

LANKA 'BANKING ON' \$1 BN INDIA SWAP DEAL

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Sri Lanka is "banking on" a \$1 billion currency swap from India to meet its debt repayment obligations this year and tide over the current economic crisis, a senior official of the Central Bank of Sri Lanka said.

The island nation has already serviced part of its debt this year, and is preparing to repay the remaining more than \$3 billion over the next six months, officials said. With an international sovereign bond maturing soon, a \$1 billion repayment is due in July.

"We are expecting a \$400 million swap from the Reserve Bank of India in a couple of months through the SAARC facility," said the official, who spoke on condition of anonymity given the sensitivity of the ongoing bilateral negotiations. "But the additional \$1 billion is going to be crucial for us," the official added.

Sri Lankan President Gotabaya Rajapaksa had in May 2020 asked Prime Minister Narendra Modi for a "special" \$1.1-billion currency swap to help the country boost its foreign reserves.

"It has been more than a year... it is a decision that has to be taken by the political leadership in India, it is beyond the RBI," the Sri Lankan central banker said.

While official sources in New Delhi earlier indicated that negotiations on the issue were "ongoing", the Indian government is yet to respond to both President Rajapaksa's request, as well as Prime Minister Mahinda Rajapaksa's February 2020 request for a debt freeze, even as bilateral talks have continued at high levels.

On June 21, Sri Lanka's Foreign Minister Dinesh Gunawardena, held a telephone conversation with his counterpart S. Jaishankar, during which they agreed to co-operate on "common issues in the region", Sri Lanka's Ministry of Foreign Affairs said in a statement. The release made no mention of Colombo's pending requests for economic assistance.

Meanwhile, the Governor of the Central Bank of Sri Lanka on Tuesday said in a statement that the country was focussed on managing its debt service obligations this year. Sri Lanka's gross official reserves currently stand at \$4 billion, excluding the "standby" about \$1.5 billion swap agreement with the People's Bank of China.

On inflows, Governor W. D. Lakshman said a \$250 million swap from the Bangladesh Bank was expected in July and the \$400 million SAARC facility from the RBI was expected in August.

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