



**IMF Reaches Staff-Level Agreement on the Third Review of  
Sri Lanka's Extended Fund Facility**  
October 16, 2017

The views expressed in this statement are those of the IMF staff and do not necessarily represent the views of the IMF's Executive Board. Based on the findings so far, staff will prepare a report that, subject to management approval, will be presented to the IMF's Executive Board for discussion and decision.

- The 2018 budget should continue fiscal consolidation, supported by the new Inland Revenue Act.
- Monetary policy should remain vigilant to pressures on inflation and credit growth.
- Upholding the reform momentum is key to addressing vulnerabilities and sustaining inclusive growth.

After constructive discussions with the authorities in Colombo and during the Annual Meetings, an IMF staff team issued the following statement in Washington DC:

“The IMF team reached a staff-level agreement with the Sri Lankan authorities on the third review under an economic reform program supported by a three-year Extended Fund Facility (EFF) arrangement, subject to the completion of a prior action by the authorities and the approval of the IMF Executive Board.

“The Board is expected to consider Sri Lanka's request for completion of the third review in December 2017, by which time the 2018 budget—consistent with the EFF-supported program—is expected to be submitted to Parliament as a prior action. Incorporating the new Inland Revenue Act, the 2018 budget should continue fiscal consolidation supported by stronger revenues. The central bank should stand ready to head off pressures on inflation and credit growth, while continuing to enhance exchange rate flexibility.

“The authorities have been improving the country's fiscal position and strengthened its international reserves, but more needs to be done in the area of SOE reforms. Upholding the reform momentum will be important for addressing fiscal and external imbalances and meeting the government's ambitious social and development objectives. Renewed effort toward bolstering competitiveness, improving social protection programs, and boosting private sector development will be important for making growth more robust and inclusive.”