

## **Presidential Secretary says IMF not the answer**

Sri Lanka has no immediate plan to seek financing from the International Monetary Fund (IMF), Presidential Secretary P.B. Jayasundera has said.

“Right now, it is not a question of whether we want the IMF or not,” the former Finance Ministry Secretary explained in an interview. “The IMF coming won’t bring tourism here. The IMF coming won’t bring exports back.”

Any borrowing, including an IMF programme, was “good if you have prospects to improve quickly and if you have hope that, in the next six months, tourism will bring US\$ 2bn and domestic activity or something else will happen”.

“But if the borrowing programme is not assuring you that kind of recovery, what is important is to work out the areas where such assurances will come,” said Dr Jayasundera. “And that assurance will come from investment, not from borrowing.” However, he expressed satisfaction at the Central Bank of Sri Lanka’s currency swaps with China, India and Bangladesh.

The senior economist continues to advise the Government on policy and indicated he would also be working closely with the new Finance Minister, Basil Rajapaksa. He said there were likely to be “people who are looking for investment openings in this environment because investors also know there must be an end to this”.

“Expensive, no-return projects in the medium to long term should be deferred,” he reiterated, including the Japanese-funded light rail transit initiative—now cancelled—in the mix. The alternative was to consolidate projects already on the ground, for which funds are secure, and to make use of them.

“If you execute those projects, you can get the money,” he continued. The World Bank/Asian Development Bank project portfolio covering such sectors as water, irrigation, highways, education and health is around US\$ 3bn with utilisation spanning three to four years. “So, if you fast-track them, remove the bottlenecks for implementation and focus on those, the disbursements are a money flow,” he said.

Last year saw the highest ADB disbursement at US\$ 750mn (Rs 149bn), Dr Jayasundera said: “So I told them, ‘Let’s work for a billion dollars’.” Apart from bottlenecks and approvals processes, a “relaxed” attitude brought about by COVID-19 was delaying things.

The Government was not keen on new projects unless they fit into renewable energy, agriculture technology or information technology (IT). “While people are only focusing on the recovery of tourism, IT can replace it,” he predicted. “The apparel sector is resilient and exports have bounced back to pre-2019 levels. When these import restrictions are gradually relaxed they should be able to support the export/import business.”

With most countries shifting to online business, Sri Lanka has targeted US\$ 1.7bn (Rs 338bn) of revenue through the IT sector. There were also opportunities in renewable energy, Dr Jayasundera said. The work by India’s Adani Ports and SEZ Ltd on the Colombo Port’s West Terminal is going ahead (the investors are with the bankers now) while the remaining investment into Waterfront Integrated Resort is also due.

The President’s Secretary also criticised rating agencies—Moody’s being the latest to have issued a statement saying Sri Lanka was under review for a downgrade. The agency neither

contacted his office nor the Finance Ministry. “To whom did they talk?” he asked. “None of these guys has spoken to us. Those who are writing these have no ground-level knowledge.”

The Moody’s report was not “evidence-based”, he continued. For instance, it referred to environmental risks which were not new and amidst the UN Sustainable Development Commission upgrading Sri Lanka. It also contains contradictions, stating, for instance, that Sri Lanka’s current account deficit is likely to remain stable.

“They can ridicule and hold small countries to ransom,” Dr Jayasundera asserted, warning that the Government was managing “a real economy, real people”.

“Knowing very well that on July 27 we will pay the sovereign bond, they are issuing this,” Last year also they did the same thing. I don’t know what the kick they get out of it. I can understand if they issue this if we have defaulted.”

The third quarter of the year is typically stressful, he admitted. “It’s stressful in the sense that our priority was to fast-track vaccination to prevent the spread,” he said. “It was a priority and that programme is US\$ 250-300mn (Rs 50-60bn) in expenditure. On top of that, in terms of the debt profile, July is a month where so many payments get bunched that we have to honour.”

But the Government had no debt-servicing problems with bilateral or multilateral sources as their project disbursements were higher than the debt-servicing. If the President’s vaccination target is met by September 30, “Society can be put on a much more relaxed working environment than now”.