Statement by leading economists and academics on Sri Lanka's Climate Crisis and IMF Restructuring Deal

Sri Lanka's 17th IMF sovereign debt restructuring agreement is executed under the 48-month IMF Extended Fund Facility (EFF) and provides limited debt service relief. It therefore failed to provide a sustainable solution to Sri Lanka's debt crisis and left Sri Lanka extremely vulnerable to external shocks — particularly climate-induced disasters. Those shocks have now hit with the catastrophic aftermath of Cyclone Ditwah - marked by widespread flooding, deadly landslides, displacement of more than 1.4 million people, and nearly 800 individuals either dead or missing. The concern over the country's future deepens.

Under the current IMF-supported arrangement, creditors agreed to reduce the size of Sri Lanks debt payments, measured in net present value terms, by 17%.

This left Sri Lanka with government external debt payments of around 25% of revenue, one of the highest rates in the world. According to IMF staff, under the IMF's own models, Sri Lanka has a 50% chance of defaulting and/or needing another debt restructuring, even after debt relief. The IMF publicly said that "debt risks will remain high for many years".

Sri Lanka is now confronting a severe economic shock triggered by the recent cyclone, extensive flooding and landslides, which has inflicted extensive damage to infrastructure, livelihoods, and key sectors of the economy. This environmental emergency is poised to absorb — and potentially exceed — the extremely limited fiscal space created by the current debt restructuring package. Additional external debt is already being taken on from the IMF, and more lending to deal with the impacts of the disaster is likely.

Given Sri Lanka's vulnerabiity to climate shocks, the scale of destruction underscores how insufficient the present debt deal is in safeguarding economic stability. The country's already fragile socio-economic landscape heightens the risks: diminished revenues, rising reconstruction costs, and increased import needs could quickly undermine projected gains from the restructuring.

In this context, the nation remains acutely exposed to further external shocks, whether climatic or economic, highlighting the need for a more comprehensive, resilience-oriented debt solution.

The IMF itself has acknowledged that Sri Lanka's path to "debt sustainability remains knife-edged," with the country only narrowly meeting targets while social-spending benchmarks were missed.

In light of the current climate catastrophe that has hit Sri Lanka, we wish to highlight the following points:

- The existing restructuring — modest, conditional and tied to uncertain macroeconomic outcomes — is inadequate to protect the vulnerable majority from recurrent climate and external shocks.

- By prioritising debt service continuity over deep debt relief, the IMF programme perpetuates structural exposure of Sri Lanka's economy and population to future disasters.
- Continuing to impose debt repayment obligations under these conditions fails to consider Sri Lanka's capacity to service debt, which should instead be based on its foreign exchange (forex) earnings.
- Current onerous debt servicing undermines efforts to rebuild lives, restore agriculture, infrastructure, and provide social protection.

Therefore, we call for immediate suspension of Sri Lanka's external sovereign debt payments, and a new restructuring that restores debt sustainability under the new circumstances.

We propose the adoption of a genuinely sustainable framework that:

- Recognises climate-driven disasters as systemic, not exceptional, shocks.
- Provides significant debt cancellation — with no punitive conditions — to free up fiscal space for disaster recovery, social protection, reconstruction and development.
- Prioritises human welfare, environmental protection, and long-term viability over financial obligations to external creditors.

Only a fundamental rethinking of the global debt regime — one based on justice and sustainability — will offer Sri Lanka a realistic chance to recover from the climate impacts and build an equitable future for all.

Coordinated by: Professor Jayati Ghosh; Debt Justice, UK; Institute of Political Economy, Sri Lanka.

SIGNATORIES

1. Professor Jayati Ghosh, University of Massachusetts-Amherst, USA
2. Professor Joseph Stiglitz, Columbia University, USA
3. Professor Thomas Piketty, Science Po/Paris School of Economics, France
4. Professor Yanis Varoufakis, University of Athens, Greece
5. Professor Martin Guzman, Columbia University, USA
6. Professor C P Chandrasekhar, University of Massachusetts-Amherst, USA
7. Professor Stephanie Kelton, Stony Brook University, USA
8. Professor Jason Hickel, ICTA-University of Barcelona, Spain/LSE, United Kingdom
9. Professor Guy Standing, SOAS, University of London, U.K.
10. Professor Fadhel Kaboub, Global Institute for Sustainable Prosperity, USA
11. Professor Gary Dymski, Leeds University, United Kingdom
12. Professor Sudip Chaudhuri, India Institute of Management – Calcutta, India
13. Professor Kevin Gallagher, Boston University, USA
14. Professor Radhika Balakrishnan, Rutgers University, USA
15. Professor Gerald Epstein, University of Massachusetts, USA
16. Professor Utsa Patnaik, Jawaharlal Nehru University, India.
17. Professor Mariana Reis Maria, Universidade Estadual de Campinas, Brazil
18. Professor Irene van Staveren, Erasmus University – Rotterdam, The Netherlands

19. Professor Juan Carolos Moreno-Brid, UNAM-Mexico
20. Professor Surajit Mazumdar, Jawaharlal Nehru University, India
21. Professor Howard Nicholas, International School of Business – Ho Chi Min, Vietnam
22. Professor A Haroon Akram-Lodhi, Trent University, Canada
23. Professor Gunseli Berik, University of Utah, USA
24. Professor Sergio Cesaratto, University of Sienna, Italy
25. Professor Yavuz Yazar, University of Denver, USA.
26. Professor Suzanne Bergeron, University of Michigan – Dearborn, USA
27. Professor S Subramanium, Madras Institute of Development Studies, Chennai, India
28. Professor David Rucio, Notre Dame University, USA
29. Professor M V Lee Badgett, University of Massachusetts – Amherst, USA
30. Professor Julie Nelson, University of Massachusetts – Boston, USA
31. Professor Farida Khan, University of Colorado, USA
32. Professor Smriti Rao, Assumption University, USA
33. Professor Gustavo Indart, University of Toronto, Canada
34. Professor R Ramakumar, Tata Institute of Social Studies – Mumbai, India
35. Professor Randy Albelda, University of Massachusetts- Boston, USA
36. Professor Yana Rodgers, Rutgers University, USA
37. Dr Isabella Weber, University of Massachusetts – Amherst, USA
38. Dr Lucas Chancel, Science Po/Paris School of Economics, France
39. Dr Dean Baker, University of Massachusetts – Amherst, USA
40. Dr Ndongo Samba Sylla, IDEAS, Senegal
41. Dr Pedro Rossi, Global Fund for a New Economy, Brazil
42. Dr H Himanshu, Jawaharlal Nehru University, India
43. Dr Ingrid Kvangraven, Kings College – London, U.K.
44. Dr Surbhi Kesar, SOAS – University of London, U.K
45. Dr Narayani Sritharan, AID Data, USA
46. Dr Tracey Freiberg, John Jay College, USA
47. Dr Ajit Zacharias, Levy Institute – Bard College, USA
48. Dr Smita Ramnarain, University of Rhode Island, USA
49. Dr Sheba Tejani, Kings College – London, U.K.
50. Professor Vijay Prashad, TRICONTINENTAL Institute, Argentina
51. Professor Barbara Harriss-White, Oxford University, U.K.
52. Professor Shirin Rai, SOAS – University of London, U.K
53. Professor Kanchana N. Ruwanpura, University of Gothenburg, Sweden
54. Professor Alessandra Mezzadri, SOAS – University of London, U.K
55. Professor Raj Patel, University of Texas – Austin, USA
56. Professor Kanishka Goonewardena, University of Toronto, Canada
57. Professor Vasuki Nesiah, New York University, USA
58. Professor Aram Ziai, Kassel University, Germany
59. Professor Matthias Goldman, EBS University, Germany
60. Professor Nata Duvvury, National University of Ireland – Galway, Ireland
61. Professor Maggie Leung, University of Amsterdam, The Netherlands
62. Professor Padraig Carmody, Trinity College – Dublin, Ireland

63. Professor Bart Klem, University of Ghent, Belgium
64. Professor Roar Høstaker, Inland Norway University, Norway.
65. Professor Benjamin Selwyn, University of Sussex, U.K.
66. Professor John Morrissey, National University of Ireland – Galway, Ireland
67. Professor Kanishka Jayasuriya, Murdoch University, Australia
68. Professor Wilfried Swenden, University of Edinburgh, United Kingdom
69. Professor Roger Jeffery, University of Edinburgh, United Kingdom
70. Professor Naomi Hossain, SOAS – University of London, U.K
71. Professor Page Fontana, Columbia University, USA
72. Professor Dina Siddiqi, New York University, USA
73. Professor Christoper Cramer, SOAS – University of London. U.K.
74. Professor Ruvani Ranasinha, Kings College – London, U.K.
75. Professor Maria Heim, Amherst College, USA
76. Professor John Hariss, Simon Fraser University, Canada
77. Professor Nirmala Salgado, Augustana College, USA
78. Professor Vinay Gidwani, University of Minnesota, USA
79. Professor Dia da Costa, University of Alberta, Canada
80. Professor Atilio Boron, University of Buenos Aires, Argentina
81. Professor Anne Blackburn, Cornell University, USA
82. Professor Deepta Chopra, University of Sussex, U.K
83. Professor Muthucumaraswamy Sornaraha, National University of Singapore, Singapore
84. Professor Rahul Mukherji, Heidelberg University, Germany
85. Dr Juan Pablo Bohoslavsky, CONICET and National University of Rio Negro (CIEDIS) - Argentina.
86. Dr Mieke Lopes Cardozo, University of Amsterdam, The Netherlands
87. Dr Thiruni Kelegama, University of Oxford, U.K.
88. Dr Giselle Thompson, University of Alberta, Canada
89. Dr Nimanthi Rajasingham-Perera, Colgate University, U.S.A
90. Dr Andrew Newsham, SOAS – University of London, U.K.
91. Dr Bhumika Muchchala, New School University, USA
92. Dr Alexandre da Costa, Alberta University, Canada/Brazil
93. Dr Sharika Thiranagama, Stanford University, USA
94. Dr Amali Wedagedara, Bandaranaike Centre for International Studies, Sri Lanka
95. Dr Eva Ambos, Tubingen University, Germany
96. Dr Paul Gilbert, University of Sussex, United Kingdom
97. Dr Priyadarshini Premarathne, University of Peradeniya, Sri Lanka
98. Dr Farah Mihlar, Oxford Brookes University, U.K
99. Dr MeeNilancko Theiventharan, University of Oslo, Norway
100. Dr Shyamain Wickramasingha, University of Sussex, U.K
101. Dr Joeri Scholtens, University of Amsterdam, The Netherlands
102. Dr Susantha Rasnayake, University of Peradeniya, Sri Lanka
103. Dr Alicia Yamin, Harvard University, U.S.A.
104. Dr Lara Merling, UCL – Institute for Innovation Public Purpose, U.K.
105. Dr Rohith Jyothish, O. P. Jindal Global University – Sonipat, India

106. Dr Jon Philips, SOAS – University of London, U
107. Anne Pettifor, Jubilee Campaign, U.K
108. Tim Jones, Debt Justice – U.K., U.K.
109. Kate Raworth, Environmental Change Institute, Canada
110. Veronica Gróndona, ICRICT, Argentina
111. Maia Colodenco, Suramericana Vision, Argentina
112. Dr. Farwa Sial, IDEAS – Asia Region
113. Emma Bury, AID Data, USA.
114. Robin Jespert, Goethe University, Germany
115. Kevin Cashman, John Jay College – CUNY, USA
116. Gabriele Koehler, UNRISD, Switzerland
117. Vincent Chee, Raffles College of Higher Education, Singapore
118. Matheus Machado, IBMEC - Brazil
119. Chiara Subrizi, University Urbino Carlo Bo, Italy
120. Kowsalya Duraiswamy, Sri Lanka
121. Emma Burgisser, Christian AID, United Kingdom