

Sri Lanka: International Sovereign Bond Restructuring Agreement is a Continuation of Ranil Wickremasinghe's Program Without Change!

Media Release

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Finance ministry of Sri Lanka has issued a statement on the 14th of December that it has successfully negotiated and signed a deal with the ISB holders. Statement further states that 98% of the ISB holders agreed and current bonds will replace with new bonds to commence the restructuring process.

Sri Lanka has officially invited bond holders to exchange existing bonds with the new Bonds on the 25th of November immediately after winning the presidential election subsequent to the policy level agreement reached with the international creditors, Bond issuers and representatives of the local creditors. Finance ministry statement confirmed the acceptance of the agreement by the creditors on the 12th of December. Process will complete on the 16th and Bond exchange will take place on the 20th of December. Accordingly, \$12.55 billion worth of bonds will be replaced by bonds with new face value and coupon rates.

Current NPP government move forward with the restructuring plan agreed by Ranil Wickramasinghe in August and discussions were limited only to agree on the date to sign the deal.

This is a clear deviation from the position taken by the NPP government which was critical of the RW strategy in terms of moving forward with the IMF. Mandate sought by NPP before the election was to change RW approach to the IMF discussions.

Now NPP continues the same path taken by RW thereby deceiving the people who supported the government. RW deal has many features detrimental to the Sri Lankan economy which is struggling at the moment.

Meanwhile Mahinda Siriwardana, secretary to the Finance Ministry has left a statement in his X account that government has successfully completed a complex and challenging deal with the creditors.

Contrary to the claims on the part of the government and the officials in Finance Ministry that they have managed to sign a deal which is favorable to the people of Sri Lanka it is believed that the country is pushed into a unfavorable and dangerous phase by the agreed terms in the signed deal.

New deal will comprise of macro-economic linked bonds which tied to the country's economic performances and decides % cut and rate for the overall debt servicing. This meant cut will be 28% if GDP stands at \$88.6 billion in 2025,2026 and 2027. If GDP grows to \$92 and \$96 billion, then cut

will reduce to 20% and 15% respectively.

Forecast GDP may reach \$94 billion during this period thereby likely debt reduction will limit only to 15%. We will be liable to pay 6% interest until 2028 and 9.75% thereafter until 2038.

In similar situations other countries managed to agree on better deals like in 2005 Argentina 76.8%, in 2009 Ecuador 67.7%, in 2012 Greece 50% and in 2024 Ghana 37%.

Sri Lanka will not even get 15% due to the methodology applied to arrive at the figure using Net Present Value (NPV) while liable to pay more interest on outstanding debts.

New agreement will increase total interest payable by \$2.3 billion to \$18.6 billion by 2038 as compared to \$16.3 billion by 2030 in the previous agreement.

New deal most likely to bring immense hardship to the entire country for the next 15 years has signed even without presenting to the parliament thereby depriving people's representatives to present their views on the deal. Further, it hasn't revealed who has represented on behalf of the government at the final discussions. Last week presidential advisor and chairman of the Ceylon chamber of commerce, Duminda Hulangamuwa confirmed that he has taken part in the negotiations representing the government. Conflict of interest arises as members of chamber of commerce are holding Bonds worth \$1.8 billion. This could be even higher since no disclosure has been made of identities of the bond holders. These creditors purchased the bonds from the secondary market at a very low prices thereby expecting to make huge gains in maturity.

Whole situation proves that representatives from both sides to the agreement have consist of representatives from the creditors and clear conflict of interest was there in the part of some negotiators.

We urge government not to deceive people by making favorable statements contrary to the actual facts of the signed deal and reveal truth to the people in that allowing them to be a part of decision-making process.

We call upon people of Sri Lanka not to be deceived by the misleading and false information in relation to the signed agreement on the 12 of December and come forward to protect the rights of the people and to safeguard country's economy.

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