

ANNUAL BORROWING PLAN 2026

CONTENT

LEGAL
REQUIREMENT
FOR THE
PUBLICATION OF
ANNUAL
BORROWING PLAN
(ABP)

The legal foundation for the preparation of the ABP has been established under the Public Debt Management Act No. 33 of 2024 (PDMA), which mandates that the ABP be formulated in alignment with the Medium Term Debt Management Strategy (MTDS). Accordingly, pursuant to Section 15 of the PDMA, the Public Debt Management Office (PDMO) is required to prepare an ABP for each financial year to meet the aggregate borrowing requirements of the Government of Sri Lanka in accordance with the Appropriation Act for that year. Furthermore, the PDMA stipulates that the borrowing plan must be reviewed at least semiannually.

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1. INTRODUCTION

Preparation of a clear and actionable plan through an Annual Borrowing Plan (ABP) for the year ahead is a primary requirement to ensure effective implementation of the Medium-Term Debt Management Strategy (MTDS). The ABP serves as a single-year financing strategy designed to meet the Government's Gross Financing Needs (GFN) for the respective fiscal year.

The ABP supports the debt manager's primary objective to ensure that the Government's financing requirements, including debt service obligations, are met in a timely manner and at the lowest possible cost, subject to a prudent level of risk. Taking into account projections of revenues, expenditures, and debt service payments, the ABP outlines the financing strategy to meet the GFN for the upcoming year. In this regard, the ABP operationalizes the first-year implementation of the MTDS.

The ABP is a fundamental component of the Government's borrowing framework. It sets out the objectives, principles, and guidelines governing the Government's domestic and external borrowings for the given fiscal year.

The ABP - 2026 outlines the Government's borrowing strategy and proposed borrowing mix for the year 2026, focusing on meeting financing needs while minimizing borrowing costs and managing associated risks. The ABP - 2026 is fully aligned with the Medium-Term Debt Management Strategy for 2026–2030 (MTDS-2026-2030).

In compliance with the PDMA, a detailed version of ABP - 2026 including the tentative instruments to be used, sources of borrowing, and the indicative timing of borrowing operations will be published prior to the commencement of the 2026 financial year.

*As per Section 2 (b) of the Appropriation Bill, 2026, the difference between the total short-term borrowing raised during the financial year 2026 and the total settlement of short-term borrowing made during the financial year 2026 shall only be considered in deciding the volume of short-term borrowing for the purposes of calculating the borrowing made during the financial year 2026. Accordingly, the redemptions of T-bills has not been included for the amount required for the debt repayment.

** Excluding the T-bills to be matured within the year 2026. As per the estimation, there are LKR 3,600 billions of T-bills to be matured within the year 2026 and it has been considered in deciding the borrowing composition.

2. Borrowing Requirement

TABLE 01: Gross Financing Needs -2026

	2026 Estimate LKR billion	
Primary Expenditure		4,485
Recurrent Expenditure	3,105	
Capital Expenditure	1,380	
Government Debt Servicing		4,495
Interest Payment	2,617	
Debt Repayment*	1,878	
Provisions for Advanced Account Operations		10
Total Expenditure		8,980
Total Revenue		5,355
Adjustment for Book /Cash Value for Government Securities		105
Gross Financing Requirement**		3,740
Domestic Financing	3,040	
External Financing	700	
Gross Borrowing Limit as per the Appropriation Bill		3,740

According to Table 01, the government's total borrowing requirement for 2026 is estimated at LKR 3,740 billion, excluding the LKR 3,600 in Treasury bills (T-bills) maturing during the year. The Government plans to settle LKR 500 billion of these maturing T-bills using available cash reserves, thereby reducing the T-bills amount to be refinanced through the market to LKR 3,100 billion. Consequently, the total financing requirement, including the refinancing of maturing T-bills, is projected at LKR 6,840 billion for 2026.

Total estimated expenditure of the Government which is LKR 8,990 billion in 2026 to be financed through tax and non-tax revenues, grants and debt. Revenue and grants are projected at LKR 5,355 billion leaving a deficit of LKR 3,740 billion. This will be financed through external and domestic borrowings of LKR 700 billion and LKR 3,040 billion, respectively (Table 01).

The external gross borrowing of LKR 700 billion relates to projected disbursements on already contracted loans and new borrowing from multilateral and bilateral lending agencies, while domestic borrowing of LKR 3,040 billion relates to new debt to be raised from the domestic market through issuances of Government securities in 2026.

3. Borrowing Composition

Figure 01 : Borrowing Composition – 2026 (By Currency)



Figure 02 : Borrowing Composition – 2026 (By Residency)



External Financing

In 2026, the Government plans to finance LKR 700 billion, through external sources. Of this, the Government expects to receive LKR 490 billion from external multilateral and bilateral lending agencies including LKR 250 billion from Asian Development Bank, LKR 50 billion from the World Bank and LKR 190 billion from other bilateral and multilateral sources for project and program financing. The additional LKR 210 billion as the 7th and 8th tranches of the Extended Fund Facility from the International Monetary Fund (IMF).

Domestic Financing

In 2026, 90 percent of the total financing requirement, amounting to LKR 6,140 billion, is projected to be raised through domestic market. This financing will be secured via the issuance of Government securities through public auctions. Treasury bonds primarily will serve as the medium- and long-term domestic debt instrument for the year. The Government intends to raise LKR 2,940 billion by issuing LKR-denominated Treasury bonds in the domestic market, with maturities ranging from 3 years to 15 years. The Government also plans to issue LKR 100 billion worth of FX-denominated Treasury bonds in the domestic market during the year, with maturities of up to 3 years. Treasury bills, amounting to LKR 3,100 billion will serve as the short-term instruments with maturities of up to one year. The Government plans to issue Treasury bills with maturities of 91 days, 182 days, and 364 days in the domestic market. The auction calendar for 2026 will be developed and published by the Public Debt Management Office on a quarterly basis, with updates for each rolling three-month period. This calendar will cover both Treasury bills and Treasury bonds, and will be based on the annual borrowing plan and the cash flow forecast for the year 2026.

In line with the MTDS 2026–2030, the Government plans to meet 88 percent of its gross borrowing requirement through LKR denominated domestic debt instruments, with the remaining 12 percent to be financed through FX denominated debt instruments.

Accordingly, LKR 800 billion will be financed through FX denominated debt instruments in which LKR 100 billion (around USD 300 million) will be raised by issuing FX denominated T-bonds to the domestic market as depicted in Figure 04.

5. Monitoring & Reporting

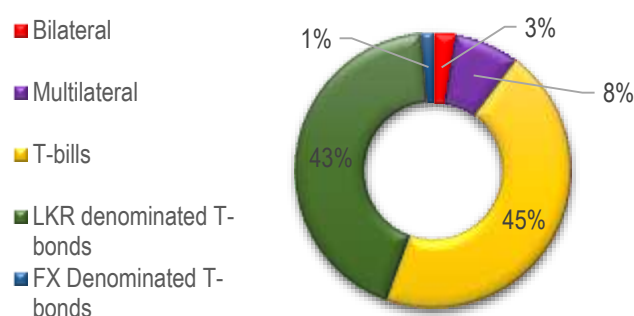
The PDMO will monitor the execution of the ABP 2026 throughout the year, with quarterly reviews to ensure targets are met and any necessary adjustments are made.

4. Proposed Borrowing Mix

Table 02

Source	Amount (LKR bn)	Percentage
Bilateral	175	3
Multilateral	525	8
T-bills	3100	45
LKR denominated T- bonds	2940	43
FX Denominated T- bonds	100	1
Total	6840	100

Figure 04: Proposed Borrowing Mix - 2026



Domestic Borrowings- LKR 6,140 billion		External Borrowing, LKR 700 billion	
Treasury bills	50%	Multilateral	75%
Treasury bonds	50%	Bilateral	25%

6. Conclusion

ABP 2026 presents a strategic approach to meet the government's financing needs while ensuring debt sustainability. By focusing on domestic financing through Treasury bills and Treasury bonds and minimizing non-concessional external borrowing, the plan aims to achieve cost and risk targets set out under MTDS 2026- 2030. It plans to diversify financing sources, including multilateral and bilateral fixed debt and sovereign bonds, to mitigate external risks. With quarterly monitoring and a commitment to optimizing borrowing cost with prudent degree of risk, the ABP 2026 supports fiscal stability and risk management, fostering long-term debt sustainability.