PRESS RELEASE

The Government of the Democratic Socialist Republic of Sri Lanka is pleased to announce that it has reached an agreement on the key principles and indicative terms of a debt treatment with the Export-Import Bank of China (“China Exim bank”). The agreement in principle covers approximately USD 4.2bn of outstanding debt. It constitutes a key step towards restoring Sri Lanka’s long-term debt sustainability and will pave the way to a prompt economic recovery.

The indicative terms agreed will provide the necessary fiscal space for Sri Lanka to implement its ambitious reform agenda. The Sri Lankan Government commends the engagement and continuous support of China Exim bank in reaching this agreement in principle, which demonstrates a mutual commitment in line with the goal/objective of restoring public debt sustainability consistent with the IMF-supported program.

The Sri Lankan authorities hope that this landmark achievement will provide an anchor to their ongoing engagement with the Official Creditor Committee and commercial creditors, including the bondholders. It should also facilitate approval by the IMF Executive Board of the first review of the IMF-supported program in the coming weeks, allowing for the next tranche of IMF financing of about US$334 million to be disbursed.

The Secretary to the Treasury Mr. K M Mahinda Siriwardana issued the following statement:

“Yesterday marked a big step for Sri Lanka as we reach this landmark agreement in principle on debt treatment terms with our largest single creditor. We thank China Exim bank for the support in resolving our country’s debt situation. This agreement constitutes a key milestone in Sri Lanka’s ongoing efforts to foster its economic recovery.”

In the next few weeks, the Sri Lankan authorities and China Exim bank will actively work on formalizing and implementing the agreed parameters of the debt treatment.