Two Years at the Ministry of Finance:

Looking Back at Confronting Sri Lanka's Deepest Economic Crisis in the Post-Independence History

- Some Key Reflections -

By

K M Mahinda Siriwardana

Secretary to the Treasury

Presentation made at the Staff Meeting of the Ministry of Finance, Economic Stabilisation and National Policies held on

08th April 2024

Highlights

- **I was appointed as the Secretary to the Treasury (on 07th April 2022) by the then Hon. President. Subsequently, I assumed duties at the Ministry of Finance on 8th April 2022.**
- At that time, I was serving as a Deputy Governor of the Central Bank of Sri Lanka (CBSL), and **I was requested to accept this position at the peak of the crisis, where there were so many uncertainties and risks.**
- I decided to accept the new position knowing that it will be a very challenging and tough task, but I had the courage, confidence and the determination to do that, as **I believed that if the right policies are implemented, Sri Lanka can come out of the crisis.**
- Accordingly, I was seconded to the General Treasury to serve as the Secretary to the Treasury/ Ministry of Finance (MOF).
- In fact, **I was appointed to the Treasury when the country was in chaos and the entire country had been going through a highly uncertain period facing its deepest, most complex, and unprecedented economic crisis in Sri Lanka's post-independence history**.
- **Although there was a change in the Presidency of the country on 20 July 2022, I got the opportunity to continue as the Secretary to the Treasury/MOF.**

Accordingly, I dedicated my entire life during the last two years to contribute to the betterment of the people and the country, and to assist the Hon President and the Minister of Finance, Economic Stabilisation and National Policies, and the Government, in the specific endeavours to take the country out of this severe distress.

Hon. President and Minister of Finance, Economic Stabilisation and National Policies

President appoints new CB Governor and Treasury Secretary

Friday, 8 April 2022 00:26 - 1063

Highlights….*(2)*

- I did my best to contribute to the crisis resolution efforts of the government by using my knowledge and experience that I had been able to gather over three decades, particularly in the macro-fiscal management and central banking areas.
- As the crisis hit people, were suffering with all adversities associated with shortages of essential items and basic services, every decision was highly consequential and fraught with risk.
- Whilst the crisis was triggered by domestic policy mis-steps and exogenous shocks, including the COVID-19 pandemic, the roots of the crisis are deeply entrenched in long standing structural macroeconomic imbalances built up over several decades.
- From the highest political authority to the top conglomerates, and the people in the streets, were adversely affected one way or the other, devastating their dreams and making the day-to-day life a miserable one for many.
- However, it was the poor and vulnerable who were the worst affected unlike any other time in history as soaring inflation eroded incomes in an unprecedented manner.
- It was a crisis that had far reaching economic, social and political ramifications as well.

The serious and fatal implications were such that the entire 22 million people of Sri Lanka had to bear the brunt of the crisis.

Highlights....*(3)*

- **The severity of the crisis was such that there was no hope about the future either.**
- **Sri Lanka's long standing achievements in social progress and human development were at risk due to the spike in inflation, erosion of disposable incomes, and crippled public services. In fact, the social ramifications of the crisis brought the country once hailed as a development success story, to become a *Cautionary Tale* of how not to manage an economy.**
- **To me also personally, managing the situation was an extremely stressful, tough, and arduous task, particularly in the first year or so.**
- The stress were such that in June 2023, I was diagnosed with a blood clot which the doctors concluded was the result of excessive stress that I had to undergo in the process of managing the Treasury/MOF.
- **Despite all these difficulties, and at times, various internal and external criticisms, I continued my responsibilities and duties silently.**

Highlights….*(4)*

- It is indeed heartening to note the green shoots of economic recovery, indicating the fact that the difficult reforms implemented over the last two years under the leadership of the Hon. President, are beginning to work.
- However, there is a long way to go, and it is essential to continue to implement much needed, long delayed and painful policy reforms to take Sri Lanka out of the crisis strongly, and put the country in a high, green and sustainable growth process to improve living standards of the people.
- I take this opportunity to thank Hon. President and the Cabinet of Ministers, colleagues at the MoF and other government agencies, other members in the political arena, private sector, the general public and international partners for the trust bestowed on me and the support I got in completing my responsibilities as the Secretary to the Treasury/MOF over the last two years.

It has been an honour and an utmost privilege to serve the country to the best of my ability
AT ITS TIME OF GREATESST NEED.

When I assumed duties as the Secretary to the Treasury, the country was in CHAOS

Sri Lanka

Sri Lanka - Economic crisis (DG ECHO, partners, media) (ECHO daily Flash of 8 April 2022)

News and Press Release • **Source:** ECHO • **Posted:** 8 Apr 2022 • **Originally published:** 8 Apr 2022 • **Origin:** View original

reliefweb

- *The economic and political crisis in Sri Lanka continues with soaring inflation and sporadic countrywide public protests.*
- *Acute shortage of essential items, including food, medicines and fuel - many of which are being rationed - has turned Sri Lankans' daily lives into an endless cycle of waiting in lines.*
- *Due to power cuts, accessibility to drinkable water, emergency health services are seriously restricted. Safety nets programmes are interrupted.*
- *The government has approached international and national agencies including WHO, Sri Lankan Red Cross, and World Vision for drugs and medical equipment supplies.*

Source: https://reliefweb.int/report/sri-lanka/sri-lanka-economic-crisis-dg-echo-partners-media-echo-daily-flash-8-april-2022

When I assumed duties as the Secretary to the Treasury, the country was in CHAOS….*(2)*

News | Business and Economy

No Sri Lankan, rich or poor, spared as economic crisis worsens

Savings evaporate, businesses face closure and the poor struggle to eat as value of the Sri Lankan rupee plummets.

- Hit by a **deepening economic crisis**, people in the informal settlements of the capital, Colombo, say they are eating half of what they used to as food prices have doubled in less than a year.
- In middle-class neighborhoods, meanwhile, owners of cafés, bakeries and salons have had to let go of staff and are **facing the prospect of closing shop altogether, with hours-long power cuts and reduced earnings keeping customers away**

ALJAZEERA

By Zaheena Rasheed
8 Apr 2022

Colombo, Sri Lanka – Sri Lankans, both rich and poor alike, are fed up.

https://www.aljazeera.com/news/2022/4/8/no-sri-lankan-rich-or-poor-spared-as-economic-crisis-worsens

When I assumed duties as the Secretary to the Treasury, the country was in CHAOS…. *(3)*

- There were neither rupees nor dollars at the Treasury to make essential payments.
- **Every day was a struggle to meet even the mandatory payments of the government**, be it pensions, Samurdhi, public sector salaries or interest.
- At the time, just the salary bill and interest cost exceeded government revenue.
- **Government borrowing was a major challenge as monetary financing had reached an excessive level, there was no foreign financing due to the weak credit rating, and the state bank overdraft window was all but closed.**
- **Cash-flow management was near impossible as the country ran a primary budget deficit of 5.7% of GDP in 2021.**
- **This was the very pathetic situation of the Treasury at that time, which has been forgotten by many, and intentionally dis-regarded by others.**

The day I assumed duties at the General Treasury: 08 April 2022

Receiving blessings of Maha Sangha: 08 April 2022

Discussion had with several TV Stations: 08 April 2022

Since then, many economic reforms were implemented

Fiscal

- **Tax reforms** – amendments to Inland Revenue Act, Value Added Tax Act, Social Security Contribution Levy to adjust rates, thresholds, and rationalise exemptions, to ensure Sri Lanka's revenue goals and fiscal sustainability can be met.
  - These measures allowed government revenue to increase from 8.3% of GDP in 2022 to 11% of GDP in 2023.
- **Expenditure – Introduction of zero-based budgeting concepts** for 10 key ministries.
  - Learnings from this process were used to include a similar framework for the Budget Call 2024.
  - The roll-out of ITMIS has been expanded to cover all spending agencies which will ensure improved commitment controls. Measures to manage the public wage bill have also enabled a significant reduction in expenditure on public sector wages as a percentage of GDP in 2023 compared to 2021.
  - The legal and institutional framework to enable **Public Private Partnerships** are in advanced stages of development, which will enable more effective financing of key capital investments.

Since then, many economic reforms were implemented: *Fiscal*

__Fiscal__ *(Contd….)*

Tax administration – A number of **tax administration refor**ms have been implemented, including most recently the mandatory sharing of information between key third party agencies with the Inland Revenue Department. Other reforms include digitisation of tax related processes, risk-based audits, institutional reforms, and focus on high net worth individuals and so on. Thus far this has enabled the number of registered tax payers to increase by 130% in 2023 alone.

Legislative reforms – The fiscal reforms that have been rolled out over the last two years will be enshrined in legislation through the forthcoming **Public Financial Management Act.**

These fiscal reforms enabled Sri Lanka to convert a primary budget deficit of 5.7% of GDP in 2021 to a primary budget surplus of 0.6% of GDP in 2023.

Since then, many economic reforms were implemented: *SOEs*

State Owned Enterprises

Cost reflective Pricing

- Introduction of cost reflective pricing for fuel and electricity has enabled CPC and CEB to restore profitability following a prolonged period of losses.

Balance sheet restructuring

- The balance sheets of CEB, CPC, and Sri Lankan Airlines have been restructured. Some legacy debts have been taken to the government balance sheet, and cross-entity debts between the three have also been cleared. As a result, CPC negative net equity position has been reversed and CEB has a positive net asset value.

Governance (SOEs)

- Reforms to SOE governance have also made significant progress with a SOE law in advanced stages of drafting.
- The new legislation will create the appropriate legal framework to ensure professional independent management of SOEs whilst ensuring accountability to the Ministry of Finance.
- Market reforms are also being implemented including the unbundling the CEB to improve transparency and financial autonomy between the different components of the entity.
- The fuel retail market is also being liberalised with the introduction of additional competition in the sector with new players being given licenses to operate.
- This is expected to drive competitiveness and improve consumer welfare in these sectors.

Divestment

- Progress has also been made towards divestment of SOEs where state ownership and management is not essential.
- This is expected to free up financial resources and enhance competition and competitiveness in markets such as telecommunications, financial services, and energy, all of which pay crucial roles as inputs for broader economic activity.

The foregoing reforms have collectively enabled a turnaround in the financial performance of the 52 key SOEs from a Rs. 747 billion loss in 2022 to a Rs. 313 billion profit in the first 9 months of 2023.

Since then, many economic reforms were implemented: *Welfare*

Welfare

- **Welfare reform has been long neglected since the Samurdhi programme initiated in 1994 was characterised by significant inclusion and exclusion errors.**
  - The new welfare scheme, Aswesuma, uses objective selection criteria based on multi-dimensional poverty indicators.
  - The new scheme with improved targeting is accompanied by an over three-fold increase in allocation of funds for social safety net cash transfers compared to pre-crisis 2019.
- **Welfare reform has also been a crucial enabler for other reforms such as the tax reforms** to phase out tax exemptions and market based pricing of utilities such as fuel and electricity.
  - In the past, successive governments have mixed up policy tools, for example using tax policy to further welfare goals by providing tax exemptions to ensure affordability for the poor.
  - The result however was a continuous erosion of the tax base which led to the economic crisis.
  - With the welfare reforms, the government will be able to achieve all welfare related goals through direct targeted cash transfers, whilst ensuring tax policy can focus on revenue generation and energy pricing can focus on cost-reflective measures to ensure financial sustainability of SOEs.

Since then, many economic reforms were implemented: *Debt Restructuring*

<u>**Debt Restructuring and Debt Management**</u>

- **The government is in advanced stages of the public debt restructuring process**. The Domestic Debt Optimisation (DDO) has largely been concluded. The government reached agreement in principle on the specific terms of restructuring of debt with official bilateral creditors. Discussions on restructuring of debt with external commercial creditors are in advanced stages.
- **The outcome of this debt restructuring process will ensure that Sri Lanka's public debt will reduce to below 95% of GDP by 2032** (from 128% of GDP in 2022), gross financing needs will reduce below 13% of GDP (from 34.6% of GDP in 2022) by 2032, and foreign currency debt service to below 4.5% of GDP by 2032 (from 9.4% of GDP in 2022).
- In order to prevent a recurrence of a debt distress situation in the future, the government is establishing a **dedicated Public Debt Management Agency** which will be accountable to the Ministry of Finance.
  - The PDMA is expected to have a strong middle office function which will provide the analysis to ensure new debt takes into full account risk management with regard to interest rates, instruments, tenor, and yield curves such that future fiscal risks arising from debt are minimised.
  - The legislation to establish the PDMA is in advanced stages of drafting and will be submitted to Parliament shortly.

Since then, many economic reforms were implemented: *Trade and Tariffs*

Trade

- **Following stabilisation of the economy, growth is expected to be driven by non-debt creating inflows such as exports and investments.**
    - Towards this end, the **government is negotiating strategic free trade agreements to create a critical mass of market access to support exports and investments in Sri Lanka.**
    - The FTA with Thailand was signed in February 2024, and the ETCA with India is now in advanced stages of negotiation.
    - The government has also initiated the process of accession to the **Regional Comprehensive Economic Partnership (RCEP).** The institutional framework to support trade negotiations has also been put in place with the Office for International Trade being established, and the legislative framework for the OIT in advanced stages of drafting.
- The tax structure to support exports and investment is also being facilitated, particularly with the **phasing out of para-tariffs such as PAL and Cess** which have in the past added to cost of raw materials and intermediate inputs which undermined Sri Lanka's competitiveness.
    - Para-tariffs also contributed to an overall macroeconomic framework that led to an anti-export bias in the economy since they channelled scarce resources into sectors where Sri Lanka has not been globally competitive.
- The reforms to the tariff structure to support an export-oriented economy will be encapsulated in the **National Tariff Policy** which is being developed and is expected to be approved by cabinet in the near term.

Since then, many economic reforms were implemented*: Investment*

Investment

Institutional reforms:

- The institutional framework to support investment into the economy is also undergoing reform.
- The **Board of Investment is being restructured to create an Economic Commission** which will merge with the functions of the Export Development Board to create a holistic approach to trade and investment promotion.
- The institutional framework for the management of investment zones is also being revamped. **The legal framework for both of these initiatives is in advanced stages of drafting under the Economic Transformation Legislation.**

Labour market:

- Other key enablers for the investment environment include labour market reforms.
  - The government is in the process of **drafting a comprehensive labour law** that strikes a more appropriate balance between the interests of employers and employees.
  - **Amendments to the Shop and Office Act have also been initiated t**o improve labour market flexibility and to enhance female labour force participation.

Land:

- **Access to land has been a key constraint for investment.**
  - The government has also taken significant measures to free up large areas of government-controlled land for productive commercial investments.
  - These **land reforms** are expected to have positive impacts on the agricultural export sector in particular.

Since then, many economic reforms were implemented: *Monetary*

Monetary Policy

- **Monetary policy was focused on inflation targeting with the legislative framework (new Central Bank Act) and institutional reforms enabling inflation targeting were put in place.**
  - The result has been inflation being reduced from 70% in 2022 to 0.9% by March 2024.
  - Interest rates have also declined subsequently, from close to 30% in early 2023 to around 10% by April 2024.
- **Having a single anchor of inflation targeting also allowed the currency to be determined by market forces**, whilst the Central Bank has focused on purchasing foreign currency from the market to build up reserves.
  - This enabled the Rupee to appreciate from Rs. 363/USD in early 2023 to under Rs. 300/USD by April 2024.
  - Reserves have also increased from usable reserves being at near zero levels in April 2022 to gross official reserves of USD 5 billion by March 2024 (including the PBOC swap with conditions on usability).

Since then, many economic reforms were implemented: *Financial Sector*

<u>**Financial Sector**</u>

- **Significant reforms have been implemented and are being implemented to enhance financial sector stability**.
  - The Banks Special Provisions legislation was amended to improve the Central Bank's resolution powers to better respond to the economic crisis.
  - A comprehensive set of amendments to the Banking Act were recently passed. This will improve risk management practices and governance in the banking sector, to reduce the risk of future stress on the banking sector.
- The crisis also had significant impacts on the balance sheets on state owned banks in particular.
  - In order to mitigate this risk, the government has allocated Rs. 450 billion in the 2024 budget for purposes of **recapitalisation of banks**, which will ensure the banks have the balance sheet strength to support the economic recovery.
- The government has also taken measures to improve access to finance for the SME sector with the establishment of the **National Credit Guarantee Institution (NCGI)** along with enhanced access to low cost funds through an on-lending programme.

Key legal reforms to lock in the reform efforts….

- **Following a comprehensive review of past experience and lessons learned, the government has initiated the introduction of a number of new laws / revision of laws.**
- Most of these new laws focus on structural changes of the existing executive and administrative structures.
- The **Central Bank of Sri Lanka Act, amendments to the Banking Act & Bank Special Provisions Act** as well as **Anti-Corruption legislation** have already been enacted.

Key New Laws to be introduced

a. **Public Financial Management Bill**
b. **Public Debt Management Bill**
c. **Economic Transformation Bill**
d. **Management of State Owned Enterprises Law**
e. **Public Private Partnership (PPP) Law**
f. **Investment Law**
g. **Public Procurement Bill**
h. Unified Labor Law Bill
i. Food Security Bill
j. Public Asset Management Bill
k. Microfinance and Credit Regulatory Authority Bill
l. Secured Transaction Bill
m. Offshore Economic Management Bill
n. New law for facilitating proposed agricultural land lease programme
o. Sri Lanka Accounting and Standard Monitoring Act
p. Public Service Employment Bill
q. Other proposals in 2024 Budget Speech

Key Revisions of Laws

a. Amendments to Agrarian Development Act
b. Amendments to Excise Ordinance
c. Amendments to Customs Ordinance
d. Amendments to Finance Act
e. Amendments to Foreign Exchange Act

The economic CRISIS has had a significant impact on Households in Sri Lanka….

Key strategies adopted by households to navigate economic challenges due to the ongoing crisis

60.5 % of households have decreased their total household average monthly income.

91.0% of households experienced an increase in their total household average monthly expenditure.

22% of households have indebted due to economic crisis.

7% of total population changed their health treatment procedure due to economic crisis.

54.9% of individuals (aged 3-21) schooling has been affected by the economic crisis.

Source: Department of Census and Statistics, Sri Lanka

Impact of economic crisis on MSMEs engaged in Non-Agricultural Sector of Sri Lanka provides mixed results….

- 79.8% of the MSMEs that operated in 2018 were still in operation at the end of year 2022.
- Among the 20.2% businesses either permanently or temporarily closed, **8.3% of closures were reported to be due to economic crisis** while **11.9% were due to reasons other than economic crisis.**
- **The number of permanently closed businesses is more than three times higher than those which were closed temporarily.**
- The highest percentage of closures was reported for 2020 with 33.4%.
- Among the total businesses closed during 2019-2022, **41.1% has reported economic crisis as a reason for closing their businesses** which indicate that **58.9 % of the closures were not due to economic crisis.**
- Further, 45.3% of closed businesses have reported COVID pandemic being a reason of closure suggesting **54.7% of closures had not been due to COVID pandemic.**

Source: Department of Census and Statistics, Sri Lanka

Unfortunately, less than 2 years later, many in society have forgotten or chosen to forget the ***incredibly difficult time that we went through.***

Looking back, now it is hard to believe that we got through that time and came to where we are today without missing any of the mandatory payments of the government.


US-based RM Parks to start fuel supply in Sri Lanka soon; United faces delay
SINOPEC


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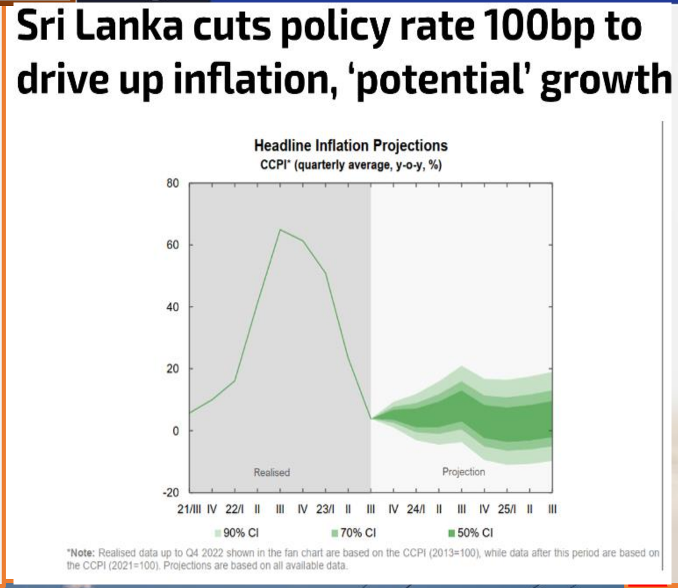
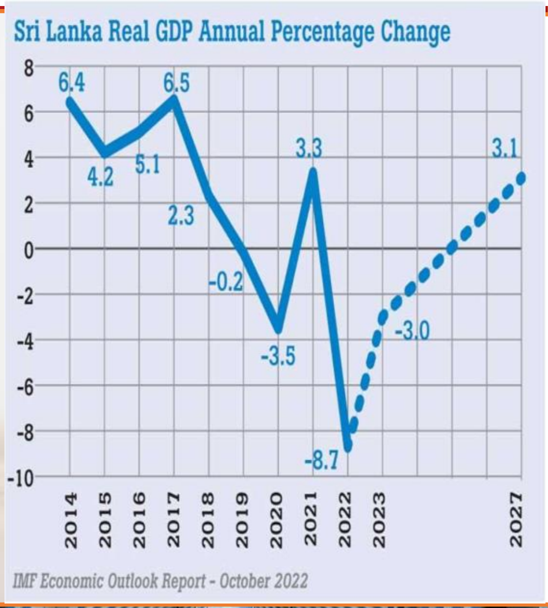
Asia&Pacific
Saturday, October 28, 2023
Sri Lanka removes import restrictions on all items except vehicles
Source: Xinhua | 2023-10-10 00:05:00 | Editor: huaxia


Sri Lankan overseas workers remit US$4.35 billion in 9 months 2023
Oct 8, 2023


Inflation


Sri Lanka cuts policy rate 100bp to drive up inflation, 'potential' growth
Headline Inflation Projections
CCPI* (quarterly average, y-o-y, %)
Realised
Projection
90% CI
70% CI
50% CI


%
INTEREST RATES


Sri Lanka Real GDP Annual Percentage Change
6.4
4.2
5.1
6.5
2.3
-0.2
-3.5
3.3
-8.7
-3.0
3.1
2014
2015
2016
2017
2018
2019
2020
2021
2022
2023
2027
IMF Economic Outlook Report - October 2022


Sri Lanka: Strengthening Social Protection


Power Cut Ends!


PRICE REDUCED


Gate 6-14

Commitment to continue much needed reforms is THE KEY….

The crisis is very severe and deep so Sri Lanka needs to continue to implement strong reforms with commitment to address it.

- **Enhanced domestic resource mobilization has a critical role to play.**
- Strengthening tax administration is critical to get the maximum yield from tax policy structure.

- **Completion of the debt restructuring process** is critical with substantial relief from creditors, which will be the first step in restoring credit ratings.

- **Continuation of the reform agenda under the IMF-EFF.**
- Introducing growth supporting structural policy changes with a qualitative shift in growth to growth driven by non-debt creating inflows.

- **Structural reforms beyond the IMF programme** are crucial to achieve high, inclusive, and sustainable economic growth.

Medium Term Macro-Fiscal Framework: 2023-2028

As a percentage of GDP

Indicator	2022 Actual	2023 Revised Estimate	2023 Provisional	2024 Estimate without bank recapitalization	2024 Estimate with bank recapitalization	Projections 2025	2026	2027	2028
Total Revenue and Grants	**8.3**	**10.1**	**10.9**	**13.1**	**13.1**	**15.0**	**15.0**	**15.1**	**15.2**
Total Revenue	8.2	10.1	10.8	13.0	13.0	14.9	15.0	15.1	15.2
Tax Revenue	7.3	9.2	9.7	12.1	12.1	14.0	14.0	14.1	14.2
Non Tax Revenue	0.9	0.9	1.1	0.9	0.9	0.9	0.9	1.0	1.0
Grants	**0.1**	**0.04**	**0.08**	**0.06**	**0.06**	**0.04**	**0.04**	**0.04**	**0.04**
Total Expenditure	**18.5**	**18.7**	**19.3**	**20.7**	**22.2**	**20.3**	**19.7**	**19.3**	**19.1**
Recurrent Expenditure	14.6	15.9	17.0	16.8	16.8	15.9	15.3	14.9	14.6
Non-interest Expenditure	8.1	8.1	8.0	8.3	8.3	8.3	8.3	8.4	8.4
Interest Payments	6.5	7.8	9.0	8.4	8.4	7.6	7.0	6.5	6.2
Capital Expenditure and Net Lending	3.9	2.8	2.3	4.0	5.4	4.4	4.4	4.4	4.5
Current Account Surplus (+)/ Deficit (-)	**(6.4)**	**(5.8)**	**(6.2)**	**(3.7)**	**(3.7)**	**(1.0)**	**(0.3)**	**0.2**	**0.6**
Primary Balance Surplus (+)/ Deficit (-)	**(3.7)**	**(0.7)**	**0.6**	**0.8**	**(0.6)**	**2.3**	**2.3**	**2.3**	**2.3**
Budget Deficit Surplus (+)/ Deficit (-)	**(10.2)**	**(8.5)**	**(8.4)**	**(7.6)**	**(9.1)**	**(5.3)**	**(4.7)**	**(4.2)**	**(3.9)**

There is an unprecedented burden on the General Treasury as well….

"NATIONAL" TREASURY

- Legacy Issues in Revenue Collection/ Weak Tax Administration
- Near overnight elimination of Central Bank Financing through Primary Purchases
- No Provisional Advances from CBSL as Usual (Need to settle within 6 months time)
- Limited foreign financing placing large burden on domestic market
- Challenges in fulfilling Domestic Borrowings at a Reasonable Financial Cost
- Achieving the high revenue target for 2024

- Absorbing SOE forex Loans (CPC, CEB)
- Significantly High-Interest Bill
- Recapitalization Need of Banks
- Need for Providing Concessions (through the Budget)

- Significant Cost Overruns specially in social services benefit schemes, Health, and Agriculture sectors
- Establishing Cash Buffer for debt service payments amidst constrained liquidity
- Obtaining Value for Money in Government Expenditures
- Accessibility to Foreign Loans in terms of Timing and the Amount

- Serious legacy governance issues, particularly in revenue agencies
- Potential Corruption / Bribery Vulnerabilities
- Procurement Issues / Delays
- Regulatory / Supervisory Issues

- **Some of these issues are embedded in to the system for years, if not decades.**
- **The Treasury is working to find new ways to manage new challenges in the post crisis environment.**
- **Careful and efficient expenditure management is critical**, considering the repercussions of mis-management of expenditure.
- **There is no room for EXTRAWAGANCE / OSTENTATION**
- **Prioritizing spending on essential services such as healthcare, education, social welfare, digitalization etc., and essential infrastructure, while cutting back on non-essential expenses is crucial.**

Concluding remarks

- **As senior officials at the Treasury, you have a critical role to play in taking the country out of the crisis.**
- **Fiscal discipline and value for money in government spending** are very important given the **scarcity of (fiscal) resources.**
- **Integrity, Creativity & Honesty are the key characteristics that you all should maintain at all times.**
- **Self-critique, continuous learning and improvement is important in moving forward effectively.**
- *Think about your own past.*
  - Have you made a **Positive** or **Negative** contribution in the run up to the economic crisis of the country? What can you do better going forward?
  - **Identify the areas that need adjustment for new realities** and demands.
  - **Think about your responsibility at this critical juncture of the NATION.**
  - **Think about building a country** that you would like to retire and live.
  - **Think about a country that we all should create for our children and the generations to come.**

Concluding remarks….*(2)*

- **We are already seeing the positive results of the reforms implemented during the last two years.** We must not be complacent and be very aware that **<u>any slippage from this path will lead to a rapid return to the situation we were at two years ago.</u>**
- **<u>The IMF supported EFF programme will not be in place forever – but the continuity of reforms implemented through the programme are necessary in the interest of the country</u>**.
- **Whether there is an IMF programme or not, the country needs to have**;
  - **Strong government revenue** that is able to sustain the growing public expenditure needs of a middle income nation (increased need for public spending on health, education, public transport, digitalization, support for the elderly in an ageing population etc.)
  - **Persistent primary budget surpluses** to ensure debt sustainability
  - **Stable and robust foreign exchange reserves** as buffers to mitigate exogenous risks
  - <u>**Strong governance frameworks and practices** to counter corruption and wastage</u>
  - <u>**Professionally managed (profitable) state owned enterprises** that are not a burden to the Treasury and the financial system</u>

It is the responsibility of public officials to always advise political authorities of the necessity for continuity of fundamental macroeconomic policies of this nature….

Concluding remarks….*(3)*

- **Managing the crisis was never an easy task and there is a long way to go.**
- **Few consider the counter-factual.**
  - *What might have been the outcome if the reforms implemented over the last 2 years were not put in place?*
  - *There are live examples of this – particularly what is going on in Lebanon, Argentina and Venezuela.*
- **To avoid that kind of outcome has been an incredibly difficult task.**
- **Most of you were here at the MOF when the economic crisis was approaching, and it was most of you that are helping the country to come out of the crisis.**
- **I have witnessed first-hand the dedicated efforts of public officials at the Ministry of Finance, the Central Bank, Presidential Secretariat, other Line Ministries etc., that supported this process.**
- **Most importantly, it was the sacrifices made by the people of our country that has enabled Sri Lanka to gradually get back on her feet.**

I have helped you to put the things in the Correct Path. Now, it is your duty to continue the same, going forward. So, it is the time to PUSH YOUR COMFORT ZONES.

Think positively and work hard. The NATION asks for it, at this critical juncture….


INDIA
INDO SRI LANKA MARITIME BOUNDARY
SRI LANKA
CAPE COMORIN
DIGITAL TRANSFORMATION

Thank you.