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Statement by Ms. Sitharaman
India

On behalf of
Bangladesh, Bhutan, India, and Sri Lanka

Statement by Ms. Nirmala Sitharaman, Minister of Finance and Corporate Affairs, India, and Member, International Monetary and Financial Committee (IMFC), representing the Constituency consisting of Bangladesh, Bhutan, India and Sri Lanka, to

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At the outset, we strongly deplore the terrorist act of violence in Pahalgam in India and reaffirm our commitment to peace, stability, and the rule of law, principles that are essential for sustainable development and shared prosperity.

Global Economy

1. The global economy continues to face heightened economic uncertainty and downside risks. Significant policy shifts in major economies imply stronger headwinds for global growth. As both advanced economies (AEs) and emerging market and developing economies (EMDEs) face risks from adverse trade policy shifts and heightened geo-political tensions, IMF projects global growth to decline from 3.3% in 2024 to 2.8% in 2025 and 3.0% in 2026. While the pace of economic activity in AEs is projected to slow from 1.8% in 2024 to 1.4% in 2025, it will moderate from 4.3% to 3.7% in EMDEs. EMDEs, however, may continue to exhibit a more diverse growth pattern.

2. Global headline inflation eased in 2024 reflecting falling commodity prices and the lagged effects of monetary tightening. While progress on disinflation may continue in the near-term, IMF's global inflation forecast has been placed at 4.3% for 2025 and 3.6% for 2026. Nevertheless, escalating tariff announcements have increased inflation expectations in some AEs and therefore, could slow the pace of disinflation going forward. Incidentally, headline inflation in several OECD economies is turning up again. Inflation expectations are also rising above central bank targets in several AEs and EMDEs. While the IMF has raised its 2025 inflation forecast for AEs, the inflation outlook for EMDEs remains benign, *albeit* there could be country-specific inflationary pressures in the near-term. Central banks, therefore, should remain vigilant to inflationary pressures which may rise due to the potential for higher trade costs to push up price and wage pressures.

3. Alongside the ongoing policy shifts, various transformative forces are already at play – exacerbating challenges for economies, especially EMDEs. For instance, growing adoption of digitalization/artificial intelligence, demographic shifts, and climate transitions are reshaping the global landscape by creating new opportunities and challenges. Apart from these challenges, policymakers in EMDEs also need to address high debt levels which may be stifling their ability to create jobs and boost investment opportunities. The intensification of protectionist measures

and trade policy uncertainty may also potentially act as a drag on global investment and cross-border financial flows. Therefore, policy actions are needed at the global as well as national levels to foster a more favorable external environment and enhance macroeconomic stability by reducing structural bottlenecks, improving institutional quality and implementing sound policy frameworks. These improvements will help EMDEs harness transformative forces and absorb global spillovers in a least disruptive manner.

4. Going forward, inflation surprises and slower pace of growth could also trigger portfolio rebalancing across economies. Higher-than-projected inflation would prompt more restrictive monetary policy and could give rise to disruptive repricing in financial markets. Apart from macro risks, elevated geopolitical risks could also pose concerns for macrofinancial stability and transmit through various market segments, firms and intermediation capacity of banks and nonbank financial institutions. However, the size of impact may broadly depend *inter alia* on the intensity of conflicts, strength of the economy, soundness of policy frameworks and sophistication of the financial system. Thus, EMDEs need to prepare for risks of further tightening of global financial conditions and high volatility in currency markets. They need to use available policy tools diligently to preserve macrofinancial stability. Fiscal space needs to be created to deal with high and rising public debt levels to prevent the feedback loop between debt sustainability concerns and financial stability. Furthermore, financial institutions and regulators need to upgrade their capacity to assess systemic implications of transformational changes to domestic financial systems.

5. IMF-WB's work on addressing the liquidity challenges faced by vulnerable economies is significant. To achieve economic stability and development goals, country specific structural reforms and domestic resource mobilization are indispensable. However, it is important to recognize that these measures will take time to yield results and may have limited success in addressing the immediate liquidity concerns on their own. Therefore, additional and immediate support from international financial institutions is crucial to bridging the short-term liquidity gap while complementing ongoing reform efforts. Regarding high debt, it is important to improve the implementation of the Common Framework, ensuring that it is more effective and efficient in addressing debt vulnerabilities. Also, the current architecture of international sovereign credit-worthiness needs to change and it has been pending at least since the global financial crisis of 2008, if not earlier.

6. At the global level, multilateral institutions like the IMF have greater role to play in supporting member economies. We are glad that IMF is prepared to sharpen its focus of surveillance to offer more tailored policy advice on key country-specific issues and adapt its lending facilities to meet members' evolving needs. We expect IMF's capacity development support to remain critical for EMDEs, particularly low-income countries, to build strong institutions and implement sound macroeconomic and financial policies. We also expect the IMF

to continue to play its leading role on debt issues through debt sustainability analysis and by supporting other international efforts to facilitate debt restructuring and strengthen the international debt architecture. We need to focus on enhancing debt transparency, including through discussing good practices of debt data sharing and improving debt management through capacity building and technical assistance at the country level.

India

7. In a fast-changing global economic outlook that stems from heightened uncertainty, the Indian economy stands out for its resilience. On top of a GDP growth of 9.2% in 2023-24, India's growth at 6.5% in 2024-25 remains the highest amongst large economies. The major growth drivers, namely, private final consumption expenditure and gross fixed capital formation posted a growth of 7.6% and 6.1%, respectively. In terms of its quarterly trajectory, the growth accelerated to 6.2% in Q3: 2024-25 from 5.6% in Q2. It is expected to have strengthened further in Q4.

8. The gross fiscal deficit (GFD) of the central government is estimated at 4.8% of GDP in 2024-25, which stands lower than the budgeted 4.9%. As announced in 2021, GFD is now set at 4.4% for 2025-26, aligning with the last mile target of below 4.5%. The central government has also announced a new glide path using the debt-GDP ratio as the fiscal anchor. For each year from 2026-27 to 2030-31, the government would endeavor to keep GFD such that the central government debt is on a declining path to attain a debt-GDP ratio of about 50 (+/-) 1% by end-March 2031.

9. As per the Union Budget 2025-26, the central government's effective capital expenditure (including grants-in-aid to state governments for capital expenditure) is budgeted to grow by 17.4%, which are expected to crowd-in private investment. The tax relief in the Union Budget is also set to boost up private consumption and hence, private investment as a derived demand. Already, investment activities have gained traction and are expected to improve further on the back of sustained higher capacity utilization, the government's continued thrust on infrastructure spending, and healthy balance sheets of banks and corporates, along with the easing of financial conditions.

10. On the supply side, agriculture and allied activities witnessed a significant improvement in growth at 4.6% in 2024-25 from 2.7% in 2023-24. In 2025-26, on the back of healthy reservoir levels and robust crop production, the prospects of agriculture sector remain bright.

11. Headline inflation eased to 3.3% in March 2025 from 5.2% in December 2024, led by a softening in food inflation. While inflation expectations witnessed a sharp decline, core inflation remained stable at 4.1% in March 2025. In view of benign inflation and moderate growth outlook

in a challenging global environment, Monetary Policy Committee has unanimously voted to reduce the policy repo rate by 25 bps to 6% on April 9, 2025. It also changed the policy stance from neutral to accommodative.

12. India's current account deficit (CAD) remained steady at 1.1% of GDP in Q3:2024-25 as in Q3:2023-24, while it moderated from 1.8% in Q2:2024-25. Going forward, net services and remittance receipts are expected to remain in large surplus, partly offsetting the trade deficit. The CAD for 2024-25 and 2025-26 are expected to remain well within the sustainable level. Gross foreign direct investment (FDI) remained strong during April-January 2024-25, reflecting India's strong macroeconomic fundamentals. Net FDI, however, moderated due to higher repatriations and outward FDI. Net FPI inflows stood at USD 1.7 billion during 2024-25, supported by debt inflows as the equity segment recorded net outflows.

13. Indian Rupee has remained one of the least volatile currencies among major economies. The external debt to GDP ratio stood at 19.1% at end-December 2024. The foreign exchange reserves stood at USD 676.3 billion as on April 4, 2025, providing an import cover of about 11 months. Overall, India's external sector remains resilient.

14. Looking ahead, India's growth story is expected to remain largely intact notwithstanding the turbulent times as its fundamental drivers – consumption and investment demand – are quintessentially domestic. Even on the external front, services exports are expected to remain resilient. Further, the fall in crude oil prices augurs well for the inflation outlook. Accordingly, the real GDP growth is expected at 6.5% for 2025-26 and inflation at 4%.

Bangladesh

15. In the second quarter of FY25 (October-December 2024), the economy of Bangladesh demonstrated signs of a turnaround, bolstered by strong industrial sector performance and steady service sector activities along with a moderate agricultural production. The Bangladesh Bureau of Statistics (BBS) reported a strong GDP growth of 4.48 percent in Q2 FY25. Earlier, the GDP growth was lower at 1.96 percent in Q1 FY25. At that time, the economy had experienced significant disruptions across all three major sectors– agriculture, industry and services – following student-people uprising in July and August 2024. Moreover, the economic activities were affected by several rounds of floods in many districts during August and September 2024. However, economic performance in FY25 is expected to improve in the latter half of the year, supported by strong external sector activity and favourable trade dynamics.

16. Inflation has remained high for an extended period, raising considerable concerns among policymakers. However, recent months have shown signs of easing inflation. The headline

Consumer Price Index (CPI) inflation (point-to-point) decreased to 9.35 percent in March 2025, down from a peak of 11.38 percent in November 2024. This decline in inflation can be mainly attributed to the Bangladesh Bank's tightening of monetary policy and the reduction in food prices due to the seasonal availability of vegetables and other food items. Additionally, the 12-month average headline inflation fell to 10.26 percent in March 2025, slightly down from 10.34 percent in December 2024. In contrast, point-to-point core inflation, which excludes volatile items such as food and fuel, increased to 11.06 percent in March 2025, up from 10.29 percent in December 2024.

17. Bangladesh Bank (BB) has been implementing a contractionary monetary policy to address elevated inflationary pressures. On October 27, 2024, BB tightened its monetary policy stance by raising the policy rate by 50 basis points from 9.50 percent to 10.00 percent. This adjustment led to changes in the financial market, with increases in interbank call money and repo rates as well as retail lending and deposit rates, aligning with BB's policy goals.

18. By January 2025, banks, including state-owned commercial banks (SOCBs) and Islamic private commercial banks (PCBs), experienced improved liquidity compared to June 2024, indicated by a rise in excess liquidity. The slower growth rates in broad money and reserve money in February 2025 reflect BB's tight monetary stance aiming for macroeconomic stability and financial sector resilience. Additionally, the banking sector saw a notable rebound in deposit growth at the end of February 2025 compared to September 2024. This recovery suggests that the stabilization of some struggling banks restored confidence in the sector, leading to a shift of funds from outside the banking system into deposits.

19. Bangladesh's external sector showed resilience, marked by significant improvements in the country's balance of payments (BoP), as indicated by the latest external sector data. A continuous increase in workers' remittance inflows, alongside strong export receipts, contributed to the external sector's stability. During July-February FY25, the current account balance deficit narrowed to USD 1.3 billion, down from USD 4.07 billion during the same period in FY24. Similarly, the financial account balance improved significantly, rising to USD 1.4 billion during July-February FY25, compared to USD 0.65 billion during July-February FY24. Exports (f.o.b) thrived, reaching USD 30.04 billion during July-February FY25, marking a 9.1 percent year-on-year increase. Total remittance inflows surged to USD 21.78 billion during July-March FY25, reflecting a remarkable 27.58 percent growth year-on-year. The overall balance improved, reducing the deficit to USD 1.1 billion in July-February FY25 from USD 4.44 billion in July-February FY24. As of March 2025, the Bangladeshi Taka (BDT) depreciated by 10.91 percent against the US dollar compared to the same period in 2024. However, recent data indicates that the BDT depreciated only 3.28 percent in March 2025 compared to July 2024, suggesting increased stability in the exchange rate.

20. Despite this progress, the banking sector continued to face challenges, including a rise in non-performing loans (NPLs), slowing credit growth, and a capital adequacy shortfall. NPLs reached a record high of 20.2 percent in December 2024, up from 16.93 percent in September 2024 and 9.00 percent a year earlier. This significant increase placed considerable strain on banks' balance sheets, limiting their capacity to extend new credit and heightening systemic vulnerabilities. In response, BB has revised the loan classification system, shortening the overdue period to three months to ensure timely recognition of loan defaults. BB now mandates that commercial banks utilize third-party evaluation firms from a BB-approved list for appraising mortgaged assets to enhance the accuracy of collateral valuations. Additionally, BB has introduced various structural and policy reforms to strengthen governance, improve financial discipline, and enhance risk management.

21. The capital market in Bangladesh experienced a downturn in Q2 FY25, following a period of improvement in Q1 FY25. This decline was evident in falling price indices, reduced market capitalization, a drop in the price-earnings ratio, and lower turnover. The Bangladesh Securities and Exchange Commission (BSEC) has implemented various reform initiatives to restore investor confidence, promote institutional investment, and strengthen governance to revitalize the capital market.

22. Looking ahead, inflation remains a significant concern; however, the Bangladesh Bank's ongoing tight monetary policy, combined with strong domestic agricultural output, is expected to further alleviate inflationary pressures. The Bangladesh Bank will maintain its tight monetary stance until inflation reaches a comfortable level. The economy is anticipated to gradually recover from previous political and economic uncertainties, bolstered by positive agricultural and industrial spillover effects. The interim government is making efforts to implement extensive reforms, including institutional and economic changes, to achieve sustained macroeconomic stability and enhance governance in the financial sector. Additionally, robust export growth and substantial remittance inflows are projected to continue, further improving the balance of payments.

Bhutan

23. Bhutan's economy is projected to grow by 8.93 percent in 2025, nearly doubling from 4.97 percent in 2024. This growth is primarily driven by the commissioning of the Punatsangchu-II Hydropower Project, increased tourist arrivals, and the construction of the Khorlochuu and Dorjilung Hydropower Projects. Further, the 13th Five-Year Plan (FYP) aims to stimulate growth and ensure robust, inclusive economic growth while maintaining fiscal prudence and macroeconomic stability. Key targets include containing the fiscal deficit at an average of 3 percent of GDP.

24. While the country has made significant progress in recent decades, Bhutan continues to face structural challenges. The economy's dependence on hydropower and tourism, coupled with a weak private sector, and a shrinking manufacturing base, limits economic diversification and exposes the country to external vulnerabilities. These limitations also hinder sustained economic expansion and resilience in the face of global economic shifts, underscoring the need for broader reforms and economic transformation.

25. To address these challenges and boost economic opportunity, Bhutan is launching initiatives such as the Gelephu Mindfulness City to foster innovation and attract investments. Additionally, the Economic Stimulus Program (ESP) is being implemented to promote growth in agriculture, cottage and small industries and manufacturing sector. The government is also enhancing its fiscal strategies by expanding the tax base, rationalizing spending, and promoting private sector investments. These efforts aim to create jobs, reduce youth unemployment, and support long-term, sustainable economic development.

Sri Lanka

26. **Significant reforms backed by the ongoing Extended Fund Facility (EFF) arrangement with the IMF helped Sri Lanka recover strongly from the severe economic and debt crisis that unraveled in 2022.** Real GDP growth exceeded expectations in 2024, reaching 5.0%, marking a notable recovery compared to consecutive contractions of 7.3% in 2022 and 2.3% in 2023. The revival of the industry sector and the remarkable rebound of the tourism sector, along with other factors, fueled this faster recovery, with the Agriculture, Industry, and Services sectors growing by an estimated 1.2%, 11.0%, and 2.4%, respectively, during the year. This positive growth momentum is expected to continue, as evidenced by high-frequency indicators and survey findings. The medium-term growth agenda, outlined in the first Budget of the new Government in early 2025, aims to enhance macroeconomic resilience, restore debt sustainability, and promote inclusive growth. Key strategies include enhancing the social safety net, diversifying the economy, promoting exports, improving the investment climate, modernizing agriculture, adopting green economy policies, fostering innovation and digitalization, supporting entrepreneurship and startups, and encouraging Public-Private Partnerships (PPPs). Sri Lanka plans to enhance digital public infrastructure to boost productivity in economic activities. Additional reforms are expected to unlock Sri Lanka's growth potential through trade liberalization, labor market reforms, SOE governance, and climate resilience. Implementing a National Export Strategy and expediting Free Trade Agreements remains a priority against the backdrop of rising global trade tensions. Sri Lanka aims to address climate-related vulnerabilities by enhancing renewable energy generation with solar and wind capacity, supported by private and multilateral financing, and engaging with multilateral partners to build technical capacity for climate mitigation and adaptation.

27. **Sri Lanka has reached the halfway mark of its 48-month Extended Fund Facility (EFF) arrangement with the completion of the 3rd Review in February 2025.** The newly elected government following the presidential elections in September 2024 and parliamentary elections in November 2024 remains dedicated to meeting the reform and other commitments under the EFF. Reflecting this commitment, program implementation has been strong, meeting all end-December 2024 Quantitative Performance Criteria (QPCs) and standard Continuous Performance Criteria, except for the Monetary Policy Consultation Clause (MPCC) due to a lower-end breach, and the Indicative Target (IT) on social spending due to technical onboarding difficulties. By the end of March 2025, most Structural Benchmarks (SBs) were met, with a few implemented with delays, mainly due to the revised timeline for submitting the budget to Parliament following the change in administration.

28. **Fiscal consolidation continued through 2024, focusing on enhancing resource mobilization, increasing the efficiency of government expenditure, and improving public financial management.** Government revenue improved to 13.5% of GDP in 2024, compared to 8.2% of GDP in 2022 and 11.1% of GDP in 2023. Government revenue is forecast to rise to 15% of GDP in 2025. The primary balance showed a remarkable adjustment, shifting from a deficit of 3.7% of GDP in 2022 to a surplus of 2.2% of GDP in 2024. A higher primary surplus of 2.3% of GDP is projected from 2025 onwards. The overall fiscal deficit improved from 10.2% of GDP in 2022 to 6.8% of GDP in 2024. Measures were implemented to improve tax administration and compliance, including risk profiling of the largest 100 High Wealth Individual taxpayers and VAT compliance improvement. Sri Lanka remains committed to fiscal discipline as guided by the Public Finance Management (PFM) Law enacted in June 2024, which specifies that primary spending (i.e., non-interest government expenditure) should remain below 13% of GDP. Assistance to vulnerable groups was further strengthened through social safety net (SSN) reforms that continued in 2024, successfully overcoming technical onboarding challenges. Strengthening the state-owned enterprise (SOE) sector remains a major priority of the government. Cost-reflective energy pricing continued, despite a temporary breach caused by the revision of electricity tariffs in January 2025 by the independent regulatory commission, which will be mitigated by appropriate measures. Sri Lanka continued to strengthen the framework for SOE borrowing, limiting it to commercially viable activities. The new PFM law enhances transparency and accountability in borrowing, debt management, and treasury guarantees. Governance and oversight of state-owned banks have been improved to ensure their lending to SOEs is based on commercial considerations. Sri Lanka aims to update and publish the fiscal strategy statement (FSS) with a Fiscal Risks Statement and a medium-term PFM Reform Strategy and Action Plan by mid-2025 as per the PFM law.

29. **Sri Lanka made notable progress on the debt restructuring front with the support of bilateral and private creditors, anchored by the targets under the Debt Sustainability Analysis (DSA) of the IMF program.** Sri Lanka completed all components of Domestic Debt

Optimization and reached agreements with major creditors, including the Official Creditor Committee (OCC) and China EXIM Bank. The bond exchange with private creditors in December 2024 achieved 98% participation, aligning with the Agreements in Principle (AIPs) and assessed as consistent with the DSA and comparability of treatment (COT). Debt treatment with China Development Bank (CDB) was also completed in line with program parameters and COT. Sri Lanka's sovereign credit rating was upgraded from 'restricted default' in late 2024 as the debt restructuring process neared completion, with agreements finalized with major creditors. Sri Lanka are finalizing agreements with OCC creditors and negotiating with remaining creditors, maintaining a commitment to transparent communication. The Public Debt Management Office (PDMO) was established under the PDM Act to enhance debt management, and it is set to be fully operational by December 2025. Additionally, a medium-term debt strategy (MTDS) and an annual borrowing plan (ABP) will be developed and published alongside the 2026 Budget later this year.

30. **Sri Lanka effectively managed the high inflation episode of 2022/23 through proactive, data-driven monetary policy and the elimination of monetary financing.** Inflation declined faster than expected, turning negative in September 2024 and recording at -2.6% in March 2025, due to temporary factors such as reductions in electricity tariffs, fuel prices, transport costs, and declining food prices. This decline alleviated the burden on businesses and households, which had faced a significant cumulative rise in prices from the crisis. The effects of these deflationary factors are expected to dissipate in early 2025, with inflation projected to rise as demand strengthens. The Central Bank of Sri Lanka (CBSL) maintained an accommodative monetary policy stance throughout 2024, supporting economic activity amidst subdued inflation. As a result of the monetary policy easing measures implemented so far, market interest rates have significantly decreased and stabilized at lower levels. Credit extended to major economic sectors showed continuous improvement in 2024. This positive trend is expected to continue, driven by favorable market lending interest rates, anticipated expansion of domestic economic activity, and improving market sentiment. The CBSL will monitor inflationary pressures from wage increases, demand recovery, relaxation of import restrictions, and exchange-rate passthrough to achieve price stability. The CBSL is committed to a 5% inflation target, monitored through the Monetary Policy Consultation Clause (MPCC), with consultations held with IMF staff ahead of each Monetary Policy Board meeting. In November 2024, the CBSL introduced a single policy interest rate to improve the transmission and effectiveness of monetary policy. The new Central Bank Act (CBA), enacted in 2023, has strengthened the CBSL's independence and its policy framework for credible inflation targeting. New monetary financing has ceased to exist, ensuring budget deficits are sustainably financed through fiscal adjustments, debt relief, and new external financing.

31. **Sri Lanka's external sector strengthened notably in 2024, with international reserves rising to US$ 6.1 billion by the end of the year, providing about four months of import coverage, compared to virtually nonexistent usable reserves in mid-April 2022.** In 2024, the

external current account balance recorded a surplus for the second consecutive year. The trade deficit increased to US$ 6.1 billion (6.1% of GDP), with export earnings and import expenditure rising by 7.2% and 12.1%, respectively. Tourism earnings grew by 53.2% (US$3.2 billion), and workers' remittances increased by 10.1% (US$ 6.6 billion), leading to a current account surplus of US$ 1.2 billion (1.2% of GDP). In early 2025, the external sector continued its positive momentum, with merchandise export earnings and tourism earnings increasing. Workers' remittances also grew significantly. The current account is expected to record a marginal surplus in 2025, despite a projected widening of the trade deficit due to higher import expenditure, particularly with the lifting of restrictions on vehicle imports. The primary income account deficit is expected to reduce with lower interest payments from debt restructuring. Financial flows remained modest in 2024, with gross FDI inflows amounting to US$ 835 million, while limited net outflows were observed in the government securities market. The CBSL purchased a record amount of foreign exchange from the domestic market in 2024, significantly boosting the buildup of international reserves. The Sri Lankan rupee appreciated by 10.7% against the US dollar in 2024. However, it is expected to face some depreciation pressure in 2025 due to vehicle imports and other factors. Anticipated foreign exchange inflows may help offset this pressure.

32. **The financial sector continued to improve in 2024, with banking sector stability maintained through capital and liquidity buffers above regulatory thresholds, and compliance with prudential requirements.** Banking sector capital funds grew by 15.7% while the regulatory capital (capital base) grew by 6.9%, enhancing their ability to absorb potential losses. Total assets of the banking sector grew by 8.7%, supported by increased investments and growth in loans and receivables. Deposits, the largest source of funding, expanded during the year. Credit quality improved, though the Non-Performing Loans (NPL) Ratio remained elevated. Banking sector profitability increased significantly due to higher net interest income and the reversal of impairment charges from the restructuring of International Sovereign Bonds (ISBs). The Finance Companies (FCs) sector remained resilient with adequate capital and liquidity buffers, despite challenges. The asset base of FCs grew, driven by the expansion in loans and advances, while investments in government securities declined. Asset quality and profitability of the FCs sector also improved. Gross Written Premium (GWP) of both long-term and general insurance subsectors increased. The equity market showed noticeable improvement in indices and turnover, despite net foreign outflows in the secondary market. Liquidity conditions in the domestic money market improved due to significant foreign exchange purchases and swap transactions by the CBSL. Government securities market yields declined in both primary and secondary markets. The financial infrastructure operated smoothly, supporting sector stability. Adoption of digital payment methods increased, and integration with international payment networks continued. The CBSL implemented legal reforms, improved financial inclusion and consumer protection, engaged in anti-money laundering and counter-terrorism financing activities, and enhanced deposit insurance and resolution initiatives.

33. **Sri Lanka remains committed to anti-corruption and governance reforms, updating and publishing an annual action plan.** Key areas include strengthening the AML/CFT regime, publishing asset declarations, enacting a comprehensive Asset Recovery Law, aligning the Companies Act with the Financial Action Task Force (FATF) standards, and implementing anti-corruption measures in tax policy. Public financial management reforms focus on enacting a Public Procurement law, increasing competitive procurement, and ensuring timely publication of SOE financial statements. The new Anti-Corruption Act enhances powers of the Commission to Investigate Allegations of Bribery or Corruption (CIABOC). Efforts to reduce corruption in revenue administration include digitizing processes and establishing a Tax Crimes Investigation unit. Public Financial Management reforms will be further strengthened with a Public Procurement law to be enacted by end-June 2025. Financial sector oversight has been enhanced with amendments to the Banking Act. Sri Lanka is also strengthening the regulatory framework for managing public assets and enhancing the AML/CFT regime, while measures are underway to improve the Risk-based AML/CFT supervision of financial institutions.