

PRESS RELEASE

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இலங்கை மத்திய வங்கி
CENTRAL BANK OF SRI LANKA

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Statement by Governor and Secretary to the Treasury after the virtual Investor Presentation held on 30.03.2023

On 20th March 2023, the IMF Board approved Sri Lanka's IMF program, unlocking up to \$7bn in funding from the IMF and other IFIs. The IMF program provides a clear roadmap in terms of policy implementation and will stabilize the economy of Sri Lanka and allow the country to regain its growth potential and address its economic vulnerabilities.

Today, we held an investor presentation in order to explain the current macroeconomic situation in Sri Lanka, and outline the key pillars and objectives of the IMF program as well as the next steps with regard to the engagement with creditors.

The Sri Lankan Government has embarked on an ambitious reform agenda, and we have successfully achieved all prior actions required to unlock the IMF financing. As per the IMF program, we are fully committed to achieving fiscal consolidation and implementing fiscal structural reforms; restoring public debt sustainability; restoring price stability and rebuilding external buffers; safeguarding financial system stability; and reducing corruption vulnerabilities and further introducing growth-enhancing reforms. Sri Lankan people are the Government's priority, and as part of the IMF program, we aim to enhance the existing social safety nets to protect the most vulnerable.

As a result, Sri Lanka's economy has already shown some encouraging stabilization signs, with year-on-year inflation slowing down and earnings from tourism rebounding to more standard levels. We will continue to implement our reform agenda in order to support Sri Lanka's economic recovery and successfully complete the IMF program.

Despite the ambitious fiscal consolidation efforts, Sri Lanka's public debt trajectory is set to remain unsustainable in the absence of a comprehensive debt treatment. Sri Lanka is also facing a significant external financing gap over the IMF program period. This financing gap will have to be covered through new external funding and external debt service relief. The Authorities are also exploring options for a domestic debt optimization (DDO) operation aimed at liquidity relief while preserving financial stability to avoid further eroding of Sri Lanka's repayment capacity. It is envisaged that this DDO will be conducted on a voluntary basis and be based on our consultations with major T-Bonds holders.

As we move ahead, we are looking forward to accelerating and intensifying engagement with all our creditors in a transparent way, in good faith, and we are hoping to reach debt treatment agreements that are consistent with the IMF debt sustainability analysis and with the comparability of treatment principle.

Investor Presentation - <https://www.treasury.gov.lk/news/article/188>