to balance our budgets and tried to reduce the deficit to gradually move to a positive balance. So, while having a drop on the side of revenues, the interest rates were also brought down with the intention of giving a kickstart to the economy. However, the benefits didn't materialize as the country had to suddenly deal with an



“ WHEN THERE ARE SUCH LONG STANDING FISCAL DEFICITS, YOU CAN'T RUN A COUNTRY USING TEMPORARY MEASURES TO COVER UP THE DEFICIT. AS A DEVELOPING COUNTRY WE SHOULD HAVE KNOWN HOW TO BALANCE OUR BUDGETS AND TRIED TO REDUCE THE DEFICIT TO GRADUALLY MOVE TO A POSITIVE BALANCE ”

'unforeseen' pandemic; everybody from the people to the government did not know how to handle it. When that happened our exports dropped, foreign remittances dropped, and the tourism sector crashed. When the government didn't have revenue coming in but continued to have expenses even more than before due to the covid pandemic, we ended up in a massive deficit again. To cover up this deficit, we ended up borrowing more. The government obtained these loans while the country was highly indebted, and these additional loans exerted extra pressure on the economy in terms of debt servicing. So, in a nutshell, we did not handle the 'unprecedented' situation well. In my opinion we should have gone to IMF as soon as the pandemic hit. We could have taken several measures to avoid this situation such as restructuring loans, generating new revenue, increasing

taxes, reducing non-value adding capital expenditure and so on, but unfortunately, we didn't.

As a well-known corporate personality with years of experience holding key positions in the corporate sector, you must have witnessed and faced economic situations similar to what we are going through right now. How different is it this time? And what strategies do you recommend in overcoming the current situation?

Past economic problems mainly revolved around unemployment, the increase of fuel and commodity prices, the inability to sell goods in foreign markets due to the loss of GSP+ benefit and so on. But the current situation we are in is different, and unfortunately it is worse than most of the crises we have gone through in the past. We are experiencing a serious deficit of foreign reserves and whatever little we have with us will be used to service debt, which is vital since defaulting could bring serious adverse consequences to the country. Our rupee is losing its value and it is depreciating every day making the situation even worse. So, talking about what we can do now, the first thing we must do is request for the assistance of the IMF; this, we have already started. Secondly, we need to negotiate with all our lenders and ask for more flexibility and time to pay back the borrowed funds. Then we need to borrow some bridging funds from the international market for the next six months until the IMF approves us some funds. Next, we need to stop all capital expenditure for now. Also, we must increase all the taxes and it

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WE NEED TO KICKSTART OUR EXPORTS AND WE MUST INVEST IN THE IT INDUSTRY. MOST IMPORTANTLY, WE NEED TO CREATE A CONDUCIVE ENVIRONMENT FOR TOURIST ARRIVAL. FOR THAT WE MUST HAVE A PROPER TOURISM PROGRAM SIMILAR TO WHAT WE SEE IN OTHER COUNTRIES. WE MUST PROMOTE THE BEAUTIFUL BEACHES AND HOTELS WE HAVE. WE MUST DEVELOP THE SECTOR SO THAT TOURISTS VISITING SRI LANKA WILL FEEL AS IF THEY WERE TRULY IN PARADISE. FINALLY, WE MUST FOCUS ON DEVELOPING AND PRESERVING INTELLECTUAL CAPACITY WITHIN THE COUNTRY WHILE ALLOWING FLEXIBILITY IN KNOWLEDGE AND SKILLS MOBILITY

”

is very important that everyone who is eligible to pay taxes, pay taxes properly. We still do not have a full tax paying regime.

Then we need to kickstart our exports and we must invest in the IT industry. Most importantly, we need to create a conducive environment for tourist arrival. For that we must have a proper tourism program similar to what we see in other countries. We must promote the beautiful beaches and hotels we have. We must develop the sector so that tourists visiting Sri Lanka will feel as if they were truly in paradise. Finally, we must focus on

developing and preserving intellectual capacity within the country while allowing flexibility in knowledge and skills mobility.

SMEs are considered to be the growth engine of the country, but those entities are going through a tough time right now. As the CCC, how do you plan to extend your support to this community?

We do a lot with SMEs. This year we conducted over 10 SME programs. I



conducted a program in Tamil for Eastern and Northern province SMEs. Through these programs we create awareness among them on various credit facilities available to them including micro credit facilities. Most of these SMEs have great products, but they lack the proper guidance and the expertise to market them.

We are also part of the 'Train the Trainer' program organized by the Ministry of Trade in collaboration with USAID to support the SME community on finding access to proper markets, branding, packaging, and making export quality products. Ceylon Chamber is involved in such multi-million-dollar

projects to help the SME community.

Our country is going through a very challenging period. In which ways do you think well developed corporate entities can contribute to resolve the current situation we are facing?

It is the business community that is contributing to the economy by bringing every dollar from their export income. Sri Lankan corporates are willing to pay higher

taxes and they have expressed their willingness at a press conference held jointly with the Chamber of Commerce. We, as the business community, can provide more support to the economy, if necessary, steps are taken to remove the roadblocks, promote the easy execution of businesses and reduce the time wasted on inconsistent bureaucratic procedures.

Finally, what message would you like to give to the young undergraduates at NSBM?

My message is very simple. It is exactly what John F. Kennedy said – "Ask not what your country can do for you, ask what you can do for your country". Young people today continue to ask everything from the government, instead you must be willing to do more for the country. You can start by paying your taxes, you must be willing to work hard, must be honest and avoid corruption. Don't always depend on the government for employment, instead you can start industries, be entrepreneurs and create jobs. And most importantly don't run away from the country, be here and support your country.

By Narmada Balasuriya & Daupadee Gamage

MARCHING FORWARD

UNLEASHING THE STORY OF A FRONTRUNNER IN TURBULENT TIMES

RUWAN KERAGALA

CHIEF OPERATING OFFICER-MAS INTIMATES

Could you give an overview of MAS Intimates and your current role in the organization as its Chief Operating Officer?

MAS Intimates is the largest SBU of MAS Holdings with a revenue over 1 billion USD per annum at present. In terms of my role, I come from a different background where I worked as a Finance Director for more than 7 years before assuming duties as the COO of this organization. In my current role as the COO, I overlook the entire manufacturing and operation functions of MAS Intimates which include planning, manufacturing, and maintaining quality for the entire cluster. In



MAS intimates we have 16 facilities spread across Sri Lanka, India, Indonesia, Bangladesh, and Kenya.

Has the persisting economic situation in the country had an impact on the

progression of the operations of MAS Intimates in the short run?

I would say progression and running the operations are two different things. Progression is the way forward and how we would do things in the future. If you take MAS



“

CREATING A HOPE IS THE MOST IMPORTANT THING WE HAVE TO DO IN THIS DIFFICULT TIME, AS A CORPORATE WE CAN CREATE THAT HOPE WITHIN AND OUTSIDE OUR ORGANIZATIONS

”

Intimates, the current condition in the country has had an impact on how we were planning to progress in the future. However, the day-to-day operations of our business could have had a significantly larger impact if we had not responded correctly. We have been on a roller coaster since March 2020 in the manufacturing industry. From the day that COVID 19 lockdowns were first introduced we didn't have a rest as there were number of changes that have been in existence in the external environment ranging from health concerns and now to political and civil unrest.

To answer this question in one sentence whether we have had an



impact, if we consider our revenue then no. Apparel industry and MAS have delivered what it was supposed to deliver last year. If we go back to the last 24 months, we only closed our facilities for a maximum of two weeks. We did have major setbacks, but we came back strongly. Even when considering the current economic situation, yes, we had setbacks but with the exemption of one or two days in which the entire country had the curfew. We did not shutdown any of our facilities for any reason.

In general, the economic situation has not necessarily had an impact on the running of the operations presently. However, the existing situation might negatively impact our future progression if this is not corrected soon. Most of our customers are Northern American and European brands and they are very concerned about the current political and civil unrest. For them it is not about whether we can deliver our products but rather about the political and economic stability of the country. The other main issue we foresee in the coming couple of months is the logistical issues in addition to the logistics price escalation. Owing to this we are concerned whether we will be able

“ THE ECONOMIC SITUATION HAS NOT NECESSARILY HAD AN IMPACT ON THE RUNNING OF THE OPERATIONS PRESENTLY. HOWEVER, THE EXISTING SITUATION MIGHT NEGATIVELY IMPACT OUR FUTURE PROGRESSION IF THIS IS NOT CORRECTED SOON. MOST OF OUR CUSTOMERS ARE NORTHERN AMERICAN AND EUROPEAN BRANDS AND THEY ARE VERY CONCERNED ABOUT THE CURRENT POLITICAL AND CIVIL UNREST. FOR THEM IT IS NOT ABOUT WHETHER WE CAN DELIVER OUR PRODUCTS BUT RATHER ABOUT THE POLITICAL AND ECONOMIC STABILITY OF THE COUNTRY ”

to get raw materials on time or whether we will be able to export the products we stitch on time. Operationally and internally, we are 100% confident that we can deliver the best. We will produce at best quality, and we trust our team fully to deliver as they clearly understand their responsibility and accountability towards the economy and to the country.

The most important thing for us during this current situation was that we were very open and transparent about the current situation as an organization. Starting from the economic crisis we

were very open on how our 50,000 plus associates can voice their opinion. We respect the right of the people to voice their opinion, but we emphasize about our responsibility as the biggest dollar generating industry of the country to make sure that we continue to bring dollar inflow to the country, and we were one of the first companies to do so in the country.

What measures have you taken from a business standpoint to navigate the current economic environment?

“

*BEING
TRANSPARENT
AND OPEN IS THE
MOST
IMPORTANT AND
VALUABLE THING
WE DID IN
COMMUNICATING
AND MANAGING
OUR ASSOCIATES
DURING THIS
TURBULENT TIME*

”



To what extent have these initiatives delivered positive results?

We are a dollar earning company. The rupee depreciation is in fact positive for us as we earn in dollars. As an organization the rupee value depreciating is not having any impact on us. But the impact is to our team members as they earn their salaries in rupees, and with the reduction of purchasing power of rupee due to the devaluation driven inflation what they can buy from their salary is diminishing drastically. What you bought yesterday, you will only be able buy

80% of it today and it will drop to 70% in a week. Inflation is not at 10% anymore.

As a reaction for this inflationary pressure and to minimize its impact to our team we increased the permanent salary of all our team members disproportionately. We gave the usual salary increments in January, but we realized in April inflation has made that increment almost redundant, hence in April we

decided to give another permanent salary increment. We didn't go with an allowance because we feel these prices will never stabilize back to what it was before.

There are several things that we have done in the current economic situation. One sub-impact of this crisis was the fuel shortage. Unfortunately, majority of our plants are located outside the industrial zones, and

“ IF WE DON'T DELIVER ON TIME, IT WILL CREATE A PERCEPTION ON THE CUSTOMERS MINDS THAT SRI LANKA CAN'T DELIVER ORDERS DUE TO THE CIVIL AND POLITICAL UNREST IN THE COUNTRY. WE NEED TO UNDERSTAND THE CURRENT GLOBAL MARKET REQUIREMENT AND ACKNOWLEDGE THAT OUR BRANDS HAVE ENOUGH AND MORE PLACES TO GO IF WE DON'T DELIVER. THIS WASN'T AN ISSUE DURING THE COVID 19 PANDEMIC AS SUPPLY WAS RESTRICTED EVERYWHERE IN THE WORLD. IF WE DON'T DELIVER TODAY, OUR CUSTOMERS HAVE OUR COMPETITIVE COUNTRIES LIKE BANGLADESH, INDONESIA, INDIA, VIETNAM TO SHIFT OUR ORDERS, AND THAT IS OUR BIGGEST CONCERN



we don't have that buffer or benefit of not having power cuts for many of our plants. However, we foresaw this, and we increased our fuel storage capacity for our generators by 3 to 5 times.

As a dollar earning company we went ahead and obtained approval

to purchase bunker diesel (marine diesel) and to pay in dollars. We have secured a stock of marine diesel through three local companies, and we therefore have fuel which is good enough to run our generators but at a higher cost. We don't run our own transportation, but we have over thousand busses that our staff members use to report to work. We did a lengthy testing to see whether the marine diesel we have is good enough for normal vehicles and it came positive. We are now using this fuel for our vehicles as well. Through this we were able to manage the customer orders and their concerns. Even more than the financial gain, if we don't deliver on time, it will create a perception on the customers minds that Sri Lanka can't deliver orders due to the civil and political unrest in the country. We need to understand the current global market requirement and acknowledge that our brands have enough and more places to go if we don't deliver. This wasn't an issue during the COVID 19 pandemic as supply was restricted everywhere in the world. If we don't deliver today, our customers have our competitive countries like Bangladesh, Indonesia, India, Vietnam to shift our orders, and that is our biggest concern.

Would the Sri Lankan currency being allowed to 'free float' positively impact the apparel industry's revenue maximization potential in the short run?

I would say it does impact in a positive manner. Most of the apparel manufacturers in Sri Lanka are dollar earners. One dollar revenue in the past six months was LKR 200, and today's revenue is around LKR 350, which makes it profitable for the industry. Around 50% of raw materials are being imported, while the other resources

are sourced locally. But 100% of overheads are paid in Rupees. Not only in apparel, but every export industry who is earning in foreign currency is benefitting from this currency being free to float and Rupee depreciation. That is what most of the other countries also have done. However, we cannot sustain this for a longer period, because if we continue this there will be definite extreme price escalation and a possible civil unrest. Therefore, we cannot continue to run in a similar manner in the next 12-15 months. Hence as a country we will have to give our maximum attention and effort to increase the domestic industries which produce import substitutes. This will neutralize the inflation to a certain extent.

With the current situation in the country, there is a heavy skill migration trend that could be witnessed. As a business what are the initiatives the organization has taken to retain the skilled employees within the business?

MAS is in a unique position where we have an advantage that most other organizations do not have as we have our overseas operations. When somebody goes to an overseas operation in MAS, they get a dollar payment. It will not be a permanent job, but they will be assigned for an overseas operation for 2-3 years and they will come back to Sri Lanka. We send people for 2-3 year stints so that everybody gets an opportunity and they come back within a specific time period. That has given the organization around 150-200 overseas jobs available at any given point, people are aware of it and there is a rotation as well which ensure the fairness. Though it has not stopped



aggressively promoting and practicing that in the organization to ensure that people are not losing the grip of hope.

The other thing is unfortunately the younger generation sees the world through social media and YouTube lenses, and they believe what they see on social media to be the world. What they forget to notice is that all the uploads are success stories, and for one success story there are thousands of unsuccessful stories which are not published, that is the problem we have. The young generation sees these success stories and assumes life in another country, which is not the 100% the reality. Only way to counter that is what was mentioned before, creating that environment of hope in the organization. But there is no way of completely stopping the migration, people will still leave.

In the early 2000s, there was a serious brain drain because of the civil war, now it has started again. But now we are more educated about the situation and if we follow the right path, as responsible corporates, as responsible citizens and as responsible politicians, to create hope, as Korea did in 1997, we can mitigate this excessive skill migration to a greater length.

skill migration 100%, it has helped us to reduce the migration trend because the people have that hope of getting to another country within the organization if they are desperate to move out. They can go to Indonesia, Kenya, etc., and the employees have the option to apply, and if they get selected, they will get assigned to their respective countries, which is as good as going to another country and working, and they will be back in Sri Lanka in three years' time.

Parallel to that MAS has created a culture where people think twice before they make that migration decision. We believe that if people leave the country, the only reason they do so is that there is no hope with the inflation and other crises happening around us. People keep

thinking about the future and life of their kids, whether to send the kids to local or overseas universities and thus the entire social perception towards the country has changed in the past 6 months because of the current situation due to the lack of hope. From a corporate angle what we can do is, although life, in general is difficult in these circumstances, we are trying to create a positive environment within the organization. We are increasing salaries of people, investing in training people, sending them outside for training and trying to make the workplace a better place. We also launched a Programme called "I am Intimates" which only talks about the happiness and wellbeing of people and the company is going more

What do you think of the role that MAS Holdings as a frontrunner in this industry can play in aiding Sri Lanka to overcome the persisting economic plight?

First thing is, that we must keep continuing to generate the most scarcest resources at this point in time, which is not fuel, or electricity, but dollars, that will definitely assist the organization as well as the country. We are not going to close any manufacturing factories in Sri Lanka as we stand now. As

“IF I AM TO FOCUS ON THE CORPORATE SECTOR, THE FIRST EXPECTATION I WOULD SAY WOULD BE TO STOP THINKING AS AN UNDERGRADUATE AND START THINKING LIKE A POST-GRADUATE NOW ITSELF. BECAUSE TO UNDO THE UNDERGRADUATE THINKING IT WOULD TAKE THREE YEARS, HENCE IT IS IMPORTANT TO GET OUT OF THAT SHELL AND START THINKING DIFFERENTLY AT LEAST IN THE LAST TWO YEARS IN THE UNIVERSITY. START THINKING ABOUT THE WAY YOU WOULD BEHAVE IN THE CORPORATE WORLD”

organizations, we have to make sure that we keep feeding our people and giving opportunities to the lives that we are responsible for. Out of a hundred thousand employees of MAS, around seventy-five thousand employees are in Sri Lanka. At MAS Intimates, out of fifty thousand employees we have around thirty to thirty-five thousand employees in Sri Lanka. We have also connected with other families such as transporters, meal providers, security providers, etc. and support the livelihood of close to a million people that are connected to our organization. Further, we will keep giving those opportunities to the people, and we will keep generate dollars, which is generating the dollars – which is something we have to do as manufacturers.

What are the skills and capabilities you expect undergraduate students to develop if they are aspiring to join the apparel sector in the future?

Rather than the apparel industry, if I am to focus on the corporate sector, the first expectation I would say would be to stop thinking as an undergraduate and start thinking like

a post-graduate now itself. Because to undo the undergraduate thinking it would take three years, hence it is important to get out of that shell and start thinking differently at least in the last two years in the university. Start thinking about the way you would behave in the corporate world. We want people to know that it is not only the operational or academic skills which make one a good corporate fit. One of the first things they should understand is the importance of presence. For an instance in an interview, within the first five minutes the decision is made based on the way you present yourself which makes a difference. But unfortunately, most graduates they don't have a proper understanding on that. Even at work, that is one thing the people are lacking, no matter how good or skilled the employees are, they don't know how to present themselves.

Communication and work itself are the next most important skills an undergraduate must develop. What is important for undergraduates is to come out of the university mindset and shift to a corporate mindset, in the real world before it's too late. Presently the students have many opportunities, since they graduate at quite early ages such as 22-23 years, they get a head start, but

unfortunately some tend to lose that head start.

The education system should not restrict the students from asking questions when the students are afraid to raise questions the same will continue once they join the corporates. They will just do whatever they've been asked to. If no questions are asked, no one will learn. We want people to challenge for the right reasons, and then learn – which is something that should be encouraged within the education system itself.

Having a qualification is wonderful but don't expect to use everything you learn in the university when you come to work. Whatever is learned from the books cannot be copy-pasted in the corporate context, you must be smart enough to filter it and convert it into a practical way. Otherwise, the students might get disappointed thinking they learned a plethora of things that are not being applied or used in the work they do and this mindset must be changed for their own benefit.

**By Binari Willaddara,
Janith Iddawala &
Shalini Wijewardana**

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- PGD in Software Engineering

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- A limited number of candidates with a sufficient level of managerial experience and/or entrepreneurial scope will be selected on a case by case basis by the Board of Studies of NSBM Postgraduate programmes.

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Could you give an overview of Hemas Consumer Brands / and your current role in the organization as its Director Market Development & Exports?

Hemas Manufacturing (Pvt) Ltd is a part of the Hemas Group of Companies that has been a well-respected, diversified conglomerate in Sri Lanka with a AAA long-term fitch rating, listed on the Sri Lankan stock exchange since 2003. Hemas has a heritage of over

74 years with an employee base of more than 5,000 and a strong presence in FMCG (fast moving consumer goods), pharmaceuticals, hospitals, leisure, and transportation.

Hemas Consumer Brands is the largest Sri Lankan personal care manufacturer. We manufacture and market some of the most loved Sri Lankan brands such as Baby Cheramy, Clogard, Diva, Kumarika, Fems, Goya, and Gold. We were the sole distributors for Garnier, Loreal Consumer and Nivea but with the current import bans of the country, we are not in a position to import them.

My current designation is the Director Market Development and Exports. This role overlooks future growth areas such as e-commerce and our trade brands business. This role heads exports for Hemas Consumer Brands as well as our overseas business in West Bengal.

Has the persisting economic situation in the country had an impact on the Hemas Consumer Brands progression in the short

STRIVING TOWARDS SUCCESS AMIDST CHALLENGES

A VIEWPOINT FROM FMCG INDUSTRY

FIONA JURIAN SZ MUNASINGHE

DIRECTOR - MARKET DEVELOPMENT & EXPORTS
HEMAS CONSUMER BRANDS

WE HAVE A PLAN IN PLACE TO ENSURE THAT OUR EMPLOYEES ARE EQUIPPED TO NAVIGATE THIS DIFFICULT ECONOMIC PERIOD. WE WILL ALSO ENSURE THAT OUR CONSUMERS HAVE ADEQUATE GOODS. MEASURES HAVE BEEN TAKEN TO CATEGORIZE OUR PORTFOLIO CLEARLY SO THAT, IN THIS CONTEXT OF SCARCITY, DECISION MAKERS ARE CLEAR ON WHAT AREAS TO FOCUS ON

run? What are the main areas of FMCG that have been affected the most?

Hemas Consumer Brands manufacturing in Sri Lanka has been affected by the current economic situation like everyone else. The devaluation of the rupee, the shortage of foreign exchange and the huge price hikes in raw materials are the key changes that have affected us the most. For example, palm oil, being one of the key raw materials to manufacture soap, went through a huge disruption in production due to COVID-19, and the existing crisis has added to it.

The global fuel shortages and price increases have far reaching



implications for us and for our partners, such as distributors, many of who struggle to transport goods in the current context even though we manufacture in house. the biggest impact is on the supply chain.

Sri Lanka imports most of the our inputs for production, and this is the reason the current crisis has affected us so many products that are imported have now been curtailed and this has hugely affected companies that have built

their structures around this model of import distribution.

What are some measures that you have taken from a business standpoint to navigate through the current economic environment? To what extent have these initiatives delivered positive results?

This is a very difficult time for the country and for us as a business. During such times, we have to work together as a team. There are no past experiences or theories for us to depend on. However, the pandemic taught us some techniques, such as having shorter meetings, prioritizing things, etc.

Even in this kind of a crisis situation, we will concentrate on our employees, our consumers, and the country at large. We have a plan in place to ensure that all our



employees are fully equipped to navigate this difficult economic period. Also, we ensure that our consumers have adequate goods to consume. Further, measures have been taken to categorize our portfolio so that in this context of scarcity, decision makers are clear on what to focus on. We are very conscious of the challenges faced by consumers and focused on how we can provide value without compromising on quality, even during these challenging times.

There is also focus and attention on growing export businesses, which can bring in dollar income, which Sri Lanka so desperately needs. I believe in the short run, it is about doing the right things to get through the economic crisis. The environment is still evolving, but we have clarity as a team on priorities and where to focus on. We engage in different short meetings to get an understanding on what to do next so that we can plan in advance for a change because the existing situation is extremely volatile. I would say we are learning and adapting every day. As Sri Lankans, we strive to do our best in these challenging times, while trying our level best to optimize.

We also have a large program together with MAS and Dialog to

“
THIS PERIOD IS NOT TO FOCUS ON PROFIT MAXIMIZATION BUT TO ENSURE WE ALL GET THROUGH THIS TIME WHILE CONTRIBUTING TO STABILISE THE COUNTRY
 ”

support the most vulnerable people in society with a plan to supply essential food to 200,000 families island wide. Through this initiative we are trying to support the community as best we could

How has the allowance to free float Sri Lankan currency affected the FMCG sector’s revenue maximization potential in both the long run and short run?

There are global supply issues that are not in our control, and they have put huge pressure on many raw and packaged materials that are being used to produce essentials. The

pressure on fuel prices also has inflationary pressure across the supply chain. This coupled with the currency depreciation, has put unprecedented pressure on input costs and has forced all companies to accept price increases to remain viable.

This period is not to focus on profit maximization but to survive and give our contribution to stabilise the country. As a Sri Lankan organization, we must stand with good and consistent policy decisions for the country and have the current fundamentals in place, so as a country, and organizations that operate within this country have a sustainable future.

All Sri Lankan companies should concentrate on generating more dollar revenue. We welcome government support and incentives to nurture this

As a well-known corporate personality with years of experience holding key positions in the corporate sector, you must have witnessed and faced economic situations similar to what we are going through right



now. How different is it this time? And what strategies do you recommend overcoming the current situation?

We have already had our challenges with the terrorist attacks and COVID-19. I would say this is an unprecedented time for the country as we have never experienced hyperinflation before. During the pandemic, we had so many issues as we could not meet people and operate our factories. This time, however, is very tough as it has affected every single person, and organizations have to make an effort to secure the basics, which are usually taken for granted. It is essential to have a nimbler organization where you can move resources to where they are most needed. The current environment is so volatile that you might plan one thing in the morning, but you find yourself in a position where you are unable to implement it by the evening.

It is important to keep looking for pockets of opportunity and developing them for the future. Even doing the correct thing in the long run may unpredictably benefit the organization. Even the import bans may be an opportunity for local manufacturers.

What are the skills and capabilities you expect undergraduate students to develop if they are aspiring to join the FMCG sector in the future?

The field of FMCG can be stressful, and students might struggle with the phases of work. Hence, it is essential to learn to work under pressure and deliver your best. Secondly, teamwork has been identified as the most powerful tool, especially in this field. It used



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LOOK FOR POCKETS OF OPPORTUNITY AND BUILD THINGS FOR THE FUTURE. ALL SRI LANKAN COMPANIES THAT HAVE A PRESENCE OVERSEAS ARE CONCENTRATING ON MORE DOLLAR REVENUE WHICH IS SOMETHING WE SHOULD ALL FOCUS ON. WE WELCOME GOVERNMENT SUPPORT AND INCENTIVES TO SUPPORT THIS

”

to be marketing and sales that were considered to be the key areas in an organization. However, now the supply chain has been acknowledged to be the integral function within an organization.

Finally, being open-minded while being vigilant for opportunities is also imperative since the measures that worked in the past may not work for today or one year later in FMCG. Hence, being flexible and adaptable to diverse situations is the key characteristic that is essentially required for one to be successful in the field of FMCG.

**By Dinusha Weerasekara,
Gayanthi Mendis &
Upeksha Hettithanthri**

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ENTRY REQUIREMENTS

DURATION : 1 YEAR

- A degree from a recognized university or
- A professional qualification with 2 year experience or
- A diploma with 3 year experience or
- A minimum of 5 year experience at managerial level (This will be considered on a case by case basis)

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CAPITALIZING ON THE POSITIVES AMIDST CALAMITIES

HISHAN SINGHAWANSA

DEPUTY CEO & CHIEF OPERATING OFFICER
CINNAMON HOTELS AND RESORTS



Could you give an overview of Cinnamon Hotels and Resorts and your current role in the organization as its Chief Operating Officer?

Cinnamon Hotels is a part of the John Keells Group which is one of the largest conglomerates in the country. Cinnamon Hotels was established in 2005 but John Keells as a group had been operating hotels prior to that under different names.

We currently have 15 hotels; 11 in Sri Lanka of which 8 are resorts and 3 are city hotels based in Colombo, and 4 resorts in Maldives, employing more than 4000 people.

My role as the COO, is to provide

“ IN THE VERY SHORT-TERM POWER CUTS, GAS SHORTAGES AND OTHER SIMILAR CONSTRAINTS HAVE AN ADVERSE IMPACT. HOWEVER, UNTIL NOW WE HAVE BEEN WORKING WELL WITH OUR PARTNERS TO FIND SOLUTIONS IN THESE TOUGH TIMES TO OPERATE WITHOUT ANY DISRUPTIONS. WE SAW ARRIVAL NUMBERS DIP IN APRIL AND IS EXPECTED TO REDUCE FURTHER IN MAY AND JUNE DUE TO THE UNCERTAINTIES IN THE COUNTRY ”

leadership to the hotel operations teams who are led by the respective GMs in the 15 properties. In addition to this, I overlook the functions of Quality Assurance, Sustainability, Compliance, Engineering & Projects, Nature trails our experiential unit and IT. As the Deputy CEO I have added responsibility in overall strategic direction of the organization where I work closely with other verticals of the business such as commercial, HR, finance and development with the CEO.

Has the persisting economic situation in the country had an impact on the Cinnamon Hotel's progression in the short run?



“

TOURISM IS ONE OF THE KEY INDUSTRIES FOR THE COUNTRY. EXPORT INDUSTRIES IN GENERAL WILL HAVE TO PLAY A BIG ROLE IN THIS RECOVERY PROCESS

”

The last 3 years have been a difficult period for the Sri Lankan tourism. However, the Maldivian tourism industry recovered early during the Covid-19 pandemic and the performance of our properties there have been quite good. In Sri Lanka the challenge has been different. I think arrivals wise tourists had just started to come in numbers only during last December. January, February and March our occupancy improved a lot leading into April.

In the very short-term power cuts, gas shortages and other similar constraints have an adverse impact. However, until now we have been working well with our partners to find solutions in these tough times to operate without any disruptions. We saw arrival numbers dip in April and is expected to reduce further in May and June due to the uncertainties in

the country. we will have to operationally adjust as the rest of the country during the next couple of months.

But we are hopeful that the numbers will go up in the medium term. we should bounce back fast if things stabilize, as global demand is growing especially in the region and our arrivals should grow fast as our base numbers were low compared to other global destinations.

Have you had to take any considerable measures from a business standpoint to navigate through the current economic environment or are you operating businesses as normal?

With tourist arrivals expected to drop further due to the macro-economic crisis, we are bracing ourselves for another lean period of operation. Over the last 2 years our challenge was bigger because Covid resulted in zero arrivals and zero business and we had over 4000 staff to maintain with zero revenue. We stayed optimistic and decided to hold on to our talent and made sure that we are ready to take advantage when business comes back.

I think the current challenge is different and for us the with the Sri Lankan rupee depreciating as an exporter is beneficial. But we need to have tourist arriving for us to benefit, and as a country we need to resolve a the bigger issues around stabilizing the economy first for this to happen.



“ IF WE ARE TO TAKE ADVANTAGE OF THE EXCHANGE RATE THE TOURIST ARRIVAL NUMBERS NEED TO KEEP ON IMPROVING CONSIDERABLY. I THINK FOR THAT TO TAKE PLACE THE MOST VITAL FACTOR IS THE STABILITY IN THE COUNTRY ”

Would the Sri Lankan currency being allowed to 'free float' have a positive impact on the tourism industry's revenue maximization potential in the short run?

It will have a positive impact on the revenue if the tourists keep arriving. During the last 3 years we had to bear a lot of costs and losses to maintain operations. Therefore, it has not been a major source of revenue recovery for us as of yet. But if we are to take advantage of the exchange rate the tourist arrival

numbers need to keep on improving considerably. I think for that to take place the most vital factor is the stability in the country. If there are riots, protests, fuel queues, more tourists will question themselves before deciding to come to our country. That is the danger and if this negative publicity keeps on going then it will take longer to recover.

Many people are banking on the tourism industry to play a pivotal role in the country's road to economic recovery. In

this case what do you think is the role that Organizations like Cinnamon Hotels have to play in order to aid the local tourism industry?

I think tourism is one of the key industries for the country. Export industries in general will have to play a big role in this recovery process. As a country we have strategic advantage in focusing on tourism, apparel and maybe logistics apart from other service industries to move our GDP per capita number upwards.

I also think that we must take advantage of India. India is this massive market of more than 1 billion people which is growing year on year, and we are well placed to take advantage of it as a tourism destination. When China grew, the tourism industries of all its neighboring country's such as Vietnam, Myanmar and Cambodia grew very rapidly. For us it is India, and we need to take advantage of it.

As an organization we play a leading role in the tourism industry in Sri Lanka, and we work closely with all key stakeholders to drive Sri Lanka as a sort-after destination globally. We recently launched the One Island Thousand Treasures campaign working with Sri Lanka Tourism. We are doing a lot of country related campaigns and we feel that if we push Sri Lanka as an entire destination, it is beneficial for us as an organization. So, we take that responsibility very seriously as well.

In the short run, we have Cinnamon Life integrated resort which is an 800-room luxury hotel in Colombo, with retail, residential and commercial towers integrated, planned to open up soon. This is the largest private sector investment in the country and will be the most iconic property in Colombo. this is a



big statement from us with regard to the confidence we have in Sri Lanka and Colombo as a tourist destination. We will do our part in terms of driving the right marketing and setting up the right infrastructure in key source markets in doing so.

The government has an ambitious plan of making Sri Lanka a 10 billion USD industry by 2025. What is your perspective on this and notwithstanding the current economic situation what are some other challenges we may need to overcome to achieve this goal?

I think 10 billion is based on an approximate 6 million tourist arrivals into the country. As a destination we have been growing rapidly since 2010, and highest we had was about 2.3Mn tourist arriving in 2018. Since

“ THE GOVERNMENT WILL HAVE TO DO THEIR PART. ONE ELEMENT IS THE DESTINATION PROMOTION CAMPAIGN. THERE WAS A BUDGET APPROVED OF A USD 150 MILLION PROMOTION CAMPAIGN LAST YEAR, BUT IT IS YET TO GET GOING AS WE HAVE HAD COVID AND OTHER PROBLEMS ”

2019, we have had few challenging years. But compared to similar destinations regionally we have a long way to go. If we look at Bali

which is a much smaller island, they had pre-pandemic arrivals close to 7Mn. I think getting to 6 million tourists is a no-brainer and it is just a matter of how fast we get there. I am not too sure whether it will happen in 2025 due to the 2 years of Covid and that target was set before Covid. So maybe there will be a delay, but we will get there.

Obviously, the government will have to do their part. One element is the destination promotion campaign. There was a budget approved of a USD 150 Million promotion campaign last year, but it is yet to get going as we have had Covid and other problems. Multiple governments have identified tourism as a priority and are working on support infrastructure as well. Development of the main Airport terminal to increase capacity at Katunayake and development of Rathmalana Airport which is now an International Airport will also help. another area of good



development is connectivity within the country, with a good high-way network which needs to expand as intended. Travel to the southern coast in Sri Lanka is now quite open due to the highway and the planned expansion of central highway would do the same for the east coast, northern and central parts of Sri Lanka as well.

Another big challenge Sri Lanka will face is the talent in the industry. If we are to accommodate 6 million tourists, we will need approximately 150,000 more workforce in the industry. Currently we have a huge problem in terms of the pipeline and retention of talent in the industry, as a lot are going away to Middle East and Maldives which is showing high demand. As a leader

in the industry, we are taking part of the responsibility in solving this problem as well. First we have to create enough economic value, that is good wages and service charge for people to join and continue to work in our hotels/resorts. And to help with the pipeline we have always kept learning and development as a key focus area. We have and will keep investing in world-class learning & development programs and center of excellence/academies partnering with global experts in the field as we feel we also need to lead the way in this regard

What are the skills and capabilities you expect undergraduate students to develop if they are aspiring to

join the tourism industry in the future?

I think skills and capabilities can be taught and what the university system offers is good enough as a starting point. What we need is passion. Hospitality industry is a people industry, and you must have the passion to be in front of people, service people and always do more. That is what we feel is needed and a service culture that moves away from the existing subservient culture to more of a service culture where we continue to respect people while delivering a good quality service. So, what we want from the budding graduates is for them to bring that passion for good service and the passion for being world-class at what we do. Everything else is not rocket science and it is not something you can't learn.

The biggest challenge in terms of attracting people to the hospitality industry is that the entire economics of our industry is built around service charge. Our basic salaries are significantly low and service charge compensates for that pay. We saw over the last 2 years when we had no business and no service charge, people couldn't live and therefore they left the industry. As one of this industry's key player we must solve this problem to attract and retain passionate people by introducing an economic model that provides good pay. For this, we need to upgrade our hospitality to a world-class level to attract higher paying guests, and this must be done looking at medium to long-term rather than short-term profits alone which we as an organization want to do.

**By Janith Iddawala
& Chandima Yapa**

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CHANAKYA DISSANAYAKE

MANAGING DIRECTOR, INVESTMENT RESEARCH
ACUITY KNOWLEDGE PARTNERS

Could you give us a brief introduction to your organization?

Acuity Knowledge Partners is the world's largest financial analysis and research services provider to the global financial institutions and management consulting industry. We serve investment banks, asset management firms, private wealth management firms, commercial banks, hedge funds and asset management firms, as well as management consulting firms globally. We have more than 4700 analysts working from Colombo, Bangalore, New Delhi, Beijing in China and San Jose in Costa Rica. We have large sales and marketing and consulting offices in London, New York and Hong Kong. We are owned by one of the world's

“

IT IS VERY IMPORTANT FOR THE YOUTH ALSO TO HAVE BUILT UP THEIR OWN ECONOMIC KNOWLEDGE AND FINANCIAL LITERACY TO UNDERSTAND THE CORRESPONDING ECONOMIC AND POLITICAL CHOICES THAT WE MAKE

”

leading private equity firms, Equistone Partners, as well as our management and staff. We have been in existence for well over 20 years. So, that is basically our

background and our global organizational structure.

As a well-experienced professional in the field of finance, you must have witnessed and faced economic situations similar to what we are going through right now. How different is it this time?

Sure, as experienced professionals, during our professional life we have worked during a period when there was a war in the country. And then we saw the war coming to an end followed by a massive post-war economic boom. And now we see the country going through, I would say, an unprecedented economic crisis that has no parallels with any of the

“ WE ARE OWNED BY ONE OF THE WORLD'S LEADING PRIVATE EQUITY FIRMS, EQUISTONE PARTNERS, AS WELL AS OUR MANAGEMENT AND STAFF. WE HAVE BEEN IN EXISTENCE FOR WELL OVER 20 YEARS ”





previous periods in our post-independence history. We have gone through economic difficulties in the past, however, I would say that the current challenges are unprecedented, because it is a culmination of a debt serviceability crisis, as well as a foreign exchange liquidity crisis and a budgetary unsustainable situation. This is also a combination of both domestic factors that were driven by some of the political and economic choices we have made as a country and certain external factors that are outside our control. Further, I would say that the current crisis is basically a culmination of long-run economic choices we have made in the past - at least going back to the 1990s - where we have perhaps run the most extensive welfare nation outside the developed world without having adequate taxes to support it. It is also due to certain underlying conditions in our political and social structures, where successive administrations that have chosen political popularity and economic populism, have hesitated to turn around our declining tax revenues since 1990. For example, any country that would have ended a war and experienced a post-war

“ I THINK WHAT IS REQUIRED NOW IS FOR THE ENTIRE COUNTRY TO UNDERSTAND THE GRAVITY OF THE ECONOMIC SITUATION THAT WE ARE IN AND HAVE HOPE THAT IF WE CAN MAKE THE REQUIRED ECONOMIC, POLITICAL AND SOCIAL CHANGES, WE CAN COME OUT OF THIS SITUATION, PERHAPS WITHIN A COUPLE OF YEARS ”

economic boom would have taken the opportunity to increase its tax base, unfortunately, we did not opt for that safe and sustainable path, instead, we wanted to boost every possible economic activity while maintaining a low tax base. The issue is that a country can do that if the government expenses, welfare measures, and energy subsidies did not trend upwards during this period of low tax income. However, in Sri Lanka, we saw a massive increase in government

expenditure. Such measures spilt over to excess demand conditions and with the monetary policy also being at lower levels to accommodate continuous economic expansion, imports increased to unsustainable levels. Even before the pandemic, Sri Lanka went through multiple rounds of mini balance-of-payment crises every four to five years.

So, what we are experiencing today is a culmination of both long-run factors and the pandemic closing down our tourism industry. This negative impact on the country's tourism industry resulted in a loss of 4 to 4.5 billion US dollars to the economy. Also, we have seen that due to various reasons the administration hesitated to go into the IMF program early enough. This also contributed to the crisis which we must now fight our way out by trusting the IMF process and World Bank process in restoring investor confidence in the country by way of extremely prudent and confidence-building debt restructuring. Even though Sri Lanka is currently in a crisis, we have demonstrated a very long track record of not defaulting on foreign debt obligations and once we come out of this crisis, we

believe that our investors will also re-establish their confidence in the country. I think what is required now is for the entire country to understand the gravity of the economic situation that we are in and have hope that if we can make the required economic, political and social changes, we can come out of this situation, perhaps within a couple of years. But if we don't have that collective approach, this recovery will be delayed further and most of the citizens will continue to face the negative impact of this economic crisis.

In terms of the foreign exchange crisis that we are facing today, what do you see as the root causes of this and the immediate consequences?

So, as the long-run factors, I would say that our unsustainable monetary and fiscal policies contributed to this situation where such measures resulted in excess demand for imports which were not corrected by a tight monetary policy. Further, the lack of investments in expanding the country's export base worsened the balance-of-payments pressure. Also, this balance-of-payments pressure did not support the authorities to allow the self-correcting mechanism to operate where the natural demand and supply mechanisms would allow the interest rates to rise and the currency to depreciate in order to maintain the equilibrium. Also, holding the exchange rate fixed for a long period resulted in the depletion of reserves which ultimately led to a situation where the country required IMF assistance.

While the 2019 tax cuts, low-interest rates, and fixed exchange rates led to the creation of excess demand for imports, the pandemic added more



pressure with its negative impact on the tourism industry and employee remittances. So, the culmination of such long-run and short-run factors created the crisis, and the breaking point was the recent Russia-Ukraine war that resulted in a massive rise in the energy prices that simply ended with us running out of foreign exchange to pay for our fuel imports.

What are the short-term and long-term strategies you recommend at this point?

So, I think the Central Bank of Sri Lanka and the Ministry of Finance, which has the main responsibility for the monetary policy of the country have published their own

road maps for the recovery from the crisis. At this particular point in time, we need to understand that the IMF program creates the sponsorship for our debt restructuring process and the debt restructuring proposals that would be presented to our debt holders. Therefore, going through the IMF program is the biggest confidence builder to come out of the crisis. The program not only supports the country with the funding they provide but also, assures the investors that they will continuously monitor the process and keep the government of Sri Lanka on track in meeting restructured debt payments on time. I believe, Sri Lanka has already completed a certain percentage of reforms required in qualifying for the program. Some of the reforms that had already been implemented are increases in the interest rates



and free flow of currency. Some amounts of fiscal reforms are also required by way of reduction of removal of the energy subsidy not only relevant to domestic usage but for all other commercial purposes as well. Our tax base must be increased to the level that it was under the previous programme because now we are one of those countries which collect the lowest taxes as a percentage of GDP which can be identified as a major contributing factor to the crisis, we are in. So, this change in terms of taxes needs to happen soon with political collaboration. Also, I believe, the bridge financing we need, ahead of the formal finalization of the IMF Programme will start materializing from bi-lateral as well as multi-lateral sources. I believe that if the tax reforms can be passed in the parliament, IMF itself will provide the extended funding facility. We need to stick to the program that is the way to come out of this crisis and that's the way to build investor confidence.

What do you think is the contribution of KPOs like your organization to the Sri Lankan economy right now?

Our industry has been a growth driver and has been a US dollar revenue source for the Sri Lankan economy. I'm happy to say that

companies like ours have grown by more than 50% even with the pandemic. We have been creating highest paid jobs in the Sri Lankan economy. We have taken our efforts in ensuring that young professionals are not without any career opportunities. We all know that Sri Lanka is going through an unprecedented economic crisis, but it has not yet been transferred to a professional labour market crisis. We have grown by 50% and some of our other peer companies such as the London Stock Exchange Group have grown by hundreds of qualified staff headcount in this particular area. We are also in a position to increase our compensation benefits which we have already done in several cycles. Due to the currency depreciation, we have a higher ability to absorb it, compared to companies that don't have foreign exchange revenue sources. I believe that we can be an immediate growth driver to the Sri Lankan economy and ensure that the professional labour market conditions remain very strong, despite the economic crisis.

What do you think is the role of the general public – especially the youth - in resolving this situation?

I totally understand the frustration and the anger that the

youth would have. The current situation is due to collective political choices and social choices that we have made in the country, by the previous generations including me. My generation and previous generations have had this unfair advantage of consuming more welfare benefits which have also partly contributed to the present situation we all are in. So, when austerity measures come in, those would have a bigger impact on the young people, they will see fewer welfare benefits and higher taxes. So that anger should be very well understood and accepted from purely a social equity perspective. Having said that, it is very important for the youth also to have built up their own economic knowledge and financial literacy to understand the corresponding economic and political choices that we make.

So, it's very important that the youth understand how untargeted subsidies, loose monetary policy and unsustainable fiscal policy created the present situation we are in and push the politicians to talk uncomfortable economic truths with their voters. So going forward, the youth of the country should push politicians to address the real economic issues than promising unsustainable subsidies at election times which would lead the country to a massive debt crisis down the line. It is important for the youth to read quality economic content and share that knowledge with their family and friends and drive collective understanding. Ultimately, it's the youth's responsibility to hold politicians responsible for economic sustainability.

By Narmada Balasuriya & Daupadhee Gamage

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STEERING THROUGH THE CHALLENGES

DR.ROHAN FERNANDO

MANAGING DIRECTOR - ELPITIYA PLANTATIONS

Can you please enlighten us on your journey so far with Aitken Spence and Elpitiya Plantations?

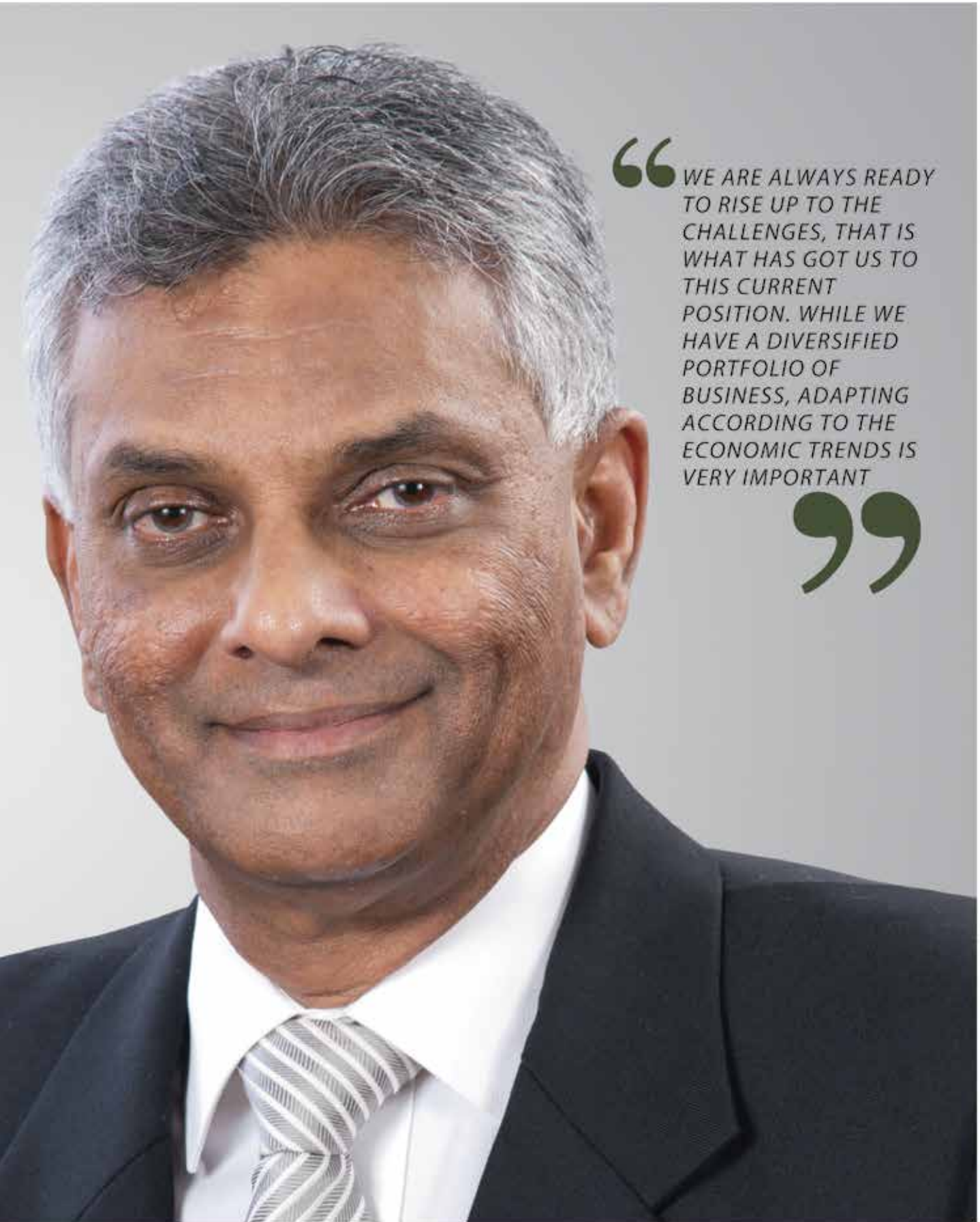
I joined Aitken Spence in May 1994 and it's been almost 28 years. At that time, Aitken Spence Plantation was managing another regional plantation company (RPC) called Udapussallawa Plantation which was under a management contract with the government. I joined as the CEO and Director of that company. I joined the company where it was also going through a very challenging period, and in less than two years, the government of Sri Lanka (GOSL) decided to sell its 51% shares in 1996 and unfortunately, Aitken Spence was not able to

acquire it. Subsequently, I was absorbed into a freight company in Aitken Spence (AS) called Ace Freight Management Company until August 1997.

The chairman of AS at that time was very keen to get into plantations and we purchased a majority stake in Elpitiya Plantations (EPP) in August 1997 when GOSL was selling the controlling shares in RPC. EPP was one of the last RPC's to be privatized and there were no takers for its shares as the company was badly run down. However, the management of Aitken Spence Plantations Management (ASPM), accepted the challenge.

Despite all the enormous challenges from 1997 ASPM completes 25 years of ownership and management of Elpitiya Plantations Plc now a public

listed company together with ASPM. I am happy to say that, during this period we have been able to bring it to the forefront of being amongst the top three plantation companies in Sri Lanka and with high levels of productivity, and highly diversified into several new areas. My foundation at AS was initially in plantations and in April 2005, I was appointed to the main board of



“ WE ARE ALWAYS READY TO RISE UP TO THE CHALLENGES, THAT IS WHAT HAS GOT US TO THIS CURRENT POSITION. WHILE WE HAVE A DIVERSIFIED PORTFOLIO OF BUSINESS, ADAPTING ACCORDING TO THE ECONOMIC TRENDS IS VERY IMPORTANT

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directors AS. I've served on the mainboard since then and its now 17 years. Subsequently I got involved with business development and sustainability, corporate communication, and branding. So that's my role in Aitken Spence in a nutshell.

Can you provide a short synopsis of how Elpitiya Plantations has become a renowned brand in the plantation sector?

As I mentioned before when ASPM acquired EPP the company had been poorly maintained and required, not only investment but also the implementation of several management strategies and establishment of systems to elevate it to its current status.

The first 10 years were a very challenging period where we invested over 3 billion rupees in the factories, the estates to replant tea, and rubber. We also made a very important decision to diversify our business model by venturing into palm plantations. We also built an excellent management team where we were able to create out of the box



thinking and focus on several key innovative areas.

The key underlying factor for the development in the company was transformation and leadership development. The leaders emerged from the existing employees because we tried our best not to bring people from outside and developed our own leaders as far as possible. Today around 40% of our senior management has over 15 years' service record at the company. So, not only have they've been with the company for a long time but also have grown with it and have been an

integral part of the company's growth and success. Apart from the enormous commitment from some of the senior employees, they are also familiar with our style of management which has ensured the smooth operation at the company.

What are some other critical business challenges that your organization has faced in the long run?

The first 10 to 15 years were very challenging as the debt in the company increased to 1.6 billion. I

recall in 2009 and 2010 we were going through a very challenging period because after the meltdown in 2008 the global commodity prices drastically decreased while the interest rates increased. In fact, we found ourselves in a state where we found it difficult to manage day to affairs. However, during that period, we made the right investments to keep the foundation strong.

In 1998 we hired an Indian consultant who helped us to build our business strategy. The strategic overview has been a very strong element in the company, so much so that we are constantly revisiting our strategy to adapt to the ever-changing contemporary socio-economic environments. Apart from cultivating palm oil we were also able to provide the leadership to set up the second palm oil mill in Sri Lanka. This was a tremendous win for the company.

We also replanted a lot of Tea and rubber while carrying out some innovative joint ventures. For instance, we entered in into joint venture with a Chinese company to export our high quality, low yielding tea and set up a factory to service the Chinese market with Chinese machinery. The tea was sold at a colossal price, and we were the only plantation company to have such a joint venture. This was a great learning experience. Later on, we engaged with another international consulting firm to revisit our strategy and we developed the Design 2020 where we set ourselves a target of 1 billion profit to achieve by 2025.

I am happy to say that we have already achieved that target. The design 2020 has three pillars, one is economic transformation. We created economic transformation going into various types of projects after observing the new trends in the market. Today, we are the only company in Sri Lanka, that is cultivating all four types of berries,



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THE KEY UNDERLYING FACTOR FOR THE DEVELOPMENT IN THE COMPANY WAS TRANSFORMATION AND LEADERSHIP DEVELOPMENT. THE LEADERS EMERGED FROM THE EXISTING EMPLOYEES BECAUSE WE TRIED OUR BEST NOT TO BRING PEOPLE FROM OUTSIDE AND DEVELOPED OUR OWN LEADERS AS FAR AS POSSIBLE. TODAY AROUND 40% OF OUR SENIOR MANAGEMENT HAS OVER 15 YEARS' SERVICE RECORD AT THE COMPANY

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strawberry, raspberry, blackberry and blueberry. We also expanded our cultivation to cinnamon. Another initiative that came out of this initiative to set up an adventure park with the objective of

optimizing the land base. The next pillar is social transformation under which we set up an elder's home for our retired workers amongst several other initiatives targeting orphans, and the physically challenged in the company. The third pillar is the leadership transformation, under which we are building our second and third layers of leadership at the moment.

Sustainability is one of our key focus areas where we have aligned ourselves to several SGD goals. Our focus in terms of SGD goals mainly focus on clean water and sanitation, renewable energy, good jobs, economic growth innovation, and infrastructure.

Currently we are working towards a new vision at EPP to build a new purpose and a culture within the Elpitiya Plantation with international consultants. This is a process that got delayed due to the Covid-19 pandemic. We are focusing intently on every inch of land we own where land optimization and land utilization and resource utilization is the main aim with the objective of being transformed from merely being a plantation company to a more diversified asset base. It is with this vision in mind we ventured into berry plantations and to build an adventure park. If everything goes well and according to the plan these non-traditional areas will contribute significantly to the profits of the company.

What are the challenges that the company and plantation sector facing under the current forex crisis in Sri Lanka?

The Forex crisis has generated several challenges to the plantation sector which without a doubt affects all RPC. One is that the cost of fertilizers has increased tremendously. The fertilizer was

30,000 rupees a ton prior to the economic crisis in the country and today, a ton costs about 500,000. It is definitely going to have very negative impact on the plantation sector.

Further all imported inputs for the berry cultivation, ex-a soon of factories will cost at least 25% more than planned and suppliers are not in a position to import such items. Due to this forex shortage, we are experiencing a higher inflation and interest rates have also increased rapidly. This has made an impact on our adventure park construction as well since we need to import many inputs from overseas. In addition, the biggest challenge today is cost of transport and availability of fuel for estate operations. However, I must say that the rupee depreciation has also given some positive aspects by way of improves commodity prices. The prices of Rubber and Tea have been increased and Palm oil prices have increased as well. We are always ready to rise up to the challenges, that is what has got us to this current position. While we have a diversified portfolio of business, adapting according to the economic trends is very important.

What are some measures that you have taken from a business perspective to navigate through this situation? Have these initiatives been successful?

For instance, now, if I take the fertilizer issue I mentioned earlier, we have been fertilizing the plantations adequately, I would say during the past several years. As well as we have also been using a fair amount of organic fertilizer in the company long before the crisis so the impact of Artificial fertilizer can be minimized as the effectiveness of artificial fertilizer also improved when mixed with



organic fertilizer.

Therefore, we have been taking these measures, of course, depending on the economic viability. We have taken all these measures to strengthen the business during these difficult times but sometimes you know, there is a limit to what you could curtail because fertilizer is a key ingredient for any plantation. I think, inconsistent domestic policies have affected the plantation business more than anything else. It is important that the businesses remain resilient through these times with the help of new strategies to carry on.

As an industry leader, how do you perceive that we can improve the overall export sector of the country?

Ideally, developing an export market for value-added exports is vital. We are on this path. It is not an easy task

but I think it is the path we should take to improve the export sector of the country. There are so many other plantation companies handling valuable exports, similar to our berries. However, we have realised that in the case of berries, we don't need to export because there's a large enough local market, with very few players. This is actually one of the main reasons we took the strategic decision to get involved in the berry business. The same can be said for our production and retail of palm oil, which likewise has a huge local market. Our focus is therefore not only on exports but also on the domestic market where import substitution is equally relevant. In conclusion we would say that we are always optimistic about Sri Lanka and possess a management team that can walk the talk.

By Chandima Yapa & Janith Iddawala

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YATHINDRA TENNEKOON

INTERNATIONAL MARKETING MANAGER
MALIBAN GROUP



Could you please give an overview of Maliban and your journey thus far with the company?

Maliban is the pioneer biscuit manufacturer in Sri Lanka. The third-generation family business is currently

chaired by Mr. A.G.R Samaraweera, the son of founding Chairman Mr. A.G Hinnyappuhamy. Maliban Biscuit Manufactories (Pvt) Ltd stands tall as one of Sri Lanka's most trusted and respected brands. Having started exporting in the 1960's, Maliban now sells its products in over 40 countries. Maliban products are on the

shelves of renowned global retailers such as Tesco & Bestway in the UK, Carrefour and LuLu hypermarkets in the Middle East.

My journey with Maliban since 2018 has certainly been an exciting one with numerous challenges, during and post pandemic. Work in the confectionary industry is a new

experience as my career mostly spanned out in the Tea industry, locally as well as overseas.

I am pleased about my contributions within this short span of time and take pride as the company has been recognized with several export accolades, namely the prestigious Presidential Export Award in 2020 and NCE export awards in 2020 and 2021 with an aspiration to bag more in the future.

What do you think are the fundamental factors that have helped Maliban grow in the recent years?

Just like Ceylon Tea and Ceylon Cinnamon, Sri Lankan confectionaries have been synonymous with quality, making a mark in the global marketplace even whilst facing stiff competition from low-cost suppliers from India, Bangladesh, Malaysia and Turkey. The perceived quality of Maliban products have had us busy catering to inquiries from all corners of the world, some as far as West Africa, the likes of Ghana, Ivory Coast, Liberia, Gambia and Sierra Leon, some of which interestingly have domestic biscuits production. New Markets in Africa have led to a significant growth of Maliban exports.

UK and Europe remain the biggest markets for Maliban. The continuous efforts in distribution and marketing investments over a span of 15 years have seen positive returns. Maliban products are now being patronized by all ethnic groups previously limited to migrants from the Indian sub-continent. Focus on quality consistency and marketing investments are



“ UK AND EUROPE REMAIN THE BIGGEST MARKETS FOR MALIBAN. THE CONTINUOUS EFFORTS IN DISTRIBUTION AND MARKETING INVESTMENTS OVER A SPAN OF 15 YEARS HAVE SEEN POSITIVE RETURNS. MALIBAN PRODUCTS ARE NOW BEING PATRONIZED BY ALL ETHNIC GROUPS PREVIOUSLY LIMITED TO MIGRANTS FROM THE INDIAN SUB-CONTINENT ”

fundamental to the growth of any product and Maliban is determined to follow this mantra.

Has the persisting economic situation in the country had an impact on Maliban’s progression in the short run and how could it impact in the long run?

The high dependency on imported raw materials has made the industry acutely susceptible in this time of crisis. As the rupee crumbles the industry is made to pay more for each ingredient. Flour alone has seen a 150% price increase year on year. Sugar and palm oil have



seen several fold increases as well. Whilst inflationary pressures are being felt globally, the domestic problem is unique making Lankan confections less competitive.

The short-term negativities will undoubtedly snowball to considerable ramifications in the long term. The erosion of bottom lines and short-term survival strategies will hinder long term plans such as project prioritization, curtailment of infrastructure improvements and capacity expansion, de-prioritization of training & development etc. The threats are real, and a long-term slowdown is expected, being innovative and thinking out of the box will be imperative to business longevity.

What are some measures that you

have taken from a business standpoint to navigate through the current economic environment? To what extent have these initiatives delivered positive results?

We will strive to protect the hard built businesses over the remainder of the financial year and the next. Our strategy is to prevent de growth and maintain top line revenues generated by our key accounts even at the expense of bottom-line profits. Its too early to measure the real benefits but our customers are certainly responding positively. In the current hyper inflationary environment price increases in short spans have become necessary, however discretion is required on the burden we wish pass on to our customers at this crucial juncture. A balancing act

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IN A WORLD PACING FASTER THAN A DECADE AGO, STUDENTS NEED TO BE MULTI SKILLED AND OPEN TO CHANGE. FEWER JOBS, STRINGENT APPRAISALS, HIGH ROI EXPECTATIONS AND LEANER STRUCTURES HAVE MADE JOBS NOTHING BUT EASY

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is in execution with high priority given to superior customer service.

Maliban is in the final stages of formalizing agreements with a contract manufacturer in South Asia. We expect this arrangement to give us a competitive advantage to expand our export markets and most importantly avoid cost pressures currently plaguing the business. We hope to replicate this model several regions globally.

As a leading conglomerate with a substantial presence in the FMCG sector, what role do you think a company like Maliban can play to aid Sri Lanka's economic recovery? And do you think the FMCG/Confectionery sector has recognized the industry's full potential at present?

As a leading business entity, providing employment to over 1500, we feel it is our solemn responsibility to protect the livelihood of this large group of

employees and their families in this vulnerable period thus denigrating the negative economic spiral which has befallen the country. As a group of businesses with a focus on food, Maliban has a portfolio consisting of Biscuits, Dairy products, Cereal, Tea and Coffee. The dairy business is under the microscope with plans underway to increase the product range to liquid flavored milk and yogurts with the participation of foreign expertise. The Agri business is also expanding to plantations of Mango, Banana and other cash crops. Economic recovery of Sri Lanka is vitally linked to export earnings, and we are utilizing the diversified portfolio to maximize export revenues for the benefit of mother Lanka.

I believe we have recognized the potential of the confectionery sector in Sri Lanka. This large sector which does not limit itself to biscuits, consists of Cakes, Chocolates, Ice Creams, Toffees, yoghurts, reconstituted milk, desserts etc., contributing to over \$ 100 million in export earnings annually, can be considered on par

with the worlds best. Confectionary provides direct employment to over 50,000 with about 600,000 indirectly dependent in Sri Lanka. Over the last decade we have seen local conglomerates making substantial investments, especially in dairy based manufacturing and some notable acquisitions, signaling a growth in the industry.

What are the skills and capabilities you expect undergraduate students to develop if they are aspiring to join the FMCG sector in the future?

In a world pacing faster than a decade ago, students need to be multi skilled and open to change. Fewer jobs, stringent appraisals, high ROI expectations and leaner structures have made jobs nothing but easy. Staying ahead with continuous improvement and a positive attitude will be the game changer.

By Thisal Yatawara & Dinusha Weerasekara

RE-STRATEGIZING THE LOCAL ECONOMY WITH SRI LANKANS AT ITS CENTRE

ANUSHKA WIJESINHA

CO-FOUNDER/ ECONOMIST
CENTRE FOR A SMART FUTURE

As we know, you are an economist and an international consultant. So, to begin with, we would like to have an overview of your current engagements.

I currently work overseas and in Sri Lanka. Overseas, I primarily work with international organizations like the International Trade Centre, which is a joint body of the UN and WTO. I work with them on economic competitiveness and trade strategy initiatives, advising the governments of Pakistan, Iran, and previously Myanmar. I also work with them on improving the government's ability to implement effectively together with their private sectors. In Sri Lanka, I started a new public policy think tank called the Centre for a Smart Future (www.csf-asia.org) where we produce new knowledge and solutions in areas ranging from

“ BEFORE WE CONSIDER THE LONG-TERM, WE MUST LOOK AT THE SHORT-TERM – NEGOTIATING WITH OUR CREDITORS OF ALL TYPES FOR A RESTRUCTURING OF DEBT **”**

inclusive economic growth, to technology, to cities and urbanization, and the environment and natural capital. I also have some roles in the private sector, as a Director at Seylan Bank, HNB Finance, and Fairfirst Insurance.

On 08th March 2022, the Central Bank of Sri Lanka announced that they had to abandon

the pegged exchange rate and enter into a floating exchange rate regime again. What are your comments on this action?

It was much needed but was done too late and too rapidly. We saw the currency slide sharply after that, but it should not have been held artificially for so long – totally disconnected to market realities and was completely unsustainable.

Theoretically, we know that depreciation encourages exports and discourages imports. But in accordance with statistics in Sri Lanka, the results are irregular with the theory. Why isn't depreciation strengthening the trade balance in Sri Lanka?

“CORPORATES SHOULD FIRMLY TAKE A NATIONAL INTEREST PERSPECTIVE ON ALL MATTERS AND BE FEARLESS IN THEIR STATEMENTS AND ACTIONS”

Actually, the long-term results do stack up to this theory, but on average, Sri Lanka has historically had overvalued exchange rates and has had an anti-export bias. There was more emphasis placed on what a weaker currency would do to the cost of imports than the benefit of exports. However, right now, what we see is that even though the LKR has substantially depreciated and should help export competitiveness, due to the current economic crisis, there is a severe domestic production shock. This is driven by raw material shortages, intermediate goods shortages, sharp price hikes in inputs, lack of fuel and electricity, difficulties for workers to come to factories and offices, etc. So, exporters cannot fully benefit from the depreciation because their production is affected and also the cost of production has gone up due to domestic inflation (now at nearly 30%!).

The Monetary Board of the Central Bank of Sri Lanka, at its meeting held on 08th April 2022, decided to increase the Standing Deposit Facility Rate (SDFR) and the



Standing Lending Facility Rate (SLFR) with the expectation of stabilising the exchange rate and the price level. What do you think would be the real impact of this decision?

It is clear – market interest rates would rise, increasing borrowing costs and slowing lending. It would curb demand-pull inflation and support the rest of the macro-stabilization efforts.

According to your point of view, what could be done in the long-term especially to help Sri Lanka to regain its debt sustainability?

Before we consider the long-term, we must look at the short-term – negotiating with our creditors of all types for a restructuring of debt – possibly a haircut and/or an extension of tenor. Without this, we cannot look beyond. Once that is completed, we must do the following: implement long-overdue economic reforms to liberalize and deregulate the economy in order to attract export-oriented FDI; improve human resource skills capabilities to boost exports and innovation in order to drive foreign earnings; privatize unproductive state assets that are a drain on public finances and generate some cash, but in a transparent manner; and introduce tighter governance around what we consider future investments and increase the economy's overall competitiveness and dynamism so that, it is led by the private sector, trade, exports, and investment rather than the public sector and non-tradable sectors.



As you think, what is the responsibility of the public and the corporate sector to be more resilient amidst this situation?

There are several aspects in your question here – the public, the corporate sector, responsibility, and resilience. Since it is a lot to respond to, I will speak mainly on the corporate sector's responsibility – their responsibility is to the people of the country, and they should firmly stand behind the people's struggle for

accountability and good governance. They should provide a strong, coherent, and credible voice calling for change, beyond the usual narrow-interest approach. They should firmly take a national interest perspective on all matters and be fearless in their statements and actions. There is no point in winning various CSR and corporate citizenship awards if they do not stand by justice, democracy, equality, and good governance at this historic moment in the country.

Finally, as an economist, what are your thoughts on the best solutions the government has to reset the economic strategy?

There are many thoughts I could share on this, but I will keep to just one – ensure people are at the centre. This crisis, coming on the back of two previous crises – Easter Sunday bombings and then COVID-19, has severely hurt people – households, workers, children, urban poor, and other vulnerable population groups. The myopic decision to ban agrochemicals further aggravated people's plight. So, as you say, any 'economic strategizing' should put people first – decision-making should consider the impact on people; austerity measures under an IMF program should consider the impact on people, and new economic plans should consider how they will impact and benefit people. Forgetting this would risk hard-socio-economic and human development gains made since independence and would risk a "lost decade" in terms of inclusive growth in Sri Lanka.

**By Janith Iddawala
& Tharushi Piyumalee**

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KUSAL NISSANKA

SENIOR VICE PRESIDENT -
FINANCE & ADMINISTRATION
COLOMBO STOCK EXCHANGE

“

ONE CAN SAY IMPORT
SUBSTITUTION IS THE WAY
FORWARD. BUT I THINK WE CAN
RELY ON THE SAME ONLY UP TO A
CERTAIN EXTENT. THAT IS NOT THE
ONLY SOLUTION. LOCAL
BUSINESSES SHOULD FOCUS ON
INCREASING LOCAL VALUE
ADDITIONS

”



“ CAUSE FOR THIS CRISIS IS THE CUTTING DOWN OF THE TAX RATES CHARGED BY THE GOVERNMENT WITH THE INTENTION OF BOOSTING ECONOMIC ACTIVITY. HOWEVER, GIVEN THE TAX REFORMS WERE CARRIED OUT DURING THE VERGE OF THE PANDEMIC, THE EXPECTED TRIGGER WAS NOT VISIBLE DUE TO THE DECELERATED VOLUMES OF ECONOMIC ACTIVITY. ACCORDINGLY, THE RESULT WAS, DETERIORATED GOVERNMENT INCOME RESULTANT FROM REDUCED TAX RATES, WHICH GAVE RISE TO THE NECESSITY FOR THE GOVERNMENT TO PRINT MONEY TO FINANCE THE GOVERNMENT BUDGET DEFICIT ”

What do you believe as the main causes that led to the existing forex situation in Sri Lanka?

Well, it is a known fact that Sri Lanka is currently facing a strongly felt economic crisis, and when this economic crisis is discussed, one main aspect which has made Sri Lanka burdened severely is its debt servicing requirement. Years extending from 2021 to 2025 mark the duration within which we, as a country, being obliged to make the highest ever debt repayment in -our history, amounting to approximately 4.4 billion USD on average, annually.

Even though this commitment was a known fact, since 2019 the foreign inflows to our country got negatively affected mainly due to the combined impact of easter attacks and the upsurge of the Covid-19 pandemic. Due to the global pandemic, the forex inflows from our main exports such as tea, rubber, and garments underwent a sharp decline due to the fall in global commodity prices. Furthermore, the remittance from tourist arrivals, which was one of the major foreign currency earning streams to Sri Lanka, also dropped drastically due to the travel restrictions and health related concerns of the Covid-19 pandemic.

Furthermore, our foreign currency inflows had a strong hit, as many of the Sri Lankan workers employed aboard lost their jobs due to the spillover effects of the pandemic, resulting a drop in remittances.

Amidst all this chaos, in order to keep the economy relatively stable and trigger economic activity, several measures were taken. As an internal measure taken by the governing authorities of the country, the foreign exchange rate was fixed for a longer period by depending on the rupee using the reserves. Furthermore, interest rates were maintained at a relatively low level for a longer period of time, which gave rise to an increase in private credit. This subsequently led to increased consumption as well as heightened demand for imports.

Another cause which I can highlight as a cause for this crisis is the cutting down of the tax rates charged by the government with the intention of boosting economic activity. However, given the tax reforms were carried out during the verge of the pandemic, the expected trigger was not visible due to the decelerated volumes of economic activity. Accordingly, the result was, deteriorated government income resultant from reduced tax rates, which gave rise to the necessity for the



“ AN IMPORTANT COMMENT TO BE MADE AT TIMES LIKE THIS IS THAT ANY POSITIVE NEWS ON FOREX WILL BOOST INVESTOR SENTIMENT AND AFFECT THE STOCK MARKET PERFORMANCE POSITIVELY ”

government to print money to finance the government budget deficit. I believe these are the main causes that led to the foreign exchange crisis which we are currently facing as a country.

How does the current forex crisis impact the stock market performance?

I can say, the crisis situation has led to mixed outcomes simply because, when the context is analysed, it can be seen that, the export-oriented companies have been better off, whereas companies relying on material importing have been negatively affected. When talking about the listed companies engaged in importing raw materials for production purposes, we can clearly see that those listed companies have been negatively affected due to the exorbitant increase in their production costs triggered by the currency depreciation and also due to import restrictions. An important comment to be made at times like this is that any positive news on forex will boost investor sentiment and affect the stock market

performance positively. In fact, at this moment of time, we are facing mixed outcomes as mentioned before. However, we are now in a transition phase and any slight positive news will affect the stock market positively.

What kind of impact does it have on investments done by foreigners? Does the current forex crisis result in dollar outflows in terms of foreign investors leaving the country? How does it further accelerate the problem?

During the pandemic situation, it could be seen that all Central Banks across the world were reducing interest rates, and Sri Lanka also did the same. When reflecting on our stock market performance, it

could be seen that it has been performing well since 2020. The foreign investor contribution to our market in year 2018 was as high as 44%, whereas in 2021, the foreign investor contribution was only 5%. Accordingly, during 2021 local investors were dominating the market. It was during this time; Sri Lanka's rating was downgraded by several leading global rating agencies. This was a situation that was pre-read by foreign investors well in advance, which was the reason for the net foreign outflows recorded since 2018, when the peak of the outflows happened in 2021. During this time, the exchange rate was fixed, and foreign investors were anticipating a currency devaluation in the time to come, so they left the market at its peak. After January 2022, we were able to see the indexes were crashing. By March 2022, the currency was allowed to be depreciated, and as a result, we

could see foreign inflows during the March-April 2022 period. This is actually a good sign. Even up to this point in the month of May, we could see foreign inflows. If you carefully look at the situation, you will be able to see that most foreigners exited the market before the crisis because they had pre-read the situation very well. Hence, after the devaluation, the stocks have become very cheap for them, hence they are showing a coming back tendency.

What do you think are the biggest challenges faced by Sri Lanka in overcoming this situation in the short run?

As of now, we are having clear issues in purchasing essential items, especially food, medicine, fuel, and gas. This has resulted in

the formation of massive queues all over the country, and it is currently one of the most serious challenges facing everyone in Sri Lanka, including you and me.

“ WHAT WE, AS A COUNTRY, NEED TO DO IS TO CONSIDER THIS HARD SITUATION AS A BLESSING IN DISGUISE. WE CAN ACTUALLY CONSIDER THIS TO BE A GOLDEN OPPORTUNITY WE HAVE GOTTEN ONCE IN A LIFETIME TO CORRECT OUR STRUCTURAL WEAKNESSES ”



Furthermore, we have announced a suspension of external debt payments and now we are in the process of restructuring. Once we restructure external debt, we can possibly seek assistance from the IMF program, and we will be eligible for the expedited fund assistance program as well. If we can sign up with the IMF program, it will surely boost investor confidence and also support the reserve base and, subsequently, the currency value. However, it will take approximately 3-6 months to sign the IMF agreement to bail out, and until such time, we will need support from other multinational organizations such as the World Bank, and Asian Development Bank as well as friendly nations. We need to have a bridging mechanism to manage this time gap until the IMF program activates support towards the fulfillment of these immediate essential item requirements. Since we have currently suspended external debt, we have the ability to hold payments until we do the debt restructuring. Once restructuring is done, we will be eligible for a longer tenure for debt repayment, which will reduce the pressure on our reserves and currency. With the signing of the bailout agreement with the IMF, we can anticipate some investments and aid. I think then we will be able to resolve this issue.

What do you think are the long-term repercussions of a prolonged forex crisis?

Currently, due to the absence of essential items such as food, medicine, fuel, gas, etc., there are clear signs of social unrest. It has already affected people, especially those who are in the vulnerable segment of society. Therefore, it is extremely clear that these essential item shortages and exorbitant price increases have badly affected the vulnerable segment of society.



“

WE CAN POSSIBLY SEEK ASSISTANCE FROM THE IMF PROGRAM, AND WE WILL BE ELIGIBLE FOR THE EXPEDITED FUND ASSISTANCE PROGRAM AS WELL. IF WE CAN SIGN UP WITH THE IMF PROGRAM, IT WILL SURELY BOOST INVESTOR CONFIDENCE

”

Hence, adapting the social net to protect them is vital. Therefore, we really need to address these issues as soon as possible without giving room for these problems to worsen.

And also, if this forex crisis

continues for a longer period, it will clearly affect the business climate as well. Today, most businesses are facing difficulties in terms of sourcing raw materials as well as due to prolonged power cuts. The input costs have increased resulting in product price increases, which in turn has hindered the competitiveness of local exporters among global companies in the world market. Some foreign companies may discontinue buying from Sri Lankan companies/ parties and they may decide to relocate their orders to other countries that are in the same business. As of now, it can be seen that sincere and valid concerns are being raised by foreign buyers because they doubt our ability to supply their shipments on time. If these foreign clients decide to relocate their business deals to companies elsewhere, Sri Lanka will have to face bigger problems such as job losses, and export reduction, which will in turn affect the forex inflows. Since almost all these issues have interconnectedness, it is vital that all possible steps are taken to solve this crisis as soon as possible.

What is your opinion in government seeking assistance from IMF in the current situation?

Seeking assistance from the IMF is a must. Being frank, we are already late. We should have gone to the IMF a long time before. We have started technical level discussions with the IMF. As of now, the IMF's view on our debt situation is that it is unsustainable. Therefore, we need to take immediate steps to restore debt sustainability as per the advice of the IMF. Currently, we are already in the process of restoring debt sustainability. As per the initial IMF advice and assistance, we have now taken steps to tighten the monetary policy as well. In par with the executions, the Central Bank of Sri

“ *I THINK MOST COUNTRIES HAVE GONE THROUGH SIMILAR CRISIS SITUATIONS IN THE PAST, AND THE MOST RECENT EXPERIENCE I CAN RECALL IS THE ASIAN FINANCIAL CRISIS. IF WE LOOK AT THE COUNTRIES AFFECTED BY THE ASIAN FINANCIAL CRISIS, IT COULD BE OBSERVED THAT ALMOST ALL AFFECTED COUNTRIES HAVE RECOVERED AND ARE DOING WELL AT PRESENT. THEREFORE, WHAT WE, AS A COUNTRY, NEED TO DO IS TO CONSIDER THIS HARD SITUATION AS A BLESSING IN DISGUISE. WE CAN ACTUALLY CONSIDER THIS TO BE A GOLDEN OPPORTUNITY WE HAVE GOTTEN ONCE IN A LIFETIME TO CORRECT OUR STRUCTURAL WEAKNESSES* ”

Lanka also announced that open account imports have been suspended. Sri Lanka really has to seriously seek an IMF bailout now to get out of this hard situation. We have sought IMF assistance 16 times in the past. Hence, an IMF bailout or working with the IMF is not a very new thing to Sri Lanka.

What steps can local businesses adopt to limit the outflow of foreign currency from Sri Lanka?

One can say import substitution is the way forward. But I think we can rely on the same only up to a certain extent. That is not the only solution. Local businesses should focus on increasing local value additions. We currently import, reprocess, and export because we are an import-dependent country as of now. If a comparison is being made, our import value is double the value of the exports we do. However, what the local businesses should focus more on is improving the local value additions and, subsequently, improving the exports. Such a vision and strategy will help us to reduce the trade gap we are currently facing as a country. Another area we can capitalize on is our service exports.

Sri Lanka can even have a strategic direction to emerge as a service outsourcing destination. These are the main things I can think of as an answer to your query.

What do you think as the long-term policy measures required in attracting sustainable dollar inflows to the country?

I think most countries have gone through similar crisis situations in the past, and the most recent experience I can recall is the Asian financial crisis. If we look at the countries affected by the Asian financial crisis, it could be observed that almost all affected countries have recovered and are doing well at present. Therefore, what we, as a country, need to do is to consider this hard situation as a blessing in disguise. We can actually consider this to be a golden opportunity we have gotten once in a lifetime to correct our structural weaknesses. When looking at this forex crisis, it cannot be viewed as an isolated problem. We cannot separate the forex crisis and discuss and solve it because all that we are discussing are interconnected problems. When Sri Lanka is concerned, it is a country with a twin deficit. We, as a

country, have a trade deficit as well as a fiscal deficit. Hence, it is important that we attempt to solve these twin deficits whilst solving the forex crisis since all these are interconnected. Hence, the best approach is to try and address all these 3 problems simultaneously to arrive at a sustainable solution.

To address this issue, we have already made the currency float and raised interest rates in order to tighten monetary policy, which will aid in slowing private credit and imports. Furthermore, we strongly need to ensure political stability, which will trigger investors as well as multinational lenders to support us with the necessary reforms. Adding to that, we need to focus on external debt restructuring. Currently, we are in the process of appointing legal and financial consultants for this cause. Once appointed, these erudite parties can initiate discussions with our creditors, which will enable us to receive extensions to our debt repayment period, which will immediately help us to resolve the pressure on the country's foreign reserves. Furthermore, we have to parallelly focus on increasing taxes and the number of taxpayers, which will enhance our tax-revenue-to-GDP ratio.



Currently, we have one of the lowest tax-revenue-to-GDP ratios in the world. If we enhance our focus on this, we will be able to increase government revenue, which will help reduce the fiscal deficit we are facing as a country. Subsequently the government can reduce money printing and the Central Bank credit can also be reduced. However, while making all of these changes, it is critical to maintain the social networks in order to protect the most vulnerable segment of society. This is because when the taxes are increased, the commodity prices will increase, and consequently it will affect the poor segment of the economy. Therefore, a well-designed mechanism to protect those people is required. It is possible to get assistance from multinational lenders such as the IMF and World Bank to get a suitable social net program designed.

Subsequently, we will have to have reforms with market pricing related to fuel, gas, and other state services. We can start off with cost recovery pricing, after which we

can subsequently move on to market based pricing. We also need to take steps to reduce inflation. By the end of April 2022, inflation has risen to nearly 30% and Sri Lanka has been identified as the nation with the second highest inflation in the world. This inflation is a result of both supply and demand implications. Hence, we need to focus on reducing inflation results from both sides, which will help the country to have a smooth impact in the medium term as well. Another thing that can be done immediately is the potential sale or lease of state-owned commercial assets, which will ease the foreign reserve crisis as well. However, this needs to be done smartly. On medium and long-term basis, what I see is, we need to improve “the doing business index” and also focus on improve country ratings. If we can do so, we will be able to attract new investments and FDIs, and then we need to work on diversifying the exports while focusing on increasing local value additions. Another important thing to be considered is reforming the state sector to attract foreign

investment to rebuild the economy and repay the loans. These structural economic reforms are extremely important. As I mentioned before, we have actually received a golden opportunity to restructure the needful aspects of our economic system. Therefore, we need to take all possible steps and efforts to bring in the much needed and much delayed structural reforms that will assist us to rebuild the economy. Simultaneously, we need to address and increase the tax revenue -to-GDP ratio. Improving focus on enhancing the skill portfolio of the labor force in line with global requirements is another advisable move we can take as a country. This will help the locals to find overseas jobs, which will lead to a future inflow of foreign remittances. Promoting tourism should also be a major focus, as it will have an overall positive impact on our dollar reserves.

By Tharani Sooriyaarachchi & Vageesha Rajapakse

BSc in Multimedia

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TAPPING INTO HIGH-YIELD TOURISM

BY REPOSITIONING SRI LANKA'S DESTINATION IMAGE

SHIROMAL COORAY

MANAGING DIRECTOR - JETWING TRAVELS

Could you give an overview of Jetwing Travels and your current role in the organization as its Managing Director?

Jetwing as a brand is quite popular in Sri Lanka through our chain of hotels but of course we also have our own travel section where we offer both inbound and outbound travel. Our inbound travel section is in the business of bringing in foreign tourists into the country and we take care of all their needs from the time they arrive at the airport until we drop them back at the airport by arranging them everything needed including hotels, guides, and transport within

“WHEN CLIENTS COME TO SRI LANKA, WE ASK THEM TO TAKE PHOTOGRAPHS OF THEIR EXPERIENCES AND POST IT ON SOCIAL MEDIA. WE WILL COMMIT TOWARDS PLANTING AS MANY POSITIVE STORIES AS POSSIBLE, AND HOPEFULLY THAT WILL BRING BACK THE TOURISTS”

the country. What we do in our outbound section is that we take Sri Lankan people overseas on guided tours. We also have specialized areas for eco holidays, adventure and we also have an airline section, that functions as a GSA for airlines. So, that's briefly about the Jetwing Travel related company. My brother and I run it as if it is a family business. I currently work in the capacity of chairman and managing director of Jetwing Travels.

Has the persisting economic situation in the country had an impact on the Jetwing Travels progression in the short run? If so, how?

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SINCE WE HAVEN'T
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MEDIA

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Yes, unfortunately it has. Even before the Covid pandemic, we had the Easter attack in 2019, and then numbers fell but it actually took off very well before Covid. Unfortunately, after Covid we had very little business for about 18 months. Then from November last year things started to look better; and even back in March 2022, we had good occupancy and people coming into the country from different parts of the world. The curfew we imposed, the acts of violence that took place, the lack of fuel, gas, power and medicine plus all these images going up in international media showing how people are affected is having an impact on the tourism industry. Tourists are also concerned that if they have a medical emergency, we may not be equipped to take care of them. So, people are reluctant to book immediately; they want to wait and see.

We have seen the number of bookings reducing, but we are hopeful that since things seem to have eased off a bit, the numbers will increase from July onwards, because anyway May and June are low season months for foreign tourism in Sri Lanka.

Have you noticed a change in traveller sentiment and willingness to travel to Sri Lanka in the current context? If so, what are the steps that you have taken as an organization to build traveller confidence?

If there is no violence, no curfew, and no state of emergency, we can quietly build up the confidence by talking to our partners. And of course, if these images are not on their TV screens in the main media, social media, then they forget about all the negatives, and they will only think about the positives



of Sri Lanka because, everybody loves Sri Lanka. The protests don't matter as long as they are peaceful, and they carry on the way they are carrying on now. It's simply the long queues, and that constant negative publicity on the situation where potential travelers see people complaining about various things that have the biggest impact. If you look at tourists from countries like France and UK, they're all used to peaceful protests. But the economic and political instability of the country will affect the tourism industry.

Many people are banking on the tourism industry to play a pivotal role in the country's road to economic recovery. In this case what do you think is the role that Organizations like Jetwing Travels have to play to aid the local tourism industry?

We are taking all necessary steps that we can take at this stage. For



an example we are attending all relevant travel fairs and regularly meeting our tour operator partners. Since we don't have to travel for meetings now, and we can do them online, talk to them and explain to them the current situation. Having said that, because May and June are anyway low months, I don't believe that we will have a major pick up in these months. But from July onwards we are confident that things will improve because we are constantly talking, reminding and sending positive stories to our partners and our clients.

When clients come to Sri Lanka, we ask them to take photographs of their experiences and post it on social media. We will commit towards planting as many positive stories as possible, and hopefully that will bring back the tourists.

The government has an ambitious plan of making Sri Lanka a 10 billion USD industry by 2025. What is your perspective on this and what challenges (apart

“ WHEN CLIENTS COME TO SRI LANKA, WE ASK THEM TO TAKE PHOTOGRAPHS OF THEIR EXPERIENCES AND POST IT ON SOCIAL MEDIA. WE WILL COMMIT TOWARDS PLANTING AS MANY POSITIVE STORIES AS POSSIBLE, AND HOPEFULLY THAT WILL BRING BACK THE TOURISTS ”

from the current economic situation) do you think we need to overcome to achieve this goal?

Personally, I'm not sure whether we need 6 million tourists. USD 10 billion revenue from tourism is fine, but we are a small country, and we

already have 22 million people in 65,000 square kilometers so whether we can have another 6 million is questionable. I think we need to have tourists representing various niche clusters. We do need to have the lower spending tourists because they are like the cake in our tourism industry, and we have a lot of products which are catering to that particular market segment.

Also getting young people to travel to Sri Lanka is very good because they market the country in social media and that generates free publicity for the destination.

However, whilst catering to such market segments we also need to concentrate on the higher end of travellers who are willing to spend a little bit more, especially the older people who have both savings and time to travel due to less commitments.

I think we need to have a good mix and maybe reduce the volume and increase the value, so if we can go to that equation, achieving the target of 10 billion USD will be fine. We will definitely not achieve it in 2025 with the current situation, but we should target for it maybe in another five years.

What is your opinion on Sri Lanka's current destination brand? Do you think Sri Lanka can improve its destination positioning to be better recognized as a high value travel destination in the future?

There is an overall confusion about the destination image that we are sending out as a country. Everybody knows it's a beautiful country and there is no doubt about that. But since we haven't done a proper destination marketing campaign, what is out



“ THEY ARE MARKETING SRI LANKA AS A FUN, INTERESTING, BEAUTIFUL DESTINATION WITH A LOT OF NICE PEOPLE WHERE YOU CAN GET A LOT OF POSITIVE EXPERIENCES WITH GREAT FOOD. THIS IS GREAT, AND SINCE THIS PERSPECTIVE IS BEING VERY EFFECTIVELY MARKETED, SRI LANKA IS BEING SPOKEN UP SO MUCH GLOBALLY ”

they are aspiring to join the tourism industry in the future?

I think it's not rocket science. All you need is a bit of intelligence, but I think the main thing is the attitude because this is the hospitality industry, and we are dealing with people. We can't have our egos and then serve people. We must have that serving culture.

You need to be willing to go that extra mile and have the ability to be humble, flexible and have a positive attitude towards learning. You must be able to stay on your toes and do things that are appropriate for a particular situation. It's also very important for people to be able to effectively communicate and possess technical skills, especially in terms of managing social media. Additionally, e-marketing skills and proficiency in various software are going to be very important as most of our work now is on systems. The ability to read and understand a foreign language is also important. Of course, if you are to progress in your career you must also possess the typical management skills that you require to run a business as well.

By **Janith Iddawala & Shalini Wijewardana**

there at the moment are the social media posts generated by our own travelers; typically, the younger generation of travelers who are active on social media. They are marketing Sri Lanka as a fun, interesting, beautiful destination with a lot of nice people where you can get a lot of positive experiences with great food. This is great, and since this perspective is being very effectively marketed, Sri Lanka is being spoken up so much globally. But I think we also need to have a proper destination marketing campaign after deciding where we are positioning whilst maintaining this great market

which we have already secured. If we are to position at a higher end, then we need to see what appeals to that market, without ignoring the needs of that segment. So, we must consciously have a message and do a marketing campaign and improve the product. Merely having a few products catering to the youth segment is not enough if we are to stand out as a high-end destination.

What are the skills and capabilities you expect undergraduate students to develop if

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REGAINING CONFIDENCE AMIDST THE CRISIS: THE ROLE OF SRI LANKAN MANUFACTURING SECTOR



“ INITIATED AS A HOMETOWN SMALL DEVELOPMENT COMPANY, DPL HAS CONQUERED THE GLOBAL ARENA TODAY, BECOMING THE THIRD OR FOURTH LARGEST GLOVE MANUFACTURER IN RELATION TO HOUSEHOLD SECTOR IN SRI LANKA. AMONG MULTIFARIOUS ATTRIBUTES IN GLOVE MANUFACTURING INDUSTRY, SUCH AS MEDICAL, EXAMINATION, INDUSTRIAL AND HOUSEHOLD GLOVES, DPL PROUDLY MASTERS IN THE FIELDS OF PRODUCING INDUSTRIAL AND HOUSEHOLD GLOVES ”

CHANDIKA RATHNASIRI

DIRECTOR – ENGINEERING AND PROJECTS
DIPPED PRODUCTS PLC

Could you please give an overview of Dipped Products PLC and your role as the Director – Engineering and Projects at DPL?

Well, I am humbled to say that Dipped Products PLC has secured its position in both local and global markets by functioning throughout forty-five years in the industry. Initiated as a homegrown small development company, DPL has conquered the

global arena today, becoming the third or fourth largest glove manufacturer in relation to household sector in Sri Lanka. Among multifarious attributes in glove manufacturing industry, such as medical, examination, industrial and household gloves, DPL proudly masters in the fields of producing industrial and household gloves. As a result, DPL is renowned as one of the most prolific glove manufacturers in the world, catering to two hundred types of gloves in various ranges. We have four manufacturing locations in Sri

Lanka; namely, Kottawa, Hanwella and in two other factories in Biyagama. Simultaneously, we have also developed our network into international platforms in Thailand and Italy. However, the quality of our manufacturing is not determined by financial numbers but by the number of pairs produced. In Sri Lankan operations, we have the capability to produce twenty thousand pairs of gloves monthly. In Thailand, we have the capacity up to sixty million as they produce examination gloves, for which we have a great demand



internationally.

Now, to specify my role in Dipped Products PLC, I would like to introduce myself as the Head of Operations in Sri Lanka and Thailand. This includes all engineering operations, along with nearly thirty production lines in Sri Lanka and nine production lines in Thailand. Our primary objective is to maintain the plants including equipment, services, and business. We are also responsible for maintaining all consumptions that include fuel consumptions too. Under Engineering domain, projects are also incorporated and thus, I oversee project department as well. Therefore, all new plant designing, developing, and manufacturing including service sector come under my territory. Adding to that, I should mention that there are about thirty to forty

engineers in our department to overlook plants. Overall, there are more than two hundred dedicated engineers in our company contributing to operations. In terms of the composition of the team based in Thailand, we have eight executives and nearly fifty engineering technical staff working together efficiently to make the operations and production processes successful.

The economic and social impact of the COVID-19 pandemic have caused the deepest global economic recession since the Great Depression with a complete upheaval in daily life. Nonetheless,

DPL has achieved the Group's highest-ever revenue and profit in the recent fiscal year 2020/21. What do you think are the fundamental factors that have helped you achieve this?

The simple untold truth behind our success is that we never stopped moving forward. Despite the doubtful situation during the pandemic, straightway, our senior management took the initiative to operate as much as possible, for instance, by providing curfew passes and transportation facilities to staff members. Some departments such as marketing and procurement had the luxury of working from home and it eased the process of managing the tasks smoothly amidst a global

pandemic. Strategically, we were able to organize our supply chains effectively under the guidance of a well experienced senior management who provided adequate infra structure facilities to continue our work. At the same time, I should admire the way our team contributed to continue our journey with their fullest support at every level. So, it is obvious that human resources at DPL acted as a great strength to our success. It was a challenging period for everyone but as a team, we were always strong together to face the challenges on our way.

Another challenge we encountered during this time was minimizing the spread of the virus within the factory premises where the team is gathering in large numbers on a daily basis. The company management took measures to vaccinate all team members by providing them all three recommended doses against COVID-19. Furthermore, Thailand had an additional advantage of the tremendous global demand for examination gloves, and it assisted in retaining the global market. So, that is basically how we paved our own way towards a succeeding journey amidst a global pandemic. Looking at the bigger picture, I emphasize that our senior management was the unwavering pillar to strategize all operations tactfully in managing a crisis successfully. As we continued without stopping since day one of COVID-19, we were not negatively affected by the global economic recession that stemmed from the pandemic.

Will the current economic condition in the country have a notable impact on DPL's progression in the long run? What are the measures that you have taken from a business



“ WE ALWAYS TRY TO FIND POSITIVITY IN THE MIDDLE OF DARK TIMES. WE HAVE BEEN ABLE TO INCREASE OUR PRODUCTION CAPACITY BY 23% DURING THE LAST COUPLE OF YEARS DESPITE THESE CEASELESS CHALLENGES. AT ALL OUR MANUFACTURING LOCATIONS, WE SUCCEEDED IN INSTALLING THE PRODUCTION LINES. IN ADDITION, WE HAVE BEEN LARGELY BENEFITED FROM FOREIGN EXCHANGE GAINS ”

point of view to make sure that you can swiftly navigate through the current and future economic environment?

To be honest, it has been a tough ride pertaining to current economic crisis, as especially, the requirements of raw material are high in our industry. For instance, the current price of our main raw material, latex has been risen to heights. Adding to that, power interruptions have affected the functioning of our plants. So, we have been strategic by finding self-power generation means to continue our operations without any interruptions. Simultaneously, fuel crisis has also become a barrier to smooth functioning of our operations currently. With all these crises, we are challenged when facing the global market as countries like Malaysia are equally competent in our industry.

However, what is most significant here is, we always try to find positivity in the middle of dark times. We have been able to increase our production capacity by 23% during the last couple of years despite these ceaseless challenges. At all our manufacturing locations, we succeeded in installing the production lines. In addition, we have been largely benefited from foreign exchange gains. Therefore, when we look back at the journey so far, it is amazing how we have ultimately reaped the fruits of success while navigating through the barriers smoothly. Nevertheless, I should note that it was a tough journey with vicissitudes, but we have realized rather than attempting to solve issues completely, balancing is the best strategy to tackle a business. I am happy to announce that we, representing Dipped products PLC, have taken a great responsibility to function for the betterment of the country as we are one of the major foreign exchange gainers today. Thus, despite the

ongoing political turmoil emerged in the country, we fulfill our duty as responsible citizens, leading the way to a better Sri Lanka. Simply, DPL keeps going, being a strength of pillar to the economic crisis in Sri Lanka.

As a value-added exporter, DPL is a significant generator of foreign exchange. What is your opinion on the Sri Lankan manufacturing sector's ability to generate Forex earnings? Do you think that we have recognized the industry's full potential already?

Undoubtedly, the manufacturing sector of Sri Lanka is at the forefront of generating forex earnings. Especially the contribution of the plantation sector in Sri Lanka towards generating forex earnings is quite commendable. Out of the main plantations in Sri Lanka, i.e., tea, rubber and coconut, the rubber industry alone has tremendous potential in generating forex earnings. Nonetheless, what we truly need to understand is that there is a clear-cut difference between exporting natural raw rubber and processed rubber. This value addition is critically important for us to reap the maximum benefits when exporting any product.

As far as the rubber glove manufacturing industry is concerned, Sri Lanka has the largest key players in the world. Yet, Sri Lanka can work on expanding its manufacturing capacities further, considering the increasing global demand. Because right now, I guess it is doubtful if we are heading in the right direction in terms of growth. Thus, Sri Lanka should seek opportunities where we can get foreign direct investments (FDIs) – so the full potential of the

“ *UNDOUBTEDLY, THE MANUFACTURING SECTOR OF SRI LANKA IS AT THE FOREFRONT OF GENERATING FOREX EARNINGS. ESPECIALLY THE CONTRIBUTION OF THE PLANTATION SECTOR IN SRI LANKA TOWARDS GENERATING FOREX EARNINGS IS QUITE COMMENDABLE. OUT OF THE MAIN PLANTATIONS IN SRI LANKA, I.E., TEA, RUBBER AND COCONUT, THE RUBBER INDUSTRY ALONE HAS TREMENDOUS POTENTIAL IN GENERATING FOREX EARNINGS. NONETHELESS, WHAT WE TRULY NEED TO UNDERSTAND IS THAT THERE IS A CLEAR-CUT DIFFERENCE BETWEEN EXPORTING NATURAL RAW RUBBER AND PROCESSED RUBBER. THIS VALUE ADDITION IS CRITICALLY IMPORTANT FOR US TO REAP THE MAXIMUM BENEFITS WHEN EXPORTING ANY PRODUCT* ”

manufacturing sector can be rigorously explored.

What is your sentiment about the current policy stimuli towards the export and local manufacturing sectors aimed to bolster foreign exchange income?

I firmly believe that all the existing policies should be revisited and altered to reflect the current economic condition in Sri Lanka. With the inflation skyrocketing and the time value of money dwindling, the current policies have explicitly failed to provide the right stimuli for developing the export and local manufacturing sectors. Especially, the local companies are extremely struggling to combat the current economic crisis. Moreover, Sri Lanka's current political turmoil and decreasing foreign reserves may also lead to businessmen being compelled to leave the country. Thus, it is cardinal to revise these policies and make sure adequate support is given to those who have been affected by the crisis - to continue their operations until they regain confidence.

As a value-added exporter, what role do you think a company like Dipped Products PLC can play to rise from the current forex crisis?

Regardless of how established we are, at the moment, in terms of operations, if the current economic crisis continues to worsen, we will not be able to fight back. Especially, if the export sector does not get enough support, it will further aggravate the current forex crisis. Nevertheless, as I explained before, we have already shown our potential as a responsible company by maintaining a stable, organic growth rate over the past 40 years; even during the pandemic, we were able to grow our operations by 23% by adding a few more new production-lines. However, it is important to make sure that we have the required infrastructure, for example, electricity, to run these production facilities without any interruption in order to generate forex earnings - and help the country get out of this catastrophe.

**By Gishan Abhayagunaratna,
Isuri Caldera &
Thisal Yatawara**

TRANSFORMING SRI LANKA'S ECONOMY FOR A BETTER TOMORROW

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“WHILE MERCHANDISE IS AN INTEGRAL PART OF THE COUNTRY'S EXPORTS AND IMPORTS, THE SERVICE SECTOR IS A VIBRANT PART OF THE ECONOMY, ESPECIALLY SERVICE EXPORTS SUCH AS TOURISM, BUSINESS PROCESSING SERVICES, EXPORTS AND OTHER KNOWLEDGE PROCESSING SERVICES. THE SERVICE SECTOR HAS GREAT POTENTIAL, BUT I HAVE IDENTIFIED THAT THERE IS AN OVEREMPHASIS ON THE TOURISM SECTOR, WHICH IS A VERY FRAGILE SECTOR AS WE WITNESSED DURING THE PANDEMIC. THE SERVICE SECTOR SHOULD BE STRENGTHENED TO DEVELOP THE MOST VALUABLE SERVICES RATHER THAN ONLY FOCUSING ON PROVIDING HOSPITALITY SERVICES”

To begin with, when looking back at the free market economy in Sri Lanka, can you brief us on the export earning pattern in Sri Lanka after the 1977 economic reforms?

Sri Lanka liberalized the economy in 1977, but even after this export earning patterns can be best explained by looking at the

percentages than numbers. There is a clear pattern that can be traced to identify how as a country our exports have increased over the years while the import percentage is roughly around twice the export earnings. While the exports have increased, the imports have increased much further leaving a negative trade balance. It is difficult to find a year where we had a surplus in the trade balance. However, both import and export

composition underwent drastic changes during this period.

Today, 77.6% of the country's exports are industrial exports and the rest is either agricultural or mineral exports. A larger majority of industrial exports includes textile which totals up to 43.5% and the second-largest category is rubber materials or semi-finished rubber materials which is 8.4 % of the total industrial exports of the country. It

is fair to say that Sri Lanka's export composition has improved vastly over the years and has not stagnated at all as we export various products including military and engineering equipment in minute quantities. The main weakness is that despite all this, the country still depends on textile and agricultural goods as the main exports. Therefore, the export diversification has happened in a very slow process that did not allow to produce a new product to dominate the export earnings. So far, the liberalization of the economy has not helped to diversify the export sector.

In terms of import composition, it mainly consists of intermediate goods such as petroleum products, textile articles etc., which totals up to 59.6% while investment goods make up a total of 21.6%. These two together alone roughly make up a total of 80.7% of the country's imports. It cannot be said that we are importing more consumption goods because it is clear that a large majority of the imports consist of intermediate goods and investment goods. A country's imports are very difficult to change as it clearly affects the export capacity. For example, without petroleum goods, we cannot run the factory machinery and without textile articles, we cannot run the garments. Therefore, it is clear that without importing, the country's exporting capacities are very much limited.

Given the current context, as you mentioned, it seems impossible to maintain a balance between imports and exports. Do you think in the next 10 to 15 years, the country can reach a considerable balance

“ FDIS SHOULD LOOK INTO THESE AREAS; THE FUTURE OF SRI LANKAN BUSINESS SHOULD BE BASED ON HIGH VALUE-ADDED ITEMS. IT IS ADVISABLE TO EVEN LOOK AT PRODUCING COMPONENTS RATHER THAN COMPLETE PRODUCTS. WE HAVE MANY TALENTED INVENTORS IN SRI LANKA; THE AIRBAG TRIGGERING DEVICE FOR AUTOMOBILES WAS INVENTED BY A SRI LANKAN ALTHOUGH UNFORTUNATELY IT HAD BEEN GIVEN TO A FOREIGN COMPANY DUE TO THE LACK OF INTEREST AND OPPORTUNITIES WITHIN THE COUNTRY. THERE ARE SO MANY PEOPLE WHO CAN CONTRIBUTE TO CREATING NEW DEVICES THAT ARE COMMERCIALY SUCCESSFUL BUT UNFORTUNATELY, A BUSINESS CULTURE THAT ENCOURAGES THESE CREATIONS HAS NOT YET BEEN ESTABLISHED IN SRI LANKA ”

between these two categories?

Well, from 1977 onwards there were many opportunities to achieve this balance in the country, opportunities provided by mother nature to learn lessons from past experiences but unfortunately, we never did. According to my opinion, the main ideology that led us to this situation is that everything should be produced locally, and it is not a concept that we can nurture to take the country forward. The world is very much integrated today, not only politically and culturally but also

economically. We cannot live isolated from the rest of the world where we only focus on exporting and not importing. As I mentioned previously, it is not feasible to produce everything locally when we do not have certain resources such as petroleum in the country. So, the basic policies of the imports and exports of the country were flawed, to begin with. We are passing a very difficult time, if we learn right from this as disasters bring opportunities, this is a good time to make much needed radical changes to the economy to move forward in the necessary direction.





The Sri Lankan Economy

The concepts of home-grown solutions and nationalist economy should be replaced with modern concepts, and we need to focus on finding and maintaining our place in the world economy as the only way to move forward. The current economic policies should be changed in order to reach this goal.

How has Sri Lanka's trade policy addressed the payment issue up until now?

While merchandise is an integral part of the country's exports and imports, the service sector is a vibrant part of the economy, especially service exports such as tourism, business processing service exports and other knowledge processing services. The service sector has great potential, but I have identified that there is an overemphasis on the tourism sector, which is a very fragile sector as we witnessed during the pandemic. The service sector should be strengthened to develop the most valuable services rather than only focusing on providing hospitality services. For an instance, business and

knowledge processing services can bring more money to the country. Further, our traditional exports such as tea, rubber and garments are now outdated where we have been overtaken by countries like Bangladesh and China. We have to look for major changes, find new items to produce in the country, necessarily a finished product like garments. Now, Asia, especially east Asian countries are moving towards intermediate exports and a larger part of the European trade is in intermediate exports as well. Sri Lanka must focus more on the intra-industry trade using the production network and value chain concepts. That way, Sri Lanka can do much better than waiting for investors to arrive, invest, produce goods and export. Whatever products we use are world-class goods, where components are from different countries and assembled in one place. Sri Lanka has a very talented and vibrant labour force. At present, the country's human capital is migrating to other countries to earn economic capital which should be changed to retain that labour force in the country to strengthen the local economy. If

these things happen, I think we will be able to regain that momentum of exports. When considering imports, through exports the country can be developed economically, and imports increase naturally in a developing country.

According to your point of view, what are the long-term and short-term impacts of the recently tightened trade restrictions and floating currency in Sri Lanka?

It is a desperate situation where the country does not have money, so the only logical solution is to impose control over the imported goods. Other than that, I do not think the country has taken any policy decision to restrict imports. When the dollar shortages are clear, and the country's reserves are running down the imports have to be controlled. I think this is a temporary measure when the economy is back to normal the restrictions will be eased out. However, the restrictions on

“ WE ARE PASSING A VERY DIFFICULT TIME, IF WE LEARN RIGHT FROM THIS AS DISASTERS BRING OPPORTUNITIES, THIS IS A GOOD TIME TO MAKE MUCH NEEDED RADICAL CHANGES TO THE ECONOMY TO MOVE FORWARD IN THE NECESSARY DIRECTION. THE CONCEPTS OF HOME-GROWN SOLUTIONS AND NATIONALIST ECONOMY SHOULD BE REPLACED WITH MODERN CONCEPTS, AND WE NEED TO FOCUS ON FINDING AND MAINTAINING OUR PLACE IN THE WORLD ECONOMY AS THE ONLY WAY TO MOVE FORWARD. THE CURRENT ECONOMIC POLICIES SHOULD BE CHANGED IN ORDER TO REACH THIS GOAL ”

imports have a direct negative impact on the country's exports. This is evident at present in many sectors, where the export capacities have become very limited due to the lack of input, especially petroleum which is a mandatory input for many sectors.

What is your opinion on the government seeking assistance from the IMF and what could be done to help Sri Lanka regain its creditworthiness?

The country had an opportunity to seek IMF's support as early as 2000. But the government repeatedly labelled the danger signals as conspiracy theories and announced that there was no problem since the country had enough foreign reserves and an ample supply of resources. The problem lies in the fact that the country waited till the last moment to turn to IMF. It was only after every dollar was drained from the reserves that the government wanted to request assistance from the IMF. Whenever a country turns to the IMF, there is usually a bargaining power for the

country; however, when a country turns to the IMF as a last resort, as we did, this stronghold is lost.

In fact, the IMF has not promised us anything at the moment. They expect Sri Lanka to reschedule the loans; appoint a legal and financial officer to negotiate with the creditors and then reach out to the IMF for an extended fund facility or short-term facility. So, in order to gain the support of the IMF, we must negotiate with our creditors and take certain steps; however, this too is at a deadlock as our Chinese creditors are not too keen on rescheduling. According to their lending method, there is no rescheduling; What they can do at most is to grant a bigger loan to pay off the loan already taken. This bigger loan will not come under the default category so Sri Lanka will be obliged to pay the instalments as usual to China.

According to my point of view, it is not acceptable to go for various agreements with different creditors. The IMF, nor the creditors will accept such an arrangement. Overcoming this situation is indeed a great

challenge. Turning towards the IMF is not a panacea for every ill Sri Lanka is facing; they can give us a maximum of 3 to 4 billion USD whereas our outstanding debt is 51 billion USD. IMF support or seal of approval will be important in reaching out to other credit markets. Our creditworthiness could be improved if we get a first or second instalment from the IMF and that will give some kind of credibility to Sri Lanka. But till then, how is Sri Lanka going to manage its finances is a problem. India has also provided more than 5 billion USD already and they have also promised to help Sri Lanka with food, gasoline, medicine, and other essential goods. If not for India's support, we will be in great trouble as the Middle East countries are not willing to extend their hand at this juncture. The country is in a very desperate situation. Going to IMF is a must; there is no alternative. But I don't think that it will immediately ease the situation in the country.

In terms of the fiscal and monetary policy changes to be implemented to reset the country's economy, some economists like Professor Steve Hanke, of John Hopkins, have provided a solution to this mess. It has been suggested to install a currency board system in the country to put a barrier on the central bank to print money, affix the LKR to USD or any other currency and based on those reserves, the country may proceed with printing money. This currency board system has proven to be effective in other countries that have faced similar situations. However, for this system to work, we need to build at least 4 to 5 billion USD reserves. This system may not be very popular among politicians as it will be difficult for them to propose ambitious

budget proposals that require money to be printed excessively since Sri Lankan Rupees can be printed only if enough dollars are available. Nevertheless, this currency board system can create a fiscal discipline and also preserve the currency's value both externally and internally. So, it is a very plausible option for Sri Lankan policymakers to consider, but it is not very popular among politicians.

What is the role to play in FDI in time to avert the severity of this "emergency economy"?

Well, Sri Lanka has been looking for huge foreign investments; the expectations to gain massive foreign direct investments after the war, especially in the years spanning from 2009-2012, were not fulfilled. Although there were a lot of opportunities unfolding after the war, for many reasons like the business environment in the country, it was very difficult for foreign investors to consider Sri Lanka as a profitable site of investment. Due to this, the investments did not pile in even after the war. The only way out of Sri Lanka's peril is foreign direct investments (FDI) and creating a very conducive environment and climate for investments. The main factor that discourages the investor from investing is the government's policy uncertainty. These frequent policy changes, which sometimes occur within the tenure of the same government, affect business performance and profits and other returns. The labour market rigidity and the cost of energy can be noted as other constraints. Although these problems can be identified in Japan also, they are doing well due to the production of high-value products. By exporting garments and tea, we can't charge higher prices even though the

labour is expensive. FDIs should investigate these areas; the future of Sri Lankan business should be based on high value-added items. It is advisable to even look at producing components rather than complete products. We have many talented inventors in Sri Lanka; the airbag triggering device for automobiles was invented by a Sri Lankan although unfortunately it had been given to a foreign company due to the lack of interest and opportunities within the country. There are so many people who can contribute to creating new devices that are commercially successful but unfortunately, a business culture that encourages these creations has not yet been established in Sri Lanka. There is great potential if FDIs come in these high valued areas. Most local industrialists have short-term visions, but investors must have long-term visions. It should not be about the immediate profit but the long-term goals. Local direct investments in the country are extremely poor, so FDI is the only way out. But this has to be promoted with a comprehensive plan.

What are some steps that you think local businesses can adopt to limit the outflow of foreign currency from Sri Lanka?

As of now, Sri Lanka's currency has come to a peak exchange rate. Even at this high rate, local businesses cannot get dollars from official sources. In a dire situation like this, local businesses may not be able to survive. Even the banking sector is in a crisis and somehow, in whatever way possible, the government has to bring in dollars to the country. For the moment, I know that the local businesses have downscaled, and they are not functioning at their

full capacity because of multiple reasons. All are trying to survive at the moment; for some companies, even survival is a major problem. Some industries like the construction industry which were significant contributors to the country's GDP have been completely stalled right now. This is a kind of spiral impact that is happening. At this point, the main goal of the businesses has to be survival, not expansion. If they survive this crisis, they can consider development. But how long this crisis lasts is dependent on two things: the political stability and the IMF's support.

Finally, to be more resilient amidst this crisis what could the household sector do in the short and long term?

As a short-term action, the household sector should go back to the tradition. We were a very resilient society. Those living in the town are heavily affected by this crisis but those living in the peripheral areas can live and overcome this situation. Gas and electricity were not available around forty years ago; these are all new additions to our lifestyles. If you are living in a village, you will be able to get many things for free.

Food security is the major issue for the household at the moment. A minimal yet sustainable food security has to be designed for the household. Cultivating in home gardens, rearing animals, and going back to our roots, our tradition would be the best option at the moment as food security is the most important factor to be considered by every household.

**By Jinandi Chathurya
& Roshni Samarasinghe**

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