

**NEWSLINE***Daily by Faraz***"Questioning
The Answers"****BREAKING NEWS**

GOTABAYA ASKED THE COURT TO STOP HIS ARREST. THE COURT WOULD NOT.

Former President Gotabaya Rajapaksa went to the Court of Appeal seeking protection from arrest and detention in the continuing investigation into the Easter Sunday attacks.

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GOTABAYA ASKED THE COURT TO STOP HIS ARREST. THE COURT WOULD NOT.

Former President Gotabaya Rajapaksa went to the Court of Appeal seeking protection from arrest and detention in the continuing investigation into the Easter Sunday attacks. Yesterday the Court declined even to issue notices on his application and dismissed it without proceeding to a full hearing. Seven and a half years after Easter Sunday, the investigation has reached another former President.

Rajapaksa had sought a writ preventing the Criminal Investigation Department from arresting and detaining him under the Prevention of Terrorism Act in connection with the investigation.

The application came before Court of Appeal President Justice Rohantha Abeyseriya and Justice Sarath Dissanayake. After considering submissions, the Court declined to exercise its writ jurisdiction and dismissed the petition at the threshold.

That distinction matters.

The Court has not convicted Gotabaya Rajapaksa of anything. It has not decided that he should be arrested. Nor has yesterday's decision established his responsibility for any aspect of the Easter Sunday attacks.

It has declined his attempt to obtain an order preventing investigators from arresting him.

That leaves the investigative process to continue according to law.

Rajapaksa's President's Counsel Romesh de Silva subsequently sought permission to lodge a special appeal against the decision. The matter is due to return to court on October 9 for submissions on that request.

And so Sri Lanka returns once again to Easter Sunday.

On April 21, 2019, suicide bombers attacked churches and hotels while families were celebrating Easter and visitors were eating breakfast. More than seven years later, the country is still trying to establish the complete chain of responsibility surrounding one of the worst acts of terrorism in its history.

There have been commissions. There have been parliamentary proceedings. There have been investigations, prosecutions and judgments. There have been political accusations in almost every direction.

What the victims and their families have repeatedly wanted is considerably simpler.

The truth.

Gotabaya Rajapaksa occupies an unusual place in that history. He became President later in 2019,

campaigning in an environment transformed by the attacks and promising national security.

His present legal position must nevertheless be treated with the same care afforded to anybody else.

An investigation is not a conviction. The possibility of arrest is not proof of guilt. A court declining to prevent an arrest does not establish that an arrest will happen.

Those distinctions become particularly important when the individual concerned is a former President and the crime being investigated remains one of the most politically charged events in modern Sri Lankan history.

The other side of the principle is equally important.

Former Presidents are citizens too.

Holding the highest office in the country cannot permanently place somebody outside the reach of an investigation any more than having once held office should make somebody automatically guilty of whatever investigators subsequently allege.

The law has to work in both directions. That is why yesterday's decision matters beyond Gotabaya Rajapaksa.

Sri Lanka has spent decades arguing about political interference in investigations, selective prosecution and the protection supposedly enjoyed by powerful people.

The answer cannot be to presume guilt when somebody powerful is investigated.

It is to permit a lawful investigation to proceed and then require investigators to prove whatever case they believe they have.

Be that as it may, seven and a half years after Easter Sunday, Sri Lanka is still asking who knew what, who did what and who failed to do what they should have done.

Yesterday the Court of Appeal decided that one former President could not use a writ to put himself beyond those questions.

THEY SENT HOME US\$6.1 BILLION. TOURISM BROUGHT IN US\$2.1 BILLION. WHO IS REALLY KEEPING THE DOLLARS COMING?

Sri Lanka loves tourists. We count them when they arrive, celebrate the millions, worry when the numbers fall and spend considerable amounts of money trying to persuade still more of them to come. Yet another group of people has quietly delivered almost three times as much foreign exchange to this country this year. They are Sri Lankans who left it.

Workers' remittances reached US\$6.1 billion during the first eight months of 2026, rising 19.8 percent from a year earlier. Tourism earnings over precisely the same period were US\$2.1 billion and actually fell 10 percent. Tourist arrivals themselves were down 2 percent.

The comparison is not entirely like-for-like. Tourism creates employment and economic activity throughout the country. A dollar spent in a hotel does rather more than simply become a dollar in the banking system.

It pays wages, buys vegetables, hires vehicles, keeps restaurants open and supports businesses ranging from laundry services to whale watching.

But US\$6.1 billion against US\$2.1 billion is rather difficult to ignore.

In August alone Sri Lankan workers abroad sent home US\$749 million. Tourism generated US\$264 million. Remittances therefore produced nearly three tourism dollars for every one tourism earned that month as well.

There is an irony here. Sri Lanka desperately needs foreign exchange, but one of its most successful foreign-exchange industries consists of exporting Sri Lankans.

Some are doctors, engineers and accountants. Many more are caregivers, domestic workers, drivers, construction workers and other employees who spend years away from their families because the salary available somewhere else makes separation worthwhile. We receive the dollars. Their families absorb much of the price.

The question is what Sri Lanka does with this extraordinary river of money.

Remittances are overwhelmingly private money and the State has no business telling families how to spend them. But government can create reasons for Sri Lankans abroad to keep more of their accumulated savings here.

Credible diaspora investments, housing products, retirement accounts and properly protected investment opportunities could turn part of this annual flow into longer-term capital.

That requires trust, and trust cannot be gazetted.

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THEY SENT HOME...

A Sri Lankan working in Dubai, Doha, London or Milan has to believe that the rules governing an investment made today will still make sense tomorrow.

He must believe he can take his money out again. She must believe the institution holding her savings will be properly supervised.

There is another number worth putting alongside the US\$6.1 billion. Sri Lanka's gross official reserves stood at US\$6.9 billion at the end of August, including the People's Bank of China swap. The two figures represent entirely different things, but their proximity demonstrates the sheer scale of what migrant workers are sending home.

Be that as it may, perhaps the next great Sri Lankan foreign-exchange strategy does not begin with another slogan at a tourism exhibition.

It may begin at the departure gate.

WE SOLD. WE BOUGHT MUCH MORE. THE GAP IS NOW US\$7.2 BILLION.

Sri Lanka's trade deficit has widened from US\$4.3 billion to US\$7.2 billion in a year. That is another US\$2.9 billion separating what this country earns from selling goods to the world and what it spends buying goods from it. We have seen this movie before. The ending was not especially enjoyable.

There is nothing inherently alarming about imports rising when an economy recovers. Factories import machinery. Manufacturers import raw materials. Businesses replace equipment. Consumers begin buying things they postponed purchasing during harder times.

A country that imports nothing is not necessarily a healthy country. It may simply be a very poor one.

But Sri Lanka's latest numbers deserve attention because imports are expanding considerably faster than the foreign-exchange earning capacity required to pay for them.

The merchandise trade deficit during January to August reached US\$7.2 billion, compared with US\$4.3 billion during the corresponding period last year.

The Central Bank also says Sri Lanka's terms of trade deteriorated because import prices increased faster than export prices. And then there is fuel.

Sri Lanka spent approximately US\$4 billion importing it during the first eight months of the year. That was 61.6 percent more than during the same period in 2025. Motor vehicles consumed another US\$1.684 billion of foreign exchange.

Some of this reflects circumstances Sri Lanka did not create and cannot control. The Middle East crisis has pushed external-sector pressures sharply higher. Fuel prices are determined thousands of kilometres from Colombo.

That explanation is perfectly valid.

It does not make the bill disappear.

There are cushions. Remittances have been extraordinarily strong at US\$6.1 billion. Tourism produced another US\$2.1 billion. Services continue generating a surplus, although that surplus itself has weakened.

August even produced some welcome news. After four consecutive monthly deficits, Sri Lanka recorded a US\$133 million current-account surplus. But across January to August the current account remained US\$291 million in deficit.

None of this means another foreign-exchange crisis is around the corner. It would be irresponsible to suggest it. It does mean Sri Lanka should remember what the last one taught us.

A reserve number is not an economy. Dollars accumulated at the Central Bank provide protection, but sustainable external strength eventually comes from producing goods and services that foreigners want to buy. Sri Lanka still exports garments and tea. IT and business services have become increasingly important.

Tourism matters enormously. Yet the fundamental question remains stubbornly familiar: what are we going to sell the world in sufficient quantities to finance everything we increasingly want to buy from it?

Sri Lanka spent years after 2022 discussing debt restructuring, reserves, IMF targets and fiscal reform. Necessary as all of that was, none of it abolishes the arithmetic of trade.

US\$4.3 billion became US\$7.2 billion in twelve months.

Be that as it may, when a gap grows by US\$2.9 billion in eight months of trading, it is probably worth looking into the gap before congratulating ourselves on what is sitting in the bank.

WE IMPORTED US\$1.68 BILLION IN VEHICLES. THEN CAME THE FUEL. WHY NOT CHANGE THE EQUATION?

Sri Lanka spent US\$1.684 billion importing vehicles during the first eight months of this year. It spent about US\$4 billion importing fuel. The first is largely a one-off foreign-exchange cost. The second comes back every year. Perhaps we are taxing the wrong problem.

The fuel number is particularly revealing.

January to August fuel imports were 61.6 percent higher than a year earlier. Working backwards from the Central Bank figure puts the comparable 2025 bill at roughly US\$2.48 billion. Sri Lanka therefore spent approximately **US\$1.52 billion more on fuel in just eight months this year.**

That increase cannot simply be blamed on newly imported vehicles. It should not be. Higher petroleum

prices and the Middle East crisis have played an enormous part.

But that is precisely where the argument becomes interesting.

Sri Lanka cannot decide what happens in the Middle East. It cannot determine the price of crude oil. It cannot guarantee that the Strait of Hormuz remains open.

It can decide whether the next generation of vehicles on Sri Lankan roads needs petrol.

What if we stopped treating electric vehicles as merely another source of Customs revenue and used taxation deliberately to change the country's vehicle fleet?

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Take a radical example.

Suppose a pure battery-electric vehicle, not a hybrid, attracted a flat **10 percent tax on CIF value**. Suppose conventional petrol and diesel passenger cars were pushed in precisely the opposite direction, with the effective tax burden deliberately increased to perhaps **350 percent**.

Buses, coaches and essential commercial vehicles would need separate treatment. Punishing public transport while encouraging private electric cars would be a rather peculiar environmental policy.

But look at what the proposed difference would do.

Take two cars each arriving in Colombo with a hypothetical CIF value of US\$30,000. Under our 10 percent proposal the pure EV attracts US\$3,000 in tax. Under a hypothetical 350 percent regime, the petrol vehicle attracts US\$105,000.

Nobody would misunderstand the message.

The immediate objection is obvious. Government would surrender substantial tax revenue on EV imports. In a country still rebuilding its public finances, that cannot simply be waved away because electric cars are fashionable.

So calculate the other side.

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WE IMPORTED US\$1.68...

A petrol vehicle does not stop costing Sri Lanka foreign exchange when it leaves the port. It begins doing so. Every tank of imported petrol it consumes during the next ten or fifteen years is another demand for dollars.

The EV is different. Sri Lanka imports the car and battery, but the energy moving it can increasingly be produced here. Hydro already does it. Solar does it. Wind does it. Even where electricity generation still depends upon imported fuel, the direction of travel can change as renewable generation expands.

And that is why the real calculation should not be Customs revenue on the day the car arrives.

It should be the foreign-exchange cost of that vehicle over its working life.

There are complications. Sri Lanka would need charging infrastructure, grid capacity, battery recycling, technical skills and sensible standards.

A rush of cheap EV imports without those things would simply create another problem wearing an environmentally friendly badge.

Hybrids should also be treated honestly. They may consume less petrol, but they still consume petrol. If the national objective is eventually to break the link between mobility and imported petroleum, a hybrid is a transition technology, not the destination.

The Central Bank says Sri Lanka spent approximately US\$4 billion on fuel in eight months. That is the number against which the lost tax revenue from cheaper EVs must eventually be measured.

Be that as it may, perhaps we should stop asking how much tax government can collect when a car enters Sri Lanka.

The more important question may be how many dollars that car will keep taking out of Sri Lanka after it gets here.

MONEY IS LEAVING SRI LANKA. THE BANKS AND CUSTOMS DO NOT ALWAYS AGREE ON WHY.

Sri Lanka spent years desperately searching for dollars. Now Parliament's Committee on Public Finance is examining something that ought to make everyone pay attention: unauthorised foreign-exchange outflows and discrepancies between banking and Customs records covering imports and exports. Somewhere between the invoice, the bank and the container, the numbers apparently do not always shake hands.

The Committee, chaired by Dr Harsha de Silva, brought together officials from the Finance Ministry, Customs, the Department of Trade and Investment Policy, Import and Export Control and the Central Bank, including its Foreign Exchange Department.

That is quite a collection of institutions. It also tells us something about the problem.

Sri Lanka has rules governing how foreign exchange leaves the country. Importers legitimately need dollars to pay overseas suppliers. Businesses invest abroad. People emigrating are entitled, subject to the applicable rules, to transfer funds. International commerce cannot function if every dollar leaving Colombo is treated as suspicious.

But neither can a country with Sri Lanka's history afford to shrug when the records used to account for those dollars do not properly correspond.

The Committee specifically examined mechanisms for reducing discrepancies between banking and Customs data relating to imports and exports and strengthening coordination between the agencies responsible for monitoring foreign exchange. It also considered regulations covering overseas investment by Sri Lankan residents and transfers by emigrants.



The important word here is coordination.

An importer buys US\$100,000 from the banking system to pay for goods supposedly worth US\$100,000. Customs should have a corresponding record of what entered the country and what value was declared.

That sounds beautifully simple. International trade rarely is. Prices vary. Freight costs move. Goods can arrive in separate shipments. Credit terms differ. Customs valuation and commercial invoices can produce legitimate differences. None of that proves wrongdoing.

But mismatches also create the obvious possibility of over-invoicing imports, under-invoicing exports or otherwise shifting money across borders disguised as legitimate trade. Sri Lanka should know which is which.

There is a danger in responding to this by simply adding another layer of regulation. The Committee itself warned that unnecessary restrictions could discourage legitimate business and hinder economic growth. That matters. A company waiting weeks for permission to pay a genuine foreign supplier will eventually decide that somewhere else is easier to do business.

So the answer cannot be another form, another signature and another official behind another counter.

The answer ought to be data.

Customs knows what was declared. Banks know what was paid. The Central Bank knows where foreign exchange moved. Import and Export Control knows what required permission.

In 2026 those systems should be capable of speaking to one another.

The timing could hardly be more appropriate. Sri Lanka's merchandise trade deficit has widened to US\$7.2 billion during the first eight months of this year. Every legitimate dollar required for trade must be available.

Which makes every illegitimate dollar leaving the country rather more important.

Be that as it may, before Sri Lanka invents another regulation to stop dollars escaping, perhaps somebody should make sure the government computers already watching those dollars are watching the same transaction.

AMERICA SAYS SRI LANKA WANTS INVESTORS. THE INVESTORS SAY THE RULES KEEP MOVING.

Sri Lanka wants foreign investment. Every government says so. There are investment forums, overseas delegations, tax incentives, industrial zones and glossy presentations explaining why this island is an irresistible place to put money. Then comes the less glossy bit: actually trying to do it.

The United States' latest assessment of Sri Lanka's investment climate presents a country recovering strongly from the economic crisis but still struggling with some remarkably familiar obstacles.

Regulatory unpredictability. Bureaucracy. Policy changes. Selective transparency. Slow approvals. Difficulties obtaining land. Complicated taxes. Weak contract enforcement.

It is a list Sri Lanka could probably have printed several governments ago.

Foreign direct investment reached approximately US\$1.06 billion in 2025, according to the assessment, equivalent to roughly one percent of GDP. That remains well below the three to four percent often recorded by emerging economies.

That matters because Sri Lanka needs rather more than borrowed money.

Debt has to be repaid. Foreign direct investment brings capital into businesses, factories, hotels, ports, technology and other enterprises in return for



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AMERICA SAYS...

ownership and future profits. Done properly, it creates employment, exports, taxes and productive capacity without simply adding another loan to the national balance sheet.

Sri Lanka has several genuine advantages.

It permits 100 percent foreign ownership across most sectors. It sits beside one of the world's busiest shipping routes. It has a relatively educated workforce, established export industries, improving macroeconomic stability and access to important overseas markets.



The American assessment acknowledges the political stability following the 2024 elections and the reassurance provided by continued adherence to the IMF programme. And yet investors remain cautious.

The Board of Investment is supposed to provide something approaching a one-stop shop. The problem is that many of the decisions an investor needs are not controlled by the BOI.

An investor may still encounter several ministries, regulators, local authorities and other government agencies before money becomes a functioning enterprise. One stop can therefore become several stops remarkably quickly. There is also the question of predictability.

Businesses can live with taxes. They can price taxes.

What is considerably harder to price is a rule that changes halfway through an investment.

A factory costing US\$100 million may take years to build and decades to recover its capital. Investors therefore care enormously about whether today's tax regime, energy policy, import rules and investment conditions have some reasonable chance of surviving tomorrow's political announcement.

There are positive developments. The BOI launched its Ready to Invest digital platform in May, and government has repeatedly promised digitisation, faster approvals and a more investment-friendly administration.

But foreign investors do not ultimately invest in promises. They invest in predictability.

Perhaps the most revealing comparison is not between Sri Lanka and Singapore or Dubai. Those comparisons are too easy.

Compare Sri Lanka with itself.

How many investors have expressed interest? How many received approval? How many actually transferred the money? How long did approval take? How many abandoned the project somewhere between the first meeting and the first brick?

Those numbers would tell us rather more than another investment summit.

Be that as it may, Sri Lanka does not need another government to tell investors that we are open for business. It needs the investor who arrives on Monday to discover on Tuesday that we actually are.

CUSTOMS WENT PAPERLESS YESTERDAY. NOW LET'S SEE WHETHER THE DELAYS GO WITH THE PAPER.

Sri Lanka Customs has stopped accepting the old manual Customs declaration process. From October 1, importers and declarants must submit CusDecs and supporting documents electronically using valid digital signatures.

After years of talking about digital government, this is one change businesses should actually be able to measure. The new process removes the requirement for traders and Customs brokers to physically carry bundles of documents to Customs counters.

Commercial invoices, packing lists, bills of lading, certificates of origin, permits and other supporting documents can now be submitted electronically through ASYCUDA. Customs officers review them electronically and queries can be dealt with through the system.

There is another important feature. Once a document has been digitally signed, subsequent alterations can be detected.

That is being presented as protection against fraud and corruption. It also creates something equally valuable: an audit trail.

Who submitted what? When? What changed? Who examined it? What decision followed?

Paper has a curious habit of becoming difficult to follow. Data is less accommodating.

Customs is one of the most important institutions in Sri Lanka's economy.

It collects enormous amounts of government revenue while simultaneously sitting between virtually every importer and the goods being brought into the country.

It therefore performs two functions which can sometimes pull in opposite directions.

It must protect revenue and enforce the law. It must also allow legitimate trade to move quickly.

A Customs administration that waves everything through is useless. A Customs administration that turns every legitimate shipment into an obstacle course is not much better.



Digitisation offers a way of doing both more intelligently.

Risk-based systems can identify suspicious transactions for closer inspection while allowing established, compliant traders to move goods more quickly.

Electronic records can make patterns easier to detect. Automated comparison of declarations can expose unusual valuations and repeated anomalies.

But there is an important distinction. **Paperless is not necessarily digital.**

Scanning a piece of paper and emailing it merely creates an electronic piece of paper.

The real prize comes when the information inside the declaration becomes structured data capable of being compared automatically with other government information.

And that brings us neatly back to Parliament's concern about discrepancies between banking and Customs records.

If an importer tells a bank that US\$100,000 is required to purchase goods overseas,



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CUSTOMS WENT PAPERLESS...

the corresponding Customs declaration should eventually become capable of being matched electronically against that payment.

Not after somebody asks for a file. Automatically.

That is where Customs modernisation begins becoming foreign-exchange protection as well as administrative convenience.

There will inevitably be teething problems. Digital signatures have to work. Systems need redundancy. Traders and agents have to learn the process. Customs officers need proper training. A computer outage cannot be allowed to close Sri Lanka's import economy.

Those are implementation problems, not arguments for keeping paper.

Sri Lanka Customs says the new system should reduce waiting time, improve transparency, allow declarations to be tracked and strengthen accountability.

Excellent. Now measure it.

Tell the public the average Customs declaration processing time before October 1 and publish it again in three months. Tell us how many physical visits an importer previously needed and how many are required now. Tell us whether flagged discrepancies increase, whether clearance becomes faster and whether revenue leakage falls.

Be that as it may, yesterday Sri Lanka Customs removed the paper.

The interesting part starts today: **whether it also removes the opportunities that used to hide behind it.**

CRICKET HAS THE MONEY. NOW SRI LANKA WANTS TO CHANGE WHO CONTROLS IT.

Sri Lanka Cricket is about to get something rather more substantial than another committee report. A new Sri Lanka Cricket Bill has been gazetted, proposing a fundamental restructuring of how the country's richest and most powerful sporting body is governed. The stated objectives are admirable: good governance, integrity, transparency and accountability. The interesting question is who gets to provide them.

The Bill follows Cabinet approval originally granted in June to prepare legislation restructuring Sri Lanka Cricket. The Legal Draftsman has now completed it, the Attorney General has given clearance, Cabinet approved its publication and the legislation is headed towards Parliament.

That matters because this is no longer merely another proposal for cricket reform. Parliament is being asked to create the statutory framework under which Sri Lanka Cricket will be controlled, governed, regulated, promoted and administered.

At the centre of the proposed arrangement is a Board of Directors containing both elected and independent directors. The elected directors would come through Sri Lanka Cricket's voting membership. The independent directors would enter through a nominations process established by the legislation.

Therein lies the really interesting bit.

For years one of the central complaints about Sri Lankan cricket administration has been its electoral structure. Cricket clubs and associations vote. Alliances are assembled. Administrators campaign. Votes matter.

**CRICKET HAS
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The argument for changing that system is hardly difficult to understand. A modern sporting organisation handling billions of rupees and negotiating broadcasting, sponsorship and international cricket agreements needs people who understand finance, law, marketing, technology and corporate governance.

Running cricket is no longer simply about understanding cricket.

But independence is a rather particular word.

An independent director is useful only to the extent that the mechanism producing that director is itself demonstrably independent. Change the people who control the nominations and independence can rather quickly become another word for appointment.

That is why the composition and operation of the proposed Nominations Committee deserves considerably more scrutiny than the attractive language surrounding the reform.

Who chooses the selectors of the independent directors? What criteria will they apply? What interests must candidates disclose? Who can remove them? What happens when an independent director disagrees with the people responsible for putting him there?

Those are not arguments against reform. They are precisely the questions reform should be able to answer.

There is another delicate consideration. Sri Lanka Cricket does not operate by itself. It belongs to the international cricket system governed by the ICC, which has previously demonstrated its willingness to act when it believes political interference has crossed the line.

Sri Lanka therefore has to perform a rather sophisticated balancing act. It wants legislation strong enough to prevent cricket administration becoming a private kingdom, while avoiding a structure that effectively allows whichever government happens to occupy office to control cricket through another door.

The Bill itself says it intends to protect cricket from corruption and other malpractices. Few Sri Lankans are likely to object to that objective.

But legislation does not become good governance merely because the words “good governance” appear in it.

The real test will be considerably less glamorous: appointments, conflicts of interest, accounts, procurement, disclosure, audit, removal procedures and the ability of those running cricket to make decisions without owing their positions to somebody expecting something in return.

Be that as it may, Sri Lankan cricket may finally be getting a new constitution.

Before Parliament passes it, perhaps somebody should establish precisely who will control the people who will control the cricket.

RS 2.89 BILLION. FOR 860 METRES OF ROAD. THAT NUMBER DESERVES AN EXPLANATION.

Cabinet has approved Rs 2.89 billion, excluding VAT, for the third phase of the Baseline Road Extension Project. The section being developed is just 0.86 kilometres long. Before anybody reaches for the calculator and declares that Sri Lanka is building the world's most expensive kilometre of asphalt, there is rather more going into those 860 metres than a road.

The stretch runs from Kirulapone Junction to Dutugemunu Street on the Colombo-Horana Road and will be widened to six lanes. The project includes an underpass, signal-controlled intersections, pedestrian facilities and drainage improvements.

Maga Engineering has been awarded the contract.

Seven bids were received under National Competitive Bidding, according to the Government announcement, and the High-Level Procurement Committee selected Maga as the lowest substantially responsive bidder.



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RS 2.89 BILLION...

Those are useful facts. There are several others we should have.

Divide Rs 2.89 billion by 0.86 kilometres and the headline arithmetic produces approximately **Rs 3.36 billion per kilometre**.

That calculation is accurate and almost meaningless by itself.

This is not 860 metres of rural roadway being resurfaced. An urban six-lane project containing an underpass, junction works, pedestrian infrastructure and drainage can be considerably more expensive. Utilities may have to be moved. Traffic has to continue moving while construction proceeds. Land and existing structures can complicate everything.

So Rs 3.36 billion per kilometre does not prove the project is expensive.

It does, however, justify asking what Rs 2.89 billion buys. We know seven companies bid. What were the other six prices? How large was the difference between them and the winning bid? What was the engineer's estimate before tenders were opened? What proportion of the contract is actually road construction and what proportion goes into the underpass, drainage, utility relocation and associated work?

And how long will it take?

That question matters enormously on Baseline Road. Construction designed eventually to remove congestion can produce spectacular congestion while it is being constructed.

There should therefore be measurable promises attached to the money.

What is the completion date? What traffic-time saving is expected after completion? How many vehicles use this section each day? What happens if the contractor misses the deadline? Are there liquidated damages? Who independently certifies the work before the final payment is released?

None of those questions accuses anybody of doing anything wrong.

They are the questions that should accompany every large public infrastructure contract.

The Government has at least provided one important piece of information: this was a competitive tender, seven bids were evaluated and the contract went to the lowest substantially responsive bidder. That is considerably more useful than simply being told Cabinet approved a project. Now publish the rest.

Sri Lanka has spent too many years discovering the true cost of public infrastructure after the concrete has been poured.

Be that as it may, Rs 2.89 billion may turn out to be excellent value for an underpass, six lanes, drainage, pedestrian facilities and a major Colombo traffic intervention.

But taxpayers should not have to guess.

They are buying it.

WE KEEP REBUILDING ROADS AFTER THE WATER COMES. PERHAPS WE SHOULD BUILD THEM FOR THE WATER.

Sri Lanka knows what heavy rain does to a road. Water covers it, drains overflow, embankments weaken, surfaces break and eventually somebody arrives with another allocation to repair what the weather has destroyed. We call it a natural disaster. Sometimes it is also an engineering decision made years earlier.

The World Bank's current work on climate-resilient infrastructure offers a different way of looking at roads. The principle is simple enough: build infrastructure not for the climate we remember, but for the climate it is increasingly expected to survive.

That means a climate-resilient road is not merely a stronger layer of asphalt.

Drainage becomes part of the road rather than something added alongside it. Culverts have to accommodate heavier rainfall. Embankments must withstand inundation. Slopes need protection. Bridges and crossings must be designed around changing water flows.

The World Bank's own Sri Lankan project documents explicitly describe roads designed to withstand and continue functioning during flooding and inundation, with drainage and storm-water considerations incorporated into infrastructure design.

That distinction matters.

Sri Lanka frequently measures the cost of a road when it is built. It is less enthusiastic about measuring what the same road costs when it is built, damaged, repaired, damaged again and repaired again.

The cheapest road on opening day can become a remarkably expensive road over twenty years.

Climate resilience changes the calculation from construction cost to lifetime cost.

Spend more on drainage today and perhaps spend less rebuilding tomorrow. Raise a vulnerable section before the next flood rather than resurfacing it after every flood. Design water somewhere to go instead of acting surprised when it chooses the road.

There is also an economic cost that never appears in the construction contract.

When a road floods, people cannot get to work. Children cannot reach school. Lorries carrying goods stop moving. Businesses lose customers. Ambulances take longer.

A damaged bridge can isolate an entire community.

The cost of infrastructure failure is therefore considerably larger than the invoice for repairing the infrastructure.

This becomes particularly relevant as Sri Lanka continues borrowing and spending on roads.

Every new kilometre should now have to answer a different question: what rainfall assumptions were used when it was designed?

If the answer comes from weather patterns twenty or thirty years ago, we may be building tomorrow's roads using yesterday's climate.

There is another uncomfortable issue.

Drainage cannot work if drains become rubbish dumps. The finest engineering in the world is defeated remarkably efficiently by plastic, silt and years of neglected maintenance.

Climate resilience therefore does not end when the contractor leaves.

Local authorities have to keep waterways clear. Road agencies must inspect culverts. Encroachments cannot be allowed to quietly occupy the paths through which floodwater is supposed to escape.

That is considerably less exciting than opening a new road with a ribbon.

It is also considerably cheaper than rebuilding one.

Sri Lanka will continue to experience intense rainfall. We cannot negotiate with it, regulate it or appoint a committee to persuade it to fall somewhere more convenient.

Be that as it may, perhaps the next time a road disappears beneath brown water we should ask something more useful than when the rain will stop. We should ask why we built the road as though the rain would never come.

BRITAIN HAS PUT A TAX ON VAPING. IT IS ALSO RAISING THE TAX ON CIGARETTES. THERE IS A REASON FOR BOTH.

Britain yesterday began charging a new tax of £2.20 on every 10ml of vaping liquid, whether it contains nicotine or not. At precisely the same time it increased tobacco duty.

Tax the vape, but make sure the cigarette remains more expensive. It is an interesting attempt to use the tax system to discourage one behaviour without accidentally encouraging something worse.

The new Vaping Products Duty applies to vaping liquids manufactured in or imported into the United Kingdom from October 1.



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BRITAIN HAS PUT...

The rate works out at 22 pence per millilitre. A 10ml bottle therefore attracts £2.20 in excise duty. A 50ml quantity attracts £11. A 100ml quantity means £22 before considering the continuing application of VAT.

That is enough to alter the economics of vaping.

The British Government says that is exactly the point.

It wants to reduce the affordability and attraction of vaping, particularly for children and people who do not already smoke. But it also accepts that vaping is less harmful than smoking and can help adult smokers quit cigarettes.

**BRITAIN HAS PUT
A TAX ON VAPING.
IT IS ALSO RAISING
THE TAX ON CIGARETTES.
THERE IS A REASON
FOR BOTH.**



There lies the policy problem.

Make vaping considerably more expensive and some smokers considering switching may decide not to bother. Worse, existing vapers could conceivably return to cigarettes if the price gap narrows sufficiently.

Britain has therefore increased tobacco duties at the same time.

From October 1 tobacco duty rises by the existing escalator of inflation plus two percentage points, together with an additional one-off increase equivalent to £2.20 per 100 cigarettes or 50 grams of other tobacco products. The Government explicitly says the additional increase is intended to preserve the financial incentive to choose vaping rather than smoking.

In other words, Britain is taxing both.

Just not equally.

There is another part of the system which may prove equally interesting.

Vaping products are getting duty stamps.

Those stamps will eventually provide digital traceability through the supply chain. Manufacturers and importers come within the excise system, while retailers have until March 31 next year to dispose of eligible existing unstamped stock. From April 1, 2027, vaping products sold in Britain must carry a valid duty stamp.

The Government hopes that will make illegal products easier to identify.

It needs to.

Every substantial tax creates an incentive to avoid it. Raise the legal price of a product while illegal versions remain available and the illicit trader suddenly receives a rather generous competitive advantage from the Treasury.

Britain is putting £30 million a year until 2028-29 into Trading Standards, Border Force and HM Revenue & Customs to tackle illegal and underage tobacco and vape sales. The Government expects the vaping duty itself eventually to raise more than £550 million annually by 2030-31.

That produces the uncomfortable question attached to most so-called health taxes. Is the objective to make money from the behaviour or to make the behaviour disappear?

If vaping declines dramatically, Treasury revenue declines with it. If revenue keeps growing, a great many people are presumably still vaping.

Britain estimates about 5.1 million individuals who vape will be affected by the new duty.

Be that as it may, the clever part of yesterday's change is not simply putting £2.20 on a bottle of vape liquid.

It is recognising that when government makes one unhealthy choice more expensive, it had better make very sure it has not just made the more dangerous choice look cheaper.

AMERICA'S TEN-YEAR INTEREST RATE HAS HIT LEVELS LAST SEEN IN 2002. THAT DOES NOT STAY IN AMERICA.

The yield on the United States ten-year Treasury has climbed above 5.3 percent, reaching territory not seen since 2002. To somebody buying groceries in Colombo that may sound spectacularly remote. It isn't. When the world's benchmark borrower starts paying more than five percent for ten-year money, everybody else's money has to compete with it.

The thirty-year US Treasury yield has also moved to around 5.65 percent as markets wrestle with inflation, government borrowing and concern about the scale of public debt.

At the same time Brent crude has again moved above US\$100 a barrel amid the continuing Middle East conflict.

Put those two developments together. Money is becoming expensive while energy is becoming expensive.

That is not an especially comfortable combination. US Treasury securities occupy a peculiar position in global finance.

They are treated as one of the benchmark assets against which other investments are judged.

If an investor can obtain more than five percent from lending money to the United States Government for ten years, a considerably riskier borrower has to offer something sufficiently attractive to persuade that investor to go elsewhere.

That matters to emerging markets. It matters to companies raising international debt.

And eventually it matters to countries such as Sri Lanka as they rebuild access to international capital after sovereign default and debt restructuring.

There is another channel.

Higher American yields can attract money towards dollar assets, putting pressure on currencies elsewhere. A stronger dollar makes dollar-priced imports more expensive for countries whose currencies weaken against it.

Oil, unfortunately, is priced in dollars. Sri Lanka therefore has no shortage of reasons to watch both numbers.

The country has already spent approximately US\$4 billion importing fuel during the first eight months of this year. Higher oil prices threaten that bill directly. A stronger dollar can make the problem still less pleasant.

None of this means that a 5.3 percent Treasury yield automatically produces a Sri Lankan crisis.

It does not.

Sri Lanka's immediate circumstances are different from those of 2022.

The country has restructured debt, reserves have recovered and the IMF programme has imposed a very different fiscal and monetary framework.

But global financial conditions still matter. Sri Lanka cannot set the American interest rate any more than it can set the price of Brent crude. What it can do is reduce the extent to which either can hurt us.

That means controlling borrowing requirements, maintaining reserves, expanding exports and reducing unnecessary dependence upon imported energy.

Which brings us back to the argument running through several of tomorrow's stories.

Foreign-exchange resilience is not simply the number of dollars sitting at the Central Bank.

It is how many dollars the economy can earn and how few it unnecessarily has to spend.

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AMERICA'S TEN-YEAR...

America's bond market is currently reminding the world of something investors occasionally forget during years of cheap money.

Capital has a price.

When the safest large borrower in the market starts offering more than five percent, riskier borrowers do not get to pretend nothing happened.

Be that as it may, Sri Lanka has already learnt what happens when dollars become scarce.

It would be useful not to have to learn what happens when they become expensive as well.

OPINION

THE NPP PROMISED TO TRANSFORM SRI LANKA. DID IT UNDERESTIMATE HOW HARD THE SYSTEM WOULD BE TO CHANGE?

The NPP promised to break with Sri Lanka's failed political order. Nearly two years later, the harder truth is that replacing the government was easier than changing the state and unless it can reform the bureaucracy, confront loss-making state enterprises, deliver justice and turn promises into functioning institutions, its revolution in politics risks ending as continuity in practice.

By Kithmi Gunaratne

The National People's Power did not win power by offering Sri Lanka a slightly cleaner version of what came before. Its proposition was much larger: that the economic collapse of 2022 was not an isolated failure of fiscal management, but the product of a political system shaped by patronage, corruption, elite privilege, weak institutions and repeated failures of accountability.

Its answer was therefore not simply a new administration but a different way of governing. In November 2024, the NPP won 61.56% of the parliamentary vote and 159 of 225 seats, giving it the kind of political authority few Sri Lankan governments have enjoyed in recent decades.

That mandate, however, did not automatically produce a state capable of delivering the transformation that had been promised.

The government inherited the same ministries, procurement systems, state-owned enterprises, courts and bureaucratic cultures it had spent years criticising.

Nearly two years later, the central weakness of its governing project is clearer: political authority was concentrated quickly, but administrative capacity was not.

The question is no longer whether Sri Lanka needs reform.

It is whether the NPP fully understood that changing the country would first require changing the machinery through which change itself had to be delivered.

There has been meaningful movement. Anti-corruption measures have advanced, some political privileges have been curtailed and macroeconomic stabilisation has continued.

But passing a law, announcing a programme or allocating money is not the same as delivering an outcome.

Sri Lanka's problem is not merely a shortage of policy ideas. It is an execution problem: ministries overlap, officials operate cautiously, accountability is diffused and citizens are pushed through layers of administration that reward persistence and personal access rather than efficiency.

This is why digitalisation matters far more than as a technology policy. Sri Lanka's public administration still relies heavily on physical documents, face-to-face interaction and procedures requiring citizens to move between offices carrying information that public institutions should already be able to share.

Every unnecessary point of human discretion creates delay and, at its worst, opportunities for favouritism or petty corruption. A government serious about changing the system should therefore treat digitalisation as an instrument of institutional reform.

There has been progress. GovPay, launched in February 2025, passed Rs 2bn in digital transactions by the end of that year, processing more than 69,000 transactions across thousands of government services.

The government has since approved Digital Transformation Units and Chief Digital Officers across public institutions. But putting old bureaucracy behind an online interface is not transformation.

The real test is whether agencies share data, processes become shorter, transactions are traceable and citizens no longer need personal relationships with officials to complete routine tasks. Done properly, digital government can reduce administrative costs, save citizens time, narrow opportunities for petty corruption and make decisions easier to audit.

The same logic should apply to state-owned enterprises. If the NPP's central diagnosis is that Sri Lanka's political-economic system failed, it cannot exempt the commercial state from scrutiny.

An IMF assessment of 41 strategically important SOEs found that their total liabilities stood at about Rs 3.2tn at the end of 2023, equivalent to 11.7% of GDP. The five largest accounted for approximately Rs 2.9tn, while net government outflows to those enterprises averaged around Rs 80bn every year between 2018 and 2023, or about 0.4% of GDP annually.

That is not an abstract accounting problem. Every rupee absorbed by an enterprise that cannot sustain itself is a rupee that ultimately competes with expenditure on hospitals, schools, welfare, public transport, infrastructure or debt reduction.

Privatisation therefore cannot be discussed solely as a debate about ideology or ownership.

It is also about the opportunity cost of government capital. If private investment can assume commercial risk, provide capital and operate a business without recurring demands on the Treasury, the government must explain why taxpayers should continue to carry that burden instead.

Those figures do not prove that every state enterprise should be privatised. Some provide essential infrastructure or fulfil social obligations that cannot be measured by profit alone. Nor does private ownership automatically guarantee efficiency.

But where an enterprise repeatedly consumes public resources without a compelling strategic justification, privatisation, partial divestment, management contracts or credible private-sector partnerships should be legitimate policy options rather than political taboos.

Sri Lankan Airlines is the classic example. In the year ending March 2025, the company recorded a net loss of approximately Rs 7.6bn, while accumulated company losses exceeded Rs 616bn.

Its total equity was negative by more than Rs 403bn, and its current liabilities exceeded current assets by about Rs 368bn. These are not numbers that can be dismissed as the temporary difficulties of an ordinary commercial company. They represent a longstanding fiscal risk attached to a business whose commercial liabilities ultimately sit close to a state already emerging from sovereign default.

The strongest argument for restructuring Sri Lankan is therefore not that government ownership is inherently incompetent or that private ownership is inherently virtuous. It is simpler: the state must justify why the public should continue carrying commercial risk when the same fiscal capacity could be used elsewhere.

The experience of the board appointed after the NPP came to power makes the institutional problem particularly revealing. Sarath Ganegoda and Rohan Goonetilleke were appointed to the airline's board in October 2024, shortly after the new administration took office.

They were not remnants of the political order the NPP had displaced; they formed part of a new leadership structure brought into an airline already burdened by debt and years of restructuring attempts.

Yet both resigned effective 31 March 2026. Reports at the time also indicated that other directors had considered stepping aside amid frustration surrounding the carrier's unresolved financial and restructuring difficulties.

It would be inaccurate to say that the entire board resigned: several directors remained. But that makes the lesson no less important.

Here was a new government placing new people into an old institution, apparently with an intention to improve it, only to confront the same structural constraints that had defeated reform efforts before.

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THE NPP PROMISED...

Competent people and genuine intentions cannot by themselves repair an enterprise whose debt structure, political constraints and ownership model remain unresolved. Changing the individuals at the top is not the same as changing the system underneath them.

That should force a harder question inside the NPP. If the government argues that 76 years of political and economic management failed, then it must also be willing to examine the businesses that the state has insisted on continuing to own.

Condemning the old system while preserving every commercial structure inherited from it is not transformation. Sometimes rebuilding the state means making it stronger. Sometimes it means reducing the number of things the state attempts to do badly.

The same gap between promise and institutional delivery appears in the NPP's minority-rights commitments. The movement promised equality, safeguards against discrimination and repeal of the Prevention of Terrorism Act.

Yet the PTA remained in use, with the government itself reporting 49 arrests under the legislation during the first five months of 2025, while human-rights organisations continued to raise concerns about detention, surveillance and accountability for past abuses.

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