

An Open Letter to the Governor of Central Bank

Those who saw the news papers today may heave a cautious sigh of relief, based on his hopeful assurances. The Governor is optimistic that the inflation of Sri Lanka may not go as high as 70% as feared. Also the view has been expressed that the dire shortage of foreign exchange also has eased to be able to import our essentials such as food medicine and fuel.

In this context, while being thankful for the glimmer of hope for the future of Sri Lanka, I hope that this message will not be considered as signal to go back to our wasteful and profligate practices of the past, which reduced Sri Lanka to the beggar status. As such it is important for Dr Weerasinghe and the central bank to remain cautious and vigilant and not release any foreign exchange expenditure for import of any thing that cannot be recognized strictly as essential and for which there is no ready indigenous alternative. He is also wisely considering limiting the recently introduced open account imports as well, which he feels is not the reason for recent positive signs of improved supplies of food items and some reduction of prices.

It is the unfortunate reality, that there is no short term option but to remain nearly 100% dependent on fossil fuel for our transport needs. The nation's gratitude is due to the Hon. Kanchana Wijesekera, Minister for Power and Energy for the near miracle he performed by getting rid of the miles long fuel queues all over the country, with the introduction of the QR system. There may be some improvements and changes necessary to address the sectors such as fuels supplies for the agricultural machinery, fishery sector and the construction equipment, which are strictly not transport related, but are equally important for the economy in no small measure. I am sure he would addresses these improvements needed, if not already in place. He has also taken the important step to ensure the operation of the refinery at full capacity, which is a most important decision to further reduce the expenditure of the inescapable draining of the foreign expenditure.

It is heartening to read that the monthly drain has already been halved from the predicted \$ 500 million to \$ 235 Million per month. Those who use the limited quantities of fuel issued will now be forced to be frugal in their usage, which is now forced on Sri Lankans, who were driven in the direction of living way beyond their means by successive governments.

However, I would like to bring to the kind attention of the Governor, that uncontrolled import of LPG which costed \$ 350 Million in year 2020 as per CBSL data and now likely to exceed \$ 400 Million, if allowed the freedom, does not in any way fall in to the category of essential imports, merely for the purpose of cooking. This is due to fact that unlike in the case of transport fuels, we do have acceptable indigenous alternatives. I have previously tried to get this message across to the authorities and people of Sri Lanka, which appears to have fallen on deaf years, considering the recent action to use borrowed Dollars to import large quantities of LPG.

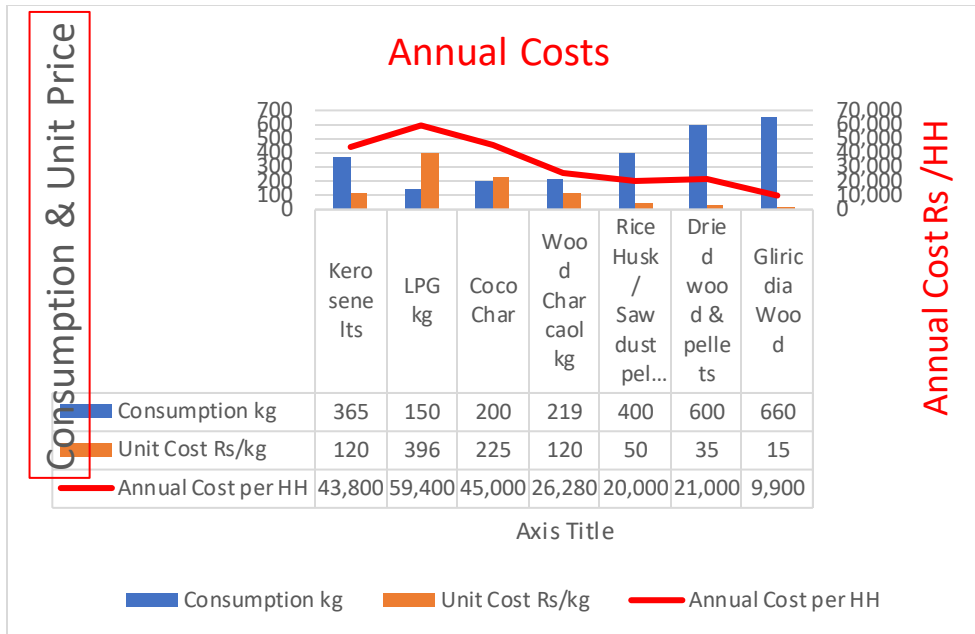
Obviously the Government would have considered this being necessary for political expediency, instead of recognizing the emerging trends of innovative Sri Lankans introducing very acceptable alternatives both for the domestic sector and the restaurant sector.

But this unwise and short sighted action, has all but destroyed the nascent industry of manufacture of wood and wood charcoal based cooking stoves, which were being readily accepted by the consumers. The authorities failed to recognize this trend evidenced by the fact that, while there were queues of empty LPG cylinders at all outlets, people had decided to go back home and adopt alternatives when absolutely no LPG was available for nearly two months.

The present practice of trying to get back to the use of LPG using Dollars borrowed for consumption, for which we do have a viable alternative, and the daily news items that Sri Lanka is defaulting on payments of all the past loans, and is considered unsustainable, is nothing short of deception of the public. The consumer themselves, if not the authorities should recognize the following to which they contribute with every purchase of the LPG Cylinder

1. The import of LPG is possible only through loans which will have to be paid by our children and grandchildren
2. Continued dependence on LPG is a never ending problem and will need more and more loans with no chance of the LPG usage leading to any foreign exchange earnings
3. The loans taken have to be repaid by the entire country, while the benefit is enjoyed by only a limited section of the society, which is morally unacceptable
4. For those fortunate to get even a cylinder of LPG, adopting the already available options of stoves using either charcoal or wood, for the cooking of the main meals, would substantially reduce the monthly expenditure as shown below. This would preserve the LPG cylinder bought with difficulty, to be available for any limited usage in between and for any emergencies for many months.

Therefore it is no sacrifice by the consumers, as they stand to gain substantially by at least halving the annual cost of cooking energy, for accepting perhaps a minor inconvenience, as shown below.



The consumers can be the drivers of the change which would reduce the demand for LPG and thus save the country millions of Dollars year after year.

This would create a significant indigenous industry whereby the millions of Dollars sent out would flow to the local industrialists and rural communities supplying the charcoal and wood. Even a 50% reduction of the imports could result in a local industry worth over Rs 80 Billion annually.

Our appeal to you as the Governor of Central Bank, who has taken on the herculean task of salvaging the economy and the pride of the Sri Lanka nation, is to demand at least a 50% reduction of the drain of Dollars for this non-essential import which had been foisted on unsuspecting consumers by aggressive and fraudulent promotions for commercial interests alone. The potential of a very vibrant industry with majority of the benefits flowing to the rural economy of over Rs 80 Billion annually cannot be ignored any more.

Eng Parakrama Jayasinghe

19th August 2022

