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இலங்கை மத்திய வங்கி
CENTRAL BANK OF SRI LANKA

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Press Release

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The Parliament of Sri Lanka passes the resolution to raise Rs. 310 billion by way of loans in or outside Sri Lanka for Active Liability Management by the Government of Sri Lanka

The Parliament on 26.10.2018 resolved under section 3 of the Active Liability Management Act of 2018 (ALMA) that "a sum not exceeding Rs. 310.0 billion may be raised by the Government of Sri Lanka (GOSL) by way of loans, in or outside Sri Lanka for such purposes as specified in the provisions of the Active Liability Management Act No 8 of 2018".

The GOSL is fully cognizant of its outstanding debt liabilities denominated in foreign and local currencies. In view of the necessity for institutionalizing a legal framework for managing the country's public debt profile in a prudent manner that brings debt sustainability and macroeconomic stability amidst potential impact of exogenous and endogenous shocks, the Parliament enacted the ALMA in March 2018. The ALMA provides the legal framework for GOSL to raise loans in or outside Sri Lanka for management of public debt in terms of relevant laws, including the Monetary Law Act No. 58 of 1949, the Local Treasury Bills Ordinance (Chapter 417), Registered Stocks and Securities Ordinance (Chapter 420), and the Foreign Loan Act No. 29 of 1957.

The Active Liability Management framework of GOSL is focused on acting in advance, to re-finance and/ or pre-finance debt repayable beyond the financial year covered under the Annual Appropriation Act. The Liability Management Strategy of GOSL is planned to be implemented to ease the repayment of debt in the future and ensure that such repayments are done at the lowest possible cost in line with the Government's cash flow, prevailing and expected interest rates and the future maturities of public debt.

The Active Liability Management Framework duly approved by the Cabinet of Ministers together with the resolution passed by the Parliament to raise Rs. 310 billion by way of loans in or outside Sri Lanka for Active Liability Management now provides much needed legal framework for GOSL and the Central Bank of Sri Lanka (CBSL) to adopt strategies depending on the market conditions such as, but not limited to:

(a) buy-back or early repayment of identified loans,

(b) issue of new loans at low interest rates in place of outstanding loans obtained at higher interest rates,

(c) lengthening of the maturity or repayment period of identified loans on new terms by way of switches and /or exchanges,

(d) consolidation or conversion of identified loans into new loans on new terms,

(e) raising of new loans outside the given financial year's borrowing limit approved by the Parliament under the Annual Appropriation Act to benefit from prevailing favorable market conditions and to use such proceeds for early repayment of existing loans obtained at unfavorable terms,

(f) maintenance of dedicated bank accounts, i.e. in rupee and foreign currency, to ringfence the money so raised under the resolution passed by the Parliament under section 3 of ALMA, and

(g) invest surplus funds in above mentioned bank accounts in appropriate liquid assets.

The GOSL and the CBSL have already initiated the necessary action within the Active Liability Management Strategy formulated within the legal framework set out under

ALMA to diversify market based foreign funding sources to jurisdictions such as the Chinese Panda market, Japanese Samurai market and the very liquid Sukuk market. The GOSL and the CBSL are confident that the Liability Management Strategy being adapted would enable the debt management authorities to proactively address refinancing requirements in coming years and to extend maturity duration of both domestic and foreign debt in a cost-effective manner.