



Treaty Series No. 60 (2025)

Debt Agreement No. 1 (2025)

between the United Kingdom of Great Britain and Northern Ireland and the
Democratic Socialist Republic of Sri Lanka

Colombo, 26 June 2025 and 22 August 2025

[The Agreement entered into force 22 August 2025]

*Presented to Parliament
by the Secretary of State for Foreign, Commonwealth and Development Affairs
by Command of His Majesty
October 2025*



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**DEBT AGREEMENT NO. 1 (2025) BETWEEN THE UNITED KINGDOM OF
GREAT BRITAIN AND NORTHERN IRELAND AND THE DEMOCRATIC
SOCIALIST REPUBLIC OF SRI LANKA**

Note No.1

*British High Commission Colombo to the Sri Lankan Ministry of Foreign
Affairs, Foreign Employment and Tourism*

*Colombo
26 June 2025*

Note No: 128

The High Commission of the United Kingdom of Great Britain and Northern Ireland presents its compliments to the Ministry of Foreign Affairs, Foreign Employment and Tourism of the Democratic Socialist Republic of Sri Lanka and has the honour to refer to the Memorandum of Understanding on the Debt Restructuring of the Democratic Socialist Republic of Sri Lanka which was signed in Paris on 26 June 2024.

The Government of the United Kingdom of Great Britain and Northern Ireland is prepared to provide debt relief to the Government of the Democratic Socialist Republic of Sri Lanka on the terms and conditions set out in the attached Annex.

If these terms and conditions are acceptable to the Ministry of Finance, Planning and Economic Development of the Democratic Socialist Republic of Sri Lanka, I have the honour to propose that this Note together with its Annex, and the Ministry's reply to that effect, shall constitute an Agreement between our two Governments in this matter which shall be known as 'The United Kingdom/Sri Lanka Debt Agreement No.1 (2025)' and which shall enter into force on the date of reply.

The High Commission of the United Kingdom of Great Britain and Northern Ireland avails itself of this opportunity to renew to the Ministry of Foreign Affairs, Foreign Employment and Tourism of the Democratic Socialist Republic of Sri Lanka the assurance of its highest consideration.

ANNEX

SECTION 1

Definitions and Interpretation

- (1) In this Annex, unless the contrary intention appears:
- (a) **"Business Day"** means (i) in respect of Debt whose Currency is the US dollar, a day on which banks are open for domestic and foreign exchange business in London and New York and (ii) in respect of Debt whose Currency is the Japanese yen, a day on which banks are open for domestic and foreign exchange business in London and Tokyo;
 - (b) **"Claw-back Event"** means any of the events listed in Article IV (2) of the MoU;
 - (c) **"Contract"** means a contract, including any contract or agreement supplemental thereto, entered into before 18 March 2022, the parties to which include a Debtor and a Creditor and which either was for the sale of goods and/or services from outside the Democratic Socialist Republic of Sri Lanka to a buyer in the Democratic Socialist Republic of Sri Lanka, or was for the financing of such a sale, and which in either case granted or allowed credit to the Debtor for a period exceeding one year;
 - (d) **"Creditor"** means a person or body of persons or corporation resident or carrying on business in the United Kingdom, the Channel Islands or the Isle of Man, or any successor in title thereto;
 - (e) **"Currency"** means in relation to the Debt specified in Section 2(1)(a) the currency specified in the relevant Contract;
 - (f) **"Debt"** means any of the payments of principal and interest (including accumulated arrears and, as applicable, other charges related to those arrears) to which by virtue of the provisions of Section 2(1), the provisions of this Annex apply.
 - (g) **"Debtor"** means the Government of the Democratic Socialist Republic of Sri Lanka whether as primary debtor or as guarantor or any person or body of persons or corporation resident or carrying on business in the Democratic Socialist Republic of Sri Lanka or any successor in obligation to that debtor;
 - (h) **"Deferral Event"** means any climate incident, natural disaster, pandemic or epidemic which in the opinion of the Department has, or could reasonably be expected to have, an adverse impact on the ability of the Democratic Socialist Republic of Sri Lanka to make the payments contemplated under this Annex;
 - (i) **"Department"** means His Majesty's Secretary of State acting through the Export Credits Guarantee Department (operating as UK Export Finance) or

any other department or entity that the Government of the United Kingdom may subsequently nominate to perform the functions of UK Export Finance;

- (j) **"Maturity"** means the date on which a Debt fell due for payment and under Section 2(1)(a) Maturity means the date for the payment or repayment of amounts due under the relevant Contract;
 - (k) **"Memorandum of Understanding" or "MOU"** means the Memorandum of Understanding on the Debt Restructuring of the Democratic Socialist Republic of Sri Lanka which was signed in Paris on 26 June 2024;
 - (l) **"Ministry"** means Ministry of Finance, Planning and Economic Development or any other institution which the Government of the Democratic Socialist Republic of Sri Lanka may nominate for this purpose;
 - (m) **"OCC"** means the official bilateral creditor committee formed on 9 May 2023 by representatives of the official bilateral creditors of the Democratic Socialist Republic of Sri Lanka, specifically Australia, Austria, Belgium, Canada, Denmark, France, Germany, Hungary, India, Japan, Korea, the Netherlands, Russia, Spain, Sweden, the United Kingdom and the United States of America to act jointly, co-chaired by France, India and Japan, to address the Sri Lankan Government's request for a debt treatment;
 - (n) **"Sri Lanka"** means the Democratic Socialist Republic of Sri Lanka; and
 - (o) **"United Kingdom"** means the United Kingdom of Great Britain and Northern Ireland.
- (2) All interest payable pursuant to this Annex shall be calculated on the basis of actual days elapsed and a year of 360 days.
- (3) Where the context of this Annex so allows, words importing the singular include the plural and vice versa.
- (4) Unless otherwise indicated, reference to a specified Section shall be construed as a reference to that Section of this Annex.
- (5) The headings to the Sections are for ease of reference only.

SECTION 2

The Debts

(1) The provisions of this Annex shall, subject to the provisions of paragraph 2 and 3 of this Section and Article II paragraph 2 of the MOU, and apply to:

- (a) Any amount, whether of principal or interest (including accumulated arrears and, as applicable, other charges related to those arrears) accruing up to Maturity, which is owed by a Debtor to a Creditor and;
 - (i) arises under or in relation to a Contract;
 - (ii) is guaranteed by the Department as to payment according to the terms of the Contract; and
- (i) is not expressed by the terms of the Contract to be payable in the lawful currency of Sri Lanka.

For the avoidance of doubt, interest on accumulated arrears of Debt prior to 26 June 2024 shall be charged at 2.1% from the date the Debt is crystallised by the Department until the date it is capitalised and refinanced under this Annex (this date being 26 June 2024).

(2) The Department and the Government of Sri Lanka shall, as soon as possible, agree and draw up a list of Debts ("**the Debt List**") to which this Annex shall apply.

- (a) The Debt List will set out all Debt accrued under the Contracts. For Debt which is due and not paid as at the date of this Annex, the Debt List will state the principal value of the Debt with interest to be calculated and advised in accordance with paragraph 1 of this Section. The Debt List will be reviewed on a regular basis and amended by the Department in accordance with paragraph 3 of this Section. Any other amendments can only be made to the Debt List with the written agreement of both the Department and the Government of Sri Lanka. Delay in the completion of the Debt List shall neither prevent nor delay the implementation of the other provisions of this Annex.

(3) Debt which had been crystallised by the Department as of 26 June 2024 shall represent the opening balance refinanced under this Annex. All other Debt will be refinanced in accordance with the provisions of Section 2(2) and Section 3 as each instalment of Debt falls due based on the date the Department settles or has settled a valid claim from covered lenders in relation to the Maturity under the Contract and will be added to the balance refinanced under this Annex.

SECTION 3

Debt Reduction and Payment

The Government of Sri Lanka shall pay to the Department, in accordance with the

provisions of Section 6(1), the following:

- (1) For instalments of Debt forming the balance prior to 5 January 2028 the Government of Sri Lanka shall pay to the Department, in accordance with the provisions of Section 6(1), the proportion of each Debt specified in Sections 2(2) and (3) on the following dates and in the following percentages:

- (a) 1.5% on 5th January 2028;
- (b) 1.5% on 5th July 2028;
- (c) 1.5% on 5th January 2029;
- (d) 1.5% on 5th July 2029;
- (e) 1.5% on 5th January 2030;
- (f) 1.5% on 5th July 2030;
- (g) 1.5% on 5th January 2031;
- (h) 1.5% on 5th July 2031;
- (i) 1.5% on 5th January 2032;
- (j) 1.5% on 5th July 2032;
- (k) 1.5% on 5th January 2033;
- (l) 1.5% on 5th July 2033;
- (m) 1.5% on 5th January 2034;
- (n) 1.5% on 5th July 2034;
- (o) 4% on 5th January 2035;
- (p) 4% on 5th July 2035;
- (q) 4% on 5th January 2036;
- (r) 4% on 5th July 2036;
- (s) 4% on 5th January 2037;
- (t) 4% on 5th July 2037;
- (u) 4% on 5th January 2038;
- (v) 4% on 5th July 2038;
- (w) 5.875% on 5th January 2039;(x)
5.875% on 5th July 2039;
- (y) 5.875% on 5th January 2040;(z)
5.875% on 5th July 2040; (aa)
5.875% on 5th January 2041;
- (bb) 5.875% on 5th July 2041; (cc)
5.875% on 5th January 2042;
- (dd) 5.875% on 5th July 2042.

- (2) For instalments of Debt forming a balance (stock) after 5 January 2028, the Government of Sri Lanka shall pay to the Department, in accordance with the provisions of Section 6(1), this stock of Debt following the amortisation schedule in Section 3(1) and as specified in Sections 2(2) and (3). The residual balance of capital outstanding on 5 July 2042, shall be paid on top of and together with the last planned repayment as specified in Section 3(1).

SECTION 4

Interest

- (1) Interest on the balance of each Debt shall be deemed to have accrued and shall continue to accrue and be payable from the Maturity set out in each Contract until the complete payment of that Debt, in accordance with Section 3.
- (2) The Government of Sri Lanka shall be liable for and shall pay to the Department interest on each Debt until such Debt has been settled by payment to the Department.
- (3) Interest accruing from 26 June 2024 shall be paid half-yearly on 5 January and 5 July (each, a "**Due Date**") each year commencing 5 January 2025.
- (4) Interest payable in accordance with the provisions of paragraph 2 of this Section shall be paid at the rate of 2.1% per annum.
- (5) If any amount of interest payable in accordance with the provisions of paragraph (2) of this Section is not paid on the relevant Due Date for payment thereof, the Government of Sri Lanka shall pay to the Department interest on any such amount of overdue interest. Such additional interest shall accrue at the 2.1% per annum plus one per cent (1%) from day to day from the Due Date and until the date of receipt of the payment by the Department, and shall be due without further notice or demand.
- (6) If any amount of Debt payable in accordance with the provisions of Section 3 is not paid on the relevant Due Date, the Government of Sri Lanka shall pay the Department interest on such outstanding amount. Such additional interest shall be in addition to the interest payable under paragraph (2) of this Section. It shall accrue at the rate of 2.1% per annum plus one per cent (1%) and be payable from day to day from the Due Date and until the date of receipt of the payment by the Department, and shall be due without further notice or demand.

SECTION 5

Claw-back and Late Interest

- (1) If, following the occurrence of a Claw-Back Event, the OCC declares the provisions of the MoU as null and void (the "**MoU Ineffective Date**"), Section 3 of this Annex will no longer apply to the Debts and:
 - (a) Debts with a Maturity prior to the MoU Ineffective Date will become due and payable immediately taking into account any payments made by the Government of Sri Lanka between signing of the MoU and the MoU Ineffective Date; and
 - (b) Debts with a Maturity after the MoU Ineffective Date will become due and payable in accordance with the terms of the relevant Contract.
- (2) Late interest on the balance of each Debt payable in accordance with (1) above shall accrue at a rate of five percent per annum (5% p.a.) from Maturity until the effective repayment date ("**Late Interest**"), provided that no Late Interest shall accrue as a result of the operation of Section 6(2) of this Annex.

(3) Late Interest shall be due and payable immediately on demand.

SECTION 6

Payments to the Department

(1) When payment becomes due under the terms of Section 3 or Section 4 of this Annex, the Ministry shall arrange for the necessary amounts, without deduction of taxes, fees, other public charges or any other costs incurred outside the United Kingdom, to be paid in the Currency of each Debt to the account notified by the Department to the Ministry.

(2) If the day on which such a payment falls due is not a Business Day payment shall be made on the succeeding Business Day.

(3) The Ministry shall give the Department full particulars of the Debts and/or interest and compensation to which the payments relate.

SECTION 7

Exchange of Information

The Department and the Ministry shall exchange all information required for the implementation of this Annex.

SECTION 8

Other Debt Settlements

(1) The Government of Sri Lanka undertakes to fulfil its commitments under Article III of the MOU and agrees to accord to the Government of the United Kingdom terms no less favourable than those agreed with any other creditor as set out in Article III of the MOU, notwithstanding any provision of this Annex to the contrary.

(2) The provisions of paragraph (1) of this Section shall not apply to matters relating to the payment of Late Interest under Section 5.

SECTION 9

Preservation of Rights and Obligations

(1) This Annex and its implementation shall not affect the rights or obligations of any Creditor or Debtor under a Contract other than those rights and obligations in respect of which the Government of the United Kingdom and the Government of Sri Lanka are authorised to act respectively on behalf of and to bind such Creditor

and Debtor.

(2) For so long as the MoU remains in force the Department shall:

- (a) waive any breach, default and/or event of default which is continuing (however described); and
- (b) not take any action in respect of its enforcement rights under any Contract subject to the terms of this Annex

In respect of:

- (c) Any failure by the Relevant Debtor(s) to pay the Debt(s) arising under each relevant Contract and subject to the terms of the MoU;
 - (d) Any moratorium declared by the Democratic Socialist Republic of Sri Lanka related to (c); and
 - (e) The commencement of any litigation against the Government of Sri Lanka prior to date of this Annex due to any moratorium referred to in (d) above including in connection with the international sovereign bonds of the Government of Sri Lanka currently subject to a moratorium. The Department fully reserve our rights and remedies in relation to defaults not expressly waived in this Annex including but not limited to any defaults occurring after the date of this Annex in relation to (i) the determination of any litigation commenced before the date of this Annex that would prevent the Government of Sri Lanka from implementing any of its commitments under this Annex, particularly its payment obligations; (ii) the failure of the Government of Sri Lanka or any sovereign Sri Lankan debtors to comply with any court judgment or arbitral awards that would prevent the Government of Sri Lanka from implementing any of its commitments under this Annex, particularly its payment obligations and (iii) the commencement of any other litigation or proceedings against the Government of Sri Lanka or sovereign Sri Lankan debtors.
- (3) Without prejudice to (2), nothing in this Annex shall affect the rights of the Department in respect of the occurrence of any other event or circumstance, whether now or occurring in the future, which is or may constitute a breach, default and/or an event of default and which has not been remedied or waived or which arises on or after the date of this Annex.

SECTION 10

Request for Debt Deferral

If a Deferral Event impacts the ability of Sri Lanka to make payments between 26 June 2024 and 5 July 2042, inclusive, the Department may examine, at the request of Sri

Lanka, the granting of additional debt relief to Sri Lanka.

Such additional debt relief, if granted by the Department, would constitute a deferral of payments due over an agreed one-year period, such payments (including interest) to be made on agreed dates over a period of five years from the end of such one-year period. This arrangement would be delivered through an Amendment to this Annex.

Note No.2

Sri Lankan Ministry of Finance to the British High Commission Colombo

Colombo

22 August 2025

ER/AE/DR/UK:02

Your Excellency,

I have the honour to acknowledge receipt of Your Excellency's Note of 26 June 2025 which in translation reads as follows:

‘As Above – UK Note and Annex’

I have the honour to confirm that the terms and conditions set out in the Annex to your Note are acceptable to the Government of the Democratic Socialist Republic of Sri Lanka, and that your Note together with its Annex, and this reply, constitute an Agreement between our two Governments in this matter which shall be known as 'The United Kingdom/The Democratic Socialist Republic of Sri Lanka Debt Agreement No 1 (2025)' and which shall enter into force from today.

I have the honour to convey to Your Excellency the assurance of my highest consideration.

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