

# PRESS RELEASE

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CENTRAL BANK OF SRI LANKA

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An International Monetary Fund (IMF) team led by Peter Breuer, Senior Mission for Sri Lanka, visited Colombo from November 17 to 23, 2024 for the third Review under Sri Lanka's Extended Fund Facility Arrangement. After constructive discussions in Colombo, Mr. Breuer and Deputy Mission Chief Ms. Katsiaryna Svirydenka issued the following statement, which can be accessed from the link below.

[https://www.imf.org/en/News/Articles/2024/11/23/pr24435-imf-team-reaches-staff-level-agreement-with-sri-lanka?sc\\_mode=1](https://www.imf.org/en/News/Articles/2024/11/23/pr24435-imf-team-reaches-staff-level-agreement-with-sri-lanka?sc_mode=1)

## **IMF Reaches Staff-Level Agreement on the Third Review under Sri Lanka's Extended Fund Facility Arrangement**

End-of-Mission press releases include statements of IMF staff teams that convey preliminary findings after a visit to a country. 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 preliminary findings of this mission, staff will prepare a report that, subject to management approval, will be presented to the IMF's Executive Board for discussion and decision.

*IMF staff and the Sri Lankan authorities have reached staff-level agreement on economic policies to conclude the third review of Sri Lanka's economic reform program supported by the IMF's Extended Fund Facility (EFF). Once the review is approved by IMF Management and completed by the IMF Executive Board, Sri Lanka will have access to about US\$333 million in financing.*

*The new government's commitment to the program objectives has enhanced confidence and ensures policy continuity. Sustaining the reform momentum is critical to safeguarding the hard-won gains under the program thus far and putting the economy on a path towards durable recovery and stable and inclusive growth.*

*The IMF's Executive Board will consider completion of the review based on (i) the implementation by the authorities of prior actions; and (ii) the completion of financing assurances review, confirming multilateral partners' financing contributions and assessing adequate progress with debt restructuring.*

**Colombo, Sri Lanka – November 23, 2024:** An International Monetary Fund (IMF) team led by Peter Breuer, Senior Mission Chief for Sri Lanka, visited Colombo from November 17 to 23, 2024. After constructive discussions in Colombo, Mr. Breuer and Deputy Mission Chief Ms. Katsiaryna Svirydenka issued the following statement:

“We are pleased to announce that the IMF team reached staff-level agreement with the Sri Lankan authorities on the third review under the 4-year [Extended Fund Facility \(EFF\) arrangement](#). The arrangement was approved by the IMF Executive Board for a total amount of SDR 2.3 billion (about US\$3 billion) on March 20, 2023.

“The staff-level agreement is subject to the approval by IMF management and the IMF Executive Board, contingent on: (i) the implementation by the authorities of prior actions including the submission of a 2025 budget consistent with program objectives; and (ii) the completion of financing assurances review, which will focus on confirming multilateral partners’ committed financing contributions and whether adequate progress has been made with the debt restructuring to give confidence that the restructuring will be concluded in a timely manner and in line with the program’s debt targets.

“Upon completion of the Executive Board review, Sri Lanka would have access to SDR 254 million (about US\$333 million), bringing the total IMF financial support disbursed under the arrangement to SDR 1,016 million (about US\$1,333 million).

“Sri Lanka’s ambitious reform agenda supported by the EFF is delivering commendable outcomes. The economy expanded on average by 4 percent y-o-y in the four quarters ending in June 2024. High-frequency indicators point to continued expansion across all sectors. Average headline and core inflation remained contained at 0.8 and 3.8 percent during the third quarter. Gross official reserves increased to US\$6.4 billion at end-October 2024 with sizeable foreign exchange purchases by the Central Bank. Public finances have strengthened following substantial fiscal reforms.

“Program performance was strong, with all quantitative performance criteria and indicative targets (IT) for end-June 2024 met, as well as the ITs for end-September 2024, except for the IT on social spending. Most structural benchmarks due before October-2024 were either met or implemented with delay; some benchmarks are delayed because of the election cycle.

“The new government’s commitment to the program objectives has enhanced confidence and ensures policy continuity. Sustaining the reform momentum is critical to safeguarding the hard-won gains of the program and putting the economy on a path towards lasting recovery and stable and inclusive growth. Since the crisis has affected Sri Lanka’s entire population, it will be important to ensure that the benefits from economic growth are shared appropriately.

“Maintaining macroeconomic stability and restoring debt sustainability are key to securing Sri Lanka’s prosperity and require persevering with responsible fiscal policy. Continued revenue mobilization efforts and spending restraint are needed to prepare the 2025 budget in line with program parameters. Revenue administration reforms and efforts to improve tax compliance will help to ensure that the burden stemming from the crisis is shared proportionately to taxpayers’ ability to contribute. Avoiding new tax exemptions will help reduce fiscal revenue leakages, corruption risks and build much needed fiscal buffers, including for social spending and to support Sri Lanka’s most vulnerable. Maintaining cost recovery in fuel and electricity pricing and resolving legacy debts will help minimize fiscal risks arising from state-owned enterprises.

“The government has an important responsibility to protect the poor and vulnerable at this difficult time. It is important to redouble efforts to meet the program’s minimum spending target on social spending and to improve targeting, adequacy, and coverage of social safety nets, particularly Aswesuma.

“While inflation has decelerated faster than expected, continued monitoring is warranted to ensure sustained price stability and support macroeconomic stability. Against ongoing global uncertainty, it remains important to continue rebuilding external buffers through strong reserves accumulation.

“Sri Lanka’s recent Agreement in Principle with bondholders is an important milestone putting Sri Lanka’s debt on a path towards sustainability. The critical next steps are to complete the commercial debt restructuring, finalize bilateral agreements with official creditors along the lines of the accord with the Official Creditor Committee and implement the terms of the other agreements. This will help restore Sri Lanka’s debt sustainability.

“The new government’s mandate will reinvigorate governance reforms addressing corruption risks, rebuilding economic confidence, and making growth more robust and inclusive.

“The IMF team held meetings with His Excellency President and Finance Minister Anura Kumara Dissanayake, Honorable Labor Minister and Deputy Minister of Economic Development Prof. Anil Jayantha Fernando, Honorable Deputy Minister of Finance and Planning Dr. Harshana Suriyapperuma, Senior Economic Advisor Duminda Hulangamuwa, Central Bank of Sri Lanka Governor Dr. P. Nandalal Weerasinghe, Secretary to the Treasury Mr. K M Mahinda Siriwardana, and other senior government and CBSL officials. The team also met with Parliamentarians, representatives from the private sector, civil society organizations, and development partners.

“We would like to thank the authorities for the excellent collaboration.”