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நிதி, பொருளாதார உறுதிப்பாடு மற்றும் தேசியக் கொள்கைகள் அமைச்சு
MINISTRY OF FINANCE, ECONOMIC STABILIZATION AND NATIONAL POLICIES

මහලේකම් කාර්යාලය, කොළඹ 01,
ශ්‍රී ලංකාව

செயலகம், கொழும்பு 01,
இலங்கை.

The Secretariat, Colombo 01,
Sri Lanka.

කාර්යාලය } 011-2484500
அலுவலகம் } 011-2484600
Office } 011-2484700

ෆැක්ස් }
தொலைநகல் } 011-2449823
Fax }

වෙබ් අඩවිය }
இணையதளம் } www.treasury.gov.lk
Website }

මගේ අංකය }
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PRESS RELEASE

SRI LANKA REACHES AGREEMENT WITH OFFICIAL CREDITOR COMMITTEE ON DEBT TREATMENT

The Government of the Democratic Socialist Republic of Sri Lanka is pleased to announce that it has reached an agreement in principle with its Official Creditor Committee (OCC) on the financial terms of a debt treatment. The agreement in principle covers approximately US\$ 5.9bn of outstanding public debt and consists in a mix of long-term maturity extension and reduction in interest rates.

The Sri Lankan Government commends the support and cooperation of OCC members in reaching this agreement, which demonstrates a mutual commitment to restoring public debt sustainability in line with the International Monetary Fund (IMF) program targets. The agreement will facilitate a swift approval by the IMF Executive Board of the First Review of Sri Lanka's IMF-supported program, allowing for the next tranche of IMF financing of about US\$ 334 million to be disbursed.

The agreed-upon debt treatment terms will be further detailed and formalized in a Memorandum of Understanding between Sri Lanka and the OCC, which will then be implemented through bilateral agreements with each OCC member, in accordance with their laws and regulations. The Sri Lankan Government looks forward to a prompt implementation of the agreed terms.

Secretary to the Treasury/Ministry of Finance, Economic Stabilisation and National Policies, Mr. K M Mahinda Siriwardana issued the following statement:

"This agreement marks a landmark step for Sri Lanka. We extend our sincerest thanks to the OCC and its co-chairs, Japan, India and France, for the unwavering support in resolving our country's public debt situation. This agreement serves as a key milestone in Sri Lanka's ongoing endeavour to achieve public debt sustainability and to foster economic recovery."

This agreement in principle, together with the agreement in principle reached last month with China Eximbank, goes a long way in dealing with Sri Lanka's external bilateral debt restructuring. The next steps will include finalizing similar agreements with our remaining official bilateral creditors, including Saudi Arabia, Pakistan, Kuwait and Iran, altogether representing a further US\$ 274 million of outstanding claims.

Sri Lanka now intends to focus its efforts on reaching comparable debt restructuring agreements with external commercial creditors, and in particular with its holders of international sovereign bonds. Good faith engagement is still ongoing in that regard, and the authorities would like to invite its bondholders to now accelerate the discussions with a view to coming to a mutually acceptable agreement as promptly as possible.

The authorities would like to reaffirm their commitment to transparency, comparable treatment of all participating external creditors, and full compliance with the debt sustainability targets under the IMF-supported program.