

2016

Public Debt Management in Sri Lanka Performance in 2016 and Strategies for 2017 and beyond



**Public Debt Department
Central Bank of Sri Lanka**

Public Debt Management in Sri Lanka

Performance in 2016

&

Strategies for 2017 and beyond



**Public Debt Department
Central Bank of Sri Lanka**

Central Bank of Sri Lanka
Public Debt Department
P O Box 590
Colombo
Sri Lanka

Tel. : 94 11 2477277

Fax : 94 11 2477718

E-mail : publicdebtdepartment@cbsl.lk

Contents

| | |
|--|-----------|
| Abbreviations | v |
| Key Government Debt Indicators | vi |
| Key Economic Indicators | vii |
| 1. Highlights of 2016 | 1 |
| 2. Public Debt Management in 2016 | 4 |
| <i>Overview</i> | 4 |
| <i>Targets and Strategies for Government Borrowings</i> | 4 |
| <i>Sovereign Rating on Sri Lanka</i> | 8 |
| <i>Debt Level</i> | 9 |
| <i>The Structure of the Public Debt Portfolio</i> | 10 |
| 3. Servicing Public Debt in 2016 | 16 |
| <i>Debt Service Payments</i> | 16 |
| <i>Amortization of Debt</i> | 17 |
| <i>Interest Cost</i> | 20 |
| <i>Future Debt Service Obligations</i> | 20 |
| 4. Market Operations in 2016 | 21 |
| <i>Overview</i> | 21 |
| <i>Treasury bills Primary Market</i> | 21 |
| <i>Treasury bonds primary market</i> | 23 |
| <i>Sri Lanka Development Bonds</i> | 23 |
| <i>Secondary Market Yield Rates</i> | 24 |
| 5. The Medium Term Debt Management Strategy 2017 - 2020 and Issues and Challenges | 25 |
| <i>Overview</i> | 25 |

| | |
|--|-----------|
| <i>Expected Benefits of the MTDS</i> | 25 |
| <i>Implication of medium term fiscal policy direction as mentioned in 2017 Budget and the Medium Term Macroeconomic Outlook of the Annual Report of the Central Bank on MTDS 2017-2020</i> | 26 |
| <i>Stated Objectives of the MTDS 2017-2020</i> | 27 |
| <i>Targets as set out in the MTDS 2017- 2020</i> | 27 |
| <i>Issues and Challenges of Implementation of MTDS</i> | 28 |
| <i>Measures taken to address the issues and challenges of implementing MTDS</i> | 29 |
| 6. Risk Management in Public Debt and Sustainability of External Debt | 31 |
| <i>Risk Management in Public Debt</i> | 31 |
| <i>Risks Pertaining to the Public Debt Portfolio</i> | 31 |
| <i>Analysis of the Risk Profile of the Public Debt Portfolio</i> | 31 |
| <i>Sustainability of External Debt</i> | 34 |
| 7. Special Appendix | 38 |
| 8. Glossary | 44 |
| 9. Statistical Appendix | 47 |

Abbreviations

| | | | |
|-----------|--------------------------------------|----------|--|
| ABMI | Asian Bond Market Initiatives | O/D | Over Draft facility |
| ADB | Asian Development Bank | OBU | Off-shore Banking Unit |
| ATM | Average Time to Maturity | OED | Outstanding External Debt |
| ATR | Average Time to Refixing | OTC | Over The Counter |
| BCP | Business Continuity Plan | PDD | Public Debt Department |
| BPS | Basis Points | PD | Primary Dealer |
| CAR | Capital Adequacy Ratio | PDU | Primary Dealer Unit |
| CBSL | Central Bank of Sri Lanka | PMWAYR | Primary Market Weighted Average Yield Rates |
| CCP | Central Counterparty | Repo | Repurchase |
| CCPI | Colombo Consumer Price Index | ROA | Return on Assets |
| CDS | Central Depository System | Road Map | 'ROAD MAP: Monetary and Financial Sector Policies |
| CIPC | Cash In Process of Collection | ROE | Return on Equity |
| CPC | Ceylon Petroleum Corporation | RSSO | Registered Stocks and Securities Ordinance |
| CSE | Colombo Stock Exchange | RTGS | Real Time Gross Settlement System |
| CWE | Corporative Wholesale Establishment | RWCAF | Risk Weighted Capital Adequacy Framework |
| DDP | Dealer Direct Participant | RWCAR | Risk Weighted Capital Adequacy Ratio |
| DRS | Disaster Recovery Site | SDR | Special Drawing Right |
| DVP | Delivery Versus Payment | SEC | Securities and Exchange Commission of Sri Lanka |
| EPF | Employees' Provident Fund | SOE | State Owned Enterprise |
| ETF | Employees' Trust Fund | S&P | Standard and Poor's |
| E-Trading | Electronic Trading | SIA | Securities Investment Account |
| Fitch | Fitch Ratings | SLDB | Sri Lanka Development Bond |
| GDP | Gross Domestic Product | SLIBOR | Sri Lanka Inter Bank Offered Rate |
| GNP | Gross National Product | SPD | Superintendent of Public Debt |
| GOSL | Government of Sri Lanka | SSSS | Scripless Securities Settlement System |
| IDA | International Development Agency | T-bill | Treasury bill |
| IDR | Issuer Default Rating | T-bond | Treasury bond |
| IMF | International Monetary Fund | TDS | Total External Debt Service Payments |
| INT | Interest Payment (External) | WAYR | Weighted Average Yield Rate |
| ISB | International Sovereign Bond | WB | World Bank |
| KPI | Key Performance Indicator | XGS | Receipts in exports of goods and non-factor services including workers' remittances and compensation of employees. |
| LCB | Licensed Commercial Bank | | |
| LIBOR | London Inter-Bank Offered Rate | | |
| LTBO | Local Treasury Bills Ordinance | | |
| MLDS | Medium to Long-Term Debt Service | | |
| Moody's | Moody's Investors Service | | |
| MTDS | Medium Term Debt Management Strategy | | |
| NPV | Net Present Value | | |
| NSB | National Savings Bank | | |

| KEY GOVERNMENT DEBT INDICATORS | | | | | | | | | |
|---|-----------------|---------|---------|---------|---------|---------|---------------------|---------------------|-------|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 ^(a) | 2016 ^(b) | |
| Borrowings | | | | | | | | | |
| Approved Gross Borrowing Limit (Rs.bn) | 1050.0 | 980.0 | 997.0 | 1,139.0 | 1,302.5 | 1,478.0 | 1,780.0 | 1,699.0 | |
| Actual Gross Borrowing (Rs.bn) | 999.1 | 922.1 | 994.1 | 1,139.0 | 1,301.2 | 1,453.3 | 1,695.3 | 1,516.3 | |
| Domestic Sources | 643.3 | 594.2 | 671.3 | 656.7 | 952.5 | 1,006.3 | 1,139.0 | 942.0 | |
| Foreign Sources | 355.8 | 327.9 | 322.8 | 482.3 | 348.7 | 447.0 | 556.3 | 574.3 | |
| Actual Net Borrowing (Rs.bn) | 483.6 | 451.0 | 457.4 | 489.0 | 601.2 | 591.2 | 829.5 | 640.3 | |
| Domestic Sources | 242.6 | 201.3 | 233.4 | 286.5 | 456.5 | 378.7 | 592.7 | 248.4 | |
| Foreign Sources | 241.0 | 249.7 | 224.0 | 202.5 | 144.7 | 212.5 | 236.8 | 391.9 | |
| Outstanding Debt | | | | | | | | | |
| Outstanding Government Debt (Rs.bn) | 4,161.4 | 4,590.2 | 5,133.4 | 6,000.1 | 6,793.2 | 7,390.9 | 8,503.2 | 9,387.3 | |
| Domestic Debt | 2,400.9 | 2,565.6 | 2,804.1 | 3,232.8 | 3,832.8 | 4,277.8 | 4,959.2 | 5,341.5 | |
| Foreign Debt | 1,760.5 | 2,024.6 | 2,329.3 | 2,767.3 | 2,960.4 | 3,113.1 | 3,544.0 | 4,045.8 | |
| Outstanding Debt (% of GDP) | 86.2 | 81.9 | 78.5 | 68.7 | 70.8 | 70.7 | 76.6 | 79.3 | |
| By Source ^(b) | | | | | | | | | |
| Domestic Debt | 49.7 | 40.0 | 38.8 | 37.0 | 40.0 | 41.3 | 45.3 | 45.1 | |
| Foreign Debt | 36.4 | 31.6 | 32.3 | 31.7 | 30.9 | 30.0 | 32.4 | 34.2 | |
| By Currency ^(b) | | | | | | | | | |
| Domestic | 49.5 | 40.7 | 39.8 | 38.8 | 40.8 | 41.7 | 41.8 | 42.2 | |
| Foreign | 36.6 | 30.8 | 31.4 | 29.9 | 30.0 | 29.6 | 35.9 | 37.1 | |
| ATM of Total Debt (Years) | 5.29 | 5.25 | 5.41 | 5.74 | 6.92 | 6.62 | 6.73 | 6.41 | |
| ATM of Domestic Debt (Years) | 2.25 | 2.10 | 2.35 | 3.23 | 4.82 | 5.75 | 6.29 | 5.98 | |
| Share of Domestic Debt in Total Outstanding Debt (%) | 57.70 | 55.89 | 54.62 | 53.88 | 56.42 | 57.88 | 58.32 | 56.90 | |
| Interest Cost | | | | | | | | | |
| Total Interest Cost (Rs.bn) | 309.6 | 352.6 | 356.7 | 408.5 | 462.9 | 443.6 | 509.7 | 610.9 | |
| Domestic Debt | 273.9 | 297.1 | 288.1 | 317.7 | 354.7 | 327.9 | 394.3 | 484.2 | |
| Foreign Debt | 35.7 | 55.5 | 68.6 | 90.8 | 108.2 | 115.7 | 115.4 | 126.7 | |
| Interest Cost/GDP ratio (%) ^(b) | 6.40 | 5.50 | 4.94 | 4.68 | 4.83 | 4.28 | 4.65 | 5.16 | |
| Interest Cost/Government Revenue ratio (%) | 44.27 | 43.14 | 38.16 | 41.35 | 40.70 | 37.12 | 35.06 | 36.23 | |
| Average Yield Rates (Primary Market Weighted Average) | | | | | | | | | |
| T-bills | 91 day | 11.43 | 7.86 | 7.28 | 10.72 | 8.95 | 6.58 | 6.32 | 8.26 |
| | 182 day | 12.18 | 8.42 | 7.21 | 12.29 | 9.91 | 6.57 | 6.50 | 9.23 |
| | 364 day | 12.76 | 8.43 | 7.41 | 12.14 | 10.65 | 6.73 | 6.60 | 10.20 |
| | Overall Average | 12.25 | 8.32 | 7.31 | 11.81 | 10.45 | 6.68 | 6.46 | 9.38 |
| T-bonds | 2-year | 16.32 | 9.46 | 7.77 | 11.30 | 11.02 | n.a. | 7.98 | 11.45 |
| | 4-year | 14.29 | 9.65 | 8.23 | 11.58 | n.a. | n.a. | 8.68 | 11.87 |
| | 5-year | 11.20 | 9.31 | 8.55 | 13.32 | 10.95 | 8.78 | 8.63 | 12.16 |
| | 10-year | 13.39 | 9.59 | 9.15 | 14.00 | 11.80 | 10.00 | 9.78 | 12.60 |
| | Overall Average | 14.69 | 9.45 | 8.64 | 12.46 | 11.72 | 10.17 | 9.46 | 12.27 |
| Foreign Investment in Government Securities | | | | | | | | | |
| Non-residents' Holdings as a % of Total outstanding Stock - T-bonds | 8.75 | 10.04 | 9.88 | 9.91 | 10.83 | 9.82 | 6.85 | 5.10 | |
| Non-residents' Holdings as a % of Total outstanding Stock - T-bills | 8.39 | 10.02 | 10.61 | 11.31 | 9.55 | 7.40 | 0.76 | 1.62 | |

n.a.: not available

(a) Provisional

(b) Revised

| KEY ECONOMIC INDICATORS | | | | | | | |
|---|--------|---------|---------|---------|---------------------|---------------------|---------------------|
| | 2000 | 2011 | 2012 | 2013 | 2014 ^(a) | 2015 ^(a) | 2016 ^(b) |
| DEMOGRAPHY | | | | | | | |
| Mid-year population ('000 persons) | 19,102 | 20,892 | 20,425 | 20,585 | 20,771 | 20,996 | 21,203 |
| Growth of mid-year population (per cent) | 1.4 | 1.0 | 0.7(a) | 0.8 | 0.9 | 0.9 | 1.1 |
| Population density (persons per sq.km.) | 305 | 333 | 326(a) | 328(a) | 331 | 334 | 338 |
| Labour force ('000 persons) | 6,827 | 7,926 | 7,798 | 8,034 | 8,049 | 8,214 | 8,311 |
| Unemployment rate (per cent of labour force) | 7.6 | 4.2 | 4.0 | 4.4 | 4.3 | 4.6 | 4.4 |
| OUTPUT | | | | | | | |
| GDP at current market prices (Rs. billion) | 1,258 | 7,219 | 8,732 | 9,592 | 10,361 | 10,952 | 11,839 |
| GNI at current market prices (Rs. billion) | 1,233 | 7,147 | 8,578 | 9,366 | 10,125 | 10,670 | 11,506 |
| Per capita GDP at market prices (Rs.) | 65,838 | 345,544 | 427,538 | 465,976 | 498,828(a) | 522,355 | 558,363 |
| Per capita GDP at market prices (USD) | 869 | 3,125 | 3,351 | 3,609 | 3,821(a) | 3,843 | 3,835 |
| REAL OUTPUT (percentage change) | | | | | | | |
| GNI | 5.8 | 8.5 | 8.3 | 2.8 | 5.1(b) | 4.5 | 4.1 |
| GDP | 6.0 | 8.4 | 9.1 | 3.4 | 5.0(b) | 4.8 | 4.4 |
| PRICES AND WAGES (percentage change) | | | | | | | |
| CCPI (2006/07 = 100) - annual average (c) | - | 6.7 | 7.6 | 6.9 | 3.3 | 0.9 | 3.7 |
| CCPI (2006/07 = 100) - year-on-year - end period | - | 4.9 | 9.2 | 4.7 | 2.1 | 2.8 | 4.1 |
| NCPI (2013 = 100) - annual average (d) | - | - | - | - | - | 3.8 | 4.0 |
| NCPI (2013 = 100) - year-on-year - end period | - | - | - | - | - | 4.2 | 4.2 |
| Wholesale Price Index (1974 = 100) - annual average | 1.7 | 10.6 | 3.5 | 9.2 | 3.2 | 1.0 | 4.2 |
| GDP deflator | 6.7 | 3.8 | 10.8 | 6.2 | 2.9(b) | 0.8 | 3.6 |
| EXTERNAL TRADE | | | | | | | |
| Trade balance (USD million) | -1,798 | -9,710 | -9,417 | -7,609 | -8,287 | -8,388 | -9,090 |
| Exports (USD million) | 5,522 | 10,559 | 9,774 | 10,394 | 11,130 | 10,546 | 10,310 |
| Imports (USD million) | 7,320 | 20,269 | 19,190 | 18,003 | 19,417 | 18,935 | 19,400 |
| EXTERNAL FINANCE | | | | | | | |
| Services and income account (net) (USD million) | -267 | 452 | 43 | -572 | 72 (b) | 312 | 695 |
| Current account balance (USD million) | -1,066 | -4,615 | -3,982 | -2,541 | -1,988 (b) | -1,883 | -1,942 |
| Overall balance (USD million) | -522 | -1,059 | 151 | 985 | 1,369 | -1,489 | -500 |
| Current account balance (per cent of GDP) | -6.4 | -7.1 | -5.8 | -3.4 | -2.5(b) | -2.3 | -2.4 |
| Gross official reserves (months of same year imports) | 1.7 | 4.0 | 4.4 | 5.0 | 5.1 | 4.6 | 3.7 |
| Overall debt service ratio | | | | | | | |
| As a percentage of export of goods and services | 14.7 | 13.2 | 19.7 | 26.8 | 20.8 | 27.3 | 25.0 |
| Total external debt and liabilities (per cent of GDP) | 54.5 | 50.2 | 54.2 | 53.7 | 54.1 | 55.7 | 57.3 |
| EXCHANGE RATES | | | | | | | |
| Annual average Rs/USD | 75.78 | 110.57 | 127.60 | 129.11 | 130.56 | 135.94 | 145.6 |
| NEER (2010 = 100) (24 - currency basket) | - | 99.84 | 90.44 | 91.39 | 91.99 | 96.61 | 92.46 |
| REER (2010 = 100) (24 - currency basket) | - | 102 | 95.63 | 101.13 | 103.77 | 109.50 | 106.94 |
| Year-end Rs/USD | 80.06 | 113.90 | 127.16 | 130.75 | 131.05 | 144.06 | 149.80 |
| GOVERNMENT FINANCE (per cent of GDP)^(a) | | | | | | | |
| Revenue | 17.2 | 13.4 | 12.0 | 11.9 | 11.5 | 13.3 | 14.2 |
| Expenditure and net lending | 26.7 | 19.9 | 17.8 | 17.4 | 17.3 | 20.9 | 19.7 |
| Primary deficit (-) / surplus (+) | -3.8 | -0.8 | -0.9 | -0.7 | -1.2 | -2.3 | -0.6 |
| Overall deficit (-) / surplus (+) | -9.5 | -6.2 | -5.6 | -5.4 | -5.7 | -7.6 | -5.4 |
| MONETARY AGGREGATES (year-on-year percentage change) | | | | | | | |
| Reserve money | 4.7 | 21.9 | 10.2 | 0.9 | 18.3 | 16.5 | 27.1 |
| Domestic credit from the banking system to Government (net) | 56.8 | 32.9 | 25.4 | 24.5 | 10.3 | 22.5 | 12.1 |
| INTEREST RATES (per cent per annum at year end) | | | | | | | |
| Repurchase rate (overnight) | 17.00 | 7.00 | 7.50 | 6.50 | 6.50 | 6.00 | 7.00 |
| Reverse Repurchase rate (overnight) | 20.00 | 8.50 | 9.50 | 8.50 | 8.00 | 7.50 | 8.50 |
| Commercial banks' average weighted deposit rate | 9.89 | 7.24 | 10.10 | 9.37 | 6.20 | 6.20 | 8.17 |
| NSB 12 month fixed deposit rate | 15.00 | 8.50 | 12.50 | 9.50 | 6.50 | 7.25 | 11.00 |
| Commercial banks' average weighted lending rate | 19.30 | 13.44 | 15.98 | 15.18 | 11.91 | 11.00 | 13.20 |

(a) Revised

(b) Provisional

(c) CCPI: Colombo Consumer Price Index

(d) NCPI: National Consumer Price Index

1. Highlights of 2016

1.1. Borrowing Limit and Strategy for 2016

- The gross borrowing limit of the Government of Sri Lanka (GOSL) for 2016, approved by the Parliament under the Appropriation Act No. 16 of 2015, was Rs. 1,699 billion (including the contingency provision of Rs. 190 billion), a decrease of Rs.81 billion against the 2015 gross borrowing limit.
- Out of the 2016 gross borrowing limit, Rs.990 billion was expected to be raised from the domestic sources while the balance Rs.519 billion was expected to be raised from foreign sources.

1.2. Actual Borrowing and Debt Level

- Actual gross borrowing was maintained within the approved annual borrowing limits for 2016.
- Total borrowing from domestic sources (net of contingency provision) in 2016 was decreased to 62.13 per cent against the planned 65.61 per cent.
- Total outstanding debt stock stood at Rs.9, 387.3 billion as at end of 2016 recording an increase of Rs.884.1 billion (10.40 per cent) compared to the corresponding debt stock of Rs.8, 503.2 billion as at the end of 2015.
- As a percentage of Gross Domestic Product (GDP), total outstanding debt stock increased to 79.29 per cent at end 2016 from 77.60 per cent at end 2015. Within the debt stock, domestic debt to GDP ratio declined marginally to 45.12 per cent at end 2016 from 45.28 per cent at end 2015. However, the foreign debt to GDP ratio increased to 34.17 per cent from 32.36 per cent, for the same period.
- The share of domestic debt in total debt stock was 56.90 per cent while that of foreign debt was 43.10 per cent at end 2016, compared with 58.32 per cent and 41.68 per cent, respectively, at end 2015.
- Average Time to Maturity (ATM) of the domestic debt was shortened to approximately 5.98 years due to the increased issuance of short term domestic debt in 2016.

1.3. Interest Cost on Public Debt

- Total interest cost was increased by 19.86 per cent to Rs. 610.9 billion in 2016 consisting of Rs. 484.2 billion on domestic debt and Rs. 126.7 billion on foreign debt.
- Total interest cost, as a percentage of GDP, increased to 5.16 per cent in 2016 from that of 4.65 per cent in 2015. Further, interest cost as a percentage of Government revenue also increased from 35.03 per cent in 2015 to 36.23 per cent in 2016.
- Average cost of domestic borrowing through Treasury bills (T- bills) and Treasury bonds (T- bonds) recorded substantial increases in 2016 to 9.38 per cent and 12.27 per cent, respectively, compared to 6.46 per cent and 9.46 per cent, respectively, in 2015.

1.4. Interest Rates and Yield

- Primary market weighted average yield rates for 91-day, 182-day and 364-day T-bills increased by 194 bps, 273 bps and 360 bps, respectively, in 2016.
- Primary market weighted average yield rates for T-bonds ranged between 10.00 per cent on 2-year T-bonds to 12.09 per cent on 30-year T-bonds during 2016.
- Half-yearly T-bond Primary Auction Calendar was published in 2016, with a view to provide advance knowledge on such issuances to the prospective investors.

1.5. Broadening the Investor Base

- Number of investors in Government securities, as recorded in the Central Depository System (CDS) of Lanka Secure increased by 2.64 per cent to 92,065 during 2016.
- As at 31 December 2016, the total of investment by foreign investors and non-resident Sri Lankans in rupee denominated T-bills and T-bonds amounted to Rs.12.82 billion and Rs.247.22 billion, respectively, compared to Rs.5.05 billion and Rs.298.73 billion at end 2015 and Rs.55.50 billion and Rs.401.71 billion, respectively at end 2014.
- Total value of issuances of Sri Lanka Development Bonds (SLDBs) in 2016 amounted to USD 1,365.88 million against the maturing amount of USD 2,186.19 million.

1.6. Infrastructure Developments

- PDD continued of sending periodic customer electronic statements through e-mail in place of printed statements for account holders who opted for such facility with a view to enhance the safety of investors in government securities. Accordingly, PDD sent 1,506 e - statements during 2016.

- With a view to develop the domestic debt market, measures have been taken to establish an Electronic Trading Facility (ETF) and a Central Counter Party (CCP) arrangement for trading and net clearing and settlement of government securities transactions.
- Towards promoting the secondary market for US dollar denominated Sri Lanka Development Bonds (SLDB), measures have been taken to introduce multi-currency functionality into Lanka Settle System and also to facilitate scripless issuances of SLDBs, enabling trading, electronic recording and transferring of legal ownership of such instruments.

1.7. Market Development Activities

- Introduction of secondary market trading and reporting system (through Bloomberg trading platform by Primary Dealers) in 2016 for outright transactions in Government Securities and publish them to improve the price discovery process and increase transparency in market activities.
- Introduction of pre-bid meetings to share information on upcoming Treasury bond auctions and market developments in a transparent manner with primary auction participants and commercial bank community.

1.8. Awareness Programmes

- The investor awareness programmes and investor meetings to inform the recent economic developments and prospects of the Sri Lankan economy continued in 2016.
- Facilitated two public investor awareness programmes for investors at provincial level, participated in on-site promotion activities and one television programme during the year to educate general public on investments in government debt securities.

2. Public Debt Management in 2016

Overview

In 2016, the management of public debt faced with numerous challenges emanating domestically as well as globally. In the domestic front, the Central Bank continued to tighten its monetary policy stance and monetary conditions throughout the year with a view of curtailing possible rise in demand driven inflationary pressures. Accordingly, interest rates structure across the maturities witnessed an upward adjustment during 2016. In the global front, the monetary policy normalization in the United States of America (USA) resulted in capital outflows from many emerging market economies, including Sri Lanka. Moreover, reflecting the pressure on the domestic foreign exchange market, the rupee depreciated against major foreign currencies during the period concerned. As such, rising interest rates in both domestic and international markets coupled with the depreciation of the rupee against major foreign currencies increased the interest cost of foreign currency borrowing during 2016. Nevertheless, the focus of public debt management in 2016 was centered around successful implementation of prudential debt strategies in ensuring that the government's financing needs are met at a lowest possible cost with a prudent degree of risk.

Sri Lanka tapped the international capital market with the issuance of dual-tranche International Sovereign Bonds (ISBs) in

July 2016 for amounts of USD 500 million and USD 1,000 million, with 5.5 year and 10 year maturities, respectively. These issuances facilitated managing the domestic debt issuance programme with greater flexibility during the year. Additionally, the strategic issuance of SLDBs at times of conducive market conditions positively contributed towards managing both the cost and the risk objectives of public debt management.

During 2016, Average Time to Maturity (ATM) of domestic public debt portfolio somewhat contracted while share of foreign currency debt to total debt showed a marginal increase compared to levels at end 2015. Further, reflecting the impact of gradual normalization of US interest rates and weakening of domestic currency against major foreign currencies, the foreign holdings of government securities declined considerably.

2.1. Targets and Strategies for Government Borrowings

In line with Medium Term Debt Management Strategy (MTDS) for 2016-2021, the borrowing plan and related strategies for 2016 were aimed at further strengthening public debt dynamics over the medium term. Accordingly, key objectives of the borrowing strategy for 2016 were to mobilise funds at the lowest possible cost, enhancing ATM of the debt portfolio,

reducing the share of short-term domestic debt to total domestic debt, reducing the share of foreign currency debt to total debt, broadening and diversification of investor base, and sustaining and activating the benchmark yield-curve by issuing long-term government securities.

The gross borrowing limit of the Government of Sri Lanka (GOSL) for 2016, approved by

the Parliament under the Appropriation Act No. 16 of 2015, was Rs. 1,699.0 bn (including the contingency provision of Rs. 190.0 bn), a decrease of Rs. 81.0 bn against the 2015 gross borrowing limit. Out of the 2016 gross borrowing limit, Rs. 990.0 bn was expected to be raised from the domestic sources while the balance Rs. 519.0 bn was expected to be raised from foreign sources.

TABLE 1
GOVERNMENT BORROWINGS IN 2016 ^(a)

| Item | Original Plan ^(b) | | Actual ^(c) | |
|--------------------------------------|------------------------------|---------------|-----------------------|---------------|
| | Rs. bn | % | Rs. bn | % |
| Net Borrowing | | | | |
| Domestic | 283.1 | 49.28 | 248.4 | 38.79 |
| Foreign | 291.4 | 50.72 | 391.9 | 61.21 |
| Total | 574.5 | 100.00 | 640.3 | 100.00 |
| Gross Borrowing by Instrument | | | | |
| Domestic | 990.0 | 65.61 | 877.7 | 60.45 |
| T-bonds ^(d) | 542.2 | 35.93 | 575.0 | 39.60 |
| T-bills net ^(d) | 57.8 | 3.83 | 105.7 | 7.28 |
| SLDBs & OBU's | 357.2 | 23.67 | 197.0 | 13.57 |
| CBSL advances | 32.8 | 2.17 | - | - |
| Domestic banks and other sources | - | - | - | - |
| Foreign | 519.0 | 34.39 | 574.3 | 39.55 |
| Project/Programme Loans | 309.0 | 20.48 | 254.6 | 17.53 |
| Commercial Loans ^(e) | 210.0 | 13.92 | 319.7 | 22.02 |
| Total | 1,509.0 | 100.00 | 1,452.0 | 100.00 |

(a) Book Value.

(b) Net borrowings as per Budget 2016.

(c) Provisional.

(d) Includes Treasury bonds and Treasury bills(net) issued to non-residents

(e) Includes International Sovereign bonds and non-project loans.

Sources: Central Bank of Sri Lanka
Ministry of Finance and Planning

The total net financing requirement for 2016 was estimated at Rs. 574.5 bn of which Rs. 283.1 bn was expected to be financed from domestic sources, whereas the remaining Rs. 291.4 bn was expected to finance from foreign sources.

In 2016, about 60.45 per cent of the gross borrowing requirement was raised from the domestic market compared to that of 67.18 per cent in 2015. The domestic borrowing was raised mainly through T-bonds, T-bills and SLDBs. The total financing from foreign sources in the gross borrowing programme for 2016 increased to Rs. 574.3 bn (39.55 per cent) including Rs. 254.6 bn (17.53 per cent) of project related loans, compared to Rs. 556.4 bn (32.82 per cent) of foreign source borrowings in 2015. Commercial loans represented non-concessional borrowing from International Sovereign Bonds (ISBs) and non-project loans. In 2016, Rs. 319.7 bn (22.02 per cent) of the gross borrowing was raised via commercial loans.

The aggregate actual gross borrowing in 2016 was maintained within the approved borrowing limit, yet the composition of actual borrowings deviated from the originally expected plan due to the market conditions. Accordingly, total gross borrowing from domestic sources was decreased to 60.45 per cent against the planned 65.61 per cent while actual gross borrowing from foreign sources increased to 39.55 per cent against the planned 34.39 per cent. These deviations were mainly propelled by the issuance of ISBs in 2016.

Reflecting the upward pressure on interest rates, the primary market Weighted Average Yield Rates (WAYR) of T-bills increased for all maturities at end 2016 over the WAYR of T-bills prevailed at end 2015. Compared to end 2015, the WAYRs of 91-day, 182-day and 364-day T-bills increased by 194 bps, 273 bps and 360 bps, respectively, as at end 2016. The overall WAYR of the T-bill primary market increased in 2016 by 281 bps to 12.27 per cent at end 2016 compared to 9.46 per cent recorded at end 2015.

TABLE 2
INCREASE IN OUTSTANDING GOVERNMENT DEBT

Rs. bn

| Description | 2014 ^(a) | 2015 ^(a) | 2016 ^(b) |
|---------------------------|---------------------|---------------------|---------------------|
| Net Borrowing | 591.2 | 829.5 | 640.3 |
| Effect of Parity variance | -89.3 | 285.1 | 186.6 |
| Discount Effect | -98.6 | -54.4 | 71.8 |
| Other | 194.3 | 52.1 | -14.7 |
| Total Increase | 597.6 | 1,112.3 | 884.1 |

(a) Adjusted

(b) Provisional

Sources: Central Bank of Sri Lanka
Ministry of Finance and Planning

TABLE 3**PRIMARY MARKET WEIGHTED AVERAGE YIELD RATES OF TREASURY BILLS AND TREASURY BONDS ^(a)**

| Instrument | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|------------------------|-------------|-------------|--------------|--------------|--------------|-------------|--------------|
| Treasury bills (Days) | | | | | | | |
| 91 | 7.86 | 7.28 | 10.72 | 8.95 | 6.58 | 6.32 | 8.26 |
| 182 | 8.42 | 7.21 | 12.29 | 9.91 | 6.57 | 6.50 | 9.23 |
| 364 | 8.43 | 7.41 | 12.14 | 10.65 | 6.73 | 6.60 | 10.20 |
| Overall Average | 8.32 | 7.31 | 11.81 | 10.45 | 6.68 | 6.46 | 9.38 |
| Treasury bonds (Years) | | | | | | | |
| 2 | 9.46 | 7.77 | 11.30 | - | - | 7.98 | 11.45 |
| 3 | 9.01 | 7.99 | 11.11 | 10.95 | - | 8.32 | 11.58 |
| 4 | 9.65 | 8.23 | 11.58 | - | - | 8.68 | 11.87 |
| 5 | 9.31 | 8.55 | 13.32 | 10.95 | 8.78 | 8.63 | 12.16 |
| 6 | 9.43 | 8.70 | 11.84 | 10.97 | - | 9.19 | 12.01 |
| 7 | 9.19 | 8.84 | 12.50 | - | - | 8.99 | 12.18 |
| 8 | 9.15 | 8.91 | 14.40 | 11.51 | 9.03 | 9.55 | 12.28 |
| 9 | - | 9.00 | - | 11.77 | 9.23 | - | 13.07 |
| 10 | 9.59 | 9.15 | 14.00 | 11.80 | 10.00 | 9.78 | 12.60 |
| 12 | - | 9.10 | - | 12.09 | - | - | 13.72 |
| 15 | - | 9.30 | - | 12.17 | 10.34 | 10.24 | - |
| 20 | - | - | 11.00 | 12.19 | 11.32 | 11.20 | - |
| 30 | - | - | - | 12.50 | 11.75 | 11.73 | - |
| Overall Average | 9.45 | 8.64 | 12.46 | 11.72 | 10.17 | 9.46 | 12.27 |

(a) Net of 10% withholding tax. Effective from May 3, 2002, Government has imposed withholding tax on interest of Government Securities.

Source: Central Bank of Sri Lanka

TABLE 4**KEY DEBT INDICATORS – END 2016**

| Description | 2014 | 2015 | 2016 ^(a) |
|--|------|------|---------------------|
| Debt/GDP ratio (%) ^(b) | 71.8 | 76.0 | 79.3 |
| Government Budget Deficit/GDP (%) | -5.7 | -7.4 | -5.4 |
| Interest Cost/GDP ratio (%) | 4.2 | 4.7 | 5.2 |
| Interest Cost/Government Revenue ratio (%) | 30.9 | 33.9 | 40.6 |
| ATM of Domestic Debt (Years) | 5.7 | 6.3 | 6.0 |
| ATM of Total Debt (Years) | 6.6 | 6.7 | 6.4 |
| Share of Foreign currency debt to Total Debt (%) | 41.6 | 46.3 | 46.8 |

(a) Provisional.

(b) Revised/ Base year for GDP = 2010

Sources: Central Bank of Sri Lanka
Ministry of Finance and Planning

2.2. Sovereign Ratings on Sri Lanka

In the Sovereign Rating front, Sri Lanka had to undergo an adverse rating scenario during 2016 whereas all three rating agencies downgraded Sri Lanka's rating outlook from 'stable' to 'negative' in 2016.

On February 29, 2016, Fitch Ratings downgraded Sri Lanka's credit rating from

'BB-' to 'B+' with 'Negative' rating outlook while on March 3, 2016, S&P Ratings Services affirmed its 'B+' sovereign rating while downgrading the rating outlook to 'negative' from 'positive' outlook a year ago. Meanwhile, on June 20, 2016, Moody's Investor Services reaffirmed Sri Lanka's B1 sovereign rating and downgraded its rating outlook to 'negative' from 'stable' outlook a year ago.

TABLE 5
OUTSTANDING GOVERNMENT DEBT (AS AT END OF YEAR 2016)

| | 2014 ^(a) | 2015 ^(a) | 2016 ^(b) |
|--|---------------------|---------------------|---------------------|
| Outstanding Debt (Rs. bn) - By Source | | | |
| Domestic | 4,277.8 | 4,959.2 | 5,341.5 |
| Foreign ^(c) | 3,113.1 | 3,544.0 | 4,045.8 |
| Total | 7,390.9 | 8,503.2 | 9,387.3 |
| Outstanding Debt (Rs. bn) - By Currency | | | |
| Domestic | 4,318.7 | 4,566.8 | 4,989.5 |
| Foreign ^(c) | 3,072.2 | 3,936.4 | 4,397.8 |
| Total | 7,390.9 | 8,503.2 | 9,387.3 |
| Outstanding Debt (% of GDP) - By Source | | | |
| Domestic | 39.06 | 44.30 | 45.12 |
| Foreign ^(c) | 28.43 | 31.70 | 34.17 |
| Total | 67.49 | 76.00 | 79.29 |
| Outstanding Debt (% of GDP) - By Currency | | | |
| Domestic | 41.68 | 41.70 | 42.14 |
| Foreign ^(c) | 29.65 | 35.94 | 37.15 |
| Total | 71.33 | 77.64 | 79.29 |

(a) Revised

(b) Provisional

(c) Excludes outstanding loans of Projects under State Owned Business Enterprises

Sources: Central Bank of Sri Lanka
Ministry of Finance and Planning

2.3. Debt Level

The total government debt at end 2016 stood at Rs. 9,387.3 bn recording a nominal increase of Rs. 884.1 bn (10.40 per cent) over the debt stock at end 2015. Of this increase, Rs. 640.3 bn was due to the new borrowings, while Rs. 186.6 bn was due to the adverse impact of exchange rate depreciation. Meanwhile, due to the discount effect of issuance of T-bonds and T-bills, the debt stock was increased by Rs. 71.8 bn.

Notable deviations in debt levels from MTDS targets reflect the challenges faced by the government during the year 2016. The Debt to GDP ratio, a key debt sustainability indicator, increased to 79.29 per cent in 2016 from 76.00 per cent at end 2015 (Base Year = 2010), in spite the improvement in Government budget deficit as a percentage of GDP to 5.4 per cent by end 2016, compared to 7.4 per cent recorded at end 2015.

The domestic debt (by source) increased by Rs. 382.3 bn (7.71 per cent) to Rs. 5,341.5 bn at end 2016 from Rs. 4,959.2 bn at end

2015. Meanwhile, the foreign debt (by source) increased by Rs. 501.8 bn (14.16 per cent) to Rs. 4,045.8 bn at end 2016 from Rs. 3,544.0 bn at end 2015. Further, the domestic currency debt stock increased by Rs. 422.6 bn (9.25 per cent) to Rs. 4,989.5 bn at end 2016, compared to Rs. 4,566.8 bn at end 2015. The rupee value of foreign currency denominated government debt stock increased by Rs. 461.5 bn (11.72 per cent) to Rs. 4,397.8 bn at end 2015 compared to Rs. 3,936.4 bn at end 2015.

Although the total domestic debt stock of the government increased to Rs. 5,341.5 bn at end 2016, the share of total domestic debt in total government debt decreased to 56.90 per cent compared to 58.32 per cent at end 2015. Yet the total domestic debt as a percentage of GDP increased marginally to 45.12 per cent at end 2016 from 44.30 per cent at end 2015. Meanwhile, the total foreign debt as a percentage of GDP increased substantially to 34.17 per cent at end 2016 from 31.70 per cent reported at end 2015.

TABLE 6
CHANGE IN OUTSTANDING FOREIGN CURRENCY DENOMINATED DEBT IN
RUPEE TERMS - CURRENCY WISE

| Currency | 2014 | 2015 | 2016 ^(a) |
|--|--------|--------|---------------------|
| Special Drawing Rights | -32.1 | 54.7 | 21.1 |
| Japanese Yen | -55.7 | 40.5 | 26.7 |
| US Dollar | 289.9 | 441.7 | 473.6 |
| Euro | -22.9 | 18.3 | 2.5 |
| Other | -26.5 | -124.4 | -282.2 |
| Total | 152.7 | 430.9 | 241.7 |
| Memo: End Year Exchange Rates (Sri Lanka Rupees per Unit of Foreign Currency) | | | |
| Special Drawing Rights | 189.86 | 199.63 | 201.38 |
| Japanese Yen | 1.10 | 1.20 | 1.29 |
| US Dollar | 131.05 | 144.06 | 149.80 |
| Euro | 159.42 | 157.37 | 157.87 |

(a) Provisional.

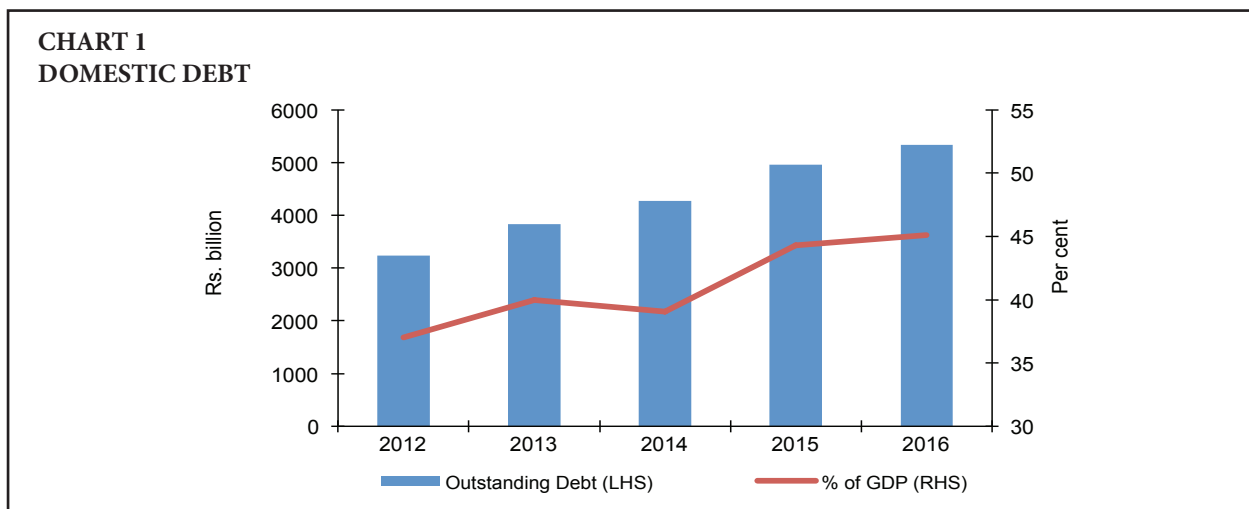
Sources: Central Bank of Sri Lanka
Ministry of Finance and Planning

2.4. The Structure of the Public Debt Portfolio

2.4.1. Domestic Debt

In line with the debt strategy for 2016, CBSL mobilised funds through tradable government

cent at end 2016 compared to 93.9 per cent at end 2015. The foreign currency denominated domestic debt stock as a percentage of total domestic debt stock decreased to 11.46 per cent at end 2016 from 13.91 per cent at end 2015.



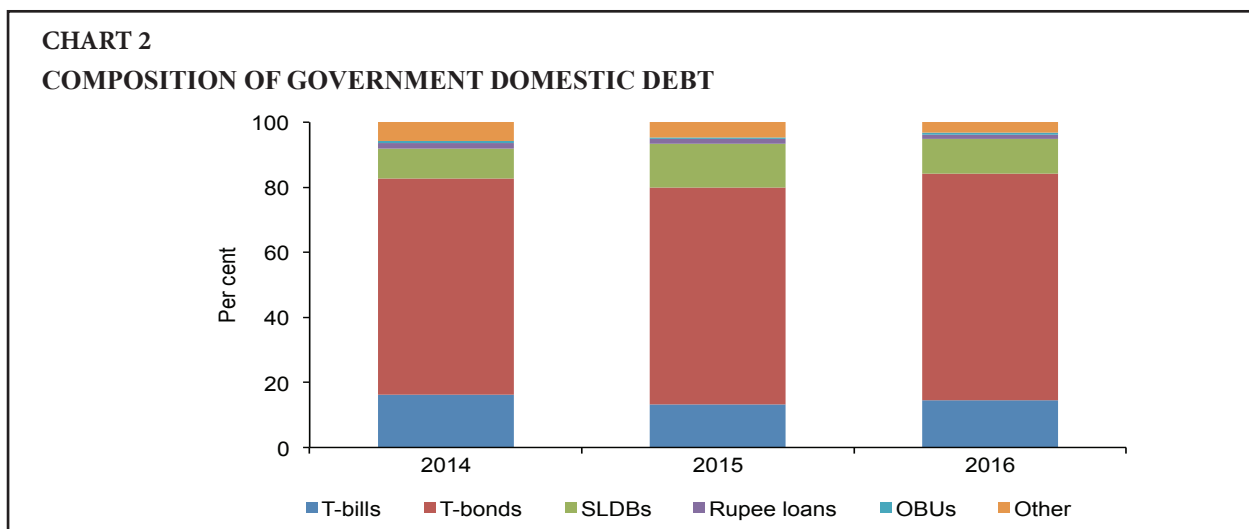
securities, and there were no new Rupee Loans issued in 2016. The stock of Rupee Loans remained unchanged at Rs. 24.1 bn at end 2016.

2.4.2. Composition of Domestic Debt

The share of total tradable government securities in the total domestic debt stock stood at 94.9 per

2.4.3. Domestic Debt by Investor Base

Non-bank sector: Non-bank sector, consisting of Employees' Provident Fund (EPF), National Savings Bank (NSB), Insurance companies, and other official funds continued to be the major holders of domestic debt of the government with



a holding of Rs. 3,226.6 bn (60.4 per cent) of the total domestic debt at end 2016 compared to Rs. 3,035.2 bn (61.2 per cent) at end 2015. The face value of domestic debt held by Licensed Commercial Banks (LCBs) increased by Rs. 32.0 bn to Rs. 1,700.0 bn at end 2016.

Banking Sector: Banking sector (consisting of LCBs and CBSL) investments in domestic debt instruments of the government increased by Rs. 190.9 bn (9.9 per cent) to Rs. 2,114.9 bn at end 2016 compared to Rs. 1,924.0 bn held at end 2015, mainly due to the increase in T-bills held by CBSL by Rs. 226.6 bn. The amount of domestic debt held by LCBs increased marginally to Rs. 1,700.0 bn (31.8 per cent) at end 2016 from that of Rs. 1,668.0 bn (33.6 per cent) held at end 2015. LCBs' holding of T-bills decreased by Rs. 96.5 bn to Rs. 244.1 bn and T-bonds increased by Rs. 214.3 bn to Rs. 731.9 bn, in 2016.

Meanwhile, the holdings of SLDBs by LCBs decreased by Rs. 96.3 bn to Rs. 572.2 bn at end 2016 from Rs. 668.5 bn held at end 2015.

TABLE 7

DURATION AND AVERAGE TIME TO MATURITY (ATM) OF DOMESTIC CURRENCY DEBT (AS AT END OF YEAR)

| Instrument | Duration ^(a) (Years) | | | Average Time to Maturity (Years) | | |
|----------------|---------------------------------|------------|------------|----------------------------------|------------|-------------|
| | 2014 | 2015 | 2016 | 2014 | 2015 | 2016 |
| T-bills | 0.4 | 0.3 | 0.4 | 0.4 | 0.3 | 0.38 |
| T-bonds | 4.5 | 4.3 | 3.9 | 7.0 | 7.4 | 7.07 |
| Rupee loans | 2.4 | 4.7 | 4.3 | 3.7 | 7.1 | 6.09 |
| Overall | 3.8 | 3.7 | 3.3 | 5.7 | 6.3 | 5.98 |

(a) Weighted average maturity of the cash flows.

Source: Central Bank of Sri Lanka

2.4.4. Maturity Structure of the Domestic Debt

The structure of domestic debt portfolio shifted to long and medium-term debt from short-term

debt consequent to the instrument and issuance strategies implemented by CBSL in 2016.

Accordingly, CBSL was able to reduce short term debt as a percentage of domestic debt marginally to 18.1 per cent at end 2016 compared to 18.4 per cent recorded at end 2015. This was the result of issuing more medium term T-bonds and SLDBs to meet the borrowing requirement in 2016. However, ATM of T-bonds declined to 7.1 years at end 2016 compared to 7.4 years recorded at end 2015. Further, ATM of T-bills increased to 0.4 years in 2016 from that of 0.3 years recorded in 2015. With above developments, ATM of domestic currency debt portfolio decreased to 6.0 years at end 2016 compared to 6.3 years recorded at end 2015.

2.4.5. Foreign Debt

The rupee value of the foreign debt and the foreign debt to GDP ratio increased during the year 2016. The rupee value of total foreign debt stock amounted to Rs. 4,045.8 bn at end 2016, with an increase of Rs. 501.8 bn (14.2 per cent), compared to Rs. 3,544.0 bn recorded at end 2015. In line with the increase in the

volume of foreign debt stock, total outstanding foreign debt stock as a percentage of GDP also increased to 34.2 per cent at end 2016 from 31.7 per cent recorded in 2015. The increase was

mainly due to lower growth rate of nominal GDP and unfavorable parity adjustment owing to the depreciation of the rupee against major currencies such as US Dollars, SDR, Japanese yen and Euro.

TABLE 8.1
COMPOSITION OF FOREIGN DEBT

| Category | 2015 | | 2016 ^(a) | |
|---|----------------------------------|--------------|----------------------------------|--------------|
| | Total Equivalent Amount in Rs bn | % | Total Equivalent Amount in Rs bn | % |
| Bilateral | 889.0 | 25.08 | 945.8 | 23.38 |
| Multilateral | 994.4 | 28.06 | 1076.5 | 26.61 |
| Sovereign Bonds | 958.0 | 27.03 | 1220.9 | 30.18 |
| Foreign Holdings in T-bills and T-bonds | 303.8 | 8.57 | 260.0 | 6.43 |
| Other | 398.8 | 11.26 | 542.6 | 13.40 |
| Total | 3,544.0 | 100.0 | 4,045.8 | 100.0 |

(a) Provisional.

Sources: Central Bank of Sri Lanka

TABLE 8.2
COMPOSITION OF FOREIGN DEBT

| Category | 2015 | | 2016 ^(a) | |
|---|----------------------------------|---------------|----------------------------------|---------------|
| | Total Equivalent Amount in Rs bn | % | Total Equivalent Amount in Rs bn | % |
| Concessional | 1,729.9 | 48.81 | 1,897.7 | 46.90 |
| Bilateral | 581.9 | 16.42 | 627.4 | 15.51 |
| Multilateral | 794.5 | 22.42 | 856.0 | 21.16 |
| Other | 353.5 | 9.97 | 414.2 | 10.23 |
| Commercial | 1,814.1 | 51.19 | 2,148.1 | 53.10 |
| Sovereign Bonds | 958.0 | 27.03 | 1,220.9 | 30.18 |
| Bilateral | 307.1 | 8.67 | 318.3 | 7.87 |
| Multilateral | 199.9 | 5.64 | 220.6 | 5.45 |
| Foreign Holdings in T-bills and T-bonds | 303.8 | 8.57 | 260.0 | 6.43 |
| Other | 45.3 | 1.28 | 128.3 | 3.17 |
| Total | 3,544.0 | 100.00 | 4,045.8 | 100.00 |

(a) Provisional.

Sources: Central Bank of Sri Lanka
Ministry of Finance and Planning

2.4.6. Composition of Foreign Debt

Total rupee value of outstanding foreign debt from concessional and commercial sources stood at Rs 1,897.7 bn (46.9 per cent of the total outstanding foreign debt) and Rs. 2,148.1

bn (53.1 per cent), respectively, at end 2016. Meanwhile, the concessional and commercial sources stood at Rs. 1,729.9 bn (48.8 per cent) and Rs. 1,814.1 bn (51.2 per cent), respectively, at end 2015.

TABLE 9
MATURITY, GRANT ELEMENT & INTEREST RATES OF EXTERNAL DEBT 2016

| Category | Grace Period (Yrs) | Repayment Period (Yrs) | Grant Element (%) | Avg. Interest Rates ^(a) (% p.a.) |
|----------------|--------------------|------------------------|-------------------|---|
| Bilateral | 0 - 21 | 0 - 40 | 0 - 100 | 2.32 |
| Multilateral | 0 - 18 | 0 - 41 | 0 - 100 | 0.98 |
| Commercial | 0 - 14 | 0 - 30 | (13) - 100 | 4.22 |
| Export Credit | 0 - 13 | 0 - 21 | (12) - 100 | 5.66 |
| Average | | | | 2.99 |

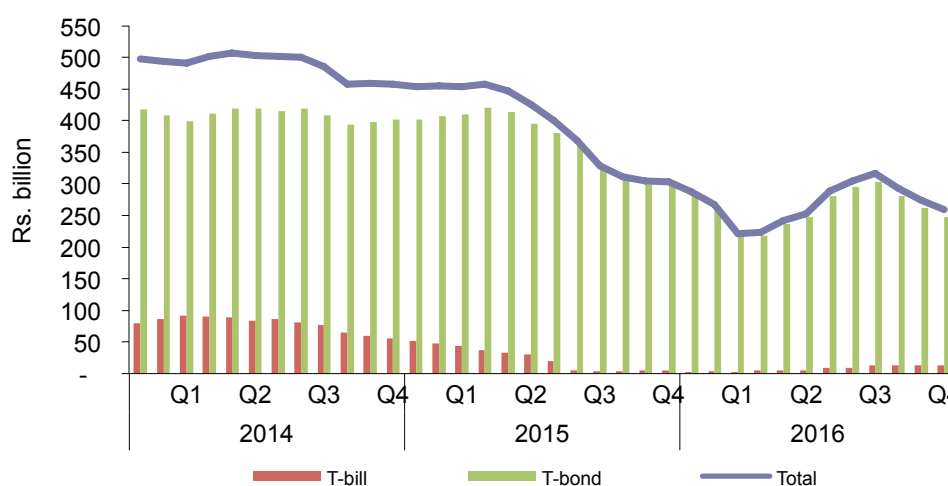
(a) Interest paid in 2016/Disbursed outstanding debt as at end 2015.

Sources: Central Bank of Sri Lanka
Ministry of Finance and Planning

Reflecting the capital outflows from many emerging market economies, including Sri Lanka mainly due to monetary policy normalization in the USA, foreign investor preference for government securities declined

in 2016. The total investments by foreigners in T-bills and T-bonds declined to Rs. 260.0 bn at end 2016 compared to Rs. 303.8 bn recorded at end 2015.

CHART 3
FOREIGN OUTSTANDING IN TREASURY BILLS AND TREASURY BONDS - 2016



2.4.7. Currency Composition of Foreign Debt

TABLE 10

CURRENCY COMPOSITION OF FOREIGN DEBT (AS AT END OF YEAR)

Per cent

| Currency | 2014 | 2015 | 2016 ^(a) |
|--|----------------|----------------|---------------------|
| US Dollar | 41.50 | 48.92 | 54.56 |
| Special Drawing Rights | 21.84 | 20.73 | 18.68 |
| Japanese Yen | 13.80 | 13.26 | 12.28 |
| Sri Lanka Rupee ^(b) | 14.69 | 8.57 | 6.43 |
| Euro | 5.23 | 5.11 | 4.54 |
| Other | 2.94 | 3.41 | 3.52 |
| Total | 100.00 | 100.00 | 100.00 |
| Memo: Total External Debt (Rs.bn) | 3,113.1 | 3,544.0 | 4,045.8 |

(a) Provisional.

Sources: Central Bank of Sri Lanka

(b) Non-residents' investments in T-bills and T-bonds.

Ministry of Finance and Planning

Meanwhile, 96.5 per cent of the total foreign debt stock at end 2016 comprised of four major currencies viz, USD, SDR, Japanese Yen, Euro and Sri Lankan rupee. In 2016, the share of SDR, Japanese Yen, and Euro denominated foreign debt declined while the share of USD denominated foreign debt increased. The external debt denominated in Sri Lankan rupee decreased to 6.43 per cent at end 2016 from 8.57 per cent recorded in 2015 due to decrease in foreign holdings of T-bills and T-bonds.

2.4.8. Usage of Foreign Debt

The debt raised through external sources was used for the development of economic, social

and administrative services in the country, while substantial investment has been made for enhancing the capacity and productivity of the economy. Out of the total outstanding external debt at end 2016, 47.1 per cent had been utilized for the development of economic services in 2016. Meanwhile, 9.4 per cent and 1.2 per cent of total external debt had been utilized for the development of social services and import of commodities, respectively, during 2016. Further, a share of 21.7 per cent of total external debt at end 2016 was used for the development of transportation system of the country including roads and bridges (14.2 percent) and ground transport (7.4 per cent).

TABLE 11

USE OF EXTERNAL DEBT BY MAJOR SECTORS ^(a)

Rs. bn

| Economic Sector ^(b) | 2015 | % | 2016 ^(c) | % |
|--|----------------|---------------|---------------------|---------------|
| 1. Economic Services | 1,790.8 | 50.53 | 1,905.2 | 47.09 |
| 1.1 Agricultural Development | 181.2 | 5.11 | 183.7 | 4.54 |
| Agriculture | 43.8 | 1.23 | 43.7 | 1.08 |
| Fishing | 9.1 | 0.26 | 8.5 | 0.21 |
| Forestry | 6.2 | 0.18 | 5.8 | 0.14 |
| Plantation | 32.3 | 0.91 | 30.6 | 0.76 |
| Irrigation & Related Activities | 77.0 | 2.17 | 80.8 | 2.00 |
| Livestock Development | 12.8 | 0.36 | 14.2 | 0.35 |
| 1.2 Industrial/Construction | 974.1 | 27.49 | 1,066.1 | 26.35 |
| Energy | 260.9 | 7.36 | 255.8 | 6.32 |
| Water Supply | 190.8 | 5.38 | 204.9 | 5.06 |
| Industrial Development | 28.9 | 0.81 | 27.2 | 0.67 |
| Roads and Bridges | 491.4 | 13.86 | 576.1 | 14.24 |
| Other Construction | 2.2 | 0.06 | 2.1 | 0.05 |
| 1.3 Service Sector | 485.2 | 13.69 | 505.9 | 12.50 |
| Telecommunications | 24.7 | 0.70 | 23.3 | 0.58 |
| Ports & Shipping | 77.6 | 2.19 | 75.0 | 1.85 |
| Ground Transport | 291.7 | 8.23 | 299.8 | 7.41 |
| Air Transport | 16.9 | 0.48 | 39.3 | 0.97 |
| Finance, Insurance, etc. | 72.9 | 2.06 | 67.3 | 1.66 |
| Trade | 1.5 | 0.04 | 1.3 | 0.03 |
| 1.4 Other Economic Services | 150.2 | 4.24 | 149.4 | 3.69 |
| Land Development | 0.6 | 0.02 | 0.6 | 0.01 |
| Management & Institutional Development | 16.2 | 0.46 | 20.1 | 0.50 |
| Information Technology Development | 10.0 | 0.28 | 9.9 | 0.25 |
| Private Sector Development | 57.9 | 1.63 | 54.1 | 1.34 |
| Rural Development | 63.3 | 1.79 | 62.5 | 1.55 |
| Science & Technology | 2.3 | 0.06 | 2.3 | 0.06 |
| 2. Social Services | 365.2 | 10.31 | 378.2 | 9.35 |
| Education & Training | 88.1 | 2.49 | 92.9 | 2.30 |
| Health & Social Welfare | 51.4 | 1.45 | 52.4 | 1.29 |
| Environment | 35.4 | 1.00 | 35.0 | 0.86 |
| Housing & Urban Development | 44.1 | 1.25 | 46.8 | 1.16 |
| Labour & Vocational Training | 15.2 | 0.43 | 20.5 | 0.51 |
| Media | 0.1 | 0.00 | 0.1 | 0.00 |
| Rehabilitation | 78.6 | 2.22 | 80.5 | 1.99 |
| Sewerage | 3.3 | 0.09 | 3.1 | 0.08 |
| Tsunami Rehabilitation | 49.1 | 1.39 | 47.0 | 1.16 |
| 3. Commodities & Food | 71.5 | 2.02 | 69.1 | 1.71 |
| Commodities | 50.3 | 1.42 | 49.6 | 1.23 |
| Food | 21.1 | 0.60 | 19.5 | 0.48 |
| 4. Other Activities | 1,316.6 | 37.15 | 1,693.3 | 41.85 |
| Total Outstanding Debt | 3,544.0 | 100.00 | 4,045.8 | 100.00 |

Sources: Central Bank of Sri Lanka

Ministry of Finance and Planning

(a) Based on Outstanding External Debt data recorded in CS-DRMS as at end December 2016. Sovereign bond issues in 2009,2010, 2011,2012,2014,2015 and 2016 and T-bills and T-bonds held by non-residents are recorded under other activities.

(b) Excludes outstanding loans of Projects under State Owned Business Enterprises

(c) Provisional.

3. Servicing Public Debt in 2016

3.1 Debt Service Payments

CBSL maintained its unblemished record of servicing public debt obligations in 2016 as well in terms of payment of principal, interest and other contractual obligations. Timely and accurate debt service payment remains a crucial part of managing the public debt portfolio.

The total debt service payments in 2016 amounted to Rs. 1,352.4 billion, an increase of 2.63 per cent compared to the total debt service payments of Rs. 1,317.8 billion in 2015. Out of Rs. 1,352.4 billion of total debt service payments, amortization payments

amounted to Rs. 741.5 billion (54.83 per cent) while the interest payments amounted to Rs. 610.9 billion (45.17 per cent). In 2016, Rs. 1,056.6 billion (78.13 per cent) was paid on account of domestically raised debt while remaining Rs. 295.8 billion (21.87 per cent) was paid on account of debt raised from foreign sources. Total debt service payments as a percentage of total government revenue decreased considerably to 80.2 per cent in 2016 compared to 90.58 per cent in 2015. Further, total debt service payments as a percentage of GDP recorded 11.4 per cent in 2016 compared to 12.0 per cent in 2015.

TABLE 12
DEBT SERVICE PAYMENTS

| Category | Rs. bn | |
|-----------------------------------|----------------|---------------------|
| | 2015 | 2016 ^(a) |
| Domestic | 918.1 | 1056.6 |
| Principal Payments ^(b) | 523.8 | 572.4 |
| Interest Payments ^(c) | 394.3 | 484.2 |
| Foreign ^(d) | 399.7 | 295.8 |
| Principal Payments ^(e) | 284.3 | 169.1 |
| Interest Payments ^(f) | 115.4 | 126.7 |
| Total Payments | 1,317.8 | 1352.4 |

(a) Provisional.

Source: Central Bank of Sri Lanka

(b) Excludes T-bond payments to non-residents

(c) Excludes T-bill & T-bond interest payments to non-residents

(d) Excludes debt service payments on SOEs

(e) Includes T-bond payments to non-residents

(f) Includes T-bill & T-bond interest payments to non-residents

3.2 Amortization of Debt

The total debt amortization payments made in 2016 decreased considerably by 8.24 per cent to Rs. 741.5 billion compared to Rs. 808.1 billion in 2015. The total amortization payment as a per cent of total revenue of the government decreased in 2016 to 43.98 per cent from 55.54 per cent recorded in 2015. Of the total amortization payments in 2016, Rs.572.4 billion (77.19 per cent) represented payments made on domestic debt and the balance Rs. 169.1 billion (22.81 per cent) represented payment made on foreign debt. Total amortization cost as a percentage of

GDP, decreased to 6.26 per cent in 2016 against 7.38 per cent in 2015.

3.2.1 Amortization of Domestic Debt

Amortization of domestic debt amounted to Rs. 572.4 billion in 2016 and recorded an increase of Rs. 48.6 billion (9.28 per cent) compared to Rs. 523.8 billion in 2015. The increase in amortization of domestic debt was mainly driven by the higher repayment of SLDBs. Amortization of SLDBs increased by 184.49 per cent to Rs.317.5 billion in 2016 from Rs.111.6 billion in 2015. However, amortization payments on T-bonds decreased considerably.

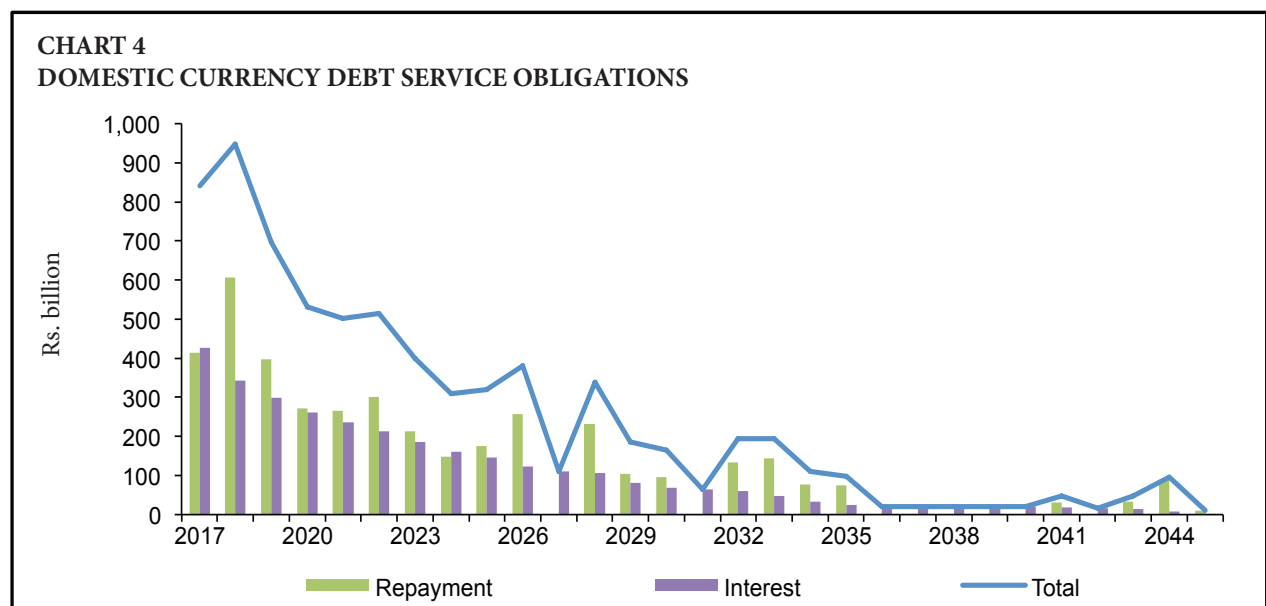


TABLE 13

AMORTIZATION OF DEBT

Rs. bn

| Source/ Instrument | 2014 | 2015 | 2016 (a) |
|------------------------------------|--------------|--------------|--------------|
| Domestic Debt | 449.6 | 523.8 | 572.4 |
| T-bonds (b) | 374.2 | 379.4 | 245.6 |
| Rupee Loans | - | 31.4 | - |
| OBU Loans | 0.8 | 1.4 | 8.7 |
| SLDBs | 74.5 | 111.6 | 317.5 |
| Other Domestic | - | - | 0.61 |
| Foreign Debt (c) | 183.1 | 284.3 | 169.1 |
| T-bonds held by Foreigners | 65.5 | 91.9 | 23.8 |
| Sovereign Bond | - | 65.8 | - |
| Other | 117.6 | 126.6 | 145.3 |
| Total Amortization Payments | 632.7 | 808.1 | 741.5 |

(a) Provisional.

Sources: Central Bank of Sri Lanka

(b) Excludes T-bill interest payments to non-residents.

Ministry of Finance and Planning

(c) Excludes T-bond interest payments to non-residents and Excludes debt service payments on SOEs.

3.2.2 Amortization of Foreign Debt

The rupee value of total amortization payments on account of foreign debt amounted to Rs. 169.1 billion in 2016, which was a decrease of Rs. 115.2 billion compared to 2015.

The decrease in amortization payment on account of T-bonds held by foreigners and absence of maturing International Sovereign

Bonds (ISBs) mainly contributed to the decrease in foreign debt amortization payments during 2016.

Amortization payment on account of T-bonds held by foreigners decreased by Rs. 68.1 billion to Rs. 23.8 billion in 2016 from Rs. 91.9 billion in 2015. There were no ISB maturities in 2016 compared to ISB maturity of US dollars 500 million recorded in 2015.

CHART 5
FOREIGN CURRENCY DEBT SERVICE OBLIGATIONS

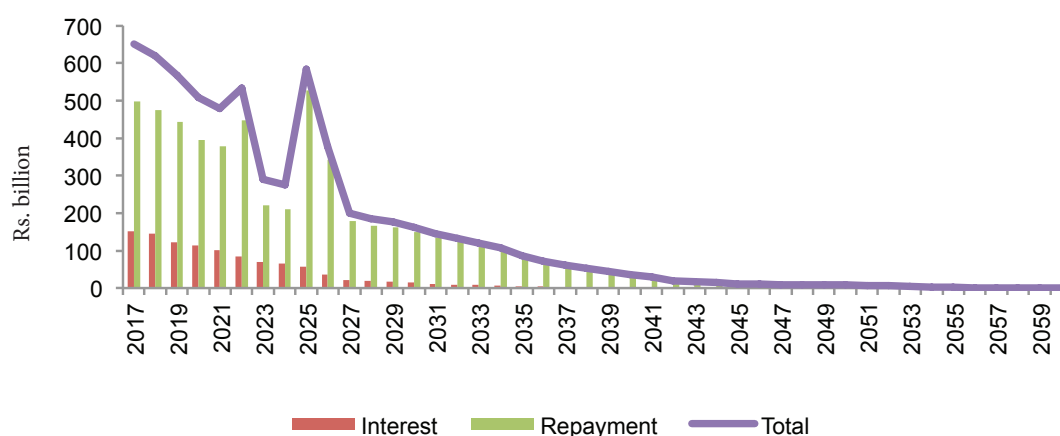


TABLE 14

TREASURY BILLS PRIMARY AUCTION WEIGHTED AVERAGE YIELD RATES Per cent per annum

| Period | 31/12/2016 | 2016 | | | |
|---------|------------|-----------|----------|---------------|--------------|
| | | End March | End June | End September | End December |
| 91 day | 6.39 | 8.30 | 8.86 | 8.55 | 8.72 |
| 182 day | 6.69 | 9.29 | 9.83 | 9.39 | 9.63 |
| 364 day | 7.11 | 9.90 | 10.55 | 10.11 | 10.17 |

Source: Central Bank of Sri Lanka

TABLE 15

PRIMARY MARKET WEIGHTED AVERAGE INTEREST COST ON DOMESTIC BORROWING ^(a) Per cent

| Instrument | 2014 | 2015 | 2016 |
|----------------------------|-------|------|-------|
| T-bills | 6.68 | 6.46 | 9.38 |
| T-bonds | 10.17 | 9.46 | 12.27 |
| Rupee Loans ^(b) | - | - | - |

(a) Weighted average interest cost = $\sum(\text{Amount issued} * \text{Yield}) / \text{Total amount issued}$

Source: Central Bank of Sri Lanka

(b) No new rupee loans were issued since 2012.

TABLE 16

INTEREST COST ON PUBLIC DEBT

Rs. bn

| Source/ Instrument | 2014 | 2015 | 2016 ^(a) |
|------------------------------------|--------------|--------------|---------------------|
| Domestic Debt | 327.9 | 394.3 | 484.2 |
| T-bills ^(b) | 78.8 | 57.7 | 78.8 |
| T-bonds ^(c) | 207.7 | 295.8 | 356.8 |
| Rupee Loans | 5.9 | 4.6 | 2.9 |
| OBU Loans | 1.4 | 1.5 | 1.7 |
| SLDBs | 18.8 | 23.4 | 33.4 |
| Other Domestic ^(d) | 15.3 | 11.2 | 10.6 |
| Foreign Debt ^(e) | 115.7 | 115.4 | 126.7 |
| Total Interest Cost | 443.6 | 509.7 | 610.9 |

(a) Provisional.

Sources: Central Bank of Sri Lanka

(b) Excludes T-bill interest payments to non-residents.

Ministry of Finance and Planning

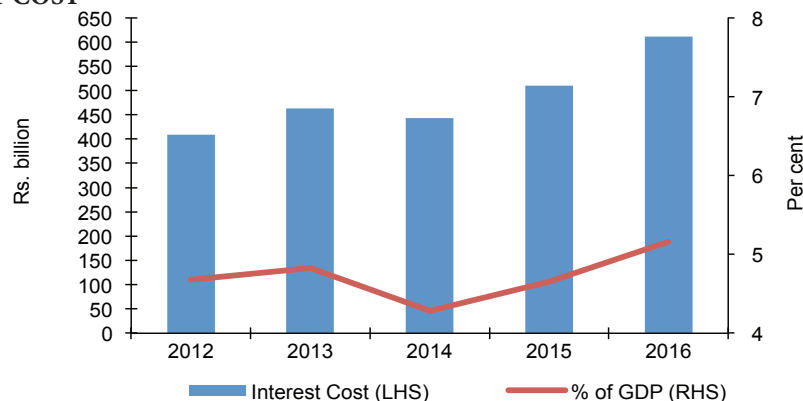
(c) Excludes T-bond interest payments to non-residents.

(d) Includes interest on overdraft facility taken from Commercial Banks, administrative borrowings etc.

(e) Includes T-bill and T-bond interest payments to non-residents and Excludes debt service payments on SOEs.

CHART 6

TOTAL INTEREST COST



3.3 Interest Cost

The total interest cost on public debt in 2016 amounted to Rs. 610.9 billion, an increase of Rs. 101.2 billion (19.85 per cent), compared to Rs. 509.7 billion of total interest cost in 2015 reflecting a relatively higher domestic interest payments in 2016. The total interest cost on public debt as a percentage of GDP increased to 5.16 per cent in 2016 from 4.65 per cent in 2015. Further, the expenditure on payment of interest on public debt slightly increased to 36.23 per cent of the total revenue of the Government in 2016 compared to 35.03 per cent in 2015.

3.3.1 Interest Cost on Domestic Debt

The interest cost on domestic debt increased by 22.80 per cent to Rs. 484.2 billion in 2016 from Rs. 394.3 billion in 2015 reflecting relatively high interest rates and the increase in domestic debt stock by 7.71 per cent to Rs. 5,341.5 billion at end 2016 from that of Rs.4,959.2 billion at end 2015. Interest payments on T-bills, T-bonds and SLDBs, mainly contributed to the increase in domestic interest cost.

3.3.2 Interest Cost on Foreign Debt

The total interest payments on foreign debt increased by Rs. 11.3 billion (9.79 per cent) to Rs. 126.7 billion in 2016 from Rs. 115.4 billion in 2015. The increase in interest payments on foreign debt was mainly attributable to the increase in the stock of non-concessional foreign borrowings.

The prudent mix of domestic and foreign instruments enabled managing the increase in interest cost on foreign debt amidst increase in the volume of foreign debt on the back of depreciation of rupee against major foreign currencies during 2016.

3.4 Future Debt Service Obligations

The maturity structure of government securities was maintained through the issuance of 25-year Treasury bonds in the domestic market. The debt service obligations of the foreign currency denominated debt too extended up to 2060 by end 2016. Appropriate strategies for overall debt management were consistently evaluated to manage total maturity and interest payments taking overall debt service payment obligations in the medium term.

4. Market Operations in 2016

Overview

The Central Bank of Sri Lanka (CBSL), being the agent responsible for raising the government funding requirement, implemented the Government's borrowing programme for 2016 to achieve the objective of raising funds at lowest possible cost with a prudent degree of risk. The borrowing programme has been executed within the overall borrowing limit specified in the Appropriation Act number 16 of 2015, by issuing T-bills, T-bonds and SLDBs in the domestic market and ISBs in the international capital market. Raising other external loan facilities by way of project loans, commodity loans, syndicated loans etc. were handled by the External Resources Department of the Ministry of National Policies and Economic Affairs.

Monetary tightening adopted by the Central Bank in view of curtailing possible rise of demand driven inflationary pressures in the domestic economy coupled with adverse effect of gradual normalization of United States policy interest rates in the global front, posed significant challenges to market operations in managing public debt. In particular, marked deviations in certain fiscal targets owing to the decline in real growth, higher expenditure and depreciation of the rupee had an adverse impact on the implementation of the borrowing program in 2016. Primary market yields on government securities witnessed an increasing trend during the first quarter of 2016 and thereafter broadly stabilized during the period

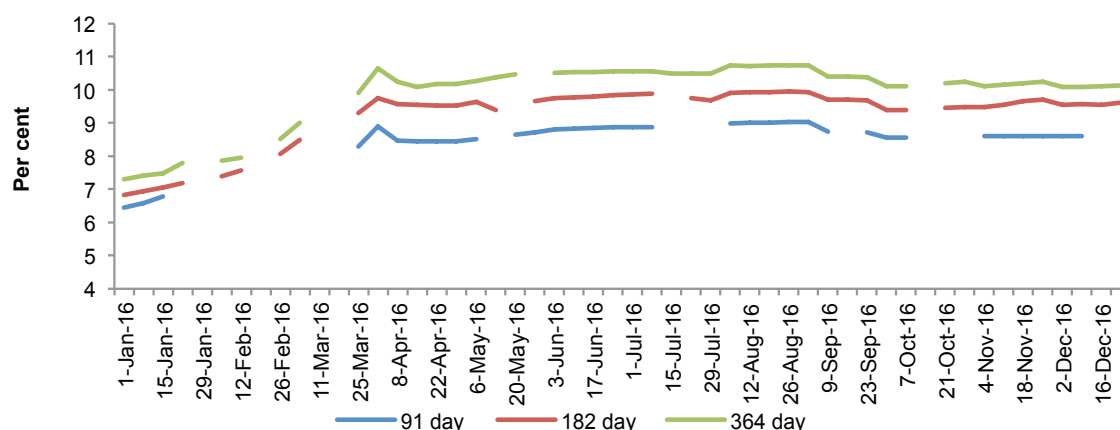
April to July albeit an upward adjustment in line with the policy rate increase in July 2016. With successful issuance of ISB and receipt of syndicated loan proceeds, primary market yields gradually declined thereafter albeit a marginal increase in December 2016. In the backdrop of such developments, CBSL had to resort to various strategies to launch the Government's borrowing program at lowest possible cost with a prudent degree of risk. Issuance of ISBs in May 2016, eased the pressure on the interest rates in the domestic front amidst decline of investments by foreign investors in the rupee denominated government securities market during 2016.

4.1 Treasury Bills Primary Market

Government used T-bills as the key debt instrument to manage the short-term Treasury cash-flow requirement and issued T-bills via weekly auctions of three standard maturities (91-day, 182-day and 364-day) during 2016.

The gross fund mobilization through T-bills (91-day, 182-day and 364-day) in 2016 was Rs. 1,635.3 bn on face value basis compared to Rs. 1,589.5 bn in 2015. The face value of outstanding T-bills at end 2016 was Rs. 792.4 bn in comparison to Rs. 663.2 bn recorded at end 2015. Further, CBSL conducted 52 weekly T-bill auctions in 2016.

Chart 7
T-BILL PRIMARY MARKET WEIGHTED AVERAGE YIELDS



Reversing the declining trend in the foreign holdings witnessed from 2012, T-bills owned by foreign investors increased by Rs. 7.8 bn during 2016 to Rs. 12.8 bn by end 2016 compared to Rs. 5.0 bn recorded at end 2015.

day, 182-day and 364-day maturities increased by 245 basis points, 293 basis points and 334 basis points, respectively, to 8.90 per cent, 9.76 per cent and 10.64 per cent, respectively, by end March 2016 compared to end 2015.

An upward trend in primary market WAYR of T-bills was observed during 2016 although the increase moderated somewhat towards the latter part of the year. Accordingly, during the first quarter of 2016, primary market WAYR of T-bills showed an increasing trend mainly due to increased demand for funds by the government owing to delays in expected foreign financial inflows to the government and effects of monetary tightening. Accordingly, WAYR of 91-

With noticeable improvement in foreign inflows to the government securities market, the upward pressure on T-bill yields witnessed during the first quarter moderated and the yields remained broadly stable during the period from April – July 2016. Successful issuance of the ISB in May 2016 coupled with proceeds from the syndicated loans further lessened the upward pressure on T-bill yields. However, T-bill yields adjusted upwards with the increase in the Central Bank

TABLE 17
TREASURY BILL PRIMARY AUCTION DETAILS

Rs . bn

| 2016 | 91 Days | | | | 182 Days | | | | 364 Days | | | |
|------|---------|----------|--------|----------|----------|----------|-------|----------|----------|----------|--------|----------|
| | Offered | Accepted | % | WAYR (%) | Offered | Accepted | % | WAYR (%) | Offered | Accepted | % | WAYR (%) |
| Q1 | 43.50 | 63.18 | 145.25 | 7.26 | 117.00 | 73.92 | 63.18 | 7.77 | 117.00 | 37.43 | 31.99 | 8.57 |
| Q2 | 124.00 | 59.61 | 48.07 | 8.69 | 130.00 | 115.46 | 88.81 | 9.65 | 104.00 | 112.33 | 108.01 | 10.29 |
| Q3 | 75.50 | 49.40 | 65.43 | 8.85 | 104.00 | 77.02 | 74.06 | 9.78 | 127.00 | 136.38 | 107.39 | 10.58 |
| Q4 | 90.00 | 23.72 | 26.35 | 8.61 | 112.50 | 53.15 | 47.24 | 9.52 | 119.50 | 43.02 | 36.00 | 10.14 |

Source: Central Bank of Sri Lanka

policy rates in July 2016. Despite a marginal increase in December 2016, a declining trend was observed in T-bill yields from August 2016 onwards reflecting the improved government cashflows as well as improved foreign inflows to the government securities market. Accordingly, T-bill primary market WAYR for 91-day, 182-day and 364-day maturities declined by 18 bps, 13 bps and 47 bps, respectively, to 8.72 per cent, 9.63 per cent and 10.17 per cent, respectively, from the yield rates of end March 2016.

At end 2016, ATM of the T-bills was recorded at 0.38 years compared to 0.29 years recorded at end 2015. Further, reflecting the elevated interest rate environment that prevailed during 2016, overall WAYR of T-bills issued in 2016 increased to 9.38 per cent compared to that of 6.46 per cent recorded in 2015. Further, the overall WAYR for 91-day, 182-day and 364-day maturity T-bills in 2016 were recorded at 8.26 per cent, 9.23 per cent and 10.20 per cent, respectively, compared to that of 6.32 per cent, 6.56 per cent and 6.60 per cent in 2015.

4.2 Treasury Bonds Primary Market

The total outstanding T-bonds, excluding those held by foreign investors, increased to Rs. 3,714.8 bn by end 2016 from Rs. 3,305.2 bn recorded at the end 2015. Further, 23 T-bond auctions offering single or multiple maturities in the range of 2-29 years were conducted during the year. As at end 2016, there were 61 outstanding T-bond series. The primary market WAYR for T-bonds ranged between 11.11 per cent and 15.81 per cent.

The ATM of T-bond portfolio declined marginally to 7.07 years at end 2016 from 7.36

years recorded at end 2015. Further, reopening of existing T-bond series continued in 2016 with the purpose of increasing the liquidity of the benchmark T-bond series available in the market and to manage new-issuance premium of debt securities financing.

Meanwhile, accommodation of foreign investments within the expected lee-way arising from the gross borrowing limit also helped in managing adverse effects in the domestic market. Further, reflecting the foreign capital outflow from emerging markets including Sri Lanka mainly due to gradual normalization of US policy interest rates, foreign investment in T-bonds declined further to Rs. 247.2 bn at end 2016 from Rs. 298.7 bn recorded at end 2015.

However, T-bonds owned by foreign investors decreased by Rs. 51.5 bn during 2016 to Rs. 247.2 bn by end 2016 compared to Rs. 298.7 bn recorded at end 2015. Gradual normalization of US interest rates and the resultant foreign outflows from emerging economies, including Sri Lanka, was the main contributory factor towards above decrease in foreign investments.

4.3 Sri Lanka Development Bonds

The funds raised through the issuances of SLDBs in 2016 amounted to USD 1,365.9 mn. CBSL was successful in easing the pressure on yield rates of domestic debt instruments through issuing USD denominated SLDBs at various floating rates and the ISBs issuance of USD 1,500 mn in May 2016, at a yield rate of 6.2 per cent.

The outstanding SLDB stock declined to USD 3,819.8 mn at end 2016 compared to USD

4,640.1 mn recorded at end 2015. Yields of six months London Inter-Bank Offered Rate (LIBOR) plus a weighted average margin ranging from 276 bps to 525 bps were given to raise SLDBs where LCBs were the main investors and majority of such investments was held to maturity by these banks.

4.4 Secondary Market Yield Rates

Reflecting the upward pressure on yield rates of government securities in the primary market, the secondary market yield rates of T-bills increased substantially during 2016. Accordingly, as per indicative quotes reported by PDs, 91-day, 182-day and 364-day secondary market T-bill yields increased by 230 bps, 294 bps and 306 bps,

respectively, by end 2016 compared to that of end 2015.

In line with the increasing trend in the yield rates of short term government securities in the secondary market, secondary market yields of medium to longer term T-bonds also increased during 2016. Accordingly, as per indicative quotes reported by PDs, the secondary market yields of 2-year, 5-year, 8-year and 10-year maturity T-bonds increased by 373 bps, 256 bps, 227 bps and 215 bps, respectively, by end 2016 compared to that of end 2015.

The total transaction volume of government securities (T-bills and T-bonds) on an outright basis during 2016 was recorded at Rs. 5,800.0 bn compared to Rs. 5,378.4 bn recorded in 2015.

5. The Medium-Term Debt Management Strategy 2017 - 2020 and Issues and Challenges

Overview

The Medium-Term Debt Management Strategy (MTDS) outlines a framework for formulation and implementation of a prudent borrowing program that the CBSL intends to execute over the next three to five-year (medium term) period with the aim of achieving government debt management objectives. The MTDS is mainly focused in raising funds in an appropriate composition focusing on the projected path of macroeconomic indicators and market environment, to ensure that the government debt management objectives are met prudently.

The MTDS for 2017-2020 outlines the public debt management direction in formulating debt management plan to achieve the cost and risk consideration in line with current market developments. Accordingly, considerations such as potential variation in debt servicing costs and its budgetary impact, linkages with other key macroeconomic policy objectives and/or targets, improvement in debt sustainability and the need for the development of the domestic debt markets are considered in formulating the MTDS. Executing the debt management strategy eventually aims at containing risks to the government's balance sheet while minimizing the potential public debt-related burden and maximizing the resource availability for other sectors of the economy.

The MTDS for 2017-2020 is a continuation of MTDS for 2016-2020. The strategy considers

the changes in local and global economy while articulating on an ongoing basis of the required adjustments in implementing overall targets stipulated in the MTDS. The MTDS for 2017-2020 has been formulated based on the Government Budget 2016 and the medium-term policy direction announced by CBSL in the Annual Report 2016.

5.1 Expected Benefits of the MTDS

The MTDS is expected to provide a framework for decision making and to make informed choice on how the government's financing requirement is to be met under a given set of constraints and potential risks. Such a methodical approach to government debt management related decision making would strengthen the efficiency and effectiveness of the function of the CBSL as the fiscal agent of the government. The following benefits are expected to be accrued through implementation of the MTDS.

5.1.1 Evaluating the cost-risk trade-off:

The MTDS allows well considered decisions after identification and analysis of costs and risks associated with alternative strategies available for financing the government's borrowing requirement. CBSL believes that clearly defined strategic goals of MTDS would avoid the possibility of making one sided decisions only on the basis of the cost while compromising on risk parameters.

5.1.2 Identifying and managing risks:

Despite limited alternative sources available for meeting the government borrowing requirement, MTDS allows CBSL, to identify, estimate, and monitor risks associated with such alternative funding sources. Further, it provides an opportunity to evaluate the impact on the overall risk profile of the public debt portfolio deriving from exercising alternative financing options within the overall risk parameters defined for public debt of the country. Identification of risks associated with alternative financing options on a proactive basis, provides CBSL an opportunity to put in place an appropriate risk mitigating mechanism to better utilization of such alternative funding arrangements and manage the impact of negative eventualities, if any. In the process of identification of suitable risk mitigates, the MTDS facilitates numerous considerations, including further development of the domestic debt market, on a proactive basis.

5.1.3 Policy Coordination:

The MTDS facilitates proper coordination of fiscal policy with monetary policy within the envisaged path of macroeconomic variables. The MTDS framework allows understanding the constraints, including developments in the domestic debt market and balance of payment consideration. Such smooth policy coordination allows eliminating and/or minimizing externalities and enhances the overall economic efficiency while also helping to achieve transparency and accountability on the management of the public debt of the country without compromising other policy objectives.

5.1.4 Proactive Identification of constraints:

The MTDS allows CBSL and the Government

to identify constraints that affect their overall objectives, including economic and price stability and financial system stability for higher growth, in advance, so that suitable remedial measures can be formulated and implemented to ease-off such constraints.

5.2 Implication of medium term fiscal policy direction as mentioned in 2017 Budget and the Medium Term Macroeconomic Outlook of the Annual Report of the Central Bank on MTDS 2017-2020

The medium-term macro fiscal framework of the government, as articulated in 2017 budget, is designed to further strengthen the fiscal consolidation process by reducing the budget deficit and improving the government debt profile. The budget deficit is expected to be reduced to around 3.50 per cent of GDP in the medium term, making the government debt to further reduce to a conducive level in line with its rating peers. Moreover, the increase of government revenue to reach 16.50 per cent of GDP over the medium term from 14.30 per cent of GDP in 2016, with continuous efforts to rationalize recurrent expenditure, in an environment of appropriate and stable interest rate regime continued. As a result, the envisaged current account surplus in 2017 would be further strengthened in the medium term, creating more fiscal space to achieve the government's MTDS designed to gradually reduce the debt stock to GDP ratio to around 75.10 per cent by 2018, and further to around 70 per cent by 2020. Further, it is envisaged to lengthen the ATM of the debt stock, while reducing debt servicing costs in the medium term. In the monetary front, CBSL expects to maintain inflation at

around mid-single digits in the medium term, through prudent conduct of monetary policy, supported by productivity enhancing supply side measures. Maintaining headline and core inflation at single digit levels for a period of over five years has led to well anchored inflation expectations, allowing market interest rates to remain at appropriate and stable levels, facilitates a prudent debt management in the medium term.

5.3 Stated Objectives of the MTDS 2017-2020

The primary objective of the MTDS is to ensure that the government's financial needs are met at the lowest possible cost over the medium term, consistent with a prudent level of risk. Besides, the following secondary objectives are stated in the MTDS to facilitate the primary objective.

- (a) Evaluating and managing the risk involved in different debt compositions;
- (b) Facilitating coordination with fiscal and monetary management;
- (c) Enhancing the transparency in public debt management;

- (d) Enhancing the efficiency and competition of the primary market for government securities;
- (e) Broadening and deepening of the secondary market for government securities;
- (f) Diversification of investor and instrument base;
- (g) Enhancing the efficiency of the secondary market by developing a dynamic benchmark yield curve across the term structure;
- (h) Enhancing Debt Dynamics;
- (i) Publishing a Treasury bond calendar for both domestic currency and foreign currency issuances; and
- (j) Upgrading the infrastructure of the domestic debt market supported by e-trading platform together with a central clearing arrangement.

5.4 Targets as set out in the MTDS 2017 – 2020

The targets, as set out in the MTDS for 2017-2020 are as follows.

TABLE 18
MEDIUM TERM DEBT MANAGEMENT STRATEGIES (MTDS)

| Indicator | Annual Targets | | | | |
|--|----------------|------|------|------|------|
| | 2016 | 2017 | 2018 | 2019 | 2020 |
| Overall Budget Deficit/GDP Ratio (%) | 5.4 | 4.6 | 4.3 | 3.8 | 3.5 |
| Debt/GDP Ratio (%) | 79.3 | 77.5 | 75.1 | 72.7 | 70.0 |
| Total Revenue and Grants / GDP | 14.3 | 15.0 | 15.5 | 16.0 | 16.5 |
| Average Time to Maturity (years) | 5.98 | 6.5 | 6.6 | 6.7 | 6.7 |
| Ratio of Short Term Domestic Debt to Total Domestic Debt (%) | 18.1 | 19.5 | 19.0 | 18.5 | 18.5 |
| Ratio of Foreign Currency Debt to Total Debt (%) | 46.7 | 48.0 | 46.0 | 44.0 | 40.0 |

Source: Central Bank of Sri Lanka

5.5 Issues and Challenges of Implementation of MTDS

5.5.1 Maintaining the dynamism of the benchmark yield curve for government securities:

A dynamic benchmark yield curve is an essential element for a well-functioning secondary market for government securities and other financial instruments. An effective and dynamic benchmark yield curve provides opportunities to reduce refinance risk in fulfilling government financing requirements. The extension of yield curve, up to a 30-year maturity horizon by issuing benchmark securities on a periodic basis has minimized the market fragmentation and provided a clear benchmark for private sector to emulate and develop other financial products. Frequent issuance of long term bonds and reissuances of existing securities has improved market liquidity. However, due to its segmented nature and less volume of transactions in the secondary market for long term maturities, reduce the dynamism in the secondary market on the longer-end of the benchmark yield curve.

Currently, most of the secondary market trades in government securities take place via Over the Counter (OTC) market. The reluctance of market participants to conduct trade between counterparties, freely and transparently, has increased reliance on the OTC market. As there is no regulatory reporting requirement for all the OTC transactions, the underlying prices and yields of these transactions are not reflected on real-time basis, thus creates an asymmetry in market information. Currently, sellers/buyers of government securities do not transact with buyers/sellers if there are no pre-determined internal credit limits. Such practices have

created discernment among segments of market participants and discouraged price discovery, transparency and efficiency of the market.

5.5.2 Lack of secondary market liquidity in terms of rupee leg and the security leg:

Since 2004, settlement of government securities transactions in the secondary market have been made through Scrip-less Securities Settlement System (SSSS) and Real Time Gross Settlement System (RTGS). These systems employ, a DVP-1 settlement mechanism that settles each security and payment instruction individually, irrevocably on real time basis, using funds and securities in the participants' Settlement Accounts held in the SSSS and RTGS.

Accordingly, each secondary market transaction in government securities is required to be settled on one-to-one gross basis, where market participants are expected to maintain substantial amounts of liquidity in both security and rupee terms. As a result, transaction volumes of government securities in the secondary market has remained rather hindering.

5.5.3 Exclusivity in primary auction system and primary auction participation:

Primary auctions for government securities are conducted only through the dedicated Primary Dealers (PDs). There were 15 PDs operating in the market in 2016. These PDs are expected to act as intermediaries between the CBSL and the investors in government securities. Hence, PDs are acting as market makers for such instruments.

However, due to limited resource availability, shallow and illiquid secondary market for government securities along with unpredictable

yield curve, PDs have not been able to perform the market making role effectively.

5.5.4 Effective cash flow forecasting and cash balance management of the government:

Even though, cash flow forecasts and cash balance management practices of the government exist, prudent and timely information on the aggregate level of overnight cash balances, or float, and the accuracy of such balances are essential for the formulation of an efficient borrowing programme and to ensure that the float is in accordance with the MTDS. Furnishing accurate and timely forecasts on government cash flows and the end-of-day balances would enhance efficiency of the MTDS.

Further, if there is any excess liquidity available in government accounts, it could be used to retire or buy back government securities that would enable managing of the cost of financing effectively. Lack of provisions, for liability management options such as a) buy back arrangements outside the gross borrowing limit b) maintenance of a pre-funding account and c) active trade desk facilitation at the issuer, is a hindrance to facilitate improved efficiency in cash flow management and risk mitigation measures.

5.6 Measures taken to address the issues and challenges of implementing MTDS

5.6.1 Standardization of market regulations and other legal documents:

The CBSL continued to review the existing laws and regulations and introduced system reforms to improve the government securities market

in 2016. The initiatives aimed at reducing the information asymmetry, increasing the core capital requirements, enhancing secondary market liquidity, improving safety of investors and increasing the overall efficiency of the PD industry.

5.6.2 Enhancing market transparency through System Reforms:

From 2016, CBSL has started conducting pre-bid meetings on forthcoming T-bond auctions, with all primary dealers with the view of enhancing market transparency and thereby improving market efficiency. Further, in order to enhance the predictability of the primary auction process and ensure the availability of the information in advance, CBSL has provided more information in the auction calendar by newly introducing the ISIN and Settlement date information along with the auction date and tenor during the year 2016.

5.6.3 Electronic Trading System (ETS):

Electronic Trading or commonly named as e-Trading is an automated facility, which is used in capital/ money market dealings between traders. ETS facilitates order entry, deal management, order matching with defined priority rules such as price- time priority coupled with deferred net settlement procedure and information dissemination using industry accepted protocols. Currently, CBSL is in the process of implementing a state of art ETS for government securities. Meanwhile, the introduction of Bloomberg trading platform for government securities has resulted in a limited improvement in price discovery and transparency in the secondary market transactions.

5.6.4 Central Counterparty Platform:

A Central Counter Party (CCP) is an arrangement that guarantees the settlement of securities and funds, thus minimizes the settlement risk and the counter-party credit risk of trades/ transactions through contribution of its clearing members (CM). Initiatives such as appointing Technical Evaluating Committees and Cabinet Appointed Procurement Committees have been established to procure CCP.

5.6.5 Market based mechanism in auctioning of T-bills and T-bonds:

Raising of funds from the primary market, to meet the borrowing requirement of the government, was entirely done through auctions since March 2015. As a result, the yield rates were entirely determined through the market based mechanism hoping that it would enable to derive a more representative long-term benchmark yield curve for government securities. As a way forward, CBSL is planning to upgrade the web based auction system for T-Bills and T-Bonds.

In view of inherited limitations in the “auction only” system for primary issuances of T-bills and T-bonds, discussions were initiated to introduce a new auction mechanism for T-Bond and T-Bill issuances to enhance “competitive market clearing pricing” with meeting government funding requirement through transparent mechanism.

5.6.6 Conversion of SLDBs to Scripless Securities:

The issuances of SLDBs have significantly increased due to the growing market preference for SLDBs. However, due to the hassle of dealing with physical certificates, the secondary market for SLDBs are not very active as in case for secondary market for Scripless Government Securities. Thus, initiatives have been taken for issuance of SLDBs in Scripless form with the target to increase the efficiency in the SLDB market by improving secondary market trading, while eliminating the risks associated with paper-based securities.

6. Risk Management in Public Debt and Sustainability of External Debt

6.1 Risk Management in Public Debt

Government debt portfolio remains the largest single financial portfolio in most of the countries. Therefore, risk management of the government debt portfolio needs to go beyond passive risk mitigation strategies and explore active means of cost and risk mitigation. The overall profile of risk parameters to be followed in Sri Lanka is comprehensively articulated by the MTDS. The overall profile of risk parameters to be followed over the next three years, and the annual borrowing programme, which primarily distinguishes the instrument composition are directly linked with MTDS.

CBSL implemented robust mechanism to manage risks pertaining to public debt portfolio. This contains predetermined risk tolerance limits and portfolio preference, measurement, monitoring, independent risk identification and reporting by the middle office of Public Debt Department (PDD) consistent with internationally accepted best practices and norms.

6.2 Risks Pertaining to the Public Debt Portfolio

Refinancing (rollover) risk and market (exchange rate and interest rate) risk continue to be the major risks that CBSL managed during 2016. However, the possible incidences of other risks namely liquidity risk, legal risk, operational risk and reputational risk have been

adequately factored into the risk management framework with appropriate risk mitigation strategies during the year.

6.3 Analysis of the Risk Profile of the Public Debt Portfolio

6.3.1 Refinancing Risk: Refinancing or rollover risk is the likelihood that the reissue of existing debt would be at an unusually high cost or, in the extreme case, inability to reissue at all. Thus, the risk, if materialized, could lead to, or exacerbate a debt crisis and thereby cause real economic losses, besides the financial effects of higher interest cost burden. Thus, high importance was given to the management of refinancing risk associated with the government debt portfolio in 2016 as in past years.

The ATM and the Ratio of Short-term Debt to Total Outstanding Debt are two of the most widely used indicators to measure the refinancing risk of the debt portfolio and are commonly considered by CBSL to measure the refinance risk. The risk tolerance levels of these indicators are specified in the MTDS for Sri Lanka. The refinancing risk indicators of public debt portfolio remained healthy in 2016. The overall ATM of the government debt portfolio marginally decreased to 6.41 years at end 2016 from 6.72 years at end 2015 mainly due to the decrease in ATM of domestic currency debt.

Further, with the issuance of short to medium term government securities in the domestic market as against the issuances of long tenors in 2015, the ATM of domestic currency debt portfolio declined to a value of 5.98 years at the end of 2016 from 6.29 years at end 2015. The ATM of foreign currency debt decreased

at the rate reset dates. CBSL continue to use three indicators, namely, the duration of the debt stock, Average-Time-to-Refixing (ATR) and the Ratio of Floating Interest Rate Debt to Total Debt for the management of interest rate risk in the public debt portfolio.

TABLE 19
RISK ASSESSMENT INDICATORS (AS AT END OF YEAR)

| Indicator | Domestic Currency Debt | | Foreign Currency Debt | | Aggregate | |
|---|------------------------|---------------------|-----------------------|---------------------|---------------------|---------------------|
| | 2015 ^(a) | 2016 ^(b) | 2015 ^(a) | 2016 ^(b) | 2015 ^(a) | 2016 ^(b) |
| Refinancing Risk | | | | | | |
| Average Time to Maturity (ATM) (yrs) | 6.29 | 5.98 | 7.19 | 6.85 | 6.73 | 6.41 |
| Short-term (original maturity less than or equal to one year) / Outstanding debt (%) ^(a) | 20.11 | 19.67 | 7.14 | 6.40 | 10.80 | 10.45 |
| Interest Risk | | | | | | |
| Duration (yrs) | 3.68 | 3.28 | 6.14 | 4.86 | 4.86 | 4.07 |
| Average Time to Re-fixing (ATR) (yrs) | 6.29 | 5.98 | 5.82 | 5.68 | 6.06 | 5.83 |
| Floating Rate debt / Outstanding debt (%) | - | - | 35.26 | 31.57 | 16.32 | 14.78 |
| Foreign Exchange Risk | | | | | | |
| Share of Foreign Currency Commercial debt / Official Reserves (%) | - | - | - | - | 157.11 | 214.50 |
| Share of Foreign Currency debt / Total debt (%) | - | - | - | - | 46.29 | 46.85 |

(a) Revised

Source: Central Bank of Sri Lanka

(b) Provisional

to 6.85 years as at the end of 2016, partly due to the issuance of medium term ISB during the year amounting to USD 500 million.

Concentration of domestic currency debt in short maturities at end of 2016 decreased, comparative to end of 2015, with lesser issuances of short term T-bills to finance the government borrowing requirement. The share of domestic currency debt maturing within one year at the issuance date to the outstanding domestic currency debt dropped to 19.67 percent at end of 2016 as compared with 20.11 percent at end of 2015. The share of short-term foreign currency

debt to total foreign currency debt improved to 6.40 percent in 2016 compared to 7.14 percent in 2015. Similarly, Total short-term debt as a percentage of total outstanding debt improved to 10.45 percent at end 2016 compared to 10.80 percent at end 2015.

6.3.2 Interest Rate Risk: Interest rate risk refers to the risk associated with changes in market interest rates on servicing cost of public debt. For both domestic and foreign currency debt, changes in interest rates affect debt servicing costs on new issues when the fixed-rate debt is refinanced and on floating-rate debt

Duration is an indicator, which measures the time taken to payback the initial investment of the debt stock in present value terms. Duration of the overall public debt portfolio decreased to 4.07 years in 2016 from 4.86 years in 2015 mainly due to issuance of short to medium term T-bonds at comparatively higher yields in 2016. ATR of the debt portfolio measures the average time in which debt coupons are re-fixed. For zero coupon bonds or bonds with fixed coupons, ATR is the residual life of the bond. For floating rate bonds, the ATR is the time left until fixing of the next coupon. ATR of the overall debt portfolio decreased to 5.83 years at end 2016 from 6.06 years at end 2015. ATR of foreign currency debt portfolio marginally decreased to 5.68 years in 2016 from 5.82 years in 2015. Similarly, ATR of rupee denominated debt also decreased to 5.98 years by end of 2016 from 6.29 years by end of 2015. The exposure of Government debt to interest rate changes has increased during 2016.

Floating interest rate debt to total debt decreased to 14.78 per cent as at end 2016 from 16.32 per cent as at end 2015. Similarly, floating rate foreign currency debt to total foreign currency debt decreased to 31.57 per cent at end 2016 from 35.26 at end 2015. This was mainly attributable to the fact of conversion of short term SLBDs to medium term and issuance of fixed rate SLDBs in 2016. Fixed rate SLDBs were issued to mitigate the interest rate volatility in the market.

6.3.3 Exchange Rate Risk: Exchange rate risk arises due to adverse fluctuations in the exchange rate, where depreciation of domestic currency increases the rupee value of debt servicing cost and the outstanding value of foreign currency denominated debt.

CBSL continued to use the Ratio of Foreign Currency Debt to Total Debt to assess the degree of susceptibility of the debt portfolio to exchange rate risk. The share of foreign currency denominated debt in the total debt marginally increased to 46.85 per cent at the end 2016 from 46.29 percent at end 2015.

The marginal increase in the relative share of foreign currency denominated debt stock was mainly attributable to increase in net borrowings through International Sovereign Bonds, FCBUs, Foreign Project Loans and Syndicated Loans. Tightening monetary conditions, such as increasing policy interest rate and the SRR, and high borrowing pressure from market based mechanism in auctioning Treasury bills and Treasury bonds resulted an increase in interest rates of the domestic market. Further, the upward movement in short-term interest rates have pushed, the T-bond yields on an upward trajectory towards end 2016. Thus, financing of budget deficit has been greatly relied on foreign currency, striking a trade-off between costs of borrowing from domestic sources and exposure to foreign exchange risk, financing from foreign source.

6.3.4 Liquidity Risk: There are two types of liquidity risks affecting the public debt of a country. One refers to the cost or penalty that investors in government debt securities market face at the time of exit from such investment, when the number of transactions has markedly decreased or because of the lack of depth of a market. The other form of liquidity risk, for the borrower, refers to a situation where the volume of liquid assets can diminish quickly in the face of unanticipated cash flow obligations

and /or possible difficulty in raising cash through borrowing in a short period of time. A liquid market facilitates the issuance of large quantities of a debt instrument without significant movement in the interest rate/price.

CBSL implemented several strategies in 2016 to further improve the liquidity risk profile of the public debt portfolio. Those strategies included issuing medium-term T- bonds mainly in benchmark maturities, maintaining sustainable foreign participation within the threshold of 10.00 per cent of the total outstanding stock of Treasury bills and bonds, increasing the demand for government securities of Sri Lanka by enhancing the confidence among foreign investors, maintaining and taking measures to improve sovereign rating of the country and increasing the competition in the primary market. Due to these measures, the domestic debt securities market liquidity increased during 2016, as reflected in improved outright transactions in government securities.

6.3.5 Operational Risk: Operational risk is endogenous to an institution, which means that it cannot be captured and measured as easily as rollover, interest rate, exchange rate or liquidity risk. As the risk management process of the operational risk is linked to the nature and complexity of the activities, the systems and processes in place, the level of expertise of the people involved in the process, the quality of top management and the flow of information, managing the operational risk is inherently complex. Operational risk associated with public debt includes risk of loss, whether direct or indirect, arising from a range of different types of risks, including transaction errors

at various stages of executing and recording transactions, inadequacies or failures in internal controls, processes, people or systems, legal risk, security breaches, or natural disasters that affect business community.

The operational risk associated with the public debt portfolio continued to be minimized through several measures in 2016. These measures included various stringent internal control measures implemented in line with international best practices and risk management principles. Segregation of duties such as dual access control for auction systems are in place as internal controls. Availability of fully automated SSSS and RTGS to facilitate DVP are in operation to minimize the settlement risk associated with the government debt portfolio, while protecting participants to a transaction. Continuation of comprehensive Business Continuity Plan (BCP) is in place with a fully-fledged Disaster Recovery Site (DRS), to support crucial public debt management activities in case of a contingency situation. BCP and DRS that are made mandatory for every direct dealer in government securities were periodically tested in 2016.

6.4 Sustainability of External Debt

In general, debt sustainability of a borrower is the ability to service its debt as they fall due without restructuring, defaulting or compromising its long-term goals and objectives. Maintaining the sustainability of external debt is vital for a country as it has limited options to settle financial obligations in foreign currencies.

Sustainable level of external debt can be determined using various indicators, where there is no unanimity in adopting a sole

indicator as each indicator has its own strengths and weaknesses. These indicators are primarily in the nature of ratios, to be precise, comparisons between two relevant variables, which facilitate the policy makers in their external debt management exercise.

The sustainability of external debt is measured using five groups of indicators, namely, liquidity monitoring indicators, debt burden indicators, debt structure indicators, NPV indicators, and dynamic indicators. The external debt indicators discussed in this review are mainly based on the proportion of receipts from exports of goods and non-factor services including workers' remittances and compensation of employees (XGS) that is absorbed for servicing of external debt.

6.4.1 Liquidity Monitoring Indicators

Liquidity Monitoring Indicators illustrate the capacity of a country to settle its external liabilities. These include; Interest Service Ratio, Medium and Long-term Debt Service Ratio, Total Debt Service Ratio and Short-term Debt Ratio.

The Interest Service Ratio (INT/XGS) measures the interest cost of external debt as a percentage of XGS. The value of the ratio marginally decreased to 3.52 per cent in 2016 from 3.55 per cent in 2015 resulting from the increase in XGS at a higher rate than that of foreign interest payments. Both the ratios, the Medium to Long-term Debt Service Ratio (MLDS/XGS) and the Total Debt Service Ratio (TDS/XGS) substantially decreased to 8.22 and 8.23 per cent respectively in 2016 from 12.30 and 12.30 per cent in 2015. However, Short-term debt ratio (Short-term debt/XGS) marginally increased to 0.36 per cent at end 2016 from 0.16 per cent at end 2015.

6.4.2 Debt Burden Indicators

Debt burden indicators measure the level of the burden of external debt on the country's economy. For this purpose, the first ratio that was used is by comparing Disbursed Outstanding External Debt (DOD) with XGS. This ratio measures the foreign debt level as a proportion of exports of goods and services. It shows the debt burden level over exports or the capability of acquiring foreign exchange. The second indicator is the ratio of DOD/GNP.

Both the ratios, the DOD/GNP and the DOD/XGS ratio increased to 35.16 and 112.49 per cent as at the end of 2016 compared to 33.21 and 109.05 per cent at the end of 2015.

6.4.3 Debt Structure Indicators

External debt portfolio has a great impact on the level of risk exposure of a country and the risk exposure is measured by rollover ratio, which indicates the principal payments to disbursements. This ratio reflects the ability of a country to meet its debt service obligations via external disbursements.

The rollover ratio decreased to 23.71 per cent in 2016 compared to 52.97 per cent in 2015, due to decreased repayments of external debt and the increase in disbursements. The second indicator, short-term debt to total DOD ratio marginally increased to 0.32 per cent at end 2016 from 0.14 per cent at end 2015.

6.4.4 Net Present Value Indicators

There are two commonly used NPV indicators. The first is the ratio of NPV of debt service to GNP. The objective of using this ratio is to compare future debt service payments in present

value terms, with general level of current economic activity. Second ratio is the ratio of NPV of debt service to XGS and this implies that the capacity of a country to generate foreign exchange receipts.

The ratio of NPV of Debt Service/ GNP and Debt Service/ XGS ratios moderated and recorded 0.24 and 0.79 at end of 2016 compared to 0.23 and 0.77 at end 2015 respectively.

6.4.5 Debt Dynamic Indicators

Debt dynamic indicators compare growth in cost of borrowing with the increase in exports earnings and also with the growth in the overall economy. The share of average interest rate of the debt portfolio to the rate of export growth reported 0.26 in 2016 compared to the 4.07 recorded in 2015, as a result of relatively higher service receipts and workers' remittance recorded in 2016 compared to 2015. The share of average interest rate to the rate of GNP growth has improved to 0.38 per cent in 2016 compared to 0.41 percent in 2015 due to relatively higher GNP growth rate prevailed in 2016 compared to 2015.

6.4.6 Overall Sustainability of Debt

Overall debt sustainability can be broadly assessed using two aggregate indicators, namely, overall debt to GDP ratio and foreign debt service payments as a ratio of official reserves.

TABLE 20

| OVERALL DEBT SUSTAINABILITY | | Per cent | |
|---|-------------|-------------|---------------------------|
| Indicator | 2014 | 2015 | 2016^(a) |
| Debt/GDP | 67.49 | 76.00 | 79.29 |
| Share of foreign debt service /Official reserves ^(b) | 27.78 | 37.98 | 32.81 |

(a) Provisional

Source: Central Bank of Sri Lanka

(b) Official reserves at end of the previous year

The total debt to GDP ratio increased to 79.29 per cent at end 2016 from 76.00 per cent at end 2015. The ratio of external debt service payments to official reserves decreased to 32.81 per cent in 2016 compared to 37.98 per cent in 2015. These ratios reflected the weak fiscal performance during the year and relatively low economic growth. Increasing borrowing requirement resulting from lower than expected revenue collection and significant depreciation of the rupee against major foreign currencies has largely contributed to the increase in total debt to GDP ratio during 2016. This show case a risky debt outlook for Sri Lanka in the near future which would increase cost of foreign debt. However, with the implementation of effective debt management strategies, Sri Lanka is expected to improve the debt sustainability indicators in the medium term.

TABLE 21

EXTERNAL DEBT SUSTAINABILITY INDICATORS (AS AT END OF YEAR) *

| Description | 2014 | 2015 ^(a) | 2016 ^(b) |
|---|--------|---------------------|---------------------|
| Liquidity Monitoring Indicators ^(c) | | | |
| Interest Service Ratio (INT/XGS) (%) | 3.73 | 3.55 | 3.52 |
| Medium & Long-term Debt Service Ratio (MLDS/XGS) (%) | 9.38 | 12.30 | 8.22 |
| Total Debt Service Ratio (TDS/XGS) (%) | 9.63 | 12.30 | 8.23 |
| Short-term Debt Ratio (Short-term Debt/XGS) (%) | 1.79 | 0.16 | 0.36 |
| Debt Burden Indicators | | | |
| DOD/GNP (%) | 30.48 | 33.21 | 35.16 |
| DOD/XGS (%) | 100.38 | 109.05 | 112.49 |
| Debt Structure Indicators | | | |
| Rollover Ratio (Principal Payments/ Disbursements) ^(c) (%) | 40.56 | 55.83 | 23.71 |
| Short-term Debt / Total DOD (%) | 1.78 | 0.14 | 0.32 |
| NPV Indicators ^(d) | | | |
| NPV of Debt Service/GNP | 0.33 | 0.23 | 0.24 |
| NPV of Debt Service/XGS | 1.10 | 0.77 | 0.79 |
| Dynamic Indicators ^(c) | | | |
| Avg. rate of Interest/rate of growth of export | 0.27 | 4.07 | 0.26 |
| Avg. rate of Interest/rate of growth of GNP | 0.38 | 0.41 | 0.38 |

(a) Based on central government debt.

Source: Central Bank of Sri Lanka

(b) Provisional.

(c) Including T-bill & T-bond payments to non-residents.

Note: Premature unloading of foreign investments in Treasury bonds tearted as repayments to the external sector that resulted to deteriorate several sustainability indicators such as Medium & Long term Debt Service Ratio, Total Debt Service Ratio, Rollover Ratio etc.

(d) NPV calculation is based on UN-ESCAP definitions and methodology.

Note: DOD represents total disbursed external debt outstanding.

GNP: gross national product.

XGS: exports of goods and non factor services including workers' remittances and compensation of employees,

TDS: total external debt service payments

INT: external interest payments

MLDS: external medium and long-term debt service payments and,

NPV represents the present value of the stream of future debt payments on foreign debt, discounted at CIRR.

Special Appendix

Major Developments in the Government Securities Market in Sri Lanka

- 1923 - Enactment of the Local Treasury Bills Ordinance (LTBO) enabling the Government to borrow through the issue of Treasury bills (T-bills)
- 1937 - Enactment of the Registered Stock and Securities Ordinance (RSSO) enabling the Government to borrow through the issue of medium and long-term government securities
- 1941 - Commencement of T-bill issues under parliamentary approval
- 1949 - Enactment of the Monetary Law Act (MLA) entrusting the Central Bank of Ceylon to act as the agent of the government in managing public debt
- 1957 - Enactment of the Foreign Loans Act
 - Enactment of the Tax Reserve Certificates Act
- 1981 - Commencement of the issuance of six months (182 days) T-bills. Prior to 1981, only three months (91 days) T-bills were issued.
 - Introduction of secondary market operations for T-bills
- 1982 - Enactment of the Loans (Special Provisions) Act
- 1986 - Commencement of weekly issues of T-bills. Fortnightly issues of T-bills on the 1st and the 15th of each month had taken place before 1986.
 - Introduction of Tap system through the regional offices of the Central Bank of Sri Lanka (CBSL).
- 1989 - Issuance of T-bills with multiple maturities of 91-days, 182-days and 364-days
 - Introduction of the Treasury Certificates of Deposit Act
 - Tap system extended through authorized agents
- 1992 - Introduction of accredited Primary Dealer (PD) system. Eleven PDs consisting of eight Licensed Commercial Banks (LCBs) and three non-bank dealers were appointed
- 1993 - Introduction of repurchase agreements on T-bills
- 1994 - Reforming the PD system. Eighteen PDs consisting of thirteen LCBs and five non-bank dealers were appointed.
- 1995 - Phasing out of non-competitive bidding by public sector institutional investors
 - Introduction of reverse repurchase transactions on T-bills

- Fixing and prior announcement of T-bills to be issued under each maturity
- Amendment of LTBO and RSSO to facilitate the issue of scripless T-bills and T-bonds and maintenance of the Central Depository System (CDS)
- 1997 - Commencement of the issuance of Treasury bonds (T-bonds)
- Formation of the Association of Primary Dealers in June 1997
- 1998 - Introduction of an electronic bidding facility
- 2000 - Introduction of the dedicated PD system, where only the dedicated companies were appointed as PDs.
- 2001 - Issuance of Sri Lanka Development Bonds (SLDBs)
- 2002 - Expansion of PD system to LCBs
- 2003 - Enactment of the Fiscal Management (Responsibility) Act
- Introduction of a Code of Conduct for PDs
- CBSL moved from a system of ‘passive’ Open Market Operations to an ‘active’ OMO system in order to enhance the effectiveness and market orientation of monetary policy operations.
- Introduction of a screen based trading platform for government bonds.
- 2004 - Conversion of T-bills and T-bonds issued in scrip form into scripless form pursuant to the Regulations issued under LTBO and RSSO in 2004.
- Introduction of Scripless Securities Settlement System (SSSS) (on Delivery Versus Payment (DVP) basis) and the CDS for government securities
- Issue of government securities in scripless form
- 2005 - Issuance of first index-linked T-bonds
- Issue of the first sovereign credit rating of Sri Lanka by Standard and Poor’s (S&P) and Fitch Ratings (Fitch).
- 2006 - Introduction of the Risk Weighted Capital Adequacy framework for PDs
- Opening up the T-bond market to foreign investors with an aggregate ceiling of 5 per cent of the outstanding bonds.
- Issue of Sri Lanka Nation Building Bonds (SLNBB)
- Suspension of the participation of PDs in the CBSL’s OMOs
- 2007 - Opening of retail outlets to sell government securities
- Lifting the suspension of PDs’ participation in the CBSL’s OMOs
- Enhancement of the aggregate ceiling of 5 per cent to 10 per cent in respect of investment in T-bonds by foreign investors.
- Issuance of the first International Sovereign Bond (ISB) of USD 500 million in the international capital market.

- 2008 - Authorizing LCBs to invest in the ISB issued by the Government of Sri Lanka (GOSL), in the secondary market.
- Opening up of the T-bill market to foreign investors with the aggregate ceiling of 10 per cent of the outstanding bills.
 - Introduction of the PC based payment and securities settlement system as part of the Business Continuity Plan (BCP) of the LankaSettle System.
- 2009 - Issuance of the second ISB of USD 500 million.
- Opening up of the T-bill and T-bond market to the Sri Lankan Diaspora and Migrant workforce
 - Providing concessions in obtaining Dual Citizenship status by ex-Sri Lankans (holding foreign citizenship) who invest in Sri Lanka government T-bonds subject to certain conditions.
 - Extending the yield curve on government securities up to 10 years
 - Increasing the maximum number of days accepted by the LankaSecure system for future value dated transactions from 31 calendar days to 364 calendar days
 - Upgrading of the sovereign credit rating outlook by S&P and Fitch
 - Setting up of the Domestic Debt Management Committee (DDMC) by the Monetary Board on 05 November 2009.
- 2010 - Introduction of participant managed Intraday Liquidity Facility to the LankaSettle and LankaSecure Systems
- Introduction of an Analytical Tool to develop a Medium-term Public Debt Management Strategy
 - Conducting a workshop for the dealers and treasury officials of PDs on the development of domestic and international economy
 - Issuance of the third ISB of USD 1,000 million with 10 year maturity.
 - Issue of first sovereign credit rating of Sri Lanka by Moody's Investors Service (Moody's) and upgrading of the sovereign credit rating of Sri Lanka by Fitch and S&P.
- 2011 - Issuance of the fourth ISB of USD 1,000 million with 10 year maturity.
- Upgrading the sovereign credit ratings of Sri Lanka by Fitch, S&P and Moody's.
 - Appointment of three new participants to LankaSecure including one PD and two LCBs namely, WealthTrust Securities Limited, Amana Bank Limited and Axis Bank Limited.
 - Limit on foreign investments in government securities was increased from 10 per cent

- to 12.5 per cent of the total outstanding stock of T-Bills and T-Bonds.
- 2012
- Issuance of the fifth ISB of USD 1,000 million with 10 year maturity.
 - Upgrading of LankaSettle and LankaSecure (new version 3.6) with many new features to make the day-to-day business operations more efficient and effective.
 - Standardization of investor information registration in the CDS in LankaSecure.
 - Implementation of an Electronic Trading (E-Trading) platform to promote the secondary market for Government securities.
 - Issuance of 20 year T-Bonds.
 - Fitch affirmed Sri Lanka's Foreign- and Local-Currency Issuer Default Rating (IDRs) at BB- with a "Stable" outlook in May 2012.
 - Moody's affirmed Sri Lanka's rating of B1 with a "Positive" outlook in November 2012.
 - S&P's affirmed Sri Lanka's rating of B+ with "Stable" outlook in December 2012.
- 2013
- Issuance of 30 years T-Bonds.
 - Half-yearly T-Bond Primary Auction Calendar was published.
 - Conducted investor awareness programmes and investor meetings in Europe, East Asia including mainland China, and Middle East and in the USA.
 - Streamlined investor records in CDS by having unique identification numbers for each participant.
 - Commenced a Survey to identify investors who wish to receive the periodic statements in the electronic form instead of printed statements sent through mail.
 - Measures have been initiated to put in place an E-Trading Platform and a Central Counterparty arrangement by end 2015 for trading and settlement of domestic financial market transactions including the transactions in government securities.
 - Introduction of a new computer information system for foreign debt service payments to increase the efficiency of the foreign debt service payment process.
 - Simplification of Guidelines relating to investments in Government Securities by Foreign Investors, Sri Lankan Diaspora and Migrant Workforce under Securities Investment Account (SIA) in April 2013.
 - Issued the Direction on Assessment of Fitness and Propriety of Directors and Officers Performing Executive Functions of Primary Dealer Companies in May 2013.
 - PDs were permitted to act as market makers in corporate bonds or debentures and permitted to invest up to a limit of 5 per cent of total investments in quoted shares, quoted

debentures or bonds and quoted commercial papers in July 2013.

- Pan Asia Banking Corporation PLC was appointed as a PD in terms of the RSSO and the LTBO in August 2013.
 - Issued the Direction on Funds remaining unclaimed in the Customer Accounts maintained by the Dealer Direct Participants in September 2013.
 - The Hong Kong & Shanghai Banking Corporation Ltd. and Perpetual Treasuries Ltd. were appointed as PDs in terms of the RSSO and the LTBO in September 2013.
 - Customer Charter for PDs in Government securities was introduced in November 2013.
 - PDs were permitted to engage in covered Short Selling of T-bills and T-bonds up to the amount of successful bids accepted and confirmed at primary auctions in December 2013.
- 2014
- Issued USD 1,000 million 5 year International Sovereign Bond at a yield rate of 6.00 per cent.
 - The Sri Lanka Development Bond (SLDB) issuance was authorized up to a limit of USD 750 million for 2014.
 - Issued USD 500 million 5-year International Sovereign Bond at a yield rate of 5.125 per cent.
 - Union Bank of Colombo PLC was appointed as a Primary Dealer in terms of the Registered Stock and Securities Ordinance and Local Treasury Bill Ordinance.
- 2015
- The SLDB issuance was authorized up to a limit of USD 1,500 million for 2015.
 - In addition to issuance of SLDBs at floating rate, issuance of SLDBs at fixed rates in different maturities was approved.
 - A ten year International Sovereign Bond was issued for US dollars 650 million at 6.125 per cent per annum.
 - SLDBs issuance limit was increased from USD 1,500 million to USD 2,500 million.
 - Multi-currency functionality in Lankasettle system was enabled to facilitate the Scripless trading and recording of legal ownership of SLDBs, denominated in US dollar, with the objective to promote the secondary market for SLDBs.
 - Under the provision of the Local Treasury Bills Ordinance, the parliament granted approval for an increase in authorized limit of T-bills from Rs.850 billion to Rs.1, 250 billion.
 - The direction on minimum core capital requirement was revised, increasing the minimum unimpaired core capital to be maintained by the primary dealer companies from Rs. 300 million to Rs. 1,000 million.
 - The direction on Capital Adequacy Ratio was revised, increasing the minimum Risk

Weighted Capital Adequacy Ratio to be maintained by the primary dealer companies from 8 per cent to 10 per cent.

- A 10-year International Sovereign Bond was issued for US dollars 1,500 million at 6.850 per cent per annum.
- The threshold of investment in T-bills and T-bonds by foreigners reduced from 12.5 per cent to 10 per cent of the total outstanding stock of T-bills and T-bonds.

2016 - The SLDB issuance was authorized up to a limit of USD 2,500 million for 2016.

- Change the minimum investment amount in SLDBs from USD 100,000 to USD 10,000.
- Five year and ten-year International Sovereign Bonds were issued for US dollars 500 million and US dollar 1,000 million at 5.75 per cent and 6.825 per cent per annum respectively.
- A Circular was issued on “Recording of Ownership of Government Securities in the LankaSecure Central Depository System” to all Participants of LankaSettle System to ensure compliance with LankaSettle System Rules (Version 2.1)
- The regulatory and supervisory functions of the Central Bank in relation to Primary Dealers and other participants have been assigned to the Director, Department of Supervision of Non-Bank Financial Institutions.
- All primary dealers were directed to use the Bloomberg trading platform (FIQ) designed for Sri Lanka to conduct all inter-primary dealer outright trades and report yield rates and volumes of all outright trades carried out over-the-counter in excess of Rs.50 million with non-primary dealer investors within 30 minutes of each trade.
- The above circular was extended to all Licensed Commercial Banks and Licensed Specialized Banks to conduct all outright trades with other banks and primary dealers and report yield rates and volumes of all outright trades carried out over-the-counter in excess of Rs.50 million, within 30 minutes of each such trade.

Glossary

Average Time to Maturity - Weighted average time to maturity of all the debt securities/loans in the debt portfolio.

Benchmark Bond - A bond that provides a standard against which the performance of other bonds can be measured. Government bonds are often used as benchmark bonds. This is also referred to as “benchmark issue”.

Bunching of Debt Stock - An excessive amount of debt maturing on a given date or within a given period of time.

Central Counterparty (CCP) - A central counterparty interposes itself between counterparties to contracts traded in one or more financial markets, becoming the buyer to every seller and the seller to every buyer and thereby ensuring the performance of open contracts. A CCP becomes counterparty to trades with market participants through novation, an open-offer system, or through an analogous legally binding arrangement. CCPs have the potential to reduce significantly risks to participants through the multilateral netting of trades and by imposing more-effective risk controls on all participants and, as a result, they can reduce systemic risk in the markets they serve.

Central Depository - A computerized central system which records primary issuance of scripless securities and their trades taking place in the secondary market.

Coupon - The interest payment made to bond holders during the lifetime of the bond. Coupon

payments are usually paid semi-annually. The annual amount of interest is equal to the principal value times the coupon rate.

Debt Sustainability - The level of debt which allows a debtor country to meet its current and future debt service obligations in full, without recourse to further debt relief or rescheduling, avoiding accumulation of arrears, while allowing an acceptable level of economic growth.

Duration - The weighted average maturity of the cash flows of a debt security/portfolio.

DVP/III - Simultaneous Net Settlement of Securities and Funds Transfers. These systems settle transfer instructions for both securities and funds on a net basis, with final transfer of both occurring at the end of the processing cycle. Settlement may occur once a day or several times a day.

E-Trading - It is an Information Technology enabled trading mechanisms which enables traders to connect, place orders and conduct trading activities for a pre-determined tangible/intangible types of items.

Floating Rate Bond - A bond that has a variable coupon equal to a money market reference rate, like LIBOR plus a spread. The spread is a value that remains constant.

FinNet - Financial Information Network (FinNet) is a common interface to submit financial information by banks, finance

companies, leasing companies and primary dealers.

Grace Period - Period of time provided for in a loan agreement for commencement of repayment of the loan.

Grant Element - A measure of concessionally of a loan, calculated as the difference between the face value of the loan and the sum of discounted future debt service payments to be made by the borrower expressed as a percentage of the face value of the loan.

Index Linked Bond - A bond, which pays a coupon that, varies according to some underlying Index usually the Consumer Price Index.

Intra-day liquidity - Funds, which can be accessed during a business day and settled on the same day, usually to enable financial institutions to make payments on real time.

LIBOR - The London Inter Bank Offered Rate. This rate is used as a reference rate by the international banking markets and is commonly the basis on which lending/borrowing margins are fixed.

Maturity - Refers to the date on which the issuer has promised to redeem the issue by paying the principal value. The number of days or years until the date of redemption is called the maturity period.

Novation - Replacement of a contract between the original counterparties with two new contracts; one between the buyer's clearing agent and the CCP, and another between the CCP and the seller's clearing agent.

Open Market Operations - The process of which the Central Bank buys or sells securities

in the open market to control the volume of money (liquidity) or price of money (interest rates).

Outright Transactions - Transactions by which ownership (title) of the securities are transferred permanently to the buyer.

Parity Variance - Effect of the appreciation/depreciation of foreign currencies against the local currency on the existing foreign currency debt portfolio stated in the local currency

Primary Dealer - An intermediary appointed by the CBSL to deal in government securities.

Primary Market - Market where securities are first issued to buyers.

Repayment Period - The period during which the debt obligation is to be repaid.

Repurchase Transaction - A transaction involving a sale of securities with an agreement to reverse the transaction on a future date.

Risk Weighted Capital Adequacy Ratio - The ratio computed by dividing available capital by the risk weighted assets.

Running Cost Ratio - The interest paid as a proportion of the outstanding debt stock at the beginning of the year.

Rupee Loan - A medium to long-term debt instrument issued with maturities more than two years on tap basis or as private placements by the CBSL on behalf of the government under the Registered Stock and Securities Ordinance. Interest rates of this instrument are determined administratively.

Scriptless Securities - Treasury bills and Treasury bonds issued in book entry form or as paperless securities.

Secondary Market - The market where securities are traded and exchanged among buyers and sellers after the securities are issued at the primary market.

Short Selling - The sale of an asset (a security/ stock, commodity futures contract, corporate or sovereign bond) that is not owned by the seller at the time of sale. Short selling are of two kinds, namely “Naked Short Selling and “Covered Short Selling” and “Naked Short Selling”.

Special Drawing Rights - The unit of account of the IMF of which the value is based on a basket of key international currencies.

Sovereign Bond - A debt security issued by a sovereign government denominated in domestic or a foreign currency. The foreign currency most likely is a hard currency.

Sovereign Credit Rating - Sovereign Credit Rating is an assessment of the credit worthiness of a country or sovereign entity. At the request of the country, a credit rating agency will evaluate the country’s economic and political environment to determine representative credit ratings.

Statutory Reserve Ratio - Percentage of deposits, which the commercial banks should keep with the central bank, through which the central bank can influence their credit creating ability.

Treasury Bill - A short-term debt instrument issued usually on a discount basis and for maturities of 91, 182, and 364 days by the CBSL on behalf of the government under the Local Treasury Bills Ordinance.

Treasury Bond - A medium to long-term debt instrument issued by the CBSL on behalf of the government under the Registered Stock and Securities Ordinance.

Yield - The coupon or discount when expressed as a percentage of the price.

Yield Curve - A graphical depiction of the relationship between the yield on the securities and different maturities.

Zero Coupon Bond - A bond that does not pay interest during the life of the bond. Instead, investors buy a zero coupon bond at a deep discount on the face value. The face value of the bond is paid at the maturity.

Statistical Appendix

- Table 1 : Central Government Outstanding Debt
- Table 2 : Outstanding Central Government Debt as at end year
- Table 3 : Composition of Outstanding Central Government Debt as at end year
- Table 4 : Ownership of Outstanding Central Government Debt as at end year
- Table 5 : Details of Outstanding Treasury bonds as at end 2016
- Table 6 : Details of Outstanding Sri Lanka Development Bonds as at end 2016
- Table 7 : Details of Outstanding Rupee loans as at end 2016
- Table 8 : Changes in Relative Composition of Government Securities
- Table 9 : Maturity Profile of Domestic Debt as at end 2016
- Table 10 : Future Domestic Currency Debt Obligations as at end 2016
- Table 11 : Ownership of Treasury bills
- Table 12 : Ownership of Treasury bonds
- Table 13 : Ownership of Rupee loans
- Table 14 : Composition of Outstanding Foreign Debt as at end 2016
- Table 15 : Ownership of Outstanding Foreign Debt
- Table 16 : Foreign Loans - 2016
- Table 17 : Foreign Loans Disbursements by Source
- Table 18 : Government Debt Repayments and Interest Payments
- Table 19 : Issues and Maturities of Domestic Debt in 2014, 2015 and 2016
- Table 20 : Auction and Primary Issue Details in 2014, 2015 and 2016
- Table 21 : Government Borrowing Limits and Usage in 2014, 2015 and 2016
- Table 22 : Financing of the Government Net Cash Deficit
- Table 23 : Treasury Bill Primary Auction Yield Rates Composite Rates - 2016
- Table 24 : Treasury bond Auctions in 2016
- Table 25 : Treasury bill Auctions in 2016
- Table 26 : Sri Lanka Development Bond Auctions in 2016
- Table 27 : Secondary Market Transactions as Reported by Primary Dealers
- Table 28 : Secondary Market Transactions Recorded in the LankaSecure

Definitions and Explanatory Notes

The following general notes supplement the footnotes given below the individual tables:

1. In an attempt to bring the material up-to-date provisional figures are included in some tables.
2. Figures in some tables have been rounded off to the nearest final digit. Hence there may be slight discrepancy between the total as shown and the sum of its components.
3. Differences as compared with previously published figures are due to subsequent revisions.
4. Values indicated within parenthesis are negative values.
5. The following symbols have been used throughout:-

n.a. = not available

- = nil

... = negligible

6. PD industry financial indicators for 2012 have been adjusted to represent the audited figures.
7. PD industry figures have been adjusted to accommodate the change for exempting LCBs from the requirements on RWCAF with effect from 14.02.2013. Therefore, adjusted figures for the capital requirement represent only the 'Standalone PDs'. This change has been applied for all past years as well.

CENTRAL GOVERNMENT OUTSTANDING DEBT

TABLE 1

CENTRAL GOVERNMENT OUTSTANDING DEBT

Rs. million

| Year ^(a) | Domestic debt | | | | | Foreign Debt ^(b,c) | Total Debt | As a % of GDP ^(d) | | |
|-------------------------|-------------------------------|-------------|-------------------------------|---------|-----------|-------------------------------|------------|------------------------------|---------|-------|
| | Treasury bills ^(b) | Rupee loans | Treasury bonds ^(c) | Other | Total | | | Domestic | Foreign | Total |
| 1951 | 30 | 582 | - | 14 | 626 | 125 | 751 | 13.6 | 2.7 | 16.3 |
| 1952 | 93 | 684 | - | 75 | 852 | 192 | 1,044 | 18.9 | 4.3 | 23.2 |
| 1953 | 184 | 731 | - | 129 | 1,044 | 205 | 1,249 | 23.2 | 4.6 | 27.8 |
| 1954 | 105 | 782 | - | 66 | 953 | 211 | 1,164 | 20.1 | 4.4 | 24.5 |
| 1955 | 60 | 829 | - | - | 889 | 232 | 1,121 | 17.0 | 4.4 | 21.4 |
| 1956 | 68 | 882 | - | - | 950 | 258 | 1,208 | 18.6 | 5.1 | 23.7 |
| 1957 | 65 | 962 | - | 105 | 1,132 | 278 | 1,410 | 21.8 | 5.3 | 27.1 |
| 1958 | 140 | 1,007 | - | 91 | 1,238 | 293 | 1,531 | 22.5 | 5.3 | 27.9 |
| 1959 | 320 | 1,102 | - | 138 | 1,560 | 307 | 1,867 | 24.3 | 4.8 | 29.1 |
| 1960 | 550 | 1,217 | - | 170 | 1,937 | 345 | 2,282 | 28.9 | 5.1 | 34.0 |
| 1961 | 750 | 1,397 | - | 198 | 2,345 | 407 | 2,752 | 34.1 | 5.9 | 40.0 |
| 1962 | 1,000 | 1,515 | - | 179 | 2,694 | 412 | 3,106 | 38.7 | 5.9 | 44.6 |
| 1963 | 1,125 | 1,684 | - | 222 | 3,031 | 489 | 3,520 | 41.1 | 6.6 | 47.7 |
| 1964 | 1,250 | 1,909 | - | 216 | 3,375 | 549 | 3,924 | 43.3 | 7.0 | 50.3 |
| 1965 | 1,300 | 2,150 | - | 246 | 3,696 | 739 | 4,435 | 45.7 | 9.1 | 54.9 |
| 1966 | 1,425 | 2,475 | - | 295 | 4,195 | 1,074 | 5,269 | 50.3 | 12.9 | 63.2 |
| 1967 | 1,500 | 2,785 | - | 298 | 4,583 | 1,376 | 5,959 | 50.7 | 15.2 | 65.9 |
| 1968 | 1,750 | 3,118 | - | 329 | 5,197 | 1,578 | 6,775 | 48.5 | 14.7 | 63.2 |
| 1969 | 1,750 | 3,409 | - | 354 | 5,513 | 1,800 | 7,313 | 47.1 | 15.4 | 62.5 |
| 1970 | 1,950 | 3,925 | - | 420 | 6,295 | 2,394 | 8,689 | 46.1 | 17.5 | 63.6 |
| 1971 | 2,025 | 4,512 | - | 446 | 6,983 | 2,795 | 9,778 | 49.7 | 19.9 | 69.6 |
| 1972 | 2,325 | 5,103 | - | 498 | 7,926 | 2,936 | 10,862 | 52.0 | 19.3 | 71.2 |
| 1973 | 2,250 | 5,812 | - | 522 | 8,584 | 3,705 | 12,289 | 46.6 | 20.1 | 66.8 |
| 1974 | 2,250 | 6,591 | - | 604 | 9,445 | 2,859 | 12,304 | 39.7 | 12.0 | 51.8 |
| 1975 | 2,350 | 7,560 | - | 949 | 10,859 | 3,705 | 14,564 | 40.9 | 13.9 | 54.8 |
| 1976 | 2,700 | 9,001 | - | 990 | 12,691 | 4,968 | 17,659 | 42.0 | 16.4 | 58.5 |
| 1977 | 2,500 | 10,391 | - | 1,501 | 14,392 | 10,593 | 24,985 | 39.5 | 29.1 | 68.6 |
| 1978 | 2,635 | 12,049 | - | 1,684 | 16,368 | 14,583 | 30,951 | 38.4 | 34.2 | 72.5 |
| 1979 | 3,000 | 14,929 | - | 1,705 | 19,634 | 15,840 | 35,474 | 37.5 | 30.2 | 67.7 |
| 1980 | 9,800 | 17,611 | - | 1,659 | 29,070 | 22,276 | 51,346 | 43.7 | 33.5 | 77.2 |
| 1981 | 13,920 | 20,025 | - | 1,573 | 35,518 | 29,172 | 64,690 | 41.8 | 34.3 | 76.1 |
| 1982 | 17,320 | 25,800 | - | 2,147 | 45,267 | 35,267 | 80,534 | 45.6 | 35.5 | 81.1 |
| 1983 | 17,400 | 31,953 | - | 2,416 | 51,769 | 46,688 | 98,457 | 42.6 | 38.4 | 81.0 |
| 1984 | 14,860 | 33,228 | - | 3,564 | 51,652 | 53,681 | 105,333 | 33.6 | 34.9 | 68.5 |
| 1985 | 22,280 | 36,570 | - | 3,761 | 62,611 | 67,673 | 130,284 | 38.6 | 41.7 | 80.3 |
| 1986 | 26,173 | 39,130 | - | 4,196 | 69,499 | 86,208 | 155,707 | 38.7 | 48.0 | 86.8 |
| 1987 | 29,850 | 44,957 | - | 4,190 | 78,997 | 111,812 | 190,809 | 40.2 | 56.8 | 97.0 |
| 1988 | 43,700 | 49,797 | - | 5,099 | 98,596 | 125,657 | 224,253 | 44.4 | 56.6 | 101.0 |
| 1989 | 57,246 | 54,217 | - | 6,099 | 117,562 | 156,298 | 273,860 | 46.7 | 62.0 | 108.7 |
| 1990 | 67,968 | 54,677 | - | 11,251 | 133,896 | 176,883 | 310,779 | 41.6 | 55.0 | 96.6 |
| 1991 | 72,968 | 66,823 | - | 12,328 | 152,119 | 214,579 | 366,698 | 40.9 | 57.6 | 98.5 |
| 1992 | 87,096 | 69,180 | - | 13,744 | 170,020 | 235,539 | 405,559 | 40.0 | 55.4 | 95.4 |
| 1993 | 97,196 | 105,707 | - | 10,782 | 213,685 | 270,224 | 483,909 | 42.8 | 54.1 | 96.9 |
| 1994 | 98,896 | 137,554 | - | 12,669 | 249,119 | 301,812 | 550,931 | 43.0 | 52.1 | 95.1 |
| 1995 | 113,771 | 157,928 | - | 17,711 | 289,410 | 346,286 | 635,696 | 43.3 | 51.9 | 95.2 |
| 1996 | 124,996 | 205,975 | - | 25,731 | 356,702 | 359,685 | 716,387 | 46.4 | 46.8 | 93.2 |
| 1997 | 114,996 | 239,475 | 10,000 | 23,269 | 387,740 | 376,331 | 764,071 | 43.5 | 42.3 | 85.8 |
| 1998 | 119,996 | 250,570 | 48,915 | 43,945 | 463,426 | 461,273 | 924,699 | 45.5 | 45.3 | 90.8 |
| 1999 | 124,996 | 262,056 | 104,867 | 51,546 | 543,465 | 507,866 | 1,051,331 | 49.1 | 45.9 | 95.0 |
| 2000 | 134,996 | 263,888 | 204,124 | 73,652 | 676,660 | 542,040 | 1,218,700 | 53.8 | 43.1 | 96.9 |
| 2001 | 170,995 | 292,813 | 229,174 | 122,983 | 815,965 | 636,741 | 1,452,706 | 58.0 | 45.3 | 103.3 |
| 2002 | 210,995 | 287,701 | 347,128 | 102,562 | 948,386 | 721,956 | 1,670,343 | 60.0 | 45.6 | 105.6 |
| 2003 | 219,295 | 248,414 | 483,107 | 69,153 | 1,019,969 | 843,882 | 1,863,851 | 56.0 | 46.3 | 102.3 |
| 2004 | 243,886 | 164,758 | 643,349 | 91,396 | 1,143,389 | 996,138 | 2,139,527 | 54.7 | 47.6 | 102.3 |
| 2005 | 234,174 | 140,563 | 751,569 | 139,416 | 1,265,722 | 956,621 | 2,222,342 | 51.6 | 39.0 | 90.6 |
| 2006 | 257,732 | 116,713 | 885,972 | 218,813 | 1,479,230 | 1,103,418 | 2,582,648 | 50.3 | 37.5 | 87.9 |
| 2007 | 307,012 | 131,509 | 1,018,852 | 257,825 | 1,715,198 | 1,326,487 | 3,041,685 | 47.9 | 37.1 | 85.0 |
| 2008 | 402,600 | 130,009 | 1,281,978 | 325,641 | 2,140,228 | 1,448,734 | 3,588,962 | 48.5 | 32.8 | 81.4 |
| 2009 | 441,032 | 112,292 | 1,513,512 | 334,120 | 2,400,955 | 1,760,467 | 4,161,422 | 49.8 | 36.5 | 86.2 |
| 2010 | 514,442 | 87,709 | 1,643,887 | 319,624 | 2,565,662 | 2,024,583 | 4,590,245 | 40.0 | 31.6 | 71.6 |
| 2011 | 590,885 | 61,961 | 1,819,251 | 331,988 | 2,804,085 | 2,329,280 | 5,133,365 | 38.8 | 32.3 | 71.1 |
| 2012 | 629,070 | 58,386 | 2,095,054 | 450,304 | 3,232,813 | 2,767,299 | 6,000,112 | 37.0 | 31.7 | 68.7 |
| 2013 | 700,137 | 55,518 | 2,452,360 | 624,811 | 3,832,825 | 2,960,424 | 6,793,249 | 40.0 | 30.9 | 70.8 |
| 2014 | 694,767 | 55,518 | 2,844,054 | 683,444 | 4,277,783 | 3,113,116 | 7,390,899 | 39.1 | 28.4 | 67.5 |
| 2015 ^(e) (g) | 658,240 | 24,088 | 3,305,248 | 971,620 | 4,959,196 | 3,544,031 | 8,503,227 | 44.3 | 31.7 | 76.0 |
| 2016 ^(f) (g) | 779,581 | 24,088 | 3,714,787 | 823,051 | 5,341,507 | 4,045,796 | 9,387,303 | 45.1 | 34.2 | 79.3 |

Sources: Central Bank of Sri Lanka
Department of Census and Statistics

(a) From 1950 to 1973, outstanding position as at end September and since then as at end December.

(b) Rupee denominated Treasury bills issued to foreign investors from 2008 and to the Sri Lankan diaspora and migrant workers from 2009 are excluded from domestic debt and included in foreign debt.

(c) Rupee denominated Treasury bonds issued to foreign investors from 2007 and to the Sri Lankan diaspora and migrant workers from 2009 are excluded from domestic debt and included in foreign debt.

(d) From 2003, based on GDP estimates by the Department of Census and Statistics.

(e) Revised

(f) Provisional.

(g) Excludes government bonds of Rs. 4,397 million issued to CWE in 2003, Rs. 78,441 million issued to CPC in January 2012 and Rs. 13,125 million issued to Sri Lankan Airlines in March 2013.

CENTRAL GOVERNMENT DEBT

TABLE 2

OUTSTANDING CENTRAL GOVERNMENT DEBT AS AT END YEAR

| Item | 2012 | 2013 | 2014 | 2015 | 2016 |
|--|------------------|------------------|------------------|------------------|------------------|
| | | | | | Provisional |
| Total Domestic Debt | 3,232,813 | 3,832,825 | 4,277,783 | 4,959,196 | 5,341,507 |
| By Maturity | | | | | |
| Short-Term | 813,273 | 909,156 | 941,162 | 913,291 | 968,396 |
| Treasury bills ^(a) | 629,070 | 700,137 | 694,767 | 658,240 | 779,581 |
| Provisional advances from the Central Bank | 111,292 | 109,167 | 143,898 | 151,132 | 83,307 |
| Import bills held by commercial banks | 18,340 | 23,960 | 25,542 | 4 | - |
| Other liabilities to the banking sector net of bank deposits | 53,638 | 61,959 | 76,386 | 103,345 | 105,508 |
| Other (Administrative Borrowing) | 933 | 13,933 | 570 | 570 | - |
| Medium and Long-term | 2,419,541 | 2,923,670 | 3,336,620 | 4,045,905 | 4,373,111 |
| Rupee loans | 58,386 | 55,518 | 55,518 | 24,088 | 24,088 |
| Treasury bonds ^(b) | 2,095,054 | 2,452,360 | 2,844,054 | 3,305,248 | 3,714,787 |
| Sri Lanka Development Bonds | 222,994 | 369,215 | 391,083 | 668,458 | 572,199 |
| Other | 43,107 | 46,577 | 45,966 | 48,111 | 62,037 |
| By Debt Instrument | 3,232,813 | 3,832,825 | 4,277,783 | 4,959,196 | 5,341,507 |
| Rupee loans | 58,386 | 55,518 | 55,518 | 24,088 | 24,088 |
| Treasury bills ^(a) | 629,070 | 700,137 | 694,767 | 658,240 | 779,581 |
| Treasury bonds ^(b) | 2,095,054 | 2,452,360 | 2,844,054 | 3,305,248 | 3,714,787 |
| Sri Lanka Development Bonds | 222,994 | 369,215 | 391,083 | 668,458 | 572,199 |
| Provisional advances | 111,292 | 109,167 | 143,898 | 151,132 | 83,307 |
| Other | 116,017 | 146,429 | 148,463 | 152,031 | 167,545 |
| By Institution | 3,232,813 | 3,832,825 | 4,277,783 | 4,959,196 | 5,341,507 |
| Banks | 1,060,317 | 1,433,773 | 1,669,882 | 1,924,036 | 2,114,901 |
| Central Bank | | | | | |
| By debt instrument | 265,198 | 112,396 | 267,676 | 256,050 | 414,950 |
| Treasury bills ^(a) | 154,005 | 3,053 | 123,496 | 104,754 | 331,389 |
| Treasury bonds ^(b) | - | - | - | - | - |
| Provisional advances | 111,292 | 109,167 | 143,898 | 151,132 | 83,307 |
| Other | (99) | 176 | 282 | 164 | 254 |
| Commercial Banks | | | | | |
| By debt instrument | 795,119 | 1,321,377 | 1,402,206 | 1,667,986 | 1,699,952 |
| Rupee loans | 15,870 | 15,870 | 15,870 | 15,870 | 15,870 |
| Treasury bills ^(a) | 219,748 | 443,951 | 278,296 | 340,664 | 244,139 |
| Treasury bonds ^(b) | 244,770 | 386,398 | 595,067 | 517,614 | 731,942 |
| Sri Lanka Development Bonds | 222,994 | 369,215 | 391,083 | 668,458 | 572,199 |
| Other | 91,737 | 105,943 | 121,890 | 125,382 | 135,802 |
| Non bank sector | | | | | |
| By debt instrument | 2,172,496 | 2,399,053 | 2,607,901 | 3,035,160 | 3,226,605 |
| Rupee loans | 42,516 | 39,648 | 39,648 | 8,218 | 8,218 |
| Treasury bills ^(a) | 255,317 | 253,133 | 292,975 | 212,822 | 204,052 |
| Treasury bonds ^(b) | 1,850,284 | 2,065,962 | 2,248,987 | 2,787,635 | 2,982,845 |
| Other | 24,379 | 40,310 | 26,291 | 26,485 | 31,490 |
| By institution | 2,172,496 | 2,399,053 | 2,607,901 | 3,035,160 | 3,226,605 |
| National Savings Bank | 330,150 | 358,243 | 379,877 | 428,236 | 426,771 |
| Employees' Provident Fund | 1,173,870 | 1,393,458 | 441,106 | 592,220 | 1,778,276 |
| Other | 668,476 | 647,352 | 1,786,918 | 2,014,704 | 1,021,558 |
| Total Foreign Debt | 2,767,300 | 2,960,424 | 3,113,116 | 3,544,031 | 4,045,796 |
| By Type | 2,767,300 | 2,960,424 | 3,113,116 | 3,544,031 | 4,045,796 |
| Project Loans | 1,846,772 | 1,938,909 | 1,904,599 | 2,180,388 | 2,361,118 |
| Non-Project Loans | 920,527 | 1,021,515 | 1,208,516 | 1,363,642 | 1,684,678 |
| Commodity | 56,599 | 61,597 | 69,993 | 71,470 | 69,101 |
| Other ^(c) | 863,928 | 959,918 | 1,138,523 | 1,292,173 | 1,615,577 |
| By Institution ^(d) | 2,767,300 | 2,960,424 | 3,113,116 | 3,544,031 | 4,045,796 |
| Concessional Loans ^(e) | 1,369,568 | 1,492,842 | 1,490,978 | 1,729,895 | 1,897,680 |
| Multi-lateral | 670,692 | 716,792 | 704,044 | 794,485 | 855,998 |
| Bi-lateral ^(f) | 698,876 | 776,050 | 786,934 | 935,410 | 1,041,682 |
| Non-Concessional Loans | 455,069 | 460,475 | 457,668 | 507,046 | 538,859 |
| Multi-lateral | 173,600 | 186,748 | 183,916 | 199,945 | 220,551 |
| Bi-lateral | 281,469 | 273,727 | 273,751 | 307,101 | 318,308 |
| Commercial Loans | 942,663 | 1,007,106 | 1,164,470 | 1,307,090 | 1,609,257 |
| International Sovereign bonds | 445,063 | 457,636 | 655,243 | 958,014 | 1,220,870 |
| Non-resident investments in Treasury bills | 80,184 | 73,916 | 55,500 | 5,045 | 12,816 |
| Non-resident investments in Treasury bonds | 317,604 | 403,486 | 401,710 | 298,734 | 247,222 |
| Other ^(g) | 99,812 | 72,070 | 52,017 | 45,296 | 128,350 |
| Total Outstanding Government Debt | 6,000,113 | 6,793,249 | 7,390,899 | 8,503,227 | 9,387,303 |

Sources: Central Bank of Sri Lanka
Ministry of Finance and Planning

- (a) Outstanding Treasury bills and Treasury bonds have been adjusted for secondary market transactions.
 (b) Excludes rupee denominated Treasury bills held by foreign investors from 2008.
 (c) Excludes rupee denominated Treasury bonds held by foreign investors from 2007 and Treasury bonds amounting to Rs. 78,447 million issued to settle dues to CPC in January 2012, Rs. 13,125 million issued to capitalise SriLankan Airlines in March 2013.
 (d) Includes sinking fund.
 (e) Excludes outstanding loans of projects under state owned business enterprises
 (f) Includes outstanding defence loans.
 (g) Outstanding amount of loans obtained by public corporations under Treasury guarantee
 (h) Revised.

CENTRAL GOVERNMENT DEBT

TABLE 3

COMPOSITION OF OUTSTANDING CENTRAL GOVERNMENT DEBT AS AT END YEAR

| Source | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 ^(a) |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|---------------------|
| 1. Foreign Debt | 1,103,418 | 1,326,487 | 1,448,734 | 1,760,467 | 2,024,583 | 2,329,280 | 2,767,299 | 2,960,424 | 3,113,116 | 3,544,031 | 4,045,796 |
| 1.1 Project Loans ^{(b) (c)} | 978,356 | 1,087,359 | 1,261,304 | 1,362,806 | 1,461,729 | 1,640,117 | 1,846,772 | 1,938,909 | 1,904,599 | 2,180,388 | 2,361,118 |
| 1.2 Non -Project Loans | 125,062 | 239,128 | 187,430 | 397,661 | 562,854 | 689,163 | 920,527 | 1,021,515 | 1,208,516 | 1,363,642 | 1,684,678 |
| Commodity ^(c) | 69,021 | 68,665 | 66,499 | 62,304 | 54,653 | 53,460 | 56,599 | 61,597 | 69,993 | 71,470 | 69,101 |
| Other ^(d) | 56,041 | 170,463 | 120,931 | 335,357 | 508,201 | 635,703 | 863,928 | 959,918 | 1,138,523 | 1,292,173 | 1,615,577 |
| 2. Domestic Debt | 1,479,230 | 1,715,198 | 2,140,228 | 2,400,955 | 2,565,662 | 2,804,085 | 3,232,813 | 3,832,825 | 4,277,783 | 4,959,196 | 5,341,507 |
| 2.1 Rupee loans | 116,713 | 131,509 | 130,009 | 112,292 | 87,709 | 61,961 | 58,386 | 55,518 | 55,518 | 24,088 | 24,088 |
| 2.2 Treasury bills ^(e) | 257,732 | 307,012 | 402,600 | 441,032 | 514,442 | 590,885 | 629,070 | 700,137 | 694,767 | 658,240 | 779,581 |
| 2.3 Treasury bonds ^(f) | 885,972 | 1,018,852 | 1,281,978 | 1,513,512 | 1,643,887 | 1,819,251 | 2,095,054 | 2,452,360 | 2,844,054 | 3,305,248 | 3,714,787 |
| 2.4 Sri Lanka Development Bonds | 62,469 | 86,459 | 158,805 | 168,079 | 173,877 | 183,845 | 222,994 | 369,215 | 391,083 | 668,458 | 572,199 |
| 2.5 Central Bank Advances ^(g) | 49,015 | 60,679 | 76,308 | 73,881 | 77,879 | 94,743 | 111,292 | 109,167 | 143,898 | 151,132 | 83,307 |
| 2.6 Other ^(h) | 107,329 | 110,686 | 90,528 | 92,160 | 67,869 | 53,400 | 116,017 | 146,429 | 148,463 | 152,031 | 167,545 |
| Total | 2,582,648 | 3,041,685 | 3,588,962 | 4,161,422 | 4,590,245 | 5,813,074 | 6,000,112 | 6,793,249 | 7,390,899 | 8,503,227 | 9,387,303 |

Rs. million

Sources: Central Bank of Sri Lanka
Ministry of Finance and Planning

(a) Provisional

(b) Represents the amounts withdrawn and outstanding on the loans contracted with the IBRD, USA, Canada, Denmark, People's Republic of China, Germany, UK, India, IDA, ADB, Netherlands, Kuwait, OPEC, Japan, UAE, IFAD, Skandinaviska Enskilda Bankens -Sweden, Solomon Brothers Incorporated-New York, Bank Indosuez, BFCE-France, Citi bank International of USA, Australia, Austria, Saudi Arabian Fund, EIB, Hong Kong and Korea.

(c) Represents the amounts withdrawn and outstanding on the loans contracted with the USA, Canada, Germany, Japan, France, India, Italy, Pakistan and Netherlands.

(d) Includes cash loans received from the ADB, USA, China, Germany, Japan, OPEC, outstanding defence deferred loans, Treasury bonds and Treasury bills held by non-residents and sovereign bond issues.

(e) Excludes outstanding Treasury bills issued to non-residence.

(f) Excludes government Treasury bonds of Rs. 4,397 million, Rs. 78,441 million, Rs. 13,125 million issued to CWE, CPC, Sri Lankan Airlines respectively and Treasury bonds held by non-residents.

(g) Excludes contributions to international financial organizations.

(h) Includes administrative borrowings arising from foreign loans channeled through government or semi - government agencies and outstanding balance of borrowing from Offshore Banking Units (OBUs)

CENTRAL GOVERNMENT DEBT

TABLE 4

OWNERSHIP OF OUTSTANDING CENTRAL GOVERNMENT DEBT AS AT END YEAR

| Owner | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 ^(a) |
|---------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|---------------------|
| 1. Domestic Debt^(b) | 1,479,230 | 1,715,198 | 2,140,228 | 2,400,955 | 2,565,662 | 2,804,085 | 3,232,813 | 3,832,825 | 4,277,783 | 4,959,196 | 5,341,507 |
| 1.1 Banking Sector | 395,470 | 415,318 | 657,425 | 705,766 | 691,716 | 886,221 | 1,060,317 | 1,433,773 | 1,669,882 | 1,924,036 | 2,114,902 |
| Central Bank | 117,624 | 104,817 | 239,248 | 109,593 | 78,376 | 263,329 | 265,198 | 112,396 | 267,676 | 256,050 | 414,950 |
| Commercial Banks | 277,846 | 310,501 | 418,177 | 596,172 | 613,340 | 622,892 | 795,119 | 1,321,377 | 1,402,205 | 1,667,986 | 1,699,952 |
| 1.2 Non Bank Sector | 1,083,760 | 1,299,879 | 1,482,804 | 1,695,189 | 1,873,945 | 1,917,864 | 2,172,495 | 2,399,053 | 2,607,900 | 3,035,160 | 3,226,606 |
| Market Borrowings | 1,069,577 | 1,289,688 | 1,478,553 | 1,685,638 | 1,866,267 | 1,916,930 | 2,171,562 | 2,385,120 | 2,607,330 | 3,034,590 | 3,226,606 |
| Savings Institutions | 166,457 | 192,413 | 204,067 | 257,084 | 286,514 | 314,319 | 330,150 | 358,243 | 379,877 | 428,236 | 426,771 |
| Insurance Funds | 13,234 | 21,012 | 25,976 | 34,490 | 32,839 | 34,356 | 33,768 | 30,849 | 30,536 | 42,036 | 76,944 |
| Provident and Pension | 480,731 | 595,807 | 698,192 | 835,402 | 884,279 | 959,303 | 1,204,729 | 1,428,534 | 1,474,560 | 1,655,336 | 1,826,413 |
| Official Fund ^(d) | 95,988 | 107,480 | 107,234 | 132,485 | 167,374 | 161,568 | 178,900 | 202,118 | 221,584 | 252,615 | 271,630 |
| Private Business | 313,166 | 372,976 | 443,084 | 426,177 | 495,261 | 447,385 | 424,015 | 365,376 | 500,773 | 656,367 | 624,848 |
| Non Market Borrowings | 14,183 | 10,191 | 4,251 | 9,551 | 7,678 | 933 | 933 | 13,933 | 570 | 570 | 0 |
| 2. Foreign Debt | 1,103,418 | 1,326,487 | 1,448,734 | 1,760,467 | 2,329,280 | 2,329,280 | 2,767,299 | 2,960,424 | 3,113,116 | 3,544,031 | 4,045,796 |
| Total | 2,582,648 | 3,041,685 | 3,588,962 | 4,161,422 | 4,894,942 | 5,133,365 | 6,000,112 | 6,793,249 | 7,390,899 | 8,503,227 | 9,387,303 |

Rs. million

Sources: Central Bank of Sri Lanka
Ministry of Finance and Planning

(a) Provisional.

(b) Excludes government bonds of Rs. 4,397 million issued to CWE in 2003, Rs. 78,441 million issued to CPC in January 2012 and Rs. 13,125 million issued to Sri Lankan Airlines in March 2013.

(c) Trusts, Benevolent, Pension and Provident Funds and Employees Provident Fund.

(d) The Central Government, Local Authorities, State Corporations, Departmental and other official funds.

DOMESTIC DEBT

TABLE 5

DETAILS OF OUTSTANDING TREASURY BONDS AS AT END 2016 ^(a)

Rs.million

| Maturity Date | Issue Date | Series | ISIN | Face Value |
|---------------|------------|-------------|--------------|------------|
| 1/1/17 | 1/1/12 | 08.00%2017A | LKB00517A018 | 72,807.42 |
| 1/15/17 | 1/15/11 | 05.80%2017A | LKB00617A156 | 52,490.85 |
| 3/1/17 | 3/1/14 | 08.25%2017A | LKB00317C019 | 63,839.64 |
| 5/15/17 | 11/15/13 | 08.75%2017A | LKB00417E153 | 97,131.65 |
| 6/15/17 | 6/15/12 | 08.00%2017B | LKB00517F157 | 46,569.51 |
| 7/15/17 | 7/15/11 | 05.80%2017B | LKB00617G153 | 82,084.14 |
| 2/1/18 | 2/1/03 | 08.50%2018A | LKB01518B013 | 95,224.12 |
| 4/1/18 | 4/1/12 | 08.50%2018C | LKB00618D018 | 92,414.20 |
| 6/1/18 | 6/1/12 | 08.50%2018D | LKB00618F013 | 90,826.50 |
| 7/15/18 | 7/15/03 | 08.50%2018B | LKB01518G152 | 90,715.73 |
| 8/15/18 | 8/15/03 | 07.50%2018A | LKB01518H150 | 97,845.50 |
| 10/15/18 | 10/15/14 | 08.75%2018A | LKB00418J150 | 36,532.00 |
| 11/15/18 | 11/15/11 | 08.00%2018A | LKB00718K151 | 102,690.99 |
| 1/15/19 | 1/15/11 | 05.65%2019A | LKB00819A158 | 32,244.45 |
| 5/1/19 | 5/1/09 | 08.50%2019A | LKB01019E016 | 93,974.55 |
| 7/1/19 | 7/1/13 | 10.60%2019A | LKB00619G019 | 109,578.20 |
| 9/15/19 | 9/15/13 | 10.60%2019B | LKB00619I155 | 105,584.62 |
| 11/1/19 | 11/1/11 | 08.00%2019A | LKB00819K017 | 55,851.09 |
| 5/1/20 | 5/1/15 | 09.25%2020A | LKB00520E014 | 100,089.00 |
| 6/1/20 | 6/1/12 | 08.00%2020A | LKB00820F015 | 33,896.05 |
| 8/1/20 | 8/1/10 | 06.20%2020A | LKB01020H017 | 71,515.90 |
| 12/15/20 | 12/15/15 | 09.50%2020A | LKB00520L159 | 65,590.00 |
| 3/1/21 | 3/1/16 | 10.75%2021A | LKB00521C016 | 73,519.00 |
| 5/1/21 | 5/1/12 | 09.00%2021A | LKB00921E014 | 75,778.09 |
| 8/1/21 | 8/1/13 | 11.00%2021A | LKB00821H019 | 91,414.06 |
| 10/15/21 | 10/15/14 | 09.45%2021A | LKB00721J157 | 25,456.00 |
| 1/1/22 | 1/1/12 | 08.00%2022A | LKB01022A018 | 97,934.25 |
| 7/1/22 | 7/1/13 | 11.20%2022A | LKB00922G017 | 103,772.09 |
| 10/1/22 | 10/1/13 | 10.00%2022A | LKB00922J011 | 99,208.41 |
| 9/1/23 | 9/1/13 | 11.20%2023A | LKB01023I019 | 99,881.32 |
| 9/1/23 | 9/1/12 | 09.00%2023A | LKB01123I017 | 22,428.00 |
| 10/1/23 | 10/1/03 | 07.00%2023A | LKB02023J016 | 67,366.00 |
| 1/1/24 | 1/1/14 | 11.40%2024A | LKB01024A014 | 96,474.80 |
| 8/1/24 | 8/1/16 | 11.00%2024A | LKB00824H013 | 45,181.00 |
| 12/1/24 | 12/1/14 | 06.00%2024A | LKB01024L011 | 7,000.03 |
| 3/15/25 | 3/15/15 | 10.25%2025A | LKB01025C157 | 82,147.00 |
| 5/1/25 | 5/1/13 | 09.00%2025A | LKB01225E019 | 16,986.90 |
| 8/1/25 | 8/1/15 | 11.00%2025A | LKB01025H016 | 75,477.00 |
| 2/1/26 | 2/1/12 | 09.00%2026A | LKB01326B011 | 21,050.00 |
| 3/1/26 | 3/1/11 | 05.35%2026A | LKB01526C014 | 90,586.00 |
| 6/1/26 | 6/1/14 | 11.00%2026A | LKB01226F014 | 90,998.23 |
| 8/1/26 | 8/1/16 | 11.50%2026A | LKB01026H014 | 44,515.00 |
| 12/20/26 | 12/20/16 | 05.00%2026A | LKB01026L206 | 9,142.22 |

Rs.million

| Maturity Date | Issue Date | Series | ISIN | Face Value |
|---------------|------------|-------------|--------------|---------------------|
| 5/1/28 | 5/1/13 | 09.00%2028B | LKB01528E016 | 92,783.72 |
| 7/1/28 | 7/1/12 | 09.00%2028A | LKB01628G019 | 94,571.20 |
| 9/1/28 | 9/1/13 | 11.50%2028A | LKB01528I017 | 45,084.00 |
| 1/1/29 | 1/1/14 | 13.00%2029A | LKB01529A012 | 83,087.54 |
| 5/1/29 | 5/1/14 | 13.00%2029B | LKB01529E014 | 21,785.34 |
| 5/15/30 | 5/15/15 | 11.00%2030A | LKB01530E152 | 96,102.00 |
| 1/1/32 | 1/1/12 | 08.00%2032A | LKB02032A016 | 99,070.50 |
| 10/1/32 | 10/1/12 | 09.00%2032A | LKB02032J017 | 35,294.85 |
| 6/1/33 | 6/1/13 | 09.00%2033A | LKB02033F013 | 101,455.90 |
| 7/1/33 | 7/1/13 | 13.25%2033A | LKB02033G011 | 23,511.76 |
| 11/1/33 | 11/1/13 | 09.00%2033B | LKB02033K013 | 20,008.84 |
| 1/1/34 | 1/1/14 | 13.25%2034A | LKB02034A012 | 77,858.98 |
| 3/15/35 | 3/15/15 | 11.50%2035A | LKB02035C155 | 74,565.00 |
| 1/1/41 | 1/1/16 | 12.00%2041A | LKB02541A016 | 29,885.00 |
| 6/1/43 | 6/1/13 | 09.00%2043A | LKB03043F011 | 33,809.25 |
| 1/1/44 | 1/1/14 | 13.50%2044A | LKB03044A010 | 10,969.85 |
| 6/1/44 | 6/1/14 | 13.50%2044B | LKB03044F019 | 77,861.76 |
| 3/1/45 | 3/1/15 | 12.50%2045A | LKB03045C013 | 10,058.00 |
| Total | | | | 4,053,574.99 |

Source: Central Bank of Sri Lanka

(a) Includes Treasury bonds held by non-residence and Treasury bonds of Rs. 4,397million, Rs. 78,441 million and Rs. 13,125million issued for CWE, CPC and Sri Lankan Air Lines respectively .

DOMESTIC DEBT

TABLE 6

DETAILS OF OUTSTANDING SRI LANKA DEVELOPMENT BONDS AS AT END 2016

USD million

| Maturity Date | Issue Date | Series | ISIN | Face Value |
|---------------|------------|-----------|--------------|----------------|
| 1/21/17 | 1/21/16 | SLDB2017F | LKG00217A218 | 233.00 |
| 3/17/17 | 3/17/14 | SLDB2017A | LKG00317C170 | 192.00 |
| 3/17/17 | 8/18/15 | SLDB2017A | LKG00317C170 | 78.10 |
| 3/17/17 | 2/26/16 | SLDB2017A | LKG00317C170 | 247.15 |
| 3/17/17 | 3/11/16 | SLDB2017A | LKG00317C170 | 69.49 |
| 3/17/17 | 3/28/16 | SLDB2017A | LKG00317C170 | 203.46 |
| 3/17/17 | 3/28/16 | SLDB2017A | LKH00117C173 | 0.04 |
| 4/30/17 | 4/30/15 | SLDB2017D | LKG00217D303 | 30.00 |
| 4/30/17 | 6/29/15 | SLDB2017D | LKG00217D303 | 255.00 |
| 6/30/17 | 6/30/16 | SLDB2017G | LKG00117F300 | 250.04 |
| 6/30/17 | 6/30/14 | SLDB2017B | LKG00317F306 | 199.50 |
| 6/30/17 | 7/1/14 | SLDB2017B | LKG00317F306 | 45.00 |
| 6/30/17 | 8/20/14 | SLDB2017B | LKG00317F306 | 15.00 |
| 6/30/17 | 12/12/14 | SLDB2017B | LKG00317F306 | 5.00 |
| 8/1/17 | 8/3/15 | SLDB2017E | LKG00217H015 | 55.25 |
| 1/21/18 | 1/21/15 | SLDB2018C | LKG00318A214 | 55.00 |
| 1/21/18 | 8/18/15 | SLDB2018C | LKG00318A214 | 94.27 |
| 3/16/18 | 3/16/15 | SLDB2018D | LKG00318C160 | 156.50 |
| 3/28/18 | 3/28/16 | SLDB2018G | LKG00218C287 | 71.00 |
| 4/30/18 | 4/30/15 | SLDB2018F | LKG00318D309 | 51.25 |
| 4/30/18 | 6/1/15 | SLDB2018F | LKG00318D309 | 9.00 |
| 4/30/18 | 7/16/15 | SLDB2018F | LKG00318D309 | 10.00 |
| 4/30/18 | 1/21/16 | SLDB2018F | LKG00318D309 | 2.00 |
| 4/30/18 | 2/26/16 | SLDB2018F | LKG00318D309 | 47.00 |
| 4/30/18 | 3/11/16 | SLDB2018F | LKG00318D309 | 6.13 |
| 7/1/18 | 7/1/13 | SLDB2018A | LKG00518G018 | 167.00 |
| 7/1/18 | 7/15/13 | SLDB2018A | LKG00518G018 | 643.07 |
| 7/1/18 | 6/2/14 | SLDB2018A | LKG00518G018 | 15.00 |
| 9/17/18 | 9/18/13 | SLDB2018B | LKG00518I188 | 375.00 |
| 1/30/19 | 6/29/15 | SLDB2019B | LKG00419A301 | 35.00 |
| 1/30/19 | 10/19/15 | SLDB2019B | LKG00419A301 | 2.50 |
| 10/3/19 | 10/3/14 | SLDB2019A | LKG00519J036 | 15.00 |
| 4/1/20 | 4/1/15 | SLDB2020A | LKG00520D011 | 100.00 |
| 6/29/20 | 6/29/15 | SLDB2020B | LKG00520F297 | 37.00 |
| 6/29/20 | 10/19/15 | SLDB2020B | LKG00520F297 | 50.00 |
| Total | | | | 3819.75 |

Source: Central Bank of Sri Lanka

DOMESTIC DEBT

TABLE 7

DETAILS OF OUTSTANDING RUPEE LOANS AS AT END 2016

Rs.million

| Maturity Date | Issue Date | Series | Interest Rate | Face Value |
|---------------|------------|----------|---------------|-----------------|
| 2/1/23 | 2/1/93 | 12%2023 | 12.00 | 24,088.0 |
| Total | | 1 | | 24,088.0 |

Source: Central Bank of Sri Lanka

DOMESTIC DEBT

TABLE 8

CHANGES IN RELATIVE COMPOSITION OF GOVERNMENT SECURITIES ^(a)

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|------|------|------|------|------|
| 1. Maturity (%) | | | | | |
| Short term | 23 | 22 | 19 | 17 | 17 |
| Medium and long term | 77 | 78 | 81 | 83 | 83 |
| 2. Marketability (%) | | | | | |
| Marketable | 98 | 98 | 98 | 99 | 99 |
| Non-marketable | 2 | 2 | 2 | 1 | 1 |
| 3. Investor base (%) | | | | | |
| Central Bank | 6 | 0 | 3 | 3 | 7 |
| Commercial banks | 17 | 26 | 25 | 22 | 22 |
| Captive sources | 54 | 55 | 54 | 52 | 55 |
| Others | 27 | 27 | 23 | 20 | 16 |
| 4. Maximum maturity in the yield curve (yrs) | | | | | |
| Primary market | 10 | 15 | 20 | 30 | 30 |
| Secondary market | 10 | 15 | 15 | 20 | 30 |

Sources: Central Bank of Sri Lanka

Ministry of Finance & Planning

(a) Treasury bills, Treasury bonds and Rupee loans only. Excludes Treasury bills and Treasury bonds held by non-residents.

MATURITY PROFILE OF DOMESTIC DEBT AS AT END 2016 ^(a)

Rs. million

| Maturity Year | Instrument | | | | | Total |
|---------------|------------------------------|----------------------------------|---------------|---------------------|--------------------|------------------|
| | Treasury bill ^(b) | Treasury bond ^{(b),(c)} | Rupee loan | SLDB ^(d) | OBU ^(d) | |
| 2017 | 738,447 | 414,923 | - | 281,329 | 29,960 | 1,464,659 |
| 2018 | - | 606,249 | - | 254,993 | - | 861,242 |
| 2019 | - | 397,233 | - | 7,865 | - | 405,097 |
| 2020 | - | 271,091 | - | 28,013 | - | 299,104 |
| 2021 | - | 266,167 | - | - | - | 266,167 |
| 2022 | - | 300,915 | - | - | - | 300,915 |
| 2023 | - | 189,675 | - | - | - | 189,675 |
| 2024 | - | 148,656 | 24,088 | - | - | 172,744 |
| 2025 | - | 174,611 | - | - | - | 174,611 |
| 2026 | - | 256,291 | - | - | - | 256,291 |
| 2028 | - | 232,439 | - | - | - | 232,439 |
| 2029 | - | 104,873 | - | - | - | 104,873 |
| 2030 | - | 96,102 | - | - | - | 96,102 |
| 2032 | - | 134,365 | - | - | - | 134,365 |
| 2033 | - | 144,977 | - | - | - | 144,977 |
| 2034 | - | 77,859 | - | - | - | 77,859 |
| 2035 | - | 74,565 | - | - | - | 74,565 |
| 2041 | - | 29,885 | - | - | - | 29,885 |
| 2043 | - | 33,809 | - | - | - | 33,809 |
| 2044 | - | 88,832 | - | - | - | 88,832 |
| 2045 | - | 10,058 | - | - | - | 10,058 |
| Total | 738,447 | 4,053,575 | 24,088 | 572,199 | 29,960 | 5,418,269 |

Sources : Central Bank of Sri Lanka

(a) Other liabilities to the banking sector are not included.

(b) Includes Treasury bonds and Treasury bills issued to non-residents.

(c) Includes government bonds issued to CWE in 2003 ,Rs.78,441 million issued to CPC in January 2012 and Rs. 13,125 million issued to Sri Lankan Airlines in March 2013.

(d) Exchange rate used for conversion is 1 USD = Rs. 149.8000 as at end 2016.

DOMESTIC DEBT

TABLE 10

FUTURE DOMESTIC CURRENCY DEBT OBLIGATIONS AS AT END 2016 ^(a)

Rs. million

| Year | Capital | Interest | Grand Total |
|--------------|------------------|------------------|------------------|
| 2017 | 414,923 | 425,794 | 840,718 |
| 2018 | 606,249 | 342,069 | 948,318 |
| 2019 | 397,233 | 298,869 | 696,102 |
| 2020 | 271,091 | 260,704 | 531,795 |
| 2021 | 266,167 | 236,692 | 502,859 |
| 2022 | 300,915 | 212,952 | 513,867 |
| 2023 | 213,763 | 186,046 | 399,809 |
| 2024 | 148,656 | 161,181 | 309,836 |
| 2025 | 174,611 | 145,317 | 319,928 |
| 2026 | 256,291 | 123,665 | 379,956 |
| 2027 | - | 110,170 | 110,170 |
| 2028 | 232,439 | 105,995 | 338,434 |
| 2029 | 104,873 | 81,307 | 186,180 |
| 2030 | 96,102 | 69,205 | 165,307 |
| 2031 | - | 63,919 | 63,919 |
| 2032 | 134,365 | 59,956 | 194,322 |
| 2033 | 144,977 | 48,251 | 193,228 |
| 2034 | 77,859 | 33,612 | 111,471 |
| 2035 | 74,565 | 24,166 | 98,731 |
| 2036 | - | 19,879 | 19,879 |
| 2037 | - | 19,879 | 19,879 |
| 2038 | - | 19,879 | 19,879 |
| 2039 | - | 19,879 | 19,879 |
| 2040 | - | 19,879 | 19,879 |
| 2041 | 29,885 | 18,085 | 47,970 |
| 2042 | - | 16,292 | 16,292 |
| 2043 | 33,809 | 14,771 | 48,580 |
| 2044 | 88,832 | 7,253 | 96,085 |
| 2045 | 10,058 | 629 | 10,687 |
| Total | 4,077,663 | 3,146,294 | 7,223,957 |

Sources: Central Bank of Sri Lanka

(a) Represents capital payments (Face values of Treasury bonds and Rupee loans) and interest payments (coupon payments and discounts of Treasury bonds, Treasury bills and Rupee loans) as at end 2016.

DOMESTIC DEBT

TABLE 11

OWNERSHIP OF TREASURY BILLS ^(a)

| Ownership | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 ^(b) | 2016 ^(b) |
|---|----------------|----------------|-----------------|----------------|----------------|----------------|----------------|----------------|----------------|---------------------|---------------------|
| 1. Bank Sector | 122,175 | 113,782 | 251,453 | 197,532 | 223,351 | 355,552 | 373,753 | 447,004 | 401,792 | 445,418 | 575,528 |
| 1.1 Central Bank | 69,370 | 44,964 | 163,584 | 37,451 | 2,993 | 169,797 | 154,005 | 3,053 | 123,496 | 104,754 | 331,389 |
| 1.2 Commercial Banks | 52,805 | 68,818 | 87,869 | 160,081 | 220,358 | 185,756 | 219,748 | 443,951 | 278,296 | 340,664 | 244,139 |
| 2. Non Bank Sector | 135,558 | 193,231 | 151,146 | 243,499 | 291,091 | 235,333 | 255,317 | 253,133 | 292,975 | 212,822 | 204,053 |
| 2.1 Employees' Provident Fund | 4,793 | 5,208 | 1 | 420 | 5,969 | - | 33,410 | 13,969 | 1,000 | - | 41,057 |
| 2.2 Other Provident Funds | 42 | 166 | 55 | - | 15 | 1,279 | 122 | 45 | - | 162 | 77 |
| 2.3 Savings Institutions | 33,456 | 32,046 | 20,791 | 42,677 | 52,541 | 58,733 | 61,972 | 68,328 | 47,945 | 67,766 | 18,049 |
| 2.4 Insurance and Finance Companies | 5,963 | 8,623 | 10,988 | 7,192 | 12,072 | 11,010 | 19,097 | 28,629 | 47,461 | 47,375 | 57,918 |
| 2.5 Departmental and Other Official Funds | 28,173 | 29,481 | 16,431 | 21,452 | 20,636 | 5,968 | 2,566 | 8,114 | 10,986 | 7,570 | 7,616 |
| 2.6 Private and Other | 63,131 | 117,707 | 102,882 | 171,757 | 199,858 | 158,344 | 138,149 | 134,048 | 185,582 | 89,949 | 79,336 |
| 3 Foreign Investors ^(c) | - | - | 6,358.00 | 40,410 | 57,317 | 70,123 | 80,184 | 73,916 | 55,500 | 5,045 | 12,816 |
| Total | 257,732 | 307,012 | 408,958 | 481,441 | 571,759 | 661,008 | 709,254 | 774,053 | 750,267 | 663,285 | 792,397 |

Sources: Central Bank of Sri Lanka
Ministry of Finance and Planning

(a) Adjusted for secondary market transactions.

(b) Provisional.

(c) Includes rupee denominated Treasury bills held by foreign investors from 2008 and the Sri Lankan diaspora and migrant workers from 2009.

DOMESTIC DEBT

TABLE 12

OWNERSHIP OF TRASURY BONDS ^{(a)(b)}

| Ownership | Rs million | | | | | | | | | | |
|---|----------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|---------------------|------------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 ^(c) | 2016 Provisional |
| 1. Bank Sector | 46,595 | 58,416 | 90,082 | 188,576 | 162,215 | 206,547 | 244,770 | 386,398 | 595,067 | 517,613 | 731,942 |
| 1.1 Commercial Banks | 46,595 | 58,416 | 90,082 | 188,576 | 162,215 | 206,547 | 244,770 | 386,398 | 595,067 | 517,613 | 731,942 |
| 2. Non Bank Sector | 839,377 | 960,436 | 1,191,897 | 1,324,936 | 1,481,672 | 1,612,704 | 1,850,284 | 2,065,962 | 2,248,986 | 2,787,635 | 2,982,846 |
| 2.1 Employee's Provident Fund | 408,757 | 501,331 | 607,770 | 718,717 | 814,451 | 927,374 | 1,117,360 | 1,356,389 | 1,450,144 | 1,612,461 | 1,737,219 |
| 2.2 Other Provident Funds | 4,940 | 7,862 | 9,507 | 13,766 | 19,872 | 7,550 | 30,639 | 35,031 | 315 | 42,713 | 48,060 |
| 2.3 Savings Institutions | 112,062 | 134,994 | 164,457 | 195,588 | 221,805 | 246,418 | 261,309 | 285,915 | 327,932 | 358,470 | 406,722 |
| 2.4 Insurance and Finance Companies | 13,632 | 21,215 | 26,410 | 33,194 | 33,624 | 34,410 | 31,711 | 26,636 | 42,742 | 58,808 | 87,124 |
| 2.5 Departmental and Other Official Funds | 58,061 | 69,588 | 90,778 | 21,949 | 36,963 | 37,006 | 37,596 | 187,904 | 210,598 | 245,045 | 264,014 |
| 2.6 Private and Other | 241,925 | 225,446 | 292,975 | 341,722 | 354,957 | 359,946 | 371,669 | 174,087 | 217,255 | 470,138 | 439,707 |
| 3 Foreign Investors^(d) | - | 49,647 | 17,647 | 145,124 | 183,538 | 199,531 | 317,603 | 403,486 | 401,710 | 298,734 | 247,222 |
| Total | 885,972 | 1,068,499 | 1,299,625 | 1,658,636 | 1,827,425 | 2,018,782 | 2,412,657 | 2,855,846 | 3,245,763 | 3,603,982 | 3,962,010 |

Sources: Central Bank of Sri Lanka
Ministry of Finance and Planning

(a) Adjusted for secondary market transactions.

(b) Excludes government bonds of Rs. 4,397million issued to CWE in 2003 a.Rs.78,441 million issued to CPC in January 2012 and Rs. 13,125 million issued to Sri Lankan Airlines in March 2013.

(c) Provisional.

(d) Includes rupee denominated Treasury bonds held by foreign investors from 2007 and the Sri Lankan diaspora and migrant workers from 2009.

DOMESTIC DEBT

TABLE 13

OWNERSHIP OF RUPEE LOANS

Rs. million

| Ownership | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 ^(a) | 2016 |
|--|----------------|----------------|----------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------------|---------------|
| 1. Bank Sector - Commercial Banks | 22,088 | 15,870 | 15,870 | 17,252 | 17,615 | 16,234 | 15,870 | 15,870 | 15,870 | 15,870 | 15,870 |
| 2. Non Bank Sector | 94,625 | 115,639 | 114,139 | 95,040 | 70,094 | 45,727 | 42,516 | 39,648 | 39,648 | 8,218 | 8,218 |
| 2.1 Savings Institutions | 20,938 | 19,938 | 18,820 | 18,820 | 12,168 | 9,168 | 6,868 | 4,000 | 4,000 | 2,000 | 2,000 |
| 2.2 Departmental and Other Official Funds ^(b) | 9,755 | 8,410 | 8,400 | 6,111 | 6,103 | 6,101 | 5,190 | 6,101 | 6,101 | - | - |
| 2.3 Employees' Provident Fund | 56,068 | 68,921 | 68,539 | 56,583 | 40,921 | 23,100 | 23,100 | 23,100 | 23,100 | - | - |
| 2.4 Other Provident Funds | 6,132 | 12,320 | 12,327 | 11,417 | 10,369 | 7,358 | 7,358 | 6,447 | 6,447 | 6,218 | 6,218 |
| 2.5 Other State Corporations | 1,575 | 1,575 | 1,575 | 1,575 | - | - | - | - | - | - | - |
| 2.7 Other ^(c) | 158 | 4,475 | 4,477 | 535 | 532 | - | - | - | - | - | - |
| Total | 116,713 | 131,509 | 130,009 | 112,292 | 87,709 | 61,961 | 58,386 | 55,518 | 55,518 | 24,088 | 24,088 |

Sources: Central Bank of Sri Lanka

Ministry of Finance and Planning

(a) Provisional.

(b) Including Employees Trust Fund.

(c) Comprises co-operative banks, other companies, institutions and individuals.

FOREIGN DEBT

TABLE 14

COMPOSITION OF OUTSTANDING FOREIGN DEBT AS AT END 2016 ^(a)

| Creditor Category/ Use of Funds | Rs.million | | | | | % of Total |
|-------------------------------------|----------------|------------------|------------------|----------------|------------------|---------------|
| | Bi-lateral | Multi-lateral | Commercial | Export Credit | Total Debt | |
| Cash ^(b) | 367 | 72 | 1,325,730 | | 1,326,170 | 32.78 |
| Commodity | 5,924 | | | 192 | 6,116 | 0.15 |
| Food | 19,483 | | | | 19,483 | 0.48 |
| Goods & Services | 15,791 | | | 27,712 | 43,503 | 1.08 |
| Programme | 16,720 | 86,254 | | | 102,974 | 2.55 |
| Project | 887,146 | 974,580 | 2,448 | 393,970 | 2,258,144 | 55.81 |
| Other ^(b) ^(c) | 324 | 15,642 | 260,193 | 13,248 | 289,407 | 7.15 |
| Total Debt | 945,754 | 1,076,549 | 1,588,371 | 435,122 | 4,045,796 | 100.00 |
| % | 23.38 | 26.61 | 39.26 | 10.75 | 100.00 | |

(a) Provisional

(b) Includes Sovereign bond issued in 2009, 2010, 2011, 2012, 2014, 2015 and 2016

(c) Includes Treasury bonds and Treasury bills held by non-residents.

Sources: Central Bank of Sri Lanka
Ministry of Finance and Planning

FOREIGN DEBT

OWNERSHIP OF OUTSTANDING FOREIGN DEBT

TABLE 15

| Source | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | Provisional |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------|
| 1. Multi-lateral | 580,719 | 618,181 | 665,040 | 674,936 | 721,916 | 844,292 | 903,540 | 887,960 | 994,430 | 1,076,549 | |
| ADB | 292,151 | 317,763 | 344,661 | 358,872 | 383,461 | 448,421 | 478,796 | 471,762 | 533,806 | 569,686 | |
| EIB | 15,326 | 18,010 | 20,463 | 18,792 | 18,054 | 23,438 | 23,248 | 21,133 | 29,728 | 27,518 | |
| IBRD | 231 | 240 | 0 | 0 | 0 | 322 | 4,530 | 6,987 | 10,382 | 27,760 | |
| IDA | 258,748 | 267,475 | 284,074 | 281,217 | 302,244 | 349,997 | 373,085 | 363,052 | 391,149 | 417,636 | |
| IFAD | 8,719 | 9,052 | 10,309 | 11,032 | 13,007 | 16,013 | 17,419 | 17,098 | 18,631 | 21,520 | |
| OPEC | 2,357 | 2,355 | 2,173 | 1,913 | 2,052 | 2,699 | 2,998 | 4,783 | 7,547 | 9,309 | |
| Nordic Development Fund | 3,188 | 3,285 | 3,360 | 3,110 | 3,099 | 3,403 | 3,464 | 3,145 | 3,187 | 3,119 | |
| 2. Bi-lateral | 564,500 | 666,533 | 684,750 | 739,213 | 842,804 | 1,035,907 | 823,180 | 793,196 | 888,971 | 945,754 | |
| Canada | 9,852 | 7,718 | 8,488 | 8,134 | 7,701 | 8,269 | 7,409 | 6,339 | 5,373 | 5,275 | |
| France ^(a) | 10,255 | 12,424 | 15,021 | 18,427 | 19,503 | 24,273 | 26,861 | 24,698 | 25,406 | 24,448 | |
| Germany | 65,977 | 61,528 | 58,279 | 50,263 | 47,547 | 51,164 | 52,112 | 43,342 | 40,726 | 39,145 | |
| India | 14,843 | 15,294 | 17,902 | 17,292 | 41,927 | 78,322 | 102,843 | 119,982 | 137,413 | 142,277 | |
| Japan | 327,711 | 426,936 | 426,767 | 478,931 | 529,013 | 547,515 | 468,366 | 416,408 | 457,483 | 486,199 | |
| Kuwait | 3,855 | 4,649 | 5,103 | 5,237 | 5,799 | 6,194 | 5,749 | 5,357 | 6,765 | 7,774 | |
| Netherlands | 1,455 | 751 | 291 | 87 | - | - | - | - | - | - | |
| People's Republic of China | 22,668 | 29,688 | 46,641 | 56,459 | 59,497 | 67,434 | 67,154 | 87,743 | 117,284 | 131,604 | |
| Saudi Arabian Fund | 749 | 1,217 | 2,328 | 2,338 | 2,544 | 2,648 | 3,868 | 4,982 | 10,724 | 13,255 | |
| USA | 52,797 | 50,708 | 46,952 | 42,414 | 40,318 | 41,386 | 38,854 | 35,246 | 34,594 | 31,798 | |
| Other | 54,339 | 55,619 | 56,978 | 59,633 | 88,957 | 208,702 | 49,963 | 49,100 | 53,205 | 63,978 | |
| 3. Financial Markets | 181,268 | 164,020 | 410,676 | 610,433 | 764,560 | 887,100 | 1,233,704 | 1,431,959 | 1,660,630 | 2,023,493 | |
| Riggs National Bank | 3,746 | 3,674 | 3,476 | 3,140 | 2,984 | 3,064 | 2,922 | 2,651 | 2,607 | 2,336 | |
| Indo-Suez Bank (France & Stockholm) | 16 | - | - | - | - | - | - | - | - | - | |
| Bankers Trust Co. | 685 | 634 | 560 | 466 | 399 | 356 | 275 | 184 | 101 | - | |
| Solomon Bros. Inc. - New York | 462 | 374 | 270 | 157 | 54 | - | - | - | - | - | |
| Citi Bank/NEXI | 24,637 | 11,314 | - | - | - | - | - | - | - | 201 | |
| Export-Import Bank of China ^(b) | 151,722 | 148,024 | 406,370 | 606,670 | 761,124 | 883,680 | 1,230,507 | 1,282,863 | 1,464,832 | 1,778,741 | |
| Other ^(c) | 54,360 | 56,570 | 114,384 | 221,906 | 341,704 | 445,063 | 457,636 | 655,243 | 958,014 | 1,220,870 | |
| International Sovereign bonds | - | 6,358 | 40,410 | 57,317 | 70,123 | 80,184 | 73,916 | 55,500 | 5,045 | 12,816 | |
| Non-resident investments in Treasury bills | 49,647 | 17,647 | 145,124 | 183,538 | 199,531 | 317,604 | 403,486 | 401,710 | 298,734 | 247,222 | |
| Non-resident investments in Treasury bonds | 47,715 | 67,449 | 106,452 | 143,909 | 149,766 | 40,829 | 295,470 | 170,410 | 203,039 | 297,833 | |
| Total | 1,326,487 | 1,448,734 | 1,760,466 | 2,024,583 | 2,329,280 | 2,767,299 | 2,960,424 | 3,113,116 | 3,544,031 | 4,045,796 | |

Sources: Central Bank of Sri Lanka
Ministry of Finance

(a) Includes loans from Financial Institutions.

(b) Excludes outstanding loans of Projects under State Owned Business Enterprises

(c) Includes outstanding defence loans, Rupee denominated Treasury bonds (since 2007) and Treasury bills (since 2008) held by foreign investors and proceeds from the international sovereign bond issuances.

| Type and Source | Gross Receipts | Repayments | Net Change in the Liability | Liability as at end December 2016 |
|---|----------------|----------------|-----------------------------|-----------------------------------|
| 1. Project Loans | 229,269 | 123,883 | 192,708 | 2,373,097 |
| ADB | 49,315 | 22,738 | 37,639 | 564,413 |
| Australia | 431 | 1,661 | (761) | 11,596 |
| Austria | 1,102 | 2,143 | (1,128) | 15,175 |
| Canada | - | 305 | (40) | 3,801 |
| China (a) | 61,744 | 24,133 | 61,695 | 365,734 |
| Denmark | - | 2,658 | (2,875) | 9,453 |
| EIB | - | 2,352 | (2,210) | 27,518 |
| Finland | - | 362 | (354) | 1,622 |
| France | 339 | 2,543 | (1,657) | 29,758 |
| Germany | 786 | 2,193 | (1,295) | 34,329 |
| Hong Kong | - | 1,022 | (930) | 635 |
| India | 6,048 | 5,138 | 5,751 | 126,486 |
| IDA | 34,367 | 11,588 | 26,750 | 407,195 |
| Japan | 22,501 | 29,813 | 28,618 | 486,808 |
| Korea | 2,734 | 1,148 | 2,303 | 48,683 |
| Kuwait | 1,168 | 516 | 1,009 | 7,774 |
| Netherlands | 6,960 | 3,247 | 4,566 | 33,496 |
| Opec Fund for International Development | 1,795 | 334 | 1,762 | 9,309 |
| Saudi Arabian Fund | 2,051 | 829 | 2,531 | 13,255 |
| Spain | 4,283 | 711 | 3,551 | 12,319 |
| Sweden | 307 | 1,228 | (231) | 20,219 |
| UK | 6,624 | 3,587 | 2,257 | 43,803 |
| USA | 2,401 | 2,202 | 1,340 | 20,604 |
| Other | 24,315 | 1,432 | 24,415 | 79,114 |
| 2. Non-Project Loans | 509,958 | 34,490 | 309,057 | 1,672,699 |
| 2.1 Commodity Loans | 344 | 5,306 | (3,317) | 44,343 |
| Canada | - | 163 | (58) | 1,475 |
| France | - | 1 | (1) | - |
| India | 344 | 1,846 | (887) | 15,791 |
| Pakistan | - | 570 | (444) | 3,145 |
| Germany | - | 283 | (267) | 4,450 |
| Netherlands | - | - | - | - |
| USA | - | 2,443 | (1,660) | 19,483 |
| Japan | - | - | - | - |
| 2.2 Other Loans | 509,615 | 29,183 | 312,374 | 1,628,356 |
| ADB | - | 2,069 | (1,759) | 5,273 |
| China | 2,627 | 430 | 2,152 | 8,286 |
| USA | - | - | - | - |
| Germany | - | 20 | (19) | 367 |
| Japan | - | - | - | - |
| Other (b) | 506,988 | 26,664 | 311,999 | 1,614,429 |
| Memo: Liability due to variations in exchange rates (c) | | | 161,697 | |
| Grand Total (d) | 739,227 | 158,372 | 501,765 | 4,045,796 |

Sources: Central Bank of Sri Lanka
Ministry of Finance and Planning

(a) Excludes outstanding loans of projects under State Owned Enterprises.

(b) Includes rupee denominated Treasury bonds (since 2007) and Treasury bills (since 2008) held by foreign investors and proceeds from the international sovereign bond issuances.

(c) This includes the impact of exchange rate variation.

(d) Liability as at end 2016 includes outstanding defence loans.

FOREIGN DEBT

TABLE 17

FOREIGN LOAN DISBURSEMENTS BY SOURCE

Rs million

| Category | Disbursements | | | | | | | | | |
|------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 (a) | 2015 | 2016 (b) |
| 1. Lender | 183,046 | 129,628 | 256,402 | 327,878 | 322,771 | 482,259 | 392,351 | 451,430 | 509,201 | 713,181 |
| Bi-lateral | 50,102 | 42,248 | 60,131 | 59,272 | 78,739 | 109,165 | 83,109 | 73,690 | 66,955 | 56,884 |
| Multi-lateral | 29,126 | 39,981 | 48,547 | 52,685 | 54,459 | 65,782 | 63,335 | 61,156 | 71,924 | 104,900 |
| Commercial ^{(e)(d)} | 95,147 | 31,127 | 109,371 | 163,892 | 144,963 | 250,505 | 158,918 | 281,350 | 311,659 | 481,295 |
| Export Credits | 8,671 | 16,272 | 38,353 | 52,028 | 44,611 | 56,807 | 86,989 | 35,234 | 58,664 | 70,102 |
| 2. Use of Funds | 183,046 | 129,628 | 356,402 | 327,878 | 322,771 | 482,259 | 447,465 | 451,430 | 509,201 | 713,181 |
| Cash ^(e) | 56,202 | - | 57,404 | 111,926 | 109,488 | 130,695 | 139,483 | 195,989 | 87,035 | 319,689 |
| Commodity | - | - | - | - | - | - | - | - | - | - |
| Food | - | - | - | - | - | - | - | - | - | - |
| Goods & Services | 2,515 | 58 | 314 | 126 | 3,254 | 2,316 | 8,195 | 626 | 1,064 | 344 |
| Programme | 270 | 1,791 | 593 | 4,788 | 194 | - | 21 | - | - | 27,517 |
| Project | 84,830 | 112,560 | 145,850 | 158,770 | 174,097 | 227,041 | 272,433 | 164,352 | 190,923 | 201,752 |
| Technical Assistance | 288 | 249 | 275 | 302 | 232 | 210 | 39 | 241 | 35 | - |
| Other ^(d) | 38,941 | 14,970 | 151,967 | 51,967 | 35,507 | 121,997 | 27,294 | 90,221 | 230,145 | 163,880 |

Sources: Central Bank of Sri Lanka
Ministry of Finance and Planning

(a) Revised

(b) Provisional

(c) Includes Sovereign bond issued in 2009, 2010, 2011, 2012, 2014 and 2015.

(d) Includes Treasury bonds and Treasury bills(net) issued to non-residents since 2007.

DEBT SERVICE PAYMENTS

TABLE 18

GOVERNMENT DEBT REPAYMENTS AND INTEREST PAYMENTS

Rs.million

| Year | Principal Repayments | | | Interest Payments | | |
|---------------------|-------------------------|------------------------|---------|-------------------------|------------------------|---------|
| | Domestic ^(a) | Foreign ^(b) | Total | Domestic ^(c) | Foreign ^(d) | Total |
| 1978 | 664 | 501 | 1,165 | 1,055 | 285 | 1,340 |
| 1979 | 683 | 499 | 1,182 | 1,277 | 357 | 1,634 |
| 1980 | 902 | 600 | 1,502 | 1,787 | 412 | 2,199 |
| 1981 | 1,001 | 607 | 1,608 | 3,025 | 713 | 3,738 |
| 1982 | 1,938 | 674 | 2,612 | 4,189 | 915 | 5,104 |
| 1983 | 3,860 | 1,165 | 5,025 | 5,336 | 1,270 | 6,606 |
| 1984 | 764 | 1,465 | 2,229 | 5,115 | 1,623 | 6,738 |
| 1985 | 5,108 | 1,789 | 6,897 | 5,458 | 1,970 | 7,428 |
| 1986 | 4,505 | 3,020 | 7,525 | 6,553 | 2,209 | 8,762 |
| 1987 | 902 | 4,690 | 5,592 | 7,593 | 2,564 | 10,157 |
| 1988 | 4,471 | 5,209 | 9,680 | 9,694 | 2,896 | 12,590 |
| 1989 | 3,796 | 5,742 | 9,538 | 11,015 | 3,337 | 14,352 |
| 1990 | 7,304 | 4,906 | 12,210 | 16,990 | 3,678 | 20,668 |
| 1991 | 12,901 | 4,881 | 17,782 | 17,960 | 4,113 | 22,073 |
| 1992 | 18,123 | 7,955 | 26,078 | 21,201 | 4,739 | 25,940 |
| 1993 | 20,327 | 6,963 | 27,290 | 25,101 | 5,102 | 30,203 |
| 1994 | 15,065 | 7,606 | 22,671 | 32,520 | 5,511 | 38,031 |
| 1995 | 28,069 | 8,477 | 36,546 | 32,064 | 6,162 | 38,226 |
| 1996 | 22,749 | 10,491 | 33,240 | 42,184 | 6,739 | 48,923 |
| 1997 | 15,232 | 13,251 | 28,483 | 48,554 | 6,692 | 55,246 |
| 1998 | 41,617 | 18,351 | 59,968 | 47,598 | 7,300 | 54,898 |
| 1999 | 20,322 | 21,440 | 41,762 | 53,371 | 8,752 | 62,123 |
| 2000 | 81,244 | 23,282 | 104,526 | 62,185 | 9,015 | 71,200 |
| 2001 | 56,844 | 27,921 | 84,765 | 84,560 | 9,747 | 94,307 |
| 2002 | 130,786 | 37,057 | 167,843 | 105,897 | 10,617 | 116,514 |
| 2003 | 185,083 | 34,425 | 219,508 | 113,540 | 11,586 | 125,126 |
| 2004 | 147,740 | 33,041 | 180,781 | 105,878 | 13,904 | 119,782 |
| 2005 | 203,347 | 21,360 | 224,707 | 113,164 | 6,995 | 120,159 |
| 2006 | 247,536 | 45,989 | 293,525 | 133,787 | 16,990 | 150,777 |
| 2007 | 251,900 | 65,934 | 317,834 | 158,701 | 23,980 | 182,681 |
| 2008 | 258,720 | 121,609 | 380,330 | 182,198 | 30,277 | 212,475 |
| 2009 | 403,723 | 114,716 | 518,439 | 273,977 | 35,698 | 309,675 |
| 2010 | 389,672 | 78,184 | 467,856 | 297,127 | 55,464 | 352,592 |
| 2011 | 439,894 | 98,789 | 538,683 | 288,134 | 68,565 | 356,699 |
| 2012 | 415,441 | 193,529 | 608,970 | 317,659 | 90,839 | 408,498 |
| 2013 | 496,042 | 203,993 | 700,035 | 354,706 | 108,160 | 462,865 |
| 2014 | 449,554 | 183,109 | 632,662 | 327,934 | 115,660 | 443,595 |
| 2015 ^(e) | 523,824 | 284,293 | 808,117 | 394,289 | 115,386 | 509,674 |
| 2016 | 572,442 | 169,107 | 741,549 | 484,182 | 126,713 | 610,895 |

Sources: Central Bank of Sri Lanka
Ministry of Finance and Planning

- (a) Excludes Treasury bond payments to non-residents .
(b) Includes Treasury bond payments to non-residents
(c) Excludes Treasury bill & Treasury bond interest payments to non-residents .
(d) Includes Treasury bill & Treasury bond interest payments to non-residents .

GOVERNMENT BORROWINGS

TABLE 19

ISSUES AND MATURITIES OF DOMESTIC DEBT IN 2015 and 2016

Rs. million

| | Maturity (M) | 2015 | | | 2016 | | |
|----------------------|--------------------|-----------------------|------------------|-----------------|-----------------------|------------------|------------------|
| | | Issues ^(b) | Repayments | Net Issues | Issues ^(b) | Repayments | Net Issues |
| Treasury bills | 0 < M ≤ 91 days | 703,978 | 625,411 | 78,568 | 549,427 | 495,504 | 53,923 |
| | 91 < M ≤ 182 days | 601,710 | 491,159 | 110,551 | 604,084 | 688,659 | (84,575) |
| | 182 < M ≤ 364 days | 283,839 | 559,939 | (276,100) | 481,838 | 322,075 | 159,763 |
| Total | | 1,589,527 | 1,676,509 | (86,981) | 1,635,349 | 1,506,238 | 129,111 |
| Treasury bonds | | | | | | | |
| | 1 year | 9,500 | 9,105 | 395 | - | 13,500 | (13,500) |
| | 2 year | 34,659 | 99,562 | (64,903) | 59,012 | 23,026 | 35,986 |
| | 3 year | 48,878 | 86,001 | (37,123) | 50,800 | 22,195 | 28,605 |
| | 4 year | 79,134 | 61,884 | 17,250 | 75,172 | 67,147 | 8,025 |
| | 5 year | 133,577 | 110,529 | 23,048 | 87,898 | 111,822 | (23,924) |
| | 6 year | 65,743 | 144,624 | (78,881) | 22,100 | 67,899 | (45,799) |
| | 7 year | 84,371 | - | 84,371 | 8,050 | - | 8,050 |
| | 8 year | 100,528 | - | 100,528 | 82,461 | - | 82,461 |
| | 9 year | 20,600 | - | 20,600 | 47,176 | - | 47,176 |
| | 10 year | 106,389 | - | 106,389 | 110,737 | - | 110,737 |
| | 11 year | 39,477 | - | 39,477 | - | - | - |
| | 12 year | - | - | - | - | - | - |
| | 13 year | 23,424 | - | 23,424 | 21,660 | 4,397 | 17,263 |
| | 14 year | 8,121 | - | 8,121 | 68,665 | - | 68,665 |
| | 15 year | 24,577 | - | 24,577 | - | - | - |
| | 19 year | 56,675 | - | 56,675 | - | - | - |
| | 20 year | 17,890 | - | 17,890 | - | - | - |
| | 25 year | - | - | - | 29,885 | - | 29,885 |
| | 30 year | 16,381 | - | 16,381 | - | - | - |
| Total | | 869,923 | 511,705 | 358,218 | 663,616 | 309,986 | 353,630 |
| Rupee loans | | | | | | | |
| | 4/7 year | - | - | - | - | - | - |
| | 4/8 year | - | - | - | - | - | - |
| | 3/10 year | - | - | - | - | - | - |
| Total | | - | - | - | - | - | - |
| Sri Lanka Dev. Bonds | | | | | | | |
| | ≤ 1 year | 250,197 | 32,681 | 217,517 | 178,826 | 231,139 | (52,312) |
| | 2 year | 19,162 | - | 19,162 | 18,153 | 10,185 | 7,968 |
| | 3 year | 39,888 | 59,431 | (19,543) | - | 62,810 | (62,810) |
| | 4 year | 7,048 | 19,454 | (12,406) | - | 1,727 | (1,727) |
| | 5 year | 18,237 | - | 18,237 | - | 11,634 | (11,634) |
| Total | | 334,532 | 111,565 | 222,967 | 196,979 | 317,495 | (120,516) |
| Loans from OBUs | | | | | | | |
| | ≤ 1 year | - | - | - | 14,980 | - | 14,980 |
| | 2 years | - | - | - | - | - | - |
| | 3 years | - | - | - | - | - | - |
| Total | | - | - | - | 14,980 | - | 14,980 |
| Grand Total | | 2,793,982 | 2,299,779 | 494,204 | 2,510,924 | 2,133,719 | 377,205 |

(a) Includes Treasury bonds of Rs. 13,125 million issued to Sri Lankan Air Lines in March 2013.

(b) Revised

GOVERNMENT BORROWINGS

TABLE 20

AUCTION AND PRIMARY ISSUE DETAILS IN 2015 AND 2016^(a)

Rs. million

| | 2015 ^(b) | | | 2016 ^(b) | | |
|-----------------------|-------------------------------|----------------------------------|-------------|-------------------------------|-------------------------------|-------------|
| | Treasury Bills ^(c) | Treasury Bonds ^{(b)(c)} | Rupee Loans | Treasury Bills ^(b) | Treasury Bonds ^(b) | Rupee Loans |
| Auctions | | | | | | |
| Number of Auctions | 52 | 36 | - | 52 | 23 | - |
| Amount Offered | 983,000 | 632,000 | - | 1,264,000 | 564,000 | - |
| Bids Received | 2,966,280 | 2,340,313 | - | 2,984,590 | 2,651,027 | - |
| Amount Accepted | 1,006,488 | 712,332 | - | 844,611 | 654,474 | - |
| CBSL Purchases | 564,159 | - | - | 790,738 | - | - |
| Placements | 18,880 | 157,591 | - | - | 9,142 | - |
| Total Issues | 1,589,527 | 869,923 | - | 1,635,349 | 663,616 | - |

(a) Face Value.

(b) Provisional

GOVERNMENT BORROWINGS

TABLE 21

GOVERNMENT BORROWING LIMITS AND USAGE IN 2014, 2015 AND 2016

Rs. billion

| | 2014 | | 2015 | | 2016 | |
|--|----------------|--------------|----------------|--------------|----------------|--------------|
| | Approved Limit | Usage | Approved Limit | Usage | Approved Limit | Usage |
| 1. Gross Borrowing | 1,478 | 1,453 | 1,780 | 1,695 | 1,509 | 1,516 |
| 1.1. Domestic | 1,114 | 1,062 | 1,327 | 1,139 | 990 | 942 |
| 1.2. Foreign | 364 | 391 | 453 | 556 | 519 | 574 |
| 2. Sources of Financing | | | | | | |
| 2.1. Domestic Financing | 1,114 | 1,062 | 1,327 | 1,139 | 990 | 942 |
| 2.1.1. Rupee Loans | - | - | - | - | - | - |
| 2.1.2. Treasury bonds ^(a) | 939 | 893 | 1,167 | 871 | 542 | 575 |
| 2.1.3. Treasury bills (net) ^(a) | 40 | 12 | 15 | (74) | 58 | 106 |
| 2.1.4. CBSL Advances | 37 | 35 | 15 | 7 | 33 | - |
| 2.1.5. SLDBs | 98 | 95 | 130 | 335 | 357 | 197 |
| 2.1.6. OBUs | - | - | - | - | - | 15 |
| 2.1.7. Other | - | 27 | - | - | - | 49 |
| 2.2 Foreign Financing | 364 | 391 | 453 | 556 | 519 | 574 |
| 2.2.1. Project/Programme Loans | 234 | 195 | 258 | 258 | 309 | 255 |
| 2.2.2. Commercial Loans ^(b) | 130 | 196 | 195 | 299 | 210 | 320 |
| Total Financing | 1,478 | 1,453 | 1,780 | 1,695 | 1,509 | 1,516 |

(a) Includes Treasury bonds and Treasury bills issued to non-residents.

(b) Includes International Sovereign bonds and non-project loans.

Sources: Central Bank of Sri Lanka
Ministry of Finance and Planning

GOVERNMENT BORROWINGS

TABLE 22

FINANCING OF THE GOVERNMENT NET CASH DEFICIT

| Item | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 ^(a) |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|---------------------|
| 1. NET CASH SURPLUS (+) / DEFICIT (-) | (215,516) | (262,252) | (322,329) | (486,626) | (451,924) | (455,207) | (551,142) | (612,599) | (801,408) | (980,776) | (640,325) |
| 1.1 Revenue and grants | 527,435 | 614,329 | 708,596 | 746,359 | 858,372 | 973,476 | 1,030,128 | 1,098,355 | 1,169,543 | 1,413,318 | 1,725,278 |
| 1.2 Expenditure ^(b) | (742,951) | (876,581) | (1,030,925) | (1,232,984) | (1,310,295) | (1,428,683) | (1,581,271) | (1,710,955) | (1,970,952) | (2,394,094) | (2,365,603) |
| 2. FINANCING OF THE DEFICIT | 215,516 | 262,252 | 322,329 | 486,626 | 451,924 | 455,207 | 551,142 | 612,599 | 801,408 | 980,776 | 640,325 |
| 2.1 Domestic Financing | 163,808 | 145,136 | 314,312 | 245,556 | 202,229 | 231,224 | 257,847 | 487,542 | 525,843 | 743,973 | 248,411 |
| 2.1.1 Domestic Market Borrowings | 164,458 | 127,076 | 309,694 | 234,276 | 191,999 | 236,021 | 252,409 | 474,542 | 539,206 | 743,973 | 248,411 |
| Rupee Loans | 23 | 18,833 | - | 1,904 | - | - | - | - | - | - | - |
| Less: Direct Repayments | 23,873 | 8,500 | 1,500 | 19,621 | 24,583 | 25,748 | 3,576 | 2,868 | - | 31,430 | - |
| Net | (23,850) | 10,333 | (1,500) | (17,717) | (24,583) | (25,748) | (3,576) | - | - | (31,430) | - |
| Treasury Bills | 20,300 | 37,092 | 69,766 | 49,008 | 82,796 | 79,616 | 16,782 | 53,510 | 26,077 | (26,375) | 98,482 |
| Treasury Bonds | 97,429 | 52,807 | 192,356 | 201,935 | 140,440 | 168,401 | 154,548 | 252,125 | 369,135 | 442,582 | 349,814 |
| Sri Lanka Development Bonds (SLDBs) | 34,254 | 23,592 | 65,497 | 7,564 | 11,073 | 5,268 | 18,359 | 140,277 | 20,968 | 222,967 | (120,516) |
| Central Bank Advances | 9,269 | 11,664 | 15,629 | (2,428) | 3,998 | 16,864 | 16,549 | (2,125) | 34,731 | 7,234 | (67,825) |
| Other Borrowings from Banks ^(c) | 33,874 | (3,025) | (43,598) | (2,918) | (7,291) | 13,730 | 45,139 | 31,725 | 101,967 | 133,400 | (19,926) |
| Use of Cash Balances | (6,818) | (5,386) | 11,544 | (1,169) | (14,434) | (22,109) | 4,609 | 1,898 | (13,672) | (4,405) | 8,383 |
| 2.1.2 Domestic Other Borrowings ^(d) | (650) | 18,060 | 4,618 | 11,280 | 10,230 | (4,798) | 5,438 | 13,000 | (13,363) | - | - |
| 2.2 Foreign Financing | 51,708 | 117,115 | 8,018 | 241,070 | 249,694 | 223,983 | 293,295 | 125,057 | 275,565 | 236,803 | 391,914 |
| 2.2.1 Project Loans | 78,254 | 72,871 | 114,600 | 146,717 | 163,860 | 174,523 | 228,808 | 164,191 | 188,025 | 201,655 | 254,559 |
| Less: Repayments | 33,715 | 39,108 | 47,762 | 66,059 | 55,360 | 63,632 | 80,958 | 98,231 | 96,634 | 117,031 | 145,266 |
| Net | 44,539 | 33,763 | 66,838 | 80,658 | 108,500 | 110,892 | 147,850 | 65,960 | 91,391 | 84,623 | 109,293 |
| 2.2.2 Non-project Loans | 7,169 | 83,352 | (58,820) | 160,412 | 141,194 | 113,092 | 145,445 | 59,098 | 184,174 | 35,148 | 282,620 |
| Commodity Loans | 3,227 | 2,510 | 58 | 314 | 126 | 3,254 | 2,316 | 8,195 | 626 | 1,064 | 344 |
| Less: Repayments | 5,163 | 5,417 | 5,771 | 5,871 | 6,100 | 5,793 | 5,634 | 5,226 | 4,814 | 5,443 | 5,306 |
| Net | (1,936) | (2,907) | (5,713) | (5,557) | (5,974) | (2,539) | (3,319) | 2,969 | (4,188) | (4,379) | (4,963) |
| Other loans ^(e) | 16,216 | 105,848 | 14,970 | 208,755 | 163,893 | 144,995 | 255,700 | 156,664 | 270,023 | 34,084 | 306,117 |
| Less: Repayments | 7,111 | 19,589 | 68,077 | 42,786 | 16,724 | 29,364 | 106,937 | 100,535 | 81,661 | 1,618,119 | 18,534 |
| Net | 9,105 | 86,259 | (53,107) | 165,969 | 147,169 | 115,631 | 148,764 | 56,128 | 188,362 | (127,734) | 287,583 |

Sources : Central Bank of Sri Lanka
Ministry of Finance and Planning

- (a) Provisional.
 (b) Consists of government expenditure excluding contributions to sinking funds, direct repayment of public debt and subscriptions to international financial organisations. Also excludes book adjustments arising from losses on Advance Account operations incurred and financed in previous financial years. Hence, the figures may not tally with the figures published in the Accounts of the Government of Sri Lanka.
 (c) Includes cash items in process of collection in the Central Bank and commercial banks, government import bills overdraft and borrowings from offshore the banking units of commercial banks.
 (d) Includes domestic grants, administrative borrowings and payments to be made.
 (e) Includes cash loans received from the Iraq, China, OPEC, Japan and military equipment loans and Euro currency commercial loans.

COST OF BORROWING

TABLE 23

TREASURY BILLS PRIMARY AUCTION YIELD RATES AND COMPOSITE RATE - 2016

| Year | Month | Weighted Average Yield Rates of T-Bills (Net of Tax) | | | |
|------|--------------|--|-------------|-------------|----------------|
| | | 91 Days | 182 Days | 364 Days | Composite Rate |
| 2015 | January | 5.78 | 5.89 | 6.02 | 5.91 |
| | February | 5.89 | 6.01 | 6.10 | 6.00 |
| | March | 6.93 | 7.04 | 6.99 | 6.98 |
| | April | 6.33 | 6.60 | 6.67 | 6.59 |
| | May | 6.10 | 6.23 | 6.34 | 6.21 |
| | June | 6.08 | 6.18 | 6.29 | 6.16 |
| | July | 6.20 | 6.33 | 6.40 | 6.26 |
| | August | 6.53 | 6.59 | 6.70 | 6.60 |
| | September | 6.78 | 7.07 | 7.18 | 6.86 |
| | October | 6.73 | 7.02 | 7.10 | 6.92 |
| | November | 6.44 | 6.57 | 6.95 | 6.65 |
| | December | 6.23 | 6.43 | 6.94 | 6.47 |
| | Total | | 6.32 | 6.50 | 6.60 |
| 2016 | January | 6.63 | 7.12 | 7.56 | 7.05 |
| | February | 7.04 | 7.61 | 8.06 | 7.51 |
| | March | 7.90 | 8.90 | 9.72 | 8.69 |
| | April | 8.51 | 9.55 | 10.19 | 9.78 |
| | May | 8.64 | 9.62 | 10.37 | 9.66 |
| | June | 8.84 | 9.79 | 10.53 | 9.84 |
| | July | 8.87 | 9.78 | 10.50 | 9.84 |
| | August | 9.02 | 9.92 | 10.73 | 10.29 |
| | September | 8.71 | 9.65 | 10.48 | 9.95 |
| | October | 8.57 | 9.41 | 10.19 | 9.56 |
| | November | 8.60 | 9.51 | 10.14 | 9.77 |
| | December | 8.62 | 9.58 | 10.11 | 9.44 |
| | Total | | 8.26 | 9.23 | 10.20 |

Source: Central Bank of Sri Lanka

a) Calculated based on Simple average of WAYR for each maturity period.

COST OF BORROWING

TREASURY BOND AUCTIONS IN 2016

TABLE 24

| Series | Settlement Date | Maturity Date | Maturity Period (Years) | Amount Offered (Rs. million.) | Bids Received (Rs. million.) | Amount Accepted (Rs. million.) | Coupon Rate (%) | Weighted Average Yield(a) |
|-------------|-----------------|---------------|-------------------------|-------------------------------|------------------------------|--------------------------------|-----------------|---------------------------|
| 09.50%2020A | 1/11/16 | 12/15/20 | 5 | 2,000.00 | 14,830.00 | - | 09.50 | 0.00 |
| 11.00%2025A | 1/11/16 | 8/1/25 | 10 | 5,000.00 | 23,379.00 | 6,059.00 | 11.00 | 12.28 |
| 11.00%2030A | 1/11/16 | 5/15/30 | 14 | 5,000.00 | 24,285.00 | 13,585.00 | 11.00 | 12.73 |
| 12.00%2041A | 1/11/16 | 1/1/41 | 25 | 8,000.00 | 41,975.00 | 19,635.00 | 12.00 | 13.43 |
| 09.50%2020A | 2/1/16 | 12/15/20 | 5 | 2,000.00 | 13,275.00 | - | 09.50 | 0.00 |
| 11.00%2026A | 2/1/16 | 6/1/26 | 10 | 3,000.00 | 19,030.00 | 6,190.00 | 11.00 | 12.38 |
| 11.00%2030A | 2/1/16 | 5/15/30 | 14 | 5,000.00 | 27,150.00 | 15,650.00 | 11.00 | 12.82 |
| 12.50%2045A | 2/1/16 | 3/1/45 | 29 | 5,000.00 | 44,840.00 | - | 12.50 | 0.00 |
| 09.50%2020A | 2/12/16 | 12/15/20 | 5 | 2,000.00 | 11,972.00 | - | 09.50 | 0.00 |
| 11.00%2030A | 2/12/16 | 5/15/30 | 14 | 3,000.00 | 42,865.00 | 10,455.00 | 11.00 | 12.96 |
| 12.00%2041A | 2/12/16 | 1/1/41 | 25 | 5,000.00 | 48,080.00 | 10,250.00 | 12.00 | 13.50 |
| 08.50%2018A | 3/1/16 | 2/1/18 | 2 | 3,000.00 | 15,760.00 | 5,305.00 | 08.50 | 11.11 |
| 11.00%2021A | 3/1/16 | 8/1/21 | 5 | 3,000.00 | 12,277.00 | 5,312.00 | 11.00 | 12.69 |
| 11.20%2023A | 3/1/16 | 9/1/23 | 8 | 3,000.00 | 18,750.00 | 7,637.00 | 11.20 | 13.09 |
| 08.00%2019A | 3/11/16 | 11/1/19 | 4 | 2,000.00 | 6,514.00 | - | 08.00 | 0.00 |
| 11.00%2021A | 3/11/16 | 8/1/21 | 5 | 2,000.00 | 7,040.00 | - | 11.00 | 0.00 |
| 11.40%2024A | 3/11/16 | 1/1/24 | 8 | 2,000.00 | 9,535.00 | - | 11.40 | 0.00 |
| 08.00%2017B | 3/18/16 | 6/15/17 | 1 | 1,000.00 | 8,300.00 | - | 08.00 | 0.00 |
| 09.25%2020A | 3/18/16 | 5/1/20 | 4 | 1,000.00 | 6,805.00 | 1,305.00 | 09.25 | 13.19 |
| 11.40%2024A | 3/18/16 | 1/1/24 | 8 | 2,000.00 | 13,030.00 | 6,620.00 | 11.40 | 13.62 |
| 09.25%2020A | 4/1/16 | 5/1/20 | 4 | 5,000.00 | 13,628.00 | - | 09.25 | 0.00 |
| 09.45%2021A | 4/1/16 | 10/15/21 | 6 | 5,000.00 | 17,500.00 | - | 09.45 | 0.00 |
| 10.00%2022A | 4/1/16 | 10/1/22 | 7 | 5,000.00 | 13,520.00 | - | 10.00 | 0.00 |
| 10.25%2025A | 4/1/16 | 3/15/25 | 9 | 5,000.00 | 33,150.00 | - | 10.25 | 0.00 |
| 09.25%2020A | 4/1/16 | 5/1/20 | 4 | 10,000.00 | 27,022.00 | 10,272.00 | 09.25 | 14.20 |
| 10.25%2025A | 4/1/16 | 3/15/25 | 9 | 10,000.00 | 36,915.00 | 21,475.00 | 10.25 | 15.33 |
| 11.00%2026A | 4/1/16 | 6/1/26 | 10 | 10,000.00 | 32,560.00 | 17,010.00 | 11.00 | 15.48 |
| 11.00%2030A | 4/1/16 | 5/15/30 | 14 | 10,000.00 | 45,925.00 | 28,975.00 | 11.00 | 15.81 |
| 08.50%2018A | 4/1/16 | 2/1/18 | 2 | 5,000.00 | 21,254.00 | 9,000.00 | 08.50 | 13.06 |
| 10.60%2019A | 4/1/16 | 7/1/19 | 3 | 5,000.00 | 15,025.00 | 5,000.00 | 10.60 | 13.06 |
| 11.00%2021A | 4/1/16 | 8/1/21 | 5 | 5,000.00 | 24,175.00 | 14,350.00 | 11.00 | 14.44 |
| 11.50%2028A | 4/1/16 | 9/1/28 | 12 | 10,000.00 | 52,605.00 | 21,660.00 | 11.50 | 15.24 |
| 09.50%2020A | 4/20/16 | 12/15/20 | 5 | 5,000.00 | 14,080.00 | - | 09.50 | 0.00 |
| 10.00%2022A | 4/20/16 | 10/1/22 | 6 | 5,000.00 | 14,200.00 | - | 10.00 | 0.00 |
| 11.40%2024A | 4/20/16 | 1/1/24 | 8 | 5,000.00 | 31,236.00 | - | 11.40 | 0.00 |
| 08.00%2018A | 5/3/16 | 11/15/18 | 3 | 8,000.00 | 28,800.00 | 15,600.00 | 08.00 | 12.82 |
| 09.25%2020A | 5/3/16 | 5/1/20 | 4 | 8,000.00 | 33,970.00 | 9,360.00 | 09.25 | 13.09 |
| 10.00%2022A | 5/3/16 | 10/1/22 | 6 | 8,000.00 | 42,230.00 | 5,480.00 | 10.00 | 13.31 |
| 08.00%2018A | 5/16/16 | 11/15/18 | 3 | 5,000.00 | 35,405.00 | 8,400.00 | 08.00 | 12.79 |
| 09.25%2020A | 5/16/16 | 5/1/20 | 4 | 5,000.00 | 29,271.00 | 7,001.00 | 09.25 | 13.05 |
| 10.00%2022A | 5/16/16 | 10/1/22 | 6 | 5,000.00 | 23,065.00 | 3,545.00 | 10.00 | 13.31 |
| 11.40%2024A | 5/16/16 | 1/1/24 | 8 | 4,000.00 | 28,802.00 | 2,817.00 | 11.40 | 13.41 |
| 08.00%2018A | 6/1/16 | 11/15/18 | 2 | 10,000.00 | 30,070.00 | 12,845.00 | 08.00 | 13.06 |
| 09.25%2020A | 6/1/16 | 5/1/20 | 4 | 10,000.00 | 29,545.00 | 11,970.00 | 09.25 | 13.46 |
| 11.40%2024A | 6/1/16 | 1/1/24 | 8 | 12,500.00 | 31,755.00 | 2,601.00 | 11.40 | 13.78 |
| 11.00%2026A | 6/1/16 | 6/1/26 | 10 | 12,500.00 | 45,296.00 | 17,450.00 | 11.00 | 14.25 |
| 08.75%2018A | 6/1/16 | 10/15/18 | 2 | 10,000.00 | 38,765.00 | 13,865.00 | 08.75 | 13.14 |
| 09.45%2021A | 6/1/16 | 10/15/21 | 5 | 15,000.00 | 38,093.00 | 11,611.00 | 09.45 | 13.87 |
| 11.40%2024A | 6/1/16 | 1/1/24 | 8 | 12,000.00 | 39,360.00 | 14,130.00 | 11.40 | 14.19 |
| 11.00%2026A | 6/1/16 | 6/1/26 | 10 | 8,000.00 | 54,100.00 | 8,100.00 | 11.00 | 14.42 |
| 08.75%2018A | 6/15/16 | 10/15/18 | 2 | 8,000.00 | 41,229.00 | 8,647.00 | 08.75 | 12.69 |
| 09.45%2021A | 6/15/16 | 10/15/21 | 5 | 5,000.00 | 34,717.00 | 6,230.00 | 09.45 | 13.30 |
| 11.40%2024A | 6/15/16 | 1/1/24 | 8 | 3,000.00 | 33,720.00 | 3,475.00 | 11.40 | 13.74 |
| 11.00%2026A | 6/15/16 | 6/1/26 | 10 | 2,000.00 | 36,220.00 | 2,271.00 | 11.00 | 13.89 |
| 08.50%2019A | 7/1/16 | 5/1/19 | 3 | 7,000.00 | 29,850.00 | 1,800.00 | 08.50 | 12.83 |

| Series | Settlement Date | Maturity Date | Maturity Period (Years) | Amount Offered (Rs. million.) | Bids Received (Rs. million.) | Amount Accepted (Rs. million.) | Coupon Rate (%) | Weighted Average Yield(a) |
|-------------|-----------------|---------------|-------------------------|-------------------------------|------------------------------|--------------------------------|-----------------|---------------------------|
| 09.50%2020A | 7/1/16 | 12/15/20 | 4 | 10,000.00 | 37,455.00 | 12,140.00 | 09.50 | 13.25 |
| 10.00%2022A | 7/1/16 | 10/1/22 | 6 | 7,000.00 | 40,146.00 | 2,550.00 | 10.00 | 13.36 |
| 10.25%2025A | 7/1/16 | 3/15/25 | 9 | 6,000.00 | 50,214.00 | 7,422.00 | 10.25 | 14.04 |
| 08.50%2019A | 7/1/16 | 5/1/19 | 3 | 12,000.00 | 35,975.00 | 10,000.00 | 08.50 | 12.87 |
| 10.75%2021A | 7/1/16 | 3/1/21 | 5 | 12,000.00 | 47,865.00 | 14,300.00 | 10.75 | 13.31 |
| 11.00%2025A | 7/1/16 | 8/1/25 | 9 | 10,000.00 | 62,419.00 | 12,344.00 | 11.00 | 13.95 |
| 10.60%2019B | 7/15/16 | 9/15/19 | 3 | 10,000.00 | 39,400.00 | 10,000.00 | 10.60 | 12.92 |
| 10.75%2021A | 7/15/16 | 3/1/21 | 5 | 9,000.00 | 40,080.00 | 10,645.00 | 10.75 | 13.21 |
| 10.00%2022A | 7/15/16 | 10/1/22 | 6 | 9,000.00 | 38,945.00 | 10,525.00 | 10.00 | 13.37 |
| 11.20%2023A | 7/15/16 | 9/1/23 | 7 | 7,000.00 | 47,265.00 | 8,050.00 | 11.20 | 13.53 |
| 08.75%2018A | 7/20/16 | 10/15/18 | 2 | 9,000.00 | 46,940.00 | 9,350.00 | 08.75 | 12.27 |
| 10.75%2021A | 7/20/16 | 3/1/21 | 5 | 8,000.00 | 41,098.00 | 4,750.00 | 10.75 | 12.97 |
| 11.00%2025A | 7/20/16 | 8/1/25 | 9 | 6,000.00 | 41,844.00 | 5,935.00 | 11.00 | 13.42 |
| 10.75%2021A | 8/1/16 | 3/1/21 | 5 | 20,000.00 | 53,960.00 | 20,700.00 | 10.75 | 13.41 |
| 11.00%2024A | 8/1/16 | 8/1/24 | 8 | 20,000.00 | 59,154.00 | 20,800.00 | 11.00 | 14.01 |
| 11.50%2026A | 8/1/16 | 8/1/26 | 10 | 20,000.00 | 82,372.00 | 21,585.00 | 11.50 | 14.29 |
| 10.75%2021A | 9/1/16 | 3/1/21 | 4 | 15,000.00 | 74,108.00 | 15,461.00 | 10.75 | 13.07 |
| 11.00%2024A | 9/1/16 | 8/1/24 | 8 | 15,000.00 | 59,001.00 | 17,181.00 | 11.00 | 13.60 |
| 11.50%2026A | 9/1/16 | 8/1/26 | 10 | 15,000.00 | 109,605.00 | 16,830.00 | 11.50 | 13.91 |
| 10.75%2021A | 10/3/16 | 3/1/21 | 4 | 8,000.00 | 38,220.00 | 7,663.00 | 10.75 | 11.79 |
| 11.00%2024A | 10/3/16 | 8/1/24 | 8 | 7,000.00 | 42,720.00 | 7,200.00 | 11.00 | 12.18 |
| 11.50%2026A | 10/3/16 | 8/1/26 | 10 | 7,000.00 | 55,491.00 | 6,100.00 | 11.50 | 12.29 |
| 05.00%2026A | 12/20/16 | 12/20/26 | 10 | 9,142.22 | 9,142.22 | 9,142.22 | 05.00 | 13.33 |

Source: Central Bank of Sri Lanka

(a) Effect from May 3, 2002, Government imposed a 10% withholding tax on interest of Government Securities. The rates quoted are adjusted for withholding tax.

COST OF BORROWING

TREASURY BILL AUCTIONS IN 2016

Table 25

| Issue Date | Amount Offered (Rs. million.) | | | Amount Bids Received (Rs. million.) | | | Amount Bids Accepted (Rs. million.) | | | Weighted Average Yield Rates ^(a) | | |
|------------|----------------------------------|-----------|-----------|--|-----------|-----------|--|-----------|-----------|---|---------|---------|
| | 91 | 182 | 364 | 91 | 182 | 364 | 91 | 182 | 364 | 91 | 182 | 364 |
| 1/1/16 | 4,000.00 | 8,000.00 | 10,000.00 | 11,936.00 | 14,449.00 | 16,735.00 | 5,286.00 | 1,149.00 | 1,000.00 | 7.1657 | 7.5884 | 8.1088 |
| 1/8/16 | 4,000.00 | 6,000.00 | 8,000.00 | 13,291.00 | 10,045.00 | 13,848.00 | 4,496.00 | 1,345.00 | 1,183.00 | 7.322 | 7.7033 | 8.242 |
| 1/15/16 | 4,000.00 | 6,000.00 | 8,000.00 | 13,936.00 | 11,133.00 | 17,568.00 | 7,986.00 | 3,783.00 | 6,386.00 | 7.5299 | 7.843 | 8.3153 |
| 1/22/16 | | 12,000.00 | 12,000.00 | | 23,233.00 | 18,161.00 | - | 12,000.00 | 3,704.00 | - | 7.9914 | 8.6721 |
| 1/29/16 | 2,500.00 | 10,000.00 | 10,000.00 | 18,630.00 | 15,842.00 | 16,024.00 | - | - | - | - | - | - |
| 2/5/16 | 3,000.00 | 9,000.00 | 10,000.00 | 20,995.00 | 19,798.00 | 18,180.00 | 16,002.00 | 9,567.00 | 3,002.00 | 7.7929 | 8.2192 | 8.7474 |
| 2/12/16 | | 12,000.00 | 8,000.00 | | 33,615.00 | 15,418.00 | - | 23,535.00 | 4,513.00 | - | 8.4078 | 8.837 |
| 2/19/16 | 5,000.00 | 10,000.00 | 8,000.00 | 16,338.00 | 18,820.00 | 12,102.00 | 5,000.00 | - | - | 7.9314 | - | - |
| 2/26/16 | | 12,000.00 | 10,000.00 | | 19,484.00 | 15,159.00 | - | 6,849.00 | 2,389.00 | - | 8.9661 | 9.4499 |
| 3/4/16 | 5,000.00 | 8,000.00 | 7,000.00 | 22,600.00 | 16,242.00 | 12,361.00 | 15,953.00 | 7,667.00 | 3,036.00 | 8.5385 | 9.4337 | 10.0002 |
| 3/11/16 | 5,000.00 | 7,000.00 | 8,000.00 | 9,588.00 | 11,193.00 | 12,867.00 | - | - | - | - | - | - |
| 3/18/16 | 5,000.00 | 8,000.00 | 9,000.00 | 10,872.00 | 12,543.00 | 13,986.00 | - | - | - | - | - | - |
| 3/25/16 | 6,000.00 | 9,000.00 | 9,000.00 | 13,170.00 | 14,396.00 | 17,455.00 | 8,460.00 | 8,026.00 | 12,216.00 | 9.218 | 10.3273 | 11.0049 |
| 4/1/16 | 8,000.00 | 8,000.00 | 5,000.00 | 16,559.00 | 14,799.00 | 18,725.00 | 1,750.00 | 978.00 | 4,350.00 | 9.8844 | 10.8416 | 11.8198 |
| 4/8/16 | 6,000.00 | 6,000.00 | 8,000.00 | 13,968.00 | 18,764.00 | 49,175.00 | 4,650.00 | 12,119.00 | 15,225.00 | 9.4136 | 10.6341 | 11.372 |
| 4/15/16 | 9,000.00 | 9,000.00 | 5,000.00 | 13,165.00 | 16,876.00 | 39,029.00 | 2,700.00 | 3,223.00 | 25,642.00 | 9.3889 | 10.6041 | 11.2173 |
| 4/22/16 | 9,000.00 | 9,000.00 | 7,000.00 | 15,096.00 | 19,748.00 | 24,725.00 | 3,886.00 | 11,443.00 | 17,575.00 | 9.3843 | 10.5916 | 11.3002 |
| 4/29/16 | 8,500.00 | 8,500.00 | 7,000.00 | 14,621.00 | 24,351.00 | 26,454.00 | 586.00 | 11,345.00 | 938.00 | 9.394 | 10.594 | 11.3054 |
| 5/6/16 | 10,000.00 | 15,000.00 | 10,000.00 | 16,366.00 | 35,625.00 | 30,515.00 | 6,846.00 | 10,420.00 | 16,355.00 | 9.4719 | 10.7053 | 11.4166 |
| 5/13/16 | 6,000.00 | 12,000.00 | 12,000.00 | 13,500.00 | 21,850.00 | 36,798.00 | - | 6,165.00 | 2,083.00 | - | 10.4399 | 11.5277 |
| 5/20/16 | 10,000.00 | 10,000.00 | 10,000.00 | 17,550.00 | 21,211.00 | 31,420.00 | 4,365.00 | - | 13,915.00 | 9.6178 | - | 11.6425 |
| 5/27/16 | 11,000.00 | 11,000.00 | 8,000.00 | 24,072.00 | 35,617.00 | 15,674.00 | 9,155.00 | 21,594.00 | - | 9.6816 | 10.7453 | - |
| 6/3/16 | 12,000.00 | 10,000.00 | 9,000.00 | 24,812.00 | 37,020.00 | 24,340.00 | 9,787.00 | 7,665.00 | 7,020.00 | 9.7777 | 10.8379 | 11.6873 |
| 6/10/16 | 13,000.00 | 10,000.00 | 7,000.00 | 19,737.00 | 21,429.00 | 19,006.00 | 1,680.00 | 9,622.00 | 2,093.00 | 9.8054 | 10.8488 | 11.7037 |
| 6/17/16 | 11,000.00 | 11,000.00 | 8,000.00 | 18,332.00 | 26,022.00 | 20,094.00 | 1,835.00 | 10,467.00 | 5,976.00 | 9.823 | 10.893 | 11.712 |
| 6/24/16 | 10,500.00 | 10,500.00 | 8,000.00 | 25,792.00 | 21,695.00 | 12,817.00 | 12,365.00 | 10,415.00 | 1,160.00 | 9.8491 | 10.9275 | 11.7204 |
| 7/1/16 | 8,500.00 | 8,500.00 | 5,000.00 | 20,592.00 | 18,625.00 | 17,521.00 | 9,223.00 | 7,268.00 | 6,863.00 | 9.8676 | 10.9551 | 11.721 |
| 7/8/16 | 8,500.00 | 8,500.00 | 5,000.00 | 25,079.00 | 15,273.00 | 7,982.00 | 10,000.00 | 4,178.00 | 1,097.00 | 9.8571 | 10.9864 | 11.736 |
| 7/15/16 | 8,000.00 | 9,000.00 | 6,000.00 | 11,926.00 | 24,588.00 | 17,505.00 | - | - | 7,497.00 | - | - | 11.6552 |
| 7/22/16 | 5,000.00 | 7,500.00 | 10,000.00 | 8,392.00 | 21,341.00 | 22,456.00 | 3,297.00 | 10,170.00 | 9,936.00 | 9.7798 | 10.8326 | 11.6528 |
| 7/29/16 | 4,000.00 | 7,500.00 | 7,500.00 | 5,955.00 | 20,351.00 | 21,945.00 | - | 9,571.00 | 10,585.00 | 0 | 10.7681 | 11.6483 |
| 8/5/16 | 7,500.00 | 7,500.00 | 7,500.00 | 13,669.00 | 21,619.00 | 31,693.00 | 1,437.00 | 8,295.00 | 8,420.00 | 9.994 | 11.005 | 11.9247 |
| 8/12/16 | 5,500.00 | 10,000.00 | 10,000.00 | 17,020.00 | 24,429.00 | 42,575.00 | 3,655.00 | 4,818.00 | 19,717.00 | 10.0159 | 11.0269 | 11.9149 |
| 8/19/16 | 5,500.00 | 5,500.00 | 12,000.00 | 14,552.00 | 17,589.00 | 35,359.00 | 3,656.00 | 4,370.00 | 6,485.00 | 10.0162 | 11.0433 | 11.9388 |
| 8/26/16 | 3,000.00 | 12,000.00 | 12,000.00 | 9,367.00 | 21,364.00 | 36,720.00 | 2,387.00 | 5,370.00 | 16,015.00 | 10.0419 | 11.0499 | 11.9406 |
| 9/2/16 | 6,000.00 | 8,000.00 | 12,000.00 | 14,845.00 | 14,951.00 | 43,774.00 | 3,095.00 | 4,576.00 | 19,258.00 | 10.0386 | 11.0414 | 11.9263 |
| 9/9/16 | 1,000.00 | 2,000.00 | 8,000.00 | 14,340.00 | 19,020.00 | 54,265.00 | 1,000.00 | 2,000.00 | 8,000.00 | 9.7223 | 10.7917 | 11.5454 |
| 9/16/16 | 5,000.00 | 8,000.00 | 13,000.00 | 12,665.00 | 16,575.00 | 30,467.00 | - | 1,045.00 | 12,308.00 | - | 10.7941 | 11.5499 |
| 9/23/16 | 2,000.00 | 3,000.00 | 11,000.00 | 7,750.00 | 16,996.00 | 26,569.00 | 5,350.00 | 8,361.00 | 2,200.00 | 9.6766 | 10.771 | 11.5379 |
| 9/30/16 | 6,000.00 | 7,000.00 | 8,000.00 | 15,650.00 | 31,452.00 | 37,923.00 | 6,301.00 | 7,000.00 | 8,000.00 | 9.4992 | 10.4331 | 11.2348 |
| 10/7/16 | 8,000.00 | 8,000.00 | 10,000.00 | 14,525.00 | 19,324.00 | 20,689.00 | 4,590.00 | 9,148.00 | 5,026.00 | 9.505 | 10.4344 | 11.2387 |
| 10/14/16 | 5,000.00 | 5,000.00 | 10,500.00 | 7,405.00 | 9,329.00 | 16,386.00 | - | - | - | - | - | - |
| 10/21/16 | 8,000.00 | 8,000.00 | 8,000.00 | 12,281.00 | 14,610.00 | 14,876.00 | 1,637.00 | 1,184.00 | 1,336.00 | 9.5608 | 10.5166 | 11.3277 |
| 10/28/16 | 6,000.00 | 7,000.00 | 12,000.00 | 10,412.00 | 13,080.00 | 22,132.00 | - | 1,130.00 | 6,457.00 | - | 10.5321 | 11.3788 |
| 11/4/16 | 5,000.00 | 7,500.00 | 10,000.00 | 9,170.00 | 21,068.00 | 24,036.00 | 662.00 | 10,968.00 | 7,356.00 | 9.5608 | 10.5263 | 11.2264 |
| 11/11/16 | 6,000.00 | 10,000.00 | 12,000.00 | 9,085.00 | 23,100.00 | 20,720.00 | 290.00 | 4,400.00 | 5,745.00 | 9.5599 | 10.6208 | 11.271 |
| 11/18/16 | 7,500.00 | 12,000.00 | 10,000.00 | 10,500.00 | 16,850.00 | 14,605.00 | 250.00 | 500.00 | 260.00 | 9.5558 | 10.7222 | 11.3333 |
| 11/25/16 | 8,500.00 | 13,000.00 | 10,000.00 | 12,840.00 | 18,754.00 | 15,780.00 | 70.00 | 950.00 | 1,960.00 | 9.5558 | 10.7852 | 11.3875 |
| 12/2/16 | 10,000.00 | 8,000.00 | 7,000.00 | 27,640.00 | 24,850.00 | 18,026.00 | 1,035.00 | 8,000.00 | 6,698.00 | 9.5558 | 10.611 | 11.2197 |
| 12/9/16 | 9,000.00 | 9,000.00 | 7,000.00 | 21,308.00 | 27,522.00 | 12,320.00 | 9,283.00 | 6,536.00 | 2,106.00 | 9.5516 | 10.623 | 11.2187 |
| 12/16/16 | 6,000.00 | 9,000.00 | 9,000.00 | 9,000.00 | 13,807.00 | 17,951.00 | - | 2,150.00 | 4,041.00 | - | 10.6213 | 11.2301 |
| 12/23/16 | 7,500.00 | 12,000.00 | 10,000.00 | 12,755.00 | 17,553.00 | 15,260.00 | 4,300.00 | 2,033.00 | 1,280.00 | 9.6166 | 10.6831 | 11.2671 |
| 12/30/16 | 3,500.00 | 4,000.00 | 4,000.00 | 6,100.00 | 10,350.00 | 6,500.00 | 1,600.00 | 6,150.00 | 750.00 | 9.69 | 10.7018 | 11.3003 |

Source: Central Bank of Sri Lanka

(a) Effect from May 3, 2002, Government imposed a 10% withholding tax on interest of government securities. The rates quoted are adjusted for withholding tax.

SRI LANKA DEVELOPMENT BONDS AUCTIONS IN 2016

| Date of Issue | Amount Accepted (USD. million.) | Maturity Period (Years) | Weighed Average Margin | Date of Issue | Amount Accepted (USD. million.) | Maturity Period (Years) | Weighed Average Margin |
|---------------|---------------------------------|-------------------------|------------------------|---------------|---------------------------------|-------------------------|------------------------|
| 1/21/16 | 1.00 | 2.27 | 4.10 | 3/11/16 | 2.00 | 1.02 | 4.25 |
| 1/21/16 | 1.00 | 2.27 | 4.25 | 3/11/16 | 0.99 | 1.02 | 4.26 |
| 1/21/16 | 5.00 | 1.00 | 3.30 | 3/11/16 | 50.00 | 1.02 | 4.40 |
| 1/21/16 | 5.00 | 1.00 | 3.35 | 3/11/16 | 0.13 | 2.14 | 4.25 |
| 1/21/16 | 33.00 | 1.00 | 3.40 | 3/11/16 | 2.00 | 2.14 | 4.35 |
| 1/21/16 | 56.49 | 1.00 | 3.45 | 3/11/16 | 2.00 | 2.14 | 4.45 |
| 1/21/16 | 50.00 | 1.00 | 3.50 | 3/11/16 | 2.00 | 2.14 | 4.55 |
| 1/21/16 | 1.50 | 1.00 | 3.55 | 3/28/16 | 5.00 | 0.26 | 3.90 |
| 1/21/16 | 11.51 | 1.00 | 3.65 | 3/28/16 | 2.00 | 0.26 | 3.95 |
| 1/21/16 | 25.00 | 1.00 | 3.70 | 3/28/16 | 8.38 | 0.26 | 4.00 |
| 1/21/16 | 1.00 | 1.00 | 3.75 | 3/28/16 | 15.00 | 0.26 | 4.10 |
| 1/21/16 | 10.00 | 1.00 | 3.85 | 3/28/16 | 5.00 | 0.26 | 4.20 |
| 1/21/16 | 12.00 | 1.00 | 3.95 | 3/28/16 | 3.50 | 0.26 | 4.25 |
| 1/21/16 | 5.00 | 1.00 | 3.99 | 3/28/16 | 0.50 | 0.26 | 4.25 |
| 1/21/16 | 7.50 | 1.00 | 4.00 | 3/28/16 | 0.50 | 0.26 | 4.50 |
| 1/21/16 | 3.00 | 1.00 | 4.05 | 3/28/16 | 5.05 | 0.26 | 4.70 |
| 1/21/16 | 7.00 | 1.00 | 4.10 | 3/28/16 | 1.28 | 0.26 | 4.75 |
| 2/26/16 | 2.00 | 1.05 | 3.50 | 3/28/16 | 2.00 | 0.26 | 4.79 |
| 2/26/16 | 10.00 | 1.05 | 3.60 | 3/28/16 | 1.00 | 0.26 | 5.00 |
| 2/26/16 | 10.00 | 1.05 | 3.61 | 3/28/16 | 5.00 | 0.50 | 3.85 |
| 2/26/16 | 10.00 | 1.05 | 3.62 | 3/28/16 | 14.00 | 0.50 | 4.00 |
| 2/26/16 | 27.00 | 1.05 | 3.75 | 3/28/16 | 2.00 | 0.50 | 4.05 |
| 2/26/16 | 32.00 | 1.05 | 3.80 | 3/28/16 | 8.00 | 0.50 | 4.10 |
| 2/26/16 | 17.00 | 1.05 | 3.85 | 3/28/16 | 4.00 | 0.50 | 4.20 |
| 2/26/16 | 24.50 | 1.05 | 3.90 | 3/28/16 | 4.00 | 0.50 | 4.30 |
| 2/26/16 | 12.00 | 1.05 | 3.95 | 3/28/16 | 15.00 | 0.50 | 4.35 |
| 2/26/16 | 1.00 | 1.05 | 3.96 | 3/28/16 | 6.00 | 0.97 | 4.10 |
| 2/26/16 | 1.00 | 1.05 | 3.98 | 3/28/16 | 12.00 | 0.97 | 4.20 |
| 2/26/16 | 3.16 | 1.05 | 3.99 | 3/28/16 | 15.00 | 0.97 | 4.25 |
| 2/26/16 | 51.50 | 1.05 | 4.00 | 3/28/16 | 0.27 | 0.97 | 4.30 |
| 2/26/16 | 1.00 | 1.05 | 4.02 | 3/28/16 | 19.19 | 0.97 | 4.35 |
| 2/26/16 | 11.00 | 1.05 | 4.05 | 3/28/16 | 3.00 | 0.97 | 4.38 |
| 2/26/16 | 1.00 | 1.05 | 4.08 | 3/28/16 | 99.00 | 0.97 | 4.40 |
| 2/26/16 | 1.99 | 1.05 | 4.09 | 3/28/16 | 3.00 | 0.97 | 4.49 |
| 2/26/16 | 31.00 | 1.05 | 4.10 | 3/28/16 | 31.00 | 0.97 | 4.50 |
| 2/26/16 | 17.00 | 2.18 | 4.20 | 3/28/16 | 10.00 | 0.97 | 4.55 |
| 2/26/16 | 15.00 | 2.18 | 4.25 | 3/28/16 | 5.00 | 0.97 | 4.60 |
| 2/26/16 | 15.00 | 2.18 | 4.30 | 3/28/16 | 0.04 | 0.97 | 5.25 |
| 3/11/16 | 5.00 | 0.30 | 4.75 | 3/28/16 | 6.50 | 2.00 | 4.25 |
| 3/11/16 | 10.00 | 0.30 | 2.76 | 3/28/16 | 12.00 | 2.00 | 4.45 |
| 3/11/16 | 2.50 | 0.30 | 3.25 | 3/28/16 | 41.00 | 2.00 | 4.50 |
| 3/11/16 | 2.50 | 0.30 | 3.38 | 3/28/16 | 3.50 | 2.00 | 4.55 |
| 3/11/16 | 2.50 | 0.30 | 3.50 | 3/28/16 | 1.00 | 2.00 | 4.60 |
| 3/11/16 | 5.00 | 0.30 | 3.70 | 3/28/16 | 7.00 | 2.00 | 4.65 |
| 3/11/16 | 12.50 | 0.30 | 3.75 | 6/30/16 | 0.10 | 1.00 | 4.00 |
| 3/11/16 | 10.00 | 0.30 | 3.80 | 6/30/16 | 0.01 | 1.00 | 4.10 |
| 3/11/16 | 10.00 | 0.30 | 3.95 | 6/30/16 | 6.00 | 1.00 | 4.25 |
| 3/11/16 | 30.36 | 0.30 | 4.00 | 6/30/16 | 25.85 | 1.00 | 4.30 |
| 3/11/16 | 5.00 | 0.44 | 2.96 | 6/30/16 | 10.00 | 1.00 | 4.32 |
| 3/11/16 | 5.00 | 0.44 | 3.80 | 6/30/16 | 10.00 | 1.00 | 4.34 |
| 3/11/16 | 10.00 | 0.44 | 3.85 | 6/30/16 | 10.31 | 1.00 | 4.35 |
| 3/11/16 | 10.00 | 0.44 | 3.90 | 6/30/16 | 10.00 | 1.00 | 4.36 |
| 3/11/16 | 10.00 | 0.44 | 4.00 | 6/30/16 | 10.50 | 1.00 | 4.38 |
| 3/11/16 | 5.00 | 0.44 | 4.05 | 6/30/16 | 50.00 | 1.00 | 4.39 |
| 3/11/16 | 10.00 | 1.02 | 3.96 | 6/30/16 | 77.30 | 1.00 | 4.40 |
| 3/11/16 | 1.49 | 1.02 | 4.14 | 6/30/16 | 5.00 | 1.00 | 4.42 |
| 3/11/16 | 2.00 | 1.02 | 4.15 | 6/30/16 | 26.23 | 1.00 | 4.44 |
| 3/11/16 | 1.50 | 1.02 | 4.18 | 6/30/16 | 8.74 | 1.00 | 4.45 |
| 3/11/16 | 1.51 | 1.02 | 4.22 | | | | |

Source: Central Bank of Sri Lanka

SECONDARY MARKET OPERATIONS

TABLE 27

SECONDARY MARKET TRANSACTIONS AS REPORTED BY PRIMARY DEALERS

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 ^(a) |
|-----------------------------------|------------------|------------------|------------------|------------------|-------------------|-------------------|-------------------|---------------------|
| 1. Outright Transactions | 1,743,780 | 1,449,390 | 1,268,287 | 1,584,095 | 2,070,161 | 3,839,729 | 3,600,396 | 2,872,317 |
| 1.1. Treasury bills | | | | | | | | |
| Purchased | 210,284 | 177,902 | 239,168 | 374,597 | 345,516 | 322,216 | 228,769 | 299,261 |
| Sold | 526,246 | 574,842 | 398,622 | 672,438 | 683,458 | 710,446 | 689,602 | 554,792 |
| Total | 736,530 | 752,744 | 637,790 | 1,047,035 | 1,028,973 | 1,032,662 | 918,371 | 854,053 |
| 1.2. Treasury bonds | | | | | | | | |
| Purchased | 465,616 | 344,567 | 326,589 | 259,999 | 509,585 | 1,370,621 | 1,181,721 | 885,600 |
| Sold | 541,634 | 352,079 | 303,908 | 277,061 | 531,603 | 1,436,446 | 1,500,304 | 1,132,664 |
| Total | 1,007,250 | 696,646 | 630,497 | 537,060 | 1,041,187 | 2,807,067 | 2,682,025 | 2,018,264 |
| 2. Repurchase Transactions | 4,715,910 | 4,992,887 | 5,915,725 | 6,246,422 | 10,235,395 | 8,223,558 | 11,763,524 | 18,095,909 |
| 2.1. Treasury bills | | | | | | | | |
| Repo | 1,015,066 | 1,217,880 | 1,215,200 | 1,510,151 | 2,078,440 | 1,319,875 | 2,294,059 | 2,983,674 |
| Reverse repo | 172,238 | 177,882 | 159,057 | 219,855 | 650,290 | 436,778 | 794,382 | 474,593 |
| Total | 1,187,304 | 1,395,762 | 1,374,257 | 1,730,006 | 2,728,731 | 1,756,653 | 3,088,441 | 3,458,267 |
| 2.2 Treasury bonds | | | | | | | | |
| Repo | 2,757,851 | 2,877,407 | 3,936,271 | 3,989,074 | 6,761,249 | 5,409,509 | 6,720,895 | 9,321,832 |
| Reverse repo | 770,755 | 719,718 | 605,196 | 527,341 | 745,416 | 1,057,396 | 1,954,188 | 5,315,810 |
| Total | 3,528,606 | 3,597,125 | 4,541,468 | 4,516,416 | 7,506,664 | 6,466,905 | 8,675,083 | 14,637,642 |
| 3. Total Transactions | 6,459,690 | 6,442,277 | 7,184,012 | 7,830,517 | 12,305,556 | 12,063,287 | 15,363,920 | 20,968,226 |

Source: Central Bank of Sri Lanka

(a) Provisional.

SECONDARY MARKET TRANSACTIONS RECORDED IN THE LANKASECURE ^(a)

| | Rs. million | | | | |
|--------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2012 | 2013 | 2014 | 2015 | 2016 |
| 1 Treasury bills | | | | | |
| 1.1 Outright Purchases / Sales | 2,472,283 | 2,509,156 | 1,547,014 | 1,357,827 | 1,397,399 |
| 1.2 Repo / Rev. Repo | 13,915,619 | 14,479,945 | 13,513,736 | 8,731,226 | 8,682,167 |
| Total | 16,387,902 | 16,989,101 | 15,060,750 | 10,089,053 | 10,079,566 |
| 2 Treasury bonds | | | | | |
| 2.1 Outright Purchases / Sales | 1,769,980 | 3,474,859 | 4,158,537 | 4,020,581 | 4,402,623 |
| 2.2 Repo / Rev. Repo | 17,284,906 | 15,780,297 | 19,223,122 | 34,385,232 | 42,288,083 |
| Total | 19,054,886 | 19,255,156 | 23,381,659 | 38,405,813 | 46,690,706 |
| Total Transactions | 35,442,788 | 36,244,257 | 38,442,409 | 48,494,866 | 56,770,272 |

Source: Central Bank of Sri Lanka

(a) Note:

- All transactions have been recorded in the LankaSecure System in Face Value basis.

- Accuracy of the information is subject to the accuracy of the data recorded by the system participants in the LankaSecure System.