On 17 November, Prime Minister and Minister of Finance Mahinda Rajapaksa walked into the chambers of Sri Lanka’s parliament to deliver the maiden budget of the Sri Lanka Podujana Peramuna (SLPP)-led government.

However, the journey to this point has not been easy. His brother, President Gotabaya Rajapaksa, secured a landslide victory in last year’s presidential elections, but barely four months into the job had to helm the country through the COVID-19 pandemic. His performance impressed the people, who promptly gave his party a vital two-third majority in parliament this August.

Since then however, an already ailing economy has fallen victim to a second wave of the coronavirus. Harsh import controls and curfews, though arguably necessary, have dealt a heavy blow especially to the poor and the daily wage earners.

And it does not look like things will get better anytime soon.

For starters, Sri Lanka’s economic growth has been slowing in the absence of any meaningful reforms. In 2019, Sri Lanka’s economy grew by just 2.3%, forcing the World Bank to downgrade Sri Lanka to a lower middle-income country exactly 12 months after granting the island nation upper middle-income status. The International Monetary Fund (IMF) expects Sri Lanka’s economy to shrink by 4.6% in 2020, due to the economic impact of COVID-19. This figure could very well be much higher once the negative effects of the second wave are factored in.

Sri Lanka is also deeply in debt. The central government’s debt load at the time of writing amounts to nearly 93% of the country’s GDP, according to data published by the Central Bank of Sri Lanka (CBSL).

Data compiled by Fitch Ratings indicates that between 2021 and 2025, Sri Lanka will have to repay around USD 4.3 billion in debt every year. One time deputy governor of the CBSL, Dr. W. A. Wijewardena, pointed out this week in his column in a local daily, “According to Central Bank data, within the next 12-month period, the total debt servicing obligations of the country that include those of both the Government and the private sector will amount to USD 6.7 billion. But the liquid foreign exchange which the country has as foreign reserves amounts to USD 5.4 billion after excluding the gold balance which cannot be used immediately for this purpose.”

Complicating matters is the problem of inadequate government revenue, which is a persistent problem for the Sri Lankan economy. The SLPP-led government provided generous tax concessions to the populace in early 2020 in order to stimulate demand, but nobody saw COVID-19 coming. As a result, tax revenues are expected to tumble in 2020, worsening the government’s financial position.

It is against this backdrop that Prime Minister Rajapaksa presented the new government’s budget.

The premier began his speech by announcing the government’s intention to maintain an economic growth rate of 6% in the medium term. Inflation is expected to be maintained at 5% a year. The budget deficit is to be reduced to 4% while the public debt-to-GDP ratio is to be reduced to 70%. The latter is arguably an aggressive target, considering the circumstances.

As with every budget, a lot of focus has been on taxation-related proposals, given the government’s fundraising constraints. The biggest highlight of them all was the new Goods and Services Tax (GST) that will be introduced and levied on alcohol, cigarettes, telecommunication, vehicles, betting and gaming. This tax is expected to replace the plethora of taxes currently imposed on these products. While the new tax will go into effect from 1 January 2021, Treasury Secretary S.R. Attygalle said that he expects GST to be either ‘revenue neutral or positive’, which means it won’t really affect the government’s finances apart from making the tax collection process more efficient.

Another highlight was the decision to redesign how Sri Lanka taxes imports into the country. As revealed in the budget:

In addition to this, there were proposals to relax import restrictions and reduce import taxes on vehicle spare parts, and to change how the tax liability on Capital Gains Tax will be calculated. It’s too early to tell how the former would affect vehicle owners, though a local newspaper reported that a reduction in prices was unlikely because the effective tax liability may increase by around 2%. With regard to the latter, the Capital Gains Tax liability will now be calculated based on the selling price of a property or the assessed value of the property, whichever is higher.

There were a few proposals for the private sector to cheer about, and one in particular to cry about. As some analysts have pointed out, the proposal to ask companies with more than 50 employees to contribute 0.25% of their revenue to fund a COVID-19 unemployment insurance scheme could prove to be a contentious issue, particularly because some of Sri Lanka’s largest firms could incur liabilities north of LKR 300 million, an amount that is not ‘chump change’ by any measure.

Importantly, the mandatory retirement age for both men and women will be extended to 60 years. However, it is not yet clear whether individuals who were previously entitled to access their EPF funds upon turning 55 will now have to wait until they turn 60.

The budget contains a proposal to grant aspiring entrepreneurs who graduate from vocational training institutes a start-up loan of LKR 500,000, at an interest rate of 4%, with a grace period of five years. The loan will be structured so that a commitment fee of 0.25% can be charged to make sure borrowers use the funds in compliance with the objectives of the scheme.

Another proposal was put forward to create a contributory pension scheme for the self-employed, though any details remain scarce at this point.

The tourism sector that has been hard-hit by the pandemic was promised an extension of the repayment period provided to pay back loans obtained from the CBSL through the COVID19 refinance facility. The repayment deadline has now been set at 30 September 2021. Another proposal to reduce taxes levied on tourism-related businesses by local government bodies is also bound to be welcomed by the sector, simply because it reduces administrative complexity especially for a lot of SMEs.

The government is determined to push through a policy to increase the daily wage of plantation workers to LKR 1,000, and wants to see this go into effect from January 2021, according to Premier Rajapaksa. Hidden deep within the speech was also a thinly-veiled warning that plantation companies that cannot pay this salary could see their management agreements changed under a new legal framework. Companies with viable business plans will be given the opportunity to take over these businesses subsequently. This is a welcome proposal at the outset — especially considering how long plantation workers have been seeking the LKR 1,000 daily wage. However, including such a proposal in the budget speech could set a bad precedent. Plantation sector veteran Vish Govindasamy opined at a separate post-budget event that including the plantation wage in the budget was an unwise step by the government, as it creates space for other trade unions to try and include their demands in subsequent budgets.

“This is the first time a wage has been mandated by the Budget. This will open up a Pandora’s Box where other unions will want to get salary increases via a Budget. This proposal also raises questions on the productivity component and the gratuity issues. In the plantation sector, even if a worker comes to work for a day, gratuity has to be given for the entire year, and these are huge amounts. We have been talking with the Labour Ministry to revise gratuity for a while now” Govindasamy said.

IT has been identified as a key pillar for economic growth by the new government, and it is reassuring to see them aim to fulfil that promise. In his budget speech, the prime minister proclaimed that salaries earned by individuals employed in the IT-sector and related services will remain tax-free.

Five plug-and-play tech parks are also to be established at a cost of LKR 10 billion to promote IT entrepreneurship and exports. These could resemble the Trace Expert City in Maradana, which has been hugely successful in convincing the likes of the London Stock Exchange Group to invest in Sri Lanka.

The budget gives the construction sector a lot to look forward to, especially because the government has promised to simplify the approval process, remove import taxes on construction machinery, and has promised easier access to raw materials such as sand. Investors who wish to set-up facilities to recycle construction waste have been granted a 10-year tax concession and any machinery they import for the purpose will be exempt from import taxes.

Another important proposal is to provide non-resident Sri Lankans the ability to purchase luxury apartments using foreign currency earnings or a loan obtained from a foreign bank. This is a boon for high-end apartment developers, who had trouble unloading their inventory due to the slowdown in the economy.

Consolidation was the highlight of the budget speech for the banking sector, with premier Rajapaksa stating that commercial banks that own non-bank finance companies will be directed to merge the two entities, while the related expense will be tax deductible.

The legal framework governing non-bank finance companies is to be made more stringent while sector-wide consolidation will be encouraged. It is interesting to note that during Rajapaksa’s second stint as president, then-Governor of the CBSL, Ajith Nivaard Cabraal, championed a plan to encourage consolidation across the banking and financial sector. The change of government in 2015 ensured that the consolidation process was abandoned, but with Cabraal being granted a seat in the new government as State Minister for Money and Capital Markets and State Enterprise Reforms, the initiative appears to be back. The CBSL’s current stance on the issue is that “Sri Lanka has too many financial institutions given the size of its economy.” However, even in 2014, opinion was divided on whether consolidation was necessary or not.

In what we assume is a move to encourage remittances, the budget also included a proposal to pay an additional LKR 2 for every dollar remitted by Sri Lankans residing and/or working abroad.

A new entity known as the National Development Banking Corporation (NDBC) is to be created by merging the Housing and Investment Bank, Housing Development Real Estate Limited and the Regional Development Bank.

Based on the budget speech, it would be safe to assume that the government is prioritising investment in select sectors under the Strategic Development Projects Act. Under the provisions of the act, large-scale investments greater than USD 10 million in the export, dairy, fabric, tourism, agriculture, and IT sectors will be granted concessions for upto 10 years.

The Colombo Port City, which is gearing up to commence its first phase of operations, will receive a new legal framework as envisaged in the original plan. The framework will designate the Colombo Port City as a Special Economic Zone, and will grant concessions on taxes, specific goods, and banking services.

The budget speech revealed that the government intends to formulate a national education policy to regulate and reform education institutes, education syllabi, teacher education and training, and examination procedures to meet modern-day requirements. We see this as a very timely move, provided it is done well and under the guidance of local and/or international experts.

State-run technical colleges and vocational training institutes that have long been underutilised as tools to build a highly skilled workforce will receive a shot in the arm through a proposal to double their intake to 200,000 students per year from the current 100,000 students per year. Encouragingly, students of these vocational training colleges will also be entitled to a monthly bursary of LKR 4,000.

Ten sports schools with synthetic race tracks are also to be built around the country, in addition to a proposal to build a sports complex that can host the 2032 Olympics being thrown into the mix.

Plans are afoot to upgrade both the hard and soft infrastructure of the country. During his budget speech, Prime Minister Rajapaksa announced that long-awaited cybersecurity, intellectual property and data protection laws will be introduced soon.

The construction of the national expressway network will be expedited while ownership and management of the expressway network will be vested in a government-controlled company.

In order to avert a potential power crisis over the next two years, the Lakvijaya and Kerawalapitiya Power Plants will be upgraded. The Lakvijaya power plant in particular, will receive a new 300-MW coal-based power plant and two new gas-based power plants that can add a further 600 MW to the national grid.

Modernising the rural agricultural sector and safeguarding the local farmer was one of the key promises the SLPP-led government trotted out to win the elections, so it is not surprising that the government has proposed some perks for the agriculture sector.

Prime Minister Rajapaksa announced that dairy farmers will receive loans of upto LKR 500,000 at an interest rate of 7.5% per annum to develop or upgrade their farms. The government also expects to import milch cows and encourage the cultivation of cattle feed locally.

Moreover, farmers will be provided a guaranteed price for other crops such as maize, kurakkan, sesame, black gram, B. onions, red onions, potatoes, dry chillies and green chillies. Incentivising the cultivation of crops such as black gram could help bring down and stabilise market prices, which have skyrocketed due to import restrictions on certain agricultural products.

Fertiliser for paddy will be given free of charge, while a 50kg bag of fertiliser for other crops will be given to farmers at a concessionary price of LKR 1,500.

Whether or not the proposed budget shows promise depends on which side of a business transaction you tend to be on. If you’re an importer, you are bound to remain nervous until the new duty structure comes into effect. Domestic manufacturers, meanwhile, are likely to be looking forward to seeing the proposals implemented.

For their part, the Ceylon Chamber of Commerce welcomed the budget for its tax stability and focus on export and the development of capital markets. An interesting sentiment across the broader community of economic analysts is that this budget appears to be free of diktats by multilateral lending agencies such as the International Monetary Fund (IMF), who typically push countries towards austerity by way of higher taxes and tighter monetary policy, thus counterintuitively killing growth and leaving people impoverished.

Opposition lawmaker and economist Dr. Harsha De Silva slammed the budget claiming that it contained ‘unrealistic’ revenue figures. He also warned against the government’s shift towards protectionism and the policy of import substitution-led industrialisation, pointing out that the policy had continued to fail despite being desired by Sri Lankan policymakers for decades. He does have a point. After all, Sri Lanka does not have the factor endowments such as abundant land and labour that countries such as China possess, and must always rely on trade. As such, Sri Lanka may not be able to afford to forget that “Trade, however, is not a one-way street,” as the European Union gently pointed out a few days after the budget was presented in Parliament.

The full English text of the 2021 budget can be accessed here.

Cover: dailymirror.lk

Almost every week, for the last 126 years, well-dressed tea traders have gathered at the Ceylon Chamber of Commerce (CCC) to snap up Ceylon Tea for export.

Over two consecutive days every week, the sound of bidding echoes in three noisy, crowded auction rooms, as hundreds of traders place calculated bids at a rapid pace. On average, at least five sales are made a minute at the Colombo Tea Auction (CTA), which is the oldest operational and largest single-origin tea auction in the world.

As any visitor to the CTA would attest, the atmosphere is electric. Stewards, brokers and traders execute what can best be described as a complex, but well-choreographed waltz of sales and bids, frequently punctuated by the sound of the gavel striking the block to indicate a lot has been sold.

However, following the COVID-19 outbreak this year, the Colombo Tea Auction nearly came to a halt.

The tradition of selling tea by auction first began in 1679, with the London Tea Auction, which functioned as the key trading point for tea brought in from China and India—[later, tea from other parts of the world, including Ceylon found their way to the London auction]. After World War II, rival tea auctions in tea-producing countries rose in popularity as producers—realising they could get paid faster, started channelling larger quantities of tea through auctions in their home countries. Having outlived its importance, the London Tea Auction closed its doors forever on 29 June 1998.

The first-ever tea auction in Sri Lanka was conducted on 30 July 1883 at the offices of Somerville & Company, a produce brokering firm. It was a private auction and all five lots offered went unsold. Despite the inauspicious beginning, tea traders persisted, eventually tasting success. On 18 June 1894, the Colombo Tea Traders Association (CTTA) was formed with the primary objective of overlooking the interests of tea traders. The association set about reviewing the relatively broad and somewhat informal collection of rules under which tea auctions were conducted until then. On 1 November 1894, it ratified a formal set of rules for the sale of tea by public auction.

From then on, everything ran like clockwork. The auction took place, week in, week out. Millions of rupees worth of tea exchanged hands, and producers were paid in full by the seventh day after an auction of a given batch of tea.

This continued over the years, under rules and procedures that remained largely unchanged since they were first laid down in the 1880s and 1890s. However, the COVID-19 outbreak changed this tradition for the first time. With Sri Lanka suddenly placed under curfew, this ritualistic tea auction—which went on unimpeded even during the height of a civil war—came to an abrupt halt.

Since tea is a perishable commodity, storing freshly-plucked and processed tea for months was not an option. The COVID-19 pandemic broke out in Sri Lanka with the Sinhala and Tamil New Year season just around the corner, and plantations were in desperate need of money to pay salaries and bonuses for a workforce of nearly 150,000. Therefore, it became necessary to find a way to conduct the CTA, despite the curfew.

Previous efforts to digitise the CTA had fizzled out for various reasons. Noteworthy amongst them was an effort undertaken by economist and former parliamentarian, Dr Harsha de Silva, nearly eighteen years ago. De Silva recounted the story on a recent Facebook post, and several stalwarts of the tea industry had left comments highlighting their own failed efforts to digitise the CTA.

“The idea to digitise the auction has been on the table for a long time. But the pandemic put us in a situation where we just had to get it done,” Jayantha Karunarathne, Chairman of the Colombo Tea Traders Association (CTTA) told Roar Media.

With time running out and an entire industry’s survival at stake, CICRA Solutions, a local IT service provider stepped up to the task. The company had already worked on a project with the Sri Lanka Tea Board, and had an understanding of how the CTA worked. With input from the tea traders, a minimum viable prototype (MVP) was developed within a week, Karunarathne said.

Thus, the first e-auction for Ceylon Tea was held on 05 April 2020, to the applause of the relieved tea industry.

“I don’t think we will ever go back to holding the auction the old way. Everyone is now used to the [online] system,” Karunarathne said. All subsequent auctions since the one held on 05 April were conducted via the e-Auction platform. Average prices for tea grown at the three elevations have also remained high since (at the time of writing).

In Sri Lanka, tea is classified into three types based on the elevation at which it is grown. Prices for all three—low, medium and high-grown—have been on the rise since April 2020.

Having successfully implemented the e-Auction system, the CTTA is now planning to develop a fully functional e-Auction platform for long term use. “We are in the process of calling for RFPs [Request for Proposal],” Karunarathne said.

COVID-19 may have brought down the curtains on the long-held traditions of the CTA rather abruptly, but the e-Auction will undoubtedly serve as the beginning of a new chapter in the 126-year story of the Colombo Tea Auction.

Editor's Note: The date of ratification of formal rules by the CCTA was incorrectly recorded as 1 November 1984. This has been corrected to 1 November 1894

Cover: Business Today

\*Please note, the CCTA was formed in the 1890s and the Colombo Tea Auction officially began then. While auctions were conducted prior to this, the proceedings were more informal.

Roar Media prides itself on producing original, refreshing, and thought provoking content which aims to capture the vibrancy of the South Asian region.

Not all is well in paradise.

The 2019-20 financial year dealt two heavy blows to Sri Lanka’s tourism industry. The tragic Easter Sunday attacks came first, and just as the industry was starting to make a recovery, along came COVID19. With the country under curfew for a greater part of the past few months the entire tourism sector, among others, came to a screeching halt.

Although, since May 11, the country has gradually opened up, progress is cautious and prospects for tourism in particular, for the rest of the year at least, remain bleak. And while larger players and chains may possess the financial wherewithal to see things through, for many independent hoteliers, the future is filled with uncertainty.

Having invested time, money and effort into building their properties, throwing in the towel is not an option. Instead, many independent hoteliers are looking for ways to improve their guest experience in whatever way they can, while conserving cash as much as possible.

In the coastal town of Dikwella in Matara, a beautiful beachside boutique hotel generally teeming with guests, lies empty. Shrouded by tall coconut trees, the hotel’s tranquil environment is the perfect antidote to the crowds that throng Hiriketiya Bay, a nearby beach town popular with surfers. And while he may not be entertaining guests right now, Mohamed Adamaly, Director of Soul Resorts is busy at work.

He has used the downtime to carry out maintenance work at the hotel, tinkering also with his website, services, and safety protocols. His hotel offers ayurveda, yoga, and wellness treatments, and believes these services would help attract more guests once tourism gets going again. “We feel that most of this year would be quiet except for sporadic travellers and tourists seeking wellness. So we hope to have bookings for Ayurveda stays from August, with the December season being at about 50% of last year's occupancy,” he said. Adamaly plans to focus on marketing his hotel and has also reduced room rates to appeal to both local and foreign guests.

While cost-cutting initiatives and layoffs are the talk of the town, one boutique hotelier in the hills of Hantana, Kandy chose to put her staff first. “We are a family-owned hotel. During this crisis, the health and safety of our staff was our first priority,” Dheeshana Ameresekere, Managing Director of Theva Residency told Roar Media. “Therefore we shut down the entire hotel and gave them the opportunity to go home and be with their families,”

No one was laid off at the Theva Residency and full salaries were paid throughout the curfew. Amarasekere even opted to offer her team a minimum service charge every month. “We did not want them to feel that the crisis has hit their financial situation in a big way,” she said.

Once the curfew was lifted in the Kandy district, staff members that lived nearby returned to start preparing for the eventual reopening of the hotel. Ameresekere told Roar Media how her team had even prepared a patch for herbs and vegetables using recycled materials, the harvest of which will be utilised by the hotel.

Having taken steps to comply with all health and safety guidelines issued by the Sri Lanka Tourism Development Authority (SLTDA) and local health authorities, Theva Residency is prepared to welcome guests as soon as they are allowed to.

“This crisis has been a time to reflect on our business and think about what changes we can make in order to be more in balance with the environment and nature. We are working on a more holistic menu with a focus on the emotional and mental well being of future guests,” Ameresekere said. Happily, her phone has been ringing, and the hotel has received a number of reservations already.

With physical distancing likely to be the norm for some time, independent hoteliers are also optimistic that travelers would choose them over the larger chains. That perhaps explains why a small team of gardeners dutifully tend to a variety of plants at a restored planters bungalow in Haputale everyday. In order to meet the heightened expectations of guests, the staff at Thotalagala have been undergoing training, and experimenting with new dishes.

“Once people start moving about, they will look for places where they can holiday away from the crowds. So I think boutique hotels like ours will be more in demand compared to those of the mass market operators,” Dinuka Wijekoon, the Sales and Marketing Manager of Thotalagala, a luxury boutique hotel said.

Like many other independent hotels, Thotalagala is also taking a ‘wait and see’ approach to decide on a reopening. “It is going to take a long time for international travel to recover, because of procedures like quarantine upon arrival. The sector will have to look to the domestic traveller to support itself, but the competition is going to be intense" Wijekoon said.

Thotalagala has already received a few inquiries for August and Wijekoon noted that there is quite a bit of interest for bookings in December.

While the general mood amongst independent hoteliers is one of hopeful optimism, there are also a few concerns about the degree to which smaller accommodation service providers can adapt to the new safety and hygiene requirements. This is what Adamaly is pondering, back in Dikwella. “We feel that the SLTDA’s proposed guidelines, which according to their website is still under discussion, is largely impractical and favors only larger hotels, while excluding the majority of boutique hotels, small hotels, guest houses and hostels” he says. Adamaly raises a valid point. After all, nearly half of Sri Lanka’s tourists opt for accomodation in the informal sector. But at the time of writing, a clear answer is not in sight.

Cover Photo Credits : Roar Media / Nazly Ahmed

Users of public transport in Sri Lanka may be able to shift to a new form of payment soon.

Despite the challenges brought about by COVID-19, the Sri Lanka Navy was able to complete an underwater museum, which over time, is hoped will become an artificial coral reef.

The world's oldest evidence of bows and arrows used by prehistoric humans outside Africa has been found in Sri Lanka.

Sri Lanka will be welcoming visitors from August 1. If you plan to catch a flight to the country soon, here are a few things you need to know.

With Sri Lanka’s Parliament dissolved, there is a debate raging on the legality of drawing funds from the Consolidated Fund to pay for key public expenses. Chapter XVII of Sri Lanka’s Constitution specifies that Parliament must oversee Sri Lanka’s public finances. However, the extraordinary situation Sri Lanka found itself in when it was forced to postpone scheduled Parliamentary elections to deal with the unexpected COVID19 pandemic has resulted in the Consolidated Fund being used without constitutionally mandated Parliamentary oversight. While the debate remains unresolved, we thought we’ll write a quick explainer on what the Consolidated Fund is.

The Constitution of Sri Lanka sets out the basis for the Consolidated Fund. Article 149, Chapter XVII, explicitly states, ‘(1) The funds of the Republic not allocated by law to specific purposes shall form one Consolidated Fund into which shall be paid the produce of all taxes, imposts, rates and duties and all other revenues and receipts of the Republic not allocated to specific purposes’ and ‘(2) The interest on the public debt, sinking fund payments, the costs, charges and expenses incidental to the collection, management and receipt of the Consolidated Fund and such other expenditure as Parliament may determine shall be charged on the Consolidated Fund.’

What this means in simple terms is that the Consolidated Fund is the place all of the government’s income goes to and out of which all its expenses are paid. In essence, it is the government’s purse.

Article 150 of Chapter XVII specifies that for funds to be withdrawn under normal circumstances (i.e., when there is a functioning parliament) the Minister of Finance must first issue a ‘warrant’ (a signed, written order that specifies an amount to be disbursed) to that effect.

However, the Parliament must approve any expense that is to be incurred during the financial year by passing a resolution to that effect. Usually, this means approving the Appropriation Bill for the year i.e. the Budget. It is important to note that the warrant is only valid if Parliamentary approval is granted.

If Parliament is dissolved before the Appropriation Bill for the financial year has been approved, the President can authorise money to be issued from the Consolidated Fund to pay for expenses such as salaries and pensions. This is allowed only until the expiry of a period of three months from the date on which the new Parliament is summoned to meet.

In special cases, the President can also authorise funds from the Consolidated Fund for election expenses—but only in consultation with the Commissioner of Elections, once the Elections Commission has specified how much from the Fund will be needed to hold an election.

All government revenues from taxes, imposts, rates and duties flow into the Consolidated Fund. So in essence, it is the tax-paying public that funds the Consolidated Fund.

It is always possible that the Consolidated Fund’s inflows can be inadequate to cover its outflows. There are several ways this can happen. For instance, rapidly increasing debt repayments can quickly render government income from taxes insufficient. Indiscriminate subsidies which are a popular election tactic, can saddle the state with a considerable annual bill. Alternatively, a country could have a very small number of taxpayers, and an overwhelmingly large number of people who depend on welfare handouts. Any scenario of this nature will bring about a mismatch between income and expenditure.

Think of a joint account held by a married couple into which they direct their salaries and withdraw money to pay for expenses. Now, assume that the couple’s household expenses are far greater than their income. In order to make up for the shortfall, the couple may decide to transfer some expenses to a credit card, thus taking on a little bit of debt. In a similar manner, if the government’s income is insufficient to meet its expenses, the government must decide how it is going to make up for the shortfall in income—and very often, this means taking on debt.

According to the 2018 Annual Report of the Ministry of Finance (the most recent report publicly available at the time of writing), the Consolidated Fund is overdrawn by almost LKR 304 billion.

Dr. W. A. Wijewardene, a former Deputy Governor of the Central Bank of Sri Lanka, explained this succinctly: “Since the Sri Lanka Government has been running deficit budgets throughout, the monies it gets by way of normal operations of the Government are insufficient to meet its normal operational expenses. The gap has to be filled by making a net borrowing—that is, borrowing more than the Government’s debt repayment liabilities. Since these borrowings do not take place at the required levels, the Fund is always overdrawn. What this means is that the Government has incurred some of the expenses in its books but since it does not have sufficient amount of cash, it is indebted to the nation by the overdrawn amount.”

He added, “Here is an important observation that can be made about the Government’s cash indebtedness to the nation. The overdrawn amount has been increasing over the years along with the increase in the budget deficit. For instance, as at the end of 2016, the overdrawn amount was Rs. 187 billion. This has increased to Rs. 286 billion at end-2017 and further to Rs. 304 billion at end-2018.”

There are a few ways and means in which funds can be diverted to the Consolidated Fund. One of the more recognisable methods, as explained earlier, is to borrow—from the markets (either domestic or international) or the Central Bank itself. [There are other methods, of course but we shall leave them for another, longer, article.] As with everything, that course of action also has its own long list of pros and cons, the bottom line being that if not done prudently, it could have disastrous implications on the economy. Public finance is often a balancing act and governments must be cognisant of their actions and implications on the wider economy.

Cover: Rukshan Abeywansha/readme.lk

After being forced to live in extremely poor conditions for 35 years, Kaavan⁠—a Sri Lankan elephant donated to Pakistan, is to be freed from captivity.

Prabhash Subasinghe is a busy man. Appointed Chairman of the Export Development Board (EDB) just a few months ago, he is now at the forefront of resuscitating the sector sorely affected by the COVID-19 pandemic.

Roar Media caught up with Subasinghe to find out what his plans are and how he expects Sri Lanka’s export sector to perform in the coming months.

Q: What is your assessment on how the export side of the economy will fare over the next 18 months?

Considering the unprecedented disruption to the global economy and to trade due to the COVID-19 pandemic, the Export Development Board has revised its 2020 exports forecast downwards by about 42% from USD 18.50 billion to USD 10.75 billion. As per the revised target, the EDB expects merchandise exports to contribute USD 7.53 billion, and service exports to make up for the remaining USD 3.21 billion.

The Central Bank has set up a LKR 50 billion, six-month re-financing facility to support businesses affected by COVID-19 - this includes individual employees as well as the self-employed. It is important to note that both direct and indirect export-related businesses qualify for relief under this package. The Central Bank also reduced policy rates as it is important to enable the domestic financial market to provide relief to businesses and individuals affected by COVID-19. The Ministry of Finance has also issued directives on tax revisions during December 2019 to enhance the country’s economic activities and support business. We are also working with all foreign missions to help our exporters ensure their products reach the intended destinations, on time.

The crisis has opened up new opportunities - particularly to manufacture facemasks, personal protective equipment (PPE), ventilators, hospital beds, medical bed linen, peripheral equipment for ventilators, soap, sanitizers, surgical masks, sanitary tissues, disinfectant, pharmaceutical exports and much more. As a country, we hope our exporters can capitalise these opportunities.

If we can achieve the revised export targets for 2020, then 2021 can be a year where we focus on increasing the momentum [to cover lost ground]. The EDB stands ready to help exporters in various ways such as facilitating outwards and inward trade missions to focus destinations, organising local and international B2B events, gathering and disseminating market intelligence, and conducting market exposure programmes for potential exporters. We are also encouraging exporters to build shorter supply chains.

Q: The world expects the impact of COVID19 to linger for longer, especially in our key export markets. Do you think Sri Lankan exporters will be able to cope with this situation?

Exporters are without doubt the driving force of the economy. They are, however, currently operating at 20%-25% capacity and the impact of the disruption is evident. It will take some time to recover (as the entire world is in crisis mode). However, the EDB is making every effort to assist exporters get back on their feet and recommence operations whilst scouting for new opportunities to take advantage of. The EDB firmly believes that there is a great opportunity to establish strong FTAs with countries like China. The EU and USA are the biggest export markets for Sri Lanka at the moment. We believe that the EU may recover faster than the US, which will require more time.

Exporters should capitalise on new opportunities and it is advisable to allocate resources to spot and grasp them. The demand for many products is on the rise due to the prevailing crisis. We should enhance the production capacity of such sectors where demand is rising while continuously attempting to sell what the country already has produced. The lesser time taken to adapt, the greater possibility there is to gain more from trade.

Q: Is the EDB doing anything to assist exporters navigate the crisis?

Being the premier organisation for the promotion and development of exports, the EDB is giving its fullest support to guide and facilitate exporters to continue their businesses with the assistance of all the relevant agencies.

Directors of the EDB are on-call round the clock and have been working tirelessly to help exporters and resolve their issues. We have also established a help desk, and are intervening on behalf of exporters with all relevant authorities. We are constantly publishing updates along with any government directives on the EDB website. While the curfew was in effect, we helped facilitate the issue of curfew passes as and when necessary, while ensuring that our exporters continued to adhere to health guidelines. Even now, the EDB stands ready to connect exporters with foreign missions and ambassadors to find new opportunities.

It is of utmost importance that all exporters commence operations as early as possible while ensuring safety regulations are followed. We are sure that the world will recover and as for our nation, we are survivors. We will come out of this crisis with the help of our exporters who must now collaboratively start their businesses and help Sri Lanka in its time of need. It is time for us to come together and go forth into the world in search of new markets and new customers whilst strengthening our existing relationships and continuing to provide quality exports.

Q: Both Sri Lanka’s export markets and export basket haven’t changed a lot over the last few decades, though underlying costs and market conditions have. Do you think Sri Lanka should start paying attention to this more? Should we seriously start looking at diversifying our export revenue streams?

Sri Lanka has been over dependent on a few markets and has been catering to these markets for the last few decades. Sri Lankan companies that are facing difficulties should be willing to diversify into new markets and it is high time to make that change. Further, companies should look for new sourcing destinations in order to reduce the risk of disruption to production lines in future.

Prior to COVID -19, the EDB was focusing on identifying the measures that can be taken to diversify our export revenue streams. Various discussions and dialogues were conducted internally and with stakeholders in order to gather information. The EDB is keen to change the export basket and will pursue this even through the pandemic.

For this, we encourage exporters to re-visit their product portfolio and identify new potential products which can be viable in the short, medium, and long term.

Q: What is your opinion on the depreciation of the rupee? On the one hand, it will be better for exports, but on the other, export industries which need to import raw materials from abroad are still going to be affected badly. What are your thoughts on this?

Sri Lanka’s rupee fell sharply in March with large liquidity injections being made to keep rates down. The rupee fell almost 200 to the US Dollar. Although depreciation of the rupee is generally good news for the export sector, the degree of benefit that can accrue to the sector depends on several factors and the nature of export products and services of the country.

The exchange rate is one of the most important tools that can be used in an export-led growth strategy. Depreciation of the local currency against the major international currencies, thereby changing relative prices of exports, can provide an immediate boost to profitability of the export sector by increasing the return in terms of rupees. Depreciation of the rupee also has a positive impact on price competitiveness as it enhances the ability of exporters to quote competitive prices in international markets and thereby increase the volume of exports.

However, depreciation of the currency will have an immediate and continuous effect on the rate of domestic inflation, unless matched by an improvement in domestic production. A lower exchange rate together with high inflation will lead to an increase in the prices of local and imported inputs, which in turn will increase the cost of production of exports. So while the depreciation of the rupee against the foreign currencies is welcome by the export sector, past experiences have shown that depreciation has offered mixed results.

\*Responses have been edited for clarity and brevity.

Thanks to the reputation gained by remaining efficient even during a curfew, the Colombo Port is now able to offer additional services for ships.

For the last two months, Tharusha’s\* (13) daily routine has been the same; wake up, watch TV, play outside, read a book, go to sleep. But Tharusha is the only one from his class doing that. For in the last two months, his friends have hit their books again. Their teachers send them lessons through WhatsApp, and the students follow instructions at home.

But Tharusha’s family does not own a smartphone.

Living in a small house close to Marine Drive, Dehiwela, Tharusha’s father is a small-scale vegetable vendor while his mother is employed at a janitorial service. While both parents are away at work, Tharusha is taken care of by his grandmother, who lives with them.

“His teacher called and asked us whether we have access to WhatsApp. But I told them that we only have a small phone [feature phone],” Rosalin Nona\* (62), Tharusha’s grandmother told Roar Media.

Schools were closed on March 12 as a preemptive measure against the spread of COVID-19. With no reopening date in sight, administrative authorities and teachers have mobilised to try and conduct academic activities through digital means. And due to its ease of use and popularity amongst smartphone users, WhatsApp has emerged as the platform of choice for teachers.

“Soon after the Avurudu holidays, our principal told us that he had received instructions from the Zonal Education Office to disseminate lessons through WhatsApp,” Hema Punchinilame\* (53), Tharusha’s class teacher told Roar Media.

For Punchinilame, who has been teaching for more than 20 years, delivering lessons through WhatsApp is a novel experience. “This is the first time I am doing something like this. We created WhatsApp groups for each class, and added all the relevant teachers to each group along with the students. Every teacher posts lessons and instructions on the group. The students seem to be following our instructions, but we can only see the results of this experiment once school reopens,” she said.

But what happens to students like Tharusha, who have no access to smartphones?

“Paw, e lamai” [poor children], Punchinilame said. “They have no way of following these lessons, and for no fault of theirs. I personally try to only give students exercises which are easy to grasp, so that I can explain the harder lessons in detail to all the students once school reopens. That way, at least the students who have no access to smartphones won’t fall behind by much,” she said.

Sri Lanka was one of the first countries in the world to embrace the concept of distance learning, when it established the Open University of Sri Lanka in 1978, a mere nine years after the United Kingdom. Since then, however, the growth of e-learning has been hampered due to various issues, especially at the primary and secondary education levels. Chief amongst them is access to internet-connected devices.

According to the latest available data from the Department of Census and Statistics, Sri Lanka’s computer literacy rate (as defined by whether a person can use a computer on their own) stands at 30.1 percent. However, the digital literacy rate (as defined by whether a person can use a computer, laptop, tablet, or smartphone on their own) is significantly higher at 44.3 percent.

This development, while encouraging, also means that the vast majority of Sri Lankans still do not have access to the internet. A previous government raised a proposal to distribute free tablet computers to students, which technically could have increased device accessibility, but never came to fruition.

“I use Ammi’s phone to keep up with the lessons on WhatsApp. But I wish there was a better, more interactive way to learn. This is very boring,” Dilmi\* (16) a student at a girls’ school in Kandy told Roar Media. Currently preparing for her G.C.E. Ordinary Level exams, she said: “For students like me who are getting ready to face an important exam, it is important to have an easy way to obtain feedback from teachers. Having some videos and explanations will also be nice. But then, you have to think about the data charges.”

For e-learning to work, access to devices and the internet needs to be complemented with a rich ecosystem of content that is both interactive and easy to consume. To its credit, Sri Lanka does have its own national e-learning platform—e-Thaksalawa, which is powered by Moodle. Moodle is an open-source Learning Management System (LMS) popular with universities and schools around the world. The site is free to use and users will not incur data charges as per the directive of Sri Lanka’s Telecommunications Regulatory Commission.

Although e-Thaksalawa has a vast volume of learning material for every subject from Grade 1 to 13 in all three languages, its poor usability and lack of smartphone responsiveness is its Achilles heel. In a country where almost 71 percent of households go online through their smartphones, the absence of such features means fewer students are inclined to use these platforms.

“Maybe they can include things like games and quizzes. Then it will be fun for us as well,” Dilmi contemplated aloud.

And she is right. Perhaps it is time to reimagine e-learning in Sri Lanka to suit the smartphone age.

Cover: UNICEF South Asia

\*—Names have been changed for privacy.

As Sri Lanka gradually plans to open up for tourism, here's what you need to know if you're planning to visit.

Editor’s note - Please note that these are proposed guidelines and the Sri Lanka Tourism Development Authority (SLTDA) is still in the process of finalising details based on recommendations by health authorities.

There is perhaps no one who knows Sri Lanka’s economy as well as Dr P. B. Jayasundera. An economist by profession, Jayasundera began his career at the Central Bank of Sri Lanka in 1974. After being seconded to the Ministry of Finance in 1990, he rose through the ranks to serve as Secretary to the Treasury under two former presidents — Chandrika Bandaranaike Kumaratunga and Mahinda Rajapakse. Today, he serves as Secretary to the President, appointed to the post following the 2019 Presidential Election.

Roar Media had some questions about the state of Sri Lanka’s economy, public finances and recovery in a COVID-19 world, which Dr Jayasundura graciously answered. His responses, which have been edited for clarity and brevity, are below.

Q: As a steward of the economy, what is your vision for the economy for the next 18 months, taking into account the effects of COVID-19?

The government’s vision is to strike a balance between financial stability and containing the outbreak — while supporting hard-hit households and the economy. Our priorities include: i) containing the outbreak through improved health facilities, such as testing and patient care, while also promoting arrangements such as telecommuting and e-learning; ii) protecting daily income earners; iii) supporting hard-hit industries such as tea, tourism, construction, apparel, large plantations, and MSMEs; iv) identifying new sources of financing; and v) formulating a medium-term plan to support economic recovery, along with cautious reintegrating with global trade and finance, while consolidating local production and services.

Achieving food security is also a priority, which is why we have put in place a rapid food production programme involving recipients of Samurdhi families, households in rural and semi-urban areas, and smallholder farmers islandwide.

A revival of the construction sector will also have to take place, by undertaking construction activities, developing rural access roads, hospital facilities, storage capacity and affordable housing. These activities will provide avenues to re-employ a significant number of informal workers who may have lost their livelihoods.

Domestic manufacturers have also commenced manufacturing healthcare products, testing devices, masks, personal protective equipment (PPE), automated ICU beds, robots etc., in response to COVID-19 and we want to encourage them to pursue export opportunities, while promoting the use of the same locally. In the short term, we would like to expand our capacity to manufacture essential drugs locally and help manufacturers of essential healthcare products. In the medium term, we would like to see locally-manufactured substitutes for non-essential products.

Special attention is being paid to promote industries such as food processing, coconut oil, spices, domestic fertilizer, cement, steel, rubber products, chemicals, building materials, fabrics, and other industrial production activities where the private sector plays an important role.

All education institutions will be encouraged to make use of modern technologies to deliver education services. Such technologies could be used to train and/or retrain the workforce as well.

When the pandemic hit, the local research community and the general public responded by coming up with new inventions to support the health sector and strengthen agriculture, food security, distribution and communication systems, etc. This indicates that Sri Lanka has an innovative professional and business community, as well as an adaptable labour force. Therefore, all efforts must be made to harness these resources by supporting research and development activities and reducing bureaucratic constraints that have hindered innovation in the country.

Although the recovery of sectors which rely on external markets may take some time, we will do all we can to help these sectors recover as fast as possible. We have emphasised this for many years, but the time has come to seriously consider export product and market diversification, as Sri Lanka’s traditional exports and markets are inadequate to help us withstand the effects of a global crisis of this nature.

Q: There must have been a set of underlying assumptions you made when granting a tax relief package a few months ago. How have those assumptions changed, and are you still confident of meeting government revenue targets? Could you briefly elaborate your thoughts on this?

First, it is important to clarify that what was granted was not a tax relief package. The tax system at the time was very complex, did not provide the desired yield, and was distortionary. There was an urgent need to address these concerns and the President rightly gave priority to this. That is why the government announced a series of measures to re-engineer Sri Lanka’s tax policy framework with a view to creating a simple, transparent and efficient tax system that will promote self-compliance and easy tax administration — which will most likely include online tax administration sooner than later as well.

The new tax reforms are also a fulfilment of a pledge given in President Gotabaya Rajapaksa’s election manifesto. The reforms addressed the numerous problems stemming from the extreme complexity of the tax structure and its multiple taxes that had resulted in many distortions, corruption, irregularities, and violations of some basic taxation principles and norms. For instance, when you consider the ability to pay taxes, the VAT/NBT threshold at the time was Rs. 1 million. Clearly, that policy was poorly designed and hurt MSMEs a lot.

The removal of the Nation Building Tax (NBT) and the reduction of Value Added Tax (VAT) on the real economy to eight percent, while keeping the financial sector subject to 15 percent, made it favourable to the real economy. Small businesses have been exempted, thanks to the high threshold for VAT. Personal income tax has been targeted at those who can afford to pay it.

These policy measures are to be implemented with other key reform priorities, especially in the areas of public expenditure management, improvements in State-Owned Enterprises (SOEs), and improvements and simplification of administrative systems and procedures so that we can provide quality governance.

The government inherited an economy in bad shape. The fiscal deficit was almost eight percent of GDP, government debt stood at 80 percent of GDP, and there were huge unpaid bills, which amounted to around 1.5 percent of GDP. Therefore, a concerted effort will be taken to rectify this. Over the medium term, we hope to bring down the deficit to four percent of GDP.

COVID-19 is undoubtedly a setback to the economy and our finances, but our aim is to get back to business gradually over the next several months.

Q: In a bad economy, people look to the government to ramp up spending to stimulate aggregate demand. But Sri Lanka doesn’t have a lot of fiscal space to do so. What are your thoughts on this?

COVID19 is a global problem. One-hundred-and-ninety-five countries have been affected. Death rates are high. State governments in the US are demanding more funds. In an interview with Bloomberg, the Managing Director of the International Monetary Fund (IMF) indicated that the IMF will need more resources if COVID-19 continues. If that is so, imagine the situation of vulnerable developing countries. All over, the established private sector is lagging, while the public sector is leading at all levels. Traditional markets have failed, this is what we need to understand.

All countries need to create space to protect people. Yes, we have our fair share of problems and this is not the first time we have had to manage an 8-9 percent fiscal deficit. But I am convinced we will be able to return to a lower deficit. Remember, this is a country in which welfare and social security support systems through elderly payments, disability allowance systems, Samudhi etc., are available to people unable to afford it. Of course, now unemployed daily-wage earners must also be counted with these. But our public service delivery system on healthcare and field level public services carried out through divisional secretaries, district secretaries, and other government agencies have proved that our public service infrastructure is still effective.

Creating fiscal space requires us to re-profile public spending and regenerate government revenue sources and financing and investment avenues as well. Reallocating spending from capital expenditure to the COVID-19 response along with re-prioritising public investments based on the quality of spending would help minimise the fiscal impact, while we can tap into multilateral support to cover the foreign exchange component of the response package.

Each country is responding to COVID-19 with fresh thinking. This is a unique opportunity for Sri Lanka also to chart its course based on its own strengths. We all need to intelligently read the situation and be ready for an emerging new economic order in the world.

We believe that fiscal space will increase further when the real economy picks up. Imagine the potential of farm production if food, vegetable, fruits, dairy, fish, and small businesses in the north get going. Imagine the prospects for rice, grain, coconuts, spices, tropical fruits, quality vegetables — and the agro industrialisation of the same in our country. Imagine the prospects for renewable energy through wind power and solar. The potential is huge. In fact, that is how we can reduce import dependency and emerge as an export destination.

I’m optimistic that a new generation of entrepreneurs with innovative business models will emerge, supported by an innovative banking and finance sector. The post-COVID19 world can be a new market-economy driven by less transaction costs, and one where direct links between consumers and producers become commonplace and markets are made more efficient by technology. Sri Lanka, thanks to being responsive to innovation, business savvy, and technologically literate will adapt to this new economic order.

Images: Roar Media/Jamie Alphonsus

With concerns rising about sub-standard face masks and hand sanitisers in the market, the Sri Lanka Standards Institute has sprung into action.

Within a short time, the Sri Lanka Institute of Nanotechnology (SLINTEC) has come up with a number of inventions which can help the country in its fight against #COVID19.

For the first time in Sri Lanka, scientists at the University of Sri Jayewardenepura have conducted a genome sequencing of the COVID-19 virus.

Here are some ingenious inventions developed by Sri Lankans, to aid the fight against #COVID19

For nearly a month now, Sri Lanka has been in a state of curfew due to COVID-19. Many, especially the poor, have been hit hard. But fortunately, Sri Lankans never fail to look out for each other.

A robot designed and built in Sri Lanka, has joined hands in the battle against COVID-19

“Guné Aiya, mata parippu kilo ekak denna.” (Guné, brother, give me a kilo of dhal)

M. Gunasiri (50) or Guné Aiya as he is known, dutifully weighs a kilo of dhal, bags it, and hands it over to the customer, a frail man from the neighbourhood who plucks coconuts for a living, who in turn hands over a crumpled hundred rupee note, collects his change and sets out in the direction of his home.

But as Gunasiri attends to his next customer, a thought weighs heavy on his mind— he has just made a loss of Rs. 60 on that sale. And by the time he exhausts his stock of dhal alone, he would have made a loss of a few thousand rupees. A princely sum, considering the circumstances.

Gunasiri is the owner of a small kade (shop) by the beach between Dehiwala and Mount Lavinia, and keeps area residents supplied with their daily essentials. His customers are loyal, and frequent his shop often, especially considering the fact that the town is nearly a kilometre away by road.

But with the government announcing a slew of relief measures as a result of the novel coronavirus COVID-19 that has brought the economy to a grinding halt, small, independent retailers like Gunasiri are hit hard.

As part of the relief package, maximum retail prices were imposed on a few essential items— Rs. 100 for a tin of canned fish, which is otherwise priced at Rs. 290 and Rs. 65 for a kilo of dhal, which otherwise retails at Rs. 140.

“It’s a good decision, no two words about that. But I wish they had come up with some mechanism to compensate small business owners like me too,” Gunasiri told Roar Media. “See, they have imposed a curfew now. I also need cash to survive, I can’t afford to keep on losing money like this, mahattaya,” he continued.

His concerns are valid. As at the time of writing, the government has not made clear if any mechanism will be put in place to compensate independent retailers for the loss they will incur as a result of imposing price controls overnight, although they have said they would compensate importers of dhal and canned fish.

Canned fish and dhal may be just two of a host of items sold at small shops like Gunasiri’s, but slim margins in the retail industry make it near impossible to make up for losses with the sale of other items. “Our shop is a medium scale one. If a customer purchases goods for Rs. 1,000, we would have a profit of around Rs. 75 at best,” Jameema Raffaideen (20), told Roar Media.

Raffaideen and her family live in a shophouse in Ampitiya, Kandy. The income from the store goes largely towards domestic expenses and to educate Raffaideen’s two younger siblings. The store is restocked every two weeks, and at the time of the government’s announcement, had 100 kilogrammes of dhal and 25 boxes of canned fish (each containing 24 cans), all purchased at the previously prevailing wholesale prices.

“On the one hand, we have to take on a huge loss. But on the other hand, we can’t say no to our customers. Some of them are daily wage earners and the price reduction is a big relief to them in times like these,” Raffaideen explained of her predicament.

“It is commendable that the government has taken steps towards easing the burden on the poor, especially during a time like this. But, controlled prices can also lead to shortages, as producers lose incentive and ability to stock these products. In addition, when imposed with no prior warning, price controls force smaller businesses to take losses, which can sometimes be inequitable. Despite the good intentions behind this decision, it has the potential to make the situation worse,” Aneetha Warusawitarana, Research Manager, Advocata Institute told Roar Media.

But, is there a better way for the government to deliver relief to the poor in times like these, without hurting intermediary retailers?

This is a tough question to answer, and governments around the world in similar predicaments are each pursuing unique policy solutions. The UK, for instance, unveiled a relief package that promised wage subsidies for staff on payroll and is promising similar relief measures for those self-employed. India announced a USD 22.5 billion economic stimulus package that includes direct cash transfers and free packs of essentials to protect daily wagers, small business owners, and low-income households.

Multilateral agencies, such as the International Monetary Fund (IMF), have also recommended cash transfers, wage subsidies, and tax relief as its preferred immediate policy measures—all of which will empower the end consumer. But there has been no communication from the government in this regard—thus far.

At the small kade between Dehiwala and Mount Lavinia, Gunasiri’s battery-powered radio crackled to life as a newsreader announced the reimposition of curfew in Colombo. “Ah mahattaya, can you hear this? They are going to re-impose the curfew soon,” Gunasiri said, fiddling with the volume controls. “I have no intention of getting rich while everybody else suffers because of this virus. I also don’t have kids or loans to pay, so maybe I can manage a little bit better compared to others. But, I also can’t keep making losses forever and go out of business as a result. We need to eat, and for that, we need money right?”

Gunasiri’s voice trails off. He can see a group of 4 or 5 women hurriedly making their way towards his shop. Gunasiri knows them well and knows what they will buy. He readies his scale and waits. Who knows, perhaps these last few sales will tide him over till the curfew is lifted.

Cover image: Jamie Alphonsus

Self-quarantine is important, both for your safety as well as that of your family and wider society. But how does it work?

What is life at a state-run quarantine centre really like?

As Sri Lanka fights to contain COVID-19, public transport bodies are also stepping up to do their part.

Here's a look at two individuals who have been instrumental in helping Sri Lanka's Tamil rap music industry grow, even making inroads into Kollywood.

The interim government of newly-elected President has introduced sweeping tax cuts. Here's a simple breakdown.

Sri Lanka has some stellar Scrabble players. Among them, are two schoolchildren, who have managed to beat some of the biggest names in the game.

With #PresPoll2019 only a few days away, here's a quick guide on how to cast your vote.

Air pollution in Indian cities such as Delhi and Bangalore is thought to be the cause of the smog which enveloped Colombo this week. But, there could be more to it than meets the eye.

A Sri Lankan businessman in the United States is on a mission to raise awareness for elephant conservation.

Dhatusena Senanayake is determined not to give up in his thirty-year-long battle for a future for EVs in Sri Lanka.

For more than 70 years, the Bombay Sweet House has satisfied Colombo's sweet tooth by serving a wide variety of delicious Indian sweets. Meet Quaid Johar, the third-generation owner of this iconic establishment, on this, the second instalment of #RoarShortEats

Sri Lankan sprinter Kalinga Kumarage's appeal against his doping suspension, may be successful.

After a long wait of six years, Sri Lanka manged to pull off a T20 series win against Pakistan, currently the top ranked T20 team in international cricket. The win is special for the team and fans alike, considering how several senior players refused to participate citing security concerns, further weakening what was considered to be an already weak side.  
But against all odds, this 'second-string' team, as it was widely portrayed, managed to convincingly beat Pakistan, setting alight hopes of a long-awaited resurgence of the #LankanLions.

The Sunday Observer Schoolboy Cricketer of the Year Awards, one of the most prestigious awards in the country, recently changed its name, in order to accommodate school girls who play cricket in Sri Lanka.

Sri Lankan banks have now begun factoring in environmental concerns when evaluating funding requests. A group of local banks had decided to refuse funding for a mini hydro power plant project, after an endemic fish species was discovered in the primary water way associated with the project.

As the destructive waves of the 2004 tsunami wrecked homes and lives, those who lived behind shrubs of mangroves realised that the plants they once looked at as a source of fuelwood, were, in fact, a very useful barrier against erosion and tidal waves. This realisation spawned a movement to replant mangroves, especially along Sri Lanka's coastal belt.

Sri Lanka's oldest museum, the Anuradhapura Archaeology Museum, was recently reopened to the public after renovations that lasted nearly 4.5 years.

After a long delay, Sri Lanka is set to commence oil production in the Mannar Basin by 2023. However, it will need to be cautious about any potential effects on the environment.

Sri Lanka has come up with a novel way to settle a debt of USD 250 million it owes to Iran, without flouting sanctions imposed by the United States. The currency? Tea.

Arguably, the Morris Minor was to the British what the Beetle was to the Germans. It's spaciousness, comfort and ease of maintenance made it an instant hit around the world.  
Though production ceased a long time ago, the Durable Car Company in Galle is helping to keep these British classics on the road, both in Sri Lanka and the world over.

The World Health Organisation (WHO) in a recently revealed that tightening regulations pertaining to the sale of pesticides in Sri Lanka had led to a nearly 70% fall in suicides by poisoning between 1995 and 2015.

Other countries such as Bangladesh and South Korea have followed Sri Lanka's lead, given how successful the regulations have turned out to be.

This year, Colombo was selected as the host city of the annual 'Ashara Mubaraka' sermons of the global Dawoodi Bohra community. The event attracted nearly 21,000 devotees, and is estimated to have helped generate nearly USD 50 million in visitor revenue.

We caught up with Dr. Indrajit Coomaraswamy, Governor of the Central Bank of Sri Lanka. Tune in to listen to him talk about the economy, why Sri Lanka must spend wisely, and who he thinks has the best chance of winning the upcoming Rugby World Cup.

Under a concessionary loan scheme from the Indian government, Sri Lanka is expected to receive sixteen new train engines that will help modernise Sri Lanka’s ageing fleet of trains.

Sri Lanka was crowned Champions at the recently concluded West Asia Baseball Championships. A sport originally introduced to Sri Lanka in the mid-eighties, baseball in the country has come a long way since. Today, an estimated 2000-2500 players participate in the sport, and three have been scouted to play in overseas leagues.

The Positive Sri Lanka initiative aims at jump-starting the Sri Lankan economy, which has been slow following the tragic Easter Sunday attacks. Many Sri Lankan businesses and brands have joined forces to offer consumers discounts, promos, and deals, all aimed at generating Rs. 90 billion in revenue within the country over a span of two months.

Sri Lanka generates 2.62 million tonnes of plastic waste per year. However, nearly 82% of it ends up in Sri Lanka's rivers and waterways, primarily due to poor collection infrastructure. As a result, plastic recyclers are now facing a shortage of recyclable plastics.

The much awaited 'Visa-On-Arrival' scheme is expected to be implemented from 1 August 2019. The scheme was originally slated to be implemented on 1 May 2019, but was put on hold following the Easter Sunday attacks. The scheme will provide visitors from 39 countries including Austria, Belgium, and France the ability to apply for visa upon arrival in Sri Lanka. Eventually, the scheme is expected to be made available for visitors from China and India, two of Sri Lanka's top tourist markets.

A cross section of Sri Lankans from all walks of life presented speaker Karu Jayasuriya with a whitepaper on a 'Harmony Act' for Sri Lanka, which is modeled along the lines of the Harmony Act of Singapore. While still in its early stages, the act, if enacted, could change the nature of the relationship between the state and the various religious bodies of the country.

Last year, the Sri Lanka Women's Netball Squad clinched the Asian Championship. This year, the team is taking wing to Liverpool to compete in the Netball World Championship which is to be held in Liverpool from July 12 onwards. Despite a few initial challenges, the team is gearing up to face the competition with steely determination.

The month of July is here and we are already past the halfway mark for 2019. As usual, here is a list of startup events which are slated to take place this month.

Date: 7 July 2019  
URL: https://www.facebook.com/events/330633384545359/?active\_tab=about

An event for both startups and entrepreneurs, Entrepreneur Runway will focus on helping founders launch and run their businesses in a complex economy. Attendees can expect to learn crisis mitigation strategies and international business tactics, which can be a boon for anyone.

Date: 3 July 2019, 24 July 2019   
URL: https://www.facebook.com/events/2147126105336508/

Launched by Venture Frontier Lanka together with OviBees Ventures, Wednesday Webinar is a series of live virtual sessions on useful business skills, entrepreneurship know-how, and venture development content to support entrepreneurs to create and run global businesses.

Date: 9 July 2019  
Event URL: https://www.facebook.com/events/454191911980859/

Toastmasters clubs are a great way to improve your public speaking skills. The Startup Colombo Toastmasters Club will be having their next meeting this month, which will be hosted at Hatch.

Date: 11 July 2019  
Event URL: https://www.facebook.com/events/444095159713096/

Health is wealth. This adage is true for everyone, especially for entrepreneurs. At Health Hacks, learn how to be more productive and healthy by using highly effective methods and hacks to improve your nutrition, energy levels and posture. This is a workshop organized by Workout.lk in collaboration with Hatch.

You will learn:

Date: 13 July 2019  
Event URL: https://www.facebook.com/events/2312273672187828/

Previously the domain of the stereotypically bespectacled wise book-keeper, accounting has now moved to the cloud, and with it, the winds of change are sweeping across the profession.

This event will discuss how the cloud has changed the game for accountants, the opportunities for you and your practice, and how you can take the first step in your digital journey.

Date: 26 July 2019  
Event URL: https://www.facebook.com/events/1254690251375352/

Whether you are an entrepreneur, small business owner or business professional, this event is the perfect opportunity to get away from your desk, have some good conversations and network with potential business partners, investors, industry professionals and new clients.

We will be updating this space with more events during the month, so keep checking back regularly.

UPDATE 15.07.2019

Date: 17 July 2019

Event URL: https://www.facebook.com/events/476144239787267/

Everyone's heard of AI and various topics around it, but knowing what it exactly is and how it can be used in your Business is the core reason for this event. Get to know what elements of AI can be used in your business and how to go about it. Come to this event to gain exclusive insights into Google AI directly from the Google AI Team and other local and foreign companies and experts specializing in AI.

Date: 19 July 2019

Event URL: https://www.facebook.com/events/429330157911817/

Startup Weekend is a worldwide event which promotes Entrepreneurship among the young community. The participants will experience the highs, lows, fun, and pressure that make up life at a start-up and they will meet the very best mentors, investors, co-founders who are ready to help the start-ups to take off the ground and amazingly all these happen within just 54 hours.

Date: 20 July 2019

Event URL: https://www.facebook.com/events/492501854627295/

The purpose of the Caravan is to lay out a platform for the students who wish to develop their career as entrepreneurs. The workshop covers the innovation and design thinking in practical modus. This leads to an identification of market requirements, product development with innovative thinking, a practical scenario of product development, marketing the products and sustain in the industry.

Date: 23 July 2019

Event URL: https://www.facebook.com/events/835624240157857/

This workshop is NOT for you if you want to start the next Kapruka.com. or Takas.lk.

But if you want to build an e-commerce business that can be managed by yourself or with a small team and still make money, this workshop is for you. This is for anyone who wants to turn their passion into an e-commerce business in Sri Lanka.

This is a hands-on workshop that looks at the practical side of building an e-commerce business on your own terms.

Sri Lanka Telecom recently launched its very own ride-hailing service named 'muve'. However, muve is only the latest in a string of brand new ride-hailing platforms launched by various entities. With competition intensifying, it would be interesting to see who would emerge victorious.

Sri Lanka is known for being an idyllic destination for holidaying. Offering a diverse list of things to do at affordable prices, a number of activities to participate in, a wide variety of natural food to sample, and breathtakingly beautiful landscapes to enjoy, there is a lot Sri Lanka manages to pack into a tiny island of just about 66,000 square kilometres. Tourist arrivals, that have been rising steadily since the end of the civil war in 2009, are an indication to the richness of Sri Lanka’s offering. In 2018, the number of tourists to Sri Lanka grew by 10.3 percent to 2.33 million, on a year-on-year basis.

This was why the Easter Sunday terror attacks were entirely unprecedented and unexpected. The blasts claimed the lives of 260 people and injured many more, both local and foreign, and even while so many are struggling to heal from the trauma of the blasts, the country’s defence apparatus was quick to track down and neutralise all terror cells, and the possibility of further terror attacks. Now, less than two months from the attacks, the three hotels that were affected are reopened, the churches that were attacked have been rebuilt, and a cautious, yet hopeful populace is going about its day-to-day business.

But what does this mean for those who are looking to pay a visit to Sri Lanka anytime soon?

Commander of the Army, Lt. Gen. Mahesh Senanayake, told the media on the 20th of May that they have been able to arrest everyone connected to the Easter Sunday terror attacks and that he is confident the armed forces would be able to completely eradicate the threat of international terrorism.

Businesses both big and small, online and offline, are witnessing a gradual uptick.The Galle Face Green, Colombo’s popular promenade famous for its nana kades and isso wade carts, had remained deserted for weeks following the attacks, but now, it is slowly but surely returning to normalcy. Kids frolic about, playing cricket and flying kites—all familiar sights for regular visitors to Sri Lanka.

The tourism sector, which was badly hit, is beginning to change momentum. Many foreign countries that had cautioned against visiting Sri Lanka in the aftermath of the attacks, have relaxed their travel advisories: Australia is the latest to join France, China, India, Switzerland, Germany, Sweden, and the UK in relaxing travel advisories to Sri Lanka. This means that while tourists are not advised against travelling to Sri Lanka, they are requested to be vigilant about their personal safety.

Visitors are already responding positively, and this is not limited to bargain seekers alone. Hapag-Llyod’s luxury cruise liner MS Europa 2 docked at the Port of Colombo recently, and is the first luxury cruise liner to arrive in the country after the Easter Sunday attacks. Even on the Internet, the sentiment is improving. On the TripAdvisor forum, threads asking about the safety of travelling in Sri Lanka have also been positive. A comment posted on 10 June by user TonyW from Australia reads, “8 of us have been in Sri Lanka past week...From our perspective, it has been totally safe. At no time have we felt threatened...It’s the best country we have visited. [The] scenery is unbelievable and the people so friendly” \*

While things are very much back to normal, a few necessary and proactive security measures have been put in place. This is what it is like in Sri Lanka, right now.

Once you land, you will still have to go through the routine security scans and stand in line at the Immigration counter to get your visa stamped. Everything is very much in line with standard airport security practices. The airport management now allows up to two visitors to accompany a passenger to the arrival or departure lounges of the airport. Clearance for visitors was previously revoked in order to tighten security at the airport following the attacks. If you’ve arranged for a chauffeur to drive you to your hotel upon arrival, you may find him waiting here.

While travelling around Sri Lanka, you are bound to come across a security checkpoint every once in a while—particularly near major entry points and key locations. And as long as you are carrying a valid form of identification, you should be good to go.

The Easter Sunday attacks badly affected the tourism industry, and in a bid to recover, hotels have been offering generous discounts. On Google’s hotel booking platform, on which you can book your flights and hotels in one go, a night’s stay at a hotel with a 4.0 rating can now be booked for almost LKR 11,000 (USD 62.30)—27% less than usual. On Booking.com, many properties, including those with a rating of 8.0 and above, have slashed their rates by as much as 50%, a boon for the budget-conscious traveller.

April to October is also surf season on Sri Lanka’s East coast, and the absence of many travellers means you will have the entire beach to yourself. Other popular hotspots such as Ella, Horton Plains, and the country’s national parks are also bound to be a lot less crowded than usual, leading to cheaper accommodation and overall costs.

All the usual tourist attractions are open, from the Sigiriya rock fortress, to the ruins of Anuradhapura, the wonders of the Yala National Park and the wildness of the Pigeon Island marine life sanctuary. “Our tourist sites and hotels are fully operational and Sri Lanka Tourism is looking forward to welcoming visitors,” Tourism Development, Wildlife and Christian Religious Affairs, John Amaratunga said to the press on the sidelines of a recent event to launch a new tourism promotion campaign.

Sri Lanka’s roster of cultural and sporting events have not been cancelled, and are expected to be held as originally planned. The colourful Kandy Esala Perahera, a tourist favourite is expected to be held from the 5th of August to the 15th of August this year. The Esala Perahera is of significant religious and cultural importance to the locals, and is believed to be of immense help to invoke the rains, which are considered a sign of prosperity in the country which has a rich history of agriculture.

Sri Lanka will also be conducting the World Surf League 3000 QS event which will be held in Arugam Bay, a popular surfing destination on the East Coast of the country. The Amateur Golf World Cup is also expected to be held in September in Hambantota at the country’s newest golf course, which is part of the Shangri-La Hambantota Golf Resort & Spa..

After the Easter Sunday attacks, the Civil Aviation Authority (CAA) of Sri Lanka banned all drones and unmanned aircraft within Sri Lankan airspaces, and the security situation of the country was cited as the primary reason. So, if you are a drone enthusiast or an aerial photographer, you may be at a disadvantage here. Aside from this, only the usual travel advice about respecting the local culture and norms applies here.

Sri Lankans are warm, and welcoming. Don’t hesitate to ask someone for help if you should ever need it. At the same time, just as with all other countries, touts and other unsavoury characters are out to make a quick buck from unsuspecting tourists, so be aware.

All of this is good news, for Sri Lankans, and for those looking for a quick and cheap getaway to this island paradise. Hurry up though—Sri Lanka is stepping up its promotions to attract more tourists, and you could lose out on a good chance to save some money.

Love Sri Lanka is the brainchild of the Sri Lanka Tourism Alliance. The Alliance consists of a like-minded group of professionals from Sri Lanka’s private tourism sector

Cover image credits: Photo by Robin Noguier

When news broke of Huawei being blacklisted by the U.S. government due to an ever-escalating trade war between China and the U.S., there was a great deal of confusion to the ordinary user about what was going on. Hot on the heels of the blacklisting that went into effect on May 24, came Google’s suspension of business with Huawei. Being a company domiciled in the U.S., Google was left with no choice but to comply with the government. But one of the major negative outcomes of this decision was that Huawei would now be shut out of key features of Android, most of which are proprietary to Google. With Huawei being the world’s second largest smartphone manufacturer by units shipped, the Internet went into a meltdown over this news. But amongst the memes and sarcastic posts, there were also genuine questions. What about the user? What about non-US firms that do business with Huawei? And more importantly, for us at home, what does it mean for users of the second-most popular smartphone brand in the country?

The trade war between the United States and China is widely thought to be what kickstarted everything. However, Huawei has also been in the spotlight for some time now, particularly due to the U.S. government’s concerns about the company’s relationship with the Chinese government. Then came the allegations of spying. In 2018, then FBI Director Chris Wray told the Senate Intelligence Committee that Huawei’s products, along with those of ZTE, could be used by Beijing to conduct espionage on foreign governments.

Following this revelation, the Pentagon banned the sale of Huawei and ZTE devices on American military bases, Australia banned Huawei from its 5G rollout, a Huawei employee was arrested for alleged spying in Poland, and British carrier Vodafone found hidden backdoors in Huawei equipment, which could theoretically let someone eavesdrop on users. As the trade war escalated, the U.S. government added Huawei to a trade blacklist, and Google had to revoke Huawei’s Android licence.

Huawei has made it clear that devices sold and held in stock globally before the ban came into effect will not be shut out of the Android ecosystem, and key services such as the Play Store will continue to function as normal for the moment. Huawei will also continue to provide security updates and after-sales services for these devices. The question of future OS updates for existing devices has not been answered, however. At the time of writing, we were not able to find any official statement to the contrary.

However, Forbes did report that Huawei would be able to push updates for existing devices once Google makes them available to AOSP (Android Open Source Project), the open-source variant of Android. Even then, Huawei will have to push the updates itself. They will also invariably arrive much later than other manufacturers, since Huawei will have to undertake a considerable amount of work to adapt the code to suit its devices. In case you didn’t know already, AOSP is the layer of code upon which Google’s proprietary improvements (which we refer to as Android OS) are built. AOSP is the Unix to Apple’s Mac OS, which is what necessitates all the tedious customisation that Huawei will have to undertake.

So if you already own a Huawei device, while updates may be a little late in coming, there is no need to panic just yet.

As popular tech vlogger MKBHD contends, Huawei could technically continue to build new phones, and devices such as laptops. However, he argues that it’s going to be a painstaking process. This is because of Huawei’s relationships with its suppliers, quite a few of which are based in the U.S. Things don’t look good for the company, as chipmakers Intel, Qualcomm, and Broadcom have also reportedly had to cut ties with Huawei.

Despite this, ArsTechnica reports that Huawei’s hardware supply chain will not be greatly affected, particularly since the company develops its own chips for use in its smartphones. But the company is expected to run into trouble when it comes to software. Now that it is unable to use Google’s version of Android, it can only make use of the AOSP.

In the wake of the ban, Huawei confirmed that it has been working on a smartphone OS of its own. Named ‘Hongmeng OS’, Huawei is testing the OS for compatibility with Android apps. In an indication of things to come, it has been now revealed that Huawei’s upcoming flagship Mate 30 device will be released with Hongmeng OS in September. Hongmeng will only be available in the Chinese variant, and it is not yet clear which OS will be carried by devices meant for other markets.

This is where all the uncertainty creeps in. Nobody is really sure what the software experience on new Huawei devices will be going forward. So if you’re thinking of getting your hands on a shiny new Huawei device, it may be wiser to hold on to your money for the moment.

Cover image credits: The Economist

The Easter Sunday terror attacks have dealt a serious blow to the economy of the country. Some of the impact has already been quantified: The Hotels Association of Sri Lanka has estimated that the tourism industry stands to lose USD 1.5 billion in revenue this year. State Minister of Finance Eran Wickramaratne said he expected economic growth to dip to 3%. (A poll conducted by Reuters with ten economic analysts estimated growth to be lower, at 2.5%). But, statistics aside, we look at how the terror attacks have affected the lives of other economic actors.

It is no secret that subdued economic activity in the aftermath of the attacks left the country’s otherwise bustling urban centres deserted. Shops were closed and supply chains disrupted when people chose to stay indoors as much as they could for their own safety.

Priyantha, a full-time tuk-tuk driver whose rides dwindled to near zero following the attacks, put it down to fear. “People were afraid, naturally. I could barely find a passenger,” he said “Normally, I manage to earn at least Rs. 1,500-2,000 by noon. But over the last few weeks, even earning Rs. 500 a day was a challenge since the streets were so empty. Fortunately, I don’t have a lease on my trishaw, but what about the thousands of others whose leases fell due?”

Priyantha said that to his knowledge, around 30% of an average tuk-tuk driver’s monthly income goes towards his or her lease. “Let’s assume that the lease instalment comes to around Rs. 20,000 a month. Basically, someone with a lease needs to earn around Rs. 600 every day, if they want to pay their lease on time,” he said. Even though the going has been tough, Priyantha is hopeful that he will have more passengers as the country slowly returns to normalcy.

As economic activity has started showing signs of picking up, daily wage earners such as Priyantha can heave a sigh of relief. A casual stroll around Colombo is revealing. Lottery kiosks have opened up again, and achcharu vendors draw kids towards their carts outside schools. Life is gradually returning to normal, at least for some.

The multiple blocks on social media in the aftermath of the Easter Sunday attacks also hurt the bottom line of many small e-businesses. Crystal Koelmeyer, who runs an e-commerce shoe business, saw her fledgeling enterprise come to a complete standstill in the aftermath of the attacks. Her business, which is wholly dependent on social media for sales, usually averages around 20 orders per week. But the social media ban brought it all to a halt. Even though orders are picking up once again, the disruption has stoked concerns for the future. “Business is back to normal, but there is a looming sense of uncertainty,” she said. “We are doing okay for now, but at the same time, looking at what we can do in the long run, if selling online stops being a viable option.”

The tourism sector has been amongst the hardest hit by the Easter Sunday terror attacks. Several leading hotels, particularly in Colombo, have laid off trainee and casual staff. Staffers of a few hotels who were fortunate not to be axed, spoke to us on condition of anonymity, telling us their monthly earnings had taken a severe hit. “I make Rs. 20,000 as my basic salary. It is the service charge that we depend on for survival,” said one staff member, who is a young chef at one of Colombo’s top hotels. In the hospitality sector, earnings from tips and service charges make up for a significant proportion of an employee’s take-home pay. Since occupancies have dropped by 80 to 90%, employees have been affected financially.

Nearly a month after the attacks, hotels both big and small, have resorted to heavy discounting in order to attract locals. The newspapers are populated with offers for full-board and half-board stays for as low as Rs. 3,500. The Sri Lanka Tourism Development Authority (SLTDA), in a bid to ease the pressure on the industry, remove the minimum room rate imposed on Colombo’s city hotels, allowing the organisations to make even the bare bones of a living. The Government also made available a relief package for the tourism sector, under which Value Added Tax (VAT) on hotels and tour operators was reduced from 15% to 5%. Registered establishments are also now able to obtain a one-year moratorium on loans they have obtained.

Despite the severe economic aftershocks, especially evident in the deserted streets in the immediate aftermath of the Easter Sunday terror attacks, and the eerie silence of an otherwise bustling city, the characteristic resilience Sri Lanka showed during decades of civil war is once more evident, and a measured recovery is taking place—perhaps because, as Central Bank Governor Dr. Indrajit Coomaraswamy pointed out at a recent event, Sri Lanka is fortunate to have a reasonably sound macroeconomic footing. Key travel markets such as the UK, China, Germany, Austria, Italy, and the Netherlands have also softened their travel advisories in recent days and it can be expected that Sri Lanka’s tourism sector will pick up reasonably soon, swinging the pendulum in favour of the island nation again.

Cover image credits: escape.com.au

Even if you have a passing interest in Tamil (Kollywood) movies or memes, you would have noticed #PrayForNeasamani trending. But who is Neasamani? And why is everyone praying for him? How did he become so famous? Here are the answers.

As Sri Lanka prepares to commence its #CWC2019 campaign, here's a quick summary of the opponents Sri Lanka will have to face, and the players to watch out for.

As we celebrate Vesak this year, let us not forget what makes Sri Lanka beautiful. Our diversity, generosity, and kindness endear us to the world. Let us not let recent events overshadow all that is beautiful in this country.  
For we are all, first and foremost, Sri Lankans.  
All of us at Roar wish you a peaceful Vesak!

This month, Sri Lanka would have celebrated ten years since the conclusion of a civil war that lasted 26 years. However, tragedy befell the country once more, in the form of the Easter Sunday terror attacks, which killed hundreds and injured scores more.

The Easter Sunday attacks were very different from what Sri Lanka was accustomed to. A multitude of variables, such as the lean and distributed nature of the terrorist outfit’s operating structure, the radicalisation which took place abroad, and the prosperous backgrounds of some of the terrorists, complicate the task of counter-terrorism agencies who may now have to weave a wider web to monitor, identify, control, and eradicate security threats.

A few days after the attacks, US Navy Admiral James Stavridis wrote an opinion piece for Bloomberg noting how the attacks mark a key turning point in the global fight against terrorism, with implications far beyond Sri Lanka’s borders. Stavridis, a retired former supreme allied commander of NATO, goes on to explain:

“Welcome to Terrorism 3.0... In Terrorism 3.0, we see the Islamic State — a globally dispersed, highly lethal, financially capable, deeply innovative organization. While the West has been able to compress its occupation of territory, effectively knocking it out of a geographical caliphate in Iraq and Syria, it has morphed into an Internet-based organisation that continues to conduct highly sophisticated attacks and establish cells across the globe.”

Stavridis is not alone in his view; the changing nature of global terrorism has been acknowledeged by many. To understand better, we reached out to a few international experts for their insights on this new age of terrorism and what Sri Lanka must keep in mind when preparing a response to it.

Hewitt: “There are a few, I would argue. One is the speed [at] which plots can develop and in terms of how quickly individuals can be drawn into acts of extreme violence. The idea of transnational terrorism pre-dates the Internet, and looking back to the late 19th century, anarchists communicated using the telegraph and disseminated their propaganda using printing presses. The difference now is the speed with which these communications and dissemination of material can occur. A second is the sheer variety of tactics being used by terrorists and terrorist groups. All have appeared in various forms in the past but now groups are using a wide variety of tactics, sometimes within the same operation. The Islamic State in Paris, for example, used tactics similar to Mumbai in 2008 but also utilised suicide bombers — something that hadn’t occurred in Mumbai, where explosives with timers were used. A group like Islamic State might carry out a sophisticated plot as in Sri Lanka but the next attack somewhere else might be carried out by a lone actor and involve a knife or vehicle.”

Ganor: “Modern-day terrorism is highly reliant on new technology and new trends — such as blockchains to fundraise their activities, drones as a new weapon of choice, and of course, social networks which give the terrorist the ability to propagate, radicalise, recruit, train, fundraise, give operational commands, and use the live coverage of their attacks in order to amplify their message, and intensify the fear and anxiety out of their attacks.”

de Londras: “Fundamentally, the key differences are probably to do with scale: globalisation and its products (including the Internet, ease of cross-border travel etc) are such that challenges like terrorism can take place on significantly larger and more complex transnational scales than we might have been used to before. So that the underpinning patterns of recruitment, training, funding, facilitation, incitement, and indeed core activity, are more dispersed and thus more difficult to address.”

Barrett: “The main difference between traditional, pre-social media terrorism and the current phenomenon is the way in which local grievances that may motivate people to commit violent acts can be swept up in a far broader narrative of discrimination. The interconnectivity provided by the Internet has increased both the spread of terrorism and its impact. Even a failed attack may now be claimed as part of a global campaign and so get media or other coverage to spread fear and promote individual acts of violence by people who seek that form of notoriety, whether for themselves or for their cause.”

Q: What should governments keep in mind when formulating a counter-terrorism strategy to deal with this threat?

Hewitt: “The need for flexibility and to expect the unexpected. In some ways, the pattern to current terrorism is that there is no pattern. Governments also need to admit there can never be 100 % security. It’s more a case of trying to reduce the frequency and trying to avoid the attacks with high casualties — as in Sri Lanka. There also needs to be more emphasis on resilience. Terrorists are looking to divide societies and we must resist overreacting and doing exactly what the terrorists want us to do.”

Ganor: “It is essential that governments understand the global dimension of terrorism today. They should know that [just] as terrorism is borderless, so should counterterrorism be. The slogan of my institute [ICT] for many years was: “It takes a network to beat a network”. This is more true today than ever. States should join hands to counter terrorism, they should share intelligence and warnings about terrorist plans, attacks and organisations. (And of course, they should not turn a blind eye to intelligence warning that they are getting from friendly countries). They should have joint training, share experience and technology, and educate their citizens that terrorism is always unjustified.

de Londras: “Any counter-terrorism strategy must be designed around three core principles. First, human rights: human rights must be respected while countering terrorism, both because that is demanded by the rule of law and because systemic rights violations create the conditions for longer-term insecurity and are thus counter-productive. Second, effectiveness and accountability: We must have in place some process for ensuring that there is adequate transparency about a state’s approach to and execution of counter-terrorism, (legal and political) accountability for rights violations and security failures, evaluation of whether counter-terrorism approaches are working to address the terrorist threat, and a willingness to change course and adapt if not. And third, risk: It is not possible to eliminate the risk of terrorism or terrorist violence. What we aim to achieve instead is to manage and minimise that risk.”

Barrett: “It is important that governments see perpetrators of terrorism as individuals or small groups rather than representatives of their communities. Also, governments should not exaggerate a threat, that in most places remains so small as to be insignificant in terms of danger to the public at large. Government response should be proportionate. Even the recent attacks in Sri Lanka, however horrific, were committed by a small group of people. They do not necessarily suggest that many more such attacks will occur over the coming months.”

Q: What role must communities play in countering the kind of terrorism that often arises from violent extremism?

Hewitt: “All communities have a role[to play]. Factors that drive terrorism are anger, alienation, a sense of grievance, and a desire for revenge. We all [play]a role to try and address wider social causes and to avoid stigmatising entire communities because of the actions of a tiny number of members of those communities. A backlash against an entire community will inevitably lead to more anger, alienation, and, ultimately, more acts of extreme violence.”

Ganor: “These communities have a crucial role in disseminating the message ‘terrorism is always unjustified’ to all their members. [They should make it clear]that they oppose terrorism anywhere in the world, without distinguishing between the reasons and motivations that underlie it or the identity of its perpetrators. They should stress that there is no injustice, ideology, political grievances or religious considerations that can justify the perpetration of deliberate attacks against civilian targets. They should support all victims of terrorism worldwide, regardless of their race, religion or gender. In that way, the legitimacy that terrorists are seeking among their communities will be eradicated.”

de Londras: “Countering extremism is complex and complicated. We do not really know what works to counter extremism and to help people who are vulnerable to being drawn into extremist and violent activity. However, we do know that community is important. States too often see communities as sources of information and intelligence, but it is better to see them as sources of resilience: places where there is trust, community, belonging and openness so that hard discussions about change, disenfranchisement, politics, protest and disagreement can take place in a spirit of respectful challenge.”

Barrett: “In this respect, it is vital that governments work with the communities from which terrorists emerge rather than treating them with suspicion or stigmatising them in other ways. The vast majority of the Muslim community in Sri Lanka abhor these attacks, and it is only with the help of families and local organisations that future plots can be discovered or discouraged.”

\*Answers have been edited for clarity and brevity.

Cover image credits: aljazeera.com

When eight explosions rocked Sri Lanka on Easter Sunday (April 21), the government moved swiftly to declare a State of Emergency. A day after the deadly attack that left 257 dead, nearly 500 injured and the whole of Sri Lanka in shock and mourning, President Maithripala Sirisena declared that Part II of the Public Security Ordinance (PSO) would come into effect. Under Part II of the PSO, Emergency Regulations can be enacted in the interest of national security and to maintain essential services and public order.

The Emergency Regulations of April 2019, which are wide-ranging and cover a gamut of areas, were passed in Parliament without a vote. They are, however, only valid for a month before they must be extended with Parliament approval. Besides empowering the security forces to search, seize, arrest and detain anyone suspected of terrorist activities, there are a number of ways in which the Emergency Regulations can affect you — the average citizen. It’s always a good idea to know what these are, so you can make sure to stay on the right side of the law.

If the building you live in is suspected to be connected to an offence that comes under the Emergency Regulations or the Prevention of Terrorism Act, the local Superintendent of Police can evict you. If you own the building, you do have the option of appealing to the High Court for its release, with the added knowledge that if you are not guilty, authorities are obliged to return the premises within six months.

That’s right. A Competent Authority (specified in this case as the Commander of the Army, Navy, Air Force, the Inspector-General of Police or the District Secretary of every Administrative District) can claim the use of any vehicle — in the interest of public security, to preserve public order, or to keep essential services running, of course. They can also order a vehicle not to be removed from a premises until specified by order.

You can be called on to render any personal service in the interest of national security or the maintenance of essential services. Failure to comply is an offence that can have you severely penalised. So be prepared to push through those fears and say ‘yes.’

If a Competent Authority (in this case, a person appointed by name or by office by the President) decides that certain places are restricted—in the interest of national security and the maintenance of essential services—you will not be allowed there. That is, unless you are able to obtain special prior permission. And if you are found in a restricted area in contravention of the regulations, without prior permission, the Competent Authority is empowered to remove you from there.

The President can prohibit you from holding public processions or meetings, if he is of the opinion that the meeting or procession could cause a disturbance to the public.

The President has the power to impose a curfew on any specified area for a specified time period. In fact, one of the first things the President did after the Easter Sunday bombings, was to impose an islandwide curfew for five consecutive nights. Even after islandwide curfew was lifted, it was reimposed on certain areas—Sammanthurai, Chavalakadai and Kalmunai in the Eastern province, and Negombo in the Western province—where tensions were high. If you absolutely must be out during a curfew, you are allowed to obtain a written permit from somebody authorised to grant such permissions.

A Competent Authority can restrict the publication of certain types of content within Sri Lanka and also prevent the transmission of said content outside of Sri Lanka, if the content is viewed as being “prejudicial to Sri Lanka, detrimental to national security and the maintenance of essential services or inciting or encouraging persons to mutiny, riot, cause civil commotion, or to commit a breach of any law that is in force.” While these regulations may not typically affect you—unless you are organising a grassroots revolutionary movement— it does affect newspapers, and, presumably, other forms of publication, as publishers can be made to submit content to the Competent Authority before publication.

Those of us who grew up during the war may remember having to keep Police appraised of household members at all times. Those laws have now been brought back, which means—if requested— you may now be required to provide the details of your household members to a police officer not below the rank of Assistant Superintendent of Police, Furthermore, a household can be ordered not to take in a stranger without first notifying the OIC (Officer-in-Charge) of the local police station.

Not in so many words, but the Emergency Regulations do state that any person communicating (by word of mouth or other means), disseminating (hello, social media) or spreading any rumour or false statement likely to cause public alarm or public disorder is considered guilty of offence and liable to imprisonment. So be careful about what information you accept, share and spread.

You may have to give up on your trendy camouflage clothing for now. Anyone not a member of the Armed Forces or Police wearing or in possession of any “garb, dress, uniform, identity card, token or other symbol resembling in any manner or in any detail, the garb, dress, uniform—or even identity card, token or other symbol—worn or used by any member of the Armed Forces or the Police Force” is guilty of offence.

Maybe it’s an antique sword, or you’re just into guns, but under the new Emergency Regulations, any person in possession of any gun, explosive, offensive weapons or offensive substance is guilty of offence. The Police has requested the public to turn in any private collections of weapons to the nearest Police station until the country is secure, so now may be a good time to store these at a safer location.

If you’re asked a question, you’re obliged to reply — IF the question comes from a member of the Army, Navy or Air Force. So know what you are doing, where you are going and be prepared for any (even unpleasant) questions. Now’s not the time for dithering.

There is a lot more included in the Emergency Regulations of April 2019, but these ought to keep you safe and in the clear for the time being. If you want to read the Gazette notification pertaining to the Emergency Regulations in detail, however, it can be accessed here.

Cover image credits: France 24

The Easter Sunday attacks left Sri Lanka in mourning. Despite this, Sri Lankans are banding together to help each other in whatever way they can, affirming the compassion, resilience, and generosity for which Sri Lanka is famous for.

Through his achievements, the late Upali Wijewardene mesmerized a nation. Today, we bring to you the story of the man who gifted Sri Lanka with legendary products such as Kandos chocolates, Delta toffees, The Island newspaper, and Upali Mazda cars.

On the seventh floor of the McLarens building on Bauddhaloka Mawatha is an office, where a small team of developers are huddled around a computer. As we walk in and look around, we can see that these developers have been working on a piece of critical code. On the other side is a small meeting room, and out walks a young man who looks to be in his late 20s.

“Hi, I’m Dumindu” he introduces himself.

Dumindu Kanankage is a director of 4Axis Solutions, a six-year-old startup founded by a group of then undergraduates at the University of Moratuwa (UoM). Dumindu is one of them, and soon we are joined by Minsara Madhawa,a co-founder and Head of Operations of 4Axis. These two take care of the day-to-day affairs of 4Axis, which is a very unique tech startup. For one, it has been completely bootstrapped from day one. Two, they are doing well financially (last year, they achieved a revenue milestone of USD 1 million). What do they do? Develop mobile apps.

To be specific, 4Axis is the developer behind Drawing Desk and Colourgram, two of the most popular drawing and coloring apps on iOS and Android. The two apps have a combined user base of almost 20 million, and have been featured by Apple on the iOS App Store.

With our minds overflowing with questions, we settled into a chat with Dumindu and Madhawa.

Q: What is 4Axis Solutions?

In short, we are a company which develops mobile apps, and currently we have two products which are listed on both the iOS and Android app stores: Drawing Desk and Colourgram.

Q: How did you guys start?

If you really look at it, everything started while we were studying at the University of Moratuwa. We had a founding team of four: Kapilan Karunananthan, Anuruddha De Alwis, and ourselves. We were all third year students at the University of Moratuwa and all of us had chosen mobile applications as our stream. That’s how we found each other. If memory serves me right, this was in 2012.

In the beginning, we built a lot of things. It was hard, but being passionate about mobile apps, we didn’t really feel it. And somehow, we set our minds on building mobile apps which enabled creativity. That’s how we came up with the idea for Drawing Desk, and we released the first version of the app in 2013.

Q: Can you tell us a little bit more about your products and what makes them unique?

Well, first of all, we are purely a product company, and not a project company. Most other companies in this industry build apps for others. Not us. We really wanted to build something on our own.

And build we did. Our first product (and flagship) is Drawing Desk. It’s available for both iOS and Android, and is built to cater to all types of drawing. Doodling, sketching, colouring — you name it, Drawing Desk can handle it. It’s our oldest and most popular product, and today, 70 percent of its users come from the United States and Europe.

Colourgram, on the other hand, is really a colouring therapy app meant for adults. We only launched it in October 2017, so it’s quite new compared to Drawing Desk. There is a new mindfulness movement coming to the fore, and meditation apps, journaling apps and the like are proving to be effective aids to help people deal with a stressful modern world. That’s why we envisioned Colourgram as a colouring therapy app.

Given the way it is meant to be used, we imparted a community aspect to Colourgram. Users can create a timelapse video as they colour, which they can later choose to share with other users. And watching a video of say, a mandala being coloured in, is very therapeutic.

Q: 4Axis has never taken any venture capital funds. You were completely bootstrapped from day one. How?

During the development stages, it did take a lot of penny pinching, but in a good way. When we were looking to make our first hire, we didn’t have enough money to both pay ourselves and also meet the payroll of an employee. So we decided to underpay ourselves for a while, so that as a company, we could afford to pay our first employee (and later others) a competitive salary. Back then, as founders we drew a salary of only around 2,500 rupees, just enough to pay for transport.

The early versions of our app (i.e. Drawing Desk) had an ad-supported revenue model, which we persisted with until 2016 or so. And since we managed to gain a good user base, the ad revenue was pretty good, which helped us stay afloat. We even went on to become a Google Strategic Partner since we ended up becoming the largest mobile ad supplier in Sri Lanka. Of course, we shifted to a subscription-based model afterwards, but I think the key is that we lived within our means, and didn’t get too ahead of ourselves.

As a result, we have been profitable for 6+ years now, and last year we managed to surpass a revenue of USD 1 million.

Q: What are the biggest challenges you faced as a team?

The biggest challenge was believing that we could. Developing a product or a mobile app is not easy. But to keep on believing that it will grow to be something big enough, now that takes a lot. You need a lot of mental resilience.

Of course, there were other challenges like not being able to collect our ad payments from Google due to regulatory issues. But we managed to solve those.

When things get tough, it is tempting to look towards project-based work to pad your revenues. There’s nothing inherently wrong with that, but it can shift your focus away from your core product. In a way, we are happy that we never had to go down that path.

Q: What was it like in the early days?

Those were scrappy, frugal times. While we were in university, we managed to work out of the computer lab. Then we shifted to the house of one of our co-founders. While we were in our final year, we rented out a small room in Mount Lavinia, since it was closer to the university also.

The room wasn’t anything much. You could just about fit a table and four chairs. It was tough balancing studies and developing apps. We had to work 18-hour days.

Once our exams were over, we moved to a proper office in Bambalapitiya, and hired our first employee, who also happened to be from our faculty at Moratuwa. That employee is still with us, which is great.

But we had to get past so many obstacles. When we came to Bambalapitiya looking for an office (we had managed to save up some money), landlords did not expect to see a group of students in t-shirts turning up. They probably expected to see someone who was middle aged, a corporate type probably. Funnily enough, we remember someone looking at our attire and asking us, “Is this how you come to Bambalapitiya to look for an office?”

Looking back, you could say that things were getting somewhat better but back then, we just tried not to get carried away. We kept our heads down and focused on our next milestone. There’ve been times when we planted ourselves in the office for four days straight. Thankfully we were a good team, and we gelled well, which was a blessing.

There were a lot of things that helped keep us going, and celebrating the little wins was a big part of that. On the day we launched Drawing Desk, we got 3,000 downloads, which is very rare. That inspired us to work towards our next milestone.

Q: Once you graduated, did you face any pressure from friends and family to take up a ‘safe’ job?

Not really. We were very fortunate in that aspect. Our parents didn’t exert that kind of pressure on us. Also, since we had already launched Drawing Desk by the time we graduated, and the company was essentially up and running, it was pretty easy to navigate that (potential) storm.

Q: Do you think being at a place like UoM, which is famous for the quality of its IT talent, helped you?

Of course. UoM’s high performance culture is a good place to be. There is some positive peer pressure to try and do your best. That kind of environment is quite hard to find, especially in Sri Lanka.

While we were there, universities like MIT (Massachusetts Institute of Technology) used to visit and conduct various programmes. They still do. We were fortunate that we were at UoM, and so were able to take advantage of such programs.

Q: Would you encourage someone to follow the path you’ve taken?

Yes, but subject to a small disclaimer.

Finding success by following this path is hard. There are millions of apps out there, and the more money you have, the better you can compete as a developer. Technically, we ourselves are competing with companies like Microsoft and Adobe. So, it’s very competitive.

But, there is opportunity. If you can come up with something unique to the app store, something that is different, then there is potential for the app to go viral. The good thing is that it is a meritocracy to a large extent. If you have a good product, you will definitely succeed.

Q: What’s next for 4Axis?

Our next goal is to launch a new, revamped version of Drawing Desk, most likely within the year. The new version will be able to take advantage of the newer hardware and will be built to leverage capabilities like GPU acceleration.

Apart from that, we do have plans to build a few more creative tools, hopefully with AR/VR functionality. But at a broader level, we will stay focused on the creative tool space.

Sri Lanka’s workforce is heavily dominated by men. According to the Central Bank of Sri Lanka, only 37% of Sri Lanka’s womenfolk are actually contributing to the labour force. In a country with a workforce of only 8.5 million people, encouraging more women to contribute to the economy can go a long way towards helping the economy grow.

With this objective in mind, Facebook launched an initiative in 2017 to encourage more and more women to take up entrepreneurship. After its first pilot in India, the company has now expanded the program to include Sri Lanka.

We were introduced to the program at the #SheMeansBusiness panel discussion, which was held as part of the launch of Hatch, Colombo’s newest startup hub/ incubator/ co-working space.

Conducted by Facebook, the panel featured Satyajeet Singh, Facebook’s Head of Platform Partnerships for India and South Asia, and Nisha Tillas, the co-founder of RytTrak Solutions, which is a full-service digital marketing agency based in Sri Lanka. The panel was ably moderated by Sachindra Samararatne of the Information and Communication Technology Agency (ICTA), Sri Lanka.

Opening the discussion, Singh spoke about what Facebook learnt during the pilot phase of the program in India. The objective of the program, at a broader level, is to help create a community where budding women entrepreneurs can receive all the help they need to succeed. Facebook contributes by helping to bring community members together through events, groups, and meetups. The company also provides these entrepreneurs with the education necessary to make sense of digital tools and services that are available to help expand their business.

Singh admitted that at first, they did not know what success would look like for this kind of initiative. However, the program soon grew to 100 startups within its first year, progressed to 250, and now has 500 small businesses in India alone. Singh’s team then decided to roll out the program to Sri Lanka.

In Sri Lanka, Facebook has conducted events and training sessions across the country (including in places such as Matara and Jaffna), in order to primarily help a large number of small-scale women entrepreneurs grow their businesses.

We have summarised the advice the panellists shared which would help other entrepreneurs.

Encouragement was one of the most important insights that emerged out of the discussion. Sometimes, women entrepreneurs have to overcome a lot more obstacles like work-life balance, societal roles and norms when compared to their male counterparts. When faced with all this, it is easy to get discouraged.

Hence, a good support system is essential. However, building one is much easier said than done, and you need to pay careful attention to the process itself. Tillas told us that “one good way to identify who belongs in your support system is to pick those whom you trust and also at the same time, challenge your thinking and help you to grow”

Head In The Clouds, But Feet On The Ground

“While you must never be afraid to dream big, it is also important that you stay in touch with reality, and find practical solutions to problems” emphasised Tillas. This was backed by Singh, who also added that one needs to be mentally flexible in order to grab new opportunities that come our way. Sometimes, those opportunities may not be in line with the initial goals, but the trick is to be able to do a quick cost-benefit analysis, and deciding whether to take the opportunity or not. According to Singh, that is what entrepreneurship is.

Sri Lanka Has A Long Way To Go

As the session proceeded, the discussion centered around what could be done to make the local entrepreneurship ecosystem more conducive for women. Whilst there were a plethora of ideas exchanged, one notable thing we learned was that mentorship opportunities and availability of funds are generally lower for women founders in the South Asian region. Drawing from his experience in India, Singh said, sometimes venture capitalists tend to have second thoughts on otherwise viable business ideas purely because of entrenched gender biases. Whilst this situation cannot be turned around overnight, there is potential to make things better, step by step.

Tillas spoke about how workplaces in Sri Lanka are not very ‘parent-friendly’, which drives women to sometimes quit the workforce altogether in order to attend to their kids. In contrast, parents in developed countries can make use of on-premise day care facilities, flexi-hours, and other facilities made available to parents, to balance both their careers and parental obligations.

And finally, both panellists agreed on the need to embrace diversity in all aspects, which will help create a much more vibrant culture that is more accepting and empathetic. And that is what Sri Lanka probably needs too.

Cover Image Credits: Roar Media

How I Work is a new series where we ask a diverse array of individuals about the tech choices shaping how they get their work done.

Balancing a full-time job and a time-consuming hobby can be tricky. But Priyantha Bandara has got it all figured out.

A management professional working in Sri Lanka’s telecom sector, Priyantha is arguably more popular as “that Sri Lankan photographer who takes amazing landscape and travel photos”.

By day, Priyantha spends his time at work, and has been doing so for the last 20 years. Armed with an MBA and an HND, he is extremely good at his job. But our focus today is on his other passion: photography.

Over the last 10 years, Priyantha has dedicated a lot of time towards perfecting the art. And the results speak for themselves. His work has been awarded, published and exhibited all around the world. In 2016, TopTeny, an online magazine based in New York featured featured Priyantha in a list of “Top 10 Best Travel Photographers in the World”. In 2017, ROL Cruise, a luxury cruise agency in the UK also named Priyantha one of the “Best Travel Photographers of 2017”. His photos can be seen on his Facebook page.

Name: Priyantha Bandara

Location: Malabe, LK

One word that describes how you work: Meticulous, as I give a lot of attention to detail in my photography.

Current mobile device: LG G5. I love it due to its dual cameras, out of which one has a super wide angle lens. It lets me capture beautiful landscape and architecture photographs on the go.

Current primary computer: Apple iMac 27” inch with Mac OS Mojave

What’s a regular workday like?

My day time is almost entirely consumed by my office work. It's filled with meeting internal and external clients, strategizing and running various projects.That leaves me with the nights and weekends to concentrate on my photography.

I spend some time learning and experimenting with new techniques. Then I also have to finish editing the photographs which I’ve captured. Occasionally, I also make time to read and discover new trends in the field. I do get quite a few emails and messages from clients and other photography enthusiasts, so I attend to those as and when possible.

How do you find the time to do photography?

Whenever there is an opportunity, I go after it. This could mean going out of Colombo or somewhere else, for any reason. And often, it’s quite spontaneous.

But for more serious work, I plan out the days and times carefully to capture the exact photographs I have in mind. When planning is done well ahead, it's easier to allocate time for work, family and photography without having to make any undue sacrifices.

Photography is a demanding and strenuous activity. How do you stay fit, at home and on the go?

The nature of landscape and travel photography is such that it is physically and mentally  
strenuous. What keeps me going my passion. There’s quite a bit of truth in the saying that when you doing something you love, you don't feel tired.

Recently, I was in Iceland for a 10-day long landscape photography shoot. The lack of sleep and tight shooting schedules in harsh weather conditions drained my energy. But the novelty of the experience and my innate passion towards the art kept me going.

I try to keep myself fit all the time. I workout and eat clean whenever possible. If I can’t hit the gym I find time to take a walk or at least, do some bodyweight exercises. And since I eat  
clean on most days, I can still keep fit even if I have junk food on and off. This way, I don't have to worry too much about the food I eat when I'm out on the road.

What are the gadgets you use?

I try to use a minimal number of gadgets and I'm not a gadget geek. If I really need a particular piece of specialised equipment, I rent it or lend one from a friend. I buy and own only the most essential stuff.

Right now, I have to my name a Canon 5D MIII DSLR, a Canon 16-35mm F4 L lens, a Sigma 50mm F1.4 ART lens, a Canon 430EX II Speedlite flash, a Nisi ND filter kit (3 stop, 6 stop, 10 stop ND grads, along with the soft ND and polarizing filters), two tripods, and a Canon remote shutter release.

I use drones for aerial photography, plus a couple of external hard drives to backup my data.

Any major life hacks?

I use Lightroom to catalogue and do the primary editing of all my photos. Lightroom has made my life so much easier. Before Lightroom, I had to edit each photo in Photoshop, which was time consuming. And when it comes to HDR merging or merging panoramas, I’m now almost completely dependent on Lightroom. In that way, it’s a godsend.

Any side projects going on at the moment?

I’m drawing up plans for a few travel photography projects. At the same time, I’m also working with a few clients, doing architecture photography on their behalf.

What's in your kitbag at all times?

If I’m taking the camera, I make sure to pair it up with my Canon 16-35mm F4 L lens. I also keep my tripod in the back of my car, so that it’s within arm’s reach at all times.

Entrepreneurship can be an unforgiving endeavour. If you look at it, it’s like a really steep climb up a mountain. And if that’s the journey you decide to set out on, you better be well prepared.

That is the reason why the business world sometimes looks to the world of sports for lessons. Elite athletes often operate at the pinnacle of human capability, and have honed all aspects of performance, whether mental or physical. For those embarking on the marathon of entrepreneurship, these athletes may hold valuable lessons.

That is exactly what we discovered when we attended a panel discussion titled ‘Breaking Bad’, which was part of the grand opening of Hatch. On the panel were three unique individuals: Khalid, Denis and Bihan.

Though not exactly an athlete in traditional terms, Bihan is a young Sri Lankan coding whiz. At barely 16 years old, he runs his own startup, teaches coding online to over 13,000 students, and is soon set to graduate with a Bachelor’s degree in Software Engineering. His ambition is to start a coding school in Sri Lanka someday.

Next is Denis, who played rugby in France for nearly 20 years. However, at 31, he had a heart attack on the field, which put a stop to his ability to chase after the oval ball. Forced to rebuild his life, Dennis moved to Chicago, and decided to take up running. Gradually, he improved his fitness so much that he managed to compete in his first Ironman Triathlon aged 43.

And finally, Khalid. Born in Kuwait and adopted by Sri Lankan parents, Khalid was a shining star at the Red Cross in Sri Lanka before tragedy struck. At the age of 26, he lost his eyesight due to medical negligence, and spiralled into depression. This led him to attempt suicide thrice. However, at the urging of his brother and friends, Khalid decided to make the best out of his situation, and went about adjusting to his new life. Despite many obstacles that came his way, Khalid is today an Ironman Triathlete (training under the watchful eye of Dennis, incidentally) and employed at SriLankan Airlines.

Here are the key lessons we learned from them.

All three panellists agreed that the reason why they have been able to overcome their challenges is because they were in pursuit of something which they loved doing. For Bihan, it was his love of coding. For Khalid, the whole reason why he got into marathons was because he wanted to help others; the marathons were a way to help raise money for worthy causes. For Denis, it was about putting his life back together.

These three individuals were only able to keep going in the face of all obstacles because of how passionate they were about achieving their goal. It’s important to note that their goals were deeply personal. They were not motivated by a wish to seek external glory, but rather, by a deep desire to achieve something that meant a lot to them personally.

Running a marathon, or competing in any other sport for that matter, is a gruelling task. It takes a lot to wake up every day, aching all over, and still follow your fitness routine. This is not easy, and requires you to put mind over matter.  
It’s the same with entrepreneurship. Even the deceptively simple milestone of gaining traction is akin to trying to escape quicksand.

Having had ample experience with what it can be like when darkness envelops your life, Denis advised the audience to strive to build mental resilience. In fact, he emphasised that it is one of the most important skills—one that can be learned—necessary for success in any discipline.

But how exactly do you go about building mental resilience?

Dennis said that it needs to be a multi-pronged strategy. First, you need to identify your goal, define it very well, and then believe in it. Secondly, get into the practice of meditation. Every day, for about 15 minutes or so, sit still and try to clear your mind. In this day and age, where we are continuously bombarded with information, mental clarity will help you stay focused. And over time, Dennis believes, you will build a strong mind.

The final lesson the panellists left us with is to never fear failure.  
  
As kids, we are not as anxious about being bad at something. We just give things a shot and see if it works. But as we move through the school system and reach adulthood, we learn to shy away from failure. Perhaps it's the examination system which gives you just one chance to get it right, or perhaps due to something else, we internalise a belief that we must be good at something from the get go.

By internalising this often false belief, we end up ignoring all the evidence around us, which points towards how not being afraid to fail is a key component of success. From a toddler learning to walk to SpaceX testing out a new rocket, all major and minor achievements are predicated on being comfortable with the risk of trying, and failing.

As Khalid, Dennis, and Bihan emphasised, the important thing when you meet with failure is to make sure to get up, dust yourself off, and keep going. At least you would have learned something, and gained invaluable experience along the way.

As you set out on your entrepreneurial journey, these simple lessons are sure to prove to be of immense value.

With the advent of fast and affordable internet, Sri Lankans intending to educate themselves on all things technological have a ready path to do so. Today, a Sri Lankan student aspiring to become a web developer can learn everything he needs to, thanks to the internet. High quality online courses with well-produced videos are more accessible since we don’t have to put up with video buffering that takes ages. Aspiring graphic designers can happily seek inspiration from sites such as Dribbble and Behance without worrying about a gigantic internet bill. A regular tech geek doesn’t have to pause a video and disconnect because someone else in the family wants to use the landline to make a call.

Whilst those born after the turn of the century may not be able to relate to the above, everybody else definitely can. Broadband only started taking off in Sri Lanka during the mid-2000s, but even then, it cost a pretty penny to obtain a connection. The fast speeds of today and the (relatively) large data quotas were unheard of. Yet, Sri Lanka still managed to have a small, but vibrant community of tech addicts who tried their hand at a lot of different things. Even ‘Jamis Banda’, one of the first games to be developed in Sri Lanka, was released circa 2008, a time when ADSL connectivity was a big deal. Surely then, the lack of infrastructure was not enough to hold back a bunch of determined (and hopeful) Sri Lankans living through a civil war.

In such a backdrop, how did Sri Lankan tech geeks and enthusiasts keep abreast of global technological developments?

We took a trip down memory lane to reminisce about how we kept up with the fast pace of tech in the good ol’ days.

With access to online materials being extremely limited, it was offline mediums that brought tech to the fingertips of Sri Lankans around the country, and Wijeya Pariganaka was the best known of them all.

A magazine that is still being published even to this day, Pariganaka was a well-researched, and well-written tech magazine. At Rs. 50, it was affordable, too. Wijeya Newspapers, who were the publishers of this magazine, had managed to build up a good team of writers and contributors who were able to keep the magazine peppered with features, news items, and lessons, issue after issue. I remember learning Fruity Loops and going on to win a digital music production competition thanks to the lessons featured in the Pariganaka magazine.

Since the magazine is still being published on a monthly basis, we can only assume that it has a loyal base of readers even to this day.

Ray magazine and its competitor, Roo, practically pioneered the art of launching e-magazines in Sri Lanka. The magazine’s content was compiled in the form of an interactive Flash-based app and burned onto CDs, which were then made available for sale. For just Rs. 100, you got ‘Tips and Tricks’, ‘Free Software’, and ‘IT Lessons’.

In an era where print was popular, a magazine on a CD was quite novel and sold like hot cakes. The companies which created these magazines made a smart move by making the CDs available in a wide variety of shops, both big and small – book shops, video rental stores, computer shops, you name it – Ray or Roo was available. Even CD shops in Pettah stocked them, and saw brisk business from school kids who had managed to save up Rs. 100 from their pocket money.

Back in the day when we all used Symbian phones and had meagre data quotas, this was quite a good deal.

Major bookshops, such as Vijitha Yapa and Sarasavi, sold foreign IT magazines such as CHIP and T3, which typically sold for Rs. 350 and up. Though commanding a steep premium compared to the others on this list, these foreign mags were crammed with material, with pagecounts running into the 100s. CHIP in particular was famous for bundling a free DVD that was full of games and software, which were quite attractive for a youngster with a poor internet connection. The foreign magazines didn’t usually have lessons, but they were full of futuristic articles that exposed local readers to how IT was shaping the lives of people across the world.

The e-Nenasala

Conceptualised and implemented in the mid-2000s, the e-Nenasala (or simply Nenasala, as it is known now) was an initiative that was far ahead of its time. ICTA Sri Lanka partnered with the Government to build out a network of kiosks around the country through which citizens could access the internet for free. Back then, internet penetration in Sri Lanka was a mere 1.8%, and an initiative like this, whose aim was to help bridge the digital divide, was nothing short of visionary. Despite the naturally low usage rates, the project event went on to win the 15th International Access to Learning award by the Bill and Melinda Gates Foundation. And no matter how you look at it, the idea deserves fair praise for helping to expose rural Sri Lanka to IT, even in a small way.

In an environment where information wasn’t quite plentiful and as easy to access as it is today, it is remarkable how Sri Lankans were still able to keep abreast of new developments in the IT and technology sector, thanks to the efforts of a handful of dedicated individuals. Perhaps they didn’t realise this back then, but their efforts helped generate interest in tech amongst an entire generation in Sri Lanka.

Cover Image Credits: Bill and Melinda Gates Foundation

The tuk tuk rolls to a stop in front of a shiny steel gate, behind which is an imposing modern building that is somewhat out of place amongst the paddy fields and unassuming houses that dot the landscape of Pitipana, Homagama. As we wait for the security officer to open the gate for us, we glance across the surroundings. In the distance we spot the NSBM Green University. A few hundred metres from where we stand is a building which houses the SLT Data Centre. A gaggle of students clutching laptops pass us by. It was now clear that we were standing in the heart of what will, in a few years from now, shape up to be the Homagama Tech City.

As we enter through the gate and make our way to the lobby of the Sri Lanka Institute of Nanotechnology, or SLINTEC for short, we can’t help but feel that beyond the large glass doors at the entrance, lies something special. Very, very special.

As the doors swing open, we are greeted by Dr. Rangika De Silva, who overlooks SLINTEC’s Technology Transfer Operations . Still in his late 20s, Dr. De Silva is one of a handful of rare PhDs who have chosen to move back to Sri Lanka after completing their education abroad. Unable to keep a lid on our curiosity any longer, we started chatting with him while he showed us around.

“Founded in 2008, SLINTEC is an institution that was set up as a public-private partnership between the Government of Sri Lanka and a few local blue chips, such as Brandix, MAS, Dialog, Loadstar and Hayleys, and later, Lankem. LOLC also joined this consortium recently,” states Dr. De Silva. “Our mission at SLINTEC is two-fold. One is to build a world-class research and development centre specialising in nanotechnology and advanced material sciences, with the objective of making products more competitive using such technologies and also to add value to Sri Lanka’s mineral resources. Second, to build a nanotechnology and science park for research, development, and the commercialisation of innovations in Sri Lanka”.

Though SLINTEC has just turned 10, it had to overcome its fair share of obstacles even before the first foundation stone was laid. A report published in the Sunday Times highlights how back in 2005, then Minister of Science and Technology Prof. Tissa Vitharana put forward a cabinet paper detailing how Sri Lanka can reap the benefits of the knowledge era by setting up a National Nanotechnology Initiative (NNI).

However, the government at the time did not wish to set up another fully state owned research institute, and thus requested private sector participation prior to pledging funding support. The committee formed to support the NNI managed to convince Brandix, Dialog, Hayleys, Loadstar, and MAS to invest in the project. By 2008, the cabinet paper was approved, and a public-private partnership structure was formulated for the project. The government agreed to fund 100% of the infrastructure and also pledged 50% of the funds required for operating capital through the National Science Foundation while the private sector partners chipped in for the remaining 50%, thus giving birth to SLINTEC.

By mid-2009, research work commenced in a newly built lab in the basement of an apparel factory in Biyagama. By 2013, the eye-catching hexagonal building we were now walking around in was completed, and the researchers of SLINTEC formally moved into their new home.

Being a small country with limited resources, Sri Lanka may find it hard to compete with the global giants of mass production. However, niche manufacturing is an area through which the country can enhance its export revenues. Another is knowledge-based exports, which leverage the intellectual capital of a country. In a way, SLINTEC is positioned at the intersection of these two spheres.

We arrive at the offices of Dr. Lakshitha Pahalagedara, the Head of Business Development of SLINTEC, and we pose the same question to him. “The reason why SLINTEC has chosen to focus on nanotechnology and advanced materials is because it is these technologies that can help greatly enhance the value addition to Sri Lanka’s exports. Take the case of graphite. Sri Lanka has one of the purest forms of graphite in the world. However, graphite in itself only fetches a very low price in the global market. But graphene, which is created by refining graphite, is more technologically advanced and sells for a much higher price. But, Sri Lanka has never had the technology or R&D know-how to convert graphite, which is why we have been exporting graphite in its raw form and earning lower export revenues. However, thanks to our efforts at SLINTEC, we are now testing out a nano-tech enabled, cost-effective method to convert graphite to graphene. Thanks to the contribution of LOLC, a new spin out company named Ceylon Graphite Technologies has been formed to commercialise the technology, and add value to Sri Lankan graphite. Ultimately, it’s our country that will benefit from it,” says Dr. Pahalagedara.

Elaborating further, he adds, “Graphite (and by extension, graphene) is a material that will see a lot of demand in future, especially since it can be used to manufacture lithium-ion batteries, which are expected to grow in demand due to the growth of the electric car industry and renewable energy industry. Between now and 2026, the global market for graphene is expected to show a Cumulative Average Growth Rate (CAGR) of 40%. Obviously, if we can ride that wave, it will be great for Sri Lanka.”

Intrigued by the possibilities of nanotechnology, our minds were already wondering whether Sri Lanka would someday be the country to actually invent a Knight Rider-style molecular bonded shell that would have global car companies falling at our feet (90s kid reference, FYI). Worried about unintentionally offending the two scientists, we opt to ask them a different question instead. Specifically, that of SLINTEC’s plans to earn money.

It turns out that SLINTEC has two primary revenue streams. One is by commercialising research findings conducted along a set of pre-specified areas. Dr. De Silva terms this ‘Blue Sky Research’ or ‘Strategic Research’. How it works is that SLINTEC’s inhouse Research and Innovation team conducts research into a few pre-specified areas that have been deemed to be in alignment with SLINTEC’s mission; namely agriculture, textile and apparel, healthcare (nutraceuticals and active pharmaceutical ingredient manufacture to be specific), mineral resources, and advanced materials. Any innovations or breakthroughs that arise out of these endeavours are then patented and commercialised via licensing or an outright sale. So far, SLINTEC has managed to file for 15 patents, of which 13 are in the United States and two are in Sri Lanka.

“We also managed to sell three patents to the Nagarjuna Corporation of India, which has interests in the fertiliser and chemicals sectors in India. Thanks to that sale, we generated USD 1 million in revenue,” Dr. De Silva adds triumphantly.

“The other revenue stream is contract research,” says Dr. Pahalagedara. He proceeds to explain to us how private sector organisations can engage SLINTEC to conduct research on their behalf. SLINTEC offers contract research clients three models to choose from: Exclusive IP Rights, Limited IP Rights, and Non-Exclusive IP Rights. Local apparel manufacturer Textured Jersey was one of SLINTEC’s first clients. “We helped generate over Rs. 40 million in benefits for the firm,” Dr. De Silva adds.

Having come so far within a span of 10 years, SLINTEC does not want to rest on its laurels. It has already embarked on two more ambitious projects, the first being the SLINTEC Academy.

A University Grants Commission-approved institution set up under SLINTEC, the SLINTEC Academy aims to build research capacity in the country by offering postgraduate degree programmes in nanotechnology and other advanced technologies. “We are not affiliated to any foreign university,” says Prof. Veranja Karunaratne, the Vice Chancellor of the Academy, who’d just walked into the building. “But, we have our own curriculum that is on par with international standards, taught by a world-class full-time academic staff. We also offer our students a rare something: the ability to practically apply what they learn in class to create market-friendly innovations. Here at SLINTEC, we have a range of top notch equipment and all the facilities required for any researcher. So, our students can also make use of those facilities.”

Prof. Karunaratne went on to explain to us how the Academy has a very strict enrollment criteria and that only around 10 students are admitted annually. “The way it is structured right now, we will only have a maximum of 30 students in total at any given time. This helps us to ensure that quality is maintained at a very high level.”

In order to attract deserving students, SLINTEC has also established an endowment fund, through which it expects to grant scholarships to students. “We are able to offer an academic experience that is on par with any other university in the region,” Prof. Karunaratne says proudly. “Our ability to grant scholarships is only limited by the size of our endowment, so we invite Sri Lankan expats living abroad to come forward to support the cause of science education in the country, if they can.”

The second great ambition SLINTEC harbours is the launch of the SLINTEC Startup Engine, which is actually an incubator-accelerator hybrid. It has been envisioned as a platform for aspiring entrepreneurs to take to market a set of pre-specified projects, as well as to attract new ideas that can be incubated within SLINTEC.

We arrive at our last stop, the office of Harin De Silva Wijeyeratne, the Chief Executive Officer of SLINTEC, who promptly walks us through the idea behind the Startup Engine programme. “One of the core tenets of SLINTEC is its entrepreneurial culture, which underpins everything we do. Therefore, we aim to not just do research, but to do research which solves a need in the market. Today, we have a portfolio of research projects with us, and we would like to provide aspiring entrepreneurs the chance to execute these projects and launch those products to the market. On the other hand, we’d also like interested individuals to come and present their ideas to us. If they fit our capabilities, we will be happy to offer them the chance to work on those ideas right here. They can make use of all our facilities and get the help of our researchers” says Mr. Wijeyeratne. “After all, it’s not practical to think that we’re the ones with all the bright ideas,” he adds with a chuckle.

Upon further querying, Mr. Wijeyeratne explains that those applying for SLINTEC’s Startup Engine are not necessarily required to have a scientific background. “As long as you’re business savvy or have a good idea with a good enough understanding of the big picture, that’s all that we need. Other minor factors are immaterial and can be dealt with quite easily,” he says.

“We have partnered with Startup X Foundry, who will provide mentorship and help the chosen applicants with advice on areas such as product design, business structuring, market analysis, etc. We will also be helping them with raising money, manufacturing, marketing and distribution,” continues Mr. Wijeyeratne.

The inaugural edition of the programme is expected to launch soon, and Mr. Wijeyeratne promises that more details will be revealed in time to come. To us, the whole scheme looks very promising. In fact, it appears that SLINTEC is a fertile ground for turning ideas to reality. On the very same Nanotechnology and Science Park where SLINTEC is located is another 16,000 sq.ft. building, which is the park’s Technology Incubation Centre (TIC). Nearby is a 10,000 sq.ft. greenhouse. Both are expected to be hives of activity soon. “John Keells Research has already moved into the TIC, and they’ve already filed their first patent. We are expecting a couple of other firms including LOLC to also move in,” Mr. Wijeyeratne says. We later learn that J.L. Morison Son & Jones (Ceylon) PLC, of Morison’s Gripe Water fame and a local pharmaceutical giant in its own right, is constructing a research and manufacturing facility within the park.

The one concern expressed by Mr. Wijeyeratne was the challenge of raising the necessary operating capital to help SLINTEC achieve its mission. Though much has been done, it is clear to us that a long arduous journey lies ahead. It was also not lost on any of us that we were standing on what would perhaps one day be Sri Lanka’s, or perhaps the region’s, innovation hub. As an entirely new Tech City took shape around us, we bid goodbye to Dr. De Silva and made our way back to Colombo, with the impression that SLINTEC has the potential to help lead Sri Lanka’s transition to an innovation economy.

It is quite refreshing to see how far the Sri Lankan startup ecosystem has come from its post-war beginnings, though it is still very much in its infancy compared to ecosystems in much more developed countries.

Metaphorically speaking, what was once a barren landscape is now starting to turn into a fertile land, thanks to a diverse variety of events that are now taking place on a somewhat regular basis. For the convenience of you, our reader, we will publish a curated list of community and ecosystem events with the support of the good folks at the ICTA.

Kicking things off, here’s the list of events that are slated to take place in January 2019.

Date: 7 January 2019

Event URL: https://www.facebook.com/events/360962918014725/

An idea pitching contest with a twist, Feedback Feast can best be described as an event where you can obtain good feedback about an idea/startup you are working on, without any pressure. Essentially, you can explain your idea to the audience and receive feedback on the spot. It doesn’t matter whether you are a founder, experienced entrepreneur or a just someone with an idea in their head, Feedback Feast will welcome you with open hands.

Date: 5 January 2019

Event URL: https://www.facebook.com/events/2135412613338095/

Being a digital nomad is one thing, but being productive while on the go is harder. This event is for all those who are interested in figuring out how to overcome the productivity hell hole that is part and parcel of the digital nomad lifestyle. If you find yourself pondering answers to question such as “How do I integrate work, life, and travel?” and “How do I find people to collaborate with while on the move?”, this workshop is definitely for you.

Date: 10 January 2019

Event URL: https://www.facebook.com/events/336093110309880/

Regardless of whether you are a founder, entrepreneur, or freelancer, effective communication is of utmost importance. For those who have chosen to live away from the shadow of a corporate behemoth, it is very important to master the ability to communicate one’s story to any potential partner or customer. This is made even more important in the modern context, where you are your own brand. Conducted by corporate communications professional and trainer Mahas Murshid, the workshop aims to teach its participants how to make a lasting first impression, how to control the conversation, and how to have all the information you need at your fingertips, at all times.

Date: 26 January 2019

Event URL: https://www.facebook.com/events/337594030405331/

It is often repeated that ideas are cheap and that execution is what matters. This workshop, conducted by experienced professionals, aims to equip aspiring entrepreneurs with the tools to translate an idea into a vision, a vision into goals, and how to motivate oneself to achieve these goals. Quite contrary to what we may think, the ability to execute on an idea is a skill, and can definitely be learned, if one is willing to step away from one’s comfort zone. But, like the King of Pop said, it would require you to take a look at yourself, and then make a change. To make things easier, why not attend this event?

Date: 7 January 2019

Event URL: https://www.facebook.com/events/351138029002870/

Design thinking is touted to be one of the most powerful tools/skills available to help change the status quo. It involves looking at a problem and wondering what’s possible. But most of all, it is a structured, disciplined method of thinking through problems and arriving at creative, innovative, and practical solutions. Not surprisingly, the skill is at the heart of some of today’s most well known companies and brands such as AirBnB, BMW, IBM, Apple, Starbucks and more. Need we say more?

That’s all for January. Watch this space closely for more updates on new developments in the local startup ecosystem!

Cover Image Credits: Likuid Spaces

The practice of agriculture in Sri Lanka is still very much done the traditional way. However, in a time where food security and sustainability is a concern, these traditional methods may not cut it, particularly because of their high resource intensity and low yield. Higher yields at a lower cost enable farmers to actually make a living, and can free them from the vicious cycle of poverty that plagues many farmers in the country today. We caught up with three budding entrepreneurs from the North who are on a mission to help farmers leverage technology to do more with less.

Tall and beaming, Miller Alexander Rajendran meets us outside the John Keells X workspace and ushers us in for a chat. Miller, a graduate of the Jaffna University, and two other friends from Jaffna, John and Jeyjenthen, who themselves graduated from the University of Moratuwa, are the brains behind the startup that is today known as SenzAgro. The company designs and manufactures sensors and related components catering to an emerging segment of agriculture known as ‘precision agriculture’. An umbrella term used to define an entirely new way of high-tech, data informed farming, precision agriculture is believed to be of utmost importance for a world that will have to feed a whopping 9 billion people by 2050. According to the Food and Agriculture Organization of the United Nations (FAO), this large global population is expected to increase the current demand for food by 60%. Given the sizeable challenge ahead, it is not surprising that precision agriculture is expected to become a USD 4.8 billion industry by 2020.

Miller is the Chief Executive Officer of SenzAgro, a Sri Lankan startup aiming to make it big in the precision agriculture space, and we sat down with him to talk about the startup’s journey.

Q: So, what is SenzAgro?

In short, we are a digital agriculture and irrigation automation company. Our mission is to enable farmers and commercial agriculture firms to make data-informed plantation management decisions, so that they can achieve higher yields using the right amount of resources, thus avoiding wastage.

Q: How did you guys start?

It all started while we were undergraduates. My co-founders and I come from farming families, and back then, Jaffna only used to receive electricity at night. That meant farmers had to turn on their irrigation systems at night, which involved a dangerous trek to the field in the dark. John and Jeyjenthen developed an SMS-based application to remotely switch on the irrigation systems. It was all about solving an actual problem we faced, not about getting rich quickly or something like that. We didn’t know anything back then – not even what precision agriculture was.

They took it to Yarl IT Hub and managed to secure a small investment. This was in the latter half of 2014. At the time, I had already started a company of my own, whose product was a Natural Language Processing (NLP) based content management platform. Since we knew each other, they came to me as a client to do some marketing. One thing led to another, and I ended up joining their team.

Soon after, we all came to Colombo and got into ICTA’s Spiralation programme. We gave SenzAgro a lower priority and focused on bringing to the market a cold chain monitoring solution, which turned out to be a resounding success. The revenue stream from the cold chain monitoring product helped us continue work on SenzAgro.

Q: Was there any particular incident that spurred you on to persevere with SenzAgro? After all, it’s not easy to continue working on an idea for so long (3+ years) without losing any enthusiasm.

In early 2017, we got a chance to travel to the Mobile World Congress in Barcelona, where we were given a chance to present a concept. We decided to pitch SenzAgro, and it generated a lot of enthusiasm. Up until that point, I don’t think any of the attendees realised that a bunch of Sri Lankans were capable of harnessing technology in such a way. Quite soon, giants in the agri-tech industry started approaching us to figure out how they can integrate our technology into their platforms.

You see, there is a lot of interest in bringing precision agriculture to South Asia and Africa. As the world population grows, feeding the world is going to be a major concern, and these two regions are expected to be the food bowls of the world, particularly because of the vast tracts of land available, and perfect climatic and soil conditions.

Once giants in the field started approaching us, we knew we had a winner on our hands. We doubled down on developing our architecture and hardware. We also decided to change SenzAgro’s business model to a B2B model, instead of the B2C model which we initially had in mind. We also managed to get into the John Keells X programme, which was quite helpful.

Q: What was it like to convince farmers to try out your technology?

To be honest, it was quite hard. Largely because there is a generational factor at play. Most farmers are from a much older generation, so they are not very familiar with technology. At the same time, younger generations are leaving the profession, so there’s nobody around to raise technological awareness. Take the case of drip irrigation, for example, which has been available for nearly 60 years now. Not many Sri Lankan farmers use it. So naturally, when we tried to sell our product to them, it didn’t work. Which is why we decided to pivot to a B2B model, which is proving to be successful.

We now have two primary sales channels, agribusinesses and farmer communities. The agribusinesses we’ve partnered with bundle our sensors and sell them along with their own products. On the other hand, farmer communities help us further develop our product, since we can gather more data which can be used to make our platform smarter.

The way we see it, Sri Lanka is very much a testing ground for us. So, we want to try and fine-tune our product here as much as possible. As far as our technology is concerned, it is our software that holds more promise compared to the hardware. All the data we gather is going to help us create a much more intelligent platform that can help automate a large portion of farming, especially the nitty gritties, such a soil quality, evaporation rate, and so on.

Q: Do the farmers see results from using the system?

Of course they do. Our first test project was a UNDP-funded bell pepper farm in Mavattapuram, Jaffna. By deploying our technology and automation solutions, the farmer was able to increase his yield by 20%, and reduce the farm’s water consumption by 40%. So, it looks promising.

Today, we have signed up more test farms in Kilinochchi, Vavuniya, and Boralanda. We are hoping to increase this number in the coming year.

We are also excited about a big project spearheaded by the IRDG, which is currently in the works. We will be providing the monitoring technology.

Q: Having chosen the risky route of entrepreneurship, how did you manage to deal with the pressure that comes from family and society to pursue something ‘safe’?

This being Sri Lanka, we still have to deal with things like that. But all three of us were able to manage it through hard work. I, for instance, started working part-time as a second-year student in university. My co-founders also worked other jobs on the side to earn some extra money. One needs to understand that your parents or family urge you to do something safe because they worry about your survival, and not because they don’t like to see you achieve great things in life. So, since we were able to take care of that financial aspect, we fortunately had no issues.

But it’s definitely a new thing, not something our families are used to. Even today, my parents can’t explain what we do here at SenzAgro. But you’ve got to be okay with that.

In my opinion, being steadfast in what you want to do also helps. I’ve always had my heart set on entrepreneurship. I have never attended a single job interview in my entire life so far. It helps to have people whom you can look up to. Personally, I was inspired by Mr. Mano Sekaram, who once visited our university. Credit is also due to Mr. Sayanthan who is a director of the Yarl IT Hub, and Mr. Sarveswaran, who mentored and guided me throughout.

Back home in Jaffna, the three of us came across quite a few people – teenagers rather – who look up to us for inspiration, and that’s quite humbling. Some are venturing into entrepreneurship even before entering university, which is great.

Q: And finally, what’s the way forward for SenzAgro?

We want to try and crack South Asia. Sri Lanka is too small for this kind of business, and we understood that from day one. So, like I said earlier, Sri Lanka is our testing ground. We have initiated discussions with a few potential partners in India. Bangladesh is also another place we want to look at. Later, hopefully, we can move to Africa and perhaps even Australia. We believe that sometime around 2022 or so, Agri-tech will come into the mainstream. If all goes well, we might be able to enter the big leagues of the global agribusiness sector.

Cover Image Credits: SenzAgro

Hidden away from the busy roads of Rajagiriya and Nawala is a racetrack where a group of enthusiasts gather regularly to race their cars and trucks against each other. But there’s a twist. These are radio-controlled (or RC) vehicles, normally of a smaller size and scale compared to their real world counterparts. These gadgets (we can’t really call them toys, and we’ll explain why in a minute) are not quite what you would buy for your toddler to play with. Rather, these are high-tech, high performance machines which can often hit speeds upwards of 30 or 40 km/h out of the box, while variants capable of much, much higher speeds are not unheard of.

And Sri Lanka has quite a vibrant and close-knit community that engages in the hobby. And we, ever-curious, made our way down to the RC Nationals Race event held on 9 December to learn more about this fun hobby.

In case we’ve succeeded in piquing your curiosity, here’s what you need to know if you’re considering taking up the hobby.

There is something for everyone: The world of RC is so vast that even if cars are not your thing, you’ll be able to find something that is. There are a wide variety of RC gadgets around, ranging from cars and airplanes to even model construction equipment. Prices usually start from a few thousands, so it can be light on the wallet too, depending on your income and how much you decide to shell out on an RC car/boat/helicopter, etc.

Electric vs. Nitro: Hobbyist-grade RC vehicles can be categorised into two based on the power sources driving them. Electric RC vehicles are powered by a battery pack, and require relatively less maintenance, and give you a ‘plug and play’ experience, somewhat literally. Nitro models have an actual internal combustion engine and are powered by a special methanol-based fuel mix, commonly known as ‘Nitro’ (hence the term Nitro RC, indicating vehicles powered by such systems)

Kit vs. Ready-to-Run (RTR): Regardless of what type of RC vehicle you decide to buy, you will have to decide for yourself whether to opt for a kit or an RTR version. Kits come with labelled or numbered parts and can be put together by following an assembly manual. But don’t be fooled. You will need lots of patience and care since you will be dealing with miniature parts. On the other hand, you can gain the satisfaction of pimping out your (RC) ride the way you want it.

But, if you’re itching to get your hands dirty with your new gizmo, RTR would be the way to go. Take the car out of its box, charge the batteries, pop them in, and you’re good to go!

Parts and Maintenance: Like actual vehicles, RC gadgets are also machines and do require a little bit of maintenance from time to time. Every RC vehicle consists of a motor, a servo (essentially the unit that receives the signal from the transmitter i.e. the ‘remote’, and converts it into movement), and an ESC (or electronic speed controller). Apart from these, there are other little parts, such as tires, wheels, shock absorbers, etc., which ought to be properly maintained and replaced from time to time. You can also play around with upgrading these parts (there’s a huge collection of aftermarket parts).

In case you’ve decided to take the plunge, we suggest dropping by a few hobby shops in and around Colombo, just so that you can take the time to understand the plethora of options available for every budget. Of course, you can start your search with YouTube instead, but we think a few curated, knowledgeable sources of information would be better than millions of vlogs. Extreme Gadgets, RC Racing Sri Lanka, and Nitro Racing Colombo are a few places that come to mind. Most of these hobby shops will be happy to arrange delivery for you even if you live outside Colombo.

Like we said earlier, there’s bound to be something for everyone, so your initial outlay can be very small, should you choose. Next, look to join one of the many Sri Lankan RC enthusiast groups on Facebook, which are chock-full of other immensely helpful hobbyists. Use these forums to educate yourself on... well, pretty much anything related to RC. The local RC community also comes together to organise events every once in a while. These events are open to anyone interested, and can be a good way to put your skills to the test. They also provide a good opportunity to meet more new like-minded people, and who knows? Maybe you’ll make some new friends too!

That pretty much covers all the basics. Get racing!

We would like to thank the good folks at Nitro Racing Colombo, who were kind enough to let our video crews cover the event. The track where this event was conducted is also owned and operated by them, and is right behind their hobby shop in Nawala. Contact them on 077 323 5566 or via Facebook at https://www.facebook.com/NitroRacingColombo/

Cover Image Credits: Roar/Shanaka Sirimanne

Equity crowdfunding is a seamless model in the West thanks to better regulation, legal protections, and the general maturity of the ecosystem. In Sri Lanka, half a world away, CrowdIsland has embarked on a similar model, albeit with a few tweaks mandated by the excellent teacher that is experience.

Sri Lanka’s young, nascent startup ecosystem in only just learning about how to successfully take a product from idea to reality, sans the comfortable financial cushion available to giant corporates. It requires these startups to think big with a fraction of the resources available to even a mid-sized corporate in the country. It is a new way of commercialising innovation, and a largely uncharted path to success, in the Sri Lankan context. And the difference between success and failure comes down to execution, which, to be honest, is not something that can be easily taught, and funding, which is not so easily found. At the intersection is where CrowdIsland has now chosen to position itself.

Initially conceived as a platform to enable equity crowdfunding, it didn’t take long for the founding team to realise that the model, in its purest form, will not work in a market like Sri Lanka. Armed with that realisation, and subsequent to around six so-called ‘pivots’ in startup parlance, CrowdIsland today works somewhat similar to a hybrid of a traditional venture capital firm and a crowdfunding platform, guiding and helping budding entrepreneurs to attract investors. Essentially, CrowdIsland’s mission is to help startups become ‘Investor Ready’.

We spoke to CrowdIsland’s Chief Executive Chalinda Abeykoon to find out what goes on ‘under the hood’. Here are some excerpts from the interview:

The entire idea was first hatched in February 2016, and back then, all we wanted to do was create a platform to enable equity crowdfunding for seed stage startups in Sri Lanka, with a little bit of inspiration from peers like Seedrs and Kickstarter. I joined CI in July, prior to which I was heading the corporate startup accelerator of a prominent local apparel manufacturer. As we started building on our initial idea, we saw that startups coming to us needed help with formulating their campaigns, and that was a pain point. There was a gap between the information generally requested by investors, and the information supplied by the entrepreneurs themselves. The whole reason for that was the completely different backgrounds the two parties came from. The entrepreneurs behind most of these startups are usually ‘techies’ and while they know their tech very well, they might not be so familiar with general business vocabulary. On the other hand, investors think about businesses in a completely different way, and they have their own inner compass and knowledge frameworks to guide them, which means they interpret things differently. This is the so-called ‘gap’ between the two parties, which we realised was the second pain point.

That was the turning point for us when we realised that a pure equity crowdfunding model would be too premature to implement here. Thus came our pivot – the first of many.

Thanks to those shifts in our strategy, we are where we are today. Now, when a startup comes to us, we filter them based on a few metrics to identify whether they are ready to receive external funding. If they are, we guide them through our trademark process of ‘Becoming Investor Ready’, and help them with practically all aspects of raising money. That includes identifying KPIs, deal-structuring, and the like. It used to take us around five months to take a startup through this process, but now we can do it in two. So, I guess we have also become better at it and learned a few things along the way.

In certain ways, yes. Back then, our own internal KPI was how much we’ve helped raise,but that’s not a good yardstick as it's misleading. You see, it’s not about the quantum of funds raised. What matters is that a startup should be able to take the money they raise and do what they are actually supposed to do with that money: Grow. And now, nearly three years on, we’ve helped quite a few startups do that.

Another thing investors on our platform appreciate is the fact that once we notify them of a potential investment, they feel safe with the knowledge that its a deal that has been vetted and stress-tested. Of course, we do encourage them to exercise due diligence, but at the same time, we’ve made things easier for them, too. Thanks to our work, they can commence discussions with founders using a factual document as a basis. It completely takes bias and opinion out of the way, which means the two parties can find common ground much faster.

In terms of employees, it's quite small. I’ve got two analysts under me. Then we have a network of experts on whom we can lean on to get an opinion, should it be necessary. From a shareholder perspective, we’ve got Jeevan Gnanam, Nathan Sivagananathan and a few individuals who were the brains behind York Street Partners. Apart from them, there are three other minor shareholders who have a stake.

No, we never did. The thing with competitions is that they end up pitting completely different startups with wildly varying business models against each other. We don’t think that’s right. After all, that’s not how the market works in reality. Another factor driving our decision to not go down the competition route is timing. Any two unique startups will naturally take two different paths when it comes to their ‘Go To Market’ strategy and consequently, their time to market.

First off, we try to figure out the link between a problem and the founding team. There are two reasons for this. One is that we want to identify why solving this particular problem is important to the founder. Second, we try to figure out why solving this problem is important from the market’s perspective. That means asking tough questions like ‘how big is the market?’, ‘can it scale?’ and so on..

A lot of people have come to us with ideas, but we’ve had to turn some of them away because we couldn’t see why they wanted to solve it. This link is important because once you start executing, a lot of challenges will come your way, and it is important to have something intrinsic driving you.

Encouragingly, some of the startups we are meeting now have put in a lot of legwork to understand the problem they’re trying to solve in detail. We try to see how hard they've worked in trying to gather data, talking to people, etc. Some have spent nearly four to five months just trying to understand the problem without building anything. In the end, they sometimes come back to us and say that the actual problem is completely different from what they had in mind. That kind of understanding is very important, because then they can start making informed decisions about the future direction of their startup.

Our revenue streams organised along three verticals: Pre-Raise, Raise, and Post-Raise.

During the Pre-Raise stage, we charge a small nominal fee from the startups to take them through the process of ‘Being Investor Ready’. Initially, we did this part for free, but decided to charge a fee because we wanted to get the startup committed to going through the entire process, and also because we’ve had instances in the past where founders would just drop out. There was no cost to them at the time, but there was to us. Our teams had also invested a lot of time and effort, which went to waste. But, like I said, this is a very minor revenue stream for CI.

Our main source of revenue comes through the Raise itself, via the fee we charge when funds are raised. Right now, it’s set at 4.5% of the amount raised. The system is structured so that we only make money when the company is successful. This way, everyone’s interests are aligned, and it is upto us at CI to make sure the company coming through is worthy of receiving investment.

During the Post-Raise stage, we can provide services to support the entrepreneur to achieve his/her KPIs, manage operations, etc. In return, we take a 2% equity stake in the company.

It’s an open platform and anyone can sign up to be an investor. But, as a company and a facilitator of funding, we try to go beyond that by trying to match the right investors to the right startups. A strategic investor can bring a lot of value to a startup over and above that brought by a regular investor.

First of all, fundraising is a challenge no matter where you are from. And since the number of startups has exponentially grown, the challenge to raise funds has only increased. In Sri Lanka however, there is money in the ecosystem and the well hasn't dried up yet, so to speak.

At CI, we tend to focus on founders who have traction and we have a slight preference for those based outside Colombo. The reason to focus on those outside Colombo is that we see a lot of entrepreneurs who have some really good ideas but lack the connections required to raise funds. We can add very little value to founders who already have access to investors. As I’ve travelled around the country, I’ve come across a lot of amazing companies doing outstanding work in terms of building new products, and these guys are based in far-off places like Jaffna and Matara. Some of them even have traction and revenue, but they would never have the chance to receive funding, simply because they don’t have the right connections. For founders from such backgrounds, CI can be of immense help. That said, we don't believe that anyone can own the investor network and we don't claim to do so.

Thanks to various startup and entrepreneurship programs, the interest to launch a startup is definitely on the rise. And because of that, the supply of startups in the ecosystem has grown, including in cities outside Colombo. But today's founders seem to be making the same rookie mistakes founders made 6,7, or 8 years ago.

From the investment perspective, we are seeing a trend where there are so-called ‘Tier 2’ investors coming forward. Typically, they tend to be corporate C-suite executives, in contrast to ‘Tier 1’ investors, who tend to be high net worth individuals.

On the ideas side of things, people – especially those who are away from Colombo – are now trying to solve more complex and unique problems. We met a fantastic company in Batticaloa whose product is a robot that collects plastic from the ocean. This is a broader indication of a slight yet refreshing shift. That said, it's a slow transition. Most folks are still trying to chase after problems that have long since been solved, unwittingly building ‘me-too’ products in the process.

In terms of entrepreneurship itself, what most local startup founders find challenging, in our opinion, is the ability to execute. Once you receive funding from an investor, what matters is that you use those funds to do what is best for the startup, and in that process, if you burn through the funds, don’t lose your hair over it. The angel/investor would have already become comfortable with losing the money, but as long as you’ve tried to move in the direction of what you promised to do when you went looking for funding, you should emerge better off with your reputation intact. And that, perhaps, is the most valuable currency there is.

Cover Image Credits: Roar/ Nazly Ahmed

A little over two years ago, we wrote about finding coworking spaces in Colombo. Since then, things have changed. By a lot, actually. So we figured it will be good to do a fresh round up of some of Sri Lanka’s newest (and coziest) coworking spaces for startups and digital nomads.

Opened late last year, Hatch, which is located a stone’s throw away from the World Trade Center in Colombo’s central business district (CBD), is perhaps the coolest coworking space we’ve seen in the country so far. Its spacious, well-designed and lit work spaces are a boon for anyone.

However, Hatch is more than just a regular coworking space. Founded by a team spearheaded by prominent local startup evangelist Jeevan Gnanam, Hatch defines itself as a collaboration space for young entrepreneurs to meet, learn, collaborate, and crucially, grow. Startups can choose to pursue and make use of the mentorship and investment opportunities that come their way, whilst being facilitated by Hatch. All this and more can be had for Rs. 14,500 upwards per month.

Having opened its doors recently, we like HomeTree since it is located right in the middle of Bambalapitiya, closer to some of our favourite restaurants, Hotel Plaza and Pilawoos included.

Leaving aside the gastronomic attractions aside however, HomeTree stays true to its name and offers its tenants a rather homely vibe. Different sections of the building each have their own unique theme and matching decor.

If you register before the 30th of December, you can get a hot desk for Rs. 12,000 upwards per month.

Colombo Cooperative is another new coworking space that started welcoming members in May this year. Located on the 7th floor of the new Amana Bank building in Colpetty, Colombo Co-op sees itself more as a community and much like Hatch, hosts frequent community events (minus the incubator aspect). Memberships are available for Rs. 7,000 while desks can be had for Rs. 18,000 upwards per month.

Continuing the trend of energizing, good looking, and calm-inducing coworking spaces is Likuid Spaces, which opened for business a few weeks ago. Located down Charles Place in Colpetty, this coworking space is tucked nicely away from the blaring horns of vehicles plying Duplication Road.

Custom pricing is available depending on your requirements, and they can be contacted via their website.

CoCo, based in Havelock Town offers additional flexibility for digital nomad types because they charge by the hour. Pricing schemes such as these are quite valuable for entrepreneurs who are going down the bootstrapped route, and as a result, need to make the most out of every rupee. Pricing starts at Rs. 200 per hour.

All in all, it’s quite nice to see improvements in the quality of coworking spaces available in the country. And as more scrappy entrepreneurs start making use of these facilities to the maximum, Sri Lanka’s propensity to innovate should also rise, which is good news for everyone.

Cover image courtesy: Likuid Spaces

How I Work is a new series where we ask a diverse variety of individuals about the tech choices shaping how they get their work done.

Meet Tuan Zaharan Rahim. He is a designer, photographer, and creative strategist who works with us as the Head of Production for Roar Studios.

Tuan started out as a Production Assistant at Sirasa TV, where he worked on the production of some of Sri Lanka’s earliest reality TV shows, such as Sirasa Superstar (Season 2) and Sirasa Kumariya (Season 1).

He briefly worked as a medical transcriber at a BPO firm named Auxicogent, and then had a stint at the HSBC Global Resource Centre. It is at HSBC that Tuan discovered his flair for creative concepts, and ended up working with the Corporate Communications team to execute internal branding campaigns, videos, etc.

Post-HSBC, Tuan worked in event management after which he decided to become a full-time freelancer. For the next five years, Tuan’s freelance career saw him engage in food photography, and video production. Freelancing also gave Tuan the opportunity to work with various production houses, such as PictureHouse Productions and History.

One day, Tuan walked into Roar to pitch for freelance work, but we were so impressed with his skills that we hired him, full-time.

Name: Tuan Zaharan Rahim  
Location: Colombo, LK  
One word that describes how you work: Collaborative  
Current Mobile Device: iPhone 7S+ 128GB  
Current primary computer: MacBook Pro 15’ (2015)

I wake up at 8–8:30 a.m., and as soon as I get to work, the first thing I do is write down my to-do list for the day. As Head of Production, I oversee all the video editors at Roar Studios, so I spend a lot of time assigning work and monitoring the quality of the work that is put out. Depending on our schedule, I have to dedicate some time to planning shoots, directing and also brainstorming ideas for clients.

Once I clock out for the day, I do a little bit of consulting work for new, upcoming cafes in and around Colombo. I think of myself as a foodie, so this is something I really enjoy. I help budding cafe owners to plan their menu and operations.

Once home, I like to unwind by watching documentaries. Subjects such as aliens and pyramids tend to captivate me. Not sure if I can call myself a night owl, but I usually end up going to bed at around 2 or 3 a.m..

That would be my camera (Sony A7-3), Macbook, Adobe Premiere Pro, Photoshop and Lightroom. I can’t do my job without them.

That said, in my line of work, accessories play a crucial part. I use a 24-70mm lens on my Sony A7-3, and do make use of a tripod and reflector. I’ve also got a DJI Spark, which helps me take aerial shots. And if I’m shooting video, my GoPro Hero 7 Black and the Boya Clip-On mic are absolute lifesavers.

iPhone, hands down. I can do so much on it, from taking photos to carrying out quick video edits.

As a photographer, I find it quite liberating to use apps such as Snapseed and VSCO to edit photos. They spare me the hassle of firing up my MacBook.

I also use Duet, an app which allows me to extend my MacBook’s display onto my iPad. This allows me to basically have a dual monitor setup anywhere I go, which means I can even edit videos while sitting in a coffee shop.

At work, I’ve got my Macbook plugged into an Acer 24-inch monitor. I’ve also plugged in an external mouse, keyboard, and hard disk. All my other equipment lies within arm’s reach.

I buy my gadgets from Kuala Lumpur or Singapore. CameraLK is where I go if I want to buy anything locally.

Well... I’m trying to curate my Instagram account, which is focused on travel. Like I said earlier, I’m also taking on new consulting assignments for upcoming restaurants and cafes.

My phone charger and power bank. They’re absolutely indispensable.

Entrepreneurship can be a lonely journey, and can quickly turn into despair for founders of early stage startups. During its initial stages, a startup has no option but to focus on its core operations in order to arrive at a minimum viable product, which can then be built upon to unearth a potential revenue stream. However, being a part of the wider business environment, an already stretched founding team will also have to put up with day-to-day administrative tasks, which can quickly wear down the team.

Incubators can help ease this burden by giving startups ready access to support services such as accounting, and legal for example. Mentors, too, can be a valuable source of advice and can also be utilised to gain access to wider networks. Another benefit of being in the midst of other startups is that the excitement and constant activity can help galvanise one's own effort, which may otherwise wither away working in isolation. And finally, incubators can make it easier to find that golden egg every early stage entrepreneur is in search of: Funding.

Recently, we got to hear that a Sri Lankan startup, Autochatic (formerly known as BotFactory), had managed to make it to France and gain residency at Station F – one of the world’s largest startup incubators.

We got in touch with Dinal Kurukulasooriya and his team to ask them about their experience.

Station F is the world’s largest startup incubator, which is situated in Paris, France. It has the capacity to accommodate more than 1000 startups under a single roof, thus becoming a centralised silicon valley. Tech giants, such as Facebook, Google, Microsoft, Amazon, Ubisoft, L’Oreal and Naver, have already established their offices in the Station F premises with their accelerators and are now offering other services to the hottest startups in Europe.

We applied to Station F via the web portal. Then we had to face a couple of online interviews and pitches. It took about three months to get the result.

The pitches were pretty much what you’d expect, but with a few tweaks. We had to clearly specify how we would be able to contribute to the diversity of the Station F ecosystem, and what we expect to get out of Station F in return. Obviously, we also had to convince them that we had the credentials to execute our ideas.

[Editor’s Note: Station F has a wide variety of programmes founders can apply for. They have a very informative blog, which potential founders would do well to check out.]

The startup scene in France is incredible. It has already helped birth massive startups, like Algolia, Happen and Blablacar. Angel funds and VC firms are active and optimistic compared to the South Asian region. Usually, Angel/Seed tickets vary from 250k-1M euros, and dilutions tend to be founder-friendly. Usually, investors do not take more than 20%. I think Angel investors/funds, seed firms, and VCs are playing a major role in the startup ecosystem.

Station F is a community; it basically connects all entrepreneurs inside it through an intranet (i.e Slack). It is a perfect ecosystem itself, where entrepreneurs help each other to solve their problems with tech, laws, growth and anything related to startups.

Station F doesn't have any big names known globally even though some startups here are well known in France and sometimes in the EU as well. That is because Station F is made for early stage high potential teams and startups; once your team size exceeds 15 members, you ought to leave Station F.

Station F provides a bunch of perks, including credits for popular cloud platforms and software. It also provides access to a bunch of VC and angel firms as well.

[Editor’s Note: Station F takes a very hands-off approach. Going by what’s on their website, they take pride in a ‘no babysitting’ approach. Essentially, lots of resources are available to you, but it is upto you to make good use of them.]

(We’re still learning a lot)... but it is a great achievement to be in this ecosystem, where startups actually help each other grow and there are a lot of optimistic investors.

Initially, we wanted to raise money and establish the business in France. We are looking to raise money in the coming months. We already have a few French customers, and we're looking forward to signing up more.

Startups have to meet certain KPIs every month to stay in Station F. Those who don't meet them are expected to leave Station F. Usually startups can stay at Station F for about two years.

It’s quite refreshing to see local startups managing to make strides outside the borders of this little island. There is immense value in Sri Lankan startups applying for programmes such as Station F, no matter how tall a task it may seem to be. The exposure a founding team can gain by going through such a programme will definitely be worth the effort. And who knows? Maybe it will even pave the way for something much better.

Cover image courtesy: ParisUpdate

In the midst of the shifting global payments landscape, Sri Lanka finds itself in a unique situation. With a small population of nearly 22 million, a mobile penetration rate well above 100%, 21 million debit cards and nearly 1.6 million credit cards in circulation, Sri Lanka appears to be in prime position to go cashless. Yet, cash still remains very much in favour. Can a new wave of mobile payments operators and platforms tilt the scales in favour of a cashless society?

As far as Sri Lanka’s mobile money space is concerned, it is fair to consider Dialog Axiata the pioneer. The telco first launched a service known as EzPay in 2007, which failed to takeoff since it required users to have an account with any one of 3 pre-specified financial institutions. The next iteration, eZ Cash was built keeping earlier failures in mind, and witnessed far better adoption after it was launched in June 2012.

Dialog then went on to launch Genie, a mobile payment aggregator of sorts, which the telco is now actively promoting. To Dialog’s credit, the app has been certified to be PCI-DSS compliant, which is a security standard mandated by Visa and Mastercard.

Next up is FriMi, which is a ‘digital bank’ powered by Nations Trust Bank. The app is rich in features, ranging from the opening of accounts to transferring of money. As is evident by the vast number of merchants being roped into the network, FriMi appears to be focused on aggressively building its merchant network in order to increase user stickiness, among other things.

The key difference between Genie and FriMi is that FriMi is connected to a bank account under your name, which is held at Nations Trust Bank, whilst that is not the case with Genie. In other words, Genie is bank-agnostic from a user’s point of view.

Apart from these two services, other banks, such as Commercial Bank and Sampath Bank, are also trying out newer FinTech services, with similar or different value propositions. But for now, it looks like Genie and FriMi are leading the way.

The Central Bank, which publishes data related to the country’s payments infrastructure, separates mobile payment transactions into two categories: Those with a customer’s bank account linked to it, and those without. We’ve termed them bank-dependent and bank agnostic respectively. Going by the data, it looks like bank-agnostic payment platforms are being used mostly to make utility bill payments. However, over the last three quarters, there is a small but noticeable increase in bank-agnostic platforms also being used for over-the-counter payments, such as purchasing groceries at your local supermarket.

Source: Central Bank of Sri Lanka

Things get even more interesting when you look at bank-dependent payment platforms, where we discovered that there’s been a clear explosion in usage. As shown in the above infographic, there was a 57% growth in total transaction value between the second quarter of 2016 and the second quarter of 2017. From then onwards though, growth has simply been astonishing. As per the latest available data, the total transaction value of bank-dependent mobile payments for the third quarter of 2018 was just over Rs. 21 billion. However, it is possible that transactions conducted via online banking apps installed on smartphones are also lumped in by the Central Bank. If that is the case, it is still encouraging to see how fast Sri Lankans are adopting such apps.

What we also realised after crunching the numbers is that along with a higher frequency of usage, average transaction values have also been increasing. As of the second quarter of 2018, the average value of a transaction conducted via a bank-dependent mobile payment method stood at almost Rs. 20,000, a tremendous improvement from what it was just 12 months earlier (Rs. 5,806). What that means is that not only are people using these platforms more, they are also conducting larger transactions over them. In essence, consumers are becoming more and more comfortable with bidding the physical bank branch goodbye.

Given that a whole new generation of smartphone savvy Sri Lankans are quickly becoming comfortable with mobile payments, you may wonder “what more can be done?”  
To answer that question, let’s turn to ‘M-Pesa’, from the African continent, and ‘Paytm’, which operates in India.

The most widely known case study for mobile payments is M-Pesa, a mobile money service introduced by Safaricom and Vodafone in Kenya. What began as a way of sending small payments between Kenyans has today evolved into a much larger multinational network which enables users to do everything from receiving international money transfers to paying school fees. M-Pesa has become part and parcel of life in Kenya, and shareholders of Safaricom are happy too. In FY2018, M-Pesa revenue accruing to Safaricom almost amounted to USD 621,000. This success has led M-Pesa to become the de facto benchmark for mobile money services in other frontier and emerging markets, such as Sri Lanka, India, Bangladesh, etc.

Paytm was started by Vijay Shekhar Sharma in 2010. Initially, it was a relatively simple service that allowed people to top up their phones and purchase credit for their Direct-to-Home satellite TV systems. However, the company has come a long way since then. Today, Paytm has morphed into a fully fledged eWallet and payments bank which allows users to pay bills, transfer money, buy insurance, and even invest in gold (in a fashion very much similar to how mutual funds work).

In fact, Paytm has evolved and become so successful that it attracted investments from Jack Ma’s Ant Financial, and Warren Buffett’s (arguably the world’s most famous and richest investor) Berkshire Hathaway.

Indian mobile payments services such as Paytm are now at a point where they've begun acting as ‘all-in-one’ destinations for low-value transactions and even banking services. These platforms are now providing their users with the ability to top-up phones, book hotels and airline tickets, pay traffic fines, pay highway tolls, recharge train season tickets, and a host of other services. Essentially, they’re building a complete ecosystem of services around their respective mobile payments platforms, which will obviously make life easier for the user. And that is where we think Sri Lanka may also be headed.

Once our own homegrown mobile payment services start gaining a significant amount of traction, it is only natural for them to start thinking about offering other services, perhaps along the lines of their Indian and Kenyan counterparts. That is because as they grow, they will eventually start to jostle for market leadership. And in order to gain market leadership, you ought to differentiate your product offerings from your competitors’; and the way to do that is through innovation. In other words, by offering newer, better, and different types of services and capabilities. A good example would be Pickme, which first launched as a service to hail tuk-tuks, but now offers everything from lorries to tour packages and food.

Prof. Rohan Samarajiva, current Chairman of the ICTA, is optimistic about the growth prospects for the sector. When asked about for his views, Prof. Samarajiva said that “Sri Lankan mobile financial services, including but not limited to m-payments, have not reached their full potential yet”, and that “as greater opportunities for online payments emerge because of the proliferation of e-government services and e-commerce, and the current artificially low daily thresholds are raised by the regulator, it is likely that m-financial services will take off”.

We also asked Prof. Samarajiva about what a mature ecosystem would look like and whether he sees local services mirroring their foreign peers, to which Prof. Samarajiva responded: “We in government are not best positioned to speculate on what a mature ecosystem will look like. Indeed, even researchers and entrepreneurs are on weak ground when imagining what an ‘end-state’ ecosystem will look like. That is because what emerges in the end is a result of the interaction of the basic causal mechanisms which are common across countries and country-specific conditions. Lots of effort has been expended on replicating M-Pesa, but with little success.

Basically, M-Pesa was such a success because the alternatives modes were so awful. It is unlikely that any country could replicate that in the same form. China has made m-payments commonplace in a completely different way.

The Payments Bulletin issued by the Central Bank provides data on ‘regular banking’. In 2017, there were 19.7 million debit cards in use, which suggests that bank-centric payments may have a major role in Sri Lanka – especially if the number of POS terminals increases further from 48,828 in 2017, and POS transaction volumes also increase. Volumes more than doubled over five years to LKR 83.9 million in 2017. That is why I anchored the case for m-payments on online transactions. But even here, it will all depend on the relative convenience and cost of the different modes of payment.”

Prof. Samarajiva also shared with us an interesting report on the subject, which you can find here.  
As this natural cycle of evolution takes place, the average Sri Lankan will eventually find themselves blessed with an array of services which will save them a lot of time and money. And honestly, it’s hard to complain about that.

How do you think the Sri Lankan mobile payments landscape will evolve? Let us know in the comments!

The Roar Tech Startup Bundle was on hiatus for some time. But today, we are delighted to announce that it is back in action!

Without any further ado, let’s jump right in and check out the startups in the spotlight this month.

ThuruMithuru is an initiative that unites a praiseworthy cause with gamification. Essentially, it is a gamified platform that encourages people to plant trees. Calling itself a “Green Tech” startup, the company was originally named “Thuru” and first came to the fore through the reality TV program “Kotiyak Watina Adahasak” (An idea worth a crore) on Sirasa TV. The idea was good enough that it caught the eye of Mobitel, and ThuruMithuru was born.

According to their website, they’ve already established a presence in Nepal and so far, have succeeded in planting 6,870 trees.

By making a decision to go down a path not travelled, Immunify can count itself amongst a handful of extremely innovative startups in Sri Lanka. Their product, essentially, is a cloud based immunization monitoring system. Their goal is to deploy real time immunization monitoring and surveillance systems to help eliminate vaccine-preventable diseases like measles and diphtheria.

The Immunify method, if we can call it that, is dependent on a web app, mobile app, and smart card. A key capability of the system is that it can send out automated reminders to patients about upcoming immunization dates and camps, thus helping to preserve the “herd immunity” of any given locality.

Haulmatic envisions itself as a startup helping to simplify highly complex supply chain operations for any type of player involved in the global logistics sector. Be it governments, freight forwarders, importers, or exporters, Haulmatic claims that it can serve anyone.

One of Haulmatic’s eventual goals is to be able to facilitate P2P (peer-to-peer) trade across borders, and the company purports to use machine learning to make sure that its tools are up to task.

And finally (for this month) is Remplo, a BPO startup based in Kandy that offers virtual assistants (VA) to clients around the world. The firm allows its clients to pay by the hour, which translates into better value for money. Whilst by no means novel (online freelancing platforms have been offering the same thing for ages), Remplo provides their clients with dedicated relationship managers and the like, which means they are better geared to be able to provide VA services in bulk.

That’s a wrap for November, and see you next month!

Cover image credit: Product Hunt

It has been over a month since we launched Roar Tech to cover the local tech and startup scenes, both of which have proven to be very dynamic. Sri Lanka’s up-and-coming entrepreneurs, as we have observed ourselves, are constantly launching new ideas, or innovating on old ones.

In the light of this, we decided to compile a feature on one of Sri Lanka’s most legendary entrepreneurs (and the most colourful, by far). His story predates the startup world of ours, but it is very much one of hard work, ingenuity, and most importantly, delegation. He did not launch a startup per se, but he created a business. And let’s face it, that is what a startup should aim to be ‒ a real business.

And that man is none other than the late Upali Wijewardene.

Upali had many dreams, but his legacy was defined by his entrepreneurial spirit, which is what we aim to focus on. Rest assured, though, it’s going to get interesting.

Royal College, Colombo, Upali Wijewardene’s alma mater. Image courtesy wikipedia.org

Philip Upali Wijewardene was born to Don Walter Tudugalle Wijewardene and Anula Kalyanawathie Wijewardene on February 17, 1938. He also had two sisters, along with whom he grew up in ‘Sedawatte Walawwa’, his family home in Kelaniya. Being a scion of the prestigious Wijewardene family, he was able to count among his relatives the late senator S.C. Wijesinghe, and the late President J.R. Jayewardene.

An alumni of Royal College, Colombo, Upali was a ‘perfect student’, excelling in both his studies and sports. He was also known to be an excellent equestrian and held the sport very close to his heart. Unlike most other kids who spent much time fantasising about cricket and rugby, little Upali dreamt of becoming an international businessman, owning aircraft, and riding horses. Upon graduating from the much-celebrated institution on Reid Avenue, Upali went abroad in order to pursue his higher studies. He successfully completed both his undergraduate and postgraduate studies at the University of Cambridge, both times choosing to major in Economics.

Itching to get a start in the real world, young Upali secured a position as a Management Trainee at Lever Brothers (now Unilever). As the story goes, there was only one position available and needless to say, the competition was intense. The list was finally whittled down to two applicants, of which Upali was one. In order to make his final pick, the then CEO of Lever Brothers invited both candidates to the Galle Face Hotel for lunch. According to Upali, the goal of this whole exercise was to examine their table manners. When the soup was eventually served, the other candidate had tilted the soup plate towards him to gather the last spoonfuls. At that precise moment, Upali realised that he’d managed to lock down the job.

He later left the firm due to a dispute with the Chairman, who had accused him of failing to submit some reports. Upali had then set about trying to find the reports, and found them lying in the Chairman’s file tray.

Irked, Upali bid farewell to the manufacturing giant and decided to strike it out on his own, his decision bolstered by the knowledge he’d gained during his short stint.

With Rs. 15,000 in cash and an old house to his name, Upali managed to acquire a small candy manufacturing business. In need of an assistant to help him make sales, the aspiring entrepreneur placed an ad in a local newspaper. The result of that advert came in the form of R. Murugaiah, who became his trusted lieutenant and later went on to become the Managing Director of the Upali Group.

At its beginning, the fledgling company only sold boiled sweets. As it grew, however, the firm ventured into making toffees, and the ‘Delta Toffee’ brand was born. Nobody seems to know why Upali chose to go with the name Delta, but one popular theory is that the name had something to do with his trusted partner Murugaiah, who is said to have grown up on a tea estate belonging to the Delta Group.

With the fire of ambition burning in his belly, Upali tried his hand at assembling clocks, radios, and TVs under ‘UNIC’, a brand which he created for the purpose. Since Sri Lanka followed a closed economic model at the time, shortages were rampant, and as with any such economy, quality took a backseat while price controls were the order of the day. Refusing to back down, Upali worked his connections and obtained a permit to assemble radios locally, which were UNIC’s first product segment. He managed to avoid having price controls imposed on his products, in sharp contrast to his competitor in the business. UNIC turned out to be a cash cow which helped him finance the expansion of his growing business empire.

Flush with cash, he set his eyes on conquering the automobile industry.

In 1969, Upali set out to assemble Mazda cars in Sri Lanka. He built a factory complex in Homagama for the purpose, which he financed with the advances he’d received on his cars. Later, he also started assembling Fiat 128 cars, but the Upali Motor Company (UMC) had to be boarded up because its products were no match for the cheap, and reliable, Japanese cars which were beginning to dominate auto markets everywhere.

Upali Air, Sri Lanka’s first domestic airline. Image courtesy ipm.comxa.com

Around the same time, he started ‘Upali Aviation’, Sri Lanka’s first domestic airline and helicopter service. Aviation seems to have fascinated him, perhaps because at the time, flying was synonymous with style and luxury (It wasn’t called the “Golden Era of Aviation” for nothing). He later went on to acquire a couple of private jets and at least one helicopter, cementing his reputation as the most flamboyant Sri Lankan of that era.

Somewhere between the late 60s and early 70s, Upali began to tend to yet another company, which would eventually go on to become the crown jewel in his portfolio of businesses. It was a company called “Ceylon Chocolates” and it… well… made and sold chocolates.

Upon the death of his uncle, the late senator Sarath Wijesinghe, Upali took over the firm in the early 70s. Pre-takeover, the company’s performance was by no means spectacular, and it sold its products under the ‘Kandos’ brand name. Upali set about putting the house in order. He modernised the production process, and put in place measures to boost sales. Kandos chocolates were a roaring success, and brought him fame in the Far East, especially in Singapore.

Upali parlayed his success with Kandos by venturing into many other industries. He was never short of ambition. He steered the Upali group into the ‘Consumer Products’ segment and built three soap brands, “Sikuru”,“Crystal”, and “Tingle”. However, being a descendent of D.R. Wijewardene, newspaper publishing ran in his blood. In 1981, Upali Newspapers was established, and with it, The Island and Divaina newspapers began their first print run.

Despite his success within the country, Upali felt stifled by the socialist policies of the government, and decided to venture abroad. He set up an elaborate corporate structure to facilitate his international business adventures, and also to wriggle free of Sri Lanka’s draconian exchange control laws. Thanks to his ingenuity, Upali ended up owning a Cocoa plantation in Malaysia, a futures trading firm in New York, and some other business interests in Singapore.

Upali also had a strong desire to serve the public. That, together with his understanding of how capitalism can vastly enhance the living standards of the average citizen, meat that he was the perfect person to bring foreign investors to the country. Recognising this, his uncle, the late President J.R. Jayawardene, appointed him as the head of the BOI (then known as the GCEC).

Upali was enough of a visionary to realise that Sri Lanka needed to become much more than an apparel exporter, and managed to convince five semiconductor manufacturers (including Motorola) to invest in the country. Unfortunately for Sri Lanka, the troubles of 1983 resulted in these companies packing up, and leaving the country in search of better investment destinations.

Fascinating entrepreneurs tend to have equally fascinating personalities. Upali’s personality was very much one of great wit, charm, and flamboyance.

He was an avid golfer, a good equestrian, an enthusiastic motor car racer, and a pedigree dog breeder. He was someone who would have a meeting in Colombo in the afternoon, fly by chopper to Nuwara Eliya for a round of golf in the evening, and then return to Colombo for dinner. He was a regular at the Aston Park Stakes, and at The Derby (now the Epsom Derby) where he watched his horses compete for glory. He also relished being behind the wheel of a fast car, and as a younger man, raced at Katukurunda and Mahagastota.

Like we mentioned before, his wit was unmatched. Remember UMC? Well, its existence was made possible by a loophole which the government itself had created, by imposing a tax of 300% on cars, and a tax of 100% on spares. Upali imported spares at the lower rate and assembled the cars locally.When asked about this later, he is said to have quipped “I’ve wandered to the very edges of the law, but I’ve never crossed them”.

His colourful exploits got him featured in Fortune and BusinessWeek magazines, signifying that he’d well and truly made it big. The Upali Group grew to such an extent that at its peak, it employed around 33,000 people worldwide.

With the passage of time, however, Upali’s business empire started to show the first signs of trouble. Towards the late seventies and early eighties, the Upali group’s financial situation deteriorated. The purchase of Upali’s infamous LearJet is said to have strained the group’s finances even further.

Yet, his business empire chugged along. It still wasn’t completely out of steam.

On February 13, 1983, Sri Lanka woke up to the news of Upali’s mysterious disappearance. According to the news reports, his LearJet (in which he was travelling at the time) had disappeared somewhere over the Strait of Malacca. The news left the entire country in shock, unable to believe that the one man from amongst them who’d managed to make it really big, had vanished so suddenly. While the incident was pretty much the closing chapter of Upali Wijewardene’s story, it fuelled a wave of conspiracy theories which continue to live on to this day.

Aside from his obvious business success, Upali succeeded in showing Sri Lanka that with ambition, ingenuity, and hard work anything is possible. In the process, he also inspired an entire generation of entrepreneurs , who today hold the reigns of corporate Sri Lanka.

We are very grateful to Mr. D.B.S. Jeyaraj (veteran journalist), Mr. K. Godage (former Sri Lankan High Commissioner to Malaysia), Mr. Upatissa Hulugalle (friend and close associate of Mr. Wijewardene), and Mr. Rajah Sinnathuray (Past President of the Automobile Association of Ceylon and former Secretary of the Sri Lanka Turf Club) whose writings were of immense help in piecing together the timeline of events connected to this article.

Featured image courtesy ipm.comxa.com

Island life and coconuts go hand in hand. From the Caribbean to the Pacific Islands, coconuts play a key role in the lives of the natives. The same goes for Sri Lanka, a little island south of India, with a plentiful supply of coconuts. That probably explains why, even in London, Maggi Coconut Milk Powder (made and exported from Sri Lanka) tends to be somewhat of a big deal, with packs flying off Tesco shelves like hot cakes.

Cases of Kirkland Organic Coconut Oil at Costco. Image courtesy: guysandgoodhealth.com

But what Sri Lankans have known for centuries, the world is only waking up to now. Coconuts and coconut-based products are all the rage the world over and are widely applauded for their health benefits. Why is coconut so popular nowadays, and how can Sri Lanka take advantage of this new global trend? That’s exactly what this article aims to analyse, by putting the subject under the lens of the economic microscope.

Don’t worry, though. We’re going to keep it simple.

Good question.

Let’s start off by looking at Google Search trends for the term “coconut”. In order to do so, we used Google Trends, a free online tool made available by Google. And here’s why: we live in an age where people look to Google for answers to anything and everything. Therefore, if lots of people start searching for the same thing on Google at the same time, it would eventually be possible for us to pinpoint with reasonable accuracy the point in time at which something ‘became a trend’.

Google searches for the word ‘coconut’, January 2004-August2016

As you can see, searches for the word “coconut” remained relatively stable up until mid-2008. However, somewhere around October 2008, the number of searches gradually started trending upwards. (Do note that when it comes to this tool, the numbers represent search interest relative to the highest point on the chart for the given region and time. A value of 100 is the peak popularity for the term.)

Let us now repeat the same process for the keyword “health benefits of coconut”.

Google searches for “health benefits of coconut”, January 2004-August 2016

Notice how both graphs look very much alike. Of course, we’ve only used two data points, but given how closely related they are, it suits our purposes very well. Therefore, it is fairly safe to assume that coconuts started to become a trend sometime during the global financial crisis.

Simply put, what we’ve done here is use modern human behaviour to infer the point in time at which coconut became a trend. Pretty neat, isn’t it?

All this time series analysis brings us to another question. Now that we’ve established the ‘when’, what about the ‘why’? In other words, why exactly did coconuts and coconut-based products suddenly explode in popularity?

The answer has everything to do with coconut water and the role branding plays in society.

Somewhere in late 2009, Hollywood celebs who were the faces of the “healthy living” movement chose coconut water as their beverage of choice. Savvy marketers at hitherto obscure coconut water brands got to work (hats off to them), quickly striking endorsement deals and also refreshing their branding and packaging to suit a young, hip audience. And since celebrities have the power to influence trends, it was only a matter of time before everyone started running after coconuts, figuratively.

Brands such as Vita Coco massively benefited from celebrity endorsements. Rihanna was one of Vita Coco’s earliest campaign faces. Image courtesy: Vita Coco

This paved the way for brands such as Vita Coco, Zico, and O.N.E to grow and go global. Coconut water ended up becoming very much a part and parcel of the beverage industry, driving Coca-Cola and PepsiCo to invest in Zico and O.N.E respectively.

Driven by the success of coconut water as a product, other companies ploughed R&D budgets into coconut-related products. This resulted in the birth of a vast number of new products, ranging from food supplements to personal care products, and even ice creams. Some of these product categories were brand new, while some were existing products and/or product categories.

For one thing, producers are moving towards higher-margin, specialty products like coconut water, since that is where the demand is.

Courtesy: The Wall Street Journal

The flip side of this is that, in order to cater to demand, they need to harvest young coconuts, which in turn leaves fewer coconuts with which to produce oil. (Mature coconuts are needed in order to produce oil). But that is a story for another day.

A man climbs a coconut tree in order to harvest the nuts. Image credit: Panoramio

Off the bat, encouraging local farmers to focus exclusively on specialty products will only aggravate the shortage of coconut oil in the global market. Therefore, such a course of action is inadvisable.

Before we go any further, however, it is necessary for us to acknowledge that Sri Lanka lacks any sort of a solid national policy to develop a sustainable coconut industry over the long term. Therefore, in order to take advantage of the rising global demand for coconuts and related specialty products, it is necessary to first formulate a proper plan which will deal with the largely supply-side issues which continue to hold back the industry.

Luckily, the Coconut Research Institute of Sri Lanka has done exactly that, in its “Strategic Plan for the Coconut Industry 2016-2020”. Its plan deals with points raised by local economists and industry experts, and provides comprehensive solutions.

According to the CRI, the main issues affecting the industry are as follows:

It is especially important to direct the attention of the industry’s stakeholders towards the problem of low productivity which in turn hurts the competitiveness of the product.

The CRI has put forwards strategies to deal with the above problems. And they are as follows:

The CRI’s plans, if executed to perfection, can go a long way towards helping Sri Lanka to establish itself as a leader in the export market for coconuts, thereby putting the country on par with, or at least closer to, producers such as the Philippines. At a time when Sri Lanka’s agri exports continue to post lacklustre performance, such measures would go a long way towards improving the stock of the farmers, their families, communities, and by extension, the entire country.

Featured image credit: Srimal Ahangamage/treklens.com

Another month has gone by, which means we’re now almost 60% through 2016. It is no secret that the CSE has been a relatively lacklustre performer this year. Around this time last year, the ASPI was trading at levels between 7,400-7,500 points. Fast forward to the present and it is trading firmly in the 6,500-point territory.

Data courtesy The Wall Street Journal.

As the chart above shows, the CSE is among the worst performers in the region. While a lot of factors have contributed to this, a large part of the blame falls on the spectres of policy uncertainty and macroeconomic weakness.

Of course, every dark cloud has a silver lining, and we mentioned last month that the downturn would delight long-term investors, since they’ll be able to load up on valuable blue-chips at very attractive prices. Just as we predicted, Foreign Institutional Investors bought into the market, resulting in a net inflow of LKR 1.4 billion.

Stock Market performances – July 2016

On the flipside, Local Individual Investors became net sellers to the tune of around LKR 1 billion, displaying the short-term thinking, which tends to dominate the domestic individual investor circles.

All in all, the ASPI and the S&P SL20 gained 1.76% and 3.46% respectively, during the month of July. As a result, the market’s PER also increased to 13.1x, up from 12.98x a month earlier.

Do check back next month for some more info!

The comments, opinions, and analyses presented herein are for informational purposes only and should not be considered individual investment advice or recommendations to invest in any security or to adopt any investment strategy. Always seek independent advice.

Featured image courtesy dailyceylon.com

From time immemorial, Sri Lanka has been synonymous with spices. Of course, the little island is most famous for the unique variety of cinnamon grown on its shores. But make no mistake, the country also counts quite a few other spices among its agricultural exports.

In 2015 alone, Sri Lanka’s spice exports amounted to USD 377 million, up from USD 264 million the previous year. Compared to the country’s total export earnings of USD 10.5 billion, the above figures amount to nothing more than a drop in the ocean. On the other hand, those figures say nothing about the country’s proud attachment to its spices, which is why we decided to compile a basic introduction of sorts to the business of exporting Sri Lankan spices.

Arguably Sri Lanka’s most famous export, cinnamon is the island’s premier spice export. Industry insiders classify the spice into two forms, Ceylon cinnamon (Cinnamomum Zeylanicum), and Cassia Cinnamon. Ceylon cinnamon is the costlier variety and is considered to be a much more upmarket product by those in the West. Cassia Cinnamon, on the other hand, is colloquially known as “supermarket cinnamon” and tends to be the cheaper variety.

Cinnamon is exported in its primary form (the rolled bark/stick form) as well as in cut pieces, powder form, and crushed form. Given that Ceylon cinnamon is indigenous to the island, Sri Lanka dominates the market for cinnamon exports. According to data compiled by the Massachusetts Institute of Technology’s Observatory of Economic Complexity, Sri Lanka exported USD 128 million worth of cinnamon in 2014, which accounted for 28% of global cinnamon exports for that year.

Cinnamon. Image credit: Adam Wita/DeviantArt

Known as the “King of Spices”, pepper is a spice which has global appeal. It is believed to be one of the earliest commodities traded between the East and the West. At a certain point in history, it was also a form of currency, prized by the wealthiest individuals of society.

The industry recognises Sri Lankan pepper to have a higher piperine content, which gives the pepper a unique pungency, and sometimes superior quality. However, even though the island counts itself among the Top 10 pepper exporters of the world, its exports normally meet less than 2% of global demand. In the last two decades or so, Vietnam has emerged as a major producer, and now largely dominates the market.

Pepper. Image credit: Adsark.com

The nutmeg plant is indigenous to the Moluccas in Indonesia, but has also been successful as a crop in other Asian countries. Curiously (and interestingly), the nutmeg plant yields two spices, nutmeg and mace. Nutmeg is the “seed” of the tree, while mace refers to the thin, red covering of the seed after it has been dried.

Sri Lanka, as a producer, is not a very dominant force in the market. However, the island is considered one of the major producers of the spice. Of the island’s total annual nutmeg production, 80% comes from within the Kandy district, while the rest can be attributed to the Matale and Kegalle districts.

Nutmeg. Image credit: Earth Foods

Another spice native to the Moluccas region in Indonesia, cloves are a mainstay of Indian ayurveda and traditional Chinese medicine. Widely recognised for its warm, sweet aroma, cloves and/or its derivations are used in everything from herbal medicines to perfumes.

Cloves grown in Sri Lanka are believed to have a higher oil content compared to cloves from other parts of the world (clove oil is the single most important derivation of the spice). We’re not quite sure, but this might have something to with the climatic conditions of the Kandy, Kegalle, and Matale districts, where cloves are primarily grown.

Cloves. Image credit: Style Craze

Popularly known as the “Queen of Spices”, cardamom is often amongst the most expensive spices in the world. The spice is very popular in households within the Indian subcontinent, and is also a key ingredient of any good biriyani.

When it comes to Sri Lanka, cardamom is cultivated mostly in the hill country, in areas where the elevation is 600m AMSL (Above Mean Sea Level), such as Kandy, Matale, Kegalle, Ratnapura, and Nuwara Eliya. The spice has also been known to grow in certain parts of the Galle district.

Cardamom. Image credit: Divehi Holdings

As a spice that lends its name to everything from biscuits to ale, ginger is something of a celebrity in the world of spices. It is also rather famous as an additive among tea drinkers everywhere, especially in the subcontinent.

Though ginger is cultivated all over Sri Lanka, production tends to be concentrated in Kandy, Colombo, Kurunegala, Gampaha, and Kegalle. According to the Department of Export Agriculture, three main varieties of the spice are grown in the country :

Ginger. Image credit: themindunleashed.com

A spice native to South Asia, turmeric was first cultivated as a dye. With the passage of time, people started using it for cosmetic as well as medicinal purposes. In India, where it is popularly referred to as ‘haldi’, the spice is touted as the cure for almost any medical condition. Whether that is true or not, is a different story altogether.

However, in both India and Sri Lanka, turmeric is mainly used as a colouring agent (for cooking, that is). Production of this spice is concentrated in the districts of Kurunegala, Gampaha, Matale, Kandy, and Kalutara.

Turmeric. Image credit: turmericlife.com.au

Though the subcontinent does not consider vanilla a spice, it is normally categorised as one. Its unmistakably sweet aroma makes it a key ingredient in ice cream. In fact, it is the most common flavour of ice cream available in the market. The cultivation of vanilla is very labour intensive, which contributes to its status as one of the most expensive spices in the world, second only to saffron. Of course, the flip side is that prices also tend to be very volatile. Why? Because of the law of Supply and Demand. As Food Business News explains:

The market has even seen higher prices. Vanilla beans went over $500 per kilogram in 2004, said David Vanderwalde, director of Aust & Hachmann, a vanilla bean buyer based in Pointe-Claire, Que., that sells to flavor houses. Growers in other countries besides global leader Madagascar then entered the market, leading to a glut, he said. The market crashed. Prices plunged. Vanilla beans sold for about $20 a kilogram from 2008-10, Mr. Vanderwalde said.

Only Madagascar growing regions could support such low prices for vanilla beans, a labor-intensive crop, Ms. Lochhead said. Cook Flavoring Co. grows its own vanilla beans in South Pacific regions and also buys vanilla beans from Madagascar. Wages in Madagascar run about $1.50 per day while wages in other regions average about $10 per day, she said.

Since vanilla prices are high again, growers in other countries may consider getting back into the vanilla market, but it’s not that easy. After planting vanilla beans, it will take four years to develop a commercial crop, Mr. Rosskam said.

“It’s not a quick fix anywhere,” he said. “It’s not like we can expand production next year.”

In Sri Lanka, vanilla is confined to a home crop, mostly cultivated in people’s backyards. As a result, production is very small.

Vanilla. Image credit: Serious Eats

And with that, it’s a wrap. Hopefully, you’ve learned something new about all those spices sitting quietly on supermarket shelves all around the world. Have we missed anything? Let us know in the comments!

Featured image credit: jakedolosa.tumblr.com

Imagine this. You’re stuck in traffic on a Friday evening when suddenly, a bulb goes off in your head, and you hit upon a brilliant new business idea. You get excited, and just as your pulse starts racing, you come to the realisation that maybe you haven’t thought things through. You start asking yourself questions. And then you ask yourself more questions. Your excitement starts subsiding, question by question.

Alex Helmi, owner of Damoka, a newly set up shop in Los Angeles, receives his first shipment of rugs from Iran. Image credit: LA Times

What should you actually do once you have an idea? How do you act on it, without wrecking your finances (or going on a wild goose chase)? Read on, for we’ve compiled a few tips on how to get your startup off the ground.

By definition, business is all about satisfying human needs and wants, and behind every successful business, lies a simple business idea. An idea, in turn, is built on one or more assumptions about human behaviour. Therefore, before you go about doing anything, you must test the accuracy of your assumptions.  
  
How you test the validity of your assumptions largely depends on the nature of your idea. If, for instance, your startup will primarily operate offline, and in the B2B space, talking to experts in the industry would be a good place to start. On the other hand, if your startup operates in the online space, a strategy such as this would be a good one to follow.

The two page, barebones MVP (Minimum Viable Product) used by Buffer to validate their idea. Image credit: Joel Gascoigne, Buffer

In a nutshell, what you’ll be doing is funnelling people to a landing page which explains your idea, your product, and most importantly, your value proposition. Your aim is to get people to “sign up” to buy, or at the very least, check out your product once it launches.  
  
If you did everything else right, and if people show a lot of interest in your product, you’re ready to move on to the next step.

Writing things down actually helps, a lot. Image credit: thenamopatrika.com

Your next step should be to write down a business plan. Why? Simple: no matter how much you perfect your plan in your head, putting it all down on paper will force you to take a methodical, step by step approach to building your business. It will also help you uncover all sorts of weaknesses in your idea, which you previously didn’t even think of. This sort of evaluation will help you refine and polish your idea easily, trust us, you will be thankful for it down the line.  
  
When writing down a business plan, there is no hard and fast rule about anything. A business plan can be written down on the back of an envelope, or can also be crafted on an elaborate spreadsheet. That said, we recommend you use this quite thorough b-plan from the Prince’s Trust, which is also recommended by the British Government. They’ve also published this guide to help you out.

Your team is as important as your idea. Image credit: ideenpool.de

Now that you’ve written down (and completed) your b-plan, you would have realised whether your idea is worthwhile or not. Assuming you have a good opportunity on your hands, it is now time to go about putting together a solid team to help you achieve your vision.  
  
It is very important to form a team which, between themselves, is equipped to handle all the basic aspects of running a business. Here’s a good way to think about this. Let’s say that you have an idea for a SaaS (Software as a Service) startup. Now, assume that as the technical co-founder, you’ll be handling all the coding, and pretty much the entire tech side of things. In such a scenario, what should you look for in a co-founder?

Ideally, you should look for someone who can close sales. If you operate, or plan to operate, in the B2B space, your co-founder will also need to be excellent at building relationships with other people. Similarly, don’t be afraid to build a team with diverse skill sets. In fact, when you start approaching investors, it will be one of your greatest assets.

CoatChex, a coat-checking startup, pitches for funding on ABC’s Shark Tank

Now that your team is in place, it’s time to secure some funding. Typically, the process goes like this:  
  
Self-funded (bootstrapping) -> Friends & Family ->Outside Funding  
  
Depending on your idea, you might be able to get up and running using some of your own savings, or you might need a larger sum, for which you will have to approach a few professional investors. No matter which path you choose, what you need to remember is that each type of funding, be it seed, equity, or debt, comes with its own pros and cons. In order to decide on one, you will need to factor in a lot of variables such as growth projections, investment needs, and more.

Legendary VC and co-founder of Sun Microsystems, Vinod Khosla at TechCrunch Disrupt SF. Image credit: TechCrunch

If you choose to go for outside funding, remember that each investor who comes on board can also be a valuable mentor to you and your team. In that sense, as much as you need to determine whether you need the money, you must also decide whether the investor is a good match for your team.  
  
Taking into account all this, we strongly encourage you to look at John Keells X, as a platform to secure funding. There’s a total cash prize of LKR 3 million on offer, and it comes with no strings attached. You’ll also get the opportunity to tap into the expertise of John Keells, Sri Lanka’s most valuable blue chip, thereby gaining the ability to use those insights to better refine your idea. For more details, do check out their website, and follow the event on Facebook.

That’s all from us, for now. We hope that all you budding entrepreneurs, and intrapreneurs out there would find this useful. And before we go, here’s one final word of advice. “Don’t aim to fail, aim to succeed. However, in the event you fail, make sure you at least fail forward.”  
  
Good luck!

Starting up or running a business in a first world country is relatively easy, at least when it comes to the administrative side of things. But when it comes to developing markets, you’ll need Mr. Miyagi-esque levels of patience to deal with the red tape. For a first-time entrepreneur, the experience can be terribly frustrating.

With that in mind, we managed to put together a list of things you ought to know when trying to build a business in Sri Lanka. Regardless of whether you’re the founder of a startup, or a full-time student helping out with the family business, you definitely ought to be aware of these facts. Trust us, it will save you a lot of stress and headaches down the line.

Watch out for those unlisted taxes. Image courtesy DailyTech.com

This takes number one on our list, because it is one that people tend to forget. Sri Lanka is not one of those countries where sticker prices tend to be reflective of all inclusive taxes. So whenever you pay for something that is not exempt from taxes, you’ll have to do a little bit of mental arithmetic to figure out what you’ll actually end up paying.

Always make sure to factor in the effect of taxes like VAT and NBT, where applicable. And be especially mindful of this if you’re dealing with agencies run by the Government. They don’t usually accept card payments, so be sure to carry enough cash and some spare change.

You’re going to have to fill in a lot of forms. Period. Image courtesy blog.paysafeescrow.com

In this part of the world, e-filing tends to be at a nascent stage. Simply put, you can’t always expect to be able to fill out a form online, make a payment, and receive a confirmation email from the comfort of your home or office. Often, you’ll have to make multiple trips. One trip to collect the forms, one to submit the forms, and another to go and collect the final, official document (or whatever it is you were looking to obtain in the first place).

You \*MAY\* have to fill in multiple declaration forms, multiple KYCs (Know Your Customer forms), and multiple “The-information-provided-here-is-accurate-to-the-best-of-my-knowledge” forms. You might possibly end up grumbling to yourself, and wishing for a much more flexible, and centralised system.

But all of this is part and parcel of life in emerging and frontier markets. And as a wise man once said, “Sometimes, you gotta just roll with the flow.

Don’t expect things to fall into place as per your plans; and be prepared to do a lot of waiting. Image courtesy shutterstock

If you’re used to the swift nature of government processes in developed countries (at least when they’re business-related), you’ll be in for a rude shock if you expect similar levels of efficiency over here. A little bit of patience goes a long way, as the types of administrative delays you can encounter tend to be wide and varied. Of course, this is not always the case, but it sure happens a lot.

For instance, you might walk into your local municipal council in the hopes of securing a permit, and you might find out to your dismay that the official you ought to meet is on leave. Or sometimes, the said official may have gone out for a cuppa. In the worst case scenario, nobody in the building would know where he/she is, and there’ll be no-one to pick up the slack either.

In certain other instances, you may end up having to deal with a severely understaffed government department, and there’ll be nothing you could do (A very real example of this would be SL’s IP office, where it can take a couple of years for your trademark to be granted official status. But in all fairness, you do get the rights to use it as soon as you file the documents).

If you find yourself in such a situation, here’s our advice: take it easy. Sometimes, that’s just the way things are. And, if you’ve got a friend who’s one of those extroverted types and can easily strike up a conversation with anyone, make sure to take him or her along (promise them a Cheese Kottu, and an Ice Milo if they seem reluctant \*wink wink\*).

A few extra copies wouldn’t hurt. Courtesy: Scott Hubeny-180Dayz

This is a no-brainer, really. No matter what form you submit, or what letter you write, always, always, keep a few more copies with yourself. Sometimes, the very people to whom you handed over your documents might lose them.

And when that happens, you’ll thank your stars for having the foresight to make that trip to the copy shop.

Again, another no-brainer. No matter how accurate you think your expense forecasts are, things can happen. Sometimes, your business might get slapped with an annual license fee, as set out in the last budget. Or, there might be a sudden, overnight increase in customs fees, and your expenses might go up. A decent cash reserve will help you steer your ship during those times.

Pay a professional to take care of some matters. Image courtesy Forbes Magazine.

Become comfortable with the fact that you won’t be able to do everything by yourself. Especially in Sri Lanka, the law and the taxation system can get quite complex, and it takes a pro to know the ins and outs. This isn’t to say that you can’t go solo. You can, but you run the risk of leaving cash on the table, or creating a business with a shaky shareholding structure.

Given these reasons, it makes sense to hire a professional. Remember to shop around a little bit, and try talking to your contacts. But whatever you do, don’t ever skimp on an accountant.

Every business needs people to design its t-shirts, create its ads etc. It is tempting to try and do everything by yourself, but don’t. Nine times out of ten, it’s only going to serve as a distraction from running your startup, and that is not a luxury you can afford. So invest some time to get to know a few people to whom you can outsource your non-core activities to, and build a genuine, solid relationship with them. Over time, that relationship will help you negotiate better prices, and perhaps get priority service when you need to get things done in a hurry.

Cheque books are outdated. Online banking is the way to go. Image courtesy emaze.com

It is scary how a lot of SMEs in Sri Lanka still rely on cheque books to pay out their expenses. Every major bank in Sri Lanka has its own online banking platform, so don’t hesitate to sign up for one. You won’t have to worry about the bank being closed, and you can transfer money any time, to anyone you want. You’ll also be able to retrieve transaction records in no time, and your accountant is going to love you for it.

While we’re on the topic of accountants, use a solid cloud-based platform like Kashoo, FreshBooks, Xero, Sage One or QuickBooks Online.

By basics, we mean the really basic stuff like Company Incorporation, Intellectual Property, VAT, Accounting, Payroll, Bank Accounts, EPF/ETF etc. If you don’t understand how to get these things done, a simple Google search will help you find specialists who’ll be able to do them for you. Don’t try to DIY your way through this, because you may come to regret it later.

This goes without saying, but very few actually understand what it means, perhaps because it is difficult advice to follow. Building a business is a challenging task, and you will most likely see your plans go for a six, just months into your entrepreneurial journey (or sooner). But as long as your assumptions about your industry, and your business, remain valid, you should believe in yourself to keep going. Because let’s face it, life is tough, business is tough, and hard work is the key to success, no matter how you look at it.

By now, you must be thinking “Wow, this sure sounds tedious…” Yes, it can be a drain on your energy, but some common sense will go a long way towards alleviating your stress levels. Besides, you are going to have to deal with these very same issues at some point in the future anyway. So you might as well get them over with, as soon as you can.

[Also, if you’re reading this before August 10, 2016, and already have a solid idea, you could try sending your applications to the John Keells X Open Innovation Challenge. Winners will be able to receive no-strings-attached funding, while also gaining the opportunity to tap into the expertise of Sri Lanka’s most valuable blue-chip conglomerate. Watch this space carefully for coverage of the event, and more.]

What have we missed? Let us know in the comments!

Featured image courtesy taisa.si

People leaving their lands of birth in search of adventure, and better economic prospects is nothing new. It is the basic phenomenon behind the birth of many of today’s most advanced economies, the United States being, perhaps, the foremost example of this. The ability to go where one’s skills are rewarded the most is also a basic human right, and to bar an individual from seeking greener pastures would be a violation of his or her economic freedom.

In the modern world, migration is a hot topic. For one, it makes certain countries better off, and others worse off. Entire elections are decided on migration, just look at the meteoric rise of Donald Trump and Brexit (even though that is technically not an election, but a referendum).

Migrants queue at a registration and transit point in Macedonia. Image courtesy: RT.com

As a lower middle-income country, Sri Lanka too is very much affected by, and benefits from, migration. On the one hand, migration allows Sri Lankans to improve the lives of their dependents back home. The remittances into the country from Sri Lankans employed abroad are obviously good for the country. Lower-skilled workers who find employment abroad are able to lift their families out of absolute poverty, which wouldn’t be possible otherwise.

That brings us to another question: what about workers with higher, advanced skills? How does migration affect them, the country, and society at large?

Passengers pack the waiting hall at Honquiao Railway Station, which services a terminal at Shanghai Honquiao International Airport. Image credit: NPR

First, let’s establish the obvious, and get that out of the way. Take any person with advanced skills like doctors, biologists, engineers, lawyers, accountants, wealth managers etc. For workers who belong to this category, work is always going to be plentiful in fast-growing and developed countries. These workers will be in demand, which means wages will also be higher. All else remaining equal, migration from a poorer country to a richer country is going to benefit highly skilled workers.

Next, there is the effect of migration on the country. At any given moment in time, the pool of skilled workers in any country is going to be limited. After all, it’s not like we have a machine which can churn out people according to any given specification. When individual members of this pool of highly skilled workers start to leave in search of greener pastures, the countries which receive them with open hands will see their ranks of highly skilled works swell.

More labour means more resources. More resources means more productive capacity, which in turn means more economic growth. And since labour is a limited resource, when people migrate from one country to another, one country benefits, and another loses out. When a country benefits, it is referred to as a “Brain Gain”, and when a country is on the losing side, it will fall into the “Brain Drain” camp. And Sri Lanka firmly falls into the latter.

People arrive at Ellis Island in N.Y, which was the busiest inspection and registration station for immigrants to the Unites States in the early 1900s. Image courtesy: Schmoop.com

Brain Drain actually refers to a phenomenon called “Human Capital Flight”, which refers to the emigration of talented and educated individuals in significant numbers, often in search of better professional opportunities, and a higher standard of living.

At a national level, Brain Drain occurs when people decide that their home country doesn’t reward their skill adequately, in terms of pay, career development, or both. It can also occur because of political turmoil, famine, poor quality of life, and other similar factors.

Yes, it does. Quite a lot, actually. Just look at the numbers below.

Data courtesy Central Bank of Sri Lanka

A considerable number of Sri Lankans with valuable skills are going abroad in search of employment. Not in droves, obviously, but in numbers adequate enough to raise eyebrows in a country with a workforce of around 8.5 million.

Over the long term, continuous brain drain will deprive a country of valuable talent, talent which would by then be desperately needed in all sectors of the economy, starting with crucial ones like business, education, health, construction, power and energy, and transport.

A smaller workforce would also negatively affect economic growth, because now, fewer people will be available to convert raw inputs into finished goods. Lower economic growth will mean that Sri Lanka will find it hard to transition into a high income country, spelling bad news for all of us.

Passengers arrive at the Vancouver International Airport, Vancouver, Canada. Image courtesy: familyworksbc.com

One thing is for sure, you cannot ban people from seeking employment abroad. Such a ban would be a violation of human rights, economic freedom, and is downright illegal. Moreover, it would also be bad for the economy, which will be deprived of valuable foreign exchange. Needless to mention, such a policy would also be, in simple words, a major disaster, and could be a cause for social unrest.

Instead, what should be done is to speed up the structural changes necessary to help Sri Lanka become an advanced economy. Such reforms would include increased trade liberalisation, consistent policy-making, well-targeted incentives for businesses to set up in Sri Lanka, free trade pacts with key export markets, stronger institutions, and better rule of law. Such measures would stimulate the creation of jobs in the economy, and with the passage of time, the country would be able to reverse its brain drain. Reversing brain drain is not something which can be accomplished overnight.

If Sri Lanka is to successfully position itself as an innovative, growing, and prosperous economy, it must force its policymakers to put an end to their petty quarrels. Instead, the powers that be must look to drive sustainable economic growth, which is the most surefire way to bring prosperity and reverse brain drain. Until that happens, Sri Lanka’s brain drain will never reverse itself, and the country will forever remain stagnant.

Featured image courtesy: nytimes.com/Andy Martin

Last month saw small retailers around the country protest against the VAT hike, while investors found very little to cheer about. There was some rejoicing in the markets after the IMF granted approval for a 3 year, USD 1.5 billion loan under the lender’s Extended Fund Facility (EFF). However, concerns over rising interest rates continue to dampen activity in the stock market.

Devoid of any activity, the trading floor of the NYSE looks eery. Image credit: Richard Drew/AP

Chinese investors play cards while watching prices on the Shanghai Stock Market. Image credit: Reuters

Dr. Indrajit Coomaraswamy takes over as the new Governor of the Central Bank of Sri Lanka. Image credit: LBO

With the new Governor of the Central Bank having indicated that the Central Bank is mulling over a tightening of monetary policy, the next few policy announcements will be watched with keen interest by investors, borrowers, and lenders alike. Given that core inflation rose to 6.4% in June (headline inflation rose to 6%), the Central Bank cannot continue to accommodate a relatively loose monetary policy for much longer. Simply put, interest rates will have to rise further in order to stop the economy from overheating, thereby choking the stock market. Thus, it wouldn’t be very surprising if the CSE remains rather lacklustre for much of the latter half of 2016.

The comments, opinions and analyses presented herein are for informational purposes only and should not be considered individual investment advice or recommendations to invest in any security or to adopt any investment strategy. Always seek independent advice.

Featured image courtesy: stockmarket-watch.com

Sri Lanka’s growing economy has helped it go from being a low-income economy to a lower middle-income economy (LMIE), as observed by The World Bank. But where does Sri Lanka stand when compared to other countries in its new peer group?

We sifted through the data, and here’s what we learned. (We used World Bank data from 2014, since those were the most recent, and most reliable, at the time of writing).

Sri Lanka compared to other lower middle-income countries. Data courtesy The World Bank.

Certain things in the infographic above are no-brainers, while others are actually surprising.

Take for instance, the health related statistics. Most lower middle-income economies have vastly underdeveloped healthcare infrastructure, which is reflected in the shorter lifespans and higher mortality rates. In this respect, Sri Lanka somewhat stands shoulder to shoulder with high-income countries, largely thanks to the investments made in the health sector by successive governments since independence. Obviously, Sri Lanka’s free universal healthcare policy has also been instrumental in reducing mortality rates across the board.

The same holds true for things like the provision of sanitation facilities, and clean drinking water. Sri Lanka is far, far ahead of its peers when it comes to basic metrics such as these. Depending on how you look at it, one could say that the island’s size has worked to its advantage here.

It is also helpful to think carefully about Sri Lanka’s relatively higher population density (331 people per sq. km compared to an average of 142 people per sq. km for LMIEs). For one, Sri Lanka is a really, really small country, which puts land at a premium. Couple rising incomes with rapid urbanisation and you will have more people buying more vehicles, and generally becoming more mobile. The resulting strain on the country’s infrastructure, both hard and soft, will, at some point in the future, weigh down the economy, thus preventing it from growing any further. Obviously, that is every policymaker’s worst nightmare.  
  
A growing economy will need better healthcare systems, better transportation systems, and more. The solution to these problems is not hiking taxes on vehicles and the like, but actually taking steps to come up with comprehensive, long-term,and economically viable solutions. Sadly though, the island’s policymakers have never been too keen on tackling the hard problems.

That’s not all though.

Look at the statistic for high tech exports, as a percentage of manufactured exports. Compared to other lower middle-income countries, Sri Lanka’s exports are very simple. This simplicity means that whatever Sri Lanka produces for export, can be reproduced in another place with no noticeable difference. Therefore, countries which have a lower cost base than Sri Lanka’s will have no problem in stealing market share. This is why it is imperative for Sri Lanka to turn its economy into a complex, high-tech economy. As things stand, Sri Lanka occupies the 115th slot (out of 144 countries) in the MIT Economic Complexity index. Vietnam, perhaps the island’s closest export competitor, occupies the 93rd slot.

One way out of this problem is to focus on the service sector, which is the main driver of the Sri Lankan economy anyway. Rising internet penetration will allow for the entire country to come online, further facilitating the growth of a robust service sector. However, just like any decision, this too would come at a cost. In order to make the economy more efficient, the country will have to rethink the strategies employed by its other two sectors, Agriculture, and Manufacturing. Focusing on high-tech sub-sectors like Bio-tech could be one way to go, provided enough resources are available. The country will have to stop trying to produce everything it wants within the county itself, meaning Sri Lanka will have to embrace free trade wholeheartedly, much like Singapore, Dubai, and Hong Kong. Needless to say, that is going to take a lot of time, and will be a very politically challenging decision to take.

The key takeaway from this dataset is that while Sri Lanka is way ahead of its peers when it comes to basic infrastructure, the same cannot be said for the country’s economy. Unless corrective action is taken, Sri Lanka’s fate will be very similar to that of the hare which decided to race the tortoise. The country managed to get a head start on its peers by liberalising its economy in 1978. The reforms which accompanied the move increased incomes, and boosted the standard of living. But the lethargic attitude adopted by the country in the decades since have cost it dearly, with exports declining steadily since the year 2000. In today’s fast-paced global economy, resting on your laurels is just not an option. It is time for Sri Lanka to wake up to the reality.

Featured image courtesy wikimedia.org

Now that the EU has lifted all sanctions on Sri Lankan exports of seafood, the island’s business community is gearing up for another big one ‒ the reinstatement of full GSP+ benefits.

Getting back GSP+ privileges is undoubtedly going to be a major win for the Government. The country’s exports could also perhaps pick up a little, which is going to be good news for Sri Lanka, and the country’s apparel sector in particular.

But what exactly is GSP+?

A busy street in the business hub of Pettah. The GSP+ scheme was conceived to help developing countries gain access to the EU market. Image credit: migrationology.com

GSP+ is short for Generalised Scheme of Preferences (Plus), which is intended to allow developing countries to pay less, or in some cases, no duties on their exports to the EU (don’t worry, we’ll clarify this down below). The scheme was conceived to help developing countries gain access to the EU market, thereby helping them to achieve economic growth.

Here’s what you ought to know. It’s not actually called GSP+. In reality, GSP+ is just one sub-scheme which falls under GSP.

This is how the entire scheme is structured:

GSP is applied on a selected range of products or product categories, and is divided into three sub-schemes: Standard/General (also referred to as just “GSP”), GSP+, and “Everything but Arms” or EBA.

According to the EU, the Standard scheme (GSP) offers tariff reductions, in partial or in full, for two-thirds of all product categories exported into the region.

The following countries currently benefit from the Standard arrangement.

A factory floor, Vietnam. Image credit: ILO in the Asia and Pacific-Flickr

GSP+ on the other hand, will grant the full removal of tariffs on every product category covered by the general scheme. The catch is that to qualify for GSP+, exporting countries must abide by international conventions on human rights, labour rights, environment protection, and good governance.

According to this document, Pakistan is the only South Asian country to have GSP+ privileges, as of January 2016. The other countries which make use of the GSP+ scheme to export goods to the EU are: Armenia, Bolivia, Cape Verde, Costa Rica, Ecuador, Georgia, Mongolia, Paraguay and Peru.

A worker makes a bat in a factory. Sialkot, Pakistan. Image credit: ESPN Cricinfo

And last comes “Everything but Arms” or EBA, which is only available to countries which are recognised by the EU as “Least Developed Countries” or LDCs. Under the EBA arrangement, LDCs get duty-free, quota-free access to the EU market for all products, except arms and ammunitions.  
  
The countries which qualify for the EBA arrangement are as follows:

Since Sri Lanka’s access to the GSP+ scheme was suspended, the country had to make do with exporting under the Standard GSP scheme. In 2014 alone, Sri Lanka exported around EUR 1.12 billion worth of goods into the EU, by making use of the standard scheme. In percentage terms, that’s around 4% of all goods exported to the region via GSP.

That’s not all, though. Though first adopted by the EU in 1971, the original GSP scheme has gone through many reforms. The most recent reforms were adopted in 2012.

Members of the European Parliament take part in a voting session at the European Parliament in Strasbourg, Eastern France. Image credit: REUTERS/Vincent Kessler

Under the revised scheme, the goals of the GSP scheme were adjusted and made clearer. Now, the scheme comes with a few other bells and whistles, namely:

1. The EU mandates that GSP privileges should be concentrated on developing countries which need them the most. Accordingly, countries which fall into the categories below will not be granted GSP.

2. GSP+ will now be used to strengthen trade incentives for countries which respect core human and labour rights, the environment, and good governance. In other words, good behaviour will be rewarded.

3.The EU will aim to increase the effectiveness of EBA concessions. This means reducing the number of GSP beneficiaries to help LDCs occupy a space in the market, thereby making trade concessions granted to LDCs more meaningful.

4. The new GSP scheme will last 10 years, as opposed to three, as it was earlier. Once the scheme runs out, a country can obviously apply for an extension. This doesn’t apply to the EBA, which does not expire.

Exports to the EU under the standard GSP scheme, 2014

That’s GSP in a nutshell. There’s one more thing though: if the Sri Lankan Government manages to get GSP+ privileges restored, it will go a long way towards propping up business confidence in the country. It will also provide a much-needed dose of positive PR for the island’s Government, which has been struggling quite a lot to pass much-needed reforms.

Note: Those of you who have the ability to wade through pages of legalese can check out this and this, which is essentially the reformed GSP bill adopted by the EU in 2012.

Featured image courtesy: eteknix.com

Man is a funny animal. He has a tendency to be swept up by half-baked ideas, following which he kicks his common sense to the curb. He then proceeds to pursue these ideas with vigour for a considerable amount of time. After such time however, the shaky foundations upon which these ideas were constructed come crumbling down, and he finally realises his folly. However, he soon forgets, and the cycle repeats itself again, albeit after a period of relative calm.  
  
This tendency to take leave of one’s common sense is perhaps man’s greatest weakness.

History is littered with examples of how this one flaw can be very dangerous. Just look at the earliest recorded financial bubble ‒ the Tulip mania of the 1630s ‒ a period during which people went mad for tulips, of all things. It’s not only ordinary men who usually fall prey to such delusions. Sir Isaac Newton, one of the smartest people in human history, lost £20,000 (about £3 million in today’s terms) during the South Sea Bubble. Subsequently, he is said to have quipped “I can calculate the motions of heavenly bodies, but not the madness of people.”

Seriously, who goes mad over tulips? Image credit: Nexter.org

Sometimes, though, this flaw rears its head in the arena of economic policymaking. This is very much evident Sri Lanka, a country where local policymakers, politicians, and certain groups of businessmen swear by a flawed economic doctrine from the 16th century known as ‘mercantilism.’ Or as most Sri Lankans know it, “We must restrict imports, and increase exports.”

Simply put, mercantilism is the name given to an economic doctrine which dominated Western economic thought between the 16th and 18th centuries. People of that era believed that if a country was to enrich itself, it should restrict imports and encourage exports. They believed that following such a policy will help a country achieve a favourable balance of trade. In other words, they believed that a country should strive to produce whatever it wants within its geographical boundaries (how else do you restrict imports?), and that the excess should be exported, if possible.

In the 16th century, large, competitive nation states were consumed by a need to expand their territory. In order to pursue such a goal, it became necessary to maintain large, professional armies. And since war doesn’t come cheap, governments needed a lot of cash.

During those times, society was divided into three broad classes. There was a ruling class, a mercantile class (those who were in business), and the ordinary citizenry, who made up the working class.

Here’s where things get interesting. The mercantile class realised that fat profits were to be had by keeping competitors at bay. As basic economic theory dictates, when one player enjoys supernormal profits over the short run, the industry will attract new entrants, all else remaining equal. Over the long run, all firms in the industry will earn normal profits, thanks to the increased competition, which is what should happen (ideally). This sort of behaviour by individuals is just basic human nature.

But what if one could eliminate competition for good? This would surely benefit the mercantilists.

The London offices of the British East India Company. Image credit: Wikipedia

The business classes realised that the government desperately needed money, for which taxes would have to be levied on the common man. In this, our crafty mercantilists saw a way out. They struck an implicit deal with the ruling class.

In exchange for paying taxes, mercantilists convinced the government to protect their business interests against competition (back then, competition was mainly foreign). Why? Because barring other people from entering your industry will allow you to become the industry. And that means gaining the ability to set prices as you wish.

So the government went about setting up barriers to free trade, not by building walls, but by enacting policies which favoured mercantilists. These barriers took on many forms, ranging from tax exemptions, outright grant of monopolies, tariffs, and quotas. Thanks to these policies, mercantilists were able to fatten their wallets, at the expense of the working class and the downtrodden. The most famous mercantilist firm of them all? The British East India Company.

Sri Lanka wouldn’t have a successful apparel industry if not for the open economy. Image credit: Bloomberg-Getty

The history of the little island in the Indian Ocean is dotted with instances of how mercantilist firms stifled the liberties of the common man. From the telecom monopoly which lasted until 1997, to the power generation and transmission monopoly which exists to this day, the examples are many.

Why Is It Bad?

So why is mercantilism bad, you ask. In order to paint a clearer picture, let’s first have a look at the number one reason cited by local lobbyists whenever they cry out against free trade.

“If free trade privileges are granted, giant multinationals will dump their products, kill local producers, and then raise prices.”

Let’s assume for a moment that a foreign firm behaves exactly in this way. The common man is going to suffer, right? Wrong. Remember, when free trade exists, any producer is able to enter and exit the market at will. If one firm raises their prices to an abnormally high level, free trade will only encourage another firm to enter the market, and supply goods at lower prices, thereby stealing market share from the first entrant. And who’s going to benefit from this?

The common man, of course. Because of increased competition in the market, he will end up paying a lower price. And since lower prices automatically translate into more cash in one’s pocket…

A group protesting against the recently signed Trans-Pacific Partnership (TPP). Image credit: CT Post

Having dealt with that part of the equation, let’s examine why mercantilist policies are harmful to an economy:

No country in this world has everything it needs. Therefore, in order to do well, each country must use its own resources as effectively as possible. It should produce high-value products, which will, in turn, fetch a higher price in the marketplace. In short, a country should aim to embrace the benefits of specialisation.

Here’s an example. Imagine a small village where people grow their own food, sew their own clothes, build their own houses, and paint their own fences. And since they only have 24 hours in a day, they can’t devote much time to master any of these activities. No matter how hard they try, they will always end up with unremarkable clothes, shoddily-built houses, and poorly painted fences.

This village would’ve probably looked like a primitive version of the Flintstones. Image credit: The Everett Collection

One day, a guy with a PhD in Industrial Design finds his way to the village. He builds the villagers a sewing machine, which helps them sew their clothes in double quick time. The villagers use the time they saved to sew a few more clothes, which they then exchange with the designer, as payment for his invention.

As time passes, the villagers become good at sewing clothes and end up having more clothes than they can ever wear. Word about the little apparel producing village spreads far and wide, and soon, a teacher arrives in the village. She offers to tutor the kids, and accepts payment in clothes. This frees up some more time for the adults of the village, which they now spend producing even more clothes. The pattern repeats itself, and very soon, the village is transformed into a bustling hub of commerce.

Whatever progress the villagers made, came because they ended up specialising in something.That’s what specialisation does. It makes us productive, and thereby, richer and far better off than we would’ve ever been.

Now, back to what we were talking about.

By closing the door to free trade, and insisting on producing almost every little thing within the country itself, Sri Lanka will only end up with an inefficient economy. An inefficient economy will not harm the rich, but the poor, since it will drive costs up and quality down.

Every citizen is entitled to the right to spend his money on whatever he wants. If he wants to buy a car with a Hot Pink paint job, then he should be able to do so, provided he has the money to pay for it. However, when mercantilist firms control the market, they will always limit the choices available to the end consumer. The logic behind this is very simple. Fewer product lines equal lower overheads, which can be spread out over a higher volume of output. This will result in a lower per-unit cost a.k.a. Economies of Scale.

Take for instance the British East India Company, a somewhat extreme example, which benefitted a lot from its size, power and reach. Since the company controlled the spice trade, one could only buy what the company held in its inventory. If you wanted, say, coarsely-ground pepper and the company didn’t have it in stock, you were out of luck. You had no choice but to buy dried pepper pods instead.

Easy one, this is. The antidote for mercantilism is, and always has been, free trade. Much like how Niki Lauda and James Hunt inspired each other to become the best F1 drivers of their era, competition between firms will only result in better, and cheaper products.

The rivalry between these two is the stuff stories (and movies \*wink wink\*) are made of. Image credit: Digital Spy

At this point in time, it is very important for the general public to encourage initiatives which will help Sri Lanka carve out a place for itself in the global economy. Free trade agreements and the abolition of high import tariffs will benefit the poor, and not the rich, as is usually claimed. On the other hand, homegrown Sri Lankan firms need to embrace competition, and not shy away from it. Because at the end of the day, competition is perhaps the most effective driver of productivity, and in the long run, it is productivity that matters the most to an economy.

Featured image courtesy courier.lk

Earlier this year, the January edition of this very report highlighted how the Colombo Stock Exchange had lost 840 points. When we published that article, the ASPI was hovering around the 6,200 mark. Fast forward to today and the very same ASPI is trading at around 6,500. In other words, the ASPI has managed to regain almost half of what it lost within the space of four or five months, depending on how you look at it.

A trader works the floor of the New York Stock Exchange. Image credit: IBTimes

They say time can heal a lot of wounds, but time, it appears, also has the power to turn stock markets around. That is why you should always aim to invest for the long run. Now that we’ve given you a free tip on investing, read on to know how the markets performed in May.

ASPI and S&P SL20 performances in May 2016. Data courtesy: Colombo Stock Exchange

Here’s to hoping your dividends are plentiful. Image credit: radicalcompliance.com

In the following Bloomberg TV India video, Reserve Bank of India (RBI)

Governor Raghuram Rajan talks about why reforms are absolutely necessary to revive the Indian economy. Sri Lanka too, is in dire need of similar reforms.

As most Asian markets get battered, and the Federal Reserve of the United States prepares to increase interest rates, this space is going to heat up quite a bit ‒ with a weak home economy begging for reforms, every move of the Sri Lankan Government is going to have a big impact on the markets.

Stay tuned!

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Featured image courtesy adaderana.lk

Ah… taxes. Nothing has the power to topple governments, and divide political coalitions like a tax. Just ask PM Modi over in New Delhi, who has been struggling to push a Goods and Services Tax through the Rajya Sabha, or former US President George W. Bush, who was known for his infamous tax cuts.

Taxes are the most important source of revenue for most governments. The rationale for levying taxes is simple: tax revenues will allow the government to build roads, maintain parks, and pay people who work for the government.

Some countries understand the importance of adequate tax revenues and have robust tax laws which simplify taxation for both the payee and the payer. Others, like Sri Lanka, don’t, and have complicated taxation systems which in turn hurt revenue generation. We highlighted this very same issue in our editorial for the month of March 2016.

The complexity of the island’s taxation systems is very much evident in the number of different taxes which exist side by side. Of course, not all of these taxes are levied at the same time, and on the same goods. One must also remember that what matters at the end of the day is the tax burden, a.k.a the total amount that is payable in taxes, and not the number of taxes per se.

With the fine print out of the way, here are a few Sri Lankan taxes which you should know about.

Personal Income Tax is a tax which you pay on your income. In Sri Lanka, not everyone is liable to pay Personal Income Tax. You will only qualify to pay this tax once your income (read: income, not just your salary) goes surpasses a certain tax-free threshold.

According to the 2016 budget, Personal Income Tax was to be levied at a single standard rate of 15% (this was later amended to 17.5%). The payment threshold has also been increased to Rs. 2.4 million per annum, that is to say your annual income should exceed Rs. 2.4 million (or 200,000 a month) before you become liable to pay the tax.

Individuals queue up to file their tax returns in India. Image credit: The Hindu

According to the Department of Inland Revenue (IRD), Personal Income tax ought to be paid on a self-assessment basis (basically, you’re supposed to file your tax return), in five installments, every year.  
  
Pay As You Earn (PAYE) taxes are quite different from Personal Income Taxes. PAYE is calculated on Employment Income alone, and is collected by one’s employer on behalf of the government.

This is the tax which corporates ought to pay on profits generated from their business activities. Other types of income, like Interest Income from Fixed Income Instruments, are normally taxed at source, which means that in the hands of the holder, they are essentially tax-free.

The 2016 Budget proposed a standard rate of 15% to be levied on all sectors, except the following:

The above were to be taxed at a higher rate of 30%. A later amendment suspended these proposals for a year, resulting in companies having to pay the existing 2015 rate. Needless to say, this did cause quite a bit of confusion.

According to the Central Bank’s Annual Report for 2015, Income Taxes contributed a combined 18% of the Government’s total tax revenue that year.

A tax that is having its moment in the spotlight right now, VAT is the most widely known type of indirect tax.  
  
Given all the noise, you probably know that Sri Lanka recently hiked its VAT rate to 15%. The authorities also reduced the tax-free threshold to Rs. 3 million per quarter, or alternatively, Rs. 12 million per annum. How it usually works the world over is that if your ‘taxable turnover’ exceeds the tax-free threshold, then you, as a trader, would become liable to pay VAT. Since VAT is paid by the end consumer, it is your (the trader’s) responsibility to remit the VAT revenue you collect to the IRD.  
  
VAT revenue accounted for 15% of the Government’s total tax revenue in 2015.

A man makes inquiries at a local tax office in India. Image credit: The New Indian Express

Introduced in 2009, NBT is based on turnover and tends to piggyback on VAT. Here’s an excerpt from an article written by Dharmadasa Ranagalle, the then Deputy Commissioner of the IRD:

“NBT was introduced to Sri Lanka in 2009 under the Nation Building Tax Act No 9 of 2009 as a social contribution towards the welfare of security forces and rebuild communities and infrastructure facilities affected by terrorism. The tax was initially levied on the turnover of importers, manufacturers, and services providers at a rate of 1% with effected (sic) from 1st February 2009. The rate was increased to 3% with effect from 1st May 2009 and up to now 3% of the rate is applied except for the business of manufactures and sale of rice manufactured by locally procured paddy (1.5%). Since the tax was introduced for the specific purpose and the public informed accordingly there was a good response for the payment of taxes.”

The 2016 budget put forward a proposal to increase NBT to 4% from 2%. However, an amendment was later brought forward to scrap the increase.

ESC is… well… quite different. It was originally introduced in 2006 to broaden the Government’s revenue streams. Here’s what the IRD’s website says about the ESC:  
  
“Economic Service Charge (ESC) has been administered since 1st of April 2006 under the Economic Service Charge (ESC) Act No. 13 of 2006, as amended by Economic Service Charge Amendment Acts No. 15 of 2007, 11 of 2008, 16 of 2009, 11 of 2011, 11 of 2012 and 06 of 2013. Prior to this, it has been administered under Finance Acts 11 of 2004 and 11 of 2005 from 01.04.2004 up to 01.04.2006. ESC operates as an advance payment of income tax in respect of any person whose liability to income tax exceeds the ESC liability and such person bears no burden of the ESC.

A person whose contribution to income tax does not exceed ESC liability, for instance in the case of a loss-making business, ESC has to be paid and no deductions can be effected elsewhere. With effect from 01.04.2012, ESC is payable only by any person or partnership who or which enjoys tax exemption or has taxable losses. ”

With effect from the April 1 this year, the ESC rate was increased to 0.5% from 0.25%.

This is the tariff imposed by the Customs on imports. Customs duties are levied based on a system called the Harmonized System (HS System for short), which is an internationally standardised system used to classify traded goods.

Before the 2016 budget, a 4 band structure was used to determine the exact tax rate of a particular good. Thanks to the last budget, the structure is now a 3 band one (0%, 15%, and 30%)

This revenue stream accounted for around 9% of the Government’s total tax revenue last year.

Another quite recent introduction to the local taxation system, PAL is supposed to just what it says: help develop Sri Lanka’s Ports and Airports. PAL is normally levied on imports, and is paid to the Customs.

From the Ports and Airports Development Levy Act, No. 18 of 2011:

“2. Levy on articles imported into Sri Lanka.

Subject to the provisions of section 7, there shall be charged and levied on the cost, insurance and freight value of every article originating from outside Sri Lanka and imported into Sri Lanka, a levy to be called the Ports and Airports Development Levy (hereinafter in this Part referred to as the “Levy”).”

The Act does allow exemptions for raw materials which are imported for processing and export, and also for projects which qualify for tax concessions, according to the BOI.  
  
The last budget had in it a proposal to increase PAL from 5% to 7.5%, while reducing the duty to 2.5% on certain electronics.

An Excise is a somewhat tough tax to explain, since to the average joe, it sounds exactly like any other indirect tax (e.g. VAT). Unlike VAT however, Excises are levied on a narrow range of goods on a per unit basis (VAT, on the other hand is levied on a proportional basis, making it an ad valorem tax).  
  
If, for instance, the Government levies an excise duty of Rs. X per 1,000 cigarettes, such a tax would be defined as a per unit tax. An ad valorem tax would be something like a property tax, or a sales tax, where the tax is calculated as a percentage of the purchase value.  
  
Sri Lanka charges Excise duties on a few items ranging from Tobacco to Motor Vehicles. The recent hike in vehicle prices was also the result of a change in the way Excise duties were levied.

Excise duties are a key revenue earner for the Government, and contributed to 34% of the Government’s total tax revenue in 2015.  
  
In other words, Excise duties are the single largest revenue earner for the Government. In a way, this makes chain smokers and heavy drinkers part of the economic engine that powers the country.

A breakdown of Sri Lanka’s Government revenue for the year 2015.

In closing, there is also this important fact that the authorities need to remember: higher taxes can be justified if a country’s citizens reap its benefits in the form of better healthcare, better roads, and better schools. Sri Lanka’s problem is that this is not happening. Accountability to the public, especially when it comes to Government expenditure, is nearly non-existent, forcing people to become disillusioned with the system.When taxpayers lose faith in the system, they will refuse to pay their fair share of taxes, which is bad for the Government’s coffers. The Government will then have to raise taxes at some point, which will force even more people to give the tax man the slip. This vicious cycle is what Sri Lanka should strive to avoid, since it will pretty much be the beginning of the end.

A country’s labour force is perhaps its most valuable resource. A large, productive workforce, when combined with other inputs, can increase an economy’s production capacity, thereby making it possible to produce more goods and services. These outputs, in turn, enable a country to participate in trade, bring in money, and ultimately drive an increase in living standards.

Women working on a farm in India. Image credit: India Spend

But, what if we told you that Sri Lanka is failing to properly utilise one half of its workforce?

Indeed, the data says so. According to the World Bank (which focuses on eradicating poverty, if you didn’t know already), Sri Lanka’s Female Labour Force Participation Rate (LFPR) lies at around 35%, which is a paltry figure when compared to other nations.

Now compare that to the Female LFPR of countries around the world.

First, let’s back up a few steps, and talk about what LFPR really means. The way the World Bank, and the International Labour Organisation see it, LFPR is the “proportion of the population ages 15 and older that is economically active: all people who supply labour for the production of goods and services during a specified period.” Obviously, it can be split along gender lines. It is also the standard statistic by which labour force participation is compared across countries.

Look at that second graphic again. Notice how all the ‘rich’ countries have relatively higher female LFPRs than their poorer counterparts?

Women working in a shell factory during World War 1. Image credit: The Imperial War Museum

Is this a coincidence? No. In fact, it is simple logic. Let us explain:

Imagine two farmers, each owning an acre of land. One guy cultivates every inch of his land, while the other leaves half of his land fallow, year after year. Which of these two farmers will grow rich?

The answer is obvious, really: the farmer who uses all of his land will be better off. And what’s going to happen to the other guy? Well, he’s going to remain poor, relatively speaking. Now, how does this relate to a country’s workforce, and women?

We’re going to allow Bill Gates to explain that to you, as he once did at Davos.

Bill Gates at the World Economic Forum in Davos (2016). Image credit: BBC

“Bill Gates recalls once being invited to speak in Saudi Arabia and finding himself facing a segregated audience. Four-fifths of the listeners were men, on the left. The remaining one-fifth were women, all covered in black cloaks and veils, on the right. A partition separated the two groups. Toward the end, in the question-and-answer session, a member of the audience noted that Saudi Arabia aimed to be one of the Top 10 countries in the world in technology by 2010 and asked if that was realistic. ‘Well, if you’re not fully utilizing half the talent in the country,’ Gates said, ‘you’re not going to get too close to the Top 10.’ The small group on the right erupted in wild cheering.”

-Source: The New York Times Magazine, The Women’s Crusade, August 17,2009.

Like it or not, Gates was right. And the point he made about fully utilising the available talent in a country is one which Sri Lanka needs to take to heart.

Tea pluckers in Sri Lanka. Image credit: danarif.com

The Central Bank of Sri Lanka has addressed this issue in its 2014 Annual Report (the latest available at the time of writing). Here are the reasons, as set out in the report.

“There are several key reasons why many females chose to leave the labour force or it is difficult for them to be employed. Being involved in household responsibilities, particularly child care, unavailability of safe accommodation and transportation facilities to and from work, difficulties in adhering to work time slots and inability to find employment after a break, can be identified as major reasons for low female labour force participation in Sri Lanka. Also, there is a social norm in the country that women are to take up household responsibilities, while men are engaged in earning. This traditional perception hinders the opportunities for women to attain economic freedom.”

Again, the Central Bank has the answers to this question, and is very much aware of the impact a declining Female LFPR can have on the country’s economic growth.

Here’s what it has to say:

“It is evident that a policy dialogue and policy actions need to be initiated and taken without further delay to attract more female labour to the labour force. Relaxing labour laws to facilitate part-time jobs, introducing flexible working hours, popularising work from home option and self employment, regularising child care facilities and re-skilling and re-training of women who are willing to join the workforce after a break are some possibilities to encourage more females entering the labour force. Encouraging firms to regionalise their activities, rather than being segregated in main cities, will also loosen the impediments for women to be employed through the provision of employment opportunities in their residential areas. Attracting more female labour is important, not only to sustain economic growth but also to ensure the inclusiveness in economic growth while empowering women, to overcome the challenge of ageing population, realising gains from national investment in girls’ education as well as to accommodate the labour demand by emerging industries.”

Obviously, the Government has the most visible role to play when it comes to pushing through labour reforms, and building a safe environment so that women can go out and about without having to be harassed, and discriminated against. However, as private citizens, it is also our responsibility to challenge the outdated social norms which prevent women from achieving their full potential.

And boys, it’s high time we put our weight behind the #GirlPower train. If not for moral reasons, at least do it for the sake of a better future for each and every one of us.

Featured image courtesy: Bloomberg via Getty

Sri Lanka has its fair share of quaint old buildings, both little and giant. From the Galle Fort, to the Cargills Building in Colombo, every one of these structures tends to be very much intertwined with the island’s history, its very presence now a throwback to a time gone by.

Among these treasures is the Grand Hotel in Nuwara Eliya. Originally built in the early 19th century as a holiday home for Sir Edward Barnes, the then Governor of Ceylon, this stately old building has managed to become almost synonymous with ‘Little England’.

Given its iconic status within the town, the Grand Hotel is a treasure trove of history, a supreme example of beautiful architecture, and a relic of a bygone era, all at the same time. We sought to explore some interesting facts about this mansion, which was originally intended to resemble a manor from the Elizabethan-era, beginning with:

The Grand Hotel came into being somewhere between 1824 and 1831. It was originally meant to be the private holiday home of Sir Edward Barnes, and was known as “Barnes Hall”. Sir Edward spent 8,000 pounds, probably a massive amount of money in those days, to build his new holiday home in the hills.

In 1891, the Nuwara Eliya Hotel Company acquired the property (which was still a single storied mansion back then), and continues to be its owner to this day. Undoubtedly a piece of Sri Lankan history, the hotel is now considered a ‘national heritage’ by the Department of Archaeology.

On Easter Sunday of 1954, Queen Elizabeth stopped by at the Grand Hotel to have a cuppa during her visit to the island.

However, the Queen is just one of many high profile guests who’ve set foot in the hotel over the years. Some of the other famous guests include Lord Mountbatten, Duc d’ Abruzzi (cousin of the Italian Sovereign), Leopold of Saxe-Coburg-Gotha (nephew of King Edward), the Grand Duke of Saxe-Weimar, Prince Reuss XXXII, the Maharaja of Kapurthala, and Sir Thomas Lipton.

Yes, that’s right. Sri Lanka’s oldest billiard tables call the Grand Hotel their home. But just because these tables are old, doesn’t mean that they’re in poor shape. It’s actually the other way round. The management and the staff deserve a lot of credit for lovingly taking care of these tables and other accessories.

In case you didn’t know, the Hamptons are a group of villages which form a seaside resort in New York. It is known to be the favourite summer retreat among the most affluent citizens of the Big Apple. In the 1920s and ‘30s, the Grand too played a somewhat similar role in Ceylon, as Sri Lanka was known back then.

From the 2014 Annual Report of the Hotel:

“In the 1920s and 1930s the Grand became the centre of the season’s social activities for visitors from Colombo. Golf (the course runs close to the Hotel) was the main sport although cricket, polo, hockey, croquet and lawn tennis were also played and there was hunting too. “Red deer, leopards and wild boar and birds of many varieties are plentiful” according to a 1929 guide book. Mr. S.A.W. “Sam” Mottau, who came to Nuwara Eliya in the 1920s and settled there in 1943, recalls annual race meets, police sports meets, gymkhanas, horse, dog and flower shows, clay pigeon shoots and above all, the Governor’s State Ball.”

Also, we couldn’t leave out this amusing anecdote:

“Many of the guests who attended the ball stayed at the Grand. Sam Mottau tells the story of one guest, a member of the Legislative Council with a limited knowledge of English who, when asked to reply to the toast “To the Guests” said: “Your Excellency, Ladies and Gentlemen, I have attended many balls, but I must say that I have always observed that Your Excellency’s Balls are the biggest.”

The next time you visit Nuwara Eliya, make an effort to check out the Grand Hotel, too. Not only is it a landmark too important to miss, but few things compare to the feeling of being transported back in time that the Grand Hotel incites.

Featured image courtesy mapio.net

Come April, earnings season is in full swing at the CSE. Most listed companies in Sri Lanka close their books on the 31st of March, and release their Annual Reports over the next few months.

April also brought good news to the ears of investors, since the Government managed to negotiate a $1.5 billion Extended Fund Facility (EFF) from the IMF. The funds will help the country tackle its fiscal issues.

Here’s a quick rundown of how the CSE fared in the month of April.

CSE Index Performance ‒ April 2016

CSE Index Performance ‒ April 2016

Trades by Investor Type

Trades by Investor Type

How GICS is broken down. Image credit: MSCI

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That’s all from us, for now. Do check back for next month’s edition!

The comments, opinions and analyses presented herein are for informational purposes only and should not be considered individual investment advice or recommendations to invest in any security or to adopt any investment strategy. Always seek independent advice.

Featured image courtesy realtimedatasolution.com

Last year we wrote about Colombo’s rapidly evolving skyline – this article caters to the new developments that have come up since then.

The traffic may be horrendous at times, and the heat unbearable, but no one can deny that Colombo and its outskirts are slowly but surely morphing into a bigger, more modern metropolis. Just ask Mark Mobius, the famed Emerging Markets investment guru, who had this to say:

“We were encouraged to see lively conversations and commerce taking place in Negombo — and even the congestion — which to us is a sign of growth and opportunity taking place in the country at large.”

–Dr. Mark Mobius in his blog, Investment Adventures in Emerging Markets (December 2015)

Good ol’ Mark has been investing in EMs for more than 40 years. As part of his job, he’s visited pretty much every city, in every emerging market. Those words are from someone who has seen it all. If that does not constitute what is basically a seal of approval, we don’t know what would.

So we know we can expect some pretty significant developments, bound to change Colombo’s skyline in the near future ‒ but what exactly will constitute these changes? Here are some newcomers that you could keep an eye out for:

One Galle Face. Image Credit: One Galle Face

When Shangri-La decided to invest in Sri Lanka, it drew much attention for both good and bad reasons. It was one of the first major investments to enter the country following the conclusion of the war in 2009, and was greeted with much fanfare. However, it also had its fair share of minor hiccups along the way.

Fast forward to 2016, and everything is running like clockwork. Construction is well underway, both for a luxury hotel, and another block which will house luxury apartments, premium office space, and a high-end shopping mall. The entire development is branded as an “Integrated Lifestyle Destination” and goes by the name “One Galle Face”. There’s not much information about when construction will end, but we can expect things to be up and running by the latter half of 2017 or mid 2018.

Mövenpick City Hotel, Colombo. Image courtesy hayleys.com

Visitors to the Gulf would definitely recognise the name, since Mövenpick is a giant in the region. Movenpick hotels are also famous for their legendary Swiss ice cream, so if you have a serious sweet tooth, you’re going to love this place. Located in the heart of Colpetty, the property is expected to open later this year. As is the norm in the luxury hospitality game, Mövenpick will serve as operator, while teaming up with a local partner ‒ in this case, the Softlogic Group, which will be the owner.

Colombo City Centre. Image credit: lankabusinessonline.com

CCC is a tie up between the Abans Group, and SilverNeedle Hospitality, a Singapore-based hotel operator. Located right opposite the Gangaramaya Temple, this project will have a shopping mall, a residential unit, and also a NEXT-branded hotel aimed at catering to business travellers. From what we know, the project is expected to be completed this year.

AVIC Astoria. Image credit: skyscrapercity.com

Astoria is a very high profile project and as such, has some big names in the global real estate game attached to it. Let’s start with the developer, the Aviation Industry Corporation of China (AVIC). AVIC is a giant Chinese state-owned conglomerate with interests in quite a few industries, ranging from Aviation to Real Estate. In terms of size, it is a Fortune 500 company, and occupies the 159th slot on the list. The project is marketed by Jones Lang LaSalle, perhaps the world’s best known real estate advisory firm. Going by these two factors alone, it is quite reasonable to assume that AVIC will set the bar for luxury urban living in Colombo. Located down Duplication Road, the project is expected to be completed next year.

Krrish Square. Image credit: Edouard Francois

Few local projects have attracted more controversy than Krrish, a set of four multipurpose skyscrapers. With allegations of corruption, and rumours of outstanding payments making occasional forays into newsprint, one would be forgiven for thinking that the project was doomed. However, since the parent firm has somehow managed to sort things out, the $650 million project is all set to tower over Echelon Square. Krrish is expected to take around five years to complete.

Sheraton Colombo. Image credit: wikimapia.org

Sheraton is the flagship brand of Starwood Hotels, one of the world’s largest hotel operators (now a part of the Marriott Group, it is now THE largest hotel operator in the world). Located in Colpetty, this 306-room hotel is nearing completion, and is expected to open in December this year.

The Destiny, Colombo. Image credit: thedestiny.lk

The Destiny is actually not one, but two projects. The development will house two towers: The Destiny Mall & Residency, and The Destiny 2. Both blocks are expected to house luxury apartments, and shopping malls. Located in Slave Island, the first block is expected to be completed in 2017, while the second will be completed in 2018.

Judging by the pace at which these high-rises are being built, one thing is for sure: five years from now, Colombo will start to come of age. It will go from being something slightly more than a large town, to being a true metropolis. Ultimately, the old city will be replaced with a newer, much shinier version; one that could redefine what it’s like to live on a little island, somewhere in the Indian Ocean.

Cover image: makemytrip.com

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Cover image: makemytrip.com

Transport is definitely something we take for granted, in that we don’t really stop to think about it as we go about our day to day lives; but the moment your car refuses to start, all hell breaks loose. All of us have had those bad days which start with a flat tire or a bus strike, and then snowball into a horrible day at work.  
  
Let’s face it. When you live in a place like Sri Lanka, having a vehicle can be a boon. While most people just thumb through the classifieds section of a local newspaper looking for a good car at a wonderful price, what they don’t realise is that a country’s vehicle market can actually hide a lot of interesting information. For one, it can reveal a lot about a society’s preferences, and, at a much broader level, information about a country’s development.

With that in mind, we recently decided to slice and dice Sri Lanka’s vehicle registration data. Here’s what we learned.

Source: Roar.lk / Department of Motor Vehicles, Sri Lanka

This is a no brainer, really. As a country’s per capita income rises, it is normal for its vehicle population to increase. In other words, as people become richer and their living standards improve, they will start spending the extra money on things like better vehicles. By the end of 2015, there were around 6.3 million vehicles in the country, compared to roughly 3.5 million vehicles in 2009. That’s an average annual growth of 9.3%.

Source: Roar.lk / Department of Motor Vehicles, Sri Lanka

First, pay attention to the parts of the chart marked in orange. You might recall how, in late 2011, the then government devalued the rupee by 3% against the US dollar. This pushed up the prices of vehicles, which is reflected in the subsequent decline in motor car registrations.

Now have a look at the the period starting from January 2014 (highlighted in green) where imports started picking up due to a few reasons. One, the already weak global economy entered pretty shaky territory. Two, Sri Lanka entered a (comparatively) very low interest rate environment, and three, vehicle tariffs were revised downwards, especially for hybrids and electrics. The boom in vehicle registrations continued up until September 2015, after which registrations started to come down.

The above chart only reflects the registrations of cars. For data regarding motorcycles and tuk tuks, see below.

Source: Roar.lk / Department of Motor Vehicles, Sri Lanka

Source: Roar.lk / Department of Motor Vehicles, Sri Lanka

Source: Roar.lk / Department of Motor Vehicles, Sri Lanka

Any true Sri Lankan knows that in this little country, ‘there ain’t no car like a Toyota’. Toyotas command a higher premium in the local car market (even when compared to other Japanese brands like Honda), presumably because locals tend to think of them as far, far superior in terms of reliability, fuel efficiency, and running costs. Yes, the wide availability of aftermarket parts for Toyotas (and Japanese cars in general) mean that one’s maintenance costs are going to be lower in the long run. But when it comes to reliability, things are not quite what they used to be.

Up until 2005 or so, Toyota was the king among Japanese car makers across pretty much all segments, and especially in the compact and mid-size sedan segments, closely followed by Honda, Mitsubishi, and a host of other Japanese manufacturers. But other automakers, especially Ford, Hyundai and Kia, have wisened up, meaning that nowadays, there really isn’t that much of a difference between Toyota and its closest rivals (that includes the Koreans, and Ford). Also, fuel efficiency is largely similar across major automakers, and has been that way for some time now.

For the short term at least, Toyota is set to maintain its position as perhaps Sri Lanka’s preferred car brand. Over the long run however, nobody can really tell for sure. As anybody following the car market knows, Kia and Hyundai, once obscure Korean upstarts, have seriously stepped up their game (really, who thought Kia would would be the one trying to make station wagons cool again, and that Hyundai will build what is basically a luxury yacht on wheels?), and even Toyota-loving Sri Lankans are warming up to them. Also, the relative unavailability of parts should correct itself as demand grows, as basic economic theory dictates. That, then, should be an interesting battle to watch.

Source: Roar.lk / Department of Motor Vehicles, Sri Lanka

When it comes to the Sri Lankan high-end car market, one brand has held the throne since the time motor cars first appeared in this country. And that is none other than Mercedes-Benz, that famed German auto maker who promises ‘The Best or Nothing’ to its customers. You can ask your grandad, or your dad, about their dream car, and nine times out of ten, there’ll be a Merc involved. If you, as a Sri Lankan, own a Mercedes, other Sri Lankans will know that you have, well and truly, arrived. It’s one of those weird quirks about this little country of ours.

Given the strength of its brand in this country, it is no surprise that Mercedes continues to dominate. BMW bags silver, while Land Rover has managed to come in third over the last two years.

Turns out we also love our Discoveries, Evoques, and Defenders.

There has been a pretty impressive pick up of electric cars in Sri Lanka recently. The Nissan Leaf is the market leader, but the day when the entire country will run on electric cars is pretty far away. In 2015 alone, 3,239 electric cars were registered. But, that is nothing compared to the number of petrol cars registered (58,801) or even the number of petrol/electric hybrids registered (40,884).

Source: Roar.lk / Department of Motor Vehicles, Sri Lanka

And, in case you were wondering, there is a grand total of eight Teslas in Sri Lanka, according to the data from the DMV.

So there you go. The next time someone you know starts cursing the traffic, you’re armed with enough information to steer the conversation to a higher ground, and impress them with your wit. Keep it up for long enough, and who knows, you might end up becoming the office / family oracle (at least where vehicles are concerned).

Cover image credit: Gazala Anver

Sri Lanka’s wood working industry occupies a special place within the country’s culture. From ancient pettagamas to cupboards with intricate designs, traditional Sri Lankan furniture reflects a unique, and relatively relaxed way of life favoured by the islanders. Chairs are made so that they lend themselves well to a quick afternoon nap, and tables are built so that lots of people can gather around to enjoy a hearty meal. Because after all, when you live in the tropics, you ought to give yourself time for some quality R&R. The heat is no laughing matter, you guys.

An antique Pettagama from the Dutch era. Image credit: Sri Lanka Customs Museum

Pretty much every good piece of furniture in this country can be traced to Moratuwa, a suburb of Colombo around 20 kilometres away from Fort. However, it is not Moratuwa that can actually claim to be the heart of Sri Lanka’s wood working industry. That credit belongs to Moratumulla, a borough of Moratuwa which is home to a large community of woodworkers who’ve been in the business for generations.

Note: Even though the community is now spread out around the entirety of Moratuwa, if you want the best, you should really go to Moratumulla. That’s what the Sri Lankan Aunty Community told us.

According to this study from the University of Sri Jayawardenepura, Moratuwa churns out almost 64,000 units (63,612 to be exact) of furniture per month, which is spread out between 41 different types of products. Of this, teak cabinets, teak cupboards, and teak chairs make up the most of the output.

The revenue from those 64,000 units translates into an estimated monthly revenue of around Rs. 54 million. In annual terms, that’s a revenue of around Rs. 648 million. However, that figure only amounts to 0.007% of Sri Lanka’s GDP. Yes, it really is that small, and no, that is not a typo. That said, it is also important to remember that the industry’s productivity is very low since local workers are still very much dependant on hand tools, and a few power tools here and there.

A Sri Lankan teak plantation.

The very same study which we’ve referenced above, contains another very interesting fact about the types of wood used by the craftsmen of Moratuwa. Apparently, 83% of the region’s output is manufactured using heavy wood species like teak, and the rest is manufactured using light wood species. Unsurprisingly, eak is the most popular, while satinwood (aka burutha), and nadun come up second and third.

There is nothing mysterious about the way furniture is made in Moratuwa. Countless shops line both sides of the road in Moratumulla, and you can take your time to look around. Once you find something you like, you can place an order. Normally, you’ll have to pay an advance of around 30% to 50% of the final price. Once that is done, the owner of the shop (who will normally have a few people working under him) will procure a suitable type of wood. He’ll first go look in his warehouse, but if he doesn’t find any, he’ll buy some from the open market. The type of wood used depends on the price, finish, and the preference of the customer.

Woodworker: A piece of wood gets turned into an exquisite masterpiece. Image courtesy gc-energo.com

The next steps in the process are pretty straightforward. The wood is marked, and cut into pieces, after which it is assembled together. Next, imperfections are dealt with, and the ‘finish’ is applied. Though it is only one word, the finishing process is often the most tedious, requiring multiple coats of paint, polish, or something similar. Once all that is done, the furniture is delivered to the customer.

The craftsmen of Moratuwa employ three methods to come up with designs for their products:

Anyone with a keen eye for design would recognise that Sri Lankan furniture designs have been influenced tremendously by the Dutch. In fact, the designs of most furniture we Sri Lankans use today, can be traced back to the Dutch era.

The designs used in Moratuwa nowadays though, tend to be a blend of traditional decorative elements from the Kandyan era, and structural designs from the Dutch era. An example of a traditional design element would be the floral patterns which so often adorn locally made furniture, while the low set design of chairs such as the one below belong to the Dutch era.

An antique chair from the Dutch era. Image credit Rasika Surasena/Serendib

Despite being famous as a place where you would go to buy quality furniture that would last a lifetime, Moratuwa is facing intense competition when it comes to low-end products. The threat comes from fibreboard furniture (locally referred to as ‘MDF board’) which is very cheap, and lightweight, but does not last long. However, fibreboard does tend to be popular among low-income households, and that has proven to be a problem for furniture vendors who rely on a low-price, high-volume strategy to keep the cash register chiming. Of course, this is not a problem for furniture vendors who put quality first, and thus, can afford to charge a higher price.

An antique wooden couch. Image credit: srilankaantiques.com

The next time you go shopping for furniture, make it a point to visit Moratuwa, if you can. You’ll really learn a lot from talking to the vendors, who are very knowledgeable, and will go out of their way to help you. Plus, if you do your due diligence properly, you can be sure that your new bed won’t fall apart after a year or two.

Cover image courtesy: lms.sjp.ac.lk

Driving on Sri Lankan roads can be a nightmare, especially during the morning rush hour, the after-school rush hour, and the evening rush hour. Also, yes, we have three rush hours, because this is Sri Lanka.

Speeding buses, annoying tuk tuks, and road-rage-inducing bikes aside, it is occasionally also possible to spot an outrageously good looking car on the streets. And usually, for that brief moment, all your annoyances are replaced by a feeling of awe. But how many good looking cars do we have in this country?

Enter Sri Lanka Car Spotters, a community of gear heads/Instagram aficionados dedicated to documenting all sorts of nice cars roaming the streets of Sri Lanka through… well… Instagram photos.

Though only a couple of years old, the account has managed to garner a dedicated, and passionate bunch of followers. At the time this story was published, the page boasted 15.6k followers, which is pretty impressive.

Here are some of the cars featured on the page.

Image Credit: uncrate.com

The Defender may be out of production now, but it is one tough vehicle that is also just plain cool. We’re not quite sure whether this 6×6 is the Kahn Auto Flying Huntsman, or a separate, custom build, given the distance and the angle the photo has been taken from. However, we can totally imagine Mr. Hinx driving one of these.

Defender 6×6 Spotted by @jayathu94 Owned by Indika Sanjaya

A post shared by Sri Lanka Car Spotters (@srilankacarspotters) on Mar 26, 2016 at 11:08pm PDT

Image credit: autoblog.com

If the future was a car, it would be an i8. Also, if Bruce Wayne existed in the present, this would be his daily driver. The i8 represents BMW’s vision for the future (which also happens to be a smart, multi billion dollar gamble), and is probably the most futuristic-looking car on the road today. The best thing about the i8 is the fact that it takes technology belonging in cars like the LaFerrari, or the McLaren P1, and puts it in the hands of consumers at about one tenth of the price. Plus, it looks way crazier than any of those cars, in a good way. Arrive at an event in one of these, and the car is going to steal the show, period.

BMW i8 Spotted by @Navod\_Naveendra

A post shared by Sri Lanka Car Spotters (@srilankacarspotters) on Mar 26, 2016 at 11:02pm PDT

Image credit: robbreport.com

The GT S, and it’s milder younger brother, the GT, were conceived to steal buyers from Porsche’s legendary 911. The typical customer for this type of car is a retired baby boomer, with enough money ‒ and time ‒ on his hands to have fun. A significant segment of these buyers are speed fiends, who can be spotted having fun at the local race track. Thus, in order to steal those customers from Porsche, Mercedes had to create a vehicle that could not only rival the 911’s performance, but also its all-round amazing driving experience. What they actually ended up creating was a sexy, elegant, and indecently fast beast of a car. If you’ve driven one of these cars, you’ll know that they were designed to take the fight to Porsche, which they do.  
  
Pro tip: If you someday end up owning nice cars like these, don’t ever, ever, try to show off on a regular old Lankan road. You’ll only be putting everyone’s lives in danger, including yours. Instead, take the car down to a race track, where you’ll be able to have the time of your life, away from all those other pesky drivers. And it won’t cost you much either. \*wink wink\*

AMG GT Spotted by @KAI\_LASH93

A post shared by Sri Lanka Car Spotters (@srilankacarspotters) on Jan 19, 2016 at 9:45pm PST

Image credit: maserati.com

It’s not everyday that you get to see an exotic, hand finished, Italian sportscar with timeless styling that demands to be seen. Introduced in 2007, this particular iteration of the GranTurismo has ended production, but a newer, better version is due to be unveiled in 2018. The new version will share the architecture of Maserati’s two prize horses, the Ghibli, and the Quattroporte.

Maserati Spotted by Darshana Ranasinghe

A post shared by Sri Lanka Car Spotters (@srilankacarspotters) on Jan 12, 2016 at 8:12am PST

Image credit: boldride.com

Rolls Royce is synonymous with luxury, and the brand itself is an icon in its own right. After all, you don’t get to make the ‘best cars in the world’ by being average. The Ghost is a smaller, and more measured alternative to RR’s flagship Phantom. Riding around in one of these is like staying at the Ritz-Carlton in New York; you’ll feel very, very special.

Rolls Royce ghost owned by @sachith\_de\_silva

A post shared by Sri Lanka Car Spotters (@srilankacarspotters) on Jan 10, 2016 at 6:57pm PST

Image credit: netcarshow.com

A perennial favourite of rappers and reality TV stars, the Escalade is much more than a car. It is, in fact, very much a part of popular culture. The ‘lade is one really big, powerful machine Straight Outta Detroit. Say what you may about General Motors, they somehow showed the world what a really, really big SUV should look like. Having said all that, it is quite surprising to see an Escalade in a country like Sri Lanka, with its narrow by-lanes. The sheer size of the vehicle is why it remains popular in the US, where gas is cheap, while the roads are straight and wide.

2016 Cadillac Escalade spotted by @deyon\_hettiarachchi

A post shared by Sri Lanka Car Spotters (@srilankacarspotters) on Nov 15, 2015 at 12:55am PST

Image credit: starmoz.com

The Boxster is the cheapest Porsche you could get your hands on. However, don’t let that fool you. The Boxster has always been the best in its class, and it is widely considered to be far ahead of any accepted rivals. If you’re in the market for one (assuming you’re rich enough to own one), you shouldn’t even bother looking at the other options, because this car is just one brilliant all rounder. It’s comfortable, handles well, has enough room, and is just… brilliant.

Boxster Owned by @jayjaysl spotted by @geethliyanage

A post shared by Sri Lanka Car Spotters (@srilankacarspotters) on Jul 23, 2015 at 12:04am PDT

Image credit: auto.ferrari.com

Introduced in the mid-90s, the F355 is considered by to be the last ‘pretty’ Ferrari to come out of the stables at Maranello. It is also one of the best, and most desirable cars in the world. That shouldn’t be a surprise, since this car was designed by Pininfarina, the legendary automotive design house. Driving an F355 is like biting into a soft, delicious, Italian pizza baked in a traditional wood-fired oven ‒ every inch of it is just perfect, and satisfying. Given the brand value of the Prancing Horse, this might perhaps be the most valuable 20 year old car in the entire country.

1997 Ferrari F355 Spider Spotted by @ferrarinameek

A post shared by Sri Lanka Car Spotters (@srilankacarspotters) on Jun 27, 2015 at 1:07am PDT

And finally, do head over to the Sri Lanka Car Spotters Instagram page, where you’ll be able to check out all these cars, and more!

Sri Lankan companies have it tough in March. It is the month during which the financial year normally ends, and the result is a constant merry-go-round of audits, budgets, and variance analyses.

And since it is earnings season, March also keeps investors on their toes much more than usual. Transaction volumes tend to pick up as investors pore over annual reports trying to find the next gem, while others may eagerly await their dividend payments. All in all, it is a pretty interesting time to be invested in the stock market.

Let’s have a look at how the Colombo Stock Exchange fared in March. Read on!

CSE Index Performance, March 2016

CSE Index Performance, March 2016

So there you go. We’ve already sped past the first quarter of 2016. Time flies, doesn’t it?

Also, do watch out for next month’s edition, where we’ll talk about the CSE adopting the Global Industry Classification Standard or GICS, among other things.

Till next time!

The comments, opinions and analyses presented herein are for informational purposes only and should not be considered individual investment advice or recommendations to invest in any security or to adopt any investment strategy. Always seek independent advice.

Cover image courtesy: forbes.com

Sri Lanka Railways (SLR) is perhaps our country’s most illustrious government institution. What began as an idea hatched by the British to transport tea and coffee, has now evolved into one of the cheapest, and (once you factor in the traffic jams) fastest forms of transport available to all Sri Lankans.

The Annual Performance Report of SLR for the year 2014 was presented in Parliament recently (no, that was not a typo and yes, the report is technically almost two years late). We dug into it, and managed to unearth some interesting facts and figures which we hope would make for an interesting read.

First, let’s skim through the facts before diving into a slightly deeper analysis.

According to the Central Bank, SLR’s revenue has increased by an average of around 10% every year, for the last five years. However, there has also been an increase in operating expenditure which is quite significant. In 2014 alone, SLR’s operating expenses increased by around Rs. 6 billion compared to 2013. A little bit of cross referencing with the data released by the Railway Authority reveals that this entire amount is attributed to an increase in wage costs1. Unsurprisingly, losses have ballooned as a result.

The performance report lays out details about the rolling stock owned by SLR. In the railway industry, the term rolling stock usually refers to all the locomotives, wagons, coaches, and railroad cars belonging to an operator.

Judging by the numbers, our railway system doesn’t seem to have as many engines and DMUs (DMU stands for “Diesel Multiple Unit”, also known as ‘power sets’ among locals) as it needs. On the other hand, it seems to have adequate numbers of carriages and wagons.

As a result of all the carriages and DMUs which were purchased over the last few years, SLR’s capital expenditure has been on the rise. At the same time, recurrent expenditure has also increased. The rather significant increase in 2014 is the result of the increase in wage costs which we talked about earlier.

There were 503 engine breakdowns in 2014, which is an improvement compared to the previous year, during which 530 engine failures were reported. Engine failure rates have come down over the last five years, which is likely to be the result of the then Government’s efforts to modernise the fleet.

As a general rule, newer trains don’t breakdown as much as older trains do, and SLR does have engines which are around 30+, or sometimes 40+ years old. The major drawback of keeping ageing engines running is that maintenance costs will increase with time. This is because in most cases, the manufacturers themselves would end support for older engines, which forces operators to try and build spare parts by themselves whenever they’re needed. Needless to say, that route can end up being a very expensive one to take.

There’s been an increase in the number of passengers using the train network. The increased traffic likely has something to do with the opening of the Northern line, and also a few other line extensions carried out around the country, which means more people now have access to the train network.

Consequently, the number of passenger trains being operated has also increased. In 2014 alone, slightly more than 117,000 passenger trains were operated, roughly a 2000+ increase compared to 2013.

Trains are a very cost effective method of transporting goods over a very long distance. Though SLR only nets around Rs. 500 million in revenue by providing freight transportation services, it does transport a significant quantity of goods. Agricultural products, petroleum products, and cement are the three major types of goods transported by train in Sri Lanka. In 2014 alone, SLR transported a combined 1.6 million tons of goods belonging to these three categories. But that’s actually a drop of around 400,000 tons compared to 2013.

By now, you’ve probably come to realise that SLR’s biggest source of income is its passenger transport operation. Passenger transport trains are usually broken down into four types: Suburban trains, Local trains, Distant & Intercity trains, and (uniquely for Sri Lanka) Rail Buses.

Punctuality is of utmost importance to Suburban trains, since millions of people rely on them to get to work every day. In 2014, the on-time record of Suburban trains stood at 37%. In other words, for every ten trains, roughly four ran on time, while the others were delayed. Out of all the Suburban trains which were delayed, 17% were delayed by around six to ten minutes, while 35% were delayed by around eleven to thirty minutes.

In the case of Suburban trains, the on-time record has actually worsened from 43% in 2013 to 37% in 2014. However, in the case of Distant and Intercity trains, the on-time record improved by 2% to reach 15% in 2014.

Sure, the SLR has many critics. It doesn’t exactly have a very enviable Quality of Service (QoS) and its finances are a mess. The taxpayers regularly end up having to bail out the service, which adversely affects the country’s finances.

But all’s not lost.

An improvement in the QoS can only be achieved by investing in SLR. These investments will need to address pretty much everything, from internal processes and rolling stock, to customer care. But all those investments will cost money.

There are quite a few ways for SLR to obtain the money it needs. It could ask for money from the treasury, it could borrow or apply for a grant from some institution such as the ADB, or it could raise its prices to a much more realistic level. That last method is by far the most sustainable, and the Central Bank has exhorted SLR to charge realistic prices for quite some time now. But that is not a very politically popular move, and SLR itself makes note of this fact in the report.

There is another neat way of raking in some cash. SLR owns vast tracts of land in prime locations all around the country. Transferring these lands into a separate firm, and thereafter leasing those lands for commercial development can be a very lucrative opportunity. In other countries, such deals are structured into REITs (Real Estate Investment Trusts), but since we still don’t have the legislation required for REITs, a company structure would do for now. (The CSE is in the process of drawing up legislation for REITs; also, the Government can obviously push new legislation to help SLR).

As you can see, freeing up some cash will allow for a much more rapid revamp of the entire system. But will this become a reality anytime soon?

Maybe. Maybe not. We’re not quite sure ourselves, but here’s hoping for the best.

If you’d like to know a little more about the SLR, and are in the mood for something lighter than what you just read, check out our article on some of the quaint traditions of the Railways that are still pretty much continuing today.

1 For some reason, it looks like SLR doesn’t count Maintenance costs as a recurrent expense. This may or may not be a genuine error. Even we’re confused, kind of.

Sri Lanka has a debt problem. Period.

Don’t panic, it’s a far cry from the Latin American debt crisis. Yet, left untreated, Sri Lanka’s debt overhang can and will sink the economy. Excessive debt will also impinge on economic growth, bringing down everyone’s living standards. And make no mistake, the clock is definitely ticking.

With that in mind, this month’s op-ed aims to look at what’s behind Sri Lanka’s inability to manage its debt burden.

Protests during the LatAm debt crisis. Image Credit: Sergio Dorantes/Corbis

The root of the problem lies with the fiscal policies pursued by successive governments of the country. For the uninitiated, a country’s macroeconomic stability rests on the soundness of its fiscal and monetary policies. A country’s Central Bank is supposed to take care of the monetary policy, while the Government is supposed to handle fiscal policy. Much like a set of cogwheels, both policies need to mesh very well in order for the economy to grow.

But before we go any further, it pays to understand how, and why, a government’s fiscal policy forces it to borrow money. Here’s an easy way to understand the logic behind government borrowings:

Every year, the government presents a budget, which is simply the spending plan of the government for the coming year. The budget in turn, is financed by tax revenue. But tax revenue alone is usually inadequate to cover the entire budget, creating a mismatch between revenue and expenditure (i.e. expenditure > income). This mismatch is termed as a ‘budget deficit’, and in order to finance it, the government resorts to borrowing money.

In a very simplistic way, the rationale behind financing government spending with debt, is similar to you taking out a mortgage to buy a new house.

According to the IMF, Sri Lanka has recorded an average budget deficit of 7.2% of GDP between 1950 and 2013. During that whole period, budget surpluses were only recorded in two years,1954 and 1955. In simple terms, in almost every year since 1950, the country has had to borrow a lot of money in order to pay for its expenses. Do note that a deficit by itself is not a bad thing. Deficits caused by reckless spending, for instance, are bad, while deficits caused due to capital spending are generally regarded as good ‒ as long as the investments generate positive returns, obviously.

Here’s a chart of Sri Lanka’s government debt, as a percentage of GDP (from the same IMF report):

Image credit: IMF & MFP-SL

For the purpose of this article, ignore the different phases marked in the graph. But do focus on the rapid rise in government debt since 1950.

Government debt is necessitated by fiscal deficits. And since Sri Lanka has persistently high fiscal deficits, what are the reasons for it?

There are two broad reasons behind this problem, each relating to either the revenue or expenditure side of things.

Perhaps the single largest factor which necessitates Sri Lanka to borrow is its low Tax-to-GDP ratio. As supra-national bodies like the IMF, and many other independent analysts have frequently said, the country’s tax revenue is much too inadequate to meet its expenses. Therefore, the Government ends up having to borrow far more than it would’ve borrowed, had tax revenue been at a more reasonable level.

Government Deficit and Revenues as a % of GDP. Source: IMF/ MFP-SL

Successive governments have been guilty of this. Also, there are a lot of things that can be said regarding the country’s inability to spend prudently. For one, Sri Lankan policy makers have a tendency to view the budget as a ‘pot of cash’ and often provide handouts left, right, and centre to certain sections of the public, at the expense of all the other taxpayers. Going by recent experience, these usually take the form of excessively generous subsidies or across the board salary hikes, all done with a view towards the next election. However, this is not to say that subsidies and pay hikes are bad. Certain sectors like teaching and healthcare do deserve their pay hikes, given how overworked their employees are, and their importance to the overall economy.

Image Credit: M.Munaf-The Sunday Times

Another example would be the continued reluctance to tackle waste, mismanagement, and inefficiency at loss-making State Owned Enterprises (SOEs), particularly at utilities like the CEB and the CPC. Instead of tackling these problems head on, the Government bails out the SOEs every once in awhile, again at the expense of the taxpayer. Of course, bringing about change in such institutions is never going to be easy when considering their culture, and the influence of unions who, by nature, tend to be very resistant to change. But the most glaring issue is the lack of professional managers who can take an axe to the lethargic culture of these institutions, and drive change, thereby guiding them towards profitability. One thing worth noting is that SOEs may report improved performance in 2015/16, since they would’ve received the benefit of falling global commodity prices. The opposite happens when prices start rising. (SOEs can be transformed into world class players, when done right, privatisation is just one more option. Find out more by clicking here, here, and here)

The Greater Good, by Kashif Mateen Ansari

When confronted with the issue of reducing the deficit, policymakers have always opted for blindly raising taxes or imposing new ones, which, in a way, are rather convenient ways of ‘kicking the can down the road’. More often than not, these ideas for new taxes turn out to be very bad. One such bad idea was the imposition of an export tax on cinnamon (Unless you have market power, export taxes are generally a bad idea). The recent one-off, retroactive tax on “Supernormal profits” is also another case in point (it violates the principles of taxation, and is a one-time income stream used to finance a recurrent cash outlay, like the public sector salary hikes). Even on that rare occasion when someone gets a tax right, significant leakages occur due to various reasons like weak tax administration, and the practice of handing out tax holidays without restraint.

Sri Lankan policy makers trying to fix the economy be like:

Simply put, it is the inability to institute tax reforms, rationalise government spending, and the reliance on short term, stop gap measures which are at the heart of the problem. In other words, there is an urgent need to tackle the underlying fundamental issues affecting the economy.

Agencies like the IMF have been warning Sri Lankan policy makers for ages about the need to tackle the hard problems. From the improper targeting of fuel subsidies to the undesirability of reducing capital and infrastructure spending in order to meet budgetary targets, the agency has continuously sounded the alarm (and made suggestions to solve those issues without causing much pain to the economy). Add to this the multitude of independent analysts and think tanks who’ve pretty much said the same thing, and one can only wonder why their advice hasn’t been sought and implemented.

But all that is in the past, and now we’ve got a problem that needs to be urgently dealt with, and it does not make sense to hypothesise about what the country would have looked like today if this or that had been done.

Instead, it is time for everyone to learn their lessons, put their brains together, and come up with a blueprint to achieve meaningful fiscal consolidation. But, it will definitely require a bipartisan approach from the individuals occupying the state’s legislature. Indeed, this is not the time for political grandstanding.

One need not wonder whether this spells doom and gloom for Sri Lanka. The little island nation has shown an astonishing ability to overcome adversity. The country has a clean debt service record. Also, its economy somehow grew by an average of 4% per year during the 90s, despite a war that raged heavily. That in itself is a very impressive achievement. The country does have the capacity to get back on the right track. But just like how talent is nothing without hard work, opportunity and ability will be nothing without action.

All this and more point to the fact that despite whatever challenges may come, Sri Lanka is going to be just fine in the long run. Sure, in the short run, a well thought out fiscal consolidation strategy is going to be painful for everyone (and not to mention, politically challenging). But it is much needed medicine for an ailing economy.

Cover image courtesy: siasat.pk

At first sight, the Sri Lankan Railway System is anything but interesting: crowded commuter trains, frequent strikes, and largely out-of-date infrastructure makes it look like a joke compared to the sleek, on time service of the Shinkasen in Japan.

Yet, going by Da Vinci’s maxim “Learn to see”, we found history hiding in plain sight, preserved in our ageing railway system.

Indians are famous for frugal innovation, a concept known as “Jugaad.” But we might have just beaten them at their own game by keeping this system alive. For a railway network to operate safely, it needs a signalling system. Outside of the Western province and other commuter routes, Sri Lanka Railways largely uses a system known as the semaphore system.

Semaphores, most likely at the Kandy Railway Station / Phil Cotteril for RailPictures.net

When the arm is up, you stop / Wikipedia

A semaphore is basically a metal arm with two coloured lenses attached to one end. At its most basic level, the semaphore system is used to indicate two signals: ‘Stop’ and ‘Clear’.

Each semaphore has two lenses. Of these two lenses, one is red while curiously enough, the other is blue. This is because when the semaphore was first used, an oil lamp or a gas lamp was placed behind the lens so that the signal will be visible at night. Oil lamps emitted a yellow light, which through a blue lens, can be seen as green. It’s basic colour theory in play.

Eventually, oil lamps were replaced by incandescent bulbs when electricity became freely available.

The semaphore system was introduced to Sri Lanka during British Rule and we’re one of the few countries which still use the system on main lines (e.g. the up country line). Most other former British colonies have moved on to using electric signaling systems.

One of the more interesting, and memorable, parts of the Railways is the tablet system. It’s an ingenious system devised to avoid accidents on single line tracks, meaning routes where only one train can safely occupy the track at any given time. It basically ensures right of way for a train and was developed by an engineer called Edward Tyer in 1874.

How it works is that before a train enters a single line section, the driver is required to obtain a tablet from the railway station which acts as the entry point to the line. The driver must then drop off the tablet at the railway station at the other end of the line. Until the tablet is dropped off (at the other end), no other train will be allowed to use the line, simply because no more tablets will be issued. In short, drivers can’t enter a line governed by the tablet system, unless they possess a tablet in their hands. This always ensures that at any given time, only one train occupies a line.

The tablet system can be quite complex and requires some teamwork from the two stations at both ends of the line. We don’t want to confuse you, but if you want to know more, Wikipedia (surprisingly) has a very good breakdown of how the system operates.

In spite of its complexity, we actually rely quite a lot on this system. New Zealand still uses this system in certain parts of the country. Clearly, we’ve done Edward Tyer proud by showing everyone that old does not necessarily mean bad.

Like railway services all over the world, you must buy a ticket if you want to hitch a ride on a train in Sri Lanka. And that ticket looks like this:

Boring, yet interesting / Image courtesy NewsFirst.lk

That ticket doesn’t look like it’s going to win any awards for its design, but what most people don’t know, is that it looks that way because it is part of something known as the Edmonson Ticketing system. The system is named so after its creator, Thomas Edmonson, who used to work as a clerk at a station in Great Britain.

He quickly became tired of using the manual system which was in use at the time, and devised a system that would be more efficient and less time consuming. He was the one who came up with the idea to put serial numbers on tickets, store them in tubes within a cabinet, and also to fix the size of a ticket at 2 X 1 inches to save cardboard. In fact, the Edmonson System is famous for its ticket designs which give preference to function over form.

Notice the similarity? Photo courtesy EdinPhoto.org.uk

It turns out that Edmonson tickets also have a considerable community of collectors who lust after them. We even found a few eBay listings selling questionable “vintage” Sri Lankan train tickets.

We also found this detailed article on Edmonson’s life and his ticketing system, do have a look if you’ve got 5 minutes to spare.

Travelling Post Offices or TPOs are train carriages in which mail is sorted on the way to a destination. Conceptualised by the Royal Mail, we naturally inherited it since we were a British colony and the Brits standardised things to increase administrative efficiency.

An Edmonson ticketing cabinet, circa 1930. Image courtesy railwaymuseaum.lv

What happens in a TPO is that mail is loaded on board at the beginning of the journey, and it is sorted along the way. The mail is then dropped off at each stop until the train reaches its destination.

Sri Lanka Railways operates a train famously (and rather obviously) known as the “night mail” which plies between Colombo and Badulla. It is also perhaps Sri Lanka’s most famous mail train. If you are a traveller, however, try to avoid the night mail like the plague. Word on the street is that it’s quite a dangerous train to be travelling in. Though we don’t know how accurate the rumours are, one thing we know for sure is that every Sri Lankan uncle has at least one story about the night mail!

Four pieces of history hiding in plain sight: and funnily enough, it is Sri Lanka Railways’ poor finances which helped preserve these bits of history. Makes you wonder, doesn’t it?

Cover image credit: lanka-holidays.com

Another month recently whizzed past us, and it’s time again for our monthly update on the stock market.

February of 2016 was a comparatively sleepy month for the CSE. The biggest jolt came in the form of Fitch Ratings downgrading Sri Lanka’s rating by a notch, but even that news broke only on the last day of the month, after the local markets had closed. Thus, it won’t make much sense to include it in this update. But we’ll definitely talk about it in our next one.

With the fine print dealt with, let’s now have a look at what went on in the stock market during a month which has come to be known mostly for its 14th day.

A group of men closely watching the stock market in Mumbai, India. Image Credit: BBC

Even the average daily turnover amounted to around Rs. 670 million during the month. That’s a dip of around 10% compared to January, which saw a daily average turnover of around Rs. 748 million. Around the same time last year (February 2015), the CSE saw an average daily turnover of around Rs. 1.4 billion.

CSE Purchases and Sales, February 2016

We did mention last month that Foreign Institutional Investors (FIIs) had been net sellers of Sri Lankan equities. This trend reversed itself in February, simply because lower prices signify better deals for serious investors, a group to which FIIs definitely belong to. FIIs seem to be thinking along similar lines as Local Institutional Investors, who have been busy buying up shares.

Now look at the last row in that table.

On a net basis, local individuals sold shares worth around 2.7 billion rupees. That is roughly a 5 fold increase compared to January, in which the net sales figure stood at Rs. 528 million.

This behaviour was likely driven by the local political situation. There are two reasons for saying so. One, remember that Sri Lankan politics in February revolved around the ETCA and the IMF loan. Two, as a general rule, emotions play a relatively far larger part in determining the decisions of individual investors compared to institutional investors. Put two and two together and… Bingo!

And with that, it is time for us to close the chapter on another month, which basically whizzed past us like a bouncer from Malinga.

Salut!

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Cover image courtesy: detroitblackmba.org

Unless you’ve been living under a rock lately, you must’ve heard about Fitch downgrading Sri Lanka’s credit rating. Much has been said about the move, and many op-eds will be published in the weekend newspapers, but what does it actually mean for our economy?

First up, you need to know what the purpose of a credit rating is, and who’s behind it. There are three credit rating agencies which rule the financial markets today. Known as the Big Three, the group is made up of Fitch, Moody’s and Standard & Poor’s. They exist to provide bond investors with some sort of a yardstick, with which to measure and compare the ‘creditworthiness’ of a country or a company.

And those letters which go something like BB+ and AA-? That’s the yardstick we were talking about, and it’s called a credit rating.

How different agencies rate issues and what they signify. Image Credit: The Wall Street Journal

Now what happened was that, one of these agencies, Fitch, decided to downgrade Sri Lanka’s credit rating to B+, from BB-, with a negative outlook. Fitch issued a statement detailing its reasons, which is standard practice in the industry.

Let’s now move on to a quick, short discussion of the statement issued by Fitch. We’re not going to go into a word by word breakdown, but rather a general, ‘broadly speaking’ kind of thing, so that everyone can understand what’s going on. If you fancy reading the entire statement released by Fitch, you can do so by clicking here.

In other words, Fitch recognises that when the time comes to refinance our existing debt (which is this year), it might not be all smooth sailing. In general terms, refinancing refers to the act of replacing an existing debt obligation with another under different terms. Really, it’s no different than refinancing the mortgage on your house.  
  
In the rest of the original statement, the agency goes on to talk about the pressure on our foreign reserves, and the probable need for support from the IMF and/or other similar institutions.

This part deals with the country’s debt service commitments. In an earlier article published here on Roar, we talked about how Sri Lanka has to pay up around USD 4 billion to its creditors, while we only have around USD 6.3 billion in foreign exchange reserves. This is largely what Fitch is talking about too.  
  
You see, a loan comes with two parts: the principal and the interest. Governments normally borrow by issuing bonds, which are typically structured so that an interest payment is made periodically, while the principal is paid off in full at a later date, known as the maturity date. So what has happened is that the time has now come for us to pay back the principal, on some money which we borrowed a few years ago. We technically have the money to meet these obligations, but Fitch believes that such a significant payment could put our piggy bank in a very risky position.  
  
Fitch also highlights the fact that we’re very susceptible to a change in how investors perceive us. If they (investors) think of Sri Lankan bonds as attractive despite the confusion surrounding the global economy right now, then we will be okay, but a movement in the opposite direction could obviously hurt us.

This has been a persistent issue with Sri Lanka for many years now, and much has been said about the need to exercise fiscal discipline AND also to increase government revenue. Fitch has thrown in some figures for comparison, but in short, we’re very bad at managing our money.

This is pretty straightforward. In the agency’s own words “Fitch has revised downwards its forecast for foreign-exchange reserves, with reserve coverage of current external payments now forecast to decline to 2.9 months in 2016 from an estimated 3.4 months in 2015. This forecast compares unfavourably with Fitch’s earlier forecast of 3.9 months for 2016 and is well below the ‘BB’ median of 4.2 months. While the authorities have undertaken certain measures to support external finances, including entering into bilateral swaps with other central banks, Fitch does not view this to be a sustainable way to improve the stability of the external finances.”

Fitch believes that around 46% of the country’s debt is now denominated in foreign currencies. If the rupee weakens significantly, these debts will become more ‘expensive’ in rupee terms.

These are the positive factors which sort of prevented the agency from downgrading us further. Again, it’s in plain English, so according to Fitch, “Sri Lanka’s macroeconomic performance remains stronger than some of its peers’ in the ‘B’ and ‘BB’ range with real GDP growth for the five-year period ending 2015 averaging close to 6%, compared with the ‘B’ median of 4.6% and ‘BB’ median of 3.9%. Sri Lanka also continues to score highly, compared with the ‘B’ median, on basic human development indicators, such as education, health and literacy, which is indicated by its favourable ranking in the UN’s Human Development Index. These relative structural strengths, combined with a clean external debt service record and smooth transition of power during the presidential and parliamentary elections in 2015 indicates a basic level of political stability, which supports the rating at ‘B+’.”

Last month the Central Bank did admit Sri Lanka had acquired a lot of debt in the past decade, and showed concern over the possibility of a rating downgrade. Image Credit: www.ft.lk

If you’re an average person who wakes up in the morning, goes to work, comes back home and has a nice, warm meal before hitting the hay, there’s nothing much you can do about this, so you shouldn’t really be too worried. On the other hand, policymakers will need to take this a little bit more seriously since an increase in the perceived ‘risk’ of Sri Lanka (in the eyes of global investors) will make it more expensive for us to borrow money.

Of course, that second part comes with a silver lining. Ideally, increased borrowing costs

would force the powers that be to take a good, hard look at how they deploy borrowed funds, and to sensibly prioritise government expenditure. (To their credit, the Central Bank did acknowledge the possibility of a rating downgrade)

There’s also something else that you need to know about credit ratings. These ratings are largely relative, and are based on judgements made using methodologies which are in certain ways, unique to each rating agency. With regard to Sri Lanka’s credit rating, Moody’s issued a statement recently (though it maintained its rating at B1) and S&P has held Sri Lanka’s credit rating at B+ for some time now. Credit ratings are not the be-all and end-all, but just one of the many tools used by investors when evaluating the attractiveness of a bond. At the end of the day, it is the big picture that matters to them.

Image Credit: reddit.com

Cover image credit: www.nineoclock.ro

If someone were to compile a list of often used economic terms, ‘GDP’ will definitely come out on top. It’s also the only real celebrity among economic indicators. From politicians to news anchors, pretty much everyone fawns over it. But what’s the noise all about?

To begin with, GDP stands for Gross Domestic Product. It is defined as a measure of economic activity which captures the value of goods and services produced by a country during a given period. Simply put, it is the yardstick by which an economy is normally measured.

While GDP to most people might just be a number, there’s quite a lot of work which goes into it. Just so you know, the calculation of GDP itself is based on a framework called the System of National Accounts or SNA, to which the entire world has agreed to.

According to the most recent data available for a full year, Sri Lanka’s GDP currently stands at USD 75 billion1. This is what it looks like in comparison to other regional, lower middle income economies.

Peer GDP Chart

Something worth noticing in that chart is how close Myanmar is to catching up with us. Unless you haven’t heard already, Myanmar is a country whose economy is just starting to open up. Also notice how Vietnam has soared way past us, mainly because they’ve had the foresight to adopt sound economic policies which have made the country extremely favourable for business.

Sri Lanka Historical and Forecast GDP

Now that we know where we stand in terms of the size of our economy, let’s have a look how our GDP has grown since the beginning of the century. The bars shaded in gray depict our historical GDP figures. Growth has been mostly okay(ish), except for the occasional dip.

Next, focus your attention to the columns shaded in blue. Those columns represent forecasts made by the IMF on the Sri Lankan economy. The IMF staff expect our economy to grow at around 6.5% per year over the next 4 to 5 years. They also expect our GDP to reach USD 122 billion by the end of that period. The World Bank too, expects our economy to grow by around 6% per annum over the next few years.

As you might well be thinking right now, the numbers sure do look good. But does this mean that we are all set for the future? Not really. Remember that these are all forecasts which were made based on present economic conditions. In reality, there’s quite a lot of work that needs to be done if we are to achieve the sort of growth depicted above.

Is that all there is to the GDP? Absolutely not.

Now, let’s take a look at how each sector of the economy contributes to the economic pie. Just to be clear, we are not going to talk about Year-on-Year growth. Instead, we’ll be talking about the contribution made by each sector of the economy towards the country’s overall GDP.

Normally, the Central Bank of Sri Lanka breaks down the country’s total GDP into three parts, each representing a different sector of the economy. And the three sectors are \*drum roll\* : Agriculture, Industry and Services2.

It doesn’t end there. Each of those three sectors can be broken down into smaller sub-sectors. For instance, the Agricultural sector can be broken down into Agriculture, Livestock and Forestry, and Fishing. Similarly, the Industrial sector can be broken down into Mining and Quarrying, Manufacturing, Electricity, Gas and Water, and Construction. The Service sector can also be broken down along similar lines.

Share of GDP by Sector

Look at the chart above and right off the bat, you’ll notice that the Service sector is by far the largest contributor to the GDP, followed by the Industrial sector and the Agricultural sector. Look even more closely and you’ll notice that the Industrial sector’s share of the GDP has slowly increased over the last couple of years.

The Agricultural sector though, has been contributing relatively less and less to the GDP for quite some time now. Why? Well, one major reason is that our agricultural exports are mostly commoditised, which means they fetch lower prices in the global market. Another reason is that the local agricultural sector has a relatively higher cost structure compared to other competing economies, and with global commodity prices having sunk to historic lows, it’s pretty clear why the sector hasn’t been doing so well.

On a side note, the Fisheries sector has actually shown some marginal growth since 2008, according to the data released by the Central Bank.

Okay, enough with the Agri talk. Let’s now shine a light on the Industrial sector, which is the second largest contributor toward Sri Lanka’s GDP.

Contribution of each sub-sector of the Industrial sector towards the GDP (as a percentage of total GDP)

As you can see above, breaking down the Industrial sector’s contribution towards the GDP reveals two very obvious things. One, Manufacturing is the largest sub-sector within the entire Industrial sector. Two, the Construction sub-sector has shown gradual growth since 2009. This can be attributed to the post war construction boom within the country.

Next up, the biggest contributor to our GDP: the Service Sector.

Contribution of each sub-sector of the Service sector towards the GDP (as a percentage of total GDP)

As is obviously visible, the breakout stars of the Service sector are the Transport and Communication sector, and the Hotels and Restaurants sector (highlighted in blue). Understandably, the end of the war was a huge boon to the H&T sector. Meanwhile, the Transport and Communication sector seems to have benefited from the continuing increase in mobile penetration, and the resultant increase in data consumption, at least according to the Central Bank.

But what about the “Transport” part, you may ask. Again, the domestic transport sector did benefit quite well from the end of the conflict. On the other hand, the contribution of the Cargo Handling sector (which falls under Transport) toward the island’s GDP has pretty much remained the same. This sector is something worth having your eyes on, especially given Sri Lanka’s proximity to a very important global shipping route, and also because it is of critical importance to global trade. Our economy stands to benefit tremendously by positioning itself as a global transshipment hub.

To recap, Sri Lanka’s GDP is basically driven by the Service Sector and to some extent, the Industrial Sector. At the same time, the Construction, Hotel, and Transport & Communication sectors are starting to contribute more and more towards the economic / GDP pie. Also, our economy is expected to grow at around 6% to 6.5% per annum over the next few years.

P.S. If you have the time to spare, you should definitely go through the entirety of the Central Bank’s Annual report. It’s totally worth it.

1 Statistics in current market prices.

2 CBSL has stated their intention to change the sectoral classification in line with international guidelines.

Cover image credit: hapag-lloyd.de/

Transacting online is not a new thing. Ever since the birth of Amazon and eBay, e-commerce has become almost synonymous with the internet.

Sri Lanka has its own share of successful home grown e-commerce startups (Kapruka, Takas, Wow) and with the entry of companies like Rocket Internet (Kaymu), we’ve now also got multinational firms looking to invest here. Bear in mind that Ikman, PickMe and Uber are also technically e-commerce startups.

They operate in different sectors, but they’re all local e-commerce startups.

But compared to other Asian countries, we’re laggards. For instance, consider India.

Indian e-commerce startups have surged way past us, despite both countries formally going online in 1995. In fact, e-commerce today has become a buzzword in the country across the Palk Strait. From FlipKart and Snapdeal to Ola Cabs and countless others, the number of tech startups sprouting in India is… well, a lot. According to PwC, the Indian e-commerce market was expected to be worth around USD 22 billion at the end of 2015. Of that, the retail (or e-Tail) market was expected to be worth around USD 6 billion.

So why can’t local e-commerce startups grow big enough to at least be mentioned in the same vein as their Indian counterparts? And more importantly, how did e-commerce become such a big deal in India, and what can we learn from them?  
  
The most obvious reason is of course, the population. India has over a billion people while we have 21 million. And for those of you who skipped Maths, 1,000 million equals 1 billion. There is no way for us to catch up to India’s 375 million active internet users, unless we lease some deserted part of Central Russia and repopulate it or something. But beyond the numbers, there is something special about the demographics in India which we ought to look at, and it has a bit of a story behind it.

In 1990, the then Indian Government decided to make investment in IT a priority. The Government saw that information technology was the future, thanks to the efforts of the Tata Group (it’s actually quite interesting, click here to read in full). Consequently, the Indians invested in “Software Parks” which were basically BOI zones for IT companies. These IT companies then got to work with clients based in the U.S. Indian IT workers ended up getting ample opportunities to work on both offshore and onshore projects, which resulted in them becoming comfortable with the whole internet thing, which back then, was only for geeks.

Fast forward 10 years later and by the early 2000s, India had a young population and also a booming tech scene, mainly in cities like Bangalore and Gurgaon. Wages were also high in the IT sector (which by then was gradually moving from outsourcing to building their own products, known in business circles as “moving up the value chain”), which attracted hordes of young graduates who ended up inheriting the technological savvy and consumerism of their American counterparts. And that, people… is the unique situation we were talking about earlier.

The growth of the Indian IT industry, summarised. Image Credit: Global Management Journal / CII-KPMG

When tech savviness meets consumerism, it creates the perfect conditions for e-Tail and e-commerce to explode in growth.

Now again, we can’t replicate the population levels of our neighbour, nor can we deliberately go from having an ageing population to a young one. Even if we somehow could, it’s going to take a long, long time. But, we definitely can increase investment in IT infrastructure, which theoretically should attract companies and talent, in the end making everyone more comfortable with all aspects of the internet.

And now let’s shift to Colombo…

The Sri Lankan e-Tail market is worth around USD 25 million. Also, e-commerce is still very much in its early stages here. And there is a whole lot of potential, considering the fact that our retail market is worth around USD 7 billion. Plus, it can actually improve the efficiency of our economy, and help improve competition between SMEs and larger firms.

Given all its positive spillover effects on the economy, what more can we do to help the local e-commerce industry?

1. The banks, Central and Licensed, need to pull up their socks

Banks play a very important role in the functioning of an e-commerce site. They provide what is known as an Internet Payment Gateway or IPG, which is responsible for processing your credit card. If that’s too confusing, think of it basically as the card swipe machine at the cashier of your local Food City or Keells. The way things stand right now, it’s rather expensive for a group of college dropouts with no money to start an e-commerce firm, even if they had all the other necessary skills.

Our friends at ReadMe.lk broke down the costs of running an IPG. Note that most banks also require a fixed deposit of at least LKR 100K, in addition to the above.

All these costs put a lot of pressure on startups, which by nature must try really hard to make ends meet. They need to be really smart with how they spend their money, because otherwise they’ll go bust in no time.

Our banks also need to upgrade their design skills, ASAP. Why? Because good design can actually help to sell by inspiring confidence in the user. Lankitha Wimalaratne, CEO of Vesess (who were also featured on Lifehacker for developing HiveAge, an outstanding billing service for freelancers and small businesses) had this to say about Sri Lankan IPGs in his blog post:

“But the bitter truth is that we don’t see any future with them, either for us or for our clients, due to their extremely high costs (initial costs + monthly recurring fees + 3%− 5% transaction fees), underdeveloped APIs, terrible UX and lack of compliance/security. Worse still is the Sri Lankan IPGs’ unprogressive attitude compared to the other services we deal with from around the world like Stripe, PayPal, Authorize.net and SecurePay.”

Having said that, there’s not much of a difference between the attitudes of local banks and Indian banks. Here and over there, it is very much a tale of indifference towards startups.

But here’s where the two roads (stories?) diverge.

You know how they say that “Necessity is the mother of invention”? That’s what the Indians did. They invented.

When banks failed to accommodate startups, Indian entrepreneurs used their ingenuity to find a workaround. Local startups and established players like Flipkart took matters into their own hands and developed their own payment gateways. Of course, it was also super easy to find a world class software whiz to help out with the coding.

The homegrown IPGs ended up providing everything the big banks didn’t. They started offering world class support, compatibility with third party services and certain providers also have… wait-for-it… ZERO setup fees!

Given below is a comparison of the most popular IPGs in India. (Prices in INR)

Options, options everywhere. Image Credit: IndianOnlineSeller.com

There is a massive void for a good, affordable and secure IPG in Sri Lanka right now. And a homegrown IPG will most probably \*not\* come under draconian laws like the Exchange Control Act imposed by the Central Bank. The Exchange Control Act, for instance, was formulated in 1985, and unsurprisingly, is very outdated. It prohibits Sri Lankan citizens from opening bank accounts abroad and even investing in foreign securities. And let’s face it, in this day and age of globalisation, a law that prevents the free flow of capital doesn’t make much sense.

To their credit, the Central Bank is slowly relaxing monetary controls, but progress, in this case, seems to be at a snail’s pace, honestly.

2. The regulatory and policy environment needs to improve

Sri Lankan policy makers usually tend to favour the big companies over startups. And this wasn’t much of a problem during the old economy, where mass production was the order of the day and the playing field was tilted in favour of the big boys. You can’t really blame anyone for that, because in the industrial economy, the largest players were also obviously the most visible players. But today, thanks to the magic of the internet, we are entering the “Digital Economy” and the old rules are being broken. A new economy needs a new set of rules for everyone to play by and countries that have noticed this are reaping the rewards. Because ultimately, one of the best things about the proliferation of the internet is that it levels the playing field for everyone.

The 2016 budget actually had a few concessions for VCs and incubators. But what we need are policies that deal with fostering digital trust, data protection, funding and stuff like that. The Turkish Government recently released a policy paper for the Digital Economy and it has a few helpful pointers about what a suitable policy should aim to achieve:

While these are the \*two\* elephants in the room, it is also equally important to take a long term view when trying to solve these issues, because these aren’t problems which can be fixed overnight. The British Government’s Digital Economy Strategy for the next three years and also former Aussie Communication Minister (and now Prime Minister) Malcolm Turnbull’s policy document for E-Government and the Digital Economy make for an interesting read. Go check them out (you should).

It is time for us to realise that a digital economy and e-commerce can do so much more to improve people’s lives and incomes. Provided we do it right, it can even take our economy to a whole new level.

All of us have that one friend who is addicted to buying stuff off eBay and Amazon. Every once in a while, we all have found him/her complaining about the exchange rate. There are also quite a few among us who still multiply a given dollar amount by 100, and then quickly realise that a dollar now goes for 146 rupees. Such occurrences are also accompanied by grumbles of “The economy these days… what to do aney! ”

So we decided to have a look at what’s going on with our currency’s exchange rate.

But first of all, what is an exchange rate? Simply put, the exchange rate is the price at which one country’s currency can be exchanged for another.

In the modern world, this “price” is driven by the factors given below:

Exchange rates stated are 1 week averages. 12 months ending December 31st.

Something worth remembering here is that speculative activity, short term capital flows, and domestic political turmoil usually tend to have a short term effect on the exchange rate. Over the long run however, the structural issues of the economy will start to affect the exchange rate. And this is precisely where the rupee’s exchange rate woes begin.

According to many Economists and independent observers, unsound economic policies and loose fiscal management by policy makers are the root causes of our problems.

But should we be worried? Well, yes. A severe weakening of a country’s currency can erode the living standards of its citizens, especially the poor. How? Well, it’s like this. A weakening rupee will diminish our ability to import things we need such as food, medicines, machines, and even smartphones. So basically, imports will become more expensive. And this will also affect our exports because we need to import stuff like machines and raw materials in order to manufacture whatever we export. This phenomenon is one of the reasons why BOTH imports and exports go hand in hand with a healthy and vibrant economy. Most competitive, export oriented economies realised this a long time ago, which is why their economic policies normally focus on maintaining a stable exchange rate.

Time for a cleanup? Image Credit: The Republic Square

We asked W.A Wijewardena, an economist and a former Deputy Governor of the Central Bank, about this matter. And this is what he had to say…

On why the rupee is where it is today:  
  
“The current forex crisis is very critical for Sri Lanka and it is not the handiwork of the present Government. The seeds of the crisis were sown as far back as 2012, when Sri Lanka downplayed the export sector as a wealth creator and instead concentrated on developing a ‘domestic economy based’ system.

Thus, the Export-to-GDP ratio started falling from around 30% in 2000 to less than 15% in 2014; it is still lower in 2015. At the same time, imports ballooned and remained at a high level, increasing the trade deficit to unaffordable levels. The authorities relied on remittances to fill the gap but it was not sufficient, and the country ended up with a deficit in the current account of the Balance of Payments. It was filled by borrowing from abroad which increased the country’s foreign indebtedness (to commercial sources). That, plus the move towards domestic income creation further exacerbated the crisis, and now it is uncontrollable.

This Government too committed a sin by failing to disclose the crisis to the people, and by signing off on the wrong economic data published by the previous Government. Now, they can’t defend the exchange rate without driving the country to bankruptcy. Foreign loan servicing liabilities in the next 12 month period amount to $ 5 billion; other short term liabilities such as Swap arrangements with local banks, India and China exceed $ 3 billion. But, the available reserves are just $ 7 billion.

On how to fix this issue:

A two-way approach is needed to resolve this issue:

\* Mr. Wijewardena emphasises the need to pursue both solutions. Meanwhile, the need to restructure the economy was also endorsed at the recently concluded Sri Lanka Economic Forum.

Notice how the decline in the Export-to-GDP ratio has happened over a long period of time (~15 years, to be exact)? What that points to is an underlying structural weakness in the export sector of our economy. Also notice how we have had to rely on foreign remittances and borrowings to plug our trade deficit. Add to this mix the unsound economic policies that we’ve pursued, and you arrive at our current economic problems.

Well, it’s our policy makers who have to do the bulk of the work to help turn the economy around. What we ought to do as a country, is to push our policy makers towards fixing these issues instead of arguing amongst ourselves. Because in the long run, none of our quibbles will matter if the economy crashes. And fix the economy we must, since our future depends on it.

If you have been browsing our site lately, you would’ve noticed that we’ve started dabbling in topics related to the overall economy and the business environment. We recently published an introduction to the Colombo Stock Exchange which we hope you found useful. And starting today, we’ll also be publishing a monthly analysis of the CSE, with the aim of helping you understand what’s going on in the stock market.

The stock market has had a rough ride since last year due to lots of different reasons. While political and economic uncertainty spooked local investors, a slowdown in the Chinese economy and fears of a global recession have spooked investors elsewhere. Like most other markets around the globe, the CSE also took a beating and lost around 840 points in the last 12 months (Feb 2015 to Jan 2016). In percentage terms, that’s a year-on-year (YoY) decline of around 11.7%.

The last year was tough on the CSE, but that doesn’t necessarily bring bad luck for this year. Image Credit: lankadesha.com

That, however, doesn’t necessarily spell doom and gloom. In fact, the CSE has already started to see green here and there, thanks to investors who are buying up valuable shares at cheap prices.

Let’s dive in.

CSE Purchases and Sales – January 2016 Source: CSE

There tends to be a general perception (at least when it comes to the stock market) that institutional investors have the ability to see through the noise instead of following the crowd, since they can afford to do their own careful research. Therefore, people assume that institutions such as Aberdeen and CF Ruffer make better investment decisions with an eye on the long term. So right now, it looks like foreign institutional investors (FIIs) and local institutional investors have completely contrasting views on the investment climate of the country, i.e. FIIs think that we are less of a good bet (compared to their other options) while local institutions seem to be looking for the calm after the storm.

Source: CSE

TJL’s factory in Avissawella. Image Credit: LMD.lk

TJL’s factory in Avissawella. Image Credit: LMD.lk

While those are pretty much the highlights of what went on in the stock market in January, there is an expectation that the stock market will see a few more bad days, mainly due to rising interest rates and the depreciation of the rupee. But the funny thing with any type of market is that one man’s loss can be another man’s treasure, so you might actually be able to snag some valuable shares at rock bottom prices and profit from the market’s folly, wink wink.

Till next time!

The comments, opinions and analyses presented herein are for informational purposes only and should not be considered individual investment advice or recommendations to invest in any security or to adopt any investment strategy.

For us Sri Lankans, the Stock Market is akin to Einstein’s Theory of Relativity. Almost everyone has heard about it, but very few actually know what it is. So we at Roar decided to compile an introductory guide to the stock market.

Sri Lanka currently has only one stock exchange/market: The Colombo Stock Exchange (CSE).

Although its origin dates back to the 19th century, the CSE as we know it today, was created in 1985. Automated Trading was introduced in 1997, which then paved the way for online trading and also helped increase regulatory oversight.

The Stock Market is a vehicle/market (obviously) which allows people to buy and sell shares. Most stock markets (also known as “Stock Exchanges”) allow people to trade corporate debt.

Investing in the stock market is a way of growing your wealth over the long term. It is accessible for everyone and provides an easy way to spread/reduce the negative risks which your investments will be exposed to.

Another day at the Stock Market. Image Credit AdaDerana

Anyone can invest in the stock market. Contrary to popular belief, you don’t need a lot of money to get started. In fact, starting small is one of the best ways to familiarise yourself with the stock market. You can always add to your investments, if you feel like doing so.

The CSE is made up of many things. However, given below are a few components which every investor should definitely know about.

Every stock market usually has one or more “indices” associated with it. In this context, an “Index” is something that tracks the performance of a basket of stocks. Remember that scene in Wolf of Wall Street where something called the “Dow Jones” drops by around 23% in one day, and Jordan Belfort loses his job? This “Dow Jones” which the movie talks about, is also an index. It tracks the performance of 30 major companies in the US, which is its “basket”. And when you hear someone on TV talking about how the “market was up today”, remember that they’re referring to an index.

The CSE has two major indices, the All Share Price Index (ASPI) and the Standard & Poor’s Sri Lanka 20 (S&P SL20).

The ASPI is the CSE’s broadest index. It tracks the share price movements of all 295 companies currently listed on the stock exchange, i.e. the entire market.

The S&P SL20 index was introduced in 2012 and replaced the Milanka Price Index. According to the S&P website:  
“The S&P Sri Lanka 20 covers the largest and most liquid stocks from the Sri Lankan equity market” and also “Index constituents are the 20 largest blue chip companies chosen from the universe of all stocks listed on Colombo Stock Exchange.”

Note that the CSE also maintains something called the Total Returns Index (TRI). While the other two indices only track the price movements of shares, the TRI also includes the effect of dividends.

The CSE has something called a “Board” which is basically a listing platform. Companies are separated mainly by their capital bases. There are two boards on the CSE, the Main Board and the Diri Savi board.

The Main board is for the larger companies while the Diri Savi Board is for the relatively smaller companies. You can probably say that these two boards are the stock market’s equivalent of a school’s First XI and Second XI cricket teams. Usually, there is very little difference except that the Second XI players can be younger and thus, smaller in size.

There is a set of criteria which must be met by a company, if it is to be admitted to any one of these boards.

The criteria for the main board, according to the CSE website, are:

The criteria for the Diri Savi board are as follows:

In addition to the Main Board and the Diri Savi boards, the CSE also has three other boards called the Default Board, Dealing Suspended Board and the Trading Suspended Board. While the last two are pretty self explanatory, the Default Board is for companies which fall foul of the rules imposed by the CSE & the Securities and Exchange Commission of Sri Lanka.

The CDS is a subsidiary of the CSE and is responsible for maintaining your accounts. It is also responsible for clearing and settling transactions which take place on the CSE. Think of the CDS as an accountant of sorts.

A share represents a unit of ownership in a company. However, there can also be several different types or classes of shares. On the CSE, you will mostly find two main types of shares.

There is also another class of shares which are called “Preference Shares”. They get you to the front of the queue come dividend time. Dividends for preference shares though, are fixed at a predetermined rate. However, they’re not very common on the CSE.

Pick wisely and thou shalt profit handsomely. Cartoon via Mark Anderson

The CSE also allows you to invest in “Debentures” which are debt securities issued by companies. If you buy a debenture, you will be paid interest on your investment, by the company.

There are two easy ways through which you can invest in the stock market. You don’t need a PhD in finance.

How a unit trust works. Pretty nifty eh? Image Credit: HSBC Singapore

How a unit trust works. Pretty nifty eh? Image Credit: HSBC Singapore

Sri Lankan Unit Trusts are supposed to abide by the Unit Trust Code of 2011, which is a pretty robust piece of regulation. Click here to check it out.

Here are a few Unit Trust Managers in Sri Lanka. Click here for a complete list of all unit trusts in Sri Lanka.

Now that we have piqued your interest, check out this super informative (and way more detailed) guide on how to invest in the CSE, put together by the folks at the CSE itself.

Disclaimer: The information contained in this article is for informational purposes only and should not be considered investment advice. Always make sure to do your own research, talk to your financial advisor and/or seek independent advice where appropriate.