

Primer On Debt Sustainability

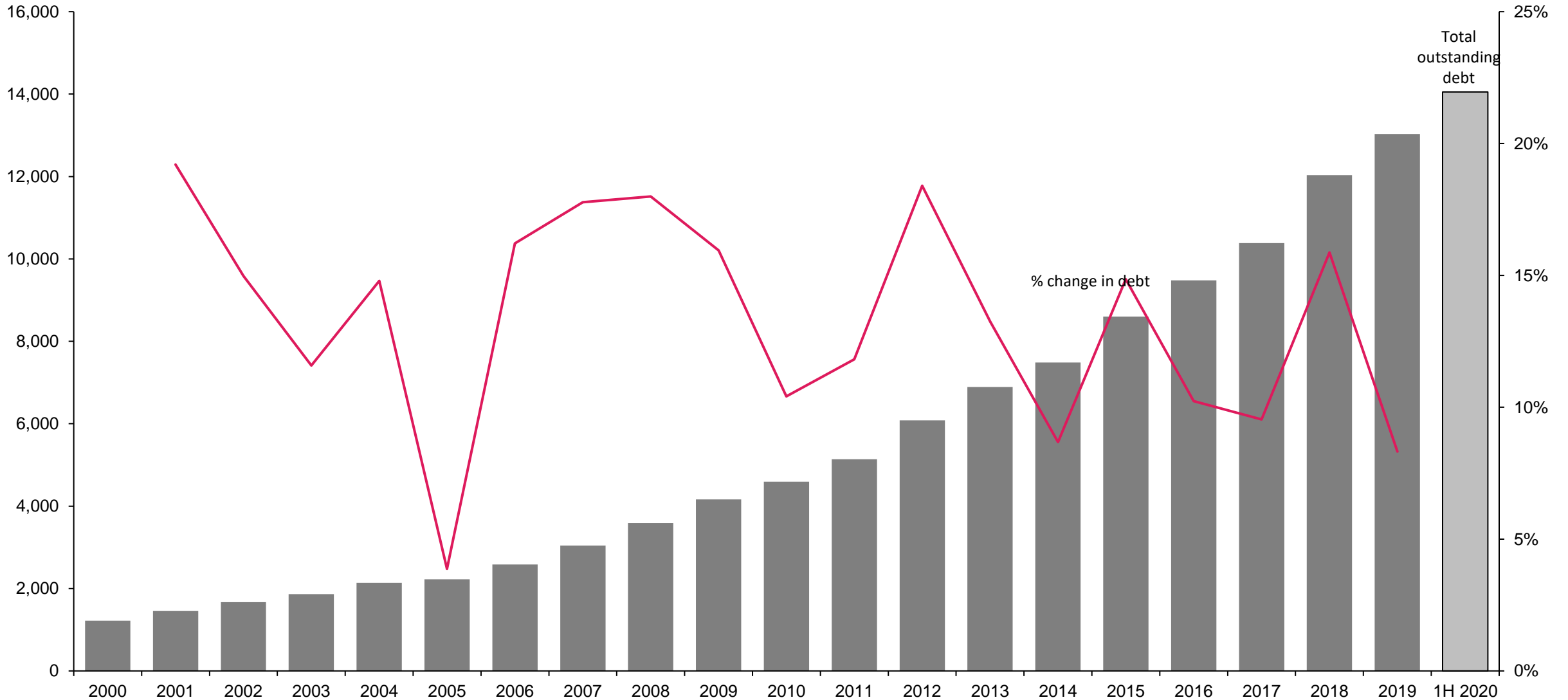
26 Sep 2020



What is the problem?

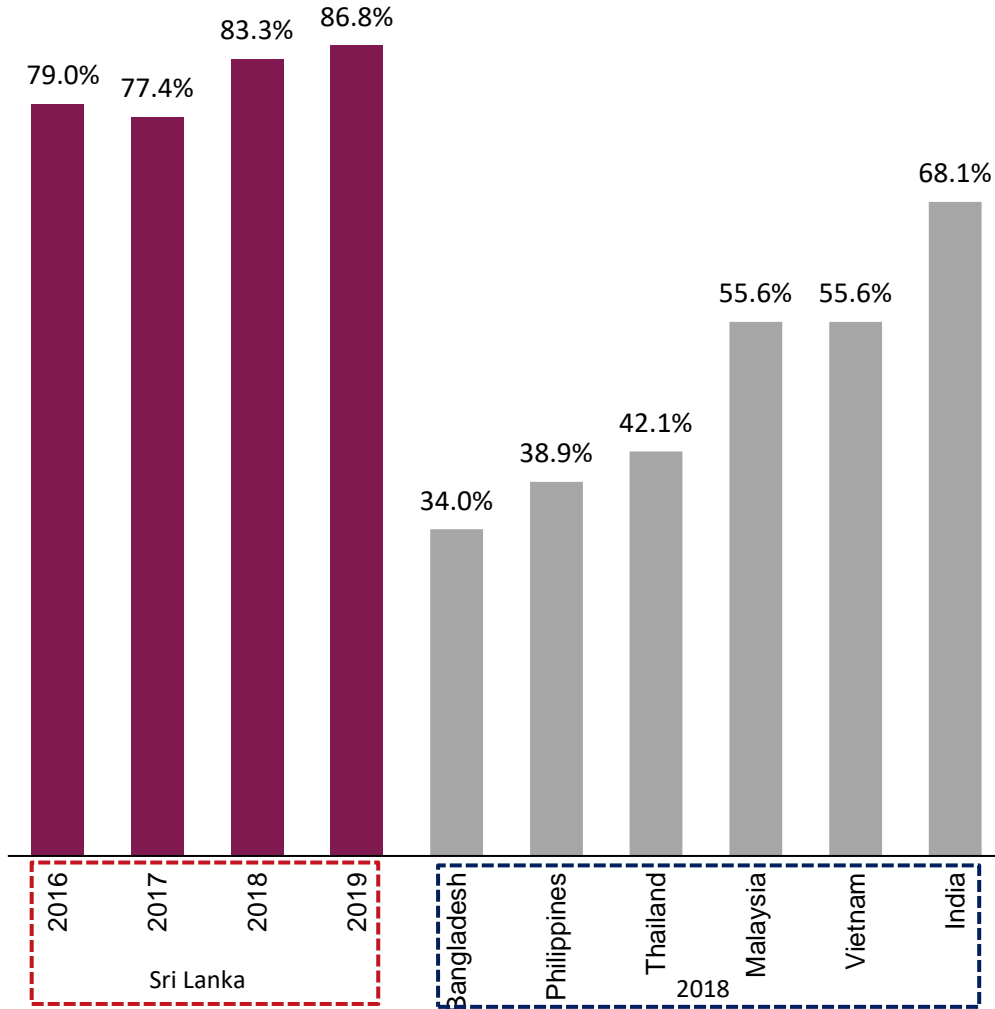
Sri Lanka's debt has exploded

total outstanding government debt, LKR Bn (LHS), Growth rate %

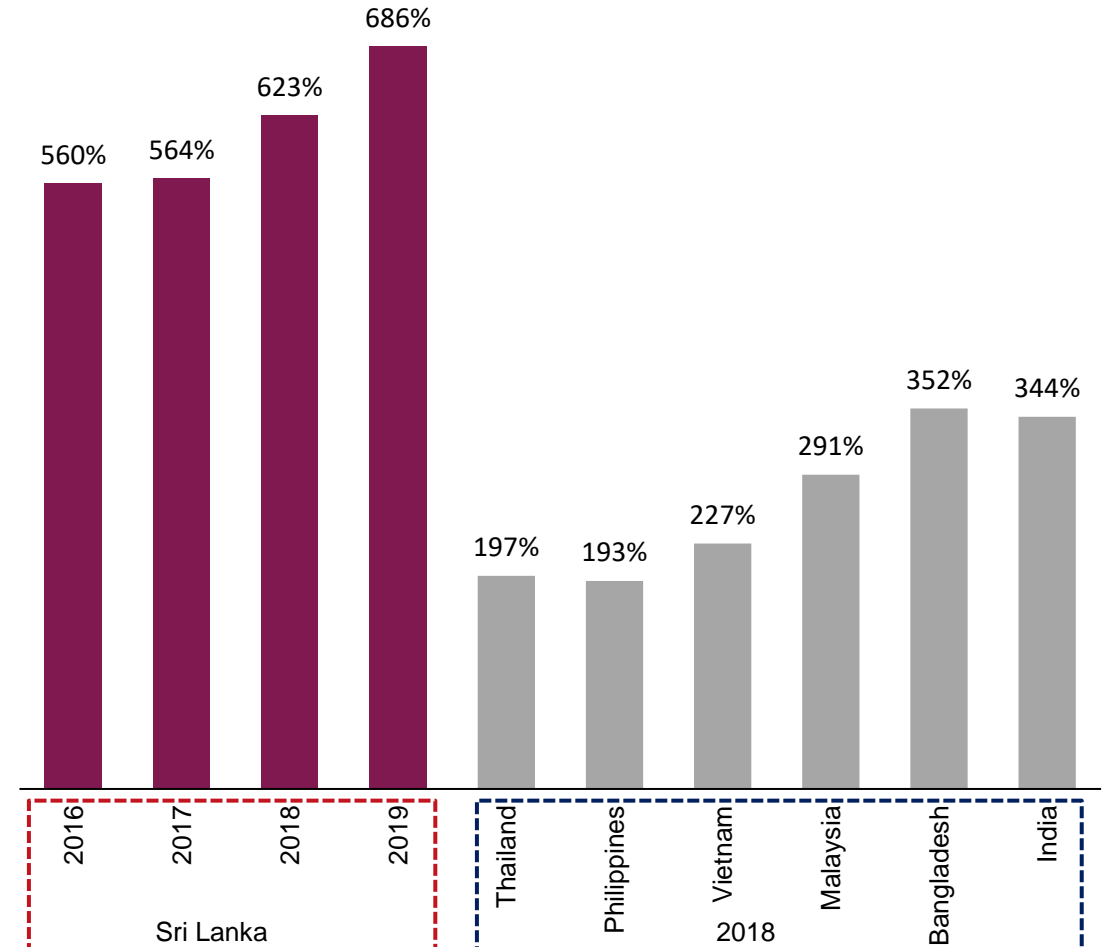


Govt debt-to-GDP is at elevated levels

Government debt remains significantly higher than peers
% of GDP



Government debt relative to revenue has gone up
% of government revenue



Notes: Data point for Vietnam is an IMF estimate for year 2018

Source: CBSL, IMF, Advocata Research

www.advocata.org

Why do governments borrow?

Borrowing can help governments

- Deal with negative shocks
- Undertake countercyclical fiscal policy
- Finance exceptionally large expenditures such as public infrastructure investments

There are good and bad motives to borrow

Good Motives

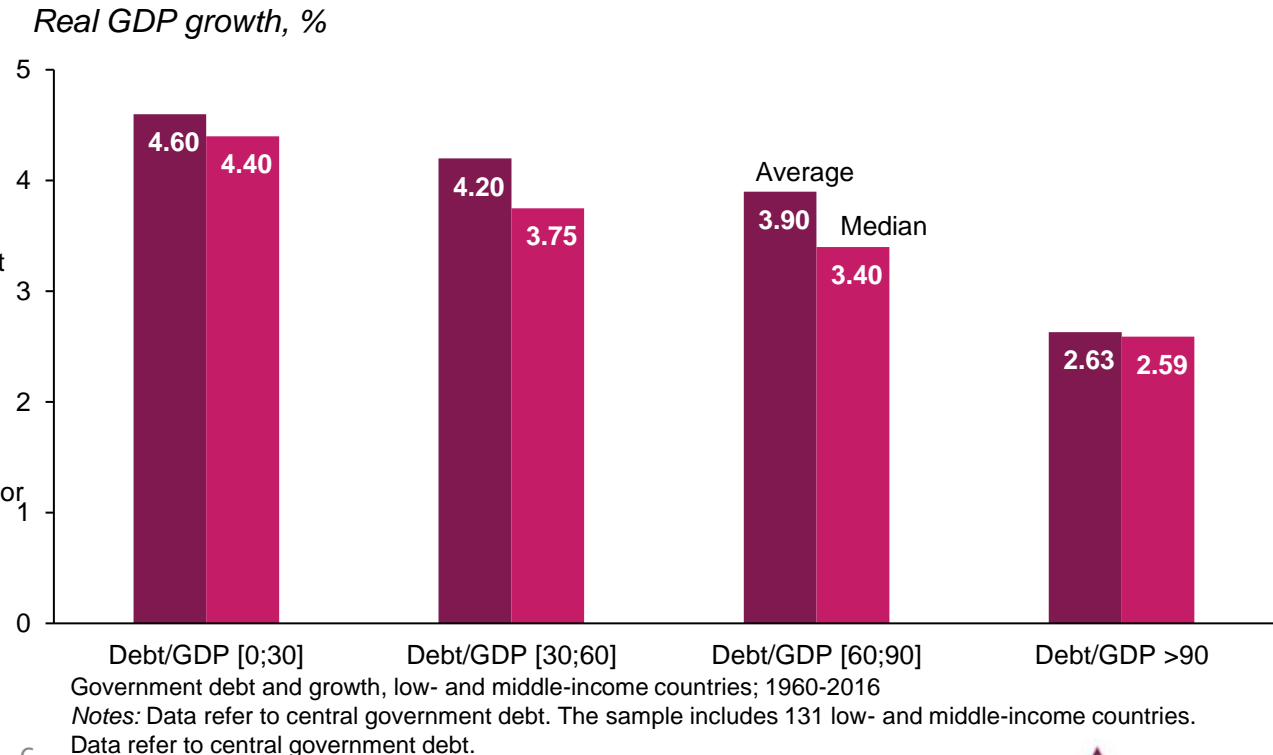
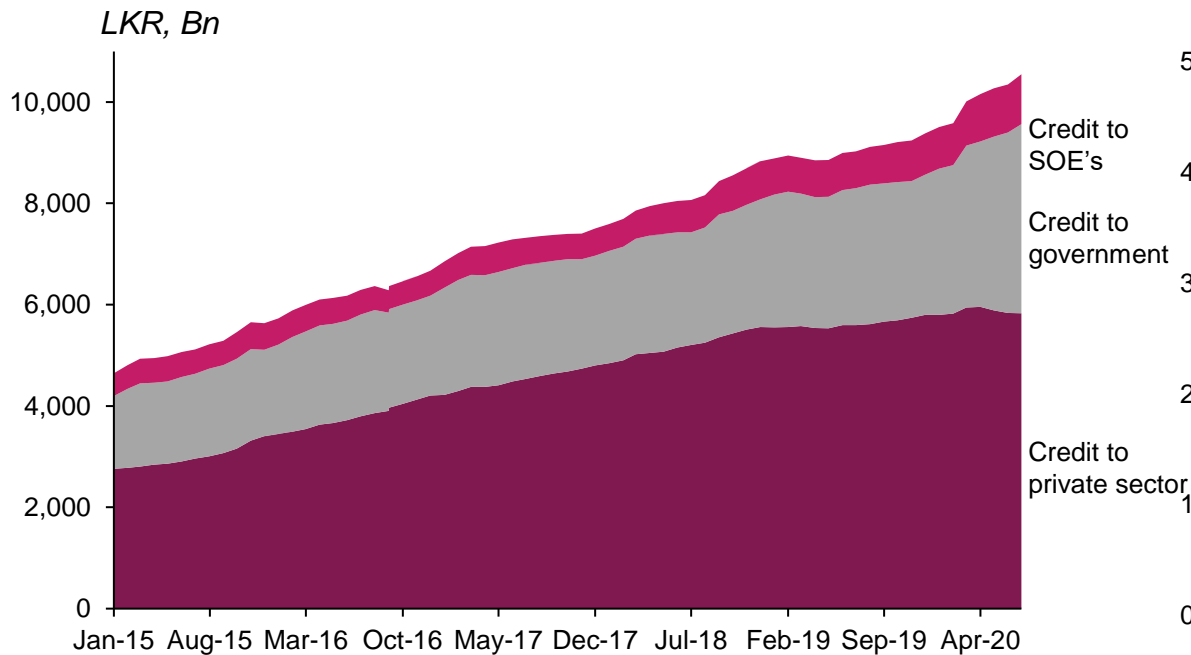
- Tax smoothing (higher taxes are more distortionary - convex)
- Counter cyclical policy (to stabilize the business cycle)
- Long term investment
- Asset management and government debt as a safe asset
- Dynamic inefficiency

Bad Motives

- Political budget cycles and rent seeking
- Intergenerational transfers
- Strategic manipulation
- Common pool

Debt overhang problem

- A debt burden so large that entities cannot take on any additional debt to finance future projects
- As debt increases growth slows as resources are absorbed by the state tightening credit conditions
- Investors perceive lower real returns due to expectation of higher inflation and taxation holding back on investments.
- Large inherited debt leads to lower future deficits or surpluses lowering growth and reducing room for counter cyclical measures



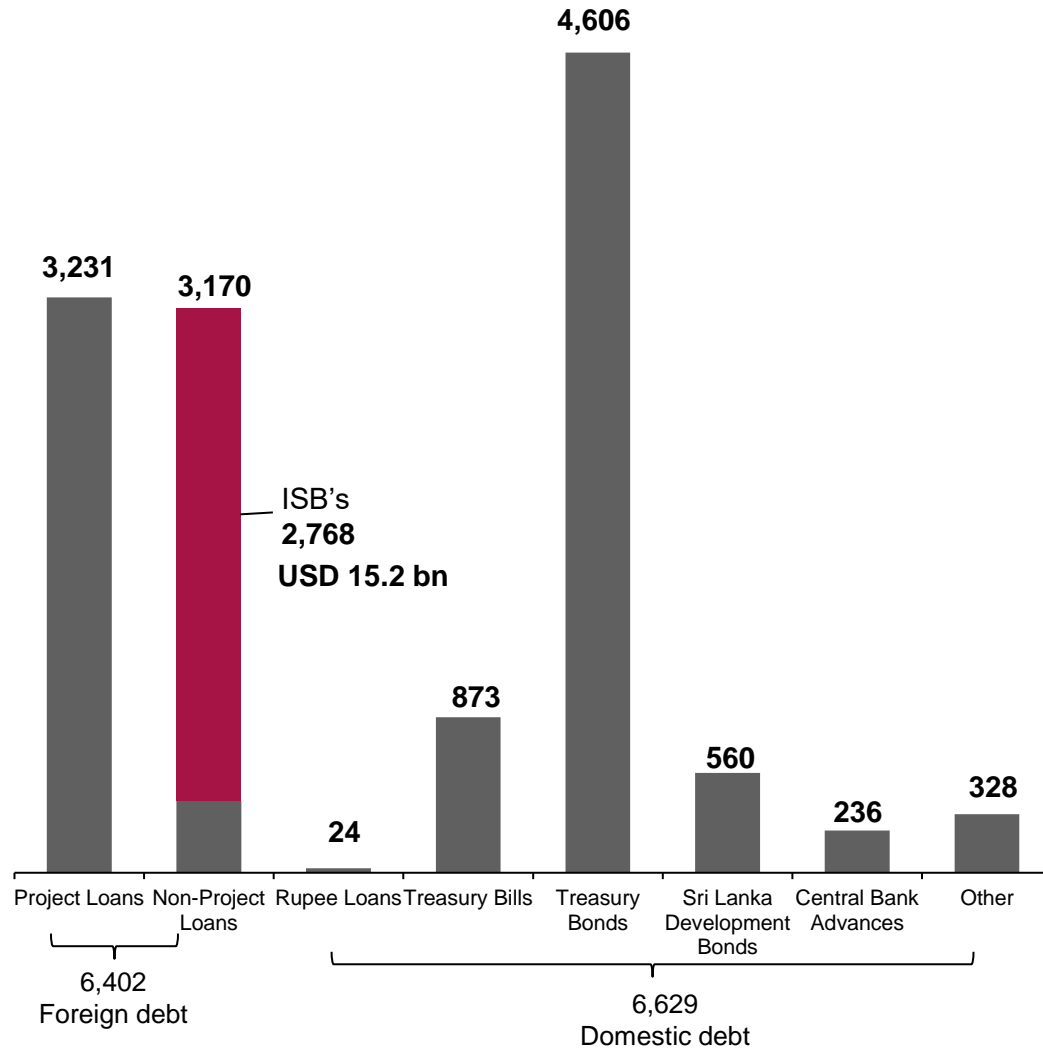
Taxonomy of Debt

- **Central Government Debt** – debt the government has built up over the years when expenditure has been greater than revenue
- **Subnational Government Debt** – debt of subnational governments. Sri Lanka does not have any subnational debt
- **Subnational governments** – consists of state governments and local/regional governments
- **Public Debt** – the amount of money that the government owes to outside creditors, includes central government debt, foreign project loans received by SOBE's and publicly guaranteed debt
- **Government Guaranteed Loan** – requires the government to repay any amount of outstanding loan in the event of default
- **Contingent Liabilities** – obligations that arise from a particular discrete event(s) that may or may not occur
 - **Explicit liabilities** – Specific government obligations defined by law or contract. The government is legally mandated to settle such an obligation when it becomes due
 - **Implicit liabilities** – represent a moral obligation or expected burden for the government not in the legal sense but based on public expectations and political pressures

What is outstanding, and to who?

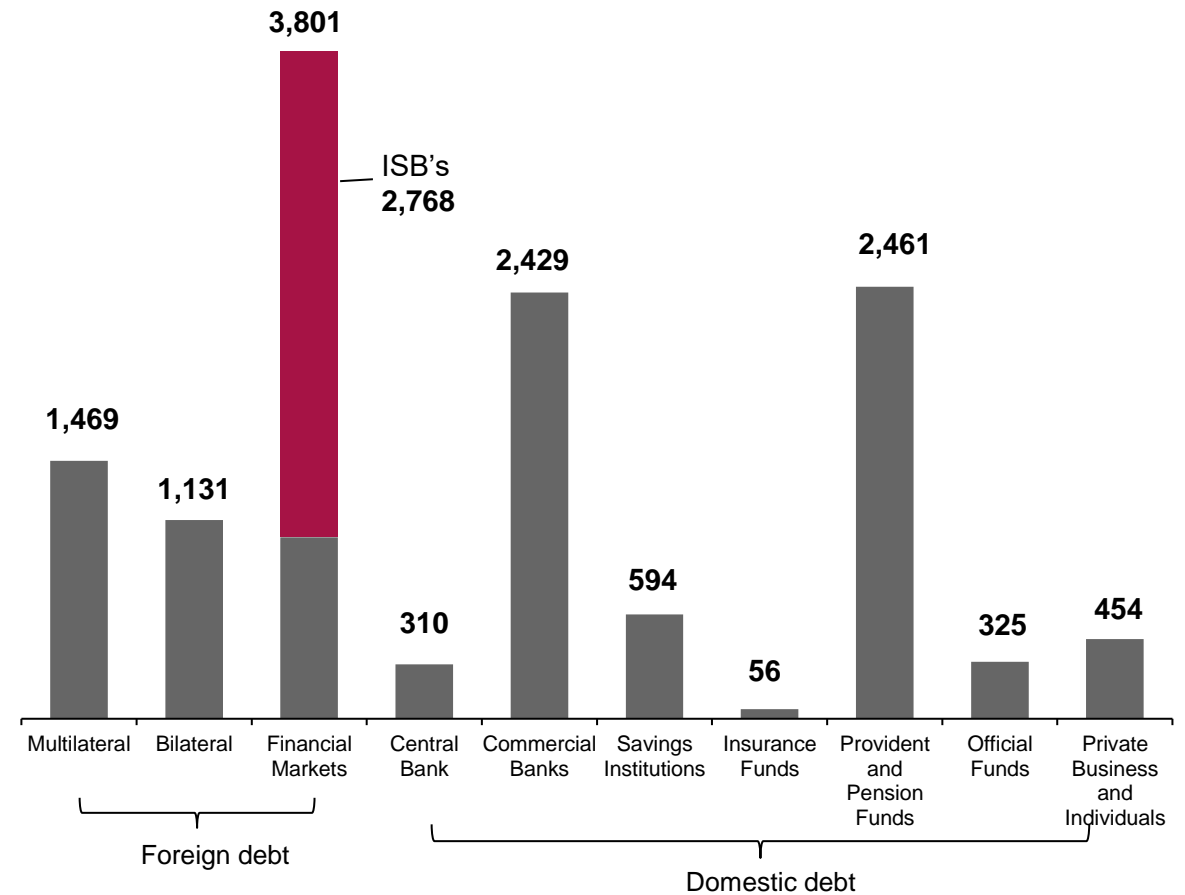
Instrument

LKR bn



Ownership

LKR bn



Foreign debt

Foreign debt			
	LKR bn	USD bn	% of foreign debt
Multilateral	1,469.9	8.09	23.0%
ADB	802.0	4.42	12.5%
IDA	541.1	2.98	8.5%
Other	126.7	0.70	2.0%
Bilateral	1,131.9	6.23	17.7%
Japan	617.8	3.40	9.7%
India	153.1	0.84	2.4%
China	138.7	0.76	2.2%
Other	222.1	1.22	3.5%
Financial Markets	3,800.7	20.92	59.4%
Export-Import Bank of China	476.6	2.62	7.4%
International Sovereign Bonds	2,733.6	15.24	43.2%
Other	588.5	3.06	8.7%

Multilateral Creditors

- From foreign international financial institutions such as EIB or WB
- Concessional with longer repayment periods
- Non tradeable
- Senior creditors

Bilateral Creditors

- From foreign governments and their lending arms
- Can be concessional
- Often project based
- Non tradeable, and often used by low-income countries, especially those with poorly developed or illiquid financial market

Debt Securities

- Issued by public auction, it is a promise to repay an amount at maturity with fixed or flexible interest rate.
- Can be short, medium or long term.
- Issued in foreign debt markets (e.g. Eurobond market) and governed under foreign law

Domestic debt

Treasury bills

- Highly liquid instruments with a maturity of less than a year, issued locally
- Used to meet short-term mismatches in receipts and expenditure
- Used as collateral by the central bank in its open market operations

Treasury bonds

- Highly liquid instruments with a maturity of more than a year (2-20), issued locally
- Issued under the Registered Stock and Securities Ordinance No. 7 of 1937, to raise public debt for budgetary purposes
- Terms of annual borrowing targets are specified in the appropriation act
- Risk free with a half yearly coupon and principal paid at maturity
- Yields are determined by the market

SLDB's

- USD denominated securities issued in the local market and governed by local law
- Highly illiquid as they aren't issued on an exchange, with yields based on a bidding system

Loans

- Loans between government and local banks

Domestic debt			
	LKR bn	USD bn	% of domestic debt
Treasury bills	897.6		13.5%
Central bank	74.7		1.1%
Commercial bank	684.7		10.3%
Insurance and finance co.'s	71.6		1.1%
Savings institutions	21.9		0.3%
Foreign investors	23.7		0.4%
Other	20.9		0.3%
Treasury bonds	4,686.5		70.7%
Commercial banks	839.5		12.7%
EPF	2,382.4		35.9%
Savings institutions	570.0		8.6%
Departmental and official funds	321.4		4.8%
Foreign investors	80.3		1.2%
Other	492.9		7.4%
Other	1,148.9		17.3%
Sri Lanka Development Bonds	560.2	3.08	8.5%
Balance	588.7		8.9%

What is debt sustainability

Debt is sustainable if the country (or its government) does NOT, in the future, need to **default** or **renegotiate** or **restructure** its debt or **make implausibly large policy adjustments**.

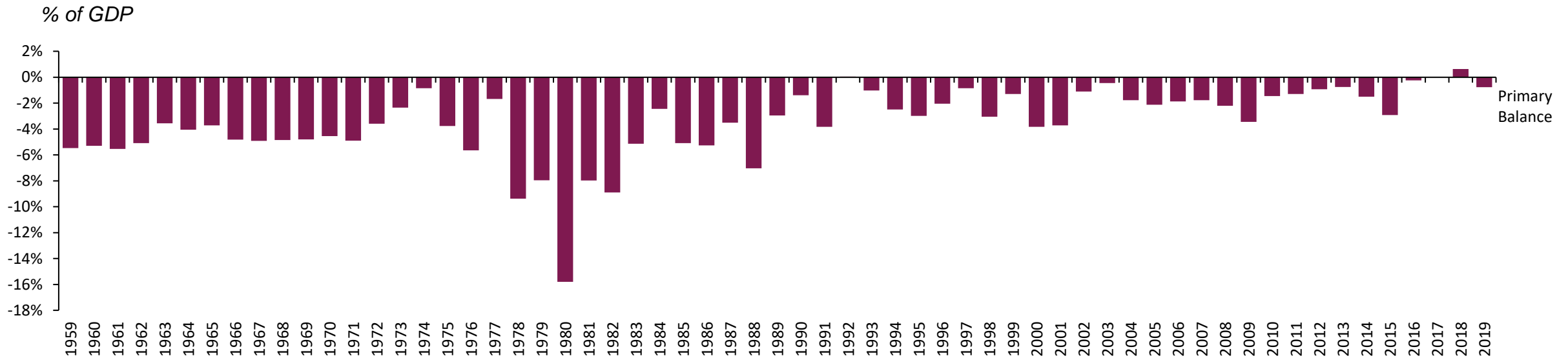
The IMF's Debt Sustainability Analysis considers the following KPI's

Market Perception	External Financing Requirements	Change in Share of Short-Term Debt	Public Debt Held by Non-Residents	Foreign Currency Debt
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Primary Balance

Primary Balance (PB) is the difference between Government Revenue(R) and non-interest Government expenditure(G)

$$PB = R - G$$



How to Assess solvency

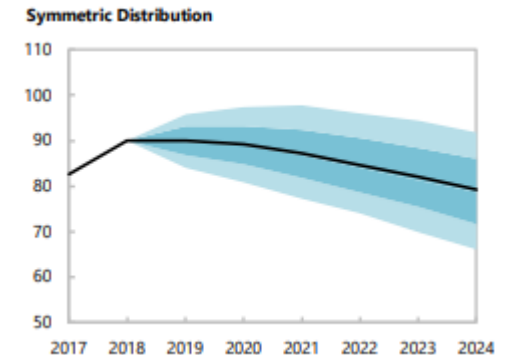
For the government to be solvent its debt cannot exceed the present value of all future primary balances

Transversality Condition

$$d_t \leq \frac{pb_{t+1}}{\frac{(1+r_{t+1})}{(1+g_{t+1})}} + \frac{pb_{t+2}}{\frac{(1+r_{t+1})(1+r_{t+2})}{(1+g_{t+1})(1+g_{t+2})}} + \frac{pb_{t+3}}{\frac{(1+r_{t+1})(1+r_{t+2})(1+r_{t+3})}{(1+g_{t+1})(1+g_{t+2})(1+g_{t+3})}} + \dots$$

Since it is not possible to forecast primary balances into the future, the IMF and World Bank use a more probabilistic model called Debt Sustainability Analysis

There is no threshold, but it is considered at 70% debt/GDP for middle income market access countries



Breakdown of change in debt

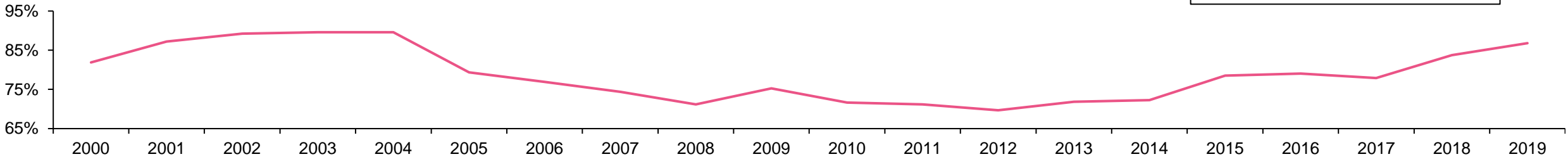
$$\text{Change in Debt (\%GDP)} = \text{Real Interest rate effect} - \text{Growth effect} + \text{Exchange rate effect} - \text{Primary Balance} + \text{Residual}$$

$$d_t - d_{t-1} = \frac{i_t^w - \pi(1 + g_t)}{(1 + g_t)(1 + \pi_t)} - \frac{g_t}{(1 + g_t)(1 + \pi_t)} + \frac{\alpha\varepsilon(1 + i_t^f)}{(1 + g_t)(1 + \pi_t)} - pb + residual$$

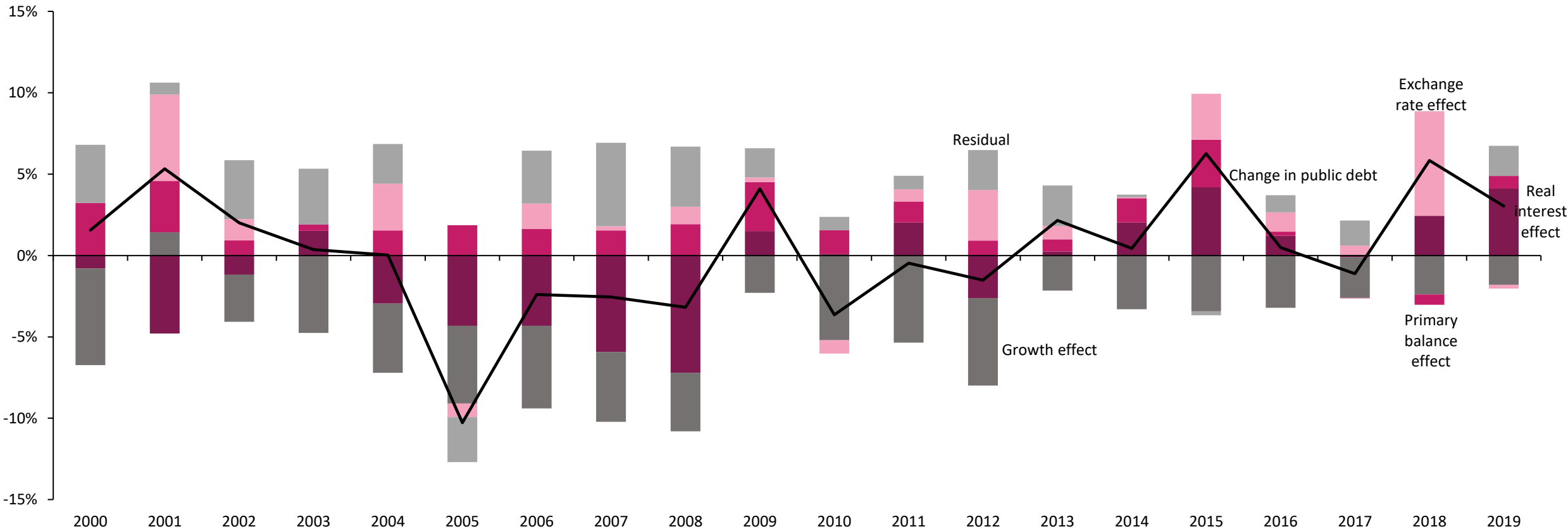
Debt Attribution Analysis for Sri Lanka

IMF adjusted GDP Series used for calculation

Debt / GDP ratio, %



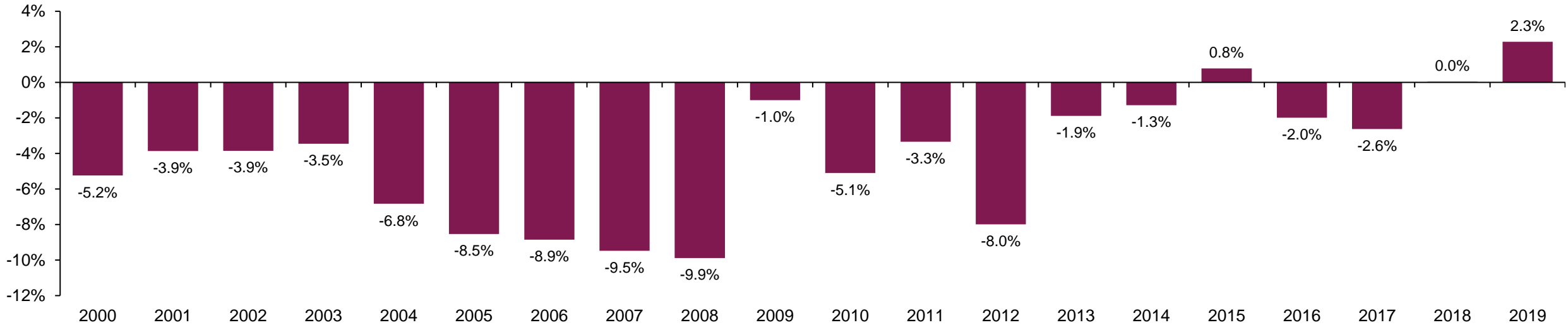
Contribution to change in Debt to GDP ratio, %



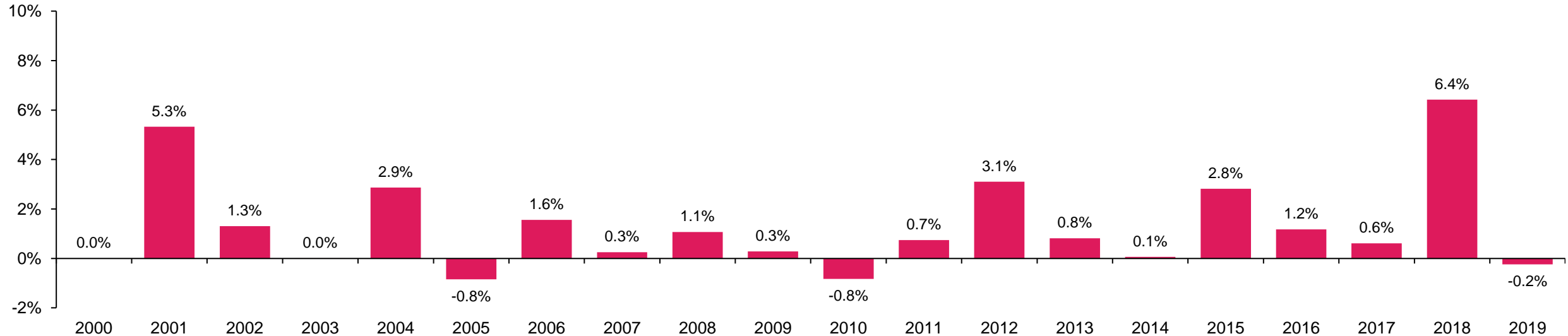
Source: CBSL, IMF-World Economic Outlook Database October 2019, Advocata Research

Snowball Effect (R-G) and Exchange Rate Effect

Automatic Debt Stabilizers - Snowball effect (r-g),%

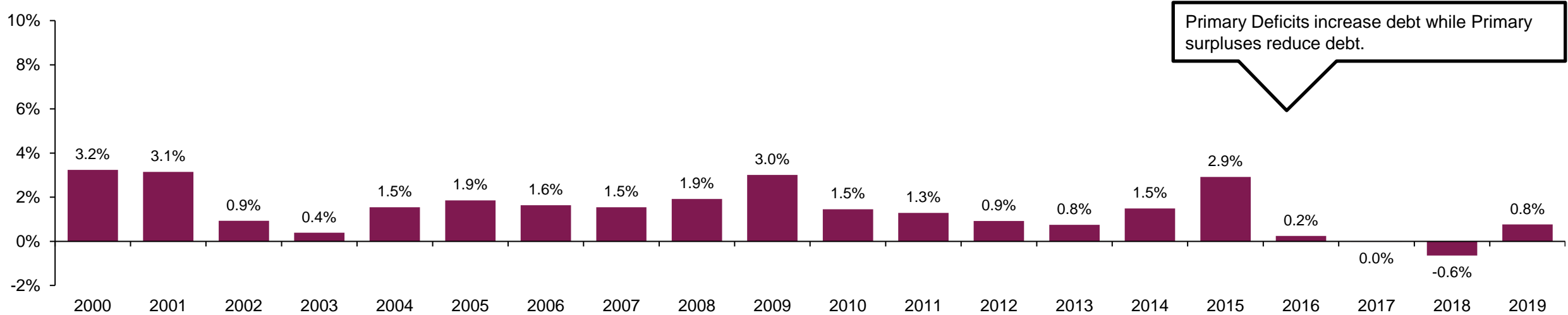


Exchange rate effect on change in debt, %



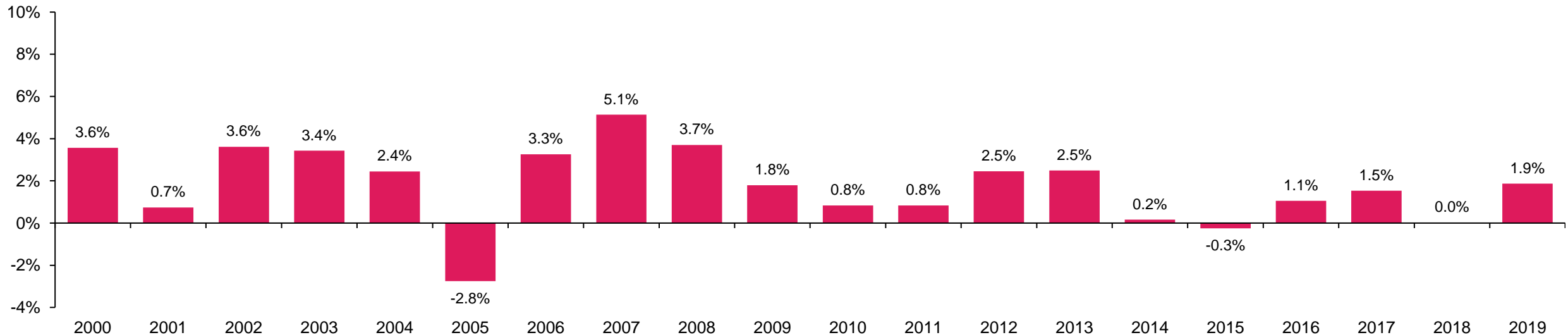
Primary Balance and Residual Effect

Primary Balance effect on change in debt, %



Primary Deficits increase debt while Primary surpluses reduce debt.

Residual effect on change in debt, % (combine effect and non flow stock increases)

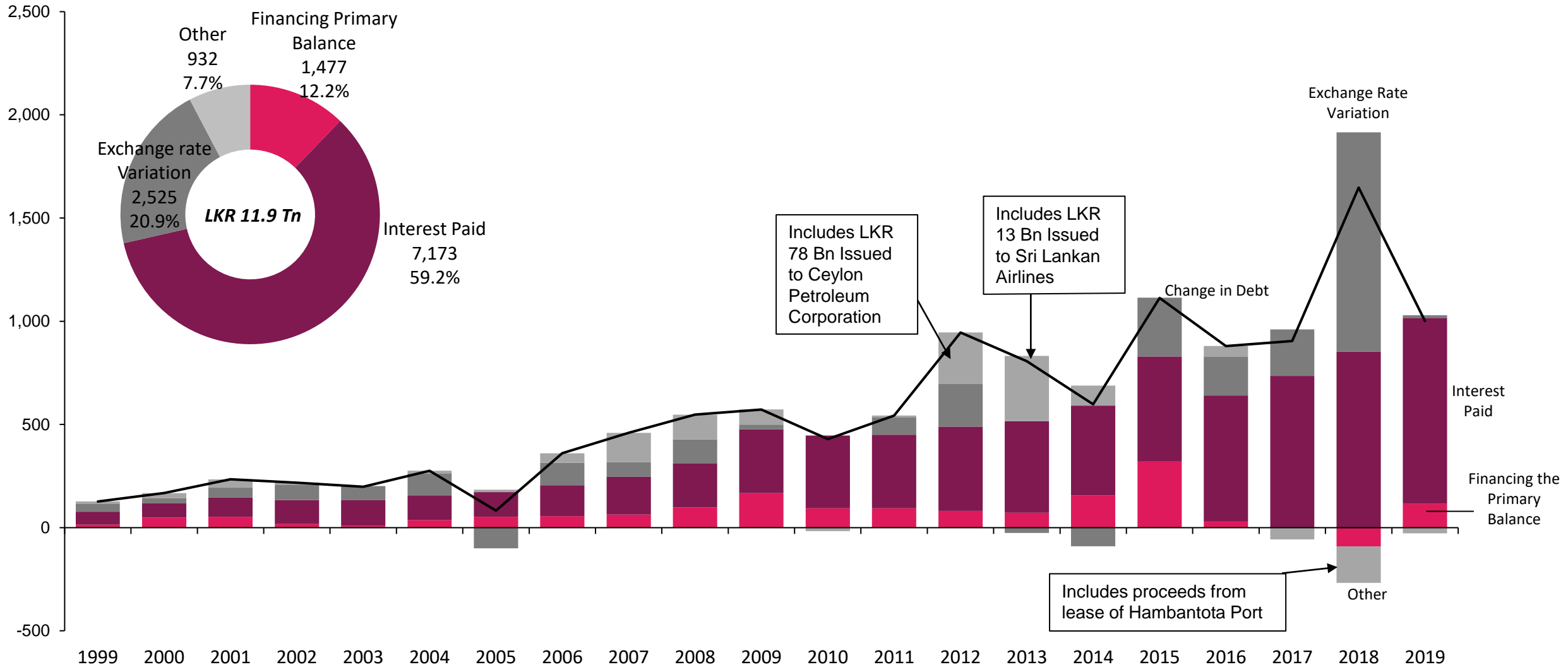


Source: CBSL, IMF-World Economic Outlook Database October 2019, Advocata Research

Debt Attribution Analysis - Absolute

Interest expense and Exchange rate variation account for 80% of the Debt increase since 1999

Change in Debt , LKR Bn

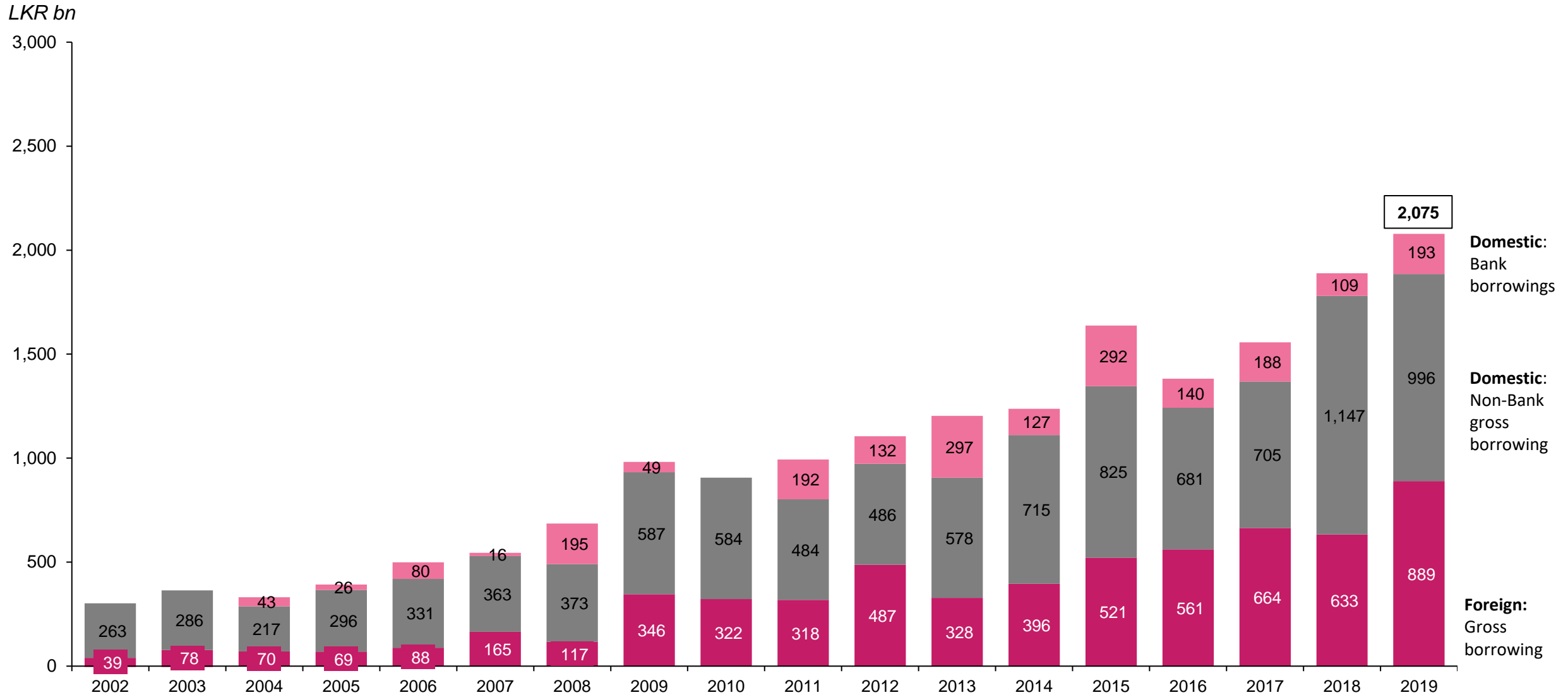


Trends in Gross Financing Needs

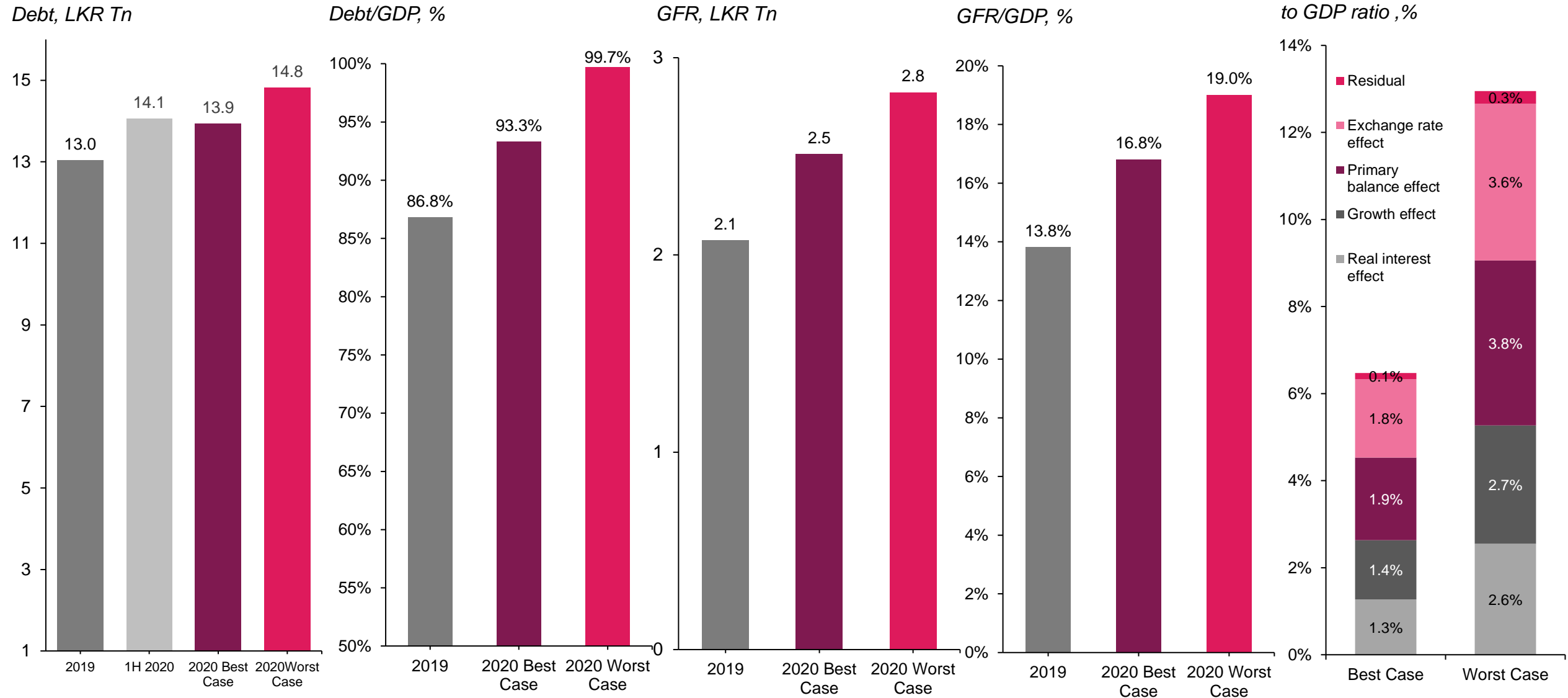
LKR, Bn(LHS); % GDP(RHS)



Gross Financing – who funds it



Forecast of key debt metrics





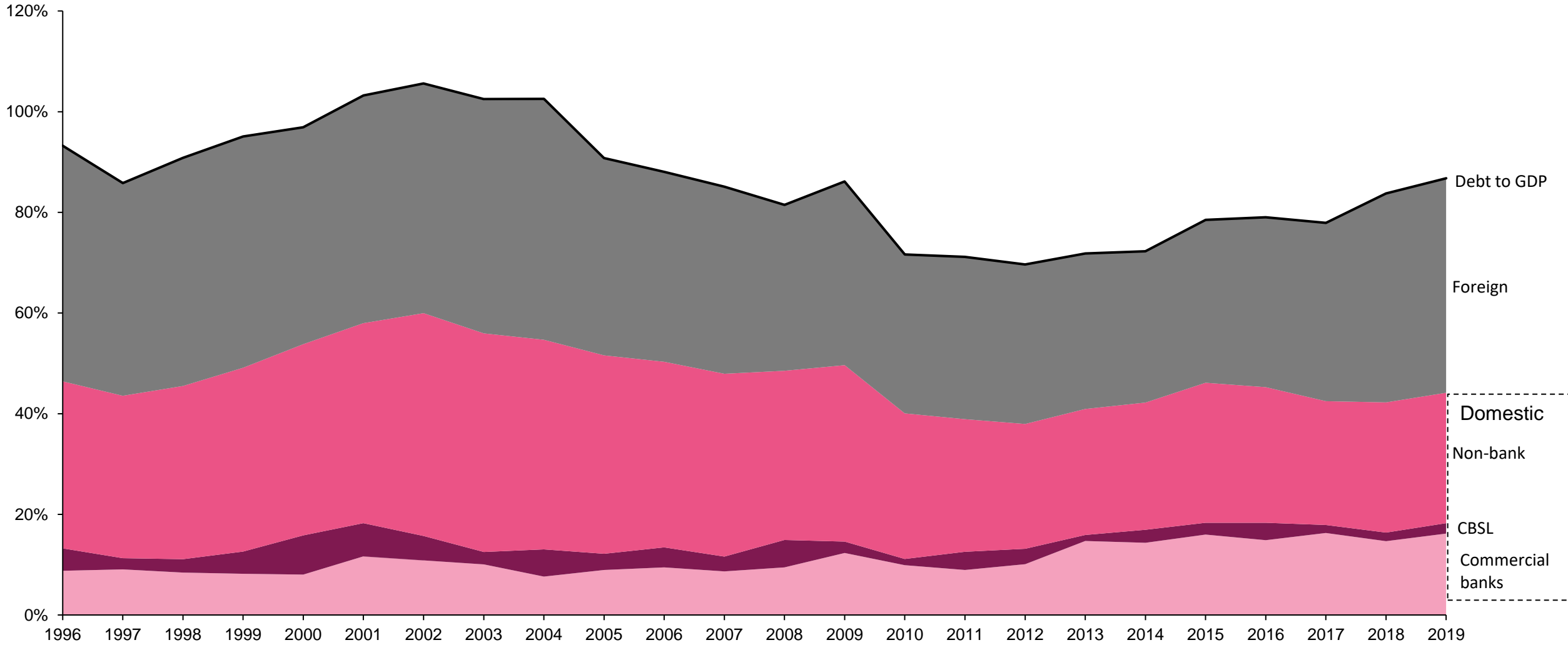
Structure of the debt

We have a lot of debt...we pay a lot in interest... market instruments are expensive

As at end-2019			
Total Outstanding Government Debt		% of GDP	
LKR 13,032 Bn		86.8%	
Average interest rates			
Total Debt	Domestic Debt		Foreign Debt
7.5%	10.8%		4.2%
Interest:	LKR 901 Bn	47.7% of revenue	30.9% of expenditure
SLDB'S		ISB's	
5.6%		6.6%	
WAT*: 3.5 years		WAT*: 9.0 years	

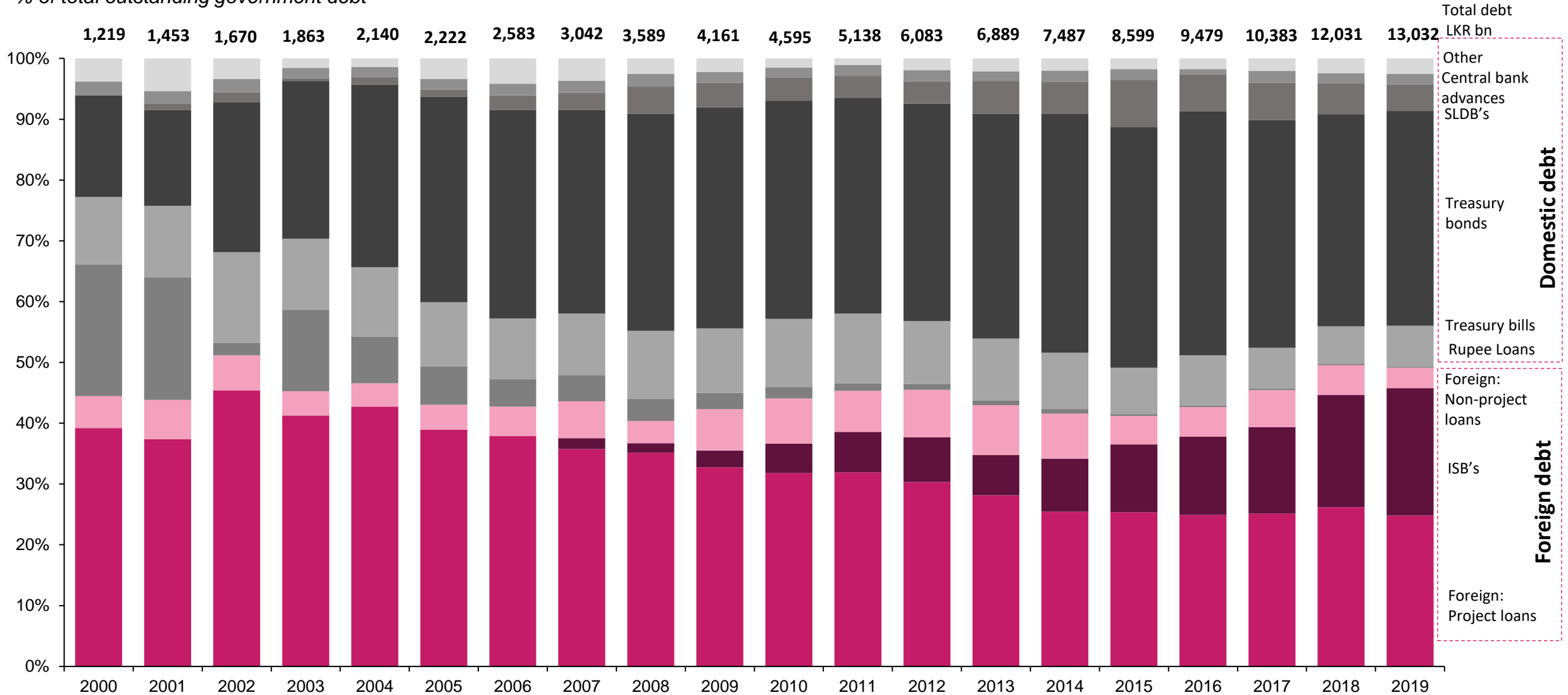
Who owns the Debt ?

% of GDP



Debt composition – note rise in ISBs

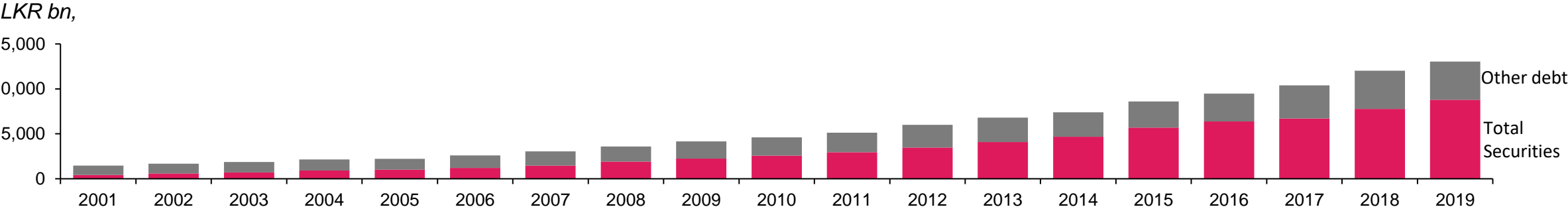
% of total outstanding government debt



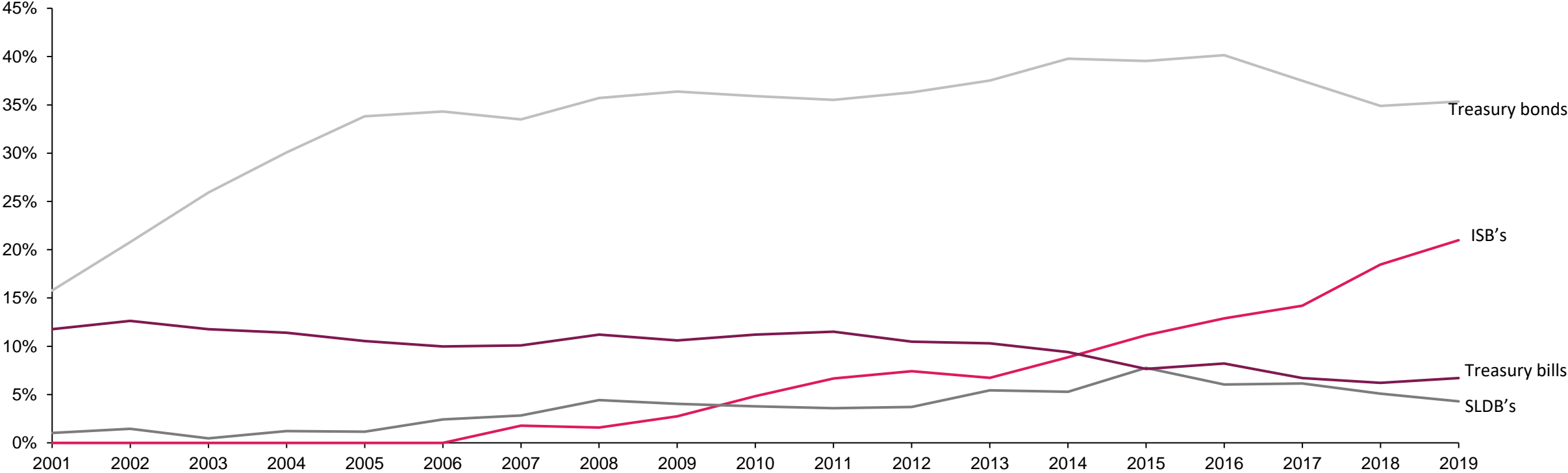
Note: Non project loans include commodities and rupee denominated T-bills and T-bonds held by foreigners; SLDB: Sri Lanka Development Bonds

Source: CBSL, Advocata Research

Debt securities comprise a major part of the debt



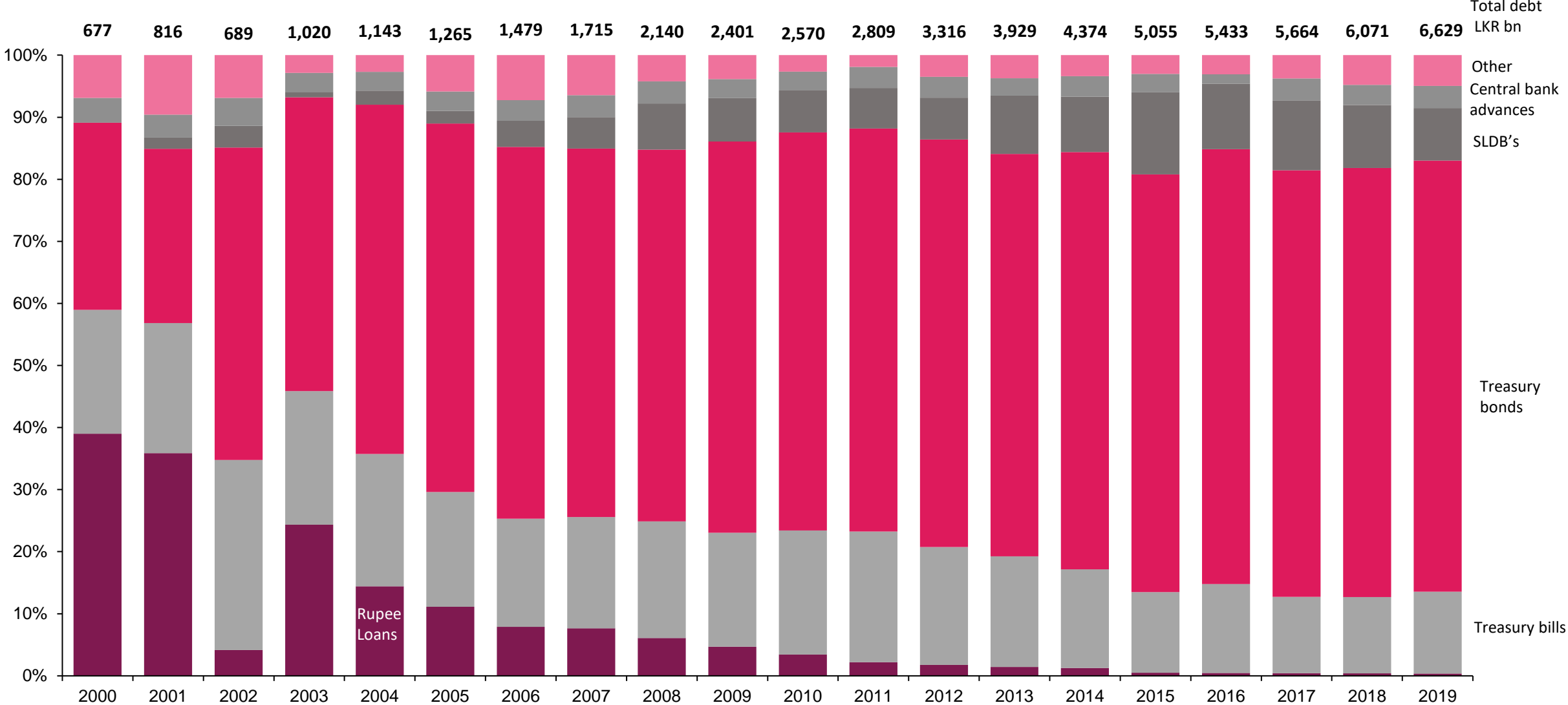
Securities as % of outstanding central government debt



Source: CBSL, Advocata Research

Domestic debt by instrument

% of total domestic debt



Treasury bills
Treasury bonds
SLDB's
Other Central bank advances

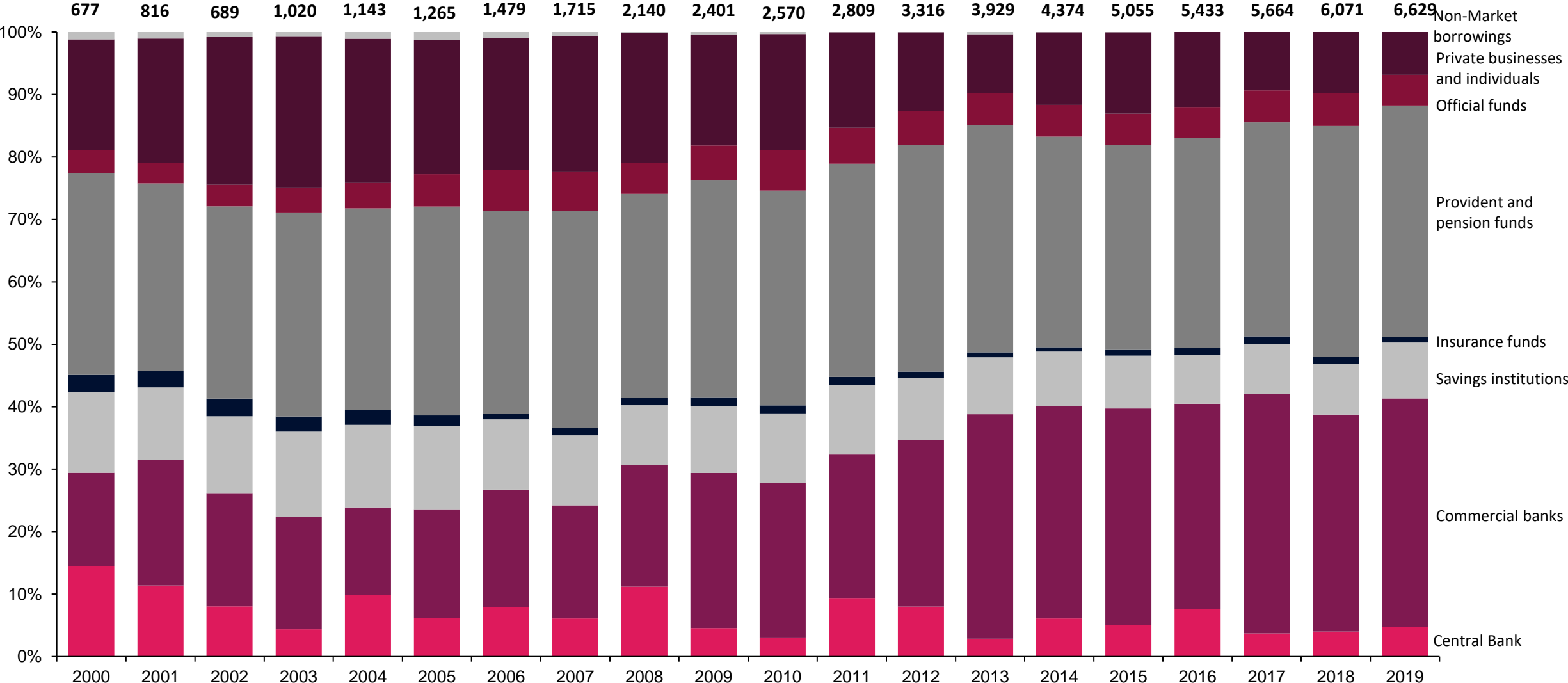
2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019

Note: Non project loans include commodities and rupee denominated T-bills and T-bonds held by foreigners; SLDB: Sri Lanka Development Bonds

Source: CBSL, Advocata Research

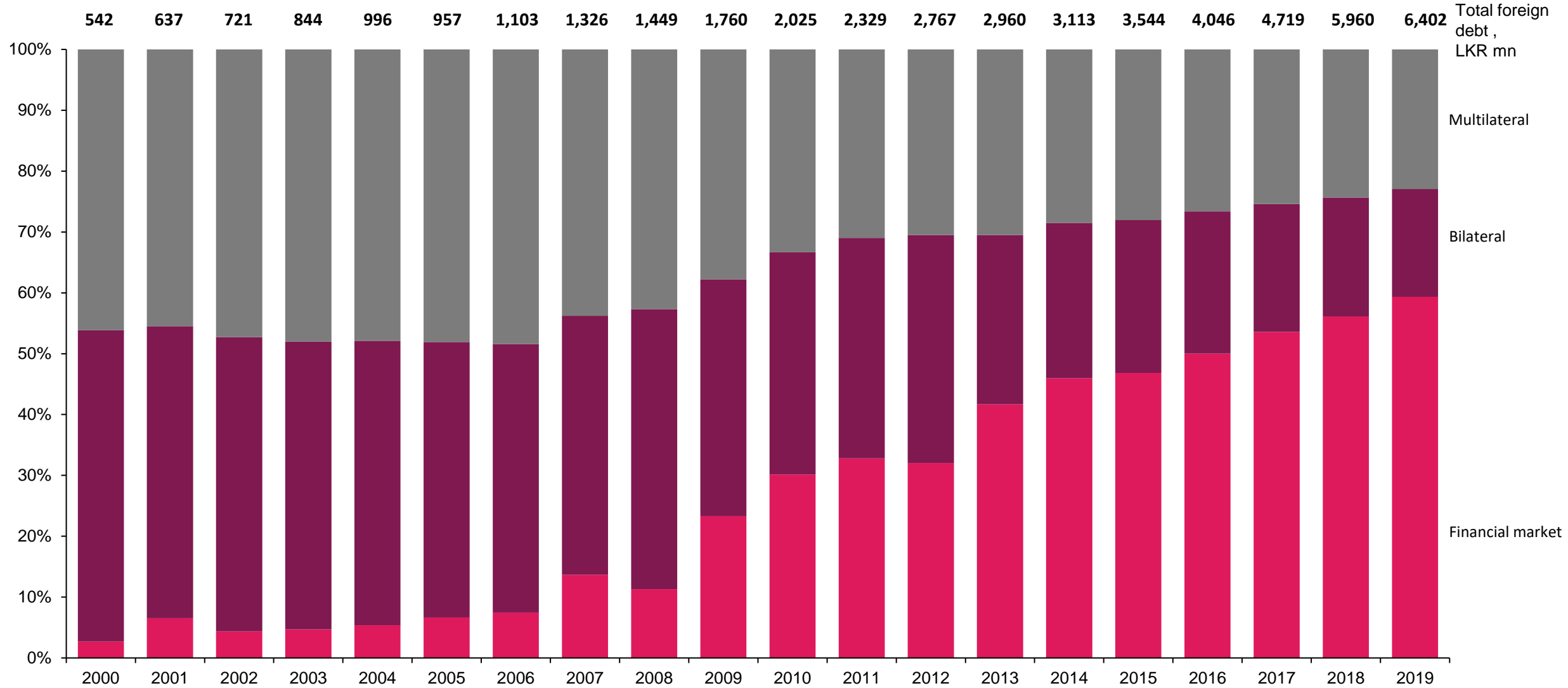
Domestic debt by ownership

% of total domestic debt

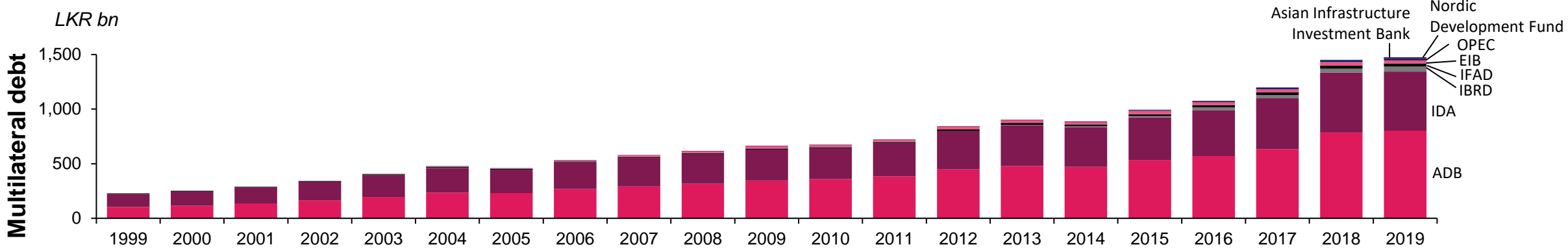


Foreign debt by type

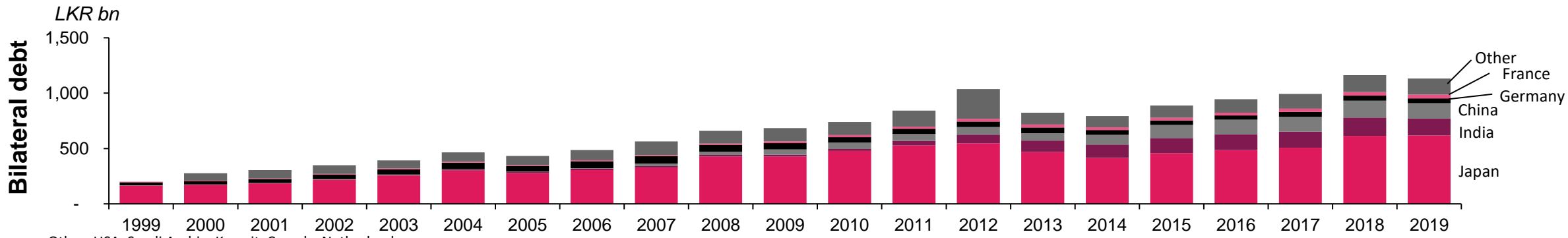
% of total foreign debt



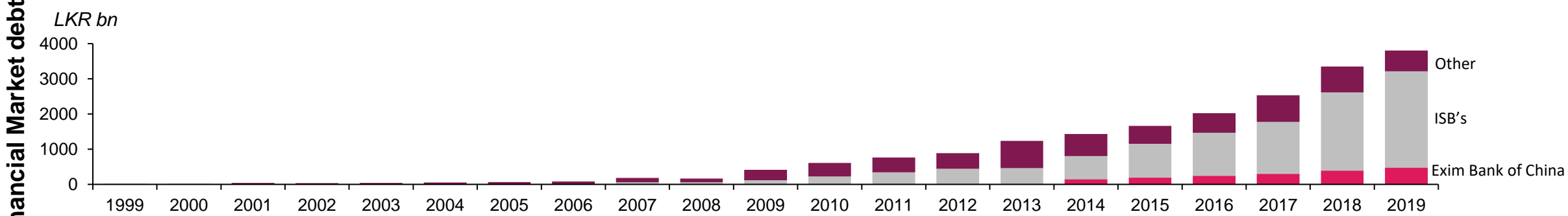
Foreign debt ownership



ADB: Asian Development Bank, IDA: International Development Association, IBRD: International Bank for Reconstruction and Development, IFAD: International Fund for Agricultural Development, EIB: European Investment Bank



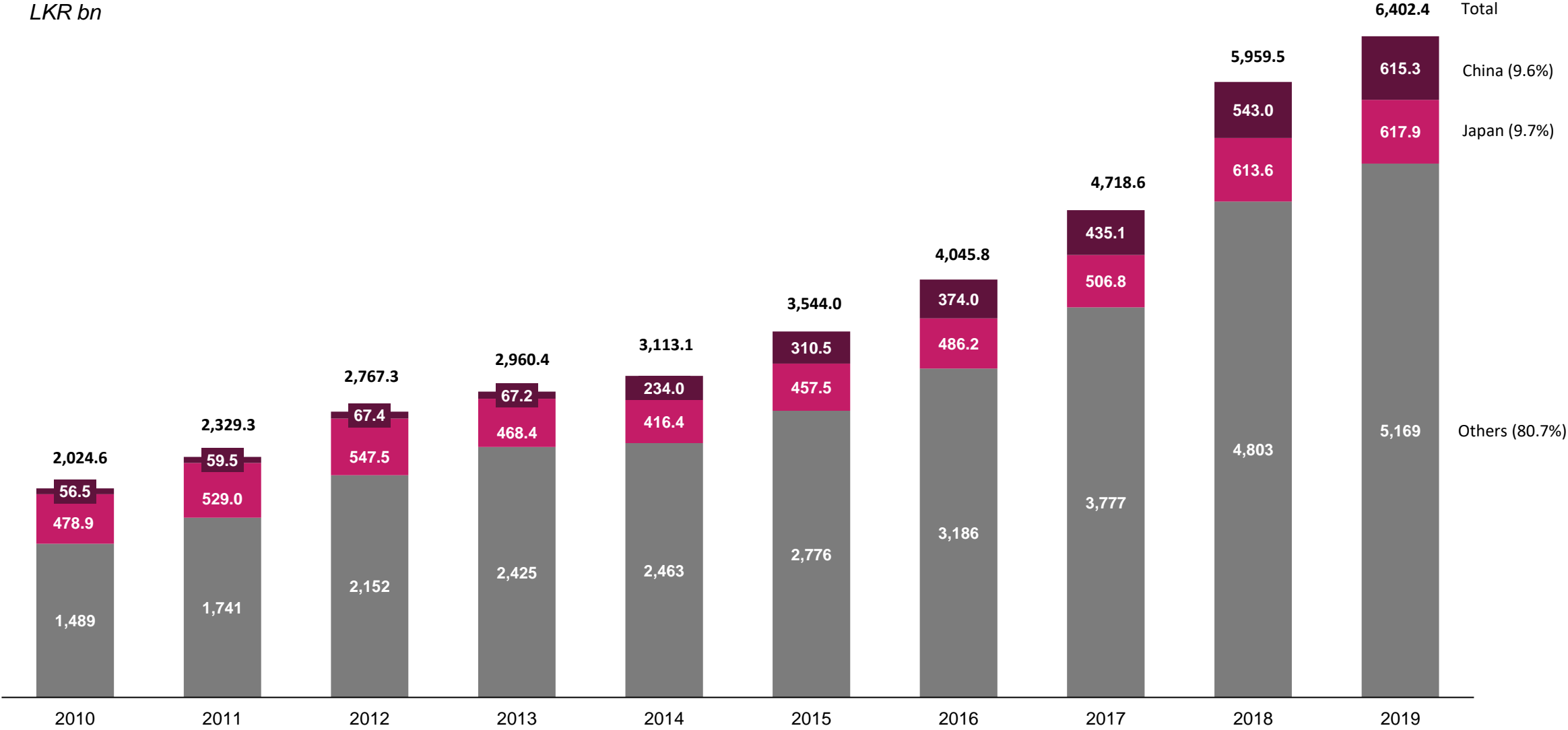
Other: USA, Saudi Arabia, Kuwait, Canada, Netherlands



Other: Includes outstanding defense loans (up to 2016), Rupee denominated Treasury bonds and Treasury bil0ls held by foreign investors and foreign currency term financing facility

Chinese and Japanese ownership of Outstanding Foreign Debt

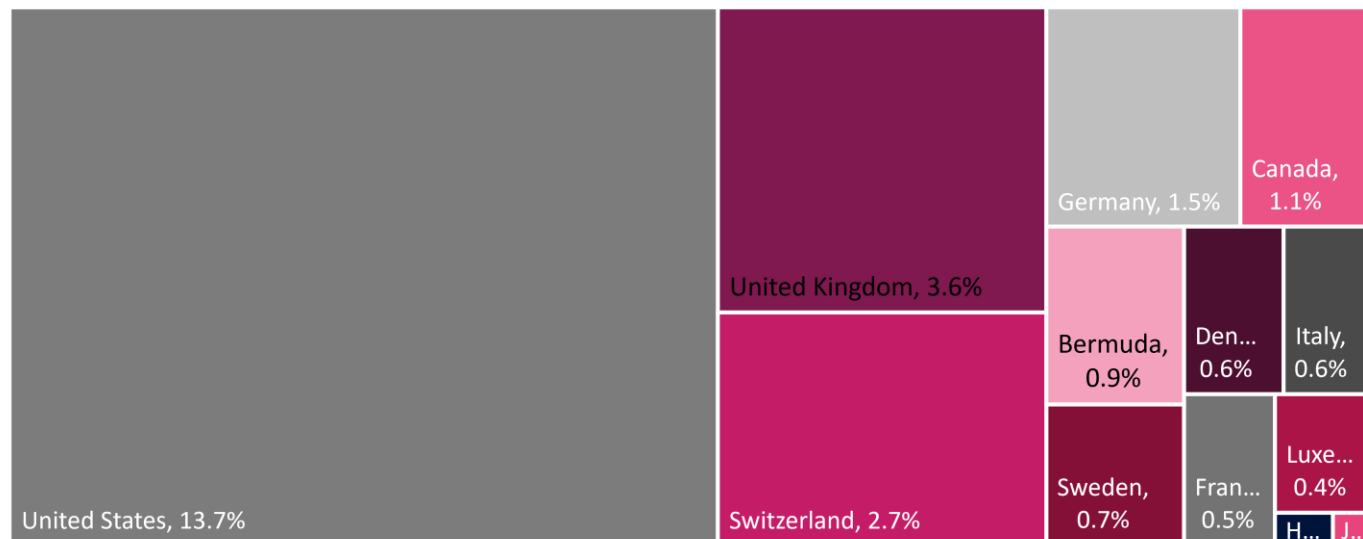
LKR bn



Top 20 holders of Sri Lankan International Sovereign Bonds

Investor	Investment Value	% Outstanding
BlackRock Inc	730	4.8%
HSBC Holdings PLC	257	1.7%
Neuberger Berman Group LLC	251	1.7%
JPMorgan Chase & Co	209	1.4%
UBS AG	177	1.2%
T Rowe Price Group Inc	172	1.1%
Goldman Sachs Group Inc/The	153	1.0%
Allianz SE	149	1.0%
Prudential PLC	135	0.9%
FIL Ltd	132	0.9%
Credit Suisse Group AG	115	0.8%
Royal Bank of Canada	112	0.7%
Nordea Bank Abp	105	0.7%
Capital Group Cos Inc/The	102	0.7%
Invesco Ltd	100	0.7%
Pictet Funds SA	85	0.6%
Wellington Management Group LLP	75	0.5%
Danske Bank A/S	66	0.4%
Ashmore Group PLC	63	0.4%
Candriam Investors Group	61	0.4%
Others	11,801	78.4%

By Country (excluding 'Others')



By Institution Type (excluding 'Others')

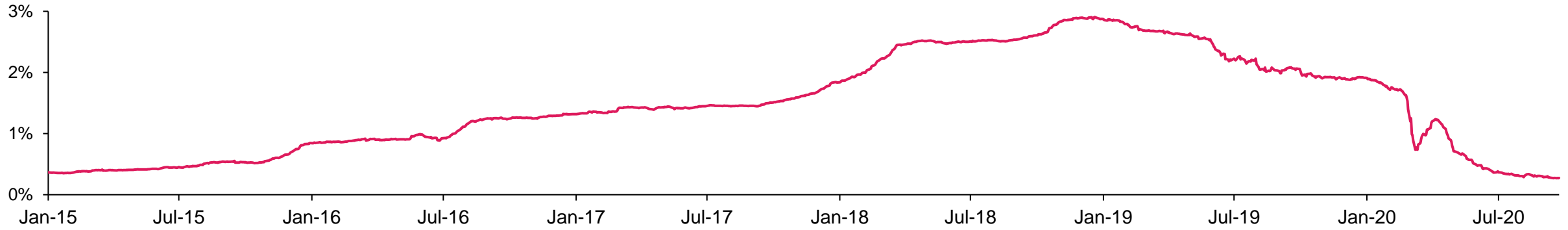


ISB Holdings are not constant – rebalancing and flows

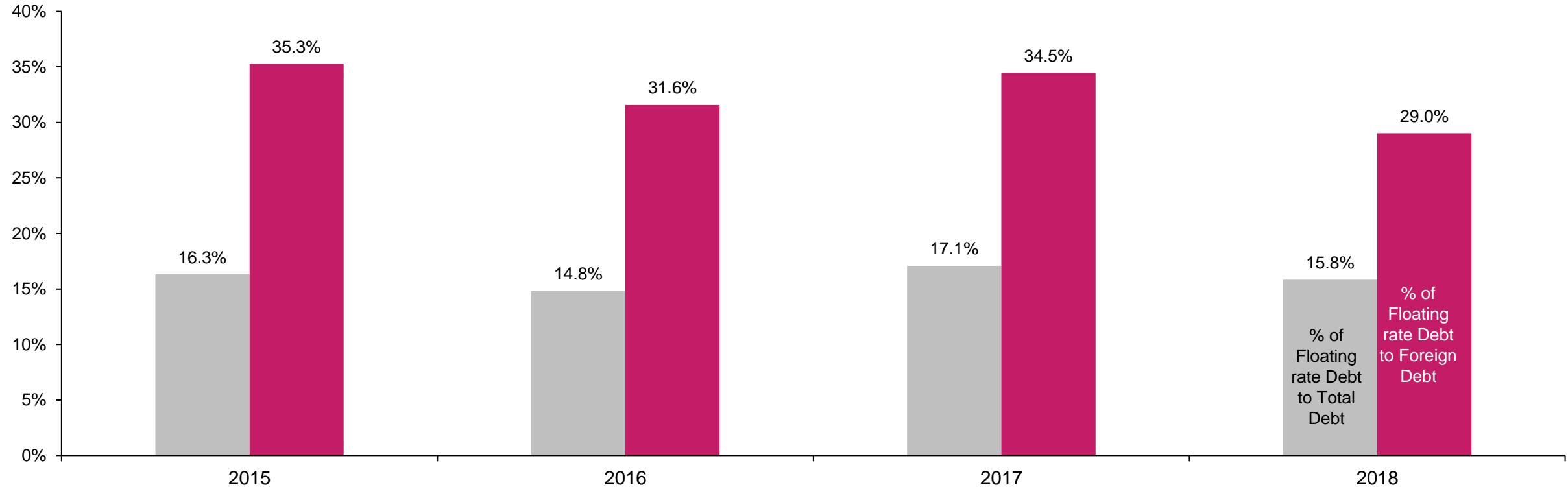
	2019 Q3	2019 Q4	2020 Q1	2020 Q2	Curr Position
BlackRock Inc	95,778	92,841	79,180	85,006	85,780
FIL Ltd	10,727	28,178	28,290	31,602	31,487
HSBC Holdings PLC	58,679	26,242	23,242	20,629	30,126
Neuberger Berman Group LLC	24,986	25,486	27,486	27,266	27,266
Allianz SE	24,950	24,450	35,850	26,850	26,850
JP Morgan Chase & Co	20,044	23,076	26,154	22,901	22,901
Ashmore Group PLC	18,736	19,818	19,388	19,549	19,549
Candriam Investors Group		15,900	15,900	15,900	15,900
Pictet Funds SA	18,107	15,083	15,283	15,283	13,799
UBS AG	25,496	24,195	18,351	19,426	13,436
Prudential PLC	10,300	9,700	10,700	13,200	13,200
Sun Life Financial Inc	3,254	1,662	1,662	12,563	13,163
Credit Suisse Group AG	5,360	5,850	11,750	7,000	12,100
Standard Life Aberdeen PLC	22,390	19,350	19,060	19,060	11,880
Nordea Bank Abp	14,895	16,595	17,295	16,920	8,170
Danske Bank A/S	6,697	6,387	6,504	6,158	6,460
Morgan Stanley	490	-	-	6,040	6,040
Banque Lombard Odier & Cie SA	2,000	5,000	-	-	5,500
Intesa Sanpaolo SpA	2,800	8,598	4,148	5,148	5,148
Legal & General Group PLC	4,700	4,700	4,700	4,700	4,700
Invesco Ltd	32,060	33,150	32,890	4,641	4,641

Composition of Floating Rate Debt

6 Month LIBOR, %

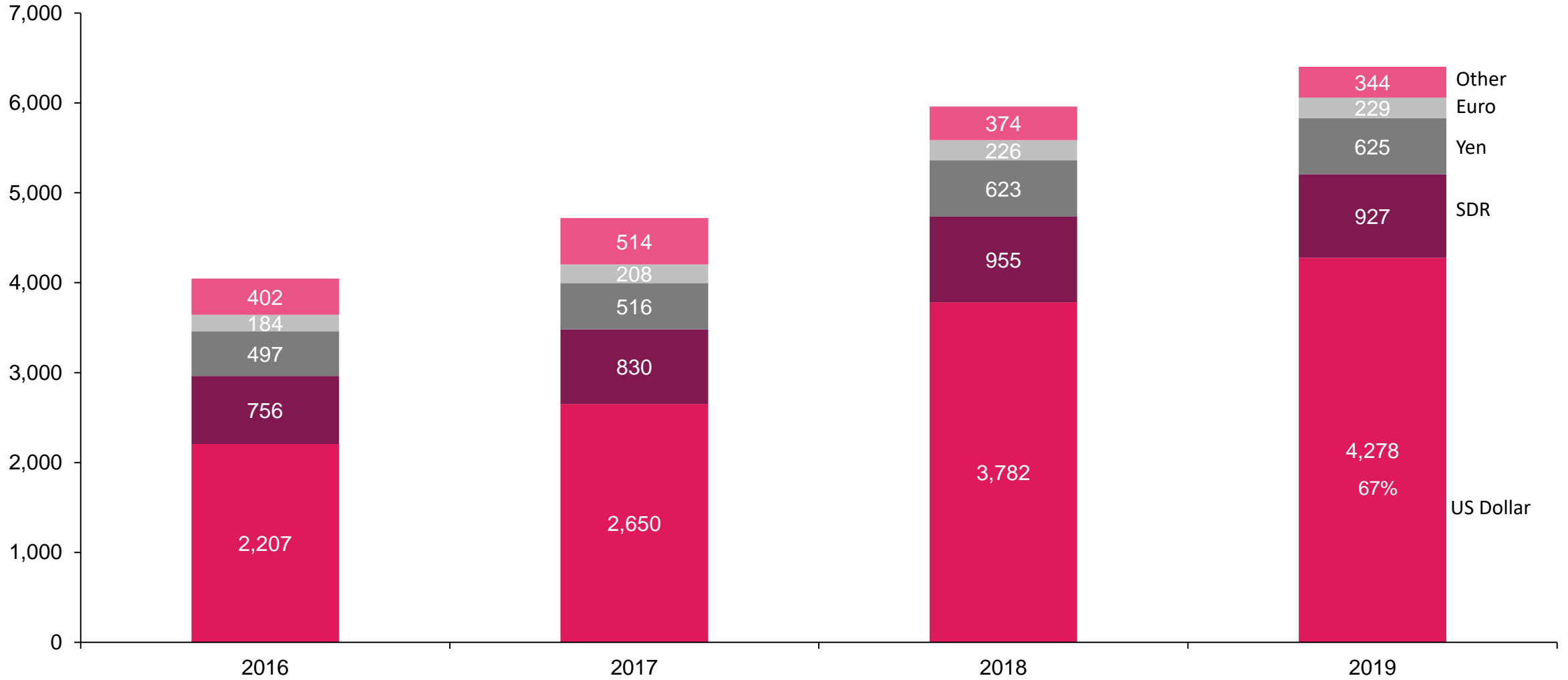


Floating rate Debt, %



Foreign Debt- Currency Composition

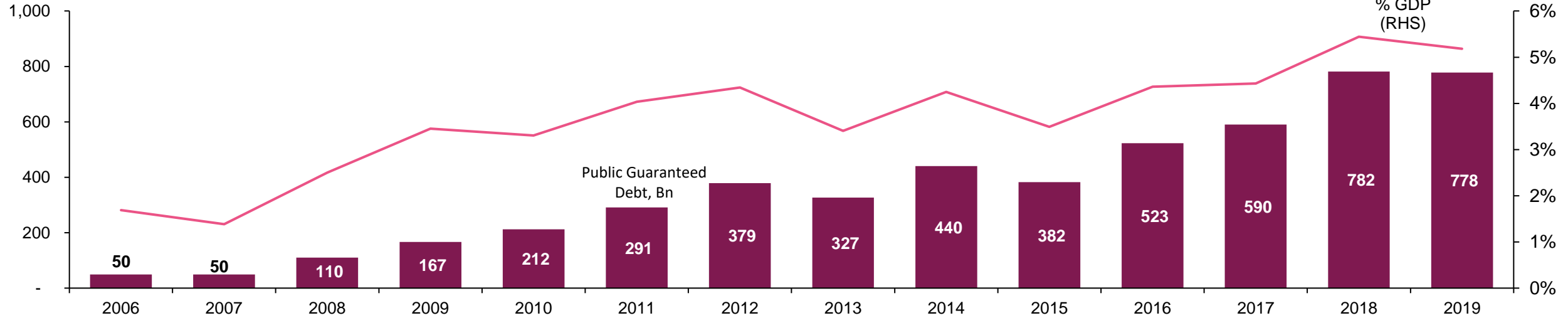
Currency Composition of Foreign Debt, LKR Bn



Off balance sheet debt

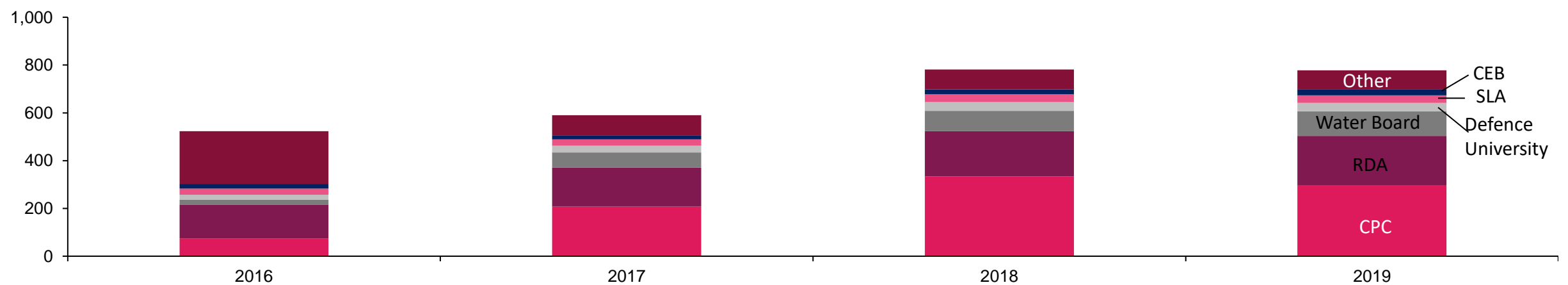
Publicly Guaranteed Debt increases to 5.2% of GDP in 2019

Public Guaranteed Debt, LKR Bn (LHS), % GDP (RHS)



Most Guarantees are given to CPC and RDA borrowings

Public Guaranteed Debt, LKR Bn

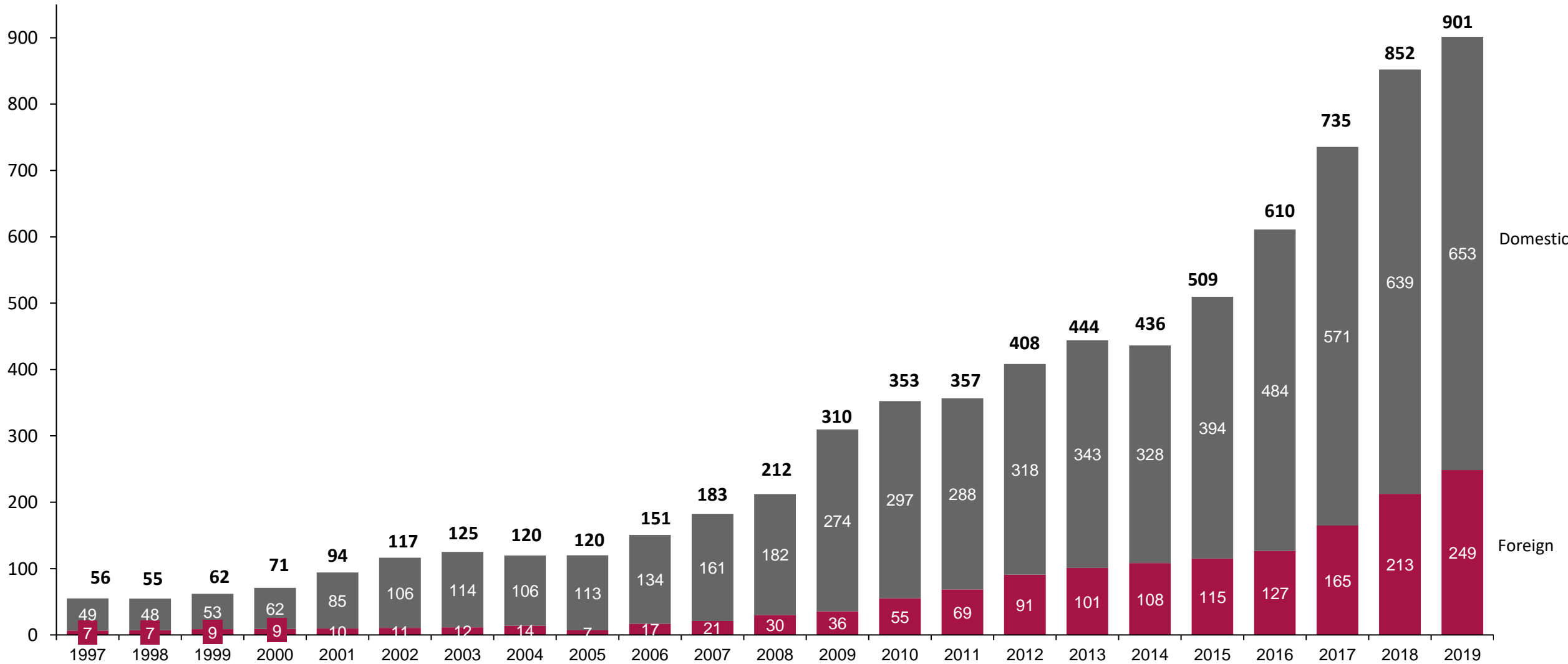




Debt Servicing

Government debt and its costs are on the rise

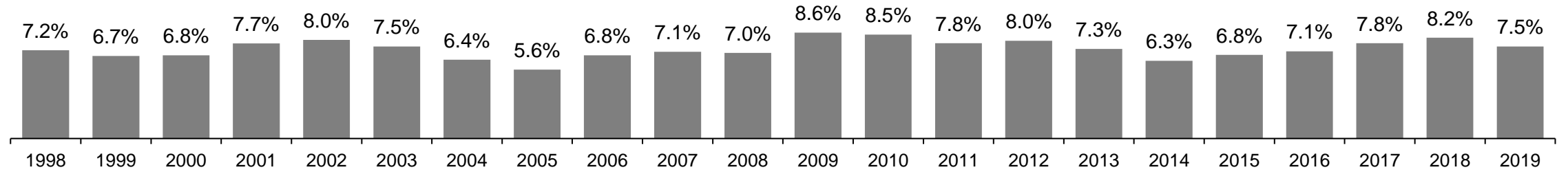
Interest cost on debt, LKR bn



Average cost of debt

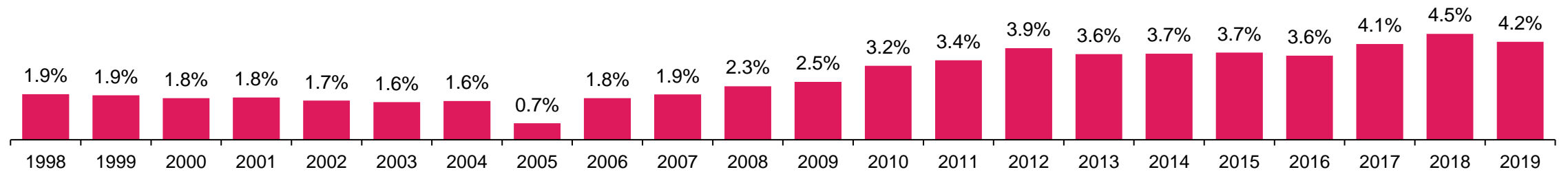
Total debt

Interest, %



Foreign debt

Interest, %



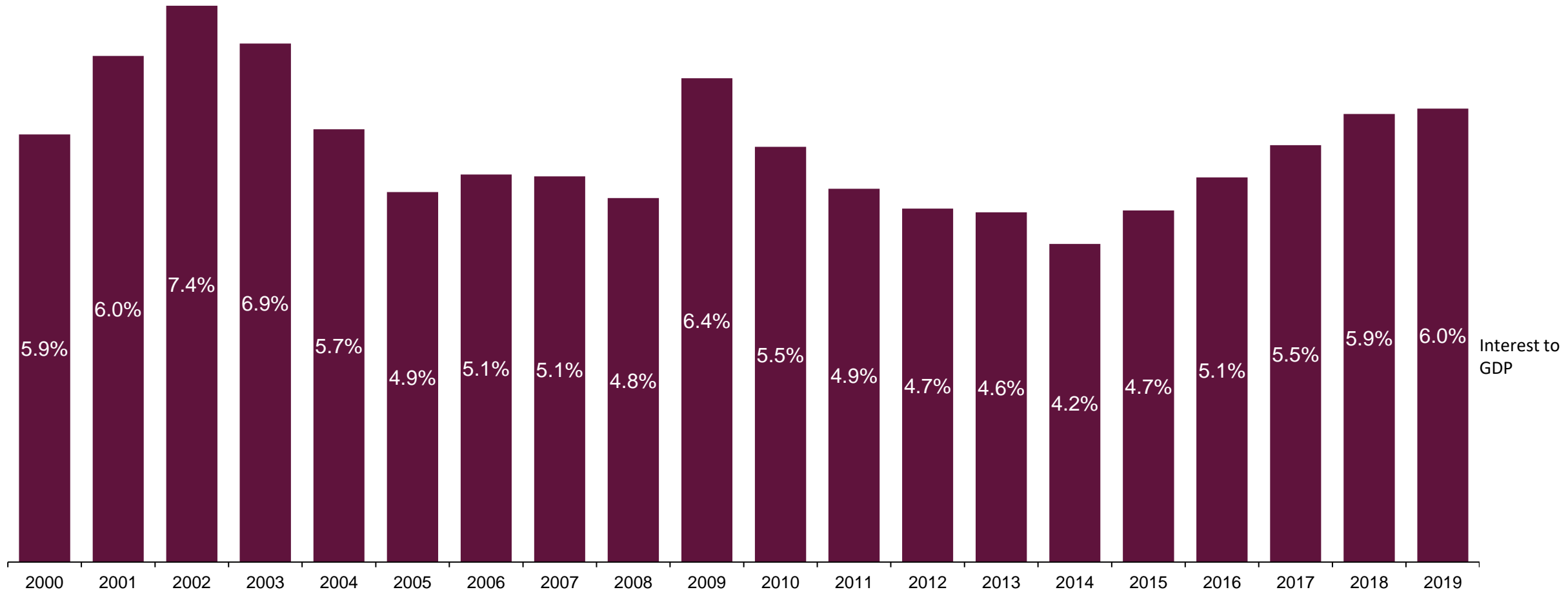
Domestic debt

Interest, %



Government debt and its costs are on the rise

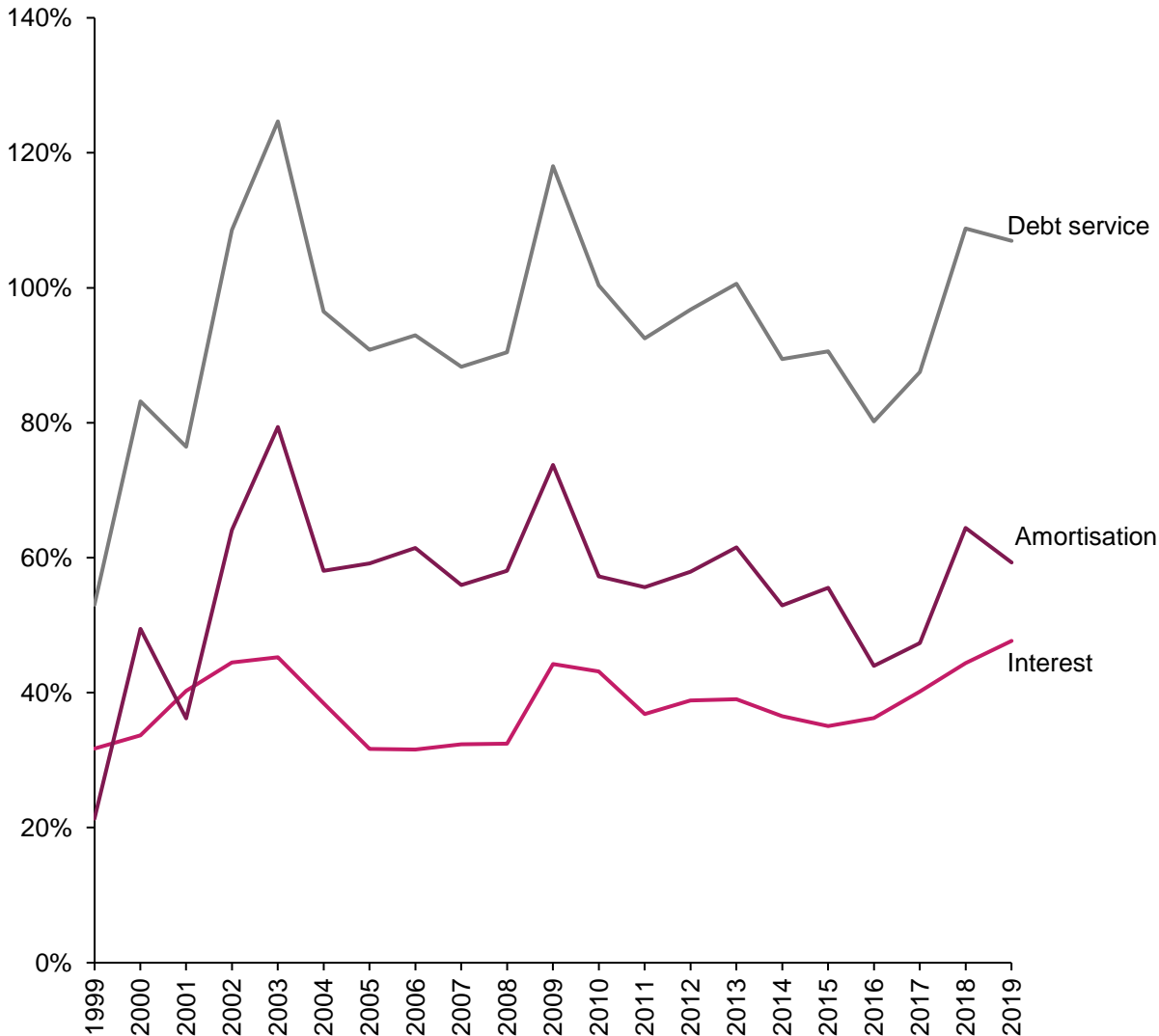
Interest to average debt
%



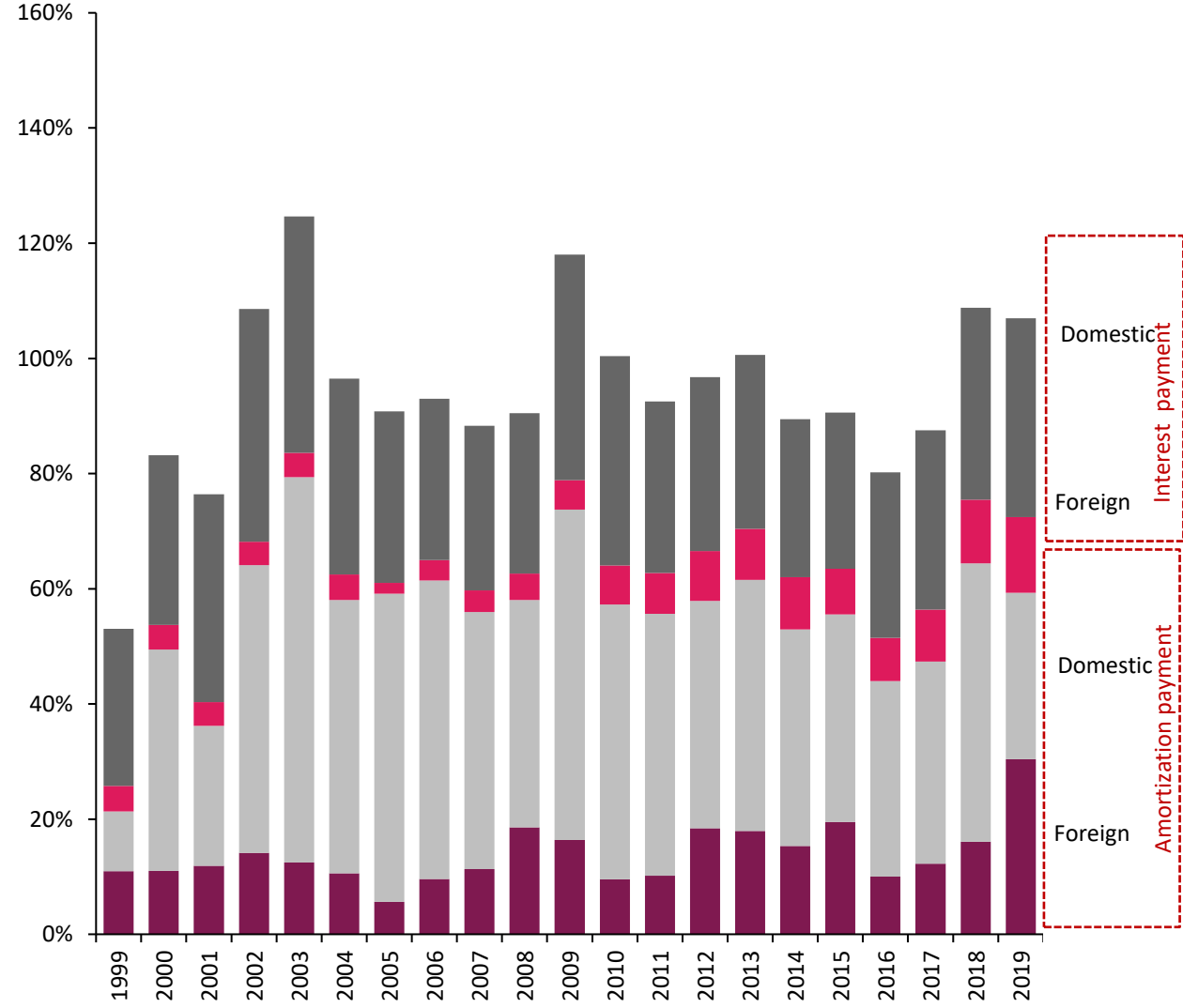
Interest to
GDP

Interest and Amortization as percentage of revenues

% of total revenue



% of total revenue





Debt Management

Market structure and infrastructure

What we have

Laws governing Sri Lanka's debt

- Appropriation Act (annually by the parliament) – sets the borrowing limit
- Fiscal Management (Responsibility) Act (No. 3 of 2003)
- Foreign Loans Act No.29 of 1957
- Monetary Law Act No.58 of 1949
- Registered stock and securities Ordinance No. 7 of 1937 (as amended)
- Local Treasury Bills Ordinance No.8 1923 (as amended)

Fragmented Institutions governing Sri Lanka's debt

- Treasury
 - Department of external resources
 - Department of national budget
 - Department of treasury operations
- Public Debt Department – CBSL

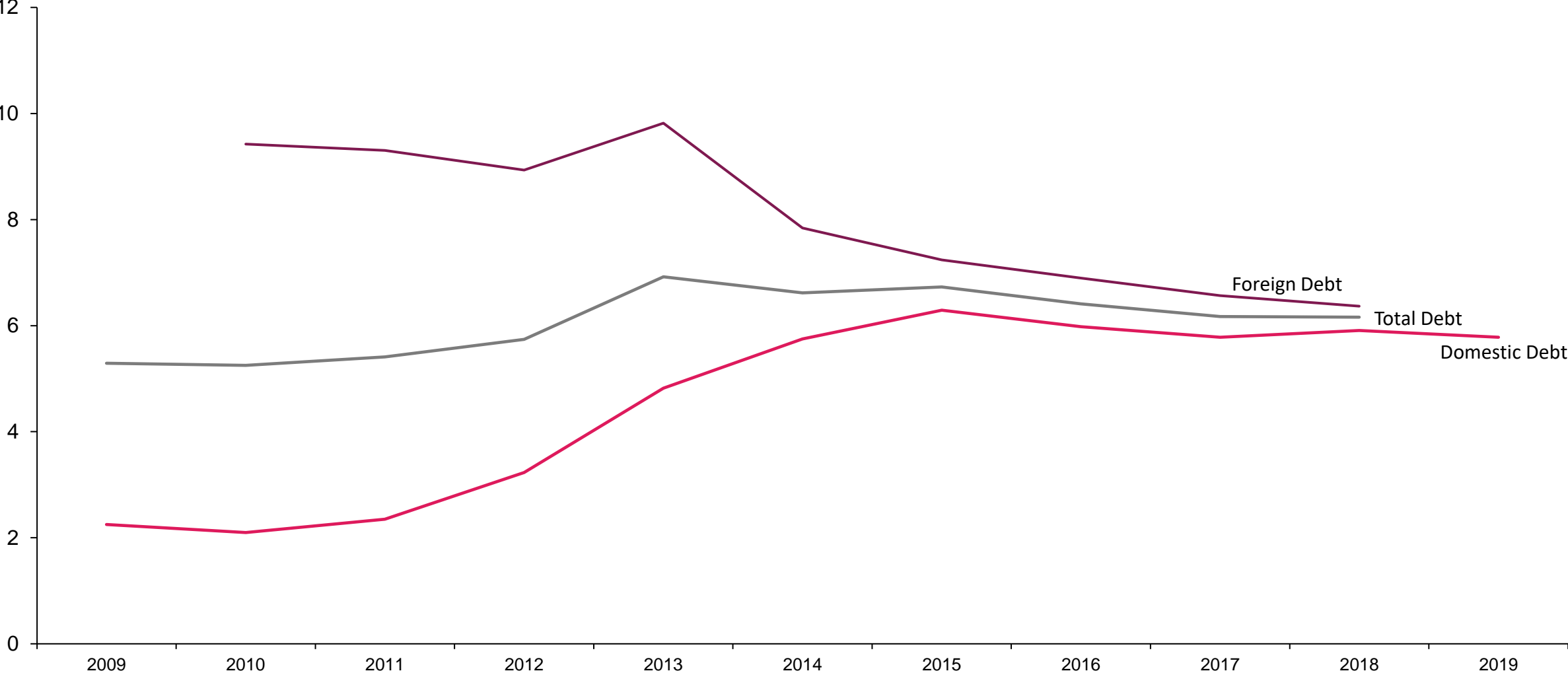
What we need

- A centralized public debt office under the treasury
- No electronic market for GSEC trading – weak price discovery and transparency
- Lack of large-scale retail participations (approximately 40,000 active CDS accounts)
- No Central Counter Party (CCP)
- SLDBs need to be dematerialized and made fungible by issuing based on price NOT yield



Maturity of Domestic Debt pushed back while maturity of Foreign debt has been brought forward

Average Time to Maturity, years



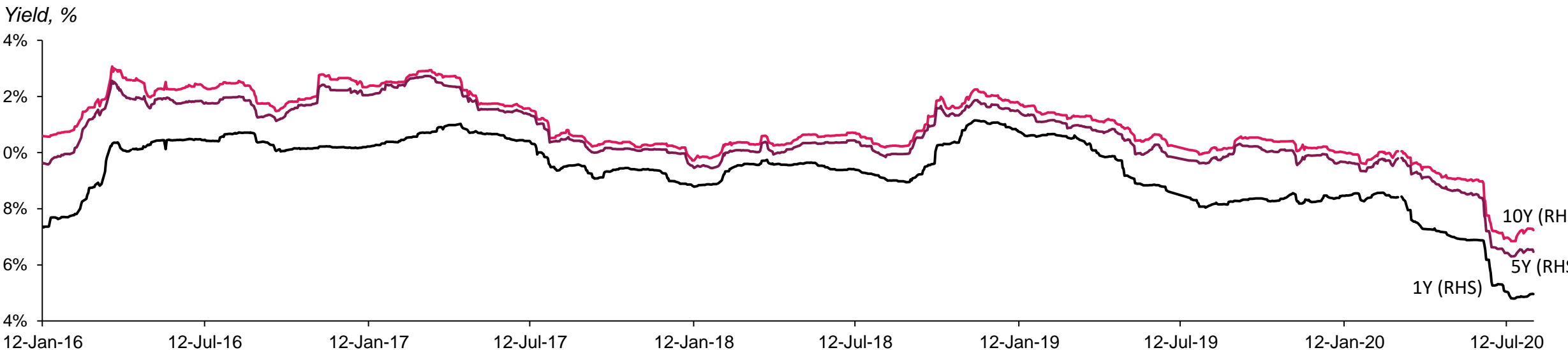
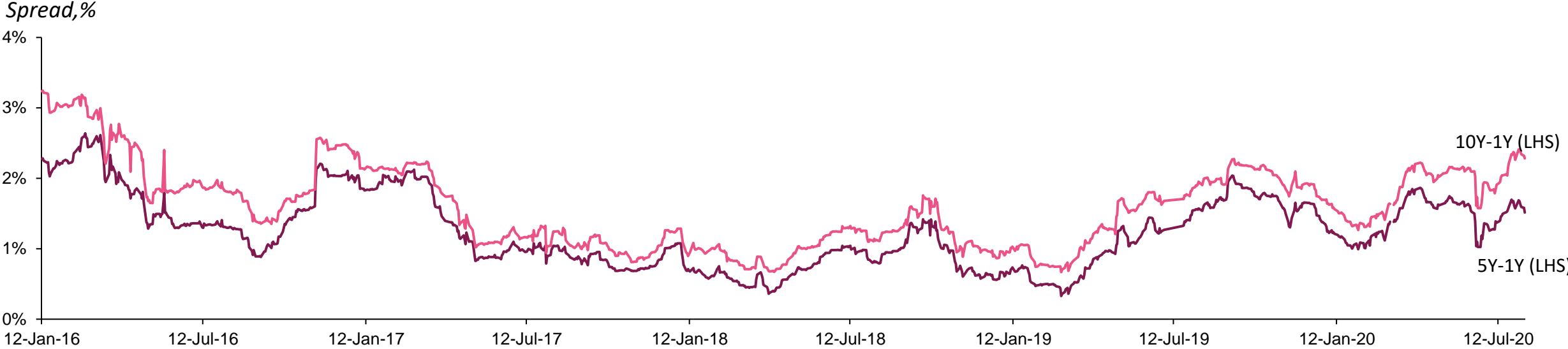
Note: ATMs of Foreign currency debt are in house estimates

Source: CBSL, Advocata Research

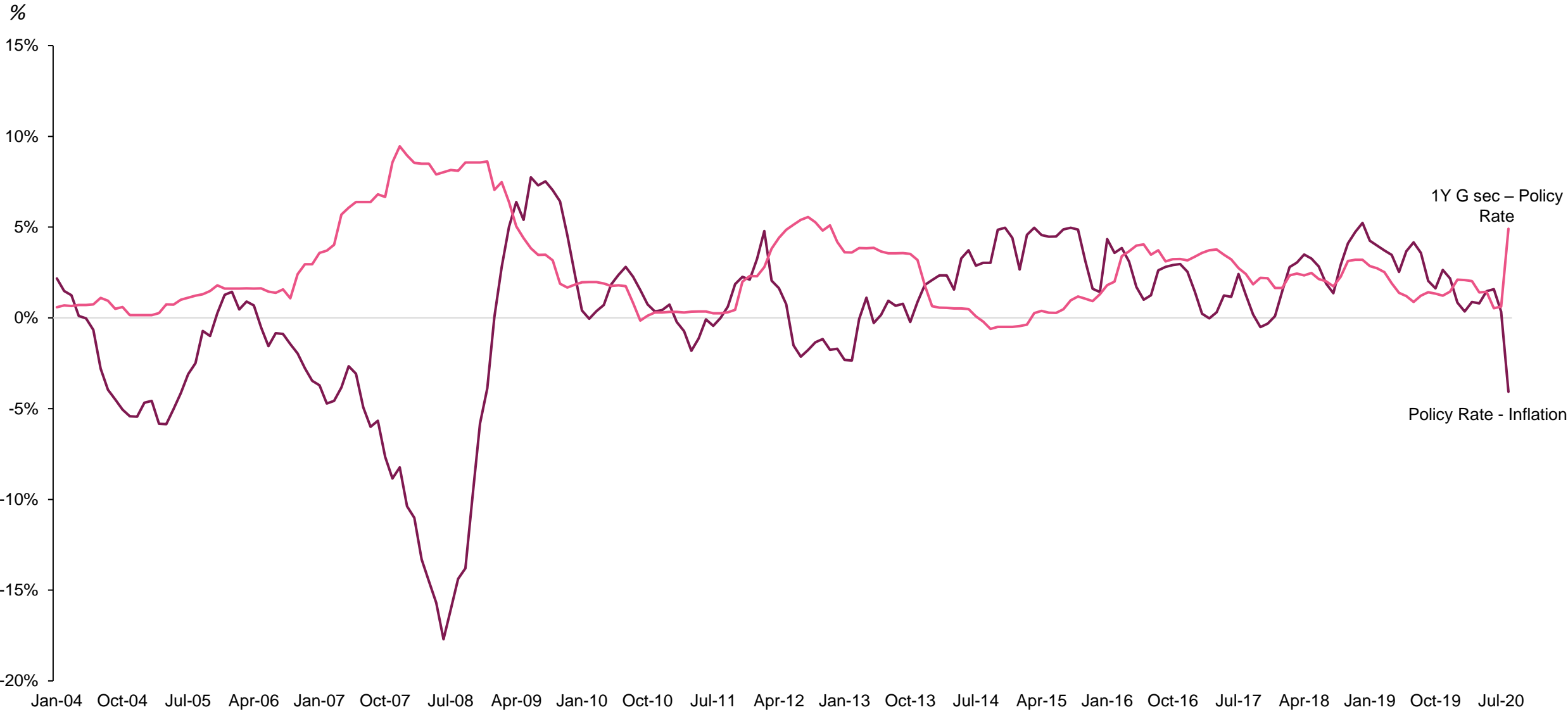


Domestic debt management

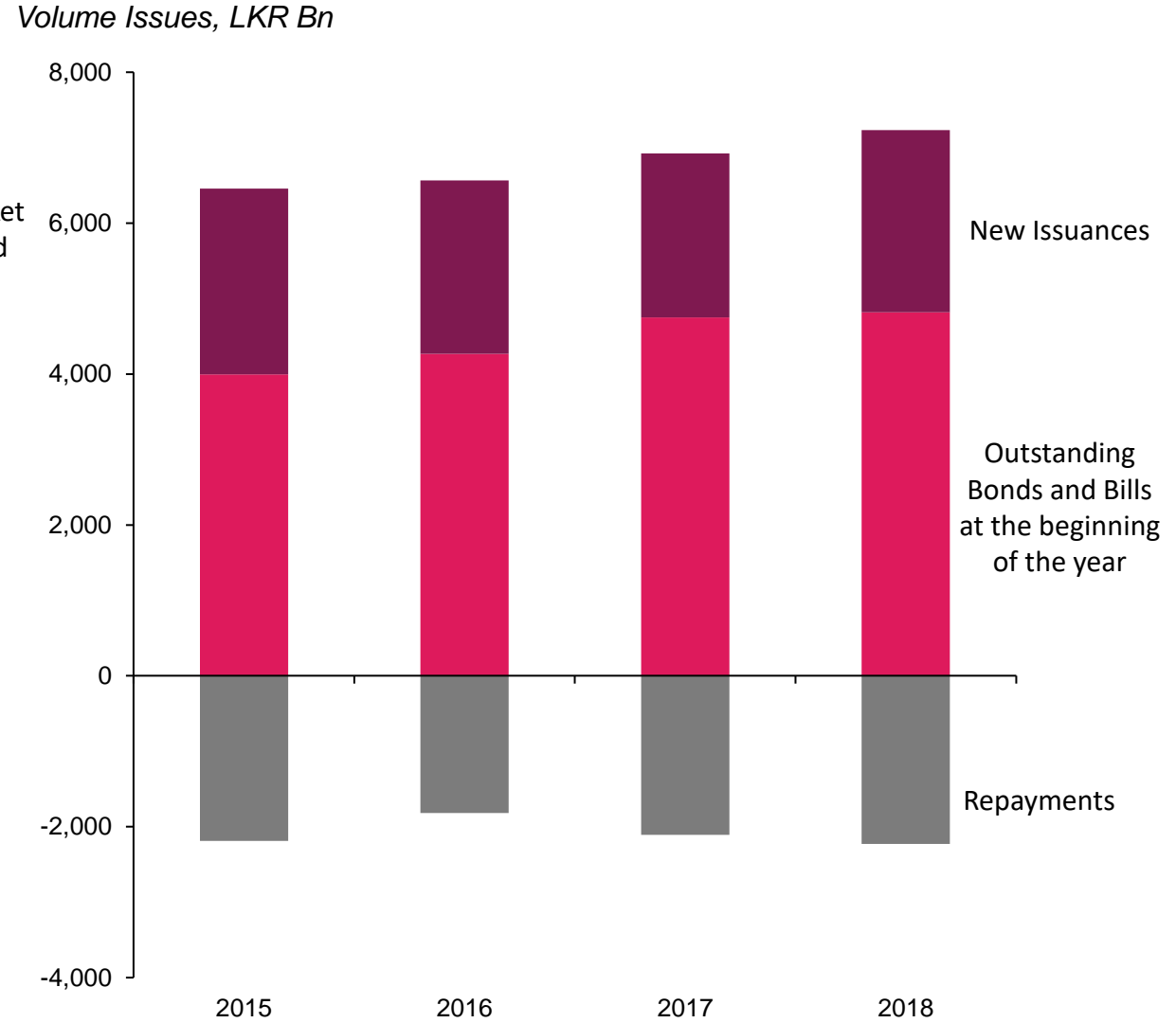
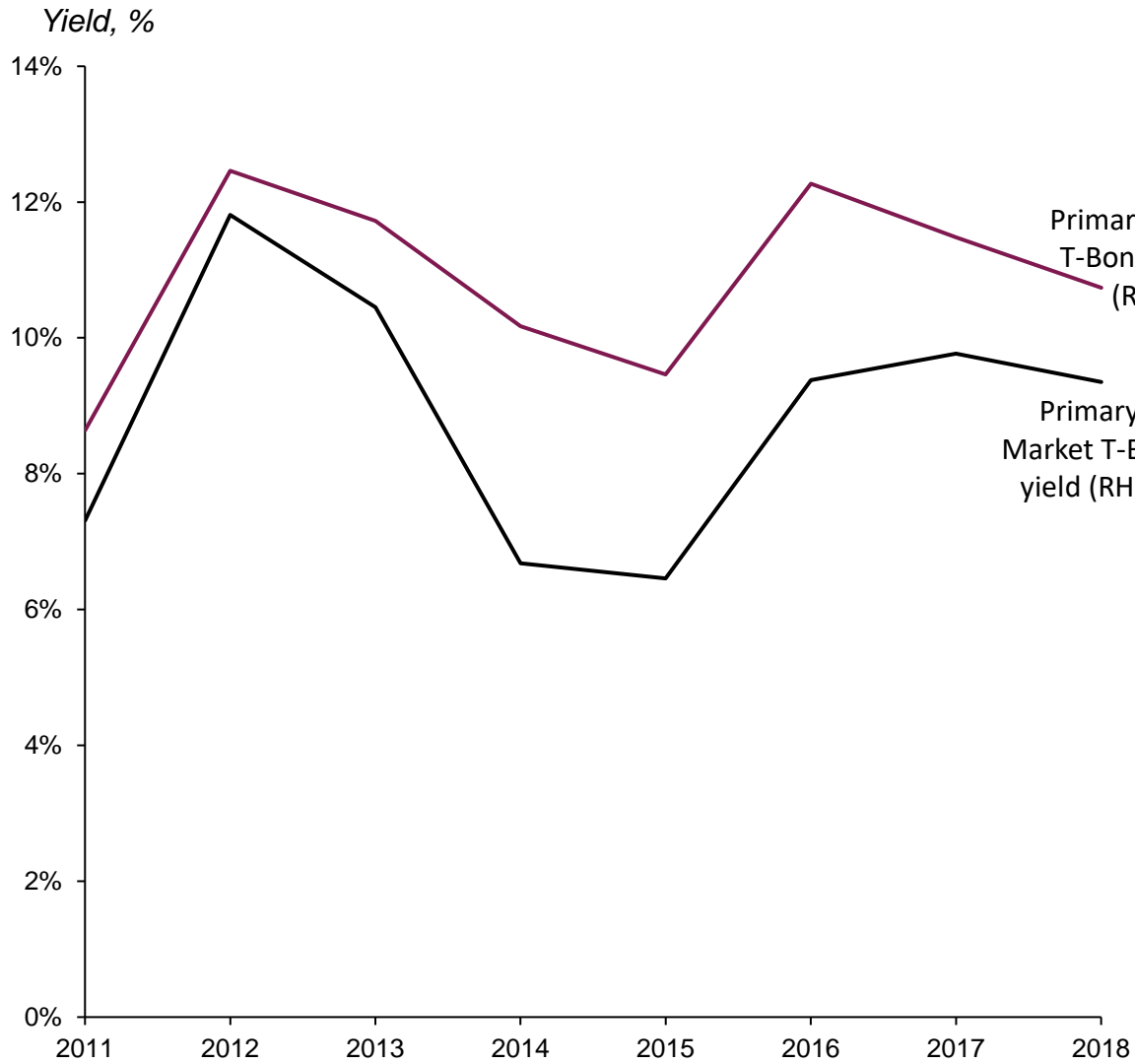
Term spread for G-sec



Inflation Effect and Financial Repression Effect



Weighted Average Yield Rates for G-Sec



* T bills volume issued show net issuance for the year

Source: CBSL, Advocata Research

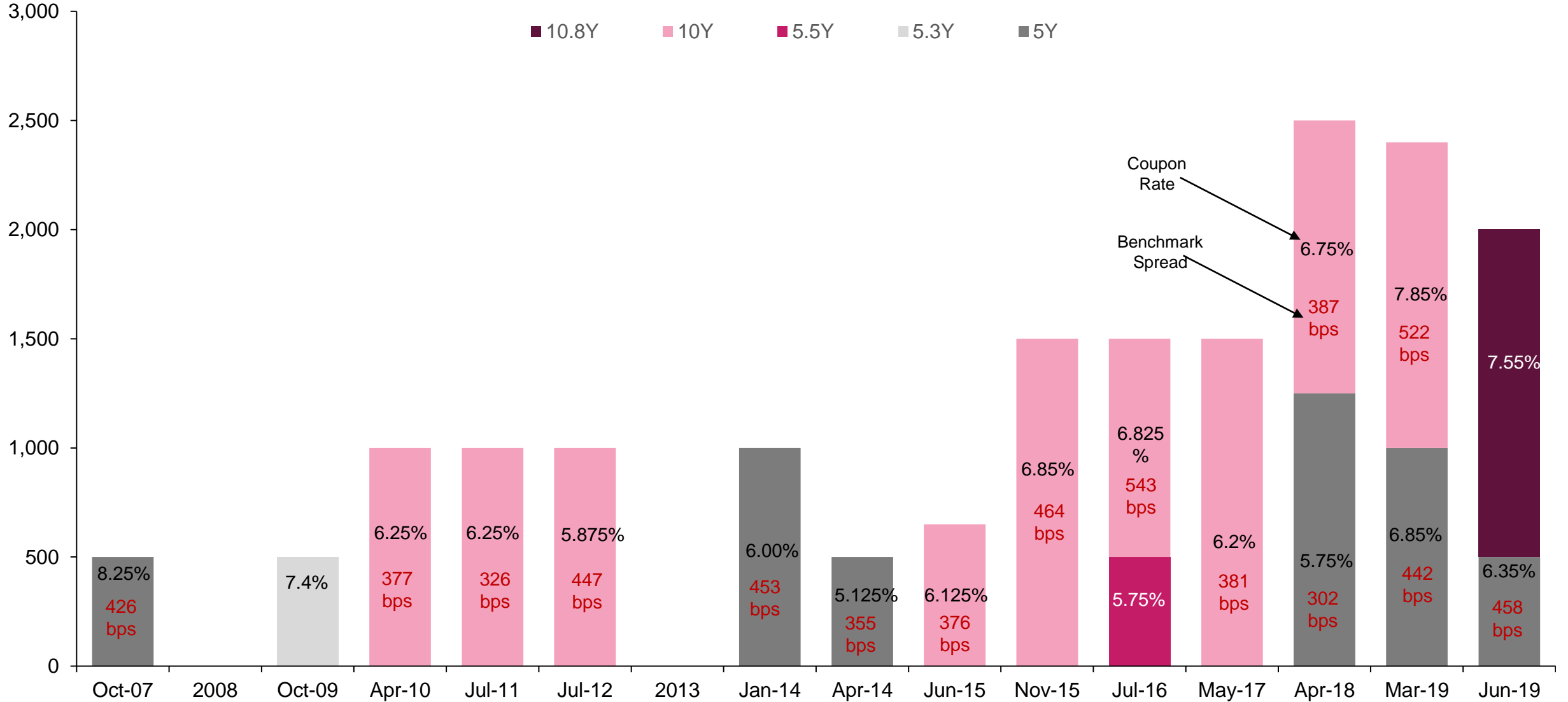
www.advocata.org



External debt management

ISB's were issued at high coupon rates

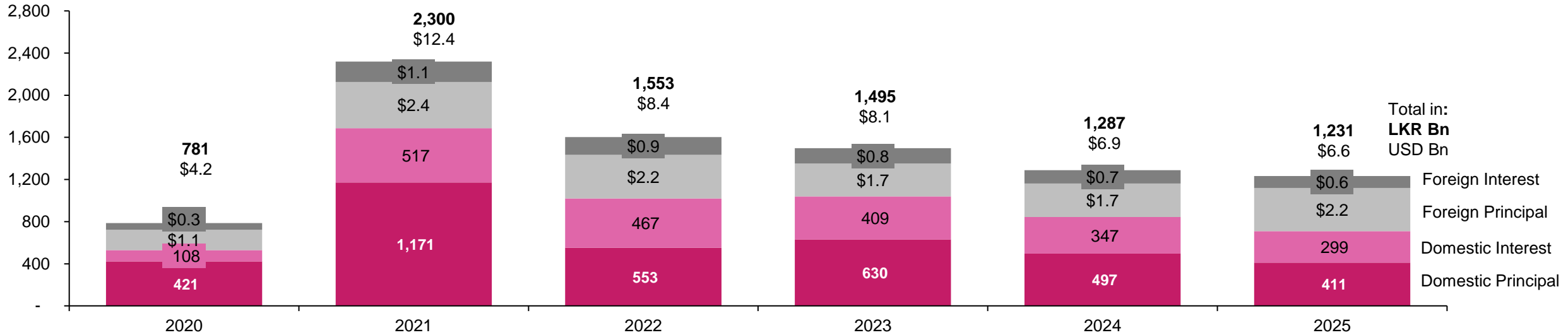
Amount Issued, USD Mn



Domestic debt is a larger proportion of government debt service obligation

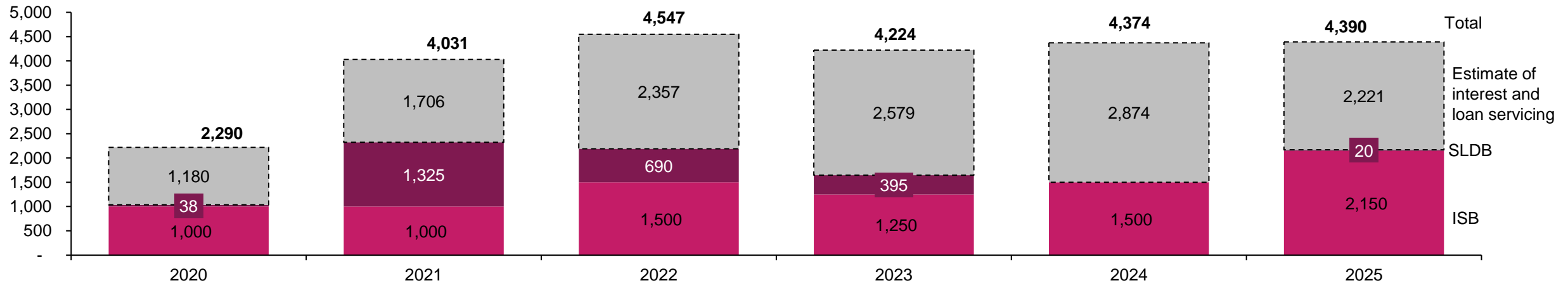
Debt maturity profile

Yearly principal and Interest for total traded debt, LKR bn, USD bn



Foreign debt maturity profile is fairly spaced out...

Foreign debt service, USD mn



Note: *as at 24th September 2020;

Source: Bloomberg, CBSL, Advocata Research

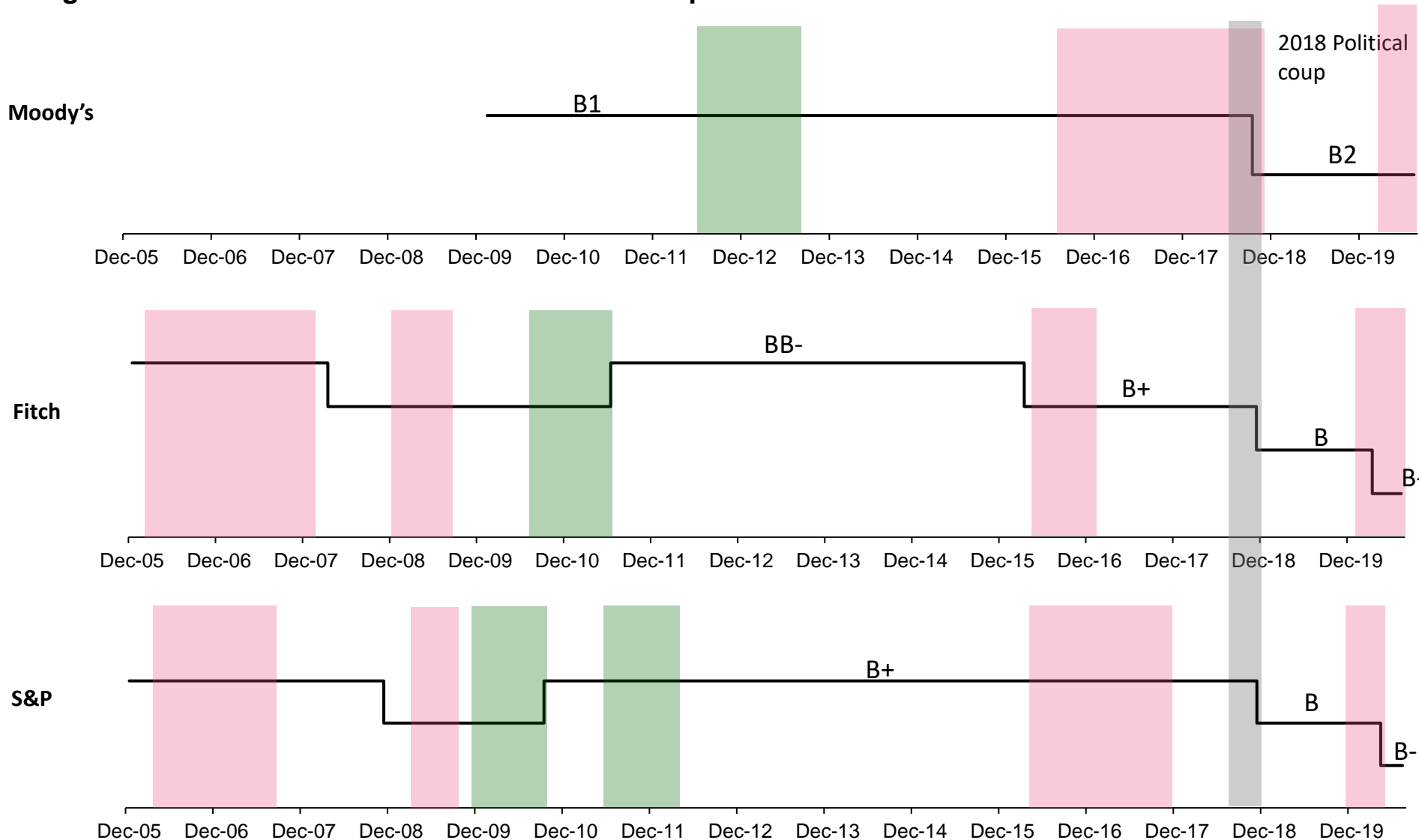
www.advocata.org



Current Market Conditions

Country rating has been deteriorating...

Negative fiscal conditions constrain an otherwise positive outlook



Upgrade

- Improved external finances
- Improved policy coherence and credibility leading to more sustainable public and external finances and a reduction in risk of debt distress
- Stronger public finances supported by a credible medium-term fiscal consolidation strategy

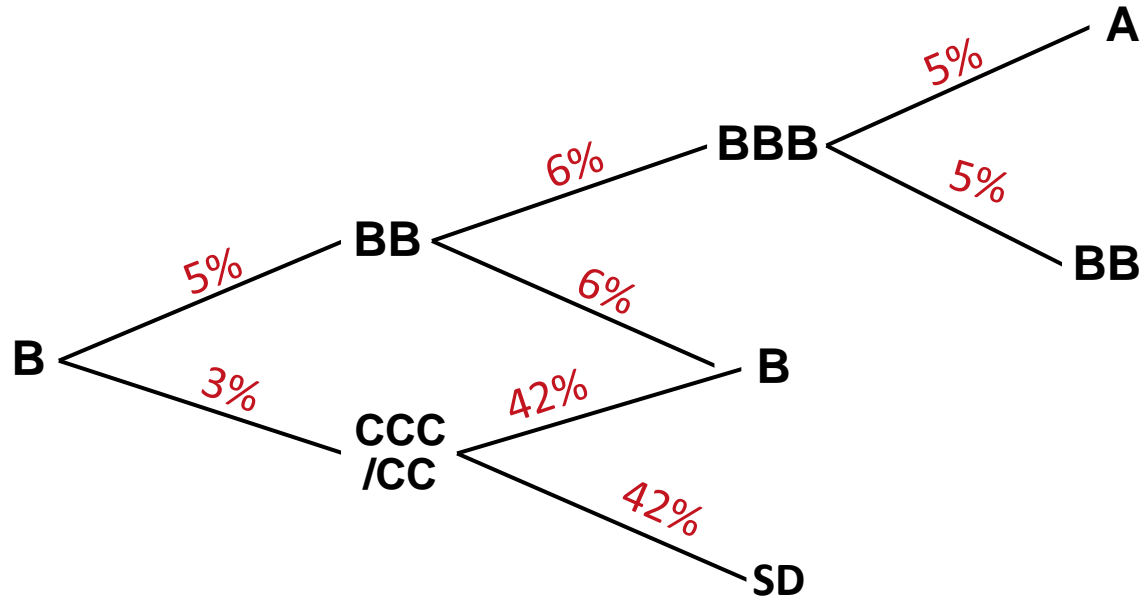
Downgrade

- Further increase in external funding stress that threatens ability to meet external debt repayments
- Prolonged policy uncertainty
- Failure to limit increase in general government debt to GDP
- If multilateral and bilateral support is not forthcoming

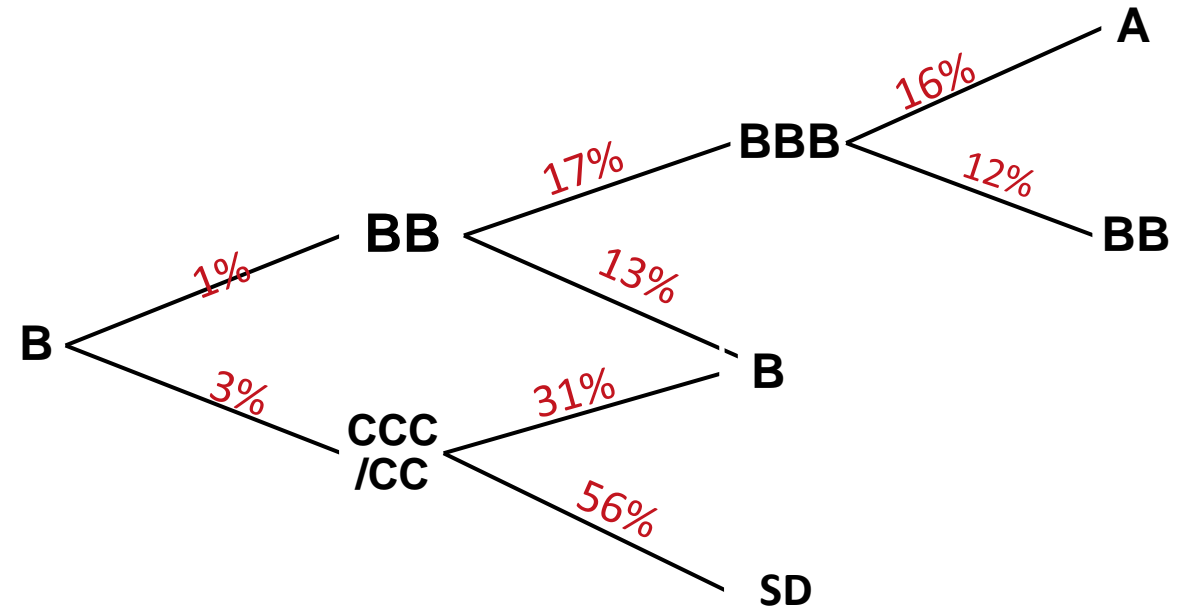
S&P Sovereign Foreign Currency Rating Pathways (1975-2019)

Sri Lanka's Current Rating - B

1 Year Transition Rates

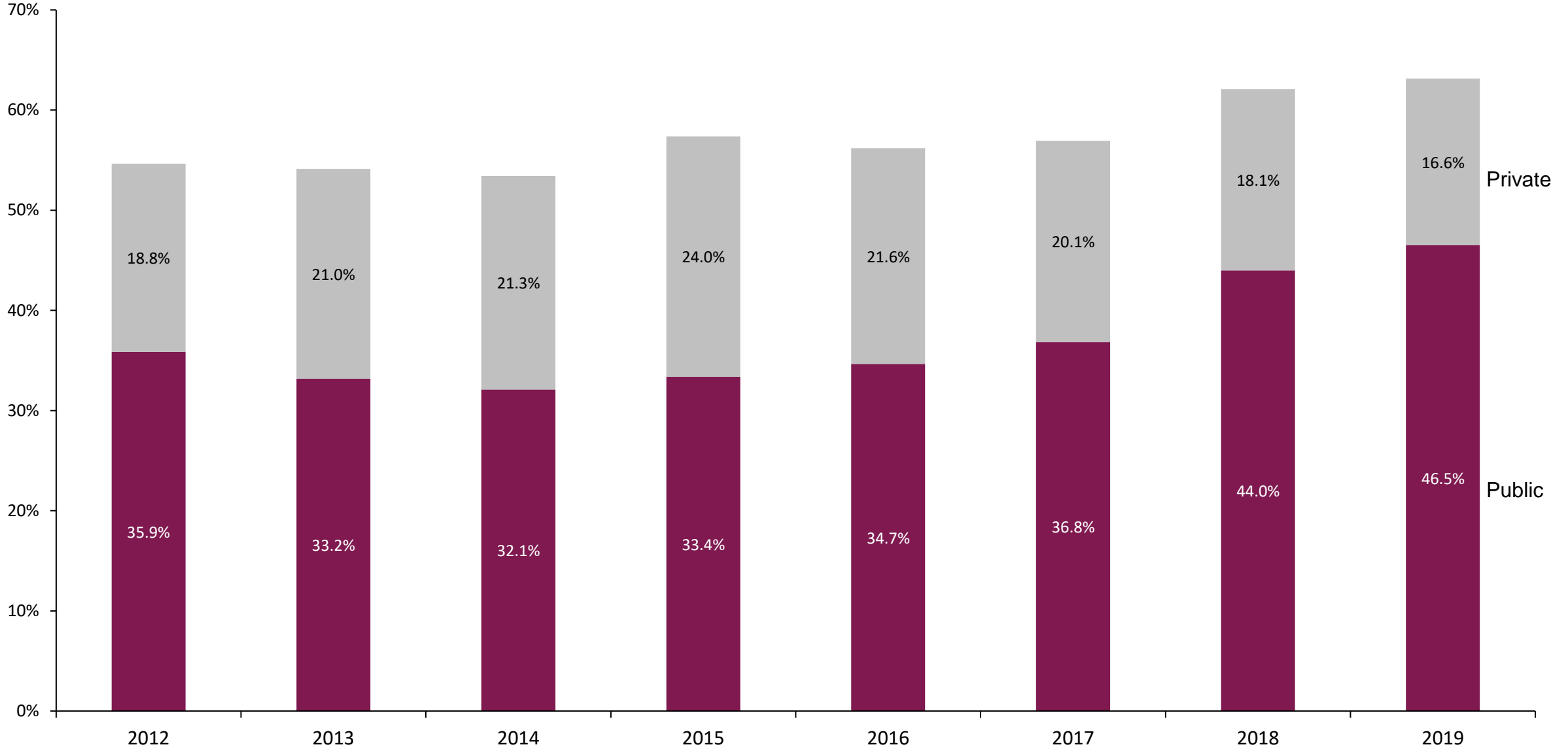


3 Year Transition Rates



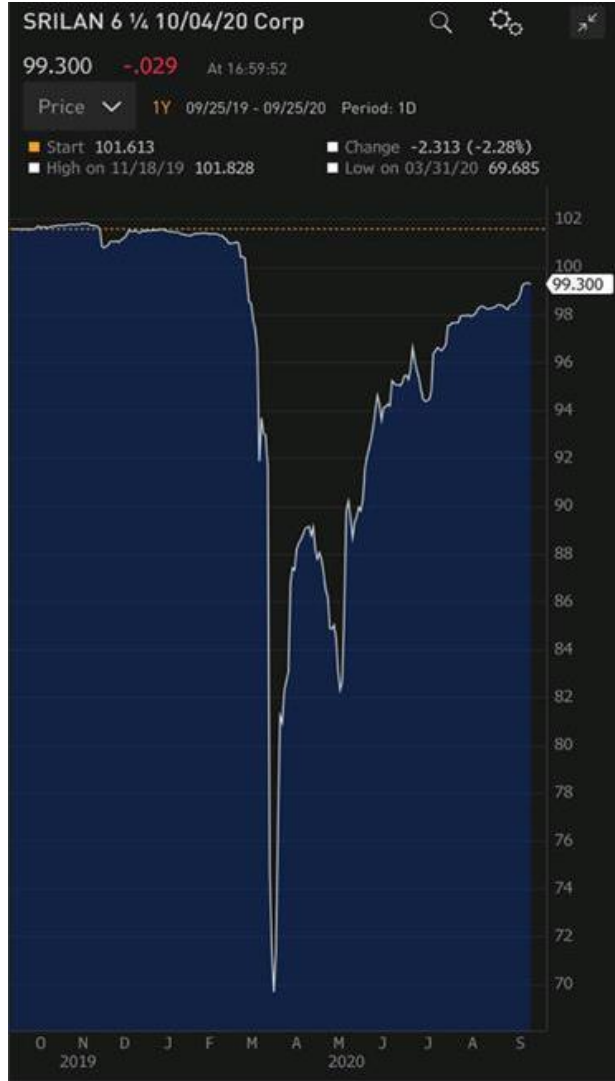
Net foreign Liabilities % GDP...Private Sector is also sizeable

Net Foreign Liabilities % GDP

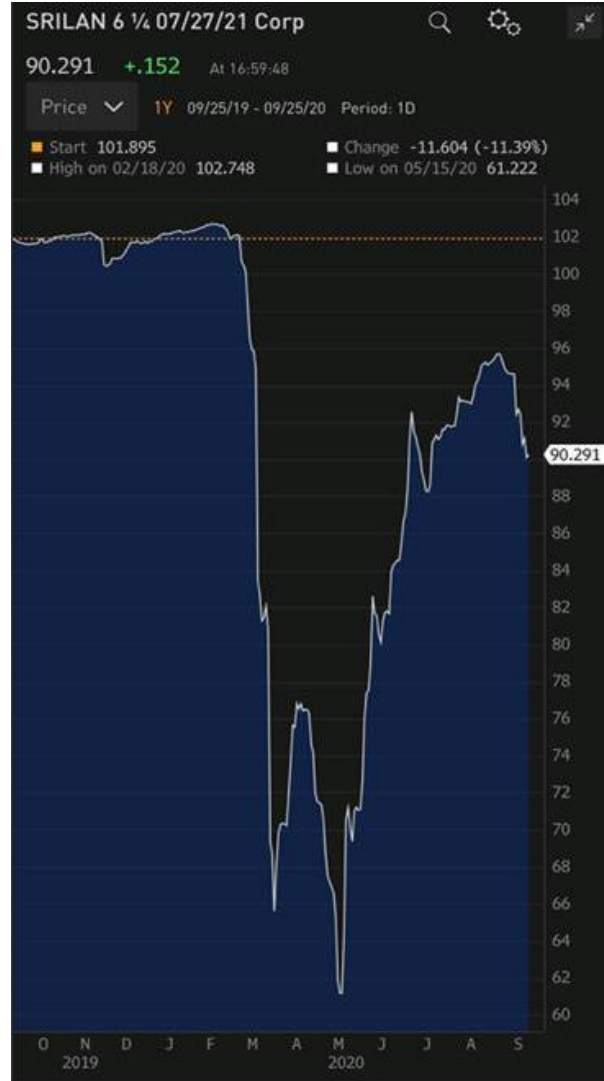


Sri Lanka ISB trends....Short term market access is not possible

2020 ISB



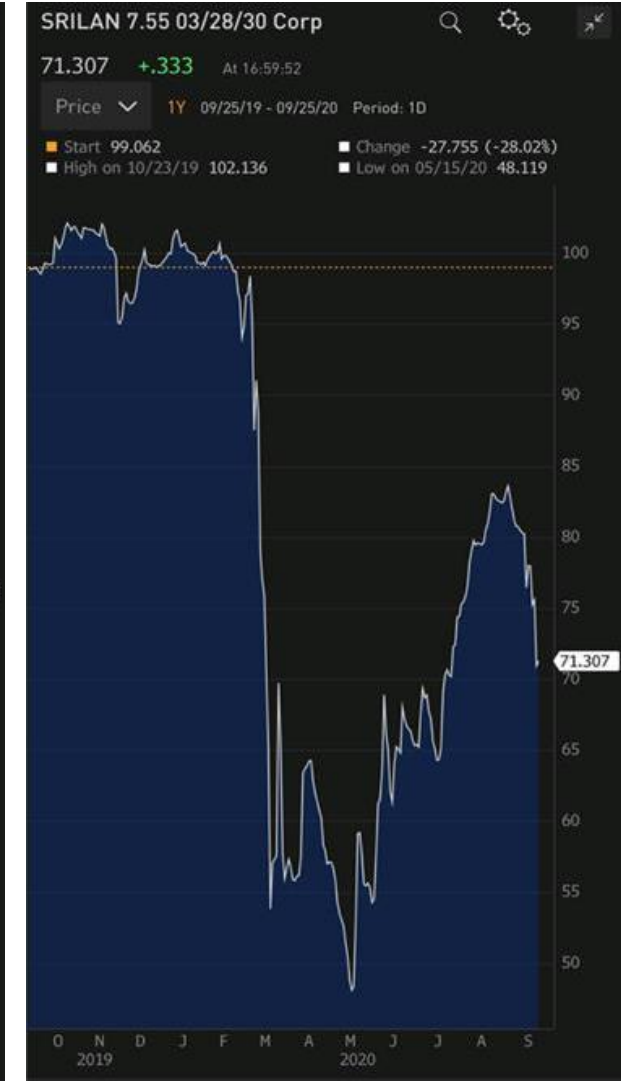
2021 ISB



2025 ISB



2030 ISB



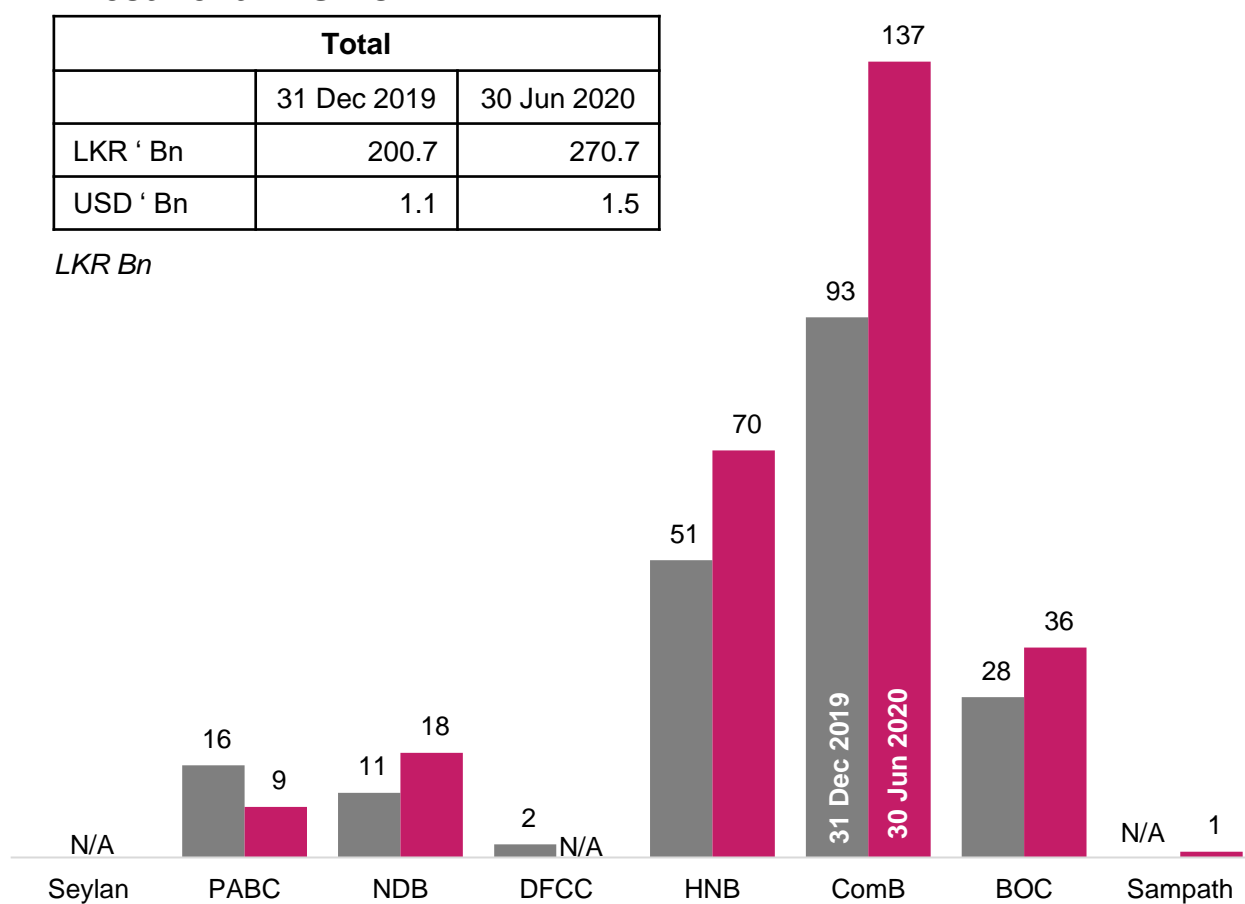
Major banks investment in ISB's and SLDB's

Income earned by way of interest on any sovereign bond denominated in foreign currency including SLDB's are exempt from Income taxes effective 01 April 2018

Investment in ISB's

Total		
	31 Dec 2019	30 Jun 2020
LKR ' Bn	200.7	270.7
USD ' Bn	1.1	1.5

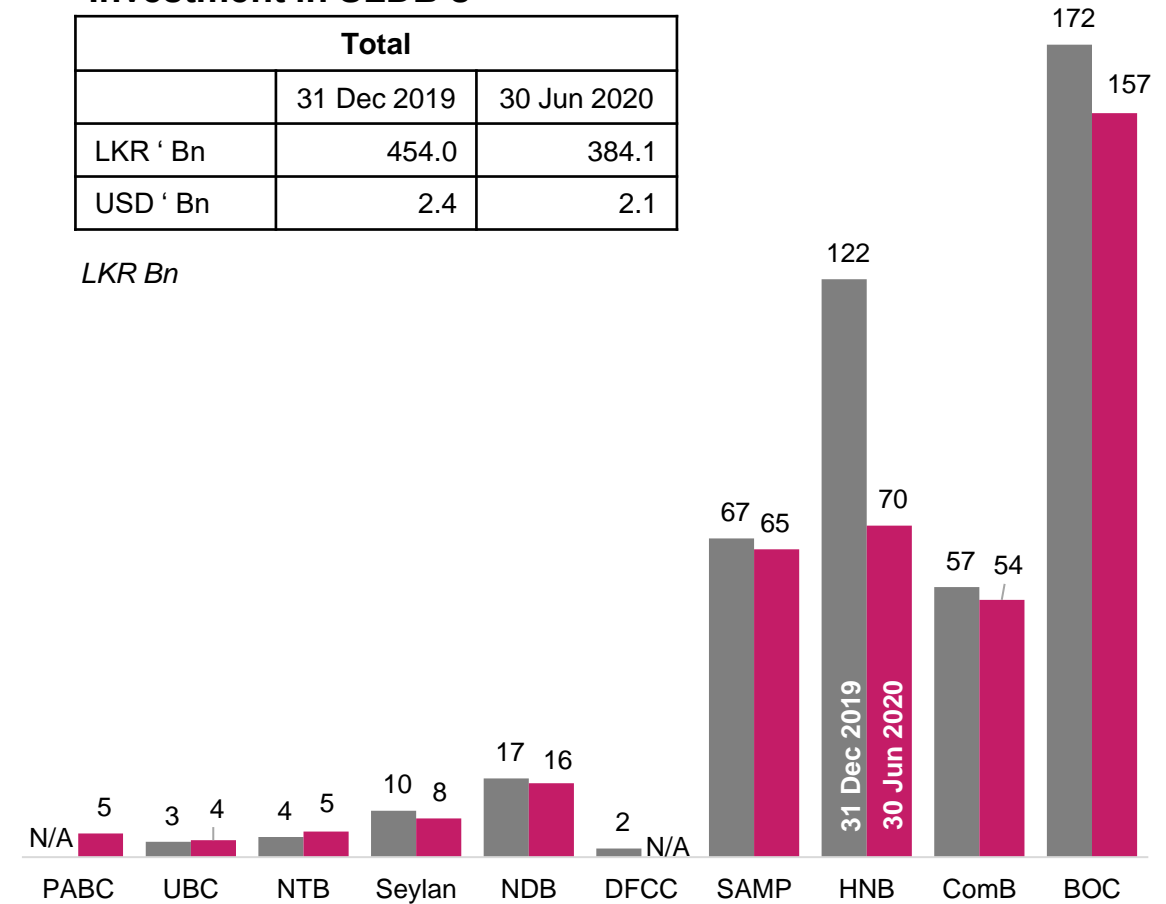
LKR Bn



Investment in SLDB's

Total		
	31 Dec 2019	30 Jun 2020
LKR ' Bn	454.0	384.1
USD ' Bn	2.4	2.1

LKR Bn



*As at 30th June 2020 *N/A- breakdown Not Available as at 30th Jun 2020

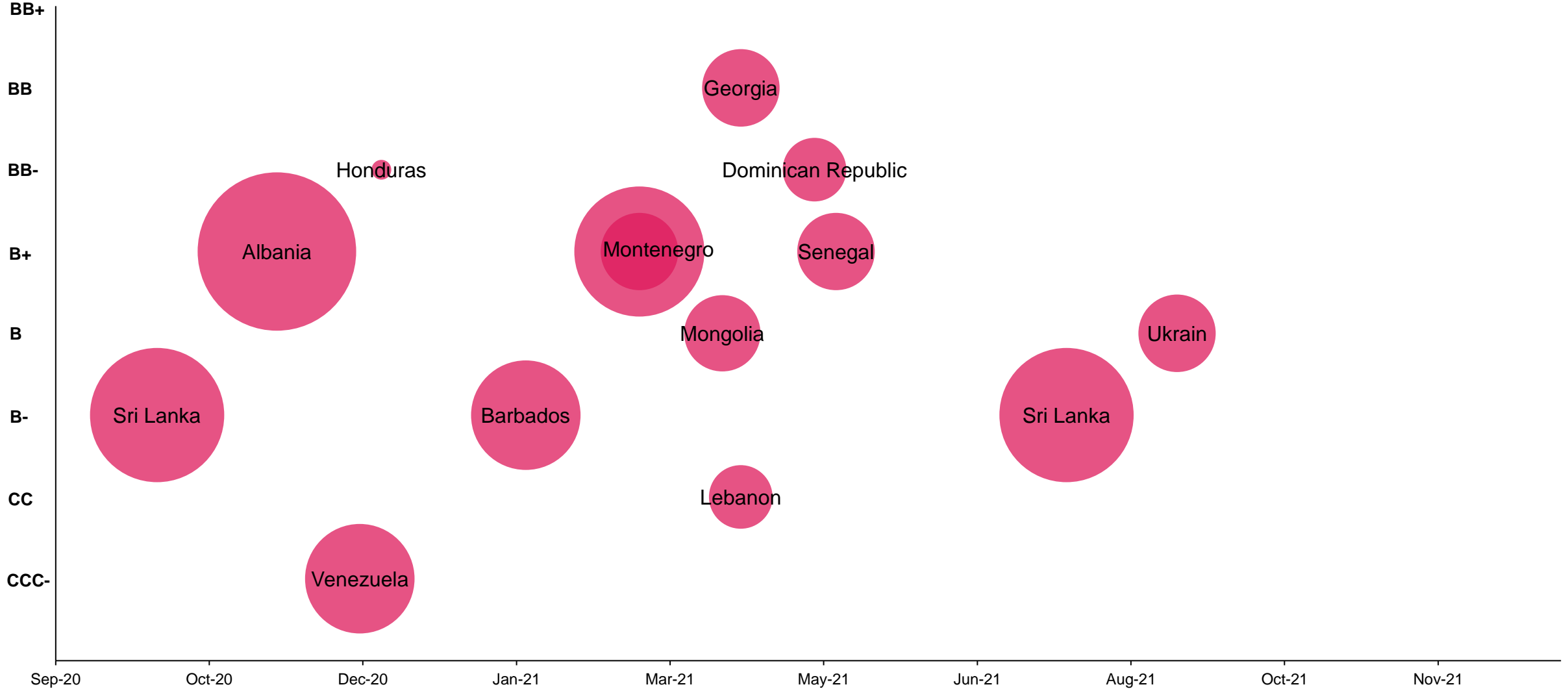
Source: Advocata Research

www.advocata.org

Risk from Financial Contagion

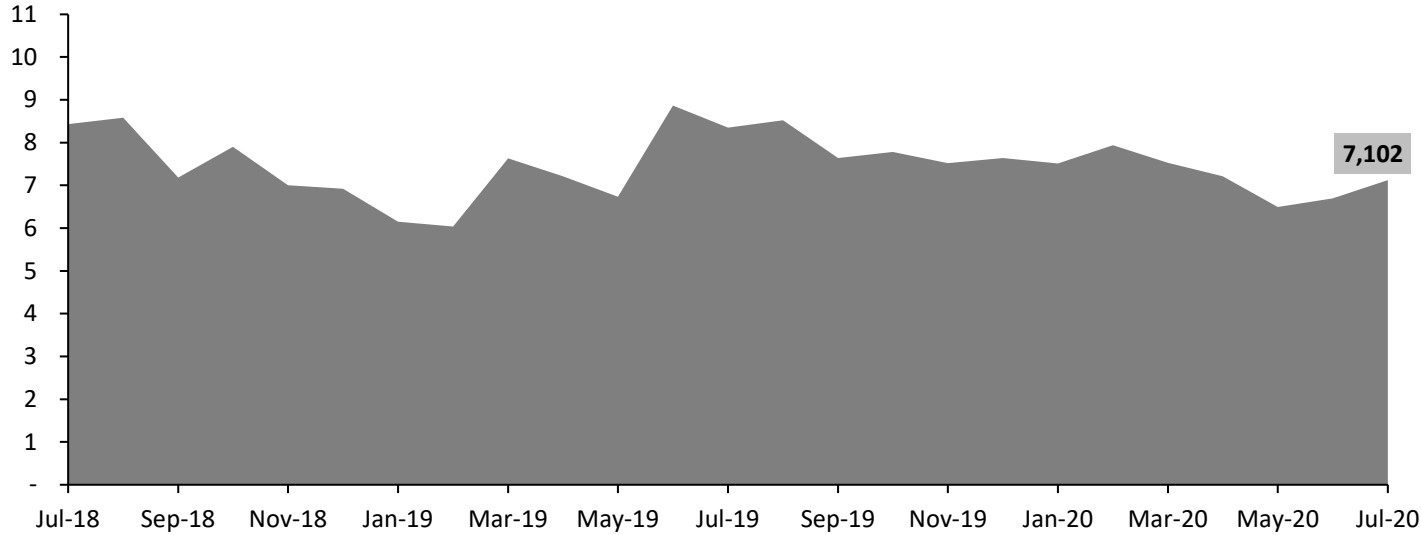
Non Investment grade bonds maturing before December 2021

S&P Issuer Rating

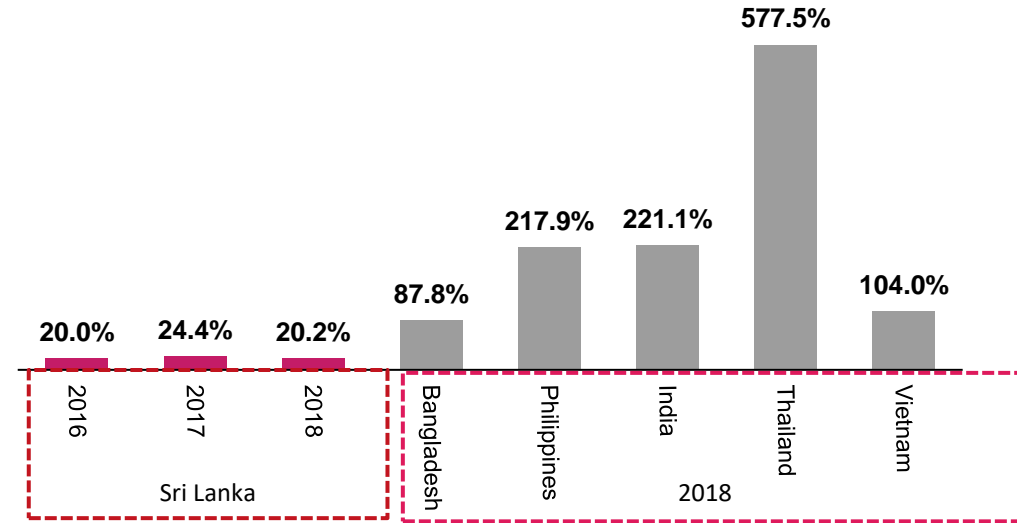


Stress Indicators

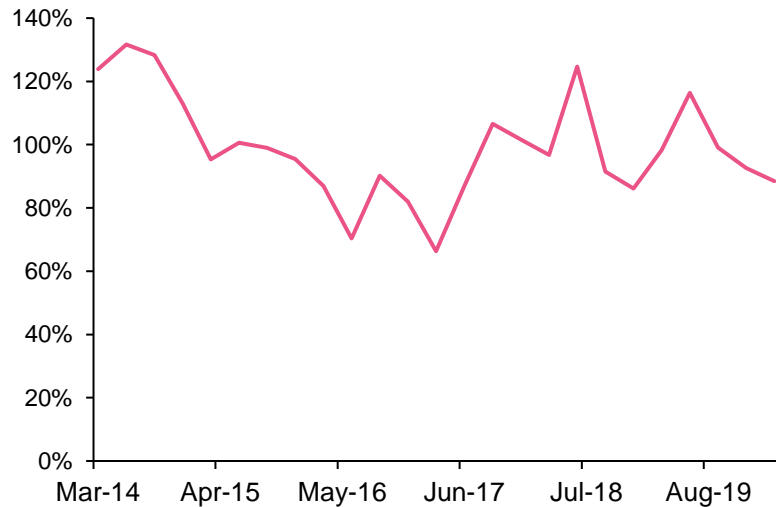
USD Bn



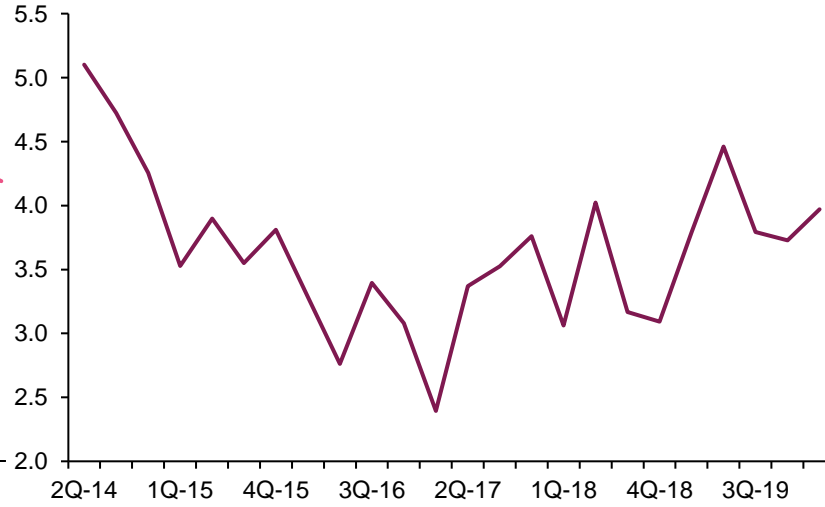
% of reserves to public and publicly guaranteed external debt



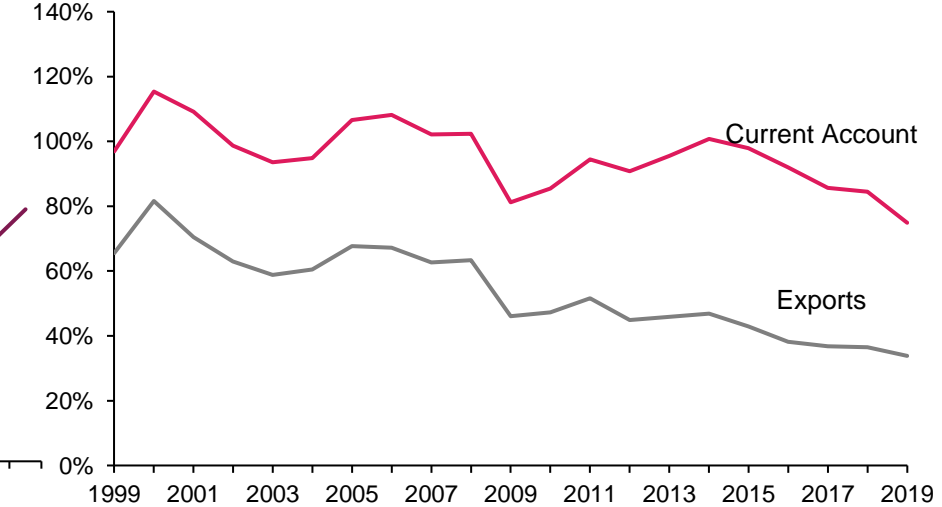
Reserves to short term External Debt, %



Months of imports, End period value

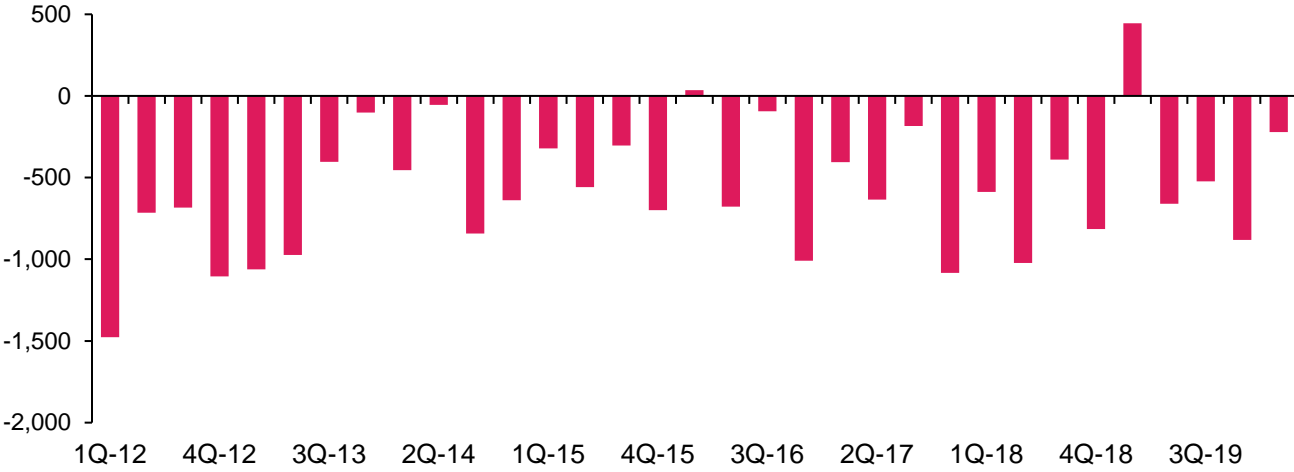


Current account receipts and exports to foreign debt, %

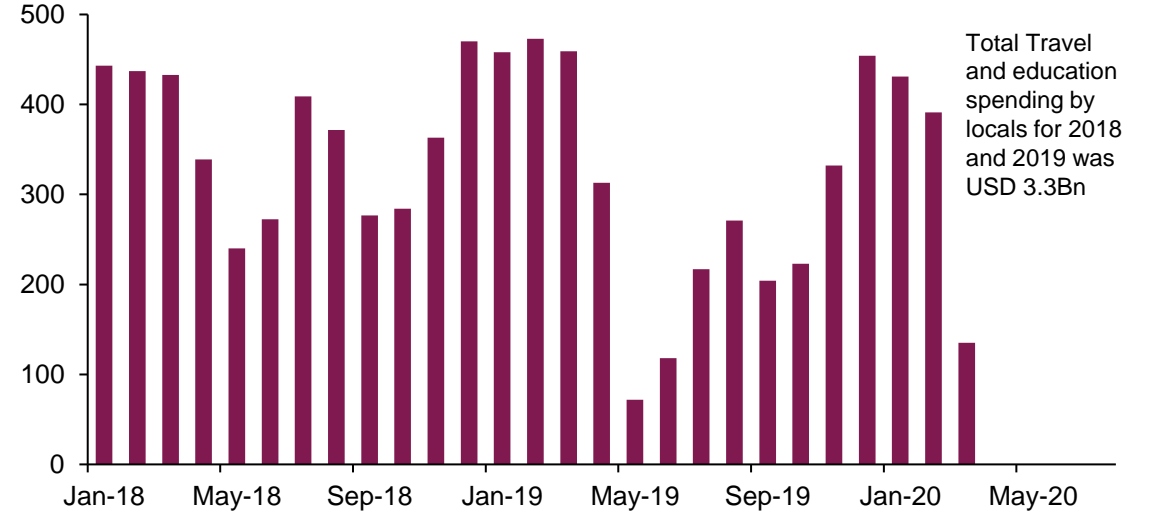


Current account and impact on currency

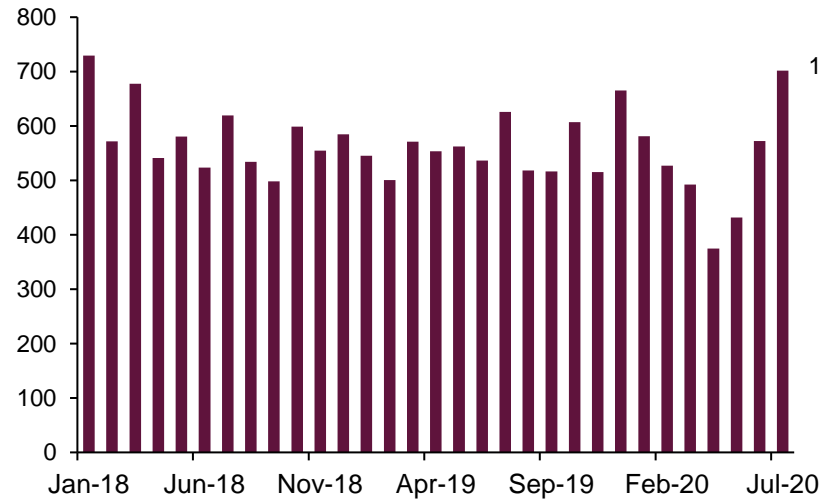
Current Account Balance, USD Mn



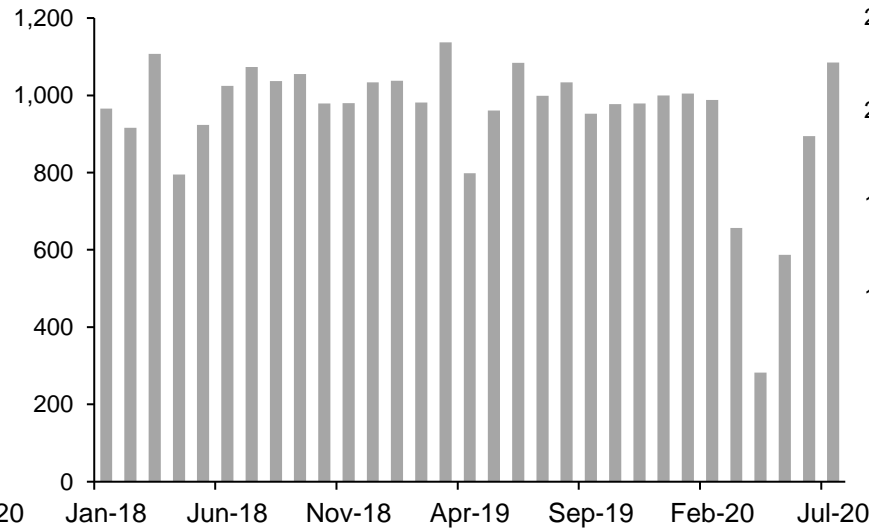
Tourism Earnings, USD Mn



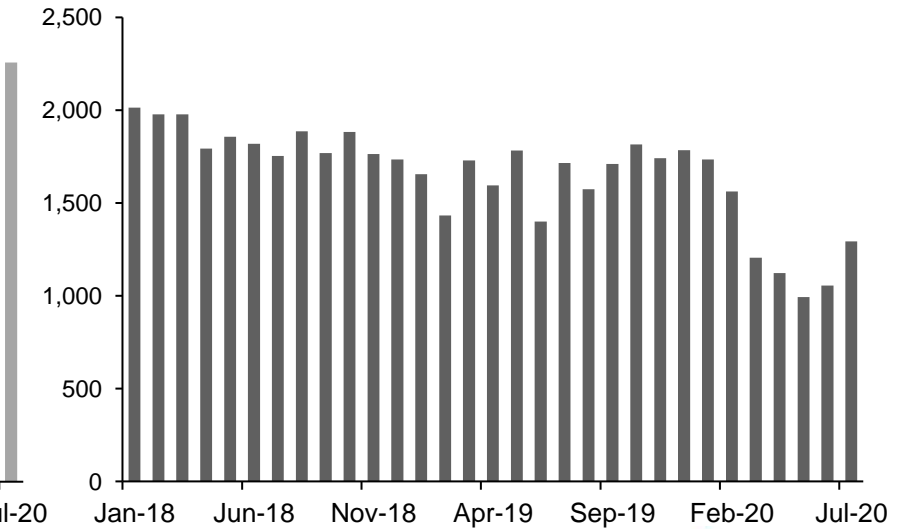
Remittances, USD Mn



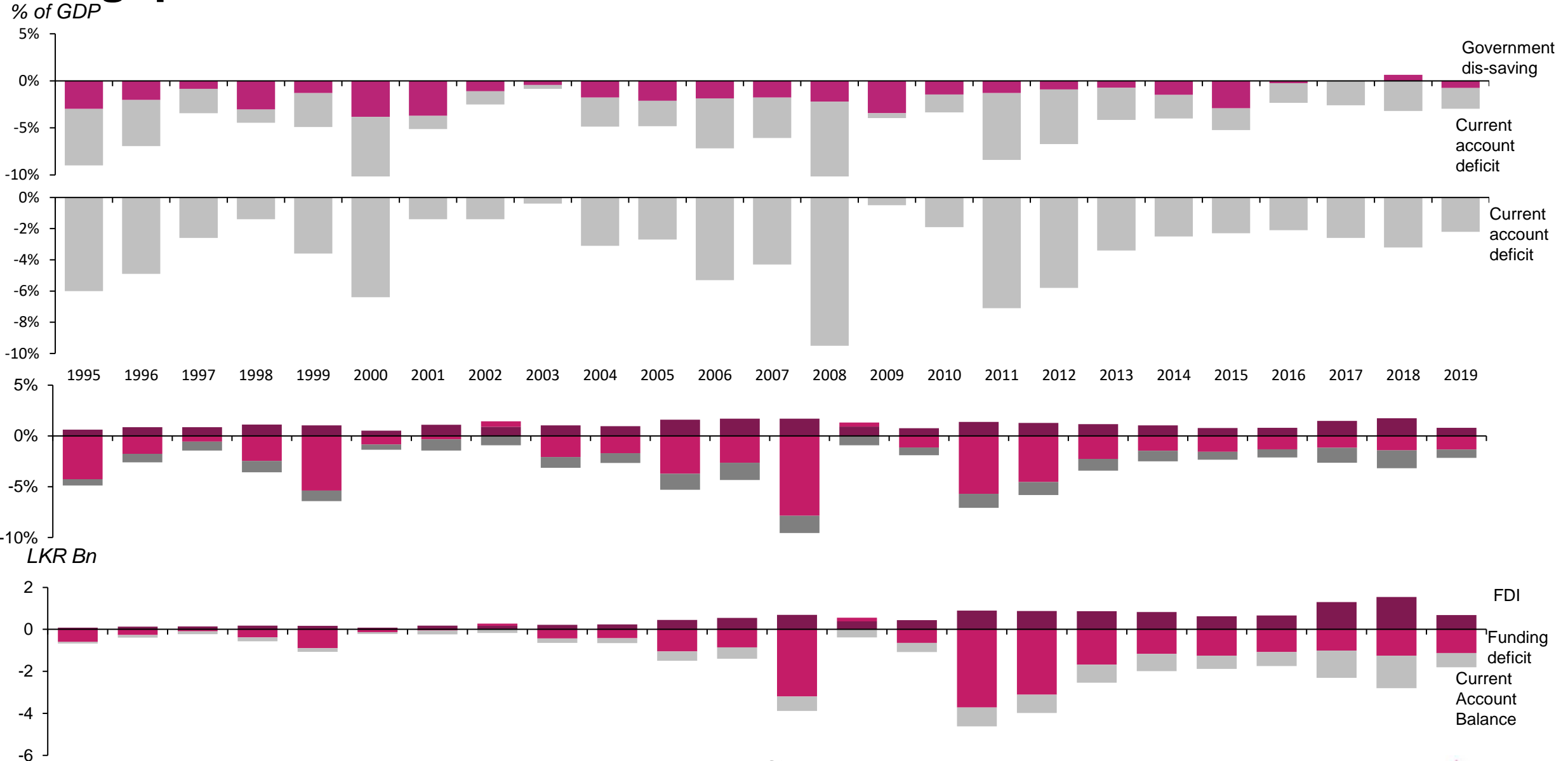
Goods Exports, USD Mn



Goods Imports, USD Mn

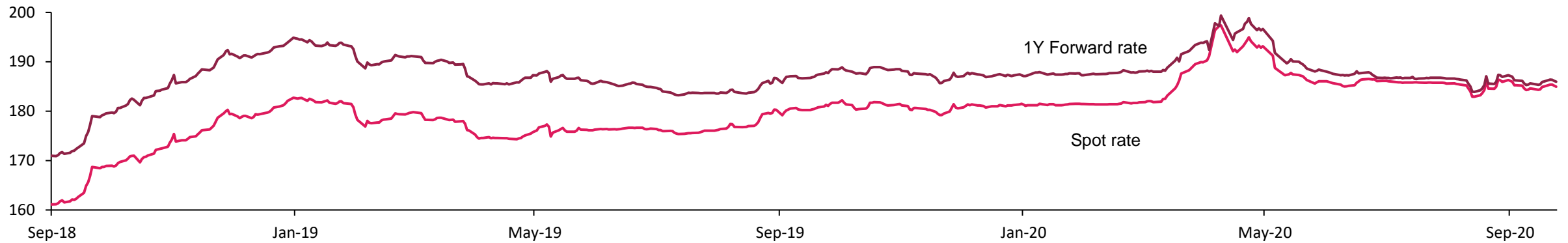


We need to borrow each year to bridge the current account deficit – FDI gap

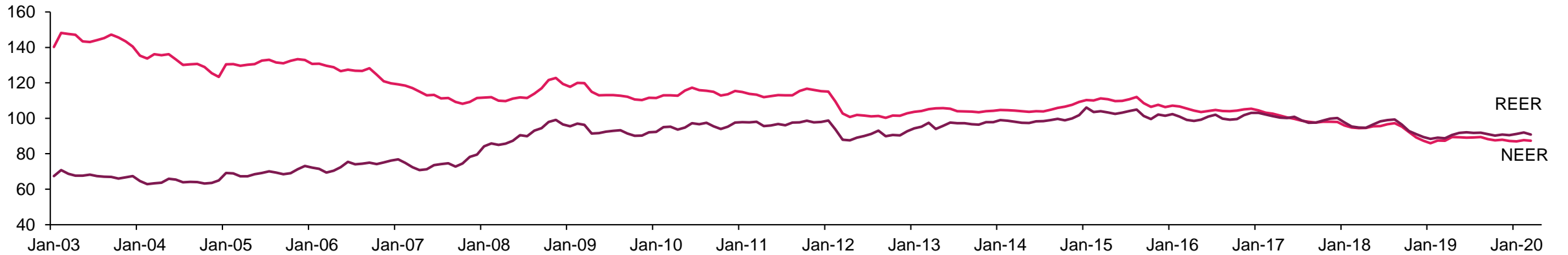


Currency is being managed in a narrow band

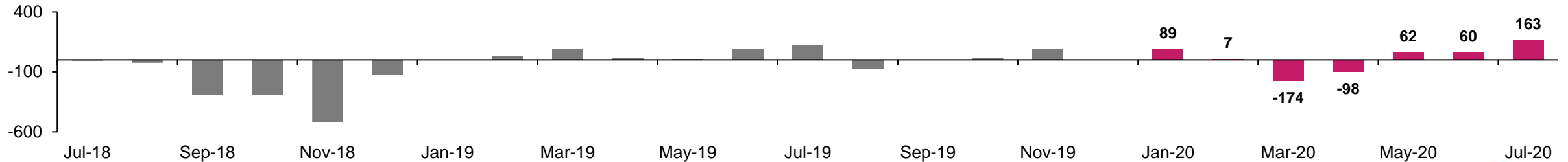
Exchange rate, USD/LKR



REER/NEER Index, 2017=100



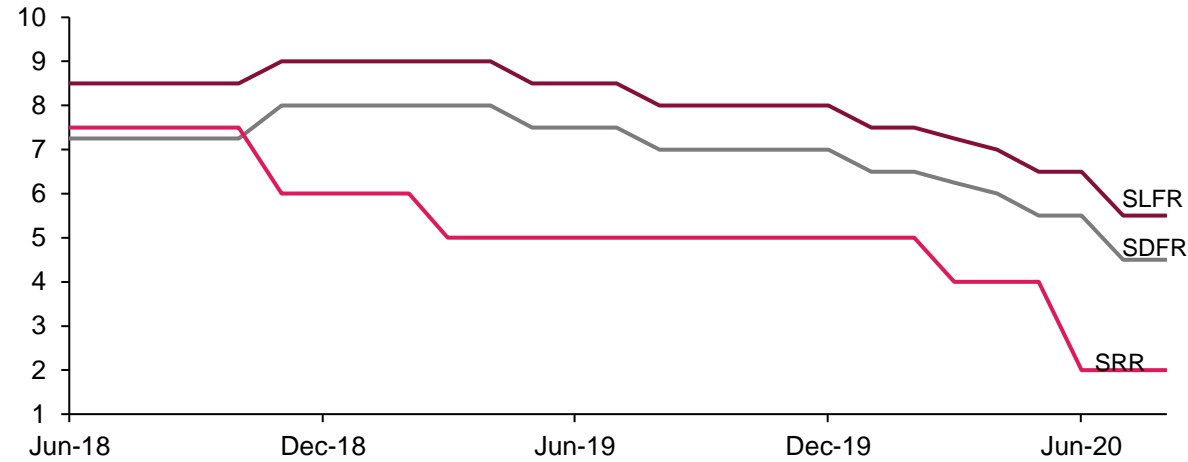
CBSL Net Absorptions (USD Mn)



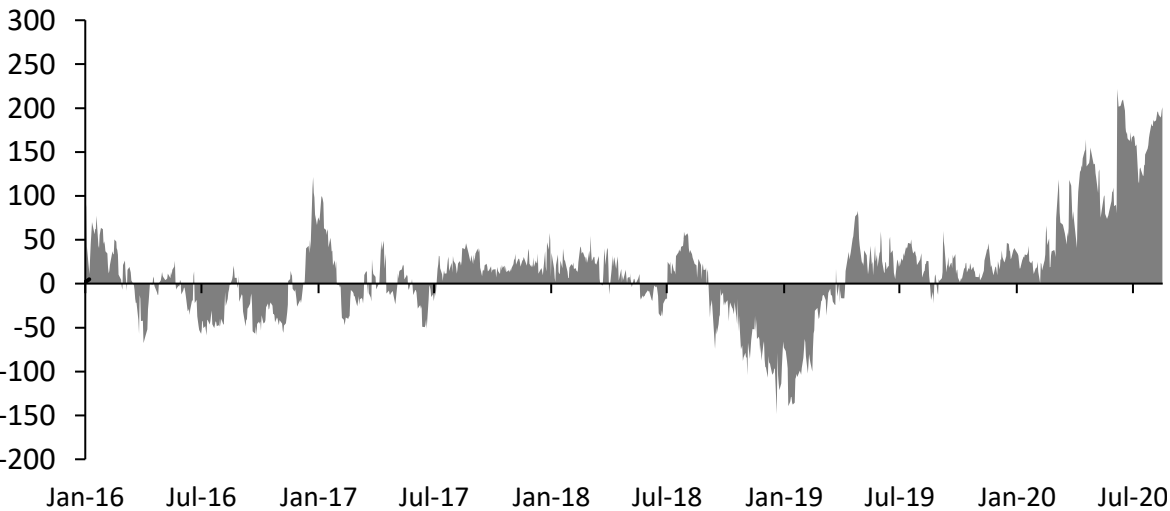
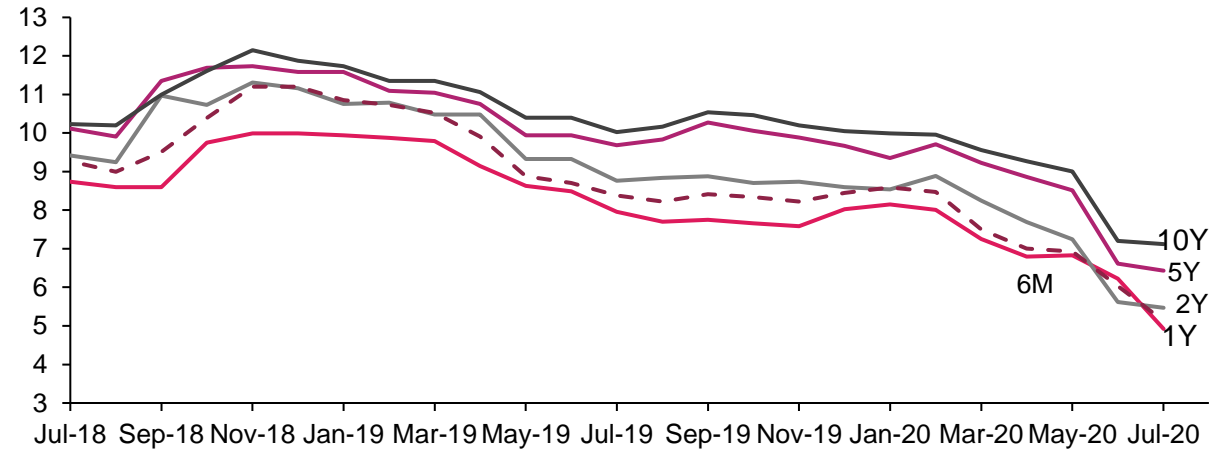
Policy rates and SRR were cut, and G-Sec yields fell

CBSL cut policy rates by 250bps and SRR by 300 bps in 2020, Subsequently G-sec yields fell across the board

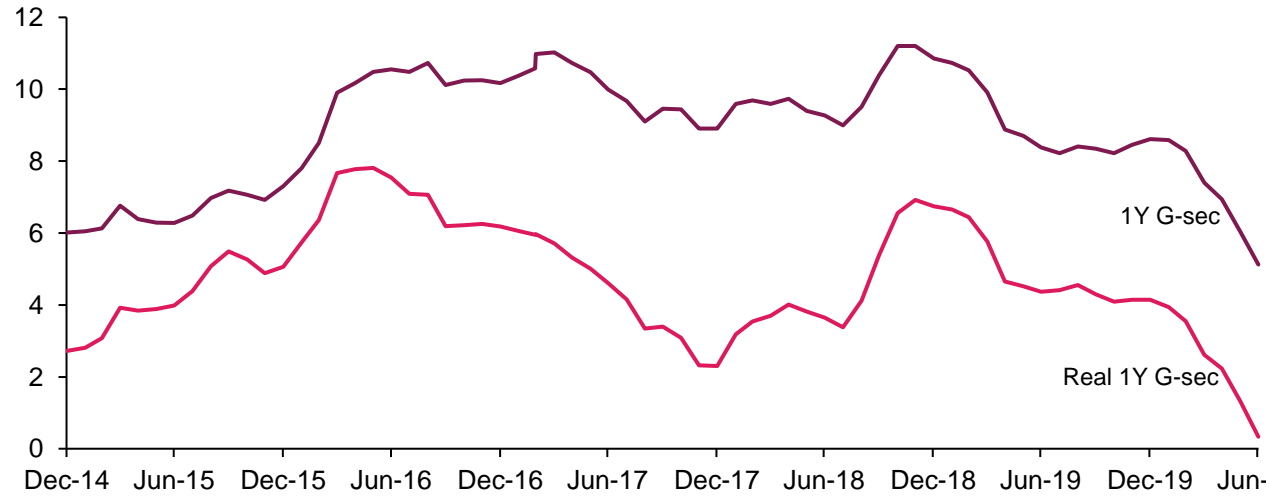
Policy rates, %



G-sec yields, %

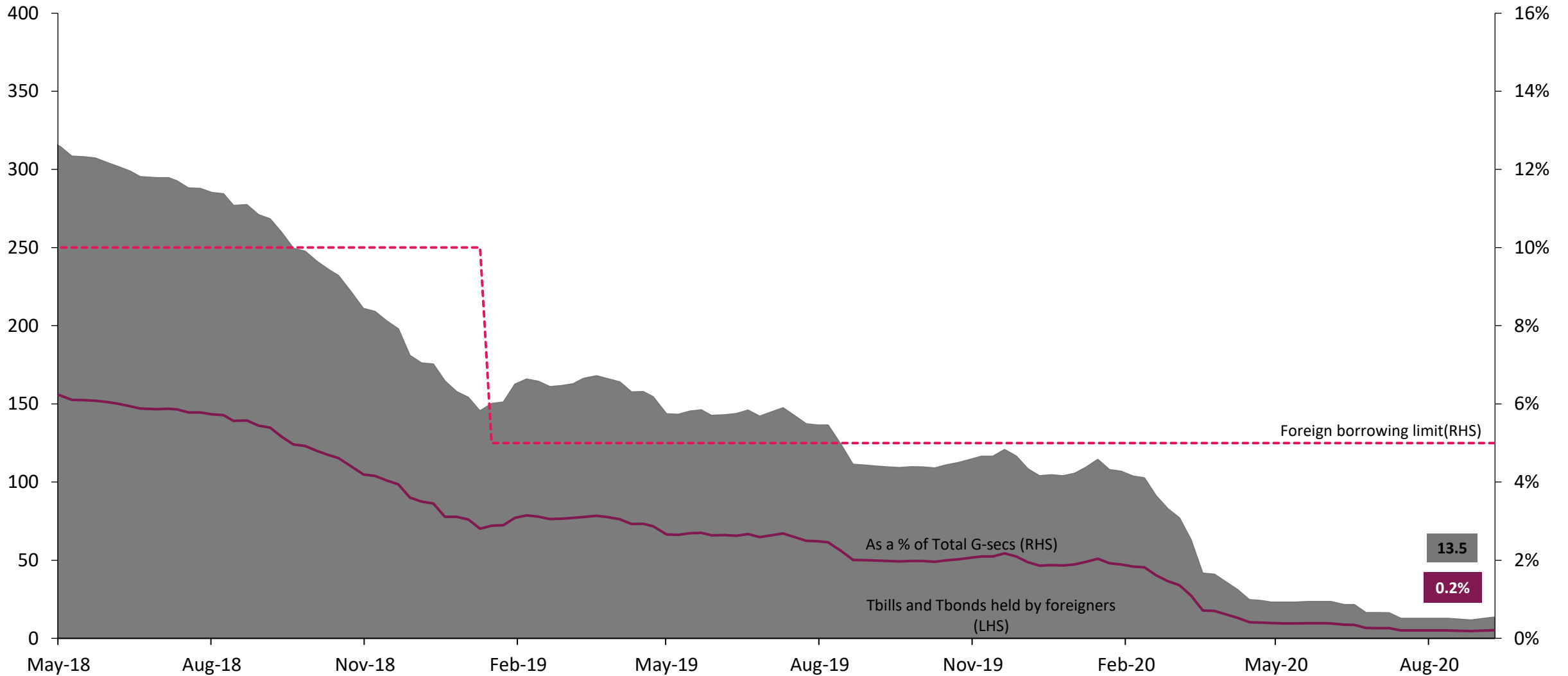


Government Securities rates, %

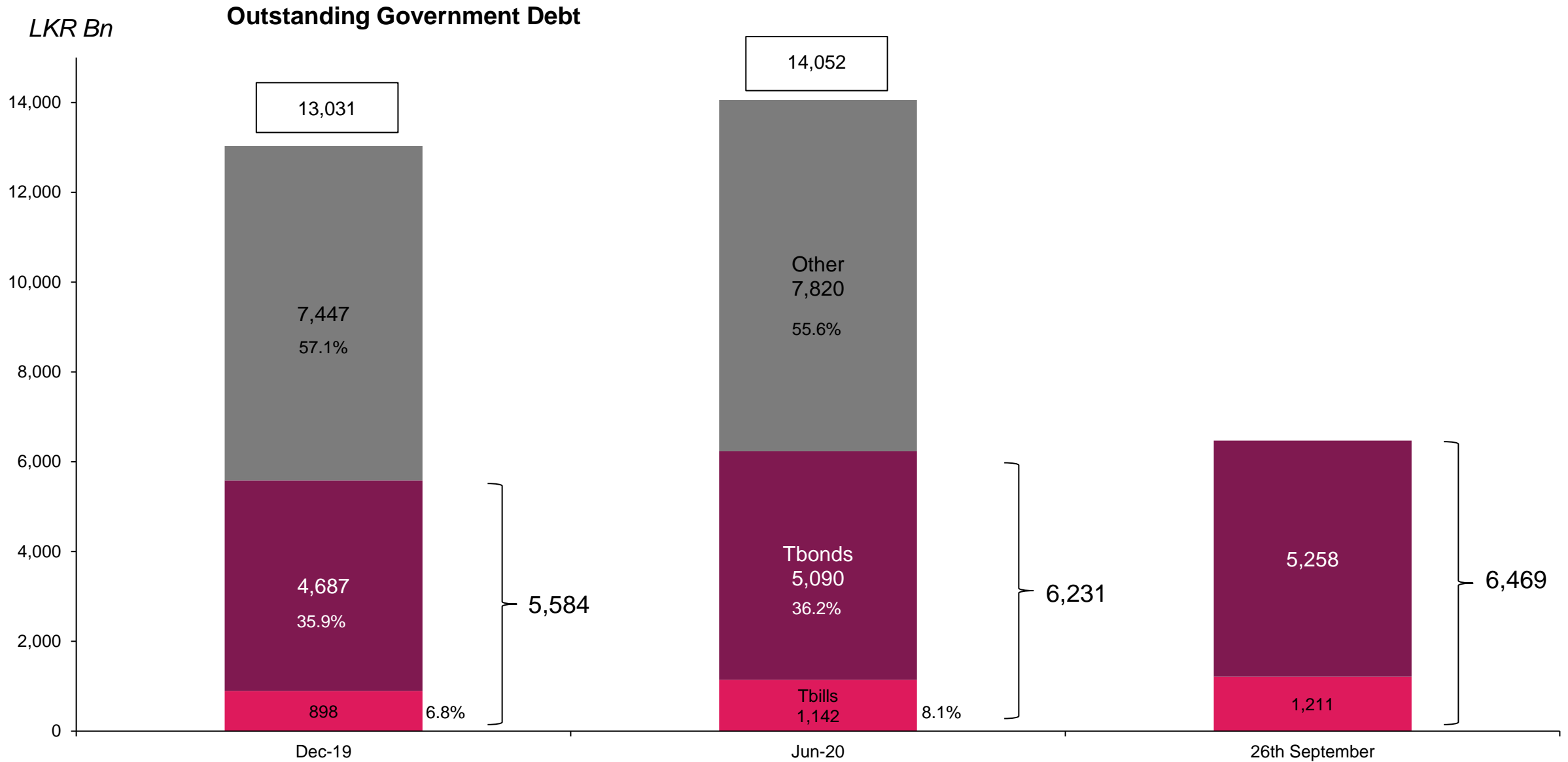


Foreigners have left the domestic debt market...trying to get them back through zero cost swaps

LKR, Bn(LHS); % of total government securities (RHS)



Current Deficit Financing mainly through GSECs...t-bill share increased

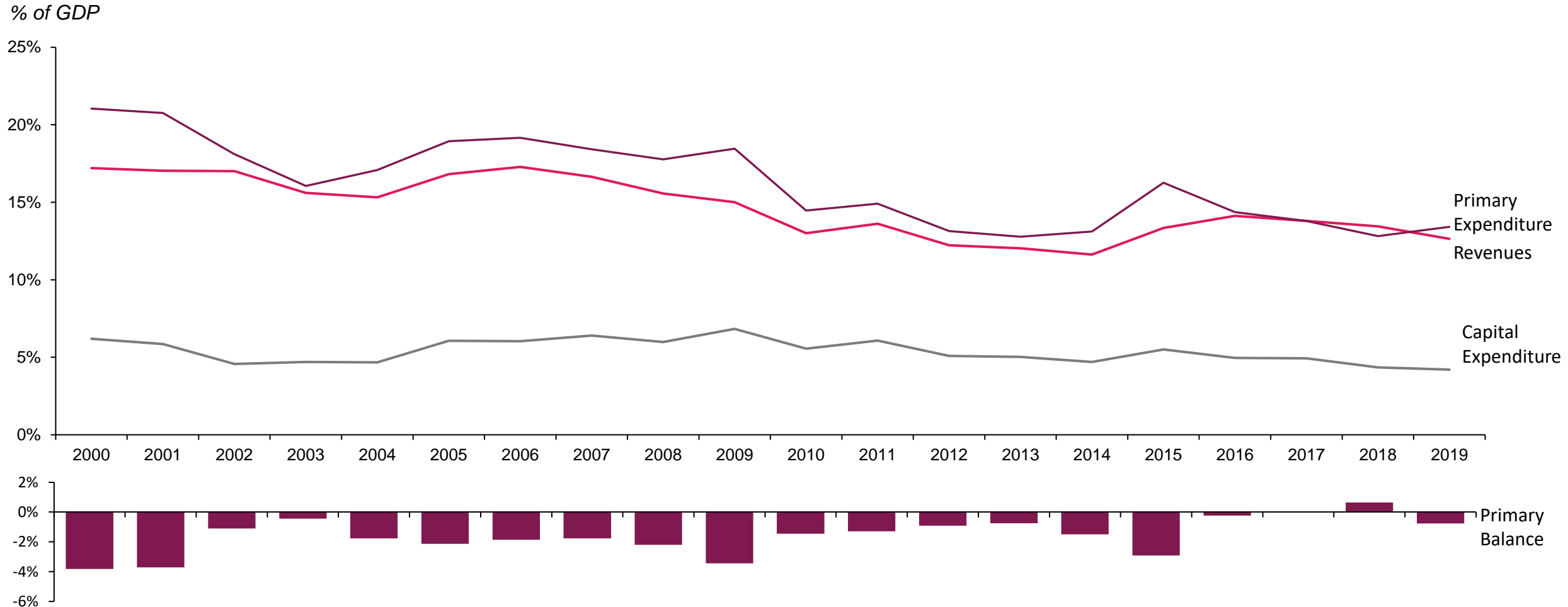




Reducing debt short of default

Fiscal Consolidation

- Denotes budgetary measures taken by the government to improve its fiscal position and reduce debt to GDP
- Four Leavers – Size of adjustment, pace and duration, feasibility and durability



Growing out of debt

How it works:

- ❖ Growth boosts GDP in the Debt/GDP ratio
- ❖ Primary balance improves through higher tax revenues from higher growth and lower spending on unemployment benefits

Contribution to Change in debt, %



$$\frac{i_t^w - \pi(1 + g_t)}{(1 + g_t)(1 + \pi_t)} - \frac{g_t}{(1 + g_t)(1 + \pi_t)}$$

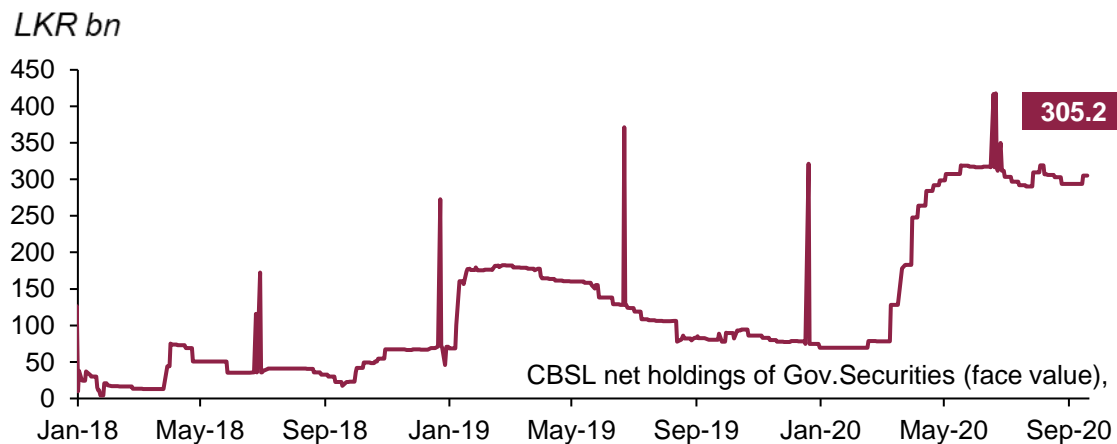
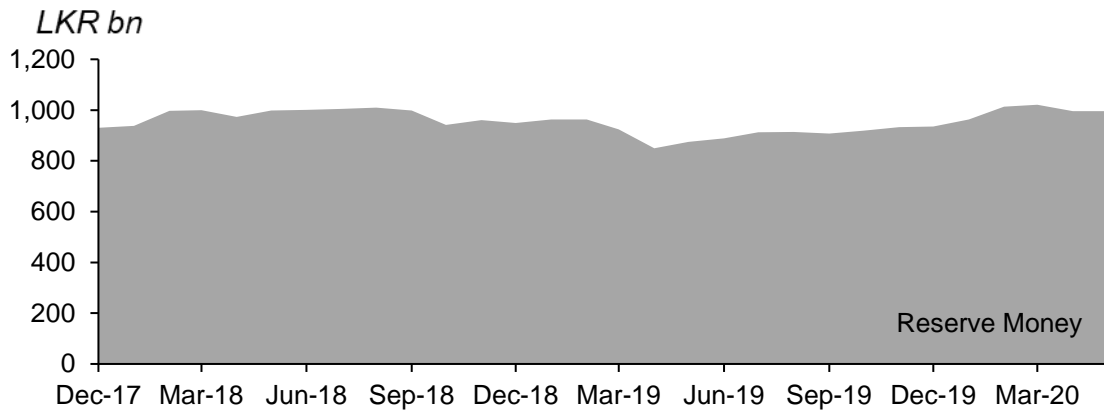
$(R - G)$
 ↙ ↘
 $i_t^w - \pi(1 + g_t)$ g_t

Monetary Policy

How it works:

By printing money and reducing the burden on pre-existing liabilities

Seignorage: profits made by central bank from holding interest bearing assets funded through money printing

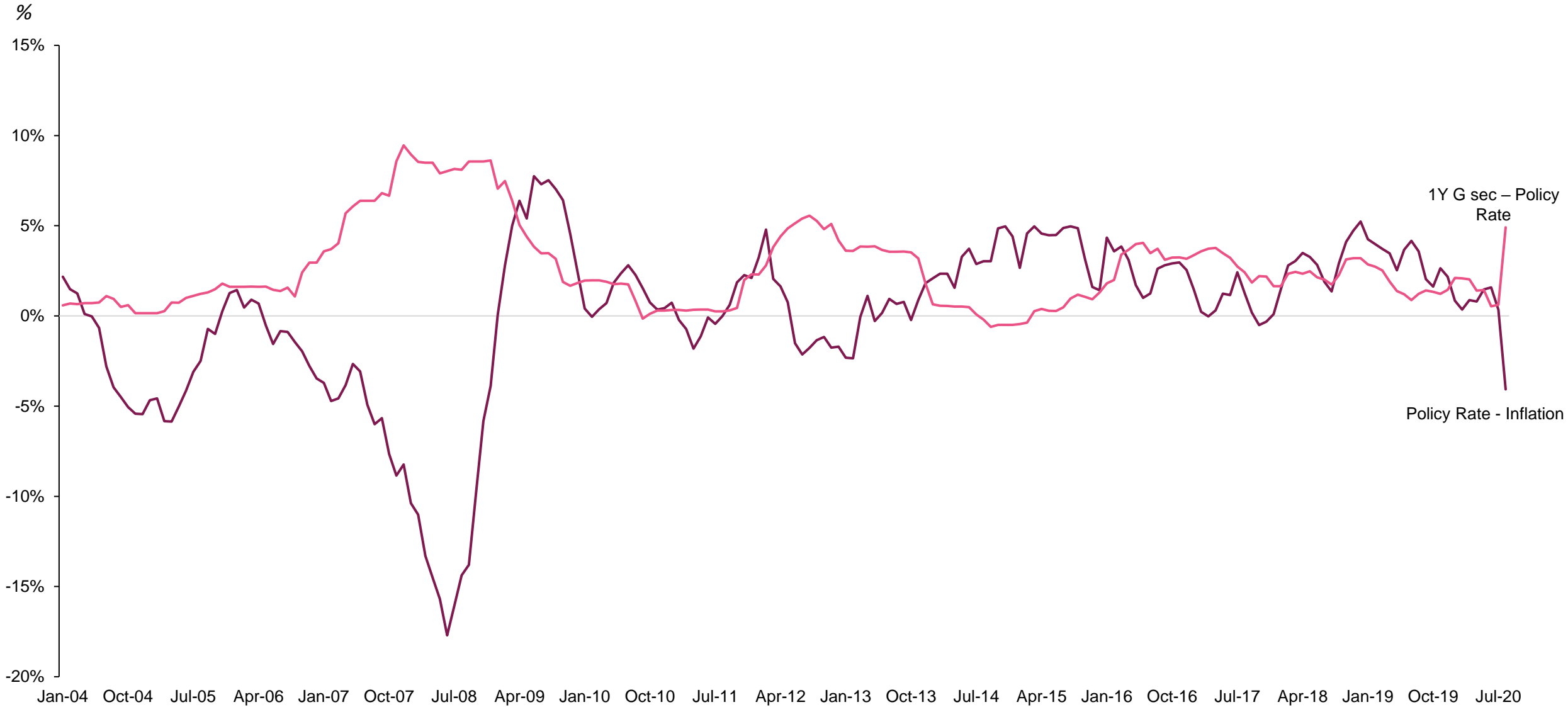


Inflating the debt away

Amendments to the monetary law act

1. Objectives of CBSL
2. Functions of CBSL
3. Governance and Organization
4. Coordination Council
5. Monetary policy framework
6. Reporting and Publication
7. Supervision and resolution of financial institutions
8. Macroprudential Authority
9. Relationship with parliament government and public
10. Financial provisions
11. Internal and external audit

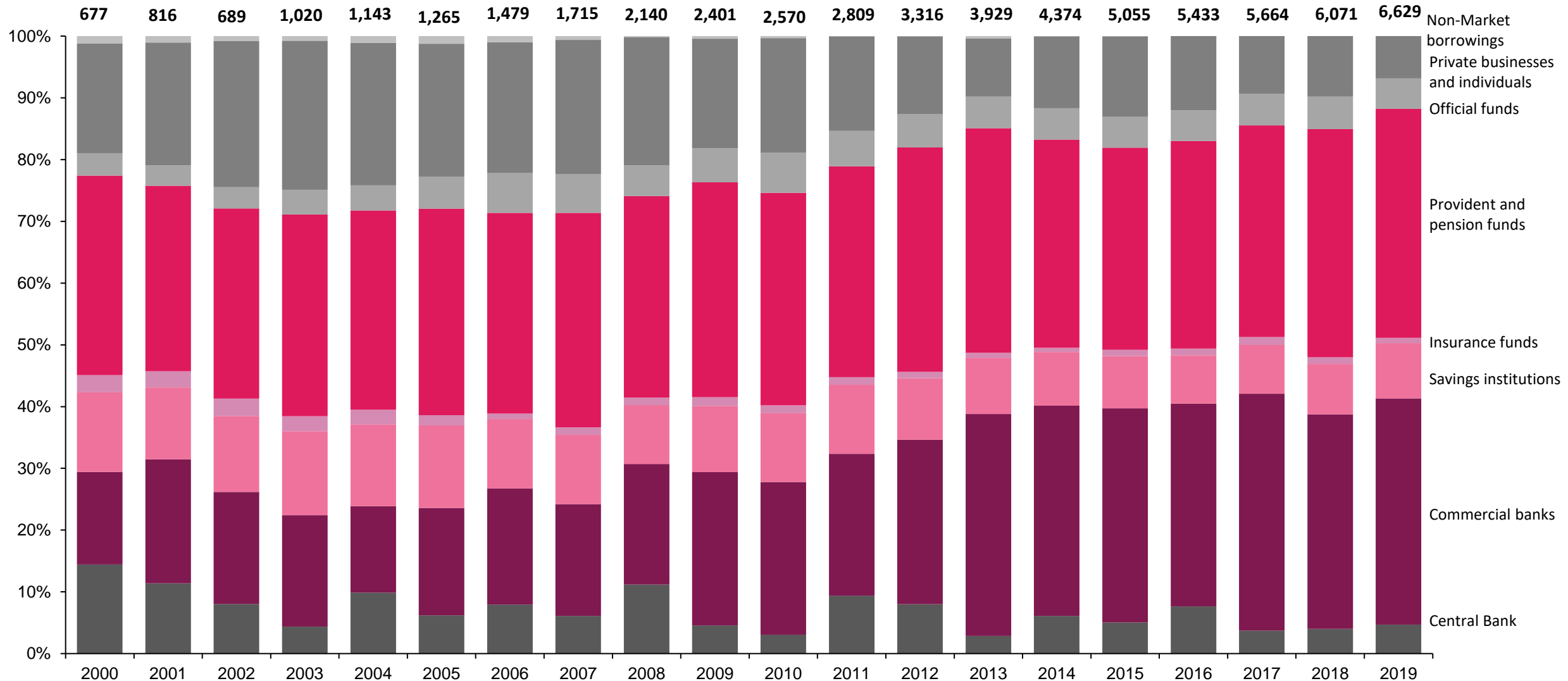
Financial Repression & Inflation Effect



Source: CBSL, Advocata Research

Financial Repression - Captive sources for domestic debt

% of total domestic debt

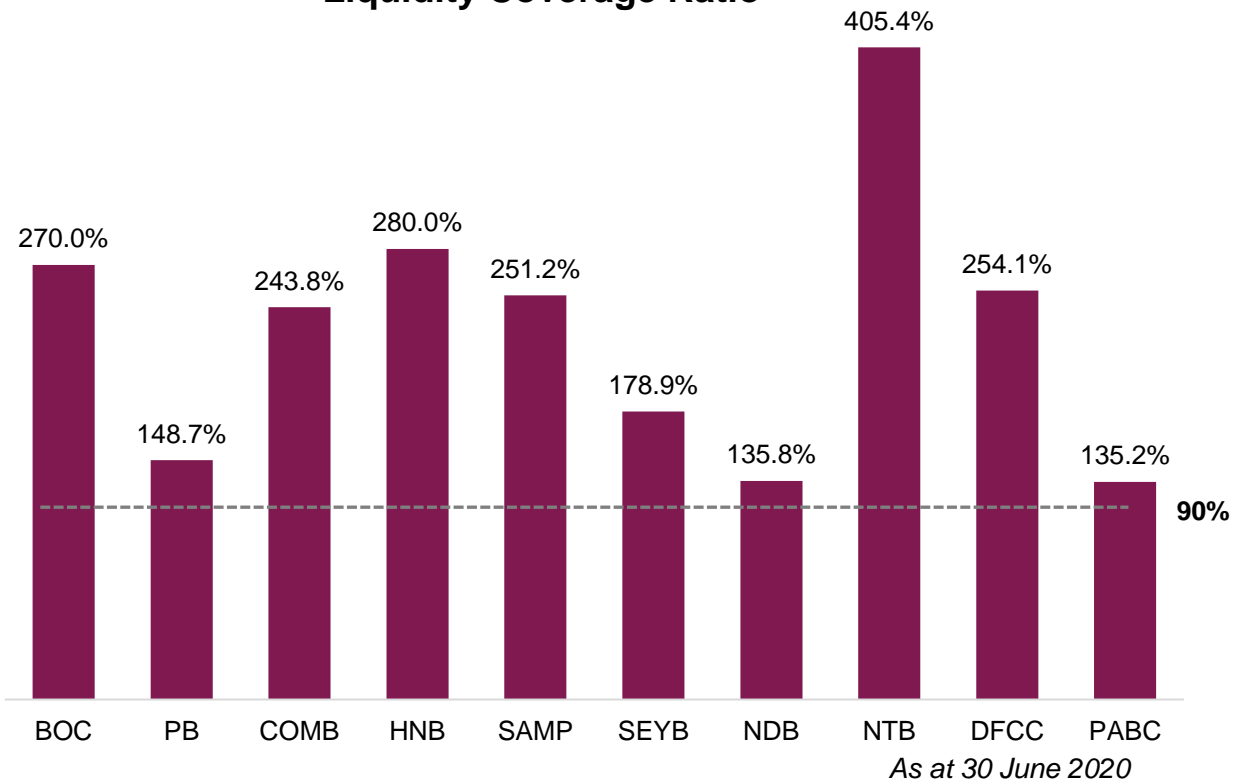


Financial Repression and Capital Controls

Policies that create a captive audience for government debt, allowing governments to issue debt at a rate below what the market would charge had there been no restrictions

* *Liquid Assets (Banking Act No. 30 of 1988)* Every licensed commercial bank shall maintain liquid assets in such amount determined by the Monetary Board not be less than 20% and not more than 40% of the total of its liabilities, less its liabilities to the Central Bank and to the shareholders.

Liquidity Coverage Ratio



Capital transfers pre-restrictions

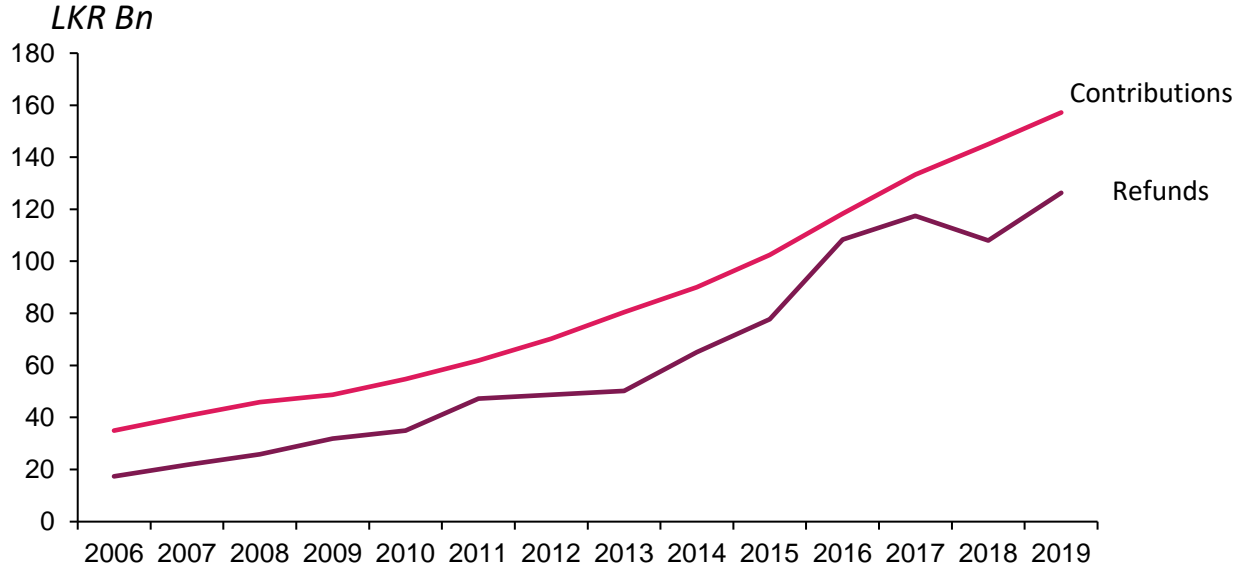
- A company listed in the Colombo Stock Exchange (CSE), buying shares or foreign sovereign bonds up to a value of USD 2,000,000 in any one year.
- A company not listed in the CSE and are buying shares or foreign sovereign bonds up to a value of USD 500,000 in any one year.
- An individual or a partnership buying shares or foreign sovereign bonds up to a value of USD 200,000 & USD 300,000 respectively for lifetime.
- A Company setting up overseas offices up to USD 300,000 per calendar year.
- Permitted outward remittances through Outward Investment Accounts (OIA).
- *The above transfers were restricted in April 2020. Further transfers through PFCA and BFCA accounts have been restricted up to USD 20,000.*

The following were relaxed effective July 2020 for a period of 6 months

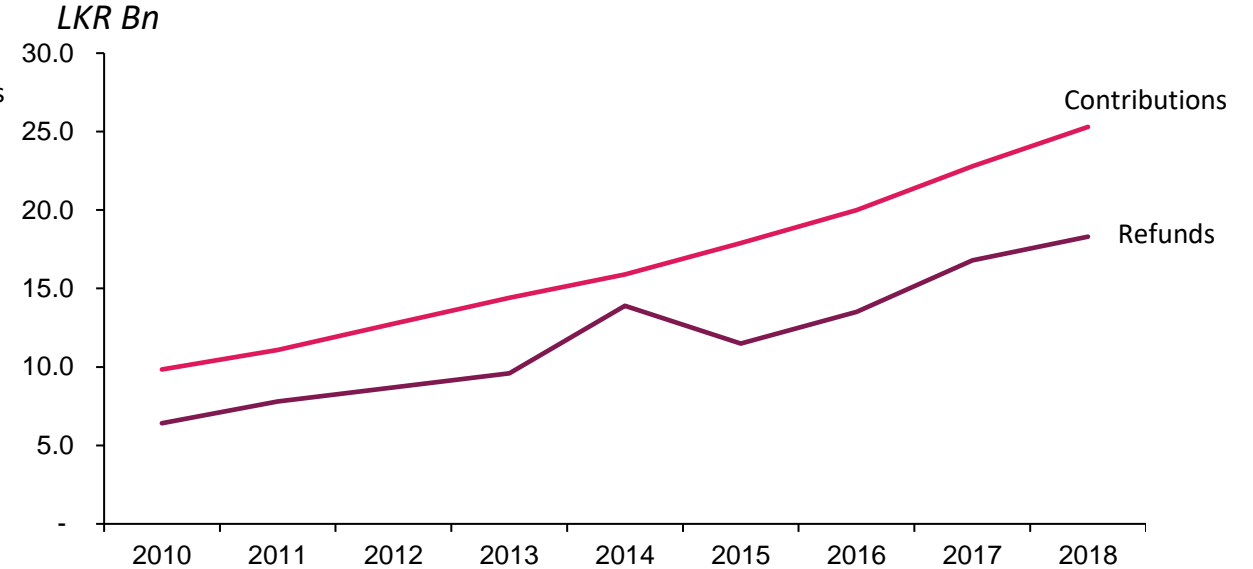
- Investments financed through FCY borrowings from out of the country
- Additional capital infusion for working capital purposes up to USD 20,000 to an established subsidiary
- Limitation on repatriation of funds under the migration allowance up to USD 30,000 for the first time and USD 20,000 for emigrants who have already claimed the allowance

Contractual Savings Institutions are captive sources

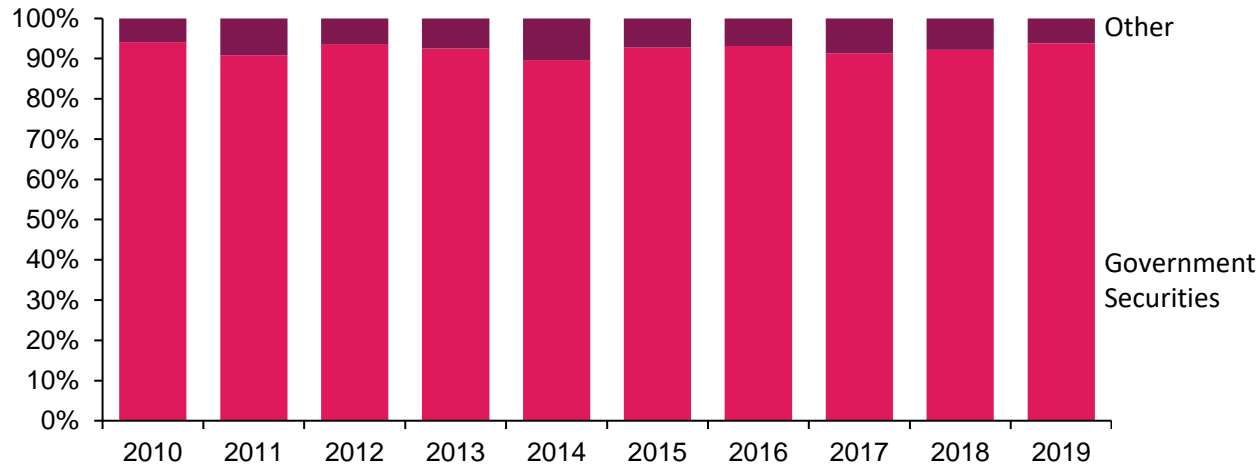
Employees' Provident Fund



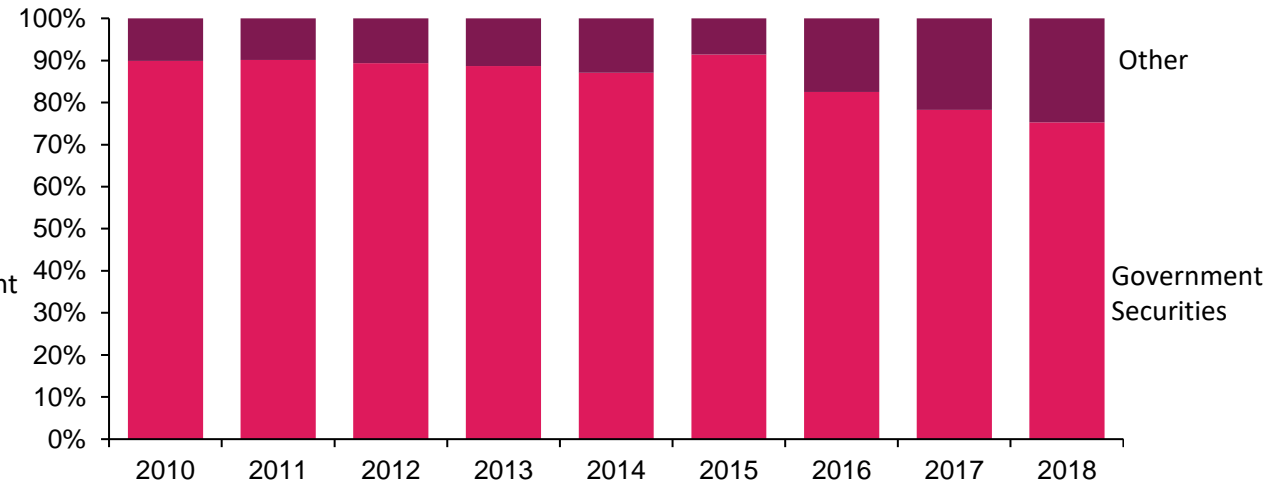
Employees' Trust Fund



% of Total Portfolio

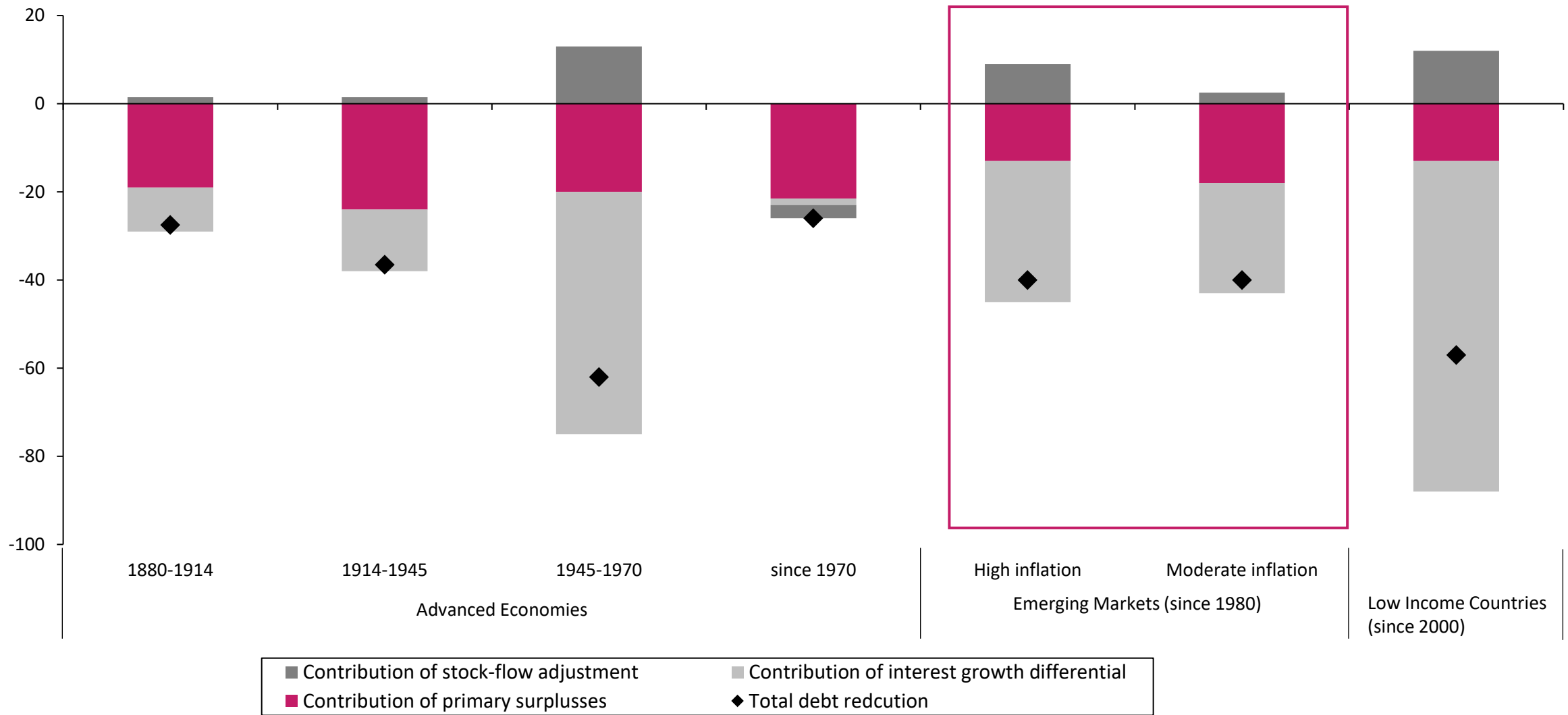


% of Total Portfolio



Contributions to public debt reduction in non-default episodes

Change in public debt as a % of GDP





Typical IMF programs for middle income countries

IMF lending aims to give countries breathing room to implement adjustment policies in an orderly manner, which will restore conditions for a stable economy and sustainable growth. It has a catalytic effect that improves market access.

Purpose	Facility	Financing	Duration	Conditionality
Present, Prospective or potential BoP need	SBA	GRA	Up to 3 years, but usually 12-18 months	Ex-post
Protracted BoP need. Medium-term assistance	EFF	GRA	Up to 4 years	Ex post with focus on structural reforms
Actual and urgent BoP need	RFI	GRA	Outright purchase	No Fund supported program/ ex-post conditionality, but prior actions possible

IMF COVID-19 Financial Assistance and Debt Service Relief

**102 countries have requested IMF COVID-19 Financial Assistance and Debt Service Relief
Financing for 72 countries has been approved by the IMF's Executive Board**

Regional peers that have received IMF funding since March 2020

Country	Type of Emergency Financing	Amount approved (USD Mn)	Date of Approval
Bangladesh	Rapid Credit Facility	244.0	29 May 2020
	Rapid Financing Instrument	488.0	
Maldives	Rapid Credit Facility	28.9	22 April 2020
Mongolia	Rapid Financing Instrument	99.0	3 June 2020
Myanmar	Rapid Financing Instrument	237.7	26 June 2020
	Rapid Credit Facility	118.8	
Nepal	Rapid Credit Facility	214.0	6 May 2020
Papua New Guinea	Rapid Credit Facility	363.6	9 June 2020
Samoa	Rapid Credit Facility	22.0	24 April 2020
Solomon Island	Rapid Credit Facility	9.5	1 June 2020
	Rapid Financing Instrument	19.0	
Afghanistan	Rapid Credit Facility	220.0	29 April 2020
Pakistan	Rapid Financing Instrument	1,386.0	16 April 2020
Somalia	Extended Credit Facility and the Extended Fund Facility	395.5	25 March 2020
Jordan	Rapid Financing Instrument	396.0	20 May 2020
	Extended Fund Facility	1,300.0	26 March 2020

IMF - Assessment of Debt Sustainability, Market Access, and Fund Lending

Assessment of Debt Sustainability, Market Access, and Fund Lending

Member has market access	Normal Fund lending	Normal Fund lending	Unlikely
Member has lost market access	Normal Fund lending	Reprofile	Upfront debt reduction
	Debt sustainable with high probability (i.e. market access loss is temporary)	Uncertain	Debt unsustainable with high probability

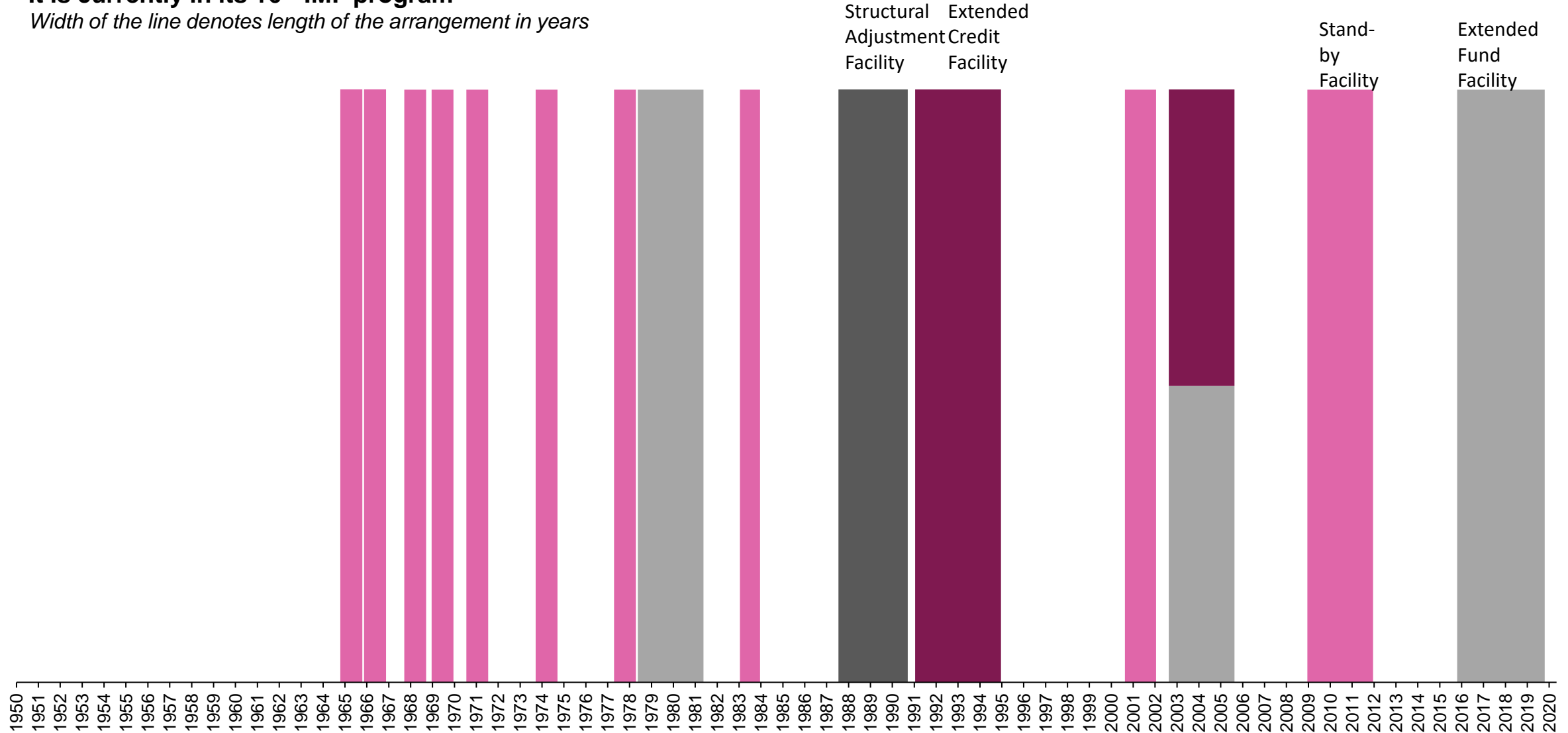
Sri Lanka IMF Quota – USD 800
 Normal Access - Annual Limit – 145%, Total Limit – 435%
 Exceptional Access – 500%



Sri Lanka has spent 42% of the last 70 years under an IMF facility

It is currently in its 16th IMF program

Width of the line denotes length of the arrangement in years





Thank you