



**Paris Club Creditors provide financing assurances  
to support the International Monetary Fund's approval of an Extended Fund Facility for Sri Lanka**

1. Paris Club members held a meeting on January 25, 2023, in the presence of representatives from Hungary, Saudi Arabia, the Kuwait Fund for Arab Economic Development and India, as well as from the International Monetary Fund and the World Bank, to provide financing assurances to support the approval by the IMF Executive Board of the envisaged IMF program for Sri Lanka, which would allow to restore the country's macroeconomic stability.
2. They examined the macroeconomic and financial situation of Sri Lanka, including its long-term debt sustainability, and the need for a debt treatment by all bilateral creditors to both fill the financing gap and to ensure Sri Lanka's debt sustainability in line with the proposed Extended Fund Facility.
3. We acknowledge that Sri Lanka authorities had the opportunity to present their economic and financial situation to its creditors, which underscored its need for debt treatment from all creditors. They also presented their reform program that will be supported by an IMF arrangement requiring a debt treatment to restore debt sustainability, as well as the prior actions already implemented.
4. Paris Club members as well as Hungary, Saudi Arabia and India continue to look forward to working together along with all bilateral creditors and to engage with other key stakeholders in order to proceed with a comparable debt restructuring as soon as possible.
5. Shortly after the conclusion of a staff-level agreement between the Sri Lankan authorities and IMF staff on September 1, 2022, on a 48-month Extended Fund Facility arrangement, the Paris Club publicly stated its readiness to provide the necessary financing assurances in a timely manner and in coordination with other bilateral official creditors. To this end, the Paris Club has been engaging proactively with Sri Lankan authorities, the IMF, and Sri Lanka's other official bilateral creditors, including by sharing its technical analysis in order to enhance the bilateral official creditors' collective understanding of the need for debt treatment.
6. To support the implementation of the envisaged IMF supported program and the Sri Lankan authorities' efforts with other official bilateral creditors, Paris Club members, jointly with Hungary, expressed their full commitment to negotiate with Sri Lanka terms of a restructuring of their eligible claims, in accordance with the comparability of treatment principle among all bilateral creditors, and with the goal of restoring debt sustainability with due regard to targets and overall macroeconomic goals under the Extended Fund Facility. Saudi Arabia expressed its support for the process and acknowledged the importance to offer financing assurances in the near future. Members further expressed appreciation for the specific and credible financing assurances issued by India on January 16, 2023 and its coordination with the Paris Club. The Paris Club members as well as Hungary and Saudi Arabia urged other official bilateral creditors, including China, to do the same in line with IMF program parameters as soon as possible.

7. Paris Club members further noted the Sri Lankan authorities' commitment to seek from all its commercial creditors and other official bilateral creditors a debt treatment on terms at least as favorable, and to hold all creditors in arrears until a comparable debt treatment is provided.

### **Background notes**

1. The Paris Club was formed in 1956. It is an informal group of official creditors whose role is to find coordinated and sustainable solutions to the payment difficulties experienced by borrower countries.

2. A staff-level agreement was concluded between Sri Lankan authorities and the International Monetary Fund staff for a 48-month arrangement under the Extended Fund Facility (EFF) on September 2, 2022.

3. Sri Lanka's bilateral official creditors which are Paris Club members are Japan, France, Korea, Germany, the United States of America, Spain, the Netherlands, Russia, Sweden, Austria, Canada, the United Kingdom, Denmark, Belgium, and Australia. Non-Paris Club members include China, India, Saudi Arabia, Kuwait, Hungary, Iran, Pakistan, and Bangladesh.