



## **IMF Executive Board Completes the Sixth Review of Sri Lanka's Extended Arrangement under the Extended Fund Facility**

November 1, 2019

- Sri Lanka successfully completed the sixth review, enabling the next disbursement of supporting funds.
- Sustaining policy discipline remains critical to strengthen resilience and support strong and inclusive growth.
- Mobilizing revenue will be central to place public debt on a downward path while preserving space for social and investment spending.

On November 1, 2019, the Executive Board of the International Monetary Fund (IMF) completed the Sixth Review of Sri Lanka's economic performance under the program supported by an extended arrangement under the Extended Fund Facility (EFF). The completion of the Sixth review, upon the granting of a waiver of non-observance for the end-June 2019 performance criterion on the primary balance, enables the disbursement of SDR 118.5 million (about US\$164 million), bringing total disbursements under the arrangement to SDR 952.23 million (about US\$1.31 billion).

Sri Lanka's extended arrangement was approved on June 3, 2016, in the amount of about SDR 1.1 billion (US\$1.5 billion, or 185 percent of quota in the IMF at that time of approval of the arrangement.). On May 13, 2019, the Executive Board approved an extension of the arrangement by one additional year, until June 2, 2020, with rephasing of remaining disbursements.

Following the Executive Board's discussion of the review, Mr. Mitsuhiro Furusawa, Deputy Managing Director and Acting Chair of the Board, issued the following statement:

“The Sri Lankan economy is gradually recovering from the impact of the Easter Sunday terrorist attacks. Growth is projected to strengthen to 3.5 percent in 2020, from 2.7 percent in 2019, as tourist arrivals and related activities gradually recover. Sustaining fiscal policy

discipline remains critical to strengthen resilience and support growth, as important downside risks remain, amid heightened external and domestic uncertainty.”

“The authorities are taking actions to mitigate the revenue shortfalls caused by the terrorist attacks and preserve the hard-won gains made under the program. Sustained efforts to mobilize revenues will be needed in 2020 to place public debt on a downward path, while preserving space for critical social and investment spending. The new fiscal rule framework and the establishment of an independent public debt management agency over the medium term will help anchor public debt sustainability. Advancing SOE reforms in the electricity sector will also be critical to reduce fiscal risks.”

“The Central Bank of Sri Lanka should maintain a data dependent monetary policy. The new Central Bank Act will be a milestone reform towards the adoption of flexible inflation targeting. Efforts to build reserves should be sustained to protect the economy against shocks, allowing for exchange rate flexibility in the event of market pressures.”

“Sri Lanka has made important progress in strengthening the AML/CFT regime. Harmonizing regulation and supervision of financial institutions, strengthening the macroprudential policy framework, and upgrading the contingency framework will help to safeguard financial stability.”

“Further progress in the structural reform agenda is essential to bolster competitiveness and achieve stronger and inclusive growth. Efforts should focus on liberalizing trade, by gradually removing para tariffs while addressing their revenue impact, strengthening the governance and anti corruption framework, promoting women’s economic empowerment, building climate resilience and enhancing social protection.”