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EXTRAORDINARY

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PART I : SECTION (I) — GENERAL
Government Notifications

L.D.B 15/2024

PUBLIC DEBT MANAGEMENT ACT, No. 33 of 2024

REGULATIONS made by the President under section 35 of the Public Debt Management Act, No 33 of 2024 read with sections 19, 20, 21, 22 and 23 of that Act and the proviso to paragraph (3) of Article 44 of the Constitution of the Democratic Socialist Republic of Sri Lanka, on the recommendation of the Public Debt Coordination Committee.

ANURA KUMARA DISSANAYAKE,
President.

Colombo,
30th June, 2025.

Regulations

1. These regulations may be cited as the Public Debt Management Regulations No.1 of 2025.
2. An entity intending to make an application for a loan guarantee agreement shall submit the following documentation to the Public Debt Management Office (hereinafter referred to as the “Office”) :-



- (a) audit reports and audited annual financial statements of the past three years, where the audit for the immediate past year has not been completed, unaudited financial statement for the immediate past financial year;
 - (b) most recent interim financial statements;
 - (c) business plans and key financial and non-financial targets for the next three years, approved by the competent authority as applicable;
 - (d) debt service projections for the entire term of the borrowing underlying the request;
 - (e) cash-flow projections of the entity and the project for the entire term of the borrowing underlying the request;
 - (f) detailed breakdown of outstanding debt stock (guaranteed, non-guaranteed and on- lent, by currency, by creditor);
 - (g) terms and conditions (including maturity and interest rate) of each outstanding debt;
 - (h) feasibility study report of the investment project approved by the competent authority as applicable;
 - (i) commitment by the applicant to open a project account and to use the project account for making debt payments should the request be approved; if applicable ;
 - (j) board resolution for the application if applicable;
 - (k) the relevant Cabinet Memorandum and its approval; and
 - (l) any other information that might be deemed necessary by the Office to conduct credit and currency risk.
3. The applicable ceiling is the guarantee limit specified in section 17 of the Public Financial Management Act, No. 44 of 2024.
4. The Office shall assess the credit risk of the loan guarantees by using a credit risk assessment method based on international best practice approved by the Cabinet of Ministers.
5. Guarantee Fees shall be set as a percentage of the total contractual amount or outstanding amount of debt guaranteed under the agreement. Such percentage shall be determined based on the credit risk assessed by the Office which will cover the expected losses to the Government from the guarantees and which shall be credited to the Consolidated Fund.
6. Any Licensed Commercial Bank or a Licensed Financial company registered under the relevant Laws of Sri Lanka shall be eligible to serve as the financial institution for the purpose of hosting the beneficiary's project account.
7. The Office shall prepare and share with the Minister, the draft loan guarantee agreement which include the following: -
 - (a) the guaranteed amount;
 - (b) the fees for loan guarantees;
 - (c) the beneficiary's agreement to indemnify for any amounts paid under a loan guarantee if called, and to fully disclose any information required;
 - (d) the beneficiary's agreement to make debt service payments in accordance with the debt payment plan in the agreement, meet terms and conditions of the loans, repay any amount paid by the Government under a guarantee, if called, and pay penal interest if applicable;
 - (e) the name of the bank that will host the project account and its expected functions (including ensuring the conformity of fund withdrawing documents, monitoring of the account balance and reporting to the Ministry). Where the beneficiary is a Provincial Council or a Local Authority, it shall not be required to open a project account; and
 - (f) the beneficiary's agreement to comply with reporting requirements in accordance with section 23 of the Act.

8. An entity intending to make an application for on-lending shall submit the following:-
- (a) audit reports and audited annual financial statements of the past three years, where the audit for the immediate past year has not been completed, unaudited financial statement for the immediate past financial year;
 - (b) most recent interim financial statements;
 - (c) debt service projections for the entire term of the borrowing underlying the request;
 - (d) business plans and key financial and non-financial targets for the next three years, approved by the competent authority as applicable;
 - (e) cash-flow projections of the entity and the project for the entire term of the borrowing underlying the request;
 - (f) detailed breakdown of outstanding debt stock (guaranteed, non-guaranteed and on-lent, by currency, by creditor);
 - (g) terms and conditions (including maturity and interest rate) of each outstanding debt;
 - (h) feasibility study report of the investment project approved by the competent authority as applicable;
 - (i) commitment by the applicant to open a project account and to use the project account for making debt payments should the request be approved, if applicable;
 - (j) board resolution for the application, if applicable;
 - (k) the relevant Cabinet Memorandum and its approval; and
 - (l) any other information that may be deemed necessary by the Office to conduct credit and currency risk assessment.
9. On-lending shall be provided in line with the requirements specified in section 13 of the Public Financial Management Act, No. 44 of 2024 that public debt is reduced to, and maintained at a sustainable level.
10. The Office shall assess the credit risk of the on-lending by using a credit risk assessment method based on internationally recognized best practices approved by the Cabinet of Ministers.
11. The Office shall require beneficiaries of on-lending to pay an additional premium over the interest rate of the original loan to cover funding cost, currency risk and credit risk associated with the beneficiaries. The premium shall be credited to the Consolidated Fund.
12. Any Licensed Commercial Bank or a Licensed Financial Company registered under the relevant Laws of Sri Lanka shall be eligible to serve as the financial institution for the purpose of hosting the beneficiary's project account.
13. The Office shall prepare the draft on-lending agreement which shall include the following:-
- (a) the on-lent amount;
 - (b) premium for on-lending;
 - (c) the terms and conditions of the subsidiary loan agreement, including the rate of interest;
 - (d) the name of the bank that will host the project account and its expected functions (including ensuring the conformity of fund withdrawing documents, monitoring of the account balance and reporting to the Ministry). Where the beneficiary is a Provincial Council or a Local Authority, it shall not be required to open a project account; and
 - (e) the beneficiary's agreement to comply with reporting requirements in accordance with Section 23 of the Act.
14. A Supplier's Credit Agreement shall come under the purview of the Office where the total estimated cost of the project is greater than ten million rupees.

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PART I : SEC. (I) - GAZETTE EXTRAORDINARY OF THE DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA - 30.06.2025

15. Every such project shall be included in the Public Investment Programme as defined in the Public Financial Management Act, No. 44 of 2024.
16. A Finance Lease Agreement, shall come under the purview of the Office where the tenure of the Finance Lease Agreement is greater than one year.
17. In these regulations -

“Act” means the Public Debt Management Act, No. 33 of 2024;

“applicable ceiling” means the guarantee limit as stipulated and defined in the Public Financial Management Act, No. 44 of 2024; and

“competent authority “ means an official body, organization, or agency that possesses the legal authority, expertise, or designated responsibility to make decisions, enforce regulations, or oversee the operations of an entity.

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