

## **Statement by the Former Minister of Finance Mangala Samaraweera**

### **Raising the Borrowing Limit Imperative for Fighting COVID-19**

**Due to legal complications, there may also be delays in drawing down the USD 128 million (Rs. 24.4 billion) soft-loan granted by the World Bank Group for fighting COVID-19.**

For the period of January 01, 2020 to April 02, 2020, the Government has borrowed Rs. 650.15 billion through Sri Lanka Development Bonds, a dollar-loan from the China Development Bank and primary auctions of Treasury bills and Treasury bonds. Furthermore, Central Bank holdings of Government securities and other data on Central Bank open-market-operations suggest significant direct monetary financing of the deficit. This will add to the sum of government borrowings.

The borrowing limit, approved by a resolution of Parliament on 23 October 2019 for the period 1 January 2020 to 30 April 2020, is Rs. 721 billion. Last year, the Treasury issued Rs. 194 billion in bills and bonds between 3 April 2019 and 30 April 2019. Therefore, it is almost certain that a breach of the borrowing limit is imminent.

Once the borrowing limit is reached, there will be no legal authority under which public debt can be issued. As a result, the government may face insurmountable challenges in raising the funds necessary for managing this crisis. Due to these legal complications, there may also be delays in drawing down the USD 128 million (Rs. 24.4 billion) soft-loan granted by the World Bank for fighting COVID-19.

Therefore, in light of these urgent and unforeseen requirements arising from the pandemic, I urge the government to immediately move a resolution in Parliament to raise the borrowing limit. I am certain the entire Parliament will support such a resolution that responsibly increases the borrowing limit.

**08.04.2020**