



INTERNATIONAL MONETARY FUND

WASHINGTON, D.C. 20431

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January 4, 2012

Mr. Edward Mortimer  
Chair, the Sri Lanka Campaign for Peace and Justice  
Grayston Centre  
28 Charles Square  
London, N1 6HT, UK

Dear Mr. Mortimer:

Thank you for your email dated 6 December, where you highlighted your concerns to the Managing Director about the situation in Sri Lanka and the support that the IMF is providing to the economy of this country.

As you are well aware, the Sri Lankan economy faced a serious crisis in 2009 that could have led it into default. Our role was focused on doing everything possible to prevent a collapse, the effects of which would have been catastrophic for all the people, but especially hard for the poorest and most vulnerable parts of the population. Hence, our support focused on providing resources necessary to prevent a currency crisis, allowing the fiscal space for reconstruction efforts, and sustain social spending aimed at protecting the poor.

Our program included a reduction in military spending in the 2010-2011 budget period, so that these savings could be used to finance expenditure to help the country's most vulnerable people. The government has begun redeploying resources previously allocated to military spending toward reconstruction efforts in the north, such as demining, basic infrastructure, and other activities essential for the reintegration of the Tamil people. Overall security-related spending has declined both as a share of GDP and of total government spending.

In addition, the program supports the government's commitment to maintain spending on health and education, while at the same time providing additional resources toward resettling the internally displaced and reviving Sri Lanka's infrastructure in the North and East. We continue to carry out in-depth discussions with the authorities as part of our review and monitoring processes.

The IMF will continue to engage on these issues and we welcome the views of all civil society organizations, including from your organization. Again, thank you very much for your interest in our lending operations.

Sincerely yours,

A handwritten signature in black ink, appearing to be "Brian Aitken".

Brian Aitken  
Mission Chief for Sri Lanka  
Asia and Pacific Department