

VERITÉ RESEARCH DEBT UPDATE

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The Verité Research Debt Update provides a regular update for investors, policy makers and analysts, on the latest developments in this space together with commentary and analysis on Sri Lanka's path to resolving its economic crisis since suspending debt repayment in April 2022.



Verité Research is an independent think-tank based in Colombo that provides strategic analysis to high level decision-makers in economics, law, politics, and media.

Nishan de Mel

Executive Director,
Verité Research

Udara Peiris

Associate Professor,
Oberlin College
Global Academic Fellow,
Verité Research

Contributing team:

Inoshini Perera
Raj Rajakulendran
Malinda Meegoda

For additional information contact:

debtupdate@veriteresearch.org

KEY DEVELOPMENTS

- The International Monetary Fund (“IMF”) and Sri Lanka have received varying assurances from India, China, Private Bondholders, and the Paris Club on their commitment to support Sri Lanka’s debt restructuring efforts.
- The communications are adequate for Sri Lanka to meet the technical criteria for IMF Board approval for the External Fund Facility (“EFF”) of \$ 2.9 billion, which achieved a staff-level agreement in September 2022.
- The Paris Club statement requested that any restructuring agreement treats all bilateral creditors equally, and on terms at least as favorable as all commercial creditors.
- The statement and letter respectively, from Paris Club and India supported the paths and targets agreed upon with the IMF, but did not express any commitment to specific short-term measures.
- The letter from China committed to specific short-term debt relief measures, but it did not express confidence that Sri Lanka will achieve the projected long-term path of debt or the macro-fiscal targets for debt sustainability agreed upon with the IMF.
- China and Bondholders (the “Bondholder Group”) expressed concerns regarding the IMF’s targets and projections and requested greater involvement and transparency in the analyses and formulation of those targets.
- The Bondholder letter introduced new negotiating positions that pressed for constraints beyond those agreed upon with the IMF (see further analysis section for more details).