

CB confirms SL looking to lower lending category to gain access to concessional funding

26 October 2022 07:12 am - 11 - 2844



By Shabiya ali Ahlam

The Central Bank yesterday confirmed that the government is embarking on the process towards reverse

graduation so that the forex-starved country has improved and wider access to concessional loans.

However, Sri Lanka will not be looking to downgrade its position in terms of its income status, but instead will be looking to 'reverse graduate' in its lending category, and discussions are underway with the World Bank (WB) for the same.

A downgrade in income status is not possible as it is determined by the WB based on the per capita income, which should be below US\$ 1,045 to be demoted to the lower middle-income category.

Sri Lanka has been listed under the lower middle-income category since July 2020, after being downgraded from the upper-middle income status it received a year ago.

Responding to a query at the launch of the State of the Economy 2022 report, at which the Central Bank Governor Dr. Nandalal Weerasinghe was a keynote speaker, he said the move is necessary for Sri Lanka in the current scenario.

"The World Bank is certainly willing to help us once we get the IMF support. But, the limitation is that they can't increase concessions in IBRD (International Bank for Reconstruction and Development) access. So the way to enhance access to concessions is through reverse graduation," said. Dr. Weerasinghe. "Once we restore debt sustainability, we will have access to a mix of concessions. We (Sri Lanka) will not be reclassified (as a lower income nation). We will still be a middle-income country," he added.

Sri Lanka currently falls in the IBRD lending category, after it was upgraded to the middle-income level.

Until 2017, Sri Lanka was classified under International Development Association (IDA), through which Sri Lanka had access to concessional funding. The IDA is a member of the WB group and offers loans and grants to the world's poorest developing countries. An IDA graduation policy paper by the WB highlighted that reverse graduation is typically experienced by countries that have poor macro-economic management combined with volatile international commodity prices, over-borrowing on non-concessional terms in boom years, and a downturn in the global economy.

While graduation is a sign of success, the WB in its previously published policy papers have cautioned that reverse graduation would adversely affect the reputations of the countries and their governments and is disruptive for planning purposes.



Dr. Nandalal Weerasinghe
Pic by Kithsiri de Mel

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Athk69 Wednesday, 26 October 2022 05:46 AM

Reverse graduation? Falling too little too short. What is before the lowest category? That maybe a more suitable placement for Sri Lanka.

Reply

Punchi Wednesday, 26 October 2022 08:11 AM

I read somewhere that DS Senanayake once told GG Ponambalam that Tamils cannot have rights only concessions approved by the majority. Now 74 years later as a country we are looking for anything concessionary - Loans's, fuel etc. Also we have given territorial concessions like Hambantota port and its environs to overseas countries. The East India Company started out with trading post and went on to rule almost the entire sub continent

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Jude Wednesday, 26 October 2022 09:03 AM

Hey Nandalal, you should move back to downunder!! Yeah!!

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Nihal Amarasekera Wednesday, 26 October 2022 09:42 AM

Reverse gazette era to Reverse graduation

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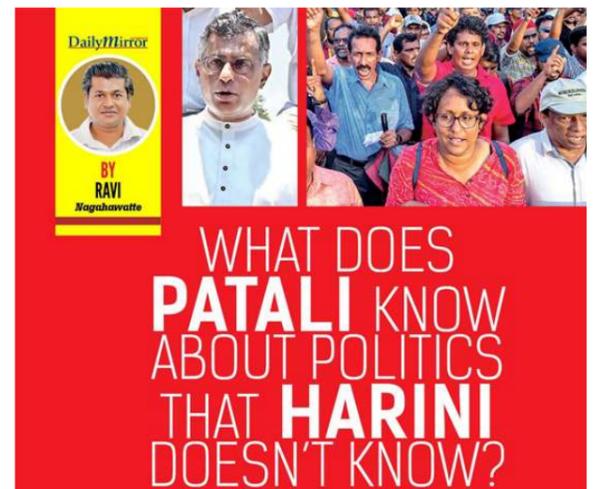
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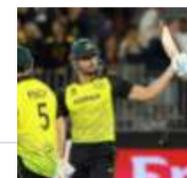
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