

# Default by Mismanagement

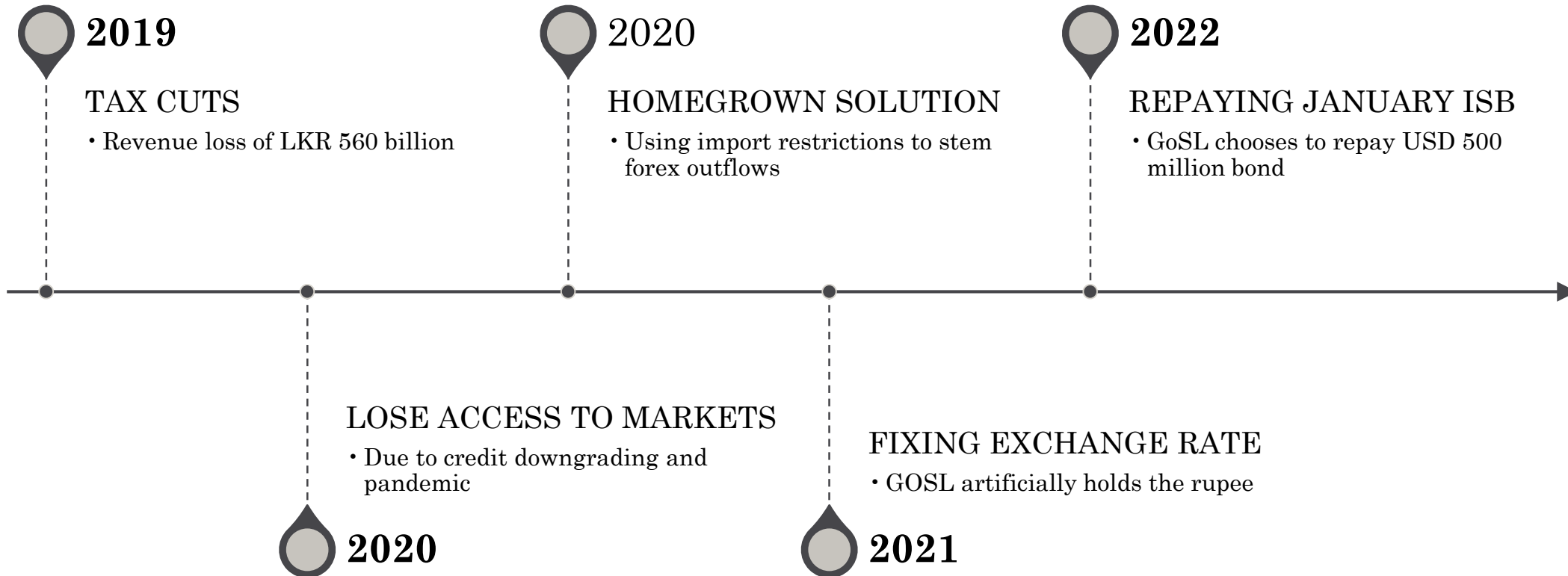
Sri Lanka's Debt Story

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2022 Australasian AID Conference

# Symptoms of the Crisis

- High inflation
- Currency depreciation
- Severe shortages of fuel and cooking gas
- Power cuts
- Shortages of pharmaceuticals
- Food shortages

# The Default Timeline

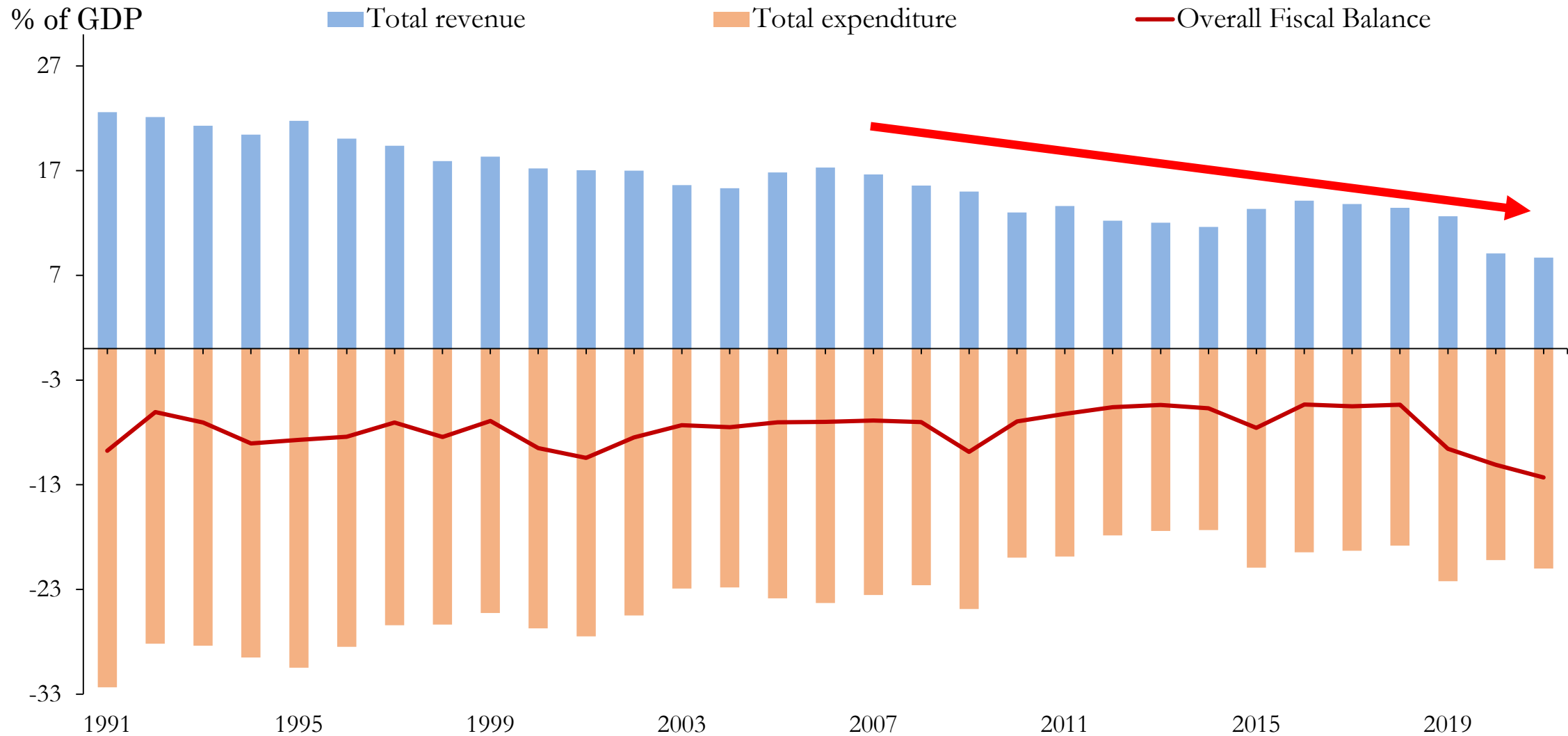


**12 April 2022 – Suspension of Foreign Debt Payments**

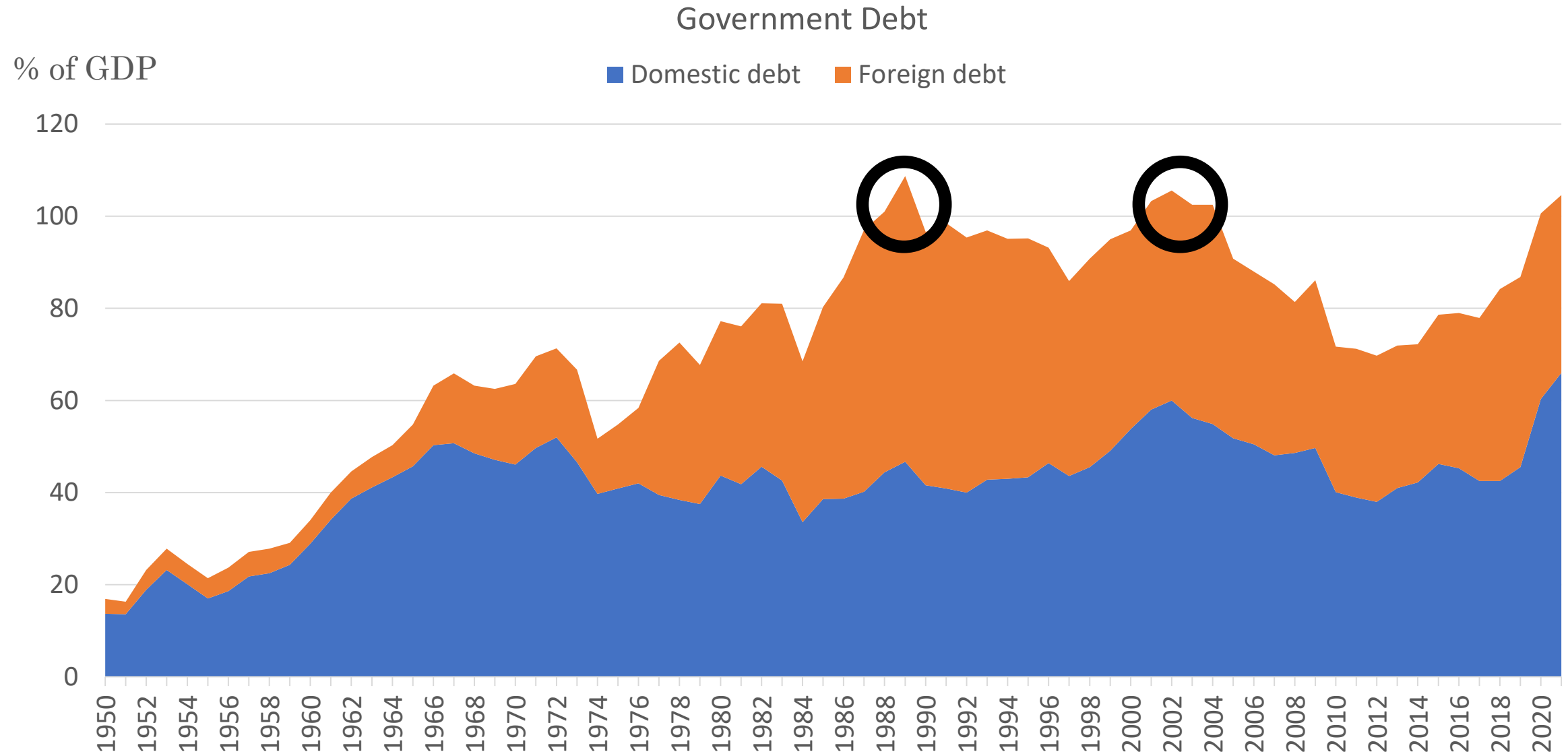


An  
Avoidable  
Crisis

# Dangerously low levels of revenue



# Debt trapped?

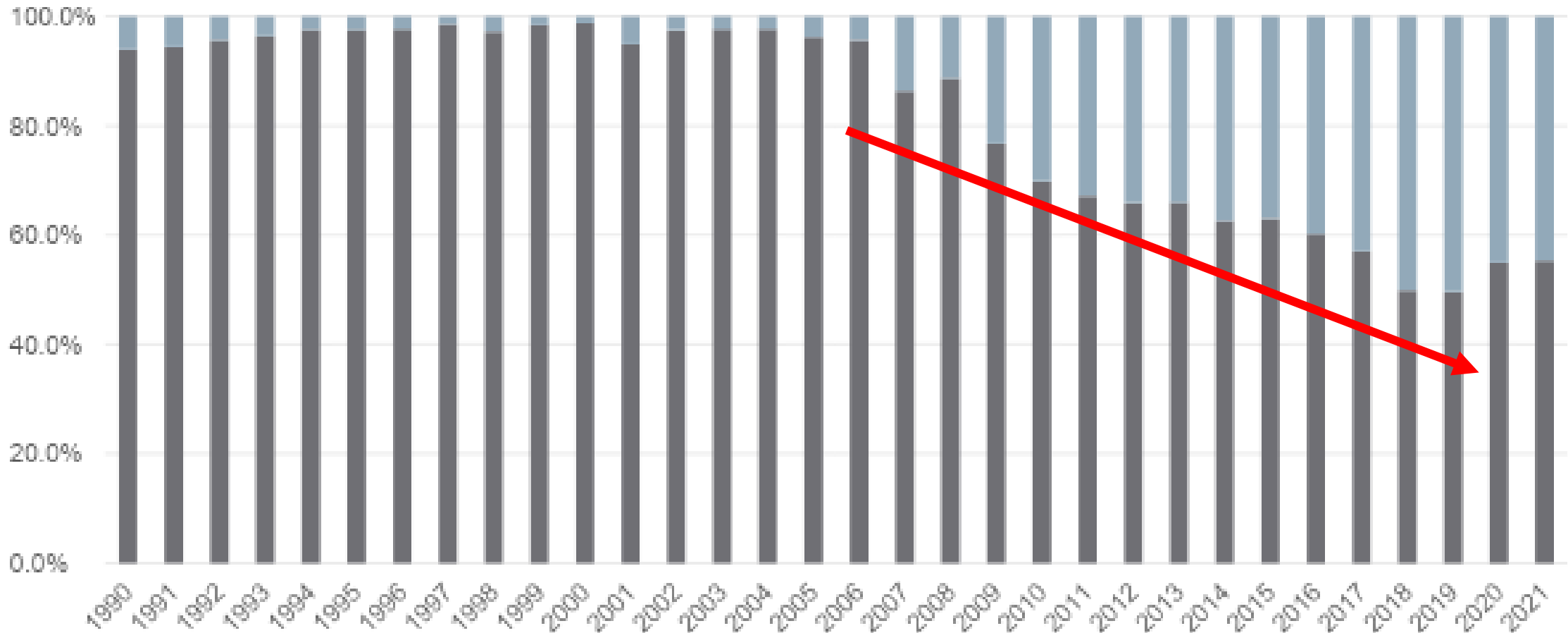


Source: CBSL

# The Price of Debt

Government foreign debt composition in Sri Lanka

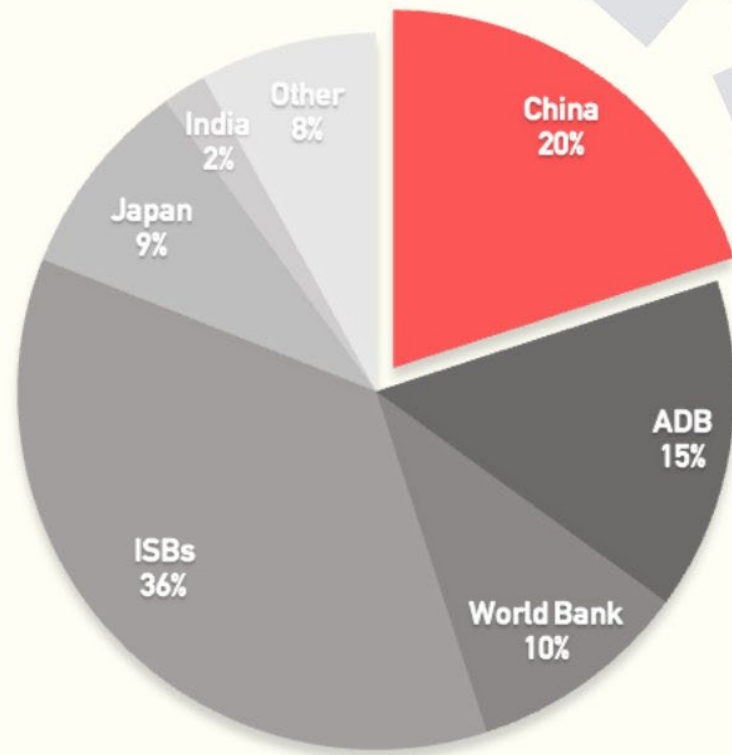
■ Non-Commercial loans ■ Commercial loans







# China's Role in Sri Lanka's Foreign Debt



China Eximbank (ChEXIM)



China Development Bank (CDB)



Other Chinese lenders

**Foreign debt** here refers to public debt including central government and SOE debt

Sri Lanka's foreign debt composition by end of 2021  
Source: External Resource Department (ERD)



# Key Takeaways

- A crisis of **mismanagemement**
- Successive governments did not address **structural economic weaknesses**
- **ISBs** are the largest share of foreign debt
- But **China** will play a key role in the debt restructuring process