FOR INFORMATION

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To: Members of the Executive Board

From: The Acting Secretary

Subject: **Mr. Okamura's Report to the Executive Board on His Visit to Sri Lanka and Japan, May 31–June 8, 2023**

Board Action: Executive Directors' **information**

Mr. Okamura's Report to the Executive Board on His Visit to Sri Lanka and Japan
May 31–June 8, 2023

I recently had the opportunity to visit Sri Lanka with Mr. Chandranath Amarasekara (Alternate Executive Director). In Colombo, we met President and Minister of Finance Wickremesinghe, Governor Weerasinghe, Minister of Foreign Affairs Sabry, Minister of Justice Rajapakshe, President's Chief of Staff Ratnayaka, State Minister of Finance Semasinghe, State Minister of Justice Jayarathne, and Secretary to the Treasury Siriwardana. My discussions with these officials centered around the need for steadfast program implementation, as well as the importance of sustained reforms to strengthen governance and the urgency to advance the implementation of the government's debt restructuring strategy, including clarifying the treatment of domestic debt. We also had fruitful exchanges with the Speaker of the Parliament Abeywardena, the Leader of the Opposition Premadasa, and several prominent Parliamentarians from various parties. In these meetings we encouraged them to build broader consensus around the reforms. We had constructive discussions with the State Minister of Investment Promotion Amunugama, State Minister of Ports, Shipping, and Aviation Ruwanchandra, and members of the Ceylon Chamber of Commerce on ways to improve the business environment and attract investment.

During my two-day visit, I was able to engage in several outreach events.

- After a guided tour of the Parliament by the Speaker, I addressed Parliamentarians on the importance of their role in upholding good governance. I was heartened by the open discussions of Parliamentarians from many parties, including the opposition.

- A visit to the Colombo Dockyard allowed me to appreciate Sri Lanka's engineering feats in ship repair and ship building. The visit included a tour of a cable laying and repair ship, newly built in the dockyard.

- I was able to witness container transportation activities at the South Asia Gateway Terminal—one of the three operating terminals at the Colombo Port. I was impressed by the 24/7 operations at the port and the plans to build several new terminals to expand capacity.

- In *Colombo Port City*—a special economic zone and international financial center, under construction on reclaimed land from the ocean—I learned of the potential possibilities to attract investment and boost growth.

I came away from my visit with an appreciation of the enormous challenges facing Sri Lanka. I conveyed our continued commitment to help the country through this difficult period and called on the government and opposition to strengthen ownership of the necessary reforms. We will continue to be productively engaged, not only with policy advice but with critical capacity building activities. I would also like to acknowledge the support of the Resident Representative Office during the visit, which reaffirmed my view of the importance of their work to further strengthen our engagement with the authorities.

I next attended the Eighth Tokyo Fiscal Forum titled “Building Resilience and Reshaping Fiscal Policy in Asia and the Pacific Region” on June 6-7, co-hosted by Japanese Ministry of Finance and Asian Development Bank Institute. Senior MOF officials were invited, and the forum was held in a hybrid mode, having 70 in-person and 70 virtual attendants from 20 countries in the region. This year’s forum focused on (i) the relevance of the fiscal-monetary policy mix for disinflation, and (ii) global cooperation and climate change. I delivered welcome remarks. In my remarks, I emphasized that fiscal policy can support monetary policy in the disinflation effort, mentioning that fiscal consolidation sends a powerful signal that macro-economic policies are aligned in the fight against inflation. I also noted that carbon pricing would be the ideal centerpiece but may need reinforcement from sectoral measures like feebates and regulations, together with public infrastructure investments and transition measures to make the economy and society more resilient.

The trip to Tokyo also provided me an opportunity to hold bilateral meetings with the Japanese authorities.