

PRESS RELEASE

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CENTRAL BANK OF SRI LANKA

Issued By Communications Department

Date 13 December 2023

The International Monetary Fund (IMF) Executive Board completed the first review under the 48-month Extended Fund Facility with Sri Lanka, providing the country with access to SDR 254 million (about US\$337 million) to support its economic policies and reforms. The IMF issued the following press release on 12 December 2023, which can be accessed from the link below.

<https://www.imf.org/en/News/Articles/2023/12/12/pr23439-sri-lanka-imf-executive-board-completes-first-review-under-eff-arrangement>

IMF Executive Board Completes the First Review Under the Extended Fund Facility Arrangement with Sri Lanka

- The IMF Board completed the first review under the 48-month Extended Fund Facility with Sri Lanka, providing the country with access to SDR 254 million (about US\$337 million) to support its economic policies and reforms.
- Sri Lanka's performance under the program was satisfactory. All but one performance criteria and all but one indicative targets were met at end-June. Most structural benchmarks due by end-October 2023 were either met or implemented with delay. Notably, the authorities published the Governance Diagnostic Report, making Sri Lanka the first country in Asia to undergo the IMF Governance Diagnostic exercise.
- The authorities have made commendable progress toward restoring debt sustainability, raising revenue, rebuilding reserves buffers, reducing inflation, and safeguarding financial stability. Strong commitment to improving governance and protecting the poor and vulnerable remains critical.

Washington, DC: The Executive Board of the International Monetary Fund (IMF) completed today the first review under the 48-month Extended Fund Facility (EFF) Arrangement. The completion of the first review allows for an immediate disbursement of SDR 254 million (about US\$337 million), bringing the total IMF financial support disbursed so far to SDR 508 million (about US\$670 million).

The total amount of Sri Lanka's EFF Arrangement is SDR 2.286 billion (about US\$3 billion) as of the time of program approval on March 20, 2023 (see Press Release <https://www.imf.org/en/News/Articles/2023/03/20/pr2379-imf-executive-board-approves-under-the-new-eff-arrangement-for-sri-lanka>). The program supports Sri Lanka's efforts to restore macroeconomic stability and debt sustainability, safeguard financial stability, and enhance growth-oriented structural reforms.

Following the Executive Board discussion on Sri Lanka, Mr. Kenji Okamura, Deputy Managing Director, issued the following statement:

“Macroeconomic policy reforms are starting to bear fruit and the economy is showing tentative signs of stabilization, with rapid disinflation, significant revenue-based fiscal adjustment, and reserves build-up.

“Performance under the EFF-supported program has been satisfactory. All quantitative performance criteria for end-June were met, except the one on expenditure arrears. All indicative targets were met, except the one on tax revenues. Most structural benchmarks were either met or implemented with delay by end-October 2023. The publication of a Governance Diagnostic Report, the first in Asia and a structural benchmark under the program, is a commendable first step towards addressing deep-rooted corruption weaknesses. Continued commitment to improving governance and timely implementation of the report’s recommendations can deliver tangible economic gains to all citizens.

“Sri Lanka’s agreements-in-principle with the Official Creditors Committee and Export-Import Bank of China on debt treatments are consistent with the EFF targets. They are an important milestone putting Sri Lanka’s debt on the path towards sustainability. A swift completion and signature of the Memoranda of Understanding with the official creditors is important. Timely implementation of the agreements, together with reaching a resolution with external private creditors on comparable terms, should help restore Sri Lanka’s debt sustainability over the medium term.

“To ensure a full and swift recovery, sustaining the reform momentum and strong ownership of reforms is of paramount importance. Key priorities include advancing revenue mobilization, aligning energy pricing with costs, strengthening social safety nets, rebuilding external buffers, safeguarding financial stability, eradicating corruption, and enhancing governance.

“Reinforcing the revenue-based fiscal consolidation supported by revenue administration reforms is critical to recover from program slippages and promote a break from past policy shortcomings.

“The Central Bank of Sri Lanka should continue to focus on the multi-pronged disinflation strategy to safeguard the credibility of its inflation targeting regime. Accumulating reserves, supported by exchange rate flexibility, remains an important priority under the EFF.

“Implementing the bank recapitalization plan and strengthening financial supervision and crisis management framework are crucial to safeguard financial sector stability.

“Further strengthening the social safety net and protecting social spending remains critical to safeguarding the poor and vulnerable.”