

PM orders immediate halt to 'shady' arms deal. (1994, August 28).  
*The Island.*

Second-hand equipment from Russia for US \$ 72 million

# PM ORDERS IMMEDIATE HALT TO 'SHADY' ARMS DEAL

Prime Minister Chandrika Bandaranaike Kumaratunga has ordered an immediate halt to the US \$72 million arms deal hastily entered into by the Defence Ministry to buy second hand equipment from Russia in

the run-up to the general election, authoritative sources said yesterday.

The highly questionable deal and the probe launched by the new government was exclusively spotlighted in Friday's

issue of *'The Island'*. These sources said the government has also instructed all banks not to open any Letters of Credit in connection with this deal.

It is learnt that one state bank has

already advanced ten per cent of the amount involved to go ahead with the deal, though the approval for the financing had not been granted by Parliament, Treasury or the Monetary Board. This procurement

being outside the budgetary allocations, sources said that for it to go ahead, parliamentary approval is a must. However, the Cabinet of the previous regime had approved its financing by a foreign loan.

Initial investigations have revealed that even this foreign loan is shady as it had been negotiated with some Singaporean and Indonesian interests. Only top Defence Ministry officials are aware of the interest to be

charged on the loan.

Sources said that pending a final decision on the deal, the prime minister has instructed the defence ministry not to make any financial or other commitment until the means

of financing such large expenditure is identified.

Premier Kumaratunga is expected to review the matter with top Treasury, Defence and Central Bank officials next week.