

Sri Lankan Economic Crisis and the ex-Governor of Central Bank

Web Archiving Forensics Study

Presented by Bhanuka Mahanama

October 24, 2022

About Sri Lanka

- Island country in South Asia
 - Gained independence from British in 1948
 - Ended civil war in 2009
- Debt-driven development
 - Infrastructure
- Revenue streams
 - Apparel industry
 - Service/IT
 - Agriculture exports (tea, cinnamon)
 - Tourism
 - Remittances



<https://www.britannica.com/>

What started the economic collapse?

- 2019 Easter Bombing
 - Targeting tourist hotspots
- 2020 COVID
 - Decline in economic activity
 - Decline in tourism
 - Job losses of migrant workers
- 2020 beyond
 - Mismanagement
 - Bad monetary policies
- 2022
 - Officially declared bankrupt
 - Defaulted sovereign debt payment

Political and Economical Background

- 2019 November
 - Presidential election
- 2019 December
 - Tax cuts
- 2020 August
 - Parliamentary election
 - Appointment of new ministers
 - Appointment of new prime minister
- 2021 August
 - Appointment of new governor for CBSL
 - Ajith Nivard Cabraal



<https://www.dw.com/>

Ajith Nivard Cabraal: ex-CBSL Governor

- Background
 - A Chartered Accountant
 - Chief Economic Advisor (2004)
 - Governor of CBSL (2006-2015)
 - Member of Parliament (2020-2021)
 - Governor of CBSL (2021-2022)
- Twitter
 - Inactive: @an_cabraal

Transparency International Sri Lanka filed a fundamental rights petition in the Supreme Court (SCFR 195/2022)



<http://www.ajithnivardcabral.com/>

Supreme Court Petition

In 2022 October court ordered audit reports on

- Decision to peg USD/LKR exchange rate
- Delay in seeking International Monetary Fund (IMF) assistance
- Settlement of sovereign bonds in January



Supreme Court (image: <https://www.tisrilanka.org/>)

Mementos from Internet Archive

- Sample
 - 1424 Mementos
 - 2017 September - 2022 September
 - 499 Tweets
 - 1306 valid mementos
- Mostly in English
 - Translations in Sinhala and Tamil
 - All financial affairs in English

Ajith Nivard Cabraal (@an_cabraal) Follow
#LKA #RUPEE #FINANCE #SRILANKA #Business
Rupee depreciation from 2006 to 2014 (9yrs)
- Rs. 28.93: in 2018 (1yr) - Rs.31.85
2006 එහි 2014 (වරුන 9) #රුපෝද්‍ර අවභ්‍ගන්තය ඇ.
28.93: 2018 එ (වරුන1) අවභ්‍ගන්තය ඇ. 31.85
7:36 PM - 31 Dec 2018
2 Retweets 8 Likes

Leon Coorey (@leonj2) · 31 Dec 2018
Replies to @an_cabraal
As the ex-CBSL governor I am sure you can shed more light to what you are stating. Are you indicating that those 9 years is good? What's the reason for the depreciation at all? And what about depreciation from Oct 26th 2018?
Sashimmal Fernando (@sashimal) · 31 Dec 2018
Replies to @an_cabraal
Since there are more educated people on twitter than on facebook, can you put percentage wise figures as well than mere numbers when it comes to depreciation. As Leon has mentioned pls break 2018 into before 2018 Oct 26th and what happened within that 50 days pls. Thanks

https://web.archive.org/web/20220313143808/https://twitter.com/an_cabraal/status/1079944425583697920

Allegation 1: USD/LKR Peg

- CBSL pegged Forex rates at the beginning of pandemic
- Tweets with keywords
 - USD, Rupee, LKR, exchange, remittance
 - 130 Mementos
 - 51 Tweets
 - 2020 November onwards
- Observations: Attempts on Controlling Rate
 - Credit lines
 - Regulating export forex
 - Incentivizing migrant workers

Credit Lines: Yuan SWAP

SWAP Confirmed (March 10)

Ajith Nivard Cabraal (@an_cabraal) posted on March 10, 2021, at 05:07. The tweet reads: "Happy to confirm that the People's Bank of China has approved a #SWAP facility of 10 billion #Yuan (USD 1.5 billion) to the Central Bank of Sri Lanka. @CBSL @ChinaEmbSL #lka #SriLanka #China #economicrecoveryplan #GOSL". The tweet has been archived at https://web.archive.org/web/20210310130811/https://twitter.com/an_cabraal/status/1369636101422452739.

Currency Appreciation (April 19)

Ajith Nivard Cabraal (@an_cabraal) posted on April 19, 2021, at 1:46 AM. The tweet reads: "SL Rupee further appreciated against US Dollar today. Current buying and selling rates of US Dollar are Rs.187.93 & 191.97 respectively - CBSL We are a Government that does what it says. @HarshadeSilvaMP @FitchRatings @MoodyInvSvc #Rupee #SriLanka #GoSL #economicrecoveryplan". The tweet has been archived at https://web.archive.org/web/20210520050245/https://twitter.com/an_cabraal/status/1384065859447001091.

Credit Lines: CDB & IMF

- International Monetary Fund (IMF)
 - Special Drawing Rights (SDR)
- China Development Bank (CDB)

Combined Forex injection of \$1.13b to improve liquidity in Forex

Confirmation of Funding
(Aug 30)



https://web.archive.org/web/20210831020600/https://twitter.com/an_cabraal/status/1432524935566528516

Export Forex Regulation

Concerns over unconverted forex
(Sep 3)

Ajith Nivard Cabraal @an_cabraal Follow v

Exporters' income tax is half of local manufacturers' **#tax** coz they earn Forex. But, in '20&'21, their unconverted forex balances increased by >\$2 bn without being converted to **#LKR**. To fulfill their expected role, they should convert their surplus **#forex**

12:41 AM - 3 Sep 2021

Exporter Meeting
(Sep 23)

Ajith Nivard Cabraal @an_cabraal Follow v

The exchange of views with the main **#Importers** & **#Exporters** in Sri Lanka was very helpful. Their commitment to stabilize our economy is very encouraging. I look forward to working with them. **@CBSL #SriLanka #GoSL #Governor**

11:53 PM - 23 Sep 2021

6 Retweets 45 Likes

https://web.archive.org/web/20210924084956/https://twitter.com/an_cabraal/status/1441294705967337477

https://web.archive.org/web/20210310130811/https://twitter.com/an_cabraal/status/1369636101422452739

Regulating Export Forex

- CBSL regulated export Forex proceedings in 6 month Road Map
- Automatic conversion to local currency after six months

Exporter Regulations
(Oct 29)

Ajith Nivard Cabraal @an_cabraal Follow In keeping with our 6 month Road Map, the [@CBSL](#) just issued the new Rules on the Conversion of [#Export](#) Proceeds that will be applicable to all exporters of goods & services. These rules are bound to stabilize the external sector significantly. [#SriLanka](#) [#Roadmap](#)

4:33 AM - 29 Oct 2021

5 Retweets 29 Likes

Hima Kalhara @HimaKalhara · 29 Oct 2021
Replying to @an_cabraal @CBSL
After converting money to its nominal value, you'll need to queue up to purchase dollars at black market rates for raw material imports. Isn't it?

https://web.archive.org/web/20220301123812/https://twitter.com/an_cabraal/status/1454048776629338116

Incentivizing migrant workers

- Proposals on benefits for migrant workers
 - Pension scheme
 - Remittance incentives
 - Remittance mediums/fees
- Mandating official transfers for benefits

Migrant Worker Incentive Plans
(Oct 18)



https://web.archive.org/web/20211019032555/https://twitter.com/an_cabraal/status/1450302133958443008

Mandatory Conversion on Remittances

- Exporter regulations (Oct 29) raised concerns over remittance regulations
- Governor asserted exemption of the rule on remittances

Migrant Worker Non-conversion Rule (Nov 9)



https://web.archive.org/web/20220118035828/https://twitter.com/an_cabraal/status/1458005272912351234

Conversion Incentives

- Official channel only incentive
- Target: Holiday season
- Additional 10 LKR per USD

Migrant Worker Incentives
(Dec 1, 13)

Ajith Nivard Cabraal @an_cabraal

#Migrant Sri Lankans will receive Rs.10 extra for each USD #remitted through licensed #banks & other formal channels & converted into LKR in December 2021: it will serve as an appreciation of their major contribution to the #economy. @CBSL #SriLanka #GOSL

8:12 AM - 1 Dec 2021

13 Retweets 31 Likes

https://web.archive.org/web/20211202033349/https://twitter.com/an_cabraal/status/1466077795600121856

Ajith Nivard Cabraal @an_cabraal

Sri Lankans can now avail themselves of the special #incentive of Rs 10/- per USD when they encash their #Forex during the month of December. @CBSL #SriLanka #GoSL

NOTICE TO PUBLIC

If you possess foreign currency that you have obtained by....

- I. Purchasing from a bank or an Authorized Money Changer for travel abroad and brought back unutilized into Sri Lanka (up to USD 15,000 or equivalent),
- II. Withdrawing from a Personal Foreign Currency Account (PFCA) for travel abroad (up to USD 15,000 or equivalent),
- III. Earnings from employment, profession, or business while abroad and brought into Sri Lanka,
- IV. Acquiring and bringing into Sri Lanka for deposit in Special Deposit Accounts (SDAs) on or after 01 January 2020.

You may....

- Convert such foreign currency into Sri Lanka Rupees at any bank (at Sri Lanka Rupees 210 per USD or equivalent) during the month of December 2021; or
- Deposit such foreign currency into Sri Lanka Rupee Accounts at any bank (at Sri Lanka Rupees 210 per USD or equivalent) during the month of December 2021; or
- Deposit such foreign currency into your PFCA or SDA at any bank; or
- Invest such foreign currency in Sri Lanka Development Bonds

12:13 AM - 13 Dec 2021

1 Retweet 2 Likes

https://web.archive.org/web/20211213081415/https://twitter.com/an_cabraal/status/1470305773230063617

Further Depreciation of LKR

- Allowed official channels to sell at 230 LKR/USD
- Start of end of LKR/USD peg

Flexible conversion
(Mar 7)

Ajith Nivard Cabraal @an_cabraal Follow

Greater flexibility has been allowed in the exchange **#rate**. **@CBSL** is of the view that the rate won't exceed Rs.230 per USD. (විනිමය අනුජාතය ව්‍යාපෘති නෙකුත් ඇත. එය ඇ.බො.යට රු. 230 තොරතුළුවෙනු ඇතැයි මහ බැංකුව ඇගේක්ස්සා කරයි). **#SriLanka #GoSL #lka #USD**

[Policy package to support greater macroeconomic stability: Allowing flexibility in the exchange rate](#)

Considering the severity of the external shocks and recent developments in the domestic front, the Monetary Board of the Central Bank of Sri Lanka announced a comprehensive policy package on 06 March 2022 to support the economy and enhance economic stability. The Central Bank also indicated that it will continue to closely monitor the emerging macroeconomic and financial market developments, both globally and domestically, and will stand ready to take further measures as appropriate, with the aim of ensuring stability in the front of inflation, the external sector, the financial system and the real economy.

In that context, greater flexibility in the exchange rate will be allowed in the markets with innovative effect. The Central Bank is also of the view that foreign transactions would take place at levels which are not more than Rs. 230 per US dollar.

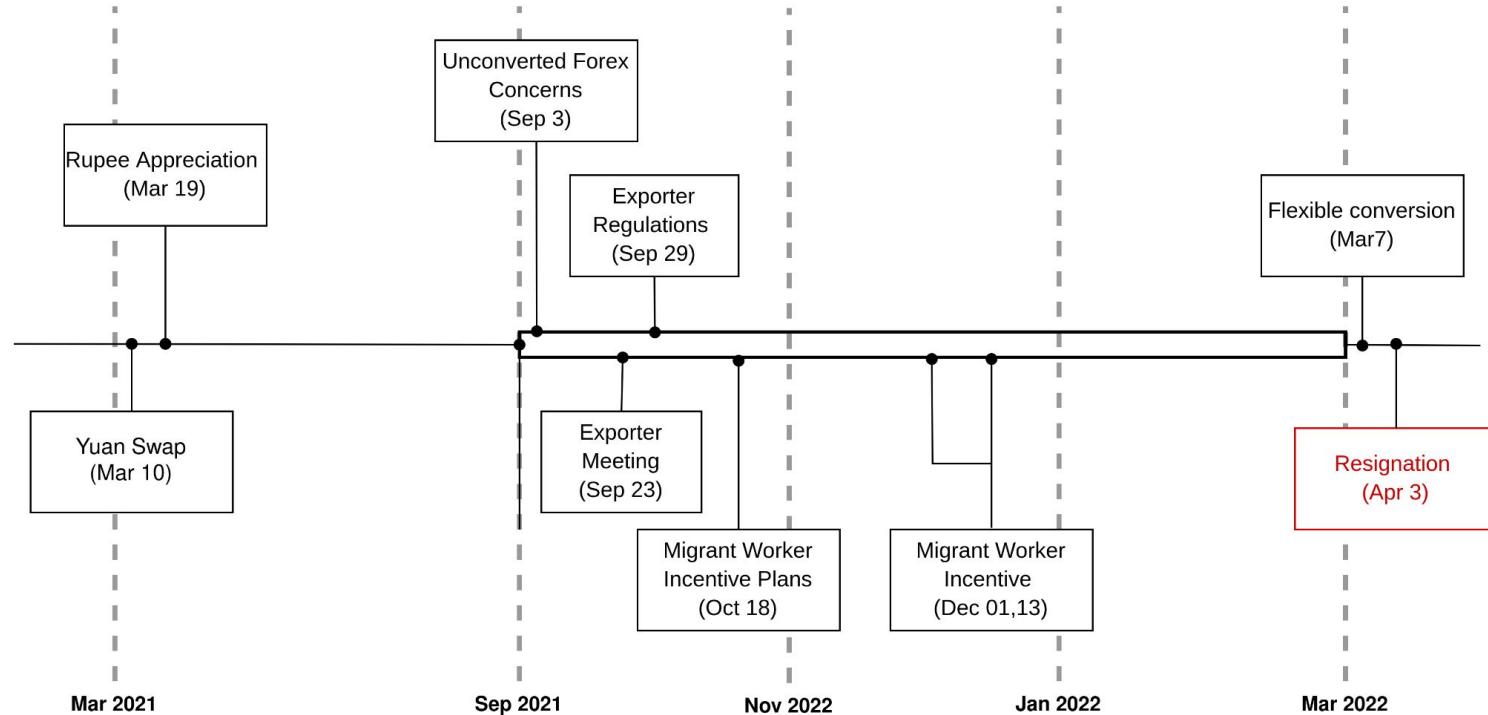
The Central Bank will continue to closely monitor the developments in the domestic foreign exchange market and make appropriate policy adjustments accordingly.

9:14 AM - 7 Mar 2022

1 Retweet 2 Likes

https://web.archive.org/web/20220307171433/https://twitter.com/an_cabraal/status/1500882469112872960

Timeline on USD/LKR Peg



Allegation 2: Delay in IMF Assistance

- International Monetary Fund (IMF)
 - Special Drawing Rights (SDR)
 - Inject forex to improve liquidity
- No long-term assistance
- No debt-restructuring

IMF SDR
(Aug 30)



https://web.archive.org/web/20210831020600/https://twitter.com/an_cabraal/status/1432524935566528516

IMF Article IV Discussion

- Discussion between IMF and governments
 - Economic and financial policies
 - Includes CBSL officials
- Confirming no long-term assistance plans

Article IV Meeting
(Nov 23)



https://web.archive.org/web/20220307171433/https://twitter.com/an_cabraal/status/1500882469112872960

More Denials

- Confirmation on no long-term assistance plans
- No discussion between cabinet and CBSL

No IMF Confirmation
(Dec 12)



https://web.archive.org/web/20211213031259/https://twitter.com/an_cabraal/status/1470228933052231684

Seeking IMF Technical Assistance

Ajith Nivard Cabraal @an_cabraal

Follow

Finance Minister's comment yesterday (2) re. "#SriLanka informing @IMFNews to provide #expert advice on #economic situation" is about a routine Technical Assistance Program on Macro-Fiscal capacity building for MOF's new Macro-Fiscal Unit. Nothing else. @RealBRajapaksa @CBSL #lka

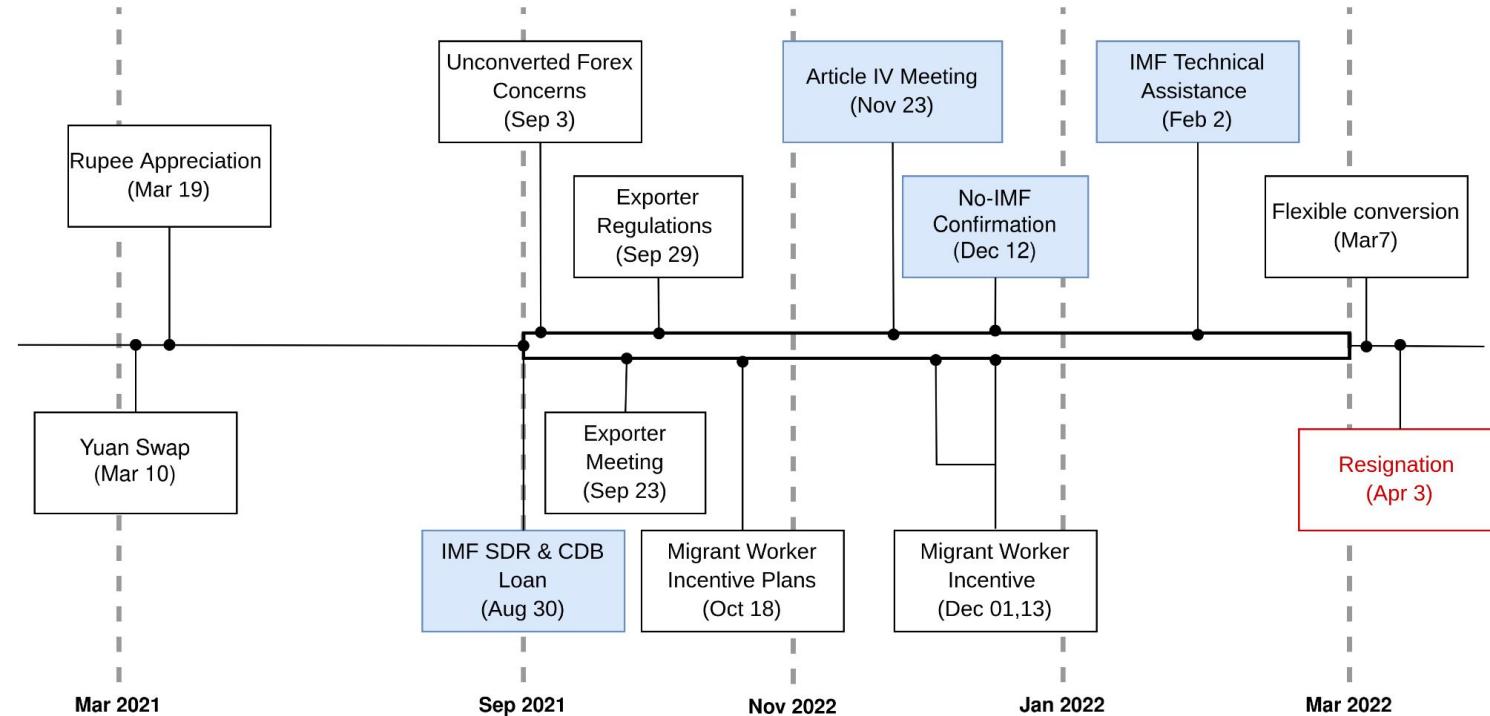
5:54 PM - 2 Feb 2022

1 Retweet 3 Likes

IMF Technical Assistance (Feb 2)

https://web.archive.org/web/20211213031259/https://twitter.com/an_cabraal/status/1470228933052231684

Timeline with IMF Involvement



Allegation 3: Settlement of Sovereign Bonds

ISB Settlement
(Jul 26)



https://web.archive.org/web/20210726153346/https://twitter.com/an_cabraal/status/1419681474526302212

Settlement of Sovereign Bonds

ISB Allocation and Payment
(Jan 4, 18)

Ajith Nivard Cabraal ✅
@an_cabraal

Sri Lanka has paid the USD 500 million sovereign #bond that matured today (18).
@IMFNews @Moody'sInvSvc @FitchRatings
@SPGlobalRatings @CBSL #SriLanka

11:34 PM - 17 Jan 2022

3 Retweets 11 Likes

https://web.archive.org/web/20220118073935/https://twitter.com/an_cabraal/status/1483342003366932482

Ajith Nivard Cabraal ✅
@an_cabraal

Follow

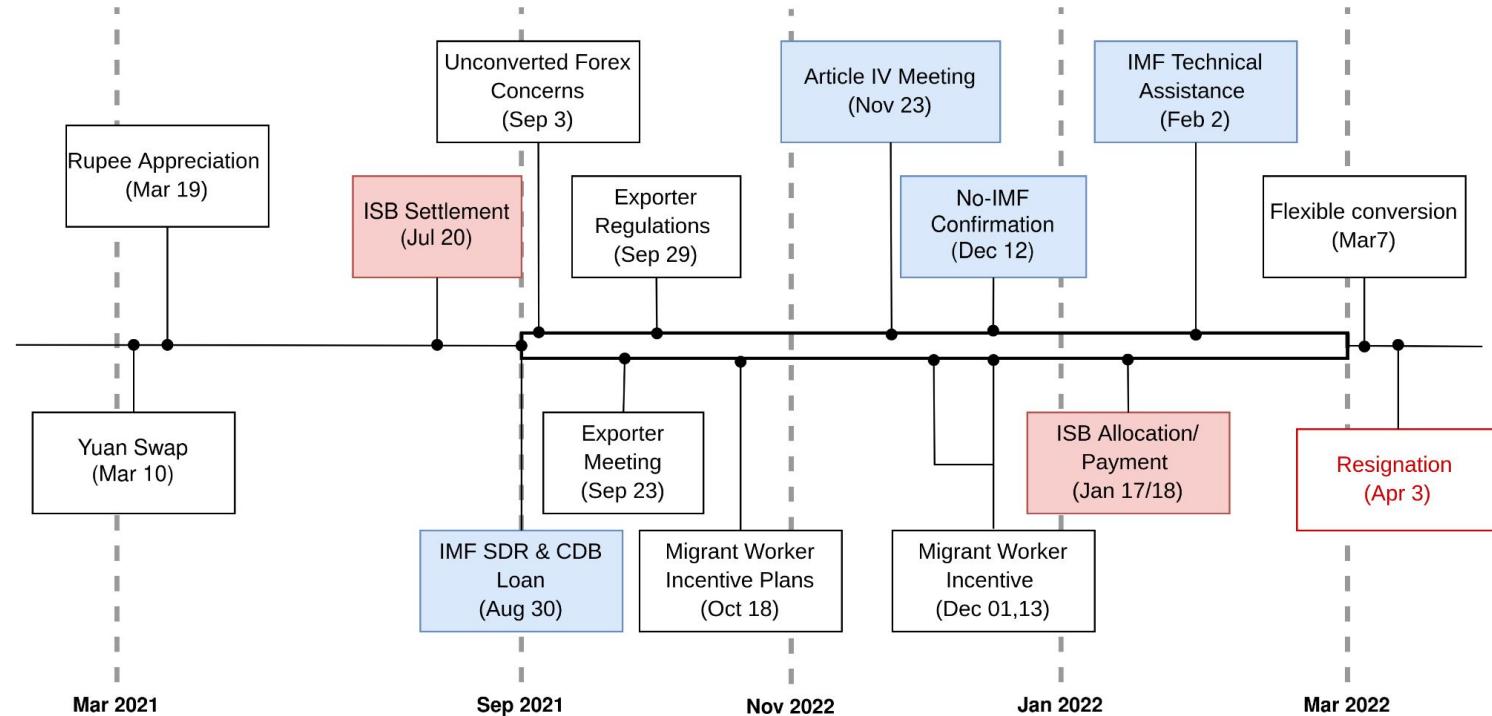
CBSL has allocated the required #Forex for the USD 500 million #ISB that is maturing on 18 Jan 22. It's a shame that some #investors lost out becoz of organized negative stories spread by certain vested interests. @CBSL #SriLanka #GoSL

10:34 PM - 4 Jan 2022

3 Retweets 3 Likes

https://web.archive.org/web/20220105063704/https://twitter.com/an_cabraal/status/1478615762432835584

Complete Timeline



Conclusion

- Created timeline of events solely based on mementos
 - Social media as supplementary evidence
 - Understanding of events and sequence
- Investigated allegations
 - USD/LKR peg
 - Delay in IMF assistance
 - Settlement of ISB
- What caused the crisis
 - Yet to be determined
- Official documentations
 - Yet to be submitted to court
- Further research
 - Expand to other archives
 - Tweets and disinformation
 - Social media behavior due to official tweets

Github: https://github.com/mahanama94/cs895-tweets-of-an_cabraal