Issue No. 366 3rd SEPTEMBER 2026 CEYLON INDEPENDENT @+94 77 230 0305

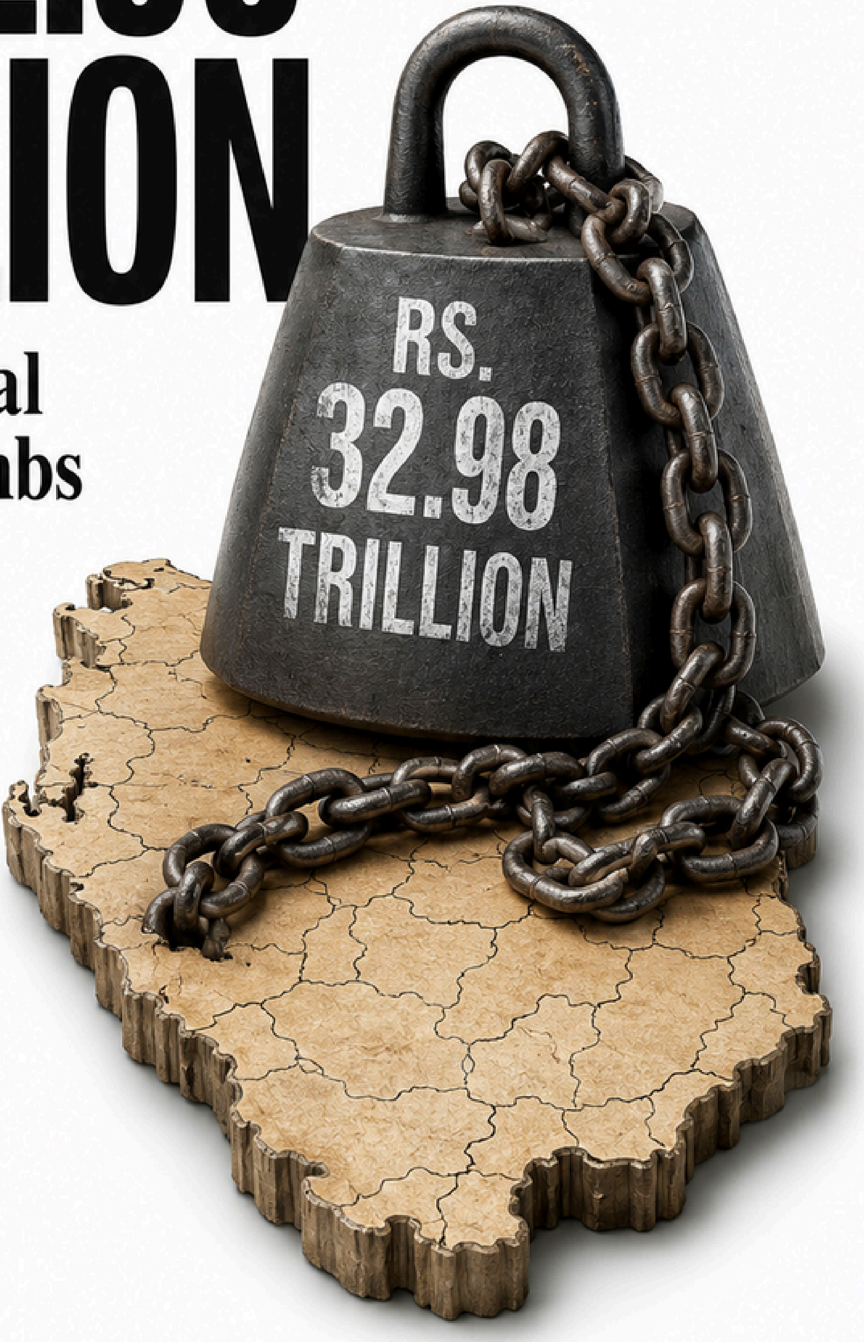
"Questioning The Answers"

DEBT CLOCK KEEPS TICKING

RS. 32.98 TRILLION

Sri Lanka's total public debt climbs in July

The country's total public debt rose to Rs. 32.98 trillion at the end of July, up from Rs. 32.05 trillion in June, Central Bank data shows.



IN DETAIL

- External debt increased to Rs. 18.10 trillion in July from Rs. 17.70 trillion in June.
- Domestic debt rose to Rs. 14.87 trillion from Rs. 14.35 trillion.
- Debt restructuring remains crucial as the country works to restore sustainability.

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"Questioning The Answers"

THE DEBT CLOCK IS TICKING AGAIN

Sri Lanka's public debt climbs Rs. 744 billion in three months to Rs. 32.98 trillion, even as its dollar value falls

NEWSLINE LEAD

Sri Lanka may have emerged from the worst of its economic collapse, but the arithmetic sitting behind the recovery remains formidable.

The country's gross public debt increased by approximately Rs. 744 billion during the second quarter of 2026, reaching Rs. 32.98 trillion by the end of June, according to figures contained in the Public Debt Management Office's latest Statistical Debt Bulletin.

At the end of March the corresponding figure was Rs. 32.23 trillion. In three months, therefore, the rupee value of the debt stock increased by about 2.3 percent.

There is an important qualification. Measured in US dollars, Sri Lanka's gross public debt actually declined from approximately US$102.27 billion at the end of March to US$97.95 billion at the end of June, a reduction of about US$4.32 billion.

That apparent contradiction matters.

Debt expressed in rupees can rise while its dollar equivalent falls because exchange rates, the composition of borrowing, repayments and new financing all affect the numbers. It would therefore be misleading simply to declare that Sri Lanka borrowed another Rs. 744 billion and leave it there.

But it would be equally misleading to pretend that Rs. 32.98 trillion is merely an accounting curiosity.

Sri Lanka has undergone one of the most painful economic adjustment programmes in its modern history. Taxes have risen, subsidies have been reduced, electricity and fuel pricing have been restructured, State spending has been constrained and ordinary households have been repeatedly told that fiscal discipline is the price of preventing another collapse.

Against that background, the size and direction of public debt deserve considerably more public attention.

The Government's challenge is no longer simply to demonstrate that Sri Lanka can service its obligations following restructuring. It must show that the economy can grow sufficiently quickly, generate sufficient revenue and attract sufficient productive investment to make the debt burden progressively less threatening.

That is a much harder test than stabilising a currency or rebuilding reserves.

There are positive signs elsewhere. Sri Lanka has regained a degree of macroeconomic stability and the rupee has been relatively steady in recent trading. But stability is the starting line, not the finishing tape.

The danger is that Sri Lanka becomes comfortable with recovery statistics while overlooking the enormous liability sitting underneath them.

Rs. 32.98 trillion is ultimately not owed by a Government in the abstract. Governments do not earn money independently of the country they govern.

The bill belongs, directly or indirectly, to Sri Lanka and its taxpayers.

That makes the next phase of economic policy crucial. Borrowing that finances productive infrastructure, exports and economic expansion can help enlarge the economy from which tomorrow's debt must be serviced. Borrowing that finances inefficiency simply moves today's problem into somebody else's tomorrow.

Sri Lanka has already discovered what happens when that tomorrow finally arrives.

The country therefore has every reason to welcome the progress made since 2022. It has just as much reason to keep watching the debt clock.

Because at Rs. 32.98 trillion, it is still very much ticking.
be that as it may

The underlying debt figures are reported from the Public Debt Management Office bulletin: Rs. 32.23 trillion at end-March rising to Rs. 32.98 trillion at end-June, while the dollar value fell from US$102.27 billion to US$97.95 billion.

TOURISM HITS AN AUGUST SPEED BUMP

191,704 visitors arrived during the month, but the figure was 3.3 percent lower than last August as Sri Lanka searches for stronger tourism momentum

Sri Lanka welcomed 191,704 tourists in August, an impressive number until it is placed beside the 196,845 visitors who arrived during the same month last year.

The result was a 3.3 percent year-on-year decline, according to official tourism data, continuing an uneven year for one of the country's most important sources of foreign exchange.

India remained comfortably Sri Lanka's largest tourism market, supplying 47,253 visitors during August, approximately one quarter of the monthly total. The United Kingdom followed with 19,588 arrivals, China with 12,321, Germany with 11,405 and France with 10,885.

For the first eight months of 2026, Sri Lanka recorded 1,535,122 tourist arrivals.

Those are substantial numbers and the industry has travelled a considerable distance from the extraordinary sequence of shocks caused by the Easter attacks, the pandemic and the economic crisis.

But tourism performance should no longer be measured simply by celebrating every arriving passenger.

The real test is whether Sri Lanka is attracting enough visitors, whether they are staying long enough and, critically, whether they are spending enough money while they are here.

That distinction matters because visitor numbers and tourism earnings do not necessarily travel together.

June tourism earnings fell to approximately US$151 million, the lowest monthly figure in 32 months and 10.9 percent below the corresponding month last year. The industry therefore needs growth in yield as much as growth in heads through the airport.

August should have offered some natural advantages. The Kandy Esala Perahera remains one of Sri Lanka's strongest cultural attractions and the European summer provides an opportunity to market the island beyond its traditional winter season.

Yet arrivals still finished below August last year.

There is no reason for panic. One weaker month does not make a tourism crisis.

It does, however, reinforce the case for Sri Lanka to stop treating tourism success as a competition over arrival numbers alone.

A million tourists who spend more, stay longer and travel beyond the familiar coastal belt can be considerably more valuable than a larger number attracted primarily by cheap rooms.

Sri Lanka has the beaches, wildlife, mountains, heritage, food and climate.

The harder part is turning those assets into dollars.

The August total of 191,704 was 3.3% below August 2025. India provided 47,253 visitors, followed by the UK and China; first-eight-month arrivals reached 1,535,122.

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RS. 5.8 BILLION TO PUT THE TANKS BACK TO WORK

World Bank-backed programme will rehabilitate 296 minor irrigation tanks across Sri Lanka, with Badulla receiving the largest share of restoration work

Far from Colombo's highways and towers, some of Sri Lanka's most important infrastructure consists of something considerably older and less spectacular: water held behind an earthen bund.

The Government has begun rehabilitating 296 minor irrigation tanks under a World Bank-funded programme costing more than Rs. 5.8 billion.

The work is being undertaken through the Integrated Rural-Urban Development and Climate Resilience Project and is expected to continue until 2029.

Of the 296 tanks, 290 are spread across 18 districts and were damaged by Cyclone Ditwah. Approximately Rs. 5.58 billion has been allocated for their rehabilitation under the project's emergency-response component.

Badulla accounts for the largest number, with 97 tanks earmarked for restoration. Ratnapura follows with 29, Mannar with 24 and Kurunegala with 19, while Kandy and Vavuniya have 15 each.

Another six minor irrigation tanks in Polonnaruwa, Hambantota and Jaffna are being rehabilitated at a cost of approximately Rs. 256 million.

The numbers tell only part of the story.

For farming communities dependent upon minor irrigation, a functioning village tank can determine whether land produces a crop, whether cultivation survives a dry spell and ultimately whether a family has an income.

Sri Lanka's ancient irrigation civilisation understood that relationship remarkably well.

Climate change is now making it important all over again. Periods of intense rainfall followed by extended dry conditions require the country to become better at capturing water when it arrives and managing it when it does not.

Restoring 296 tanks is therefore not simply another rural construction programme. Properly implemented, it should increase water-storage capacity, improve irrigation efficiency and give agricultural communities greater protection against both floods and drought.

There will be another test.

Rs. 5.8 billion must produce 296 properly functioning irrigation systems, not merely 296 completed contracts.

For the farmers waiting downstream, the difference is everything.

The programme covers 296 tanks and more than Rs.5.8 billion. Of these, 290 cyclone-damaged tanks across 18 districts account for roughly Rs.5.58 billion of expenditure; Badulla alone has 97 tanks scheduled for rehabilitation.

AT LAST, A NATIONAL POLICY ON WHAT WE EAT

Sri Lanka launches its first National Food Safety Policy, promising coordinated regulation from farm to plate

Sri Lanka has food laws, inspectors, laboratories, standards and numerous institutions responsible for protecting what reaches the dinner table.

What it has not had until now is a single overarching National Food Safety Policy coordinating them.

That changed yesterday with the launch of Sri Lanka's first National Food Safety Policy, developed under the Ministry of Health and Mass Media through the Food Control Administration Unit with technical support from the UN Food and Agriculture Organization and funding from the European Union.

The policy seeks to create a coordinated, risk-based national system covering the food chain from production to consumption.

Its priorities include stronger institutional coordination, improved food controls, updated laws and standards, better surveillance and laboratory capacity, scientific risk analysis, public education and a system for monitoring whether the policy actually works.

That last part may prove particularly important.

Sri Lanka has rarely suffered from a shortage of policies. The more persistent problem has been converting carefully drafted documents into enforcement on the ground.

Food safety is especially unforgiving of that gap.

The issue ranges from pesticide residues on vegetables and contamination during production to storage, transport, restaurant hygiene, labelling and imported food. One weak link can render the remainder of the regulatory chain largely irrelevant.

There is an economic dimension too.

Earlier this year, concerns were raised over agrochemical residue levels in some Sri Lankan fresh fruit and vegetable exports to the European Union.

Cabinet subsequently approved measures requiring certain EU-bound produce to come through farms, exporters and packing facilities certified under Sri Lanka Good Agricultural Practices guidelines.

Food safety therefore does not end at the kitchen table. Export markets, tourism and Sri Lanka's reputation as an agricultural producer depend upon it as well.

The new policy is expected to be supported by an updated Food Act now under consideration.

That combination could give Sri Lanka a considerably stronger regulatory framework.

But a policy cannot inspect a kitchen, test a vegetable, close an unsafe factory or prosecute an offender.

People and institutions must do that.
The policy is finally here.

Implementation is what we should watch next.

The policy launched on September 2 is Sri Lanka's first overarching National Food Safety Policy. It establishes six strategic priority areas and is expected to be supported by a proposed updated Food Act. The EU residue issue was separately acknowledged in a May Cabinet decision.

WHAT IS HAPPENING AT THE EASTERN TERMINAL?

Sajith Premadasa alleges delays, conflicts of interest and unauthorised extensions at the Colombo Port project. The allegations now require answers from those responsible for the ECT

Opposition Leader Sajith Premadasa has raised a series of serious allegations concerning the second phase of the Eastern Container Terminal development at Colombo Port, including delays, conflicts of interest, questionable payments and repeated extensions to the project timetable.

They are allegations and should be treated as such unless established by evidence.

But they are sufficiently specific to require an equally specific response from the Sri Lanka Ports Authority and the Government.

Premadasa raised the issues following discussions with engineers, claiming the second phase of the project began in January 2023 and was originally scheduled for completion by January 3, 2025.

More than a year and a half after that deadline, he says the work remains incomplete.

Among his most significant claims is that personnel are

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WHAT IS HAPPENING...

serving both within the Project Management Unit and the advisory team, although the two functions were intended to operate separately.

If correct, that raises an obvious governance question.

A system of project supervision works only if the people responsible for scrutinising decisions possess sufficient independence from those involved in making them.

Premadasa also alleges that the project still lacks a permanent project director and that its completion deadline has been repeatedly extended. He claims a third extension expired on July 7 this year and that a fourth extension is proceeding without proper authorisation from the Ports Authority.

He has further alleged irregularities involving payments and continuing advance payments that he says have caused losses.

No finding of wrongdoing follows simply because the Leader of the Opposition makes an allegation.

Equally, a major piece of national infrastructure cannot be insulated from scrutiny simply because the allegations come from the Opposition.

The Eastern Container Terminal matters enormously to Sri Lanka.

Colombo's location along one of the world's busiest shipping routes gives the country an advantage geography provided free of charge. Converting that advantage into transshipment business requires capacity, efficiency and confidence in the management of the port.

Delays cost money.

Poor governance can cost considerably more.

The appropriate response therefore need not be another political argument between Government and Opposition. The Ports Authority can answer the substantive questions.

What was the original completion date? Why was it missed? Who authorised each extension? What is the present cost? What payments have been made? Is there a conflict between project management and advisory functions? And when exactly will the second phase be completed?

If the allegations are wrong, the documents should demonstrate it.

If they are right, the country has a considerably bigger problem.

Premadasa made the allegations on September 2 after meeting engineers. The claims include incomplete work after the original January 2025 deadline, overlapping project-management and advisory roles, absence of a permanent project director, repeated extensions and alleged payment irregularities. They remain allegations at this stage.

THEIR MONEY. THEIR RIGHT TO KNOW.

There is something about Rs. 5.5 trillion that ought to concentrate the mind.

That is roughly the combined scale of the Employees' Provident Fund and Employees' Trust Fund, two enormous pools of money accumulated for the benefit of Sri Lanka's workers.

The EPF alone holds assets exceeding Rs. 4.9 trillion and covers more than 2.5 million members. The ETF has assets exceeding Rs. 637.5 billion and more than three million active members.

The Government is considering changing how these funds are governed.

Cabinet has appointed a senior officials' committee to examine whether the functions of the EPF and ETF should operate within a unified governance framework overseen through a tripartite structure representing Government, employers and employees.

That distinction is important. There has not yet been a decision to merge the money in the two funds, and the Government has subsequently stated that the EPF and ETF would remain separate financial entities.

Nor should the proposal automatically be condemned merely because it involves change.

The present arrangements are hardly sacred.

The EPF is presently divided between the Central Bank, which handles custody, investment management, financial administration and payment of benefits, and the Labour Department, which deals with registration, compliance, recovery of dues and protection of employee rights.

The ETF already operates under a board containing Government, employer and worker representation.

There may therefore be perfectly legitimate reasons for examining whether the system can be administered better. But there is an equally legitimate reason why workers are suspicious.

It is their money.

The State did not earn it. Ministers did not save it. Parliament did not accumulate it. It exists because employers and employees contributed towards the future financial security of workers.

That distinction should govern everything that follows.

The Government says tripartite governance reflects internationally accepted practice. Fine.
Then let us have international standards of transparency too.

Publish the committee's eventual report. Publish the proposed governance structure. Tell workers who will appoint the directors, what qualifications they must possess, how they may be removed and what conflicts of interest will disqualify them.

More importantly, explain who will control investment decisions.

That is where the real power lies.

A board may contain representatives of Government, employers and employees and still provide inadequate protection if those controlling trillions of rupees can direct investments without rigorous fiduciary duties, professional investment criteria and public accountability.

The debate should therefore not descend into the convenient simplicity of Government versus trade unions.

The unions protesting yesterday have every right to raise the alarm. They do not, however, acquire a veto merely because they represent workers. Nor does Government acquire superior wisdom merely because Cabinet has approved a study.

The test is much simpler.

Which arrangement best protects the beneficiaries?

Sri Lanka should be particularly cautious because a workers' retirement fund of this magnitude inevitably attracts interests other than those of the workers themselves.

Rs. 5.5 trillion is not merely a retirement fund. It is an extraordinary concentration of investible capital.

Governments can see financing.

Businesses can see investment.

Financial institutions can see opportunity.
Workers see something altogether different.

They see their retirement.

That is why any new structure must contain protections capable of surviving not merely this Government but every Government that follows it.

There should be clear fiduciary obligations. Investment decisions should be professionally made. Related-party transactions must be tightly controlled. Conflicts must be disclosed.

Accounts and investment performance should be published. Independent audit should be mandatory

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THEIR MONEY...

and parliamentary oversight should never become political control of investment decisions.

Above all, the beneficiaries must be able to see what is being done with their money.

This Government may genuinely believe that a new governance structure will improve the EPF and ETF.

If so, it should have no difficulty proving it.

Put the proposal on the table.
Let employers examine it.

Let economists examine it. Let investment professionals examine it. Let trade unions examine it.

And let the millions of Sri Lankans whose money is actually sitting in those funds examine it too.

Reform should not frighten us.
Secrecy should.

Because whatever administrative structure ultimately emerges, one principle should remain immovable.
The EPF and ETF are not convenient reservoirs of State capital.

They are the workers' money.

And the workers have a right to know exactly who is going to have their hands on it.
be that as it may

The factual foundation is unusually strong here. Cabinet itself records EPF assets exceeding **Rs.4.9 trillion** and ETF assets exceeding **Rs.637.5 billion**.

It says the study is into a tripartite Government-employer-employee structure with full legal and financial protection for members' assets. Trade unions nevertheless protested on September 2 over what they see as the risks of changing control of the funds.