

**Government Fiscal Operations:**  
*Challenges Faced, Reforms Implemented and  
the Way Forward*

By  
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Presentation made at the Breakfast Meeting on “*Sri Lanka Economy Onwards & Upwards*”,  
organized by the Citibank N.A., and held at Movenpick Colombo on

27 February 2024

## **1. Challenges Faced**

# 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.***

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

- 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.**

# We all are well aware of the unprecedented and deepest crisis faced by Sri Lanka in its post independence history....

It is mainly because, the country has long lived beyond its means....

- The crisis has deep roots: the country has long lived beyond its means – borrowing too much and taxing too little – and produced below its potential.
- It is also a result of several years of populist & shortsighted policymaking, policy mis-steps & mismanagement, corruption vulnerabilities, political instability, and an overall lack of good governance.
- Coupled with the impacts of external shocks such as the COVID-19 pandemic and the Russia – Ukraine conflict, the country plunged into its worst-ever crisis in 2022.
- People's standards of living were devastated, with the heaviest blow to the poorest and most vulnerable and jeopardizing Sri Lanka's decades-long human capital gains with multiple challenges, including **severe threats to nutrition, food security, healthcare, and education.**
- Widespread protests, mainly as a result of the above factors, were continuing with no clear path or hope for the future of the country.

**By early April 2022, Sri Lanka was on the brink of economic and social collapse.**



**Sri Lanka hospitals issue SOS as vital drugs, equipment run out**  
 Doctors warn deaths could exceed COVID and other disasters combined

MUNZA MUSHTAQ, Contributing writer  
 April 12, 2022 14:15 JST

**CRISIS: Drug Shortage List in Sri Lanka**

🕒 April 9, 2022

The country continues to suffer severe shortfalls c from fuel to electricity. But health experts caution system could drive an escalation in deaths, if immr supplies.

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**13th death reported in Sri Lanka fuel queues**

IAN S / Jul 5, 2022, 15:47 IST

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**Milk sachets, chicken, fuel: basics slip out of reach for Sri Lankans as economic crisis bites**

Sri Lanka's main opposition activists hold torches during a demonstration to denounce the shortage of cooking gas, kerosene oil and a few other commodities as the country faces a major foreign exchange crisis. Photograph: Ishara S Kodikara/AFP/Getty Images

**Sri Lanka crisis forces 13-hour blackouts, hospitals stop surgery**  
 Power regulator urges government employees to work from home to save fuel and hospitals suspend routine surgeries as economic crisis deepens.



**Sri Lanka Imposes Power Cuts as Cash Crisis Deepens**



**SRI LANKA'S FOOD EMERGENCY**

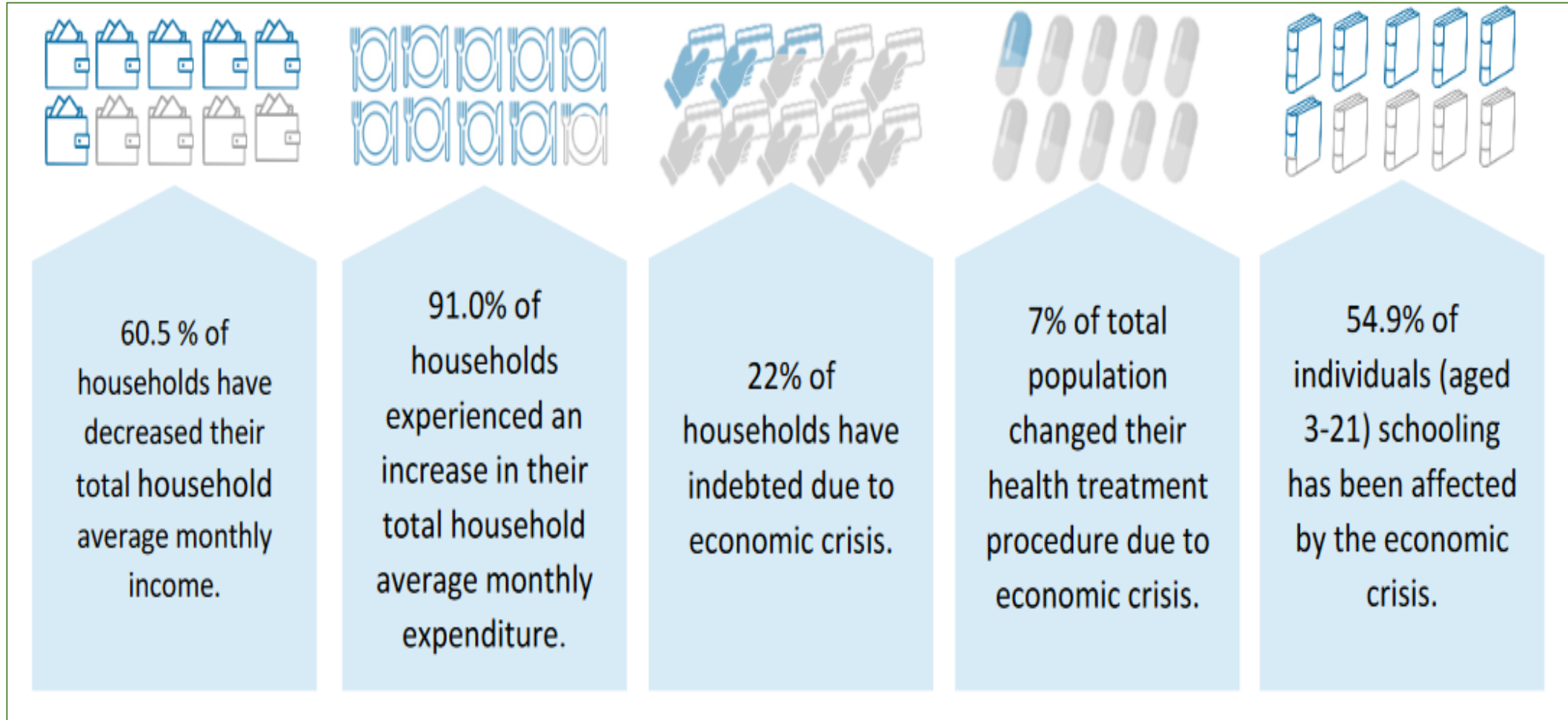
As Sri Lanka faces an unprecedented economic crisis, the soaring cost of living burns hole in Sri Lankans' pockets

**NEWS18 creative**



# There has been a significant impact of the economic crisis on Households in Sri Lanka....

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



# 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.**



*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.

## **2. Reforms Implemented and Outcomes**

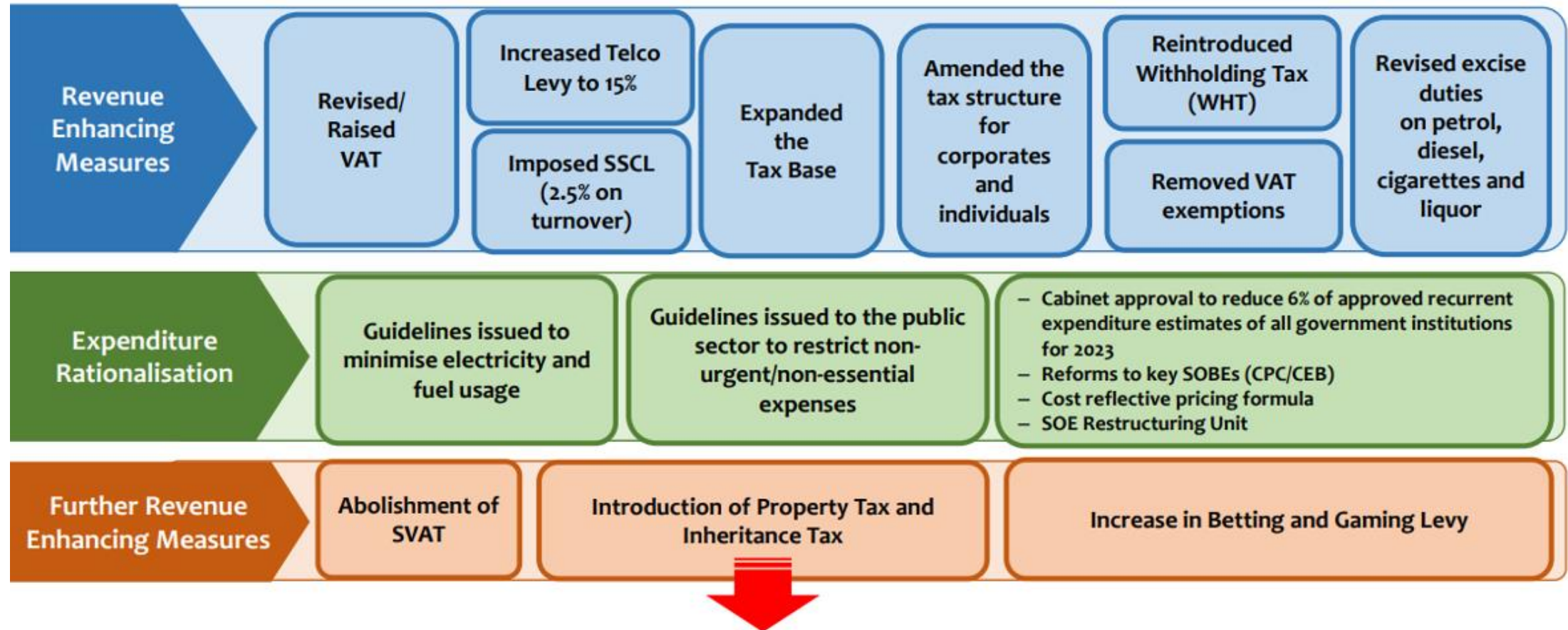
# The IMF supported Extended Fund Facility (EFF) programme

- Unlike in the past 16 programmes, an economic stabilization programme alone was not sufficient to obtain the assistance from the IMF this time (under the 17<sup>th</sup> programme)
- Hence, Sri Lanka had to work in two parallel paths
  - Key economic stabilization programme
  - Debt restructuring
- It is important that much needed and much delayed reforms are undertaken with strong commitment.

- The Government has successfully achieved most of the targets as scheduled. Several targets were achieved with a slight delay.
- Some targets include complex structural reforms with lengthy legislative processes.
- The first review of the program was concluded in October 2023 and both parties reached a **Staff Level Agreement (SLA) on 19 October 2023.**
- The SLA together with financial assurances enabled the approval of the First Review in December 2023 to get the 2<sup>nd</sup> tranche of the program amounting to around USD 337 Mn.

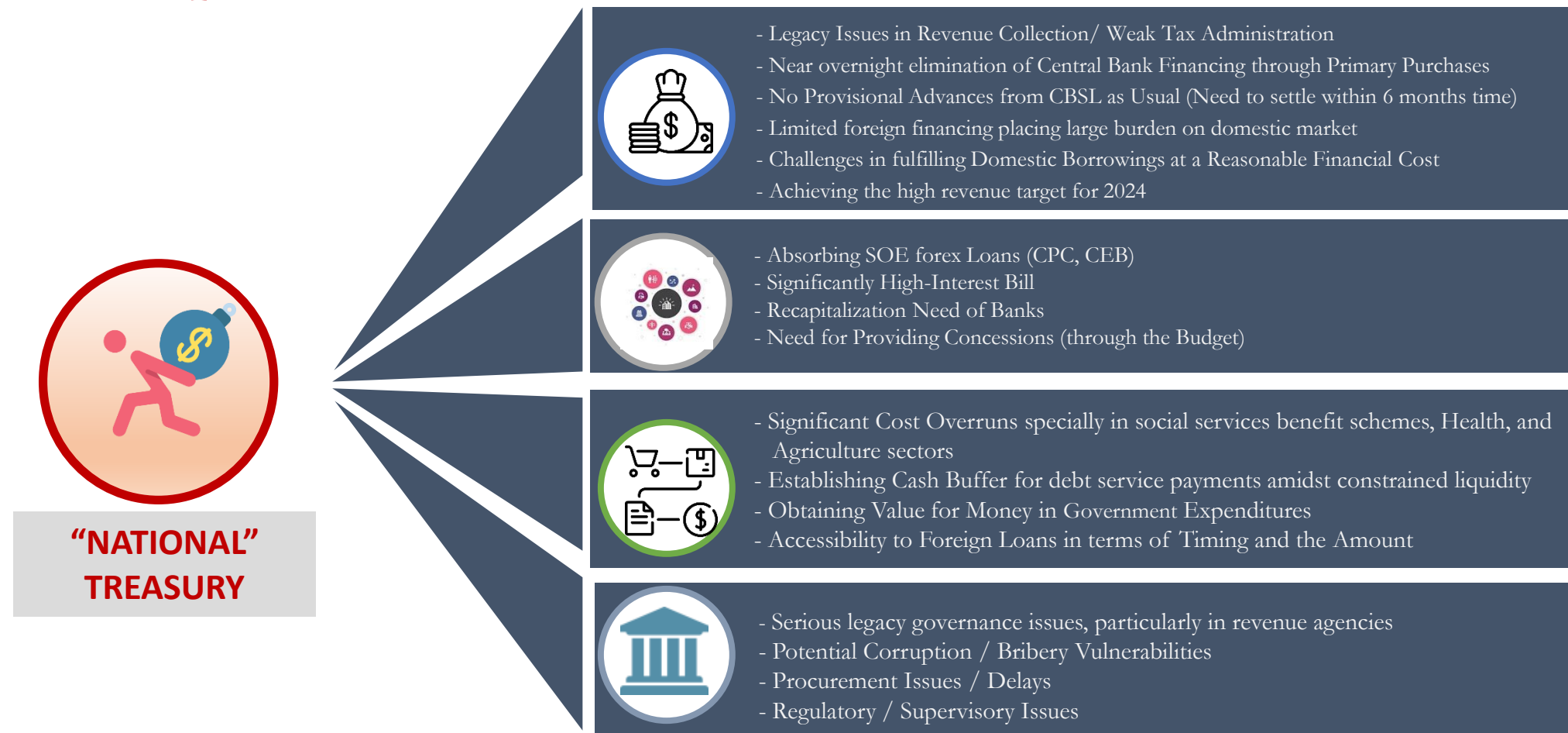
**This should be the last IMF programme.**

# A strong fiscal reform programme was implemented to maintain a higher primary budget surplus and to help reduce the government borrowing requirement and debt....



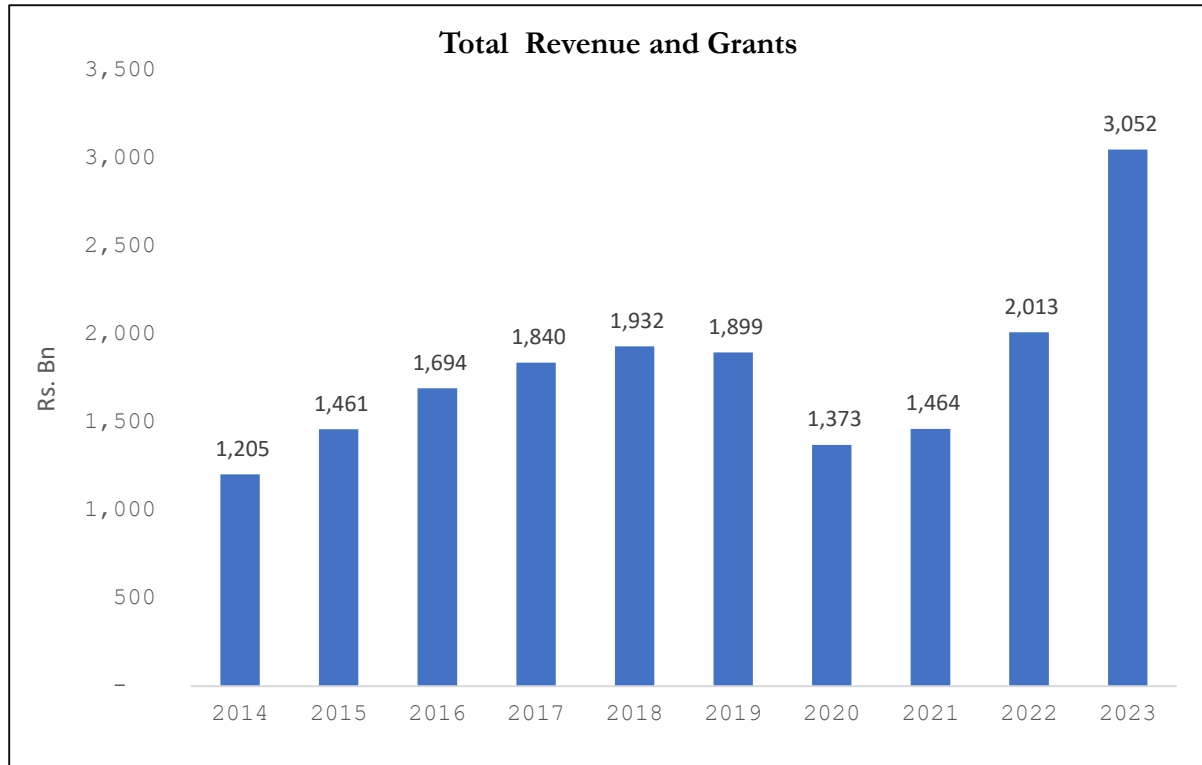
- Many of these are much delayed and long neglected reforms, which are very painful and have had a significant implication on the households and businesses.
- There is little room for further tightening of fiscal policy which will be socially and economically costly....

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

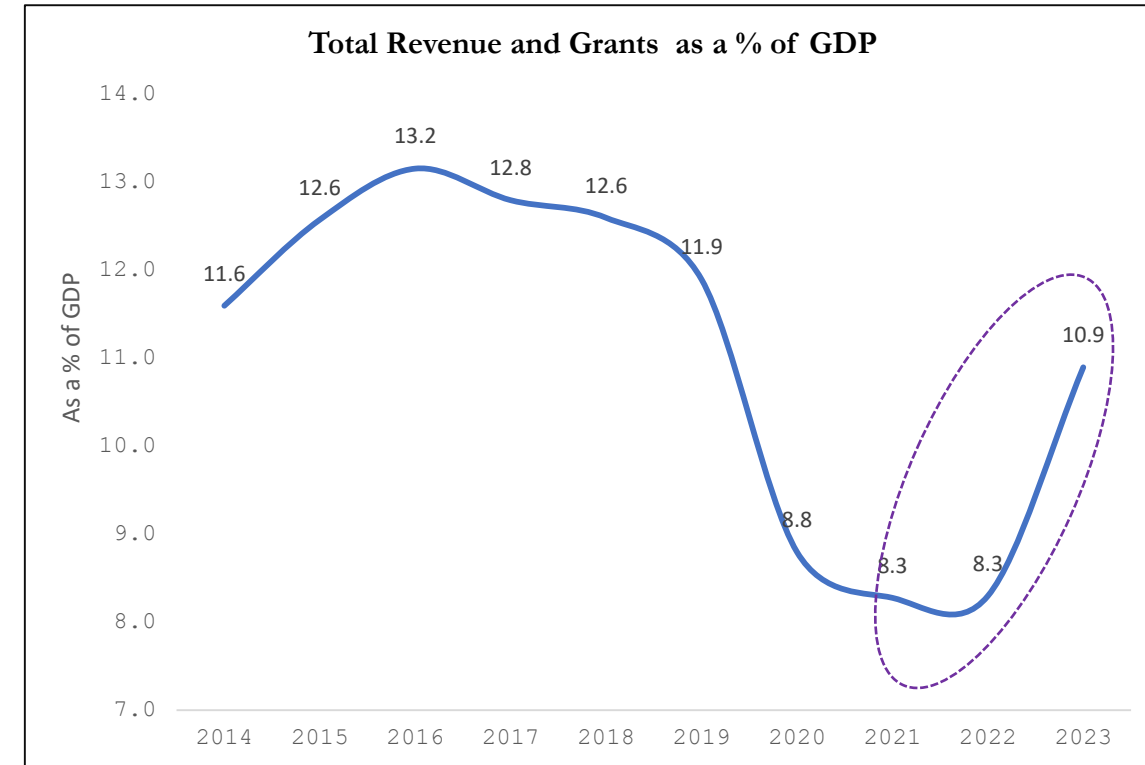


- **Some of these issues are embedded in to the system for years, if not decades.**
- **The Treasury is working to find new ways to manage new challenges in the post crisis environment.**
- **Careful and efficient expenditure management is critical**, considering the repercussions of mis-management of 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.**

# Revenue measures have started to work....



*2023 Nominal GDP figures and other numbers are preliminary\**

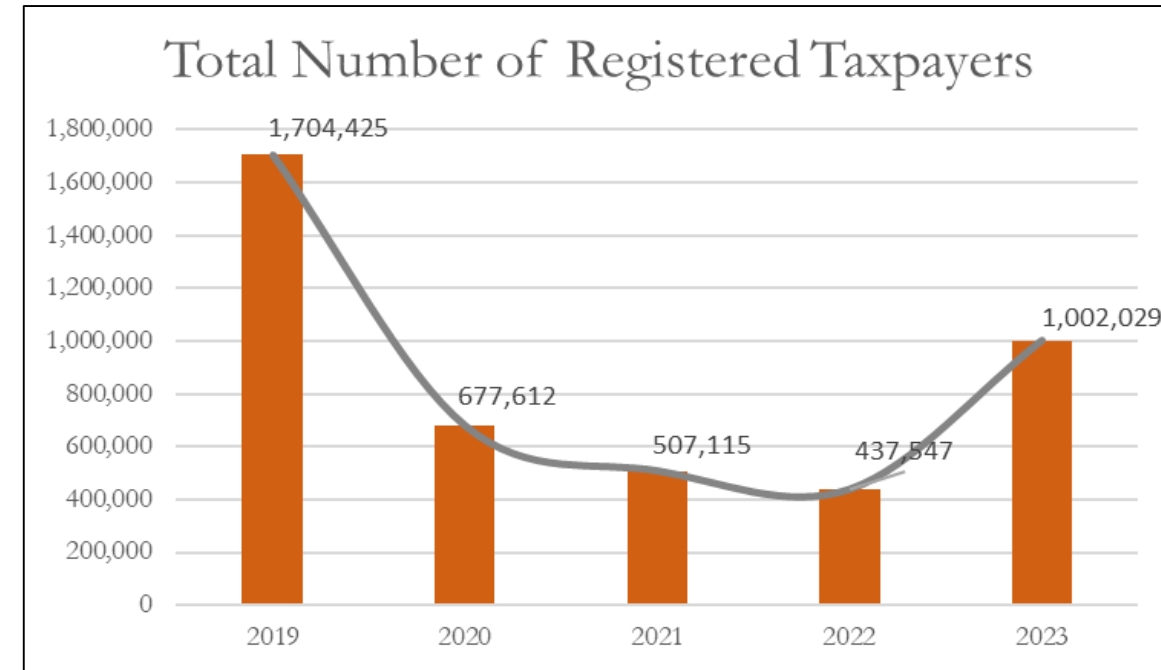


*2023 Nominal GDP figures and other numbers are preliminary\**

- The increase in total revenue is mainly due to increased tax revenue with the tax policy changes while the tax administration needs to be strengthened with a concerted effort.

## At the same time, tax reforms are painful....

- The contemporary tax policy decisions have been difficult and painful.
- They add to challenges faced by the public. The government understands this, acknowledges it, and accepts it.
- However, there are also no alternatives in the short term for Sri Lanka to come out of the crisis we suffered since mid-2021.
- The policy path in place provides the required increase in revenue, but also in parallel, the tax base is being widened which will enable tax rates to be eased once revenue targets can be met in a sustainable manner.
- The early results of this are encouraging with the total number of taxpayers increasing by 130% in 2023 compared to 2022.



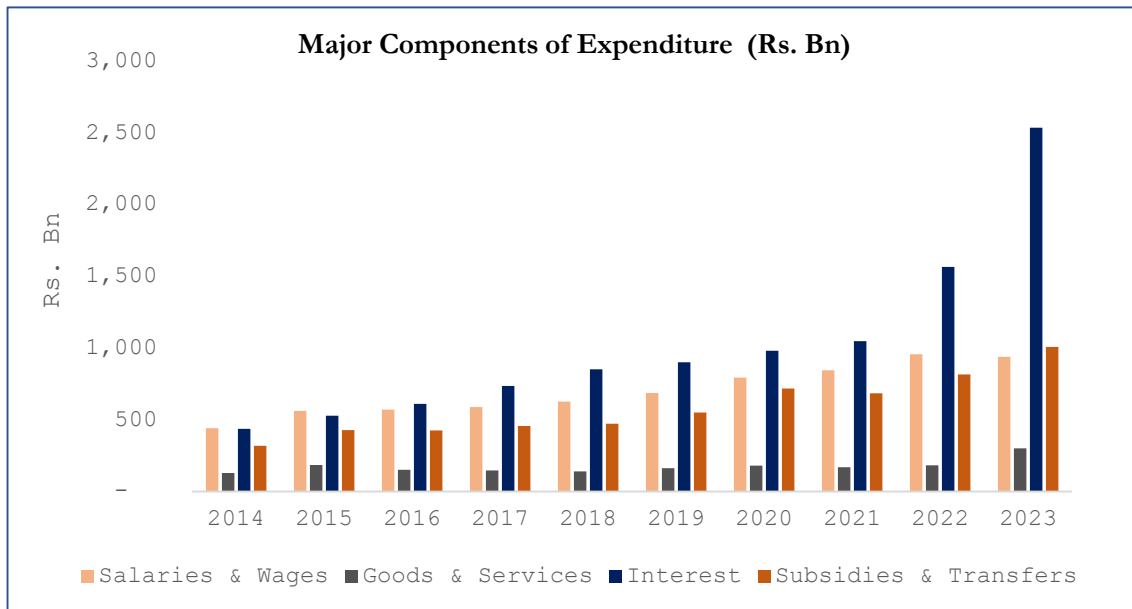
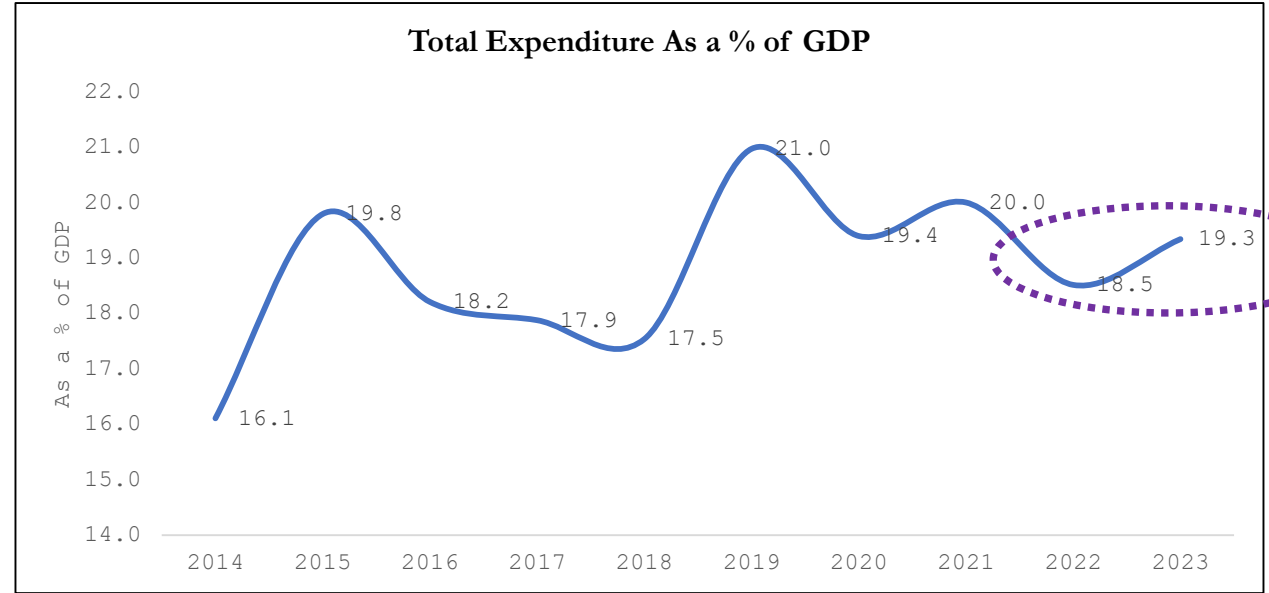
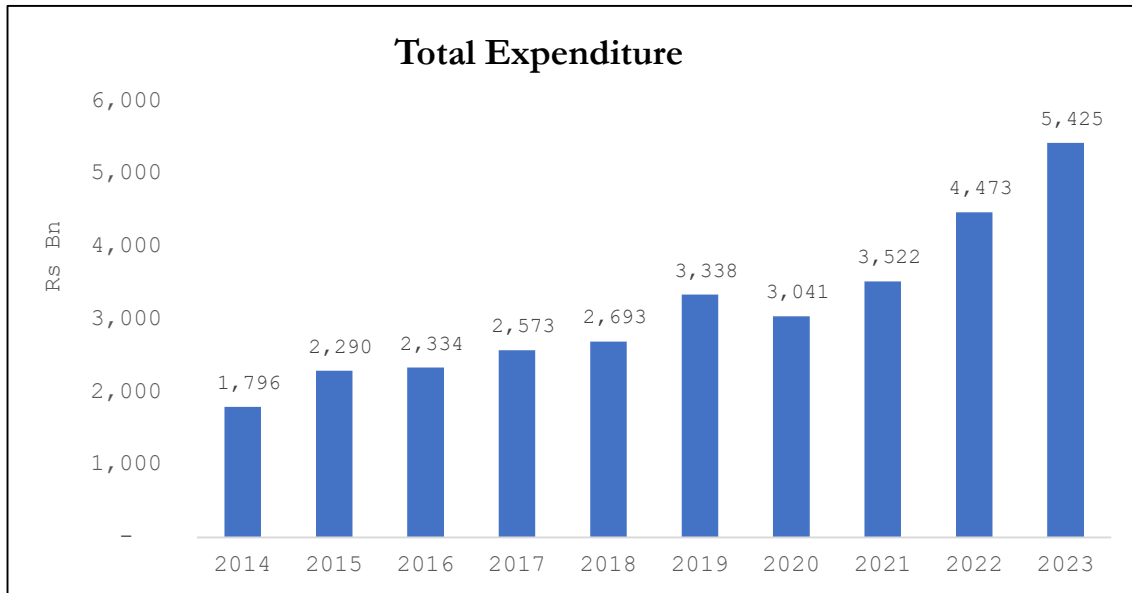
**We have to be patient for the policy measures to yield the required results – if we jump the gun and reverse course too soon, we will be back in a situation like 2022 in no time.**

# Expenditure Rationalisation

- Whilst fiscal reforms are largely based on revenue enhancement given the rigid, **non-discretionary nature of recurrent expenditure**, the government has taken several steps to rationalize spending.
- Public expenditure circulars issued in 2022 and 2023 imposed strict disciplines on recruitment, expenditure on travel, fuel, and procurement.
- **Capital expenditure is being subject to additional filters and conditions** to ensure that only high priority projects with clear economic returns and value for money are approved.
- **Technology is being deployed in the form of ITMIS for enhanced commitment controls** and expansion of e-procurement for improved transparency and price discovery
- The government commenced **implementing principles of zero based budgeting with 10 of the highest spending Line Ministries** being reviewed. **The 2024 budget was based on these principles.**



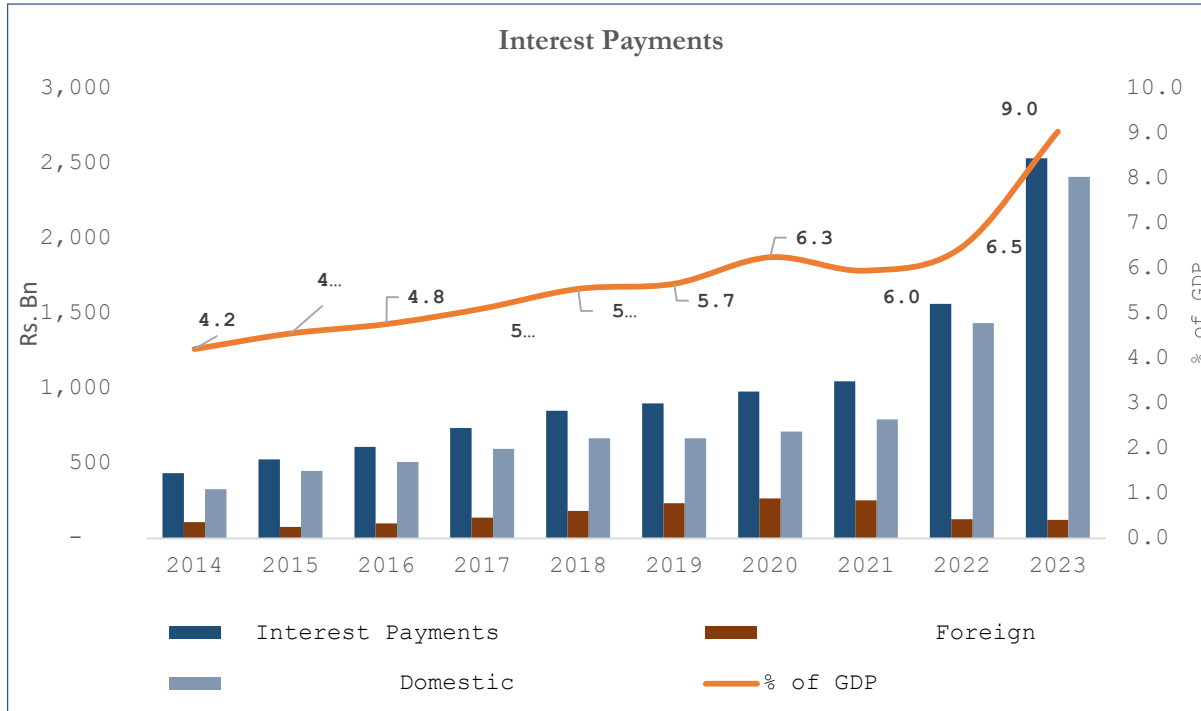
# Expenditure management measures have controlled primary expenditure....



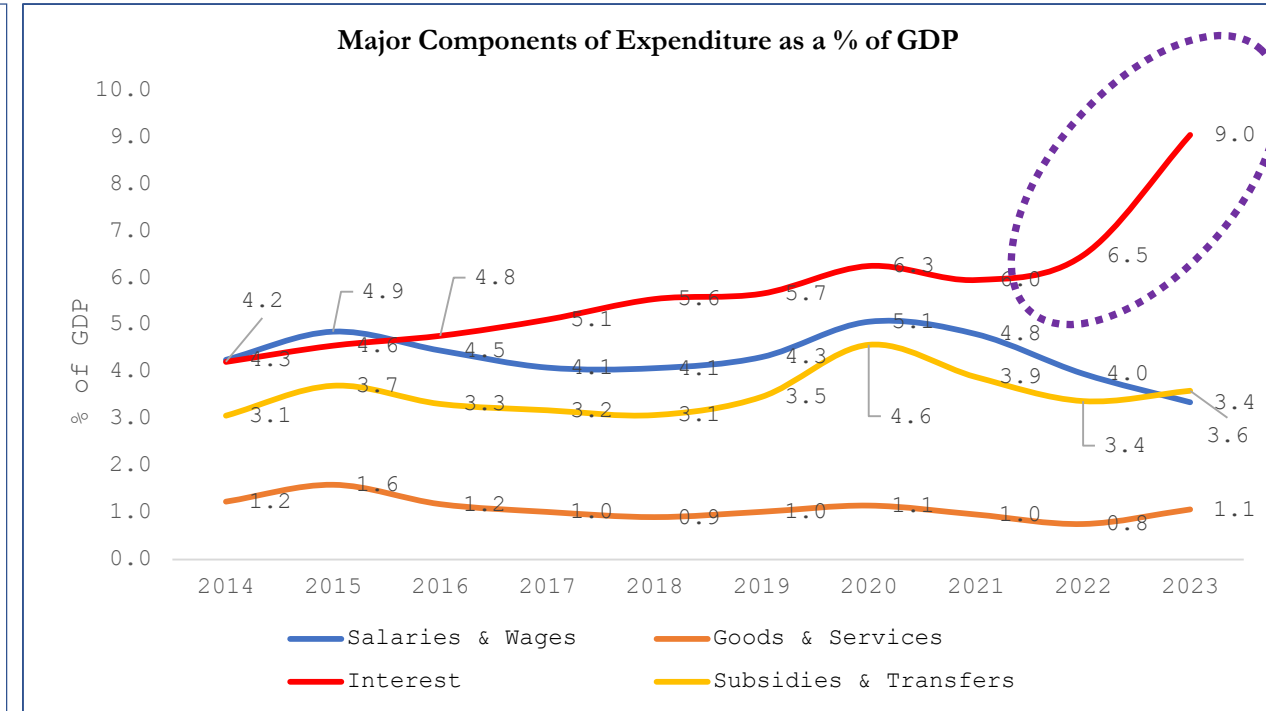
- **Increase in expenditure is dominated by interest cost whilst non-interest expenditure including on salaries/wages has reduced as a percentage of GDP**
  - **Sri Lanka's overall expenditure level is not significantly high compared to peer economies – in fact higher spending is required in sectors such as education, health, public transport etc.**
- 2023 Nominal GDP figures and numbers are preliminary\**

*2023 Nominal GDP figures and other numbers are preliminary\**

# Expenditure increase is due to elevated interest payments....



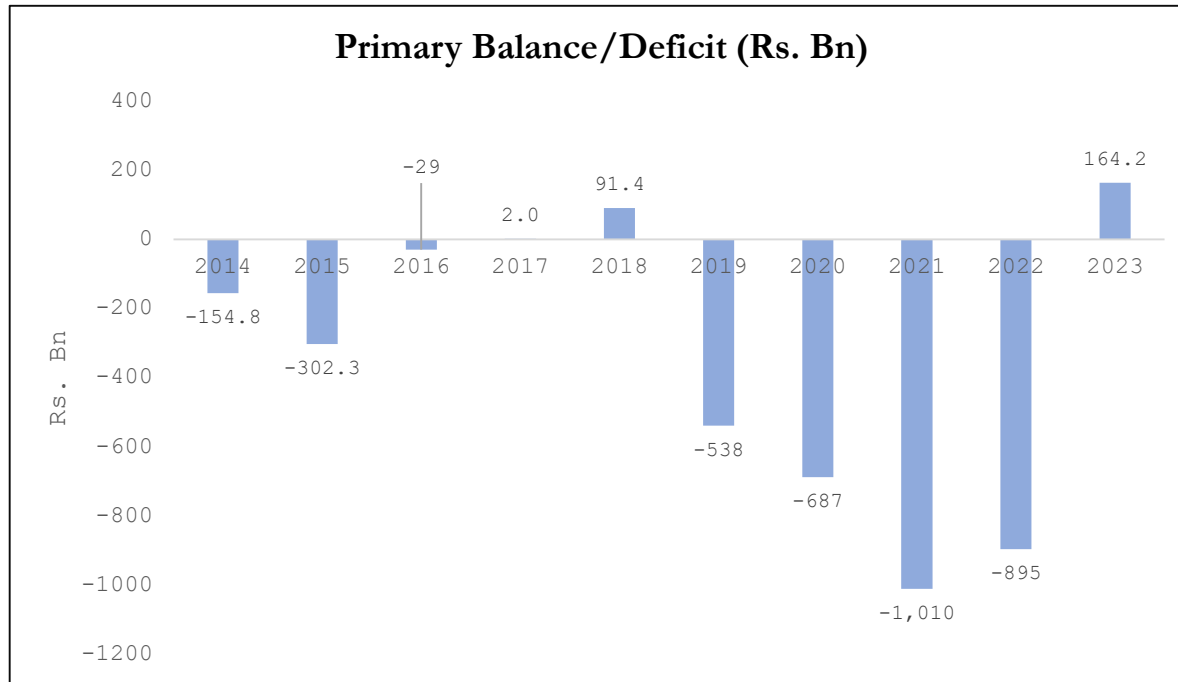
2023 Nominal GDP figures and other numbers are preliminary\*



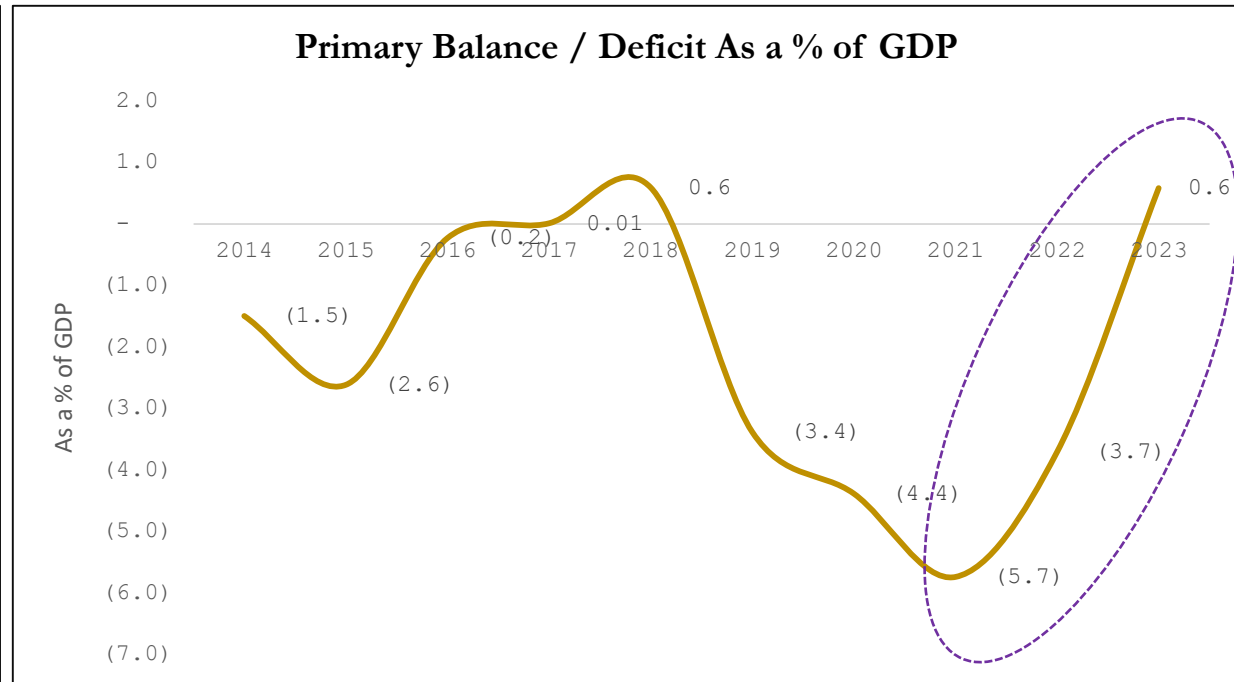
2023 Nominal GDP figures are preliminary\*

- **The very high interest cost in 2023 was due to uncertainties related to the Domestic Debt Optimisation (DDO) process and the monetary policy response of the Central Bank to contain the high inflation.**
- **The high interest cost undermines the potential gains in fiscal management and hurts the overall adjustment process as well. This needs to be properly recognized at policy level discussions.**
- **Meanwhile, there has been significant adjustments (as a % of GDP) in all other expenditure areas as depicted in the above (r.h.s) chart. Salaries and wages bill has declined from 5.1% of GDP to 3.4%. This broadly reflects the significant resource constraints in the budget.**

# The biggest improvement is the significant turnaround of the primary budget balance....



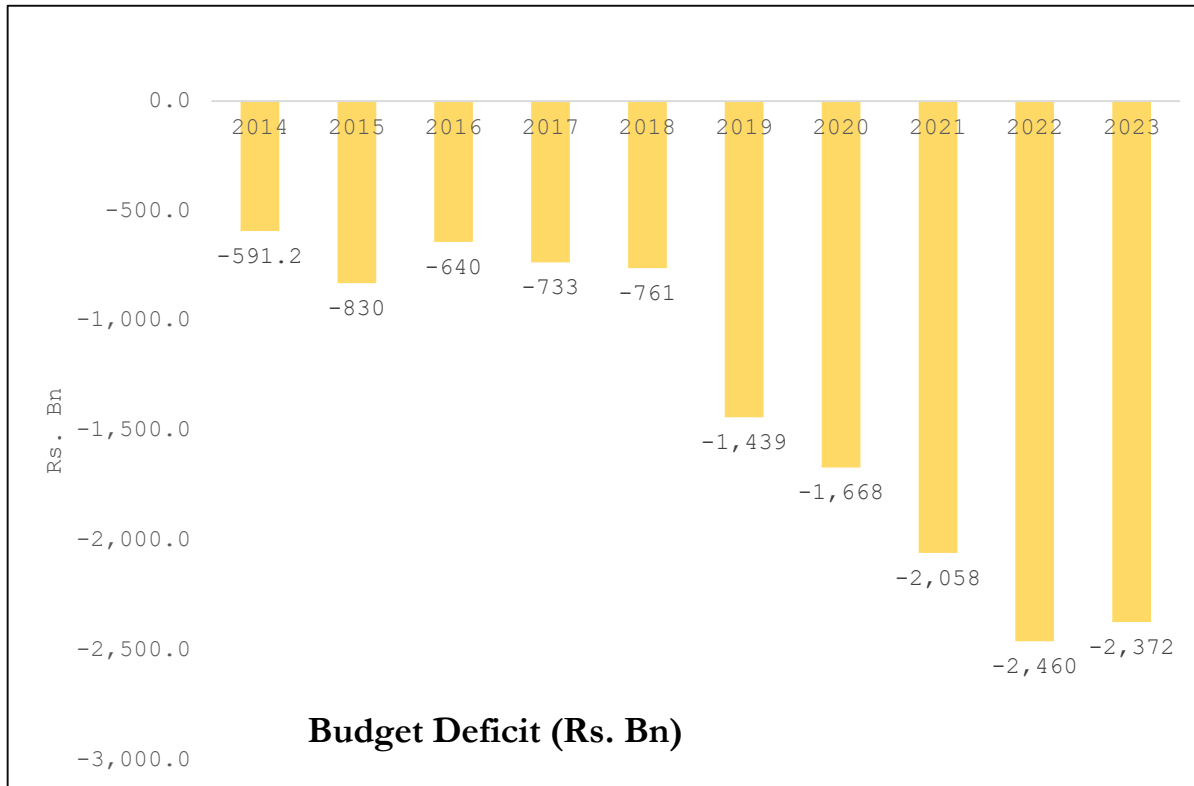
2023 figures are preliminary\*



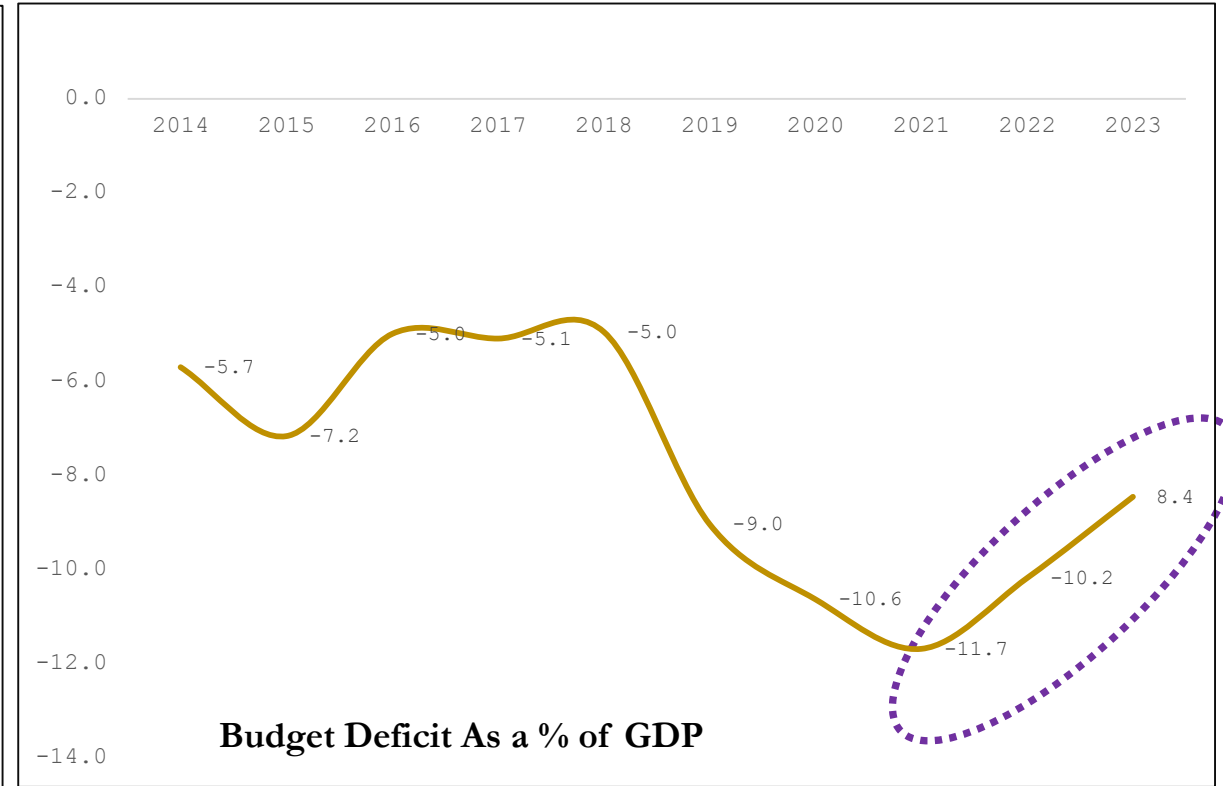
2023 Nominal GDP figures are preliminary\*

- The adjustment of the primary balance from -5.74% of GDP in 2021 to a surplus of 0.6% (provisional due to nominal GDP estimate) of GDP in 2023 is a very strong correction.
- This is only the 6<sup>th</sup> time in the post independence history that Sri Lanka has recorded a primary surplus.

# The overall budget deficit reduction is taking place....



2023 figures are preliminary\*

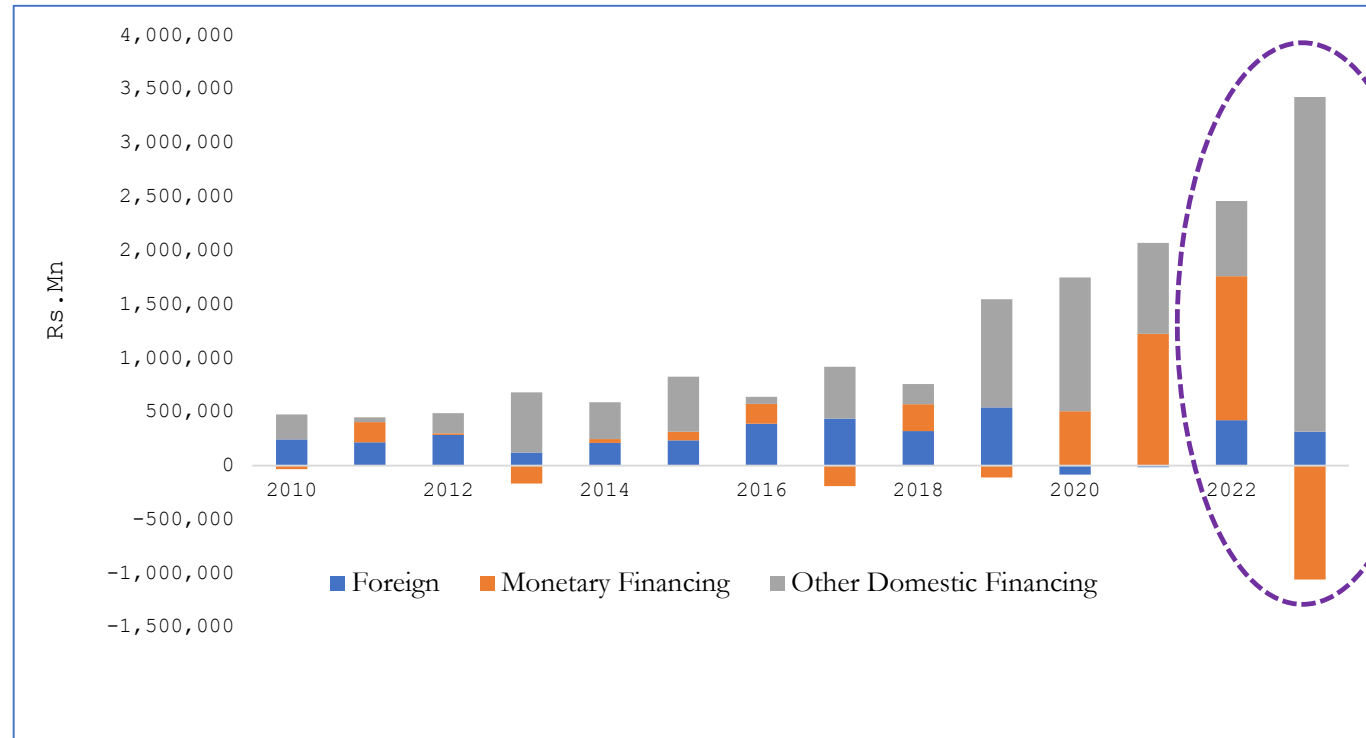


2023 Nominal GDP figures are preliminary\*

- The overall reduction of the budget deficit is a combined outcome of enhanced revenue and rationalisation of expenditures (other than interest payments).

# The deficit financing mix has improved....

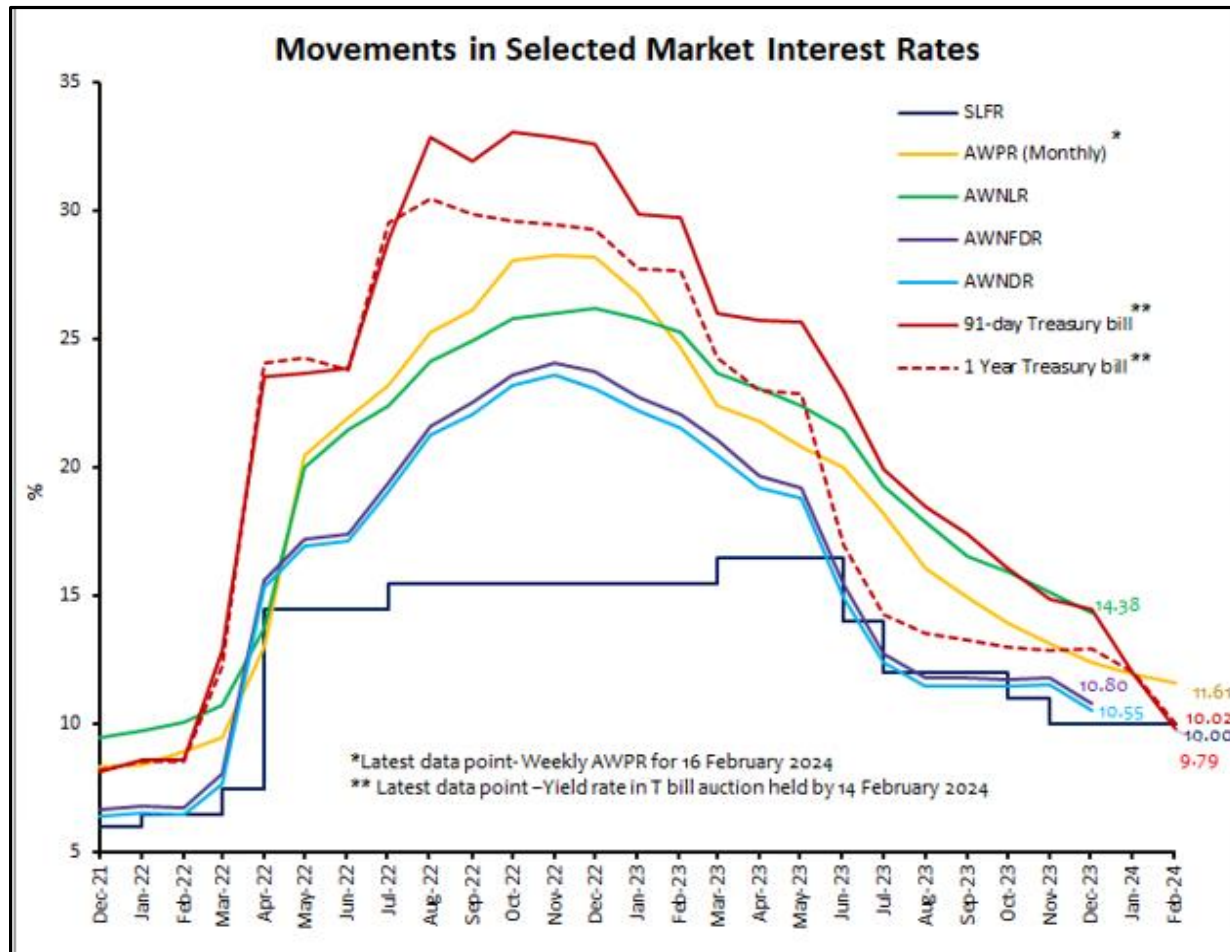
Financing the Budget Deficit (Rs Mn)



2023 figures are preliminary\*

- Monetary financing has become negative in 2023 and other domestic financing has increased with positive net foreign financing as well.

# Government securities' yield rates have adjusted downwards sharply....



- The interest rates on government securities which increased to around 35% have now come down to single digit level.
- With no access to Central Bank monetary financing (money printing), the maintenance of a Cash Buffer by the Treasury has mainly helped achieve this positive outcome.
- The Treasury is actively working in improving its Cash Management techniques and practices further to improve overall Cash Flow Management in the post-monetary financing termination environment.

**Outstanding Bills as at 31.12.2023 (updated as at 31.01.2024)**  
**Age analysis**

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	<b>Recurrent</b>	<b>Capital</b>	<b>Total</b>
Less than one month	2,620	2,866	5,486
Between 01-02 months	0	0	0
Between 02 – 03 Months	0	0	0
More than three months	0	0	0
<b>Total</b>	<b>2,620</b>	<b>2,866</b>	<b>5,486</b>

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## Of course, the Road to Recovery was not easy....

- Taxes are higher, utility costs are higher, and salaries are yet to catch up with the escalation in cost of living due to the crisis.
- However, 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.
- It was the unwavering political leadership, guidance and advice of the Hon. President of Sri Lanka who is also the Minister of Finance, Economic Stabilisation and National Policies who spearheaded the response against 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.



### **3. The Way Forward**

# 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	2023	2023	2024	2024	Projections			
	Actual	Revised Estimate	Provisional	Estimate without bank recapitalization	Estimate with bank recapitalization	2025	2026	2027	2028
<b>Total Revenue and Grants</b>	<b>8.3</b>	<b>10.1</b>	<b>10.9</b>	<b>13.1</b>	<b>13.1</b>	<b>15.0</b>	<b>15.0</b>	<b>15.1</b>	<b>15.2</b>
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
<b>Grants</b>	<b>0.1</b>	<b>0.04</b>	<b>0.08</b>	<b>0.06</b>	<b>0.06</b>	<b>0.04</b>	<b>0.04</b>	<b>0.04</b>	<b>0.04</b>
<b>Total Expenditure</b>	<b>18.5</b>	<b>18.7</b>	<b>19.3</b>	<b>20.7</b>	<b>22.2</b>	<b>20.3</b>	<b>19.7</b>	<b>19.3</b>	<b>19.1</b>
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
<b>Current Account Surplus (+)/ Deficit (-)</b>	<b>(6.4)</b>	<b>(5.8)</b>	<b>(6.2)</b>	<b>(3.7)</b>	<b>(3.7)</b>	<b>(1.0)</b>	<b>(0.3)</b>	<b>0.2</b>	<b>0.6</b>
<b>Primary Balance Surplus (+)/ Deficit (-)</b>	<b>(3.7)</b>	<b>(0.7)</b>	<b>0.6</b>	<b>0.8</b>	<b>(0.6)</b>	<b>2.3</b>	<b>2.3</b>	<b>2.3</b>	<b>2.3</b>
<b>Budget Deficit Surplus (+)/ Deficit (-)</b>	<b>(10.2)</b>	<b>(8.5)</b>	<b>(8.4)</b>	<b>(7.6)</b>	<b>(9.1)</b>	<b>(5.3)</b>	<b>(4.7)</b>	<b>(4.2)</b>	<b>(3.9)</b>

# 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

- a. **Public Financial Management Bill**
- b. **Public Debt Management Bill**
- c. **Management of State Owned Enterprises Law**
- d. **Public Private Partnership (PPP) Law**
- e. **Investment Law**
- f. **Economic Stabilization Bill**
- 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

## From Stabilisation to Growth....

- Following the restoration of macroeconomic stability, the next step is to enable economic recovery and growth.
- The government lacks the fiscal space to provide direct funding to target sectors.
- Therefore, the focus has been on eliminating the barriers to establishing and expanding business.
- Access to land is a key barrier. Hence, the government is freeing up land for export oriented agriculture and industrial activity.
- A new labour law will provide an appropriate balance between the interests of employers and employees while providing more flexibility.
- New free trade agreements (FTAs) are being explored to create opportunities for greater market access for exporters.
- A new institutional and legal framework for the amalgamation of trade and investment promotion and support activities is in advanced stages
- These are just some of the reforms being put in place to enable a sustainable, inclusive, growth led by non-debt creating inflows and a digitised economy.
- However, for all of this to be possible, a stable macroeconomic environment is an essential pre-requisite.
- For a stable macroeconomic environment, the continuity of the IMF supported reform programme is crucial.

# Debt Restructuring is progressing....

- A key requirement of the IMF supported reform programme is the restructuring of debt to restore debt sustainability
- It is very important to understand that Sri Lanka's debt restructuring is a very complex process, given the complexity of the creditors/sources, and it is being carefully managed
- There are three key targets for debt reduction; reduction of public debt from 128% of GDP (2022) to less than 95% of GDP by 2032, reduction of Gross Financing Needs from 35% of GDP (2022) to less than 13% of GDP (2027-2032), and reduction of Foreign debt servicing from 9.4% (2022) of GDP to less than 4.5% of GDP by 2027-2032
- **The Domestic Debt Optimisation (DDO) process is largely completed** (some SOE debt of state banks is in final stages of restructuring)
- **Official creditors, both EXIM Bank of China and Official Creditor Committee (OCC), provided Agreement in Principle (AIP) on restructuring terms by November 2023.**
- **Discussions to convert these AIPs into MoUs have reached advanced stages and are expected to be completed by the next IMF review.**
- **Negotiations with the advisors of the commercial bond holders have continued** to make progress since December when Sri Lankan authorities shared revised indicative restructuring terms following the OCC agreement.
- **Discussions are continuing, counter-proposals have been exchanged since then, and convergence is expected in the near term.**
- **Sri Lankan authorities expect to conclude the debt restructuring process during the first half of 2024.**

## SOE Restructuring is also progressing....

- **State Owned Enterprises** have in some cases contributed to significant fiscal stress with losses from the 52 largest SOEs amounting to Rs. 747 billion in 2022
- SOE reforms commenced in mid 2022 with cost reflective pricing being implemented for fuel and electricity. **Electricity tariffs had not been revised since 2014, creating a large disruption in the adjustment process.**
- **Balance sheets of key SOEs (CPC, CEB, and SLA) were also restructured** with cross liabilities between the entities eliminated, and forex debt subject to restructuring.
- **Competition was introduced to fuel retail, and the CEB will be unbundled,** creating greater financial and operational transparency in the entity.
- **Several SOEs have been identified for divestment** where the government's role is primarily in regulation of the market as opposed to owning and operating entities
- **Governance structures in SOEs are also being revamped with a new SOE Law** which will provide greater disciplines over board appointments, procurement, and transparency
- **With these measures being rolled out, losses of the 52 largest SOEs were converted into a profit of Rs. 313 billion in the first 8 months of 2023.**

## **Welfare Reform is a key component....**

- Weaknesses in the social protection and welfare distribution mechanisms in Sri Lanka have been an underestimated contributor to economic instability
- **The Samurdhi programme in operation since 1994 has been characterised by significant inclusion and exclusion errors.**
- The World Bank estimates that only 48% of the poorest quintile received cash transfers whilst 12% of the richest quintile continued to receive cash transfers under the Samurdhi programme.
- Given these weaknesses in cash transfer systems, successive governments have used various other tools to address necessary welfare and social protection requirements.
- Fuel prices and electricity prices were kept below cost recovery levels in order to protect the poor. **The result was ballooning losses in SOEs and bad debts in state banks.**
- **Various exemptions were given for taxes such as VAT exemptions and concessionary tax rates. The result was a constantly eroding tax base that contributed to the economic crisis.**
- Various commodities (eg. Cooking gas) were sold at administered prices in order to maintain affordability. **The result was frequent shortages when global prices increased.**
- **The government has now shifted to a new social protection programme (Aswesuma) based on objective transparent criteria which will eliminate exclusion and inclusion errors.**
- **While there have naturally been teething issues following a 30 year wait for reform, the robust appeals process will address these matters.**
- **The new welfare system enables the government to address all welfare objectives through targeted cash transfers (with the use of IT), while allowing other cost reflective utility pricing and a broad based tax structure with minimal exemptions to ensure revenue objectives.**



# Addressing Governance Issues is also critical....

- The government’s commitment to identifying and addressing Governance issues is highlighted by the recently published “**Governance Diagnostic Report**” (GDR) – the first in Asia.
- The Governance Diagnostic Report has made **15 priority Recommendations** – the **Government has already completed some of these recommendations and is making progress on the others.**
- **Many of the recommendations will be addressed with the implementation of legislative measures, such as the new Public Financial Management Bill, Public Debt Management Law, SOE law, and others in the pipeline.**
- **Addressing governance gaps requires efforts both by the government and among the private sector as well.**

Table 1. Priority Recommendations of the Governance Diagnostic Report	
	Measure
1	Establishment of an Advisory Committee to assist in the nomination of CIABOC Commissioners and the Director General.
2	Publication of Asset Declarations for senior officials on a designated website
3	Enact Proceeds of Crime legislation
4	Amend the National Audit Act to enable the Auditor General to levy surcharges on officers,
5	Finalise and implement regulations to support the provision of beneficial ownership information
6	Enact a Public Procurement Law
7	Publish report on a designated website on progress in increasing the proportion of competitive tendered procurements
8	Publish details of awarded contracts over Rs 1 Bn, list of firms that receive tax exemptions under BOI act and SDP act and tax exemptions for luxury tax imports
9	Implement the SOE Reform Policy
10	Abolish or suspend application of the Strategic Development Projects Act
11	Amend tax legislation to eliminate or restrict ministerial authority to introduce tax changes without prior parliamentary approval
12	Institute short-term anti-corruption measures within each revenue department
13	Policy decision for establishing new management arrangements for the Employee Provident Fund that terminates direct CBSL management
14	Revise legislation, regulations, and process relating to financial sector oversight in the banking sector
15	Establish an on-line digital land registry

## **4. Concluding Remarks**

## Concluding Remarks....

- **Some people claim that the ongoing IMF supported reforms will not be able to address the problem at hand and that the policy framework and stabilisation achieved is bogus.**
- They complain that the reform programme does not create the framework to enable non-debt creating inflows and instead simply recreates an import dependent economy.
- However, the ongoing macroeconomic reform programme is aimed at restoring the macroeconomic stability that is critical to create the foundation for any form of economic recovery and growth.
- **At its centre is the stabilisation of the fiscal structure which was previously characterised by double digit budget deficits financed by inflationary monetary financing.**
- With stabilisation beginning to take hold, the policy framework is positioning the country to shift towards economic recovery and growth that is driven by non-debt creating inflows such as exports of goods and services, and FDI.

## Concluding Remarks.....(2)

- Sri Lanka faced a deep and unprecedented crisis.
- People as well as businesses have affected very badly.
- **Resources (fiscal) are limited and demands for (fiscal) resources is very high.**
- **IMF Programme is an enabler to restore stability and put the foundation to move forward.**
- **Other growth supporting structural reforms are key to bring back and sustain growth.**
- In doing so, **FISCAL DISCIPLINE IS PARAMOUNT.**
- Discipline in fiscal management is needed to ensure **value for money and to ensure funds raised from tax payers are deployed in an optimal manner.**



Thank you.