

GOVERNMENT FINANCE

OVERALL TRENDS

In pursuing stabilization objectives, the fiscal policy continued to maintain its thrust in achieving a sustainable budget deficit in 1990. Accordingly, the overall budget deficit/GDP ratio was contained at 10 per cent while expansionary financing of the deficit was virtually eliminated. The budget deficit which was over 15 per cent of GDP in 1988 declined to 11 per cent of GDP in 1989. The revenue mobilization efforts which were enhanced through new revenue measures in recent years, contributed to maintain the revenue/GDP ratio at 21.2 per cent in 1990, almost the same level realised in the previous year. Meanwhile, total expenditure as a proportion of GDP was contained at 31.1 per cent in 1990 in comparison to 32.6 per cent in 1989 largely through improved cash management procedures adopted in recent years. While the current expenditure/GDP ratio declined marginally to 22.4 per cent from the previous year's level of 22.6 per cent, the capital expenditure and net lending in relation to GDP declined to 8.8 per cent in 1990 from 10 per cent in 1989. A gradual reduction in public investment has been a major feature of fiscal adjustment in recent years.

In financing the deficit, domestic borrowings were contained at 4.9 per cent of GDP in comparison to 4.9 per cent in 1989 and 9.5 per cent in 1988. As in the previous year, a great bulk of domestic borrowings in 1990 were mobilised from non-bank sources. Nearly two-thirds of such borrowings were raised through the issue of Treasury bills. The resources available from foreign sources by way of loans and grants for budgetary purposes increased from 4.9 per cent of GDP in 1989 to 5.7 per cent of GDP in 1990.

FISCAL OUTTURN

Government revenue in 1990 totalling Rs 67,964 million marked an increase of 26 per cent, while current expenditure amounting to Rs 71,771 million also recorded an equally high growth of 26 per cent. Accordingly, the current account of the budget produced a deficit of Rs 3,807 million in 1990 in comparison to a deficit of Rs 2,905 million in the previous year. The major revenue sources such as Turnover taxes, Import duties and Excise levies produced enhanced revenue collections in 1990. The growth in revenue from these sources contributed to raise the tax/GDP ratio from 18.9 per cent in 1989 to 19.1 per cent in 1990.

In a parallel development, certain expenditure items such as interest payments, other goods and services, household transfers, etc. recorded significant growth in 1990. Interest payments on government debt, which accounted for nearly 21 per cent of total expenditure, rose from 5.7 per cent of GDP in 1989 to 6.4 per cent in 1990. Similarly, the expenditure on other goods and services in relation to GDP increased from 4.4 per cent in 1989 to 4.5 per cent in 1990. The overall expenditure channelled through the Food Stamp scheme, Mid-day Meal and the Janasaviya programme also rose from 1.8 per cent of GDP to 2.4 per cent of GDP. However, expenditure on salaries & wages and pension payments in relation to GDP declined to 6.3 per cent in 1990 from 7.6 per cent in the previous year. Reflecting these developments, the total current expenditure/GDP ratio moved to 22.4 per cent in 1990 from the previous year's level of 22.6 per cent. Meanwhile, capital expenditure and net lending in relation to GDP declined from 10 per

cent of GDP in 1989 to 8.8 per cent in 1990. Accordingly, the overall expenditure/GDP ratio fell from 32.6 per cent to 31.1 per cent wholly reflecting adjustments in the level of public investment.

The developments in revenue and expenditure fronts were conducive to producing an overall budget deficit (before grants) of Rs 31,850 million (9.9 per cent of GDP) as compared to a deficit of Rs 28,185 million (11.2 per cent) in the previous year. However, the domestic borrowing requirement for financing this deficit was reduced to about 4.9 per cent of GDP as nearly 60 per cent of the deficit was financed through foreign loans and grants. A salient feature of deficit financing in 1990 was that almost the entire domestic borrowing requirement was mobilized through domestic non-bank sources. Of the total resources obtained through domestic non-bank sources, a sum of Rs 10,437 million was raised through the issue of Treasury bills while the balance was raised largely through medium and long term government securities such as Rupee Securities and National Defence Bonds. Hence, in financing the deficit from domestic sources, heavy reliance was placed on short term borrowings in 1990. A summary of the government fiscal operations during 1986-1990 is given in Table 1.48.

REVENUE

In 1990, government revenue amounted to Rs 67,964 million. This was an increase of 26 per cent over the previous year's revenue collection of Rs 53,979 million. Tax revenue totalling Rs 61,206 million recorded a growth of 29 per cent and accounted for about 90 per cent of the total revenue as in the previous year. While the share of taxes on domestic goods and services in total tax revenue rose from 44 per cent in 1989 to 47 per cent in 1990, the share of revenue from international trade oriented taxes declined from 35 per cent to 32 per cent. As in the previous year, income taxes formed 12 per cent of total tax revenue. The share of taxes on property transactions remained unchanged at 5 per cent.

Non-tax revenue sources generating Rs 6,758 million showed a marginal growth of 4.5 per cent in 1990. The operating surplus of the Telecommunications Department at Rs 2,235 million, registering a two-fold increase over the previous year, contributed a third of non-tax revenue. Revenue from administrative fees and charges and interest income formed a further 29 per cent of non-tax revenue in 1990.

Revenue collection from taxes on domestic goods and services amounting to Rs 28,770 million recorded a sharp increase of 38 per cent as compared to a growth of 22 per cent in the previous year. Revenue from turnover taxes at Rs 20,291 million which accounted for 71 per cent of the tax revenue from domestic goods and services rose by 38 per cent over the revenue receipts of the previous year. Turnover tax collection from manufacturing activities totalling Rs 6,798 million recorded a growth of 51 per cent due to the increased value of output and enhanced tax rates. In 1990, a large number of selected luxury and semi-luxury items were subject to 20 per cent and 40 per cent tax rates as compared to 15 per cent and 20 per cent, respectively in the previous year. Similarly, manufactured and imported products were subject to turnover taxes of 6 per cent and 15 per cent in 1990 as against 5 per cent and 12 1/2 per cent, respectively in 1989. Meanwhile, turnover taxes on non-manufacturing activities at Rs 3,726 million registered an increase of 24 per cent as against an 11 per cent decline in the last year. The turnover taxes on imports amounting to Rs 9,767 million recorded an increase of 36

TABLE 1.48
Summary of Government Fiscal Operations

Rs. Million

| Item | 1986 | 1987 | 1988 | 1989 | 1990 Approved Estimate | 1990 Provi- sional | 1991 Approved Estimate |
|---|---------|---------|---------|---------|------------------------------|--------------------------|------------------------------|
| Total Revenue and Grants | 40,991 | 46,822 | 48,337 | 60,386 | 68,062 | 74,662 | 79,529 |
| Total Revenue | 37,238 | 42,145 | 41,749 | 53,979 | 61,262 | 67,964 | 71,529 |
| Tax Revenue | 31,272 | 35,119 | 35,946 | 47,513 | 55,920 | 61,206 | 64,899 |
| Non-Tax Revenue | 5,966 | 7,026 | 5,803 | 6,466 | 5,342 | 6,758 | 6,630 |
| Grants | 3,753 | 4,677 | 6,588 | 6,407 | 6,800 | 6,697 | 8,000 |
| Expenditure and Lending minus Repayments | 59,193 | 63,894 | 76,532 | 82,164 | 89,861 | 99,814 | 107,551 |
| Current | 33,966 | 39,560 | 46,132 | 56,884 | 63,561 | 71,771 | 72,962 |
| Capital | 23,236 | 22,816 | 22,878 | 20,750 | 21,653 | 19,161 | 28,118 |
| Lending minus Repayments | 1,991 | 1,518 | 7,522 | 4,530 | 4,647 | 8,882 | 6,471 |
| Current Account Surplus/Deficit (-) | 3,272 | 2,585 | -4,383 | -2,905 | -2,299 | -3,807 | -1,433 |
| Budget Deficit (before grants) | -21,956 | -21,749 | -34,783 | -28,185 | -28,599 | -31,850 | -36,022 |
| Budget Deficit (after grants) | -18,203 | -17,072 | -28,195 | -21,778 | -21,799 | -25,153 | -28,022 |
| Financing | 18,203 | 17,072 | 28,195 | 21,778 | 21,799 | 25,152 | 28,022 |
| Foreign Borrowings | 9,061 | 5,716 | 7,128 | 5,926 | 10,558 | 11,644 | 19,883 |
| Domestic Borrowings | 9,142 | 11,356 | 21,067 | 15,852 | 11,241 | 13,509 | 8,139 |
| Non-Market Borrowings (a) | -669 | 1,415 | 1,687 | 5,300 | 0 | 60 | 0 |
| Market Borrowings | 9,811 | 9,941 | 19,380 | 10,551 | 11,241 | 13,448 | 8,139 |
| Non Bank | 6,765 | 6,400 | 9,227 | 13,838 | 10,199 | 13,074 | 12,639 |
| Bank | 3,047 | 3,541 | 10,153 | -3,286 | 1,042 | 374 | -4,500 |

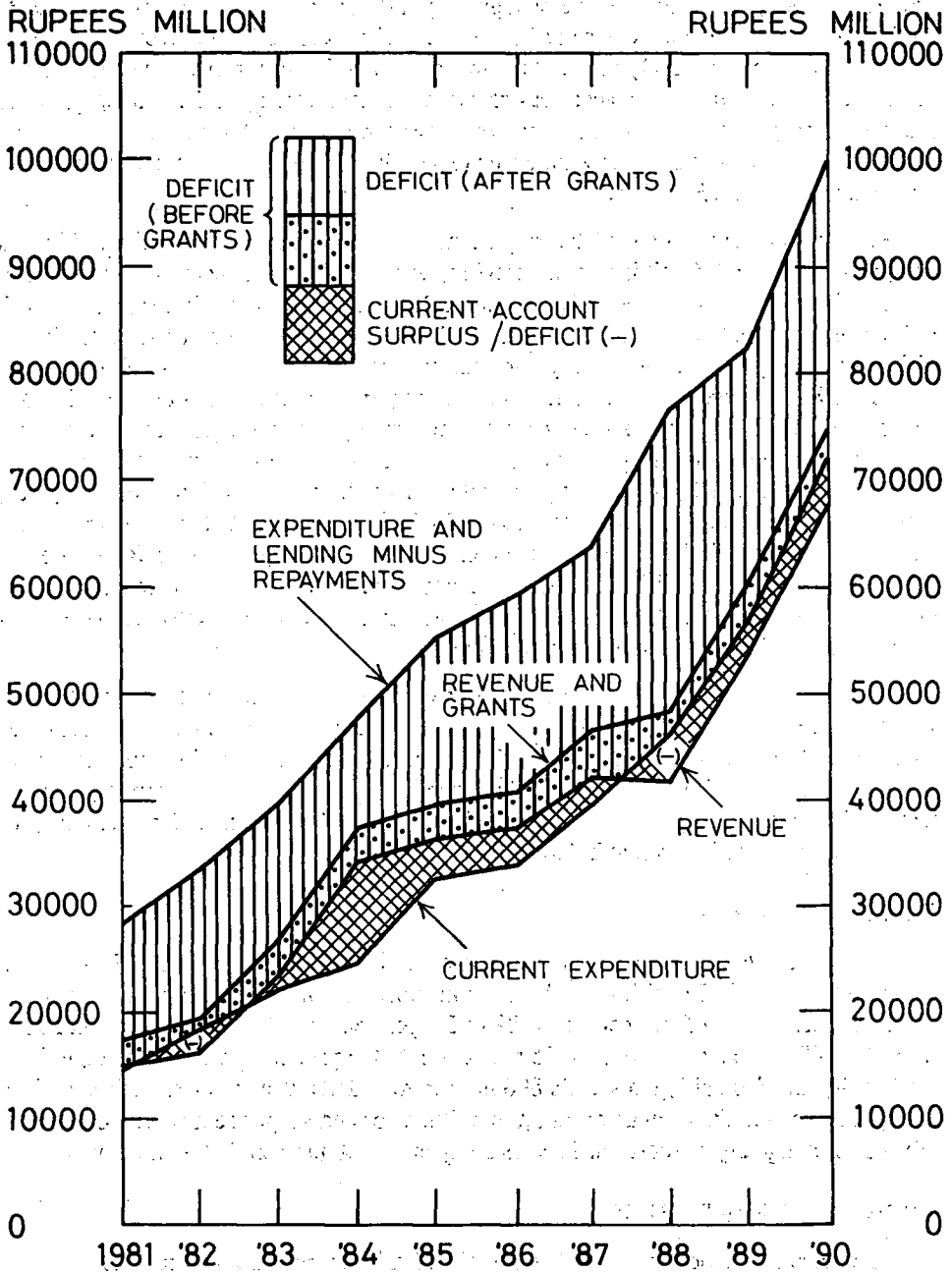
(as a percentage of GDP)

| | | | | | | | |
|---|-------|-------|-------|-------|-------|------|------|
| Total Revenue and Grants | 22.8 | 23.8 | 21.8 | 24.0 | 24.0 | 23.3 | 21.7 |
| Total Revenue | 20.7 | 21.4 | 18.8 | 21.4 | 21.6 | 21.2 | 19.5 |
| Tax Revenue | 17.4 | 17.9 | 16.2 | 18.9 | 19.7 | 19.1 | 17.7 |
| Non-Tax Revenue | 3.3 | 3.6 | 2.6 | 2.6 | 1.9 | 2.1 | 1.8 |
| Grants | 2.1 | 2.4 | 3.0 | 2.5 | 2.4 | 2.1 | 2.2 |
| Expenditure and Lending minus Repayments | 33.0 | 32.5 | 34.5 | 32.6 | 31.7 | 31.1 | 29.3 |
| Current | 18.9 | 20.1 | 20.8 | 22.6 | 22.4 | 22.4 | 19.9 |
| Capital | 12.9 | 11.6 | 10.3 | 8.2 | 7.6 | 6.0 | 7.7 |
| Lending minus Repayments | 1.1 | 0.8 | 3.4 | 1.8 | 1.6 | 2.8 | 1.8 |
| Current Account Surplus/Deficit (-) | 1.8 | 1.3 | -2.0 | -1.2 | -0.8 | -1.2 | -0.4 |
| Budget Deficit (before grants) | -12.2 | -11.1 | -15.7 | -11.2 | -10.1 | -9.9 | -9.8 |
| Budget Deficit (after grants) | -10.1 | -8.7 | -12.7 | -8.6 | -7.7 | -7.8 | -7.6 |
| Financing | 10.1 | 8.7 | 12.7 | 8.6 | 7.7 | 7.8 | 7.6 |
| Foreign Borrowings | 5.0 | 2.9 | 3.2 | 2.4 | 3.7 | 3.6 | 5.4 |
| Domestic Borrowings | 5.1 | 5.8 | 9.5 | 6.3 | 4.0 | 4.2 | 2.2 |
| Non-Market Borrowings | -0.4 | 0.7 | 0.8 | 2.1 | 0.0 | 0.0 | 0.0 |
| Market Borrowings | 5.5 | 5.1 | 8.7 | 4.2 | 4.0 | 4.2 | 2.2 |
| Non Bank | 3.8 | 3.3 | 4.2 | 5.5 | 3.6 | 4.1 | 3.4 |
| Bank | 1.7 | 1.8 | 4.6 | -1.3 | 0.4 | 0.1 | -1.2 |

Source: Central Bank of Sri Lanka

(a) Adjusted for Rs. 3,478 Million increases of arrears in expenditure in 1989 and Rs. 2,107 Million decreases of arrears in expenditure in 1990.

TRENDS IN FISCAL MAGNITUDES



Central Bank of Sri Lanka.

per cent due to a higher value of imports and enhanced import duty and turnover tax rates.

Excise taxes raised a total sum of Rs 8,170 million in 1990, an increase of 41 per cent over the collection of the previous year. Revenue from excise taxes on tobacco products at Rs 5,461 million registered a growth of 42 per cent while that on liquor at Rs 2,657 million recorded an increase of 36 per cent. The increase in the revenue collection from excise taxes was largely due to the upward revision in duty rates effected during the year. The specific tax on tobacco was raised from Rs 1,315/kg. to Rs 1,565/kg. while specific taxes on hard liquor and beer were raised by Rs 5/bottle and Rs 2.25/bottle, respectively. Revenue from new excise taxes which came into effect in mid November, 1990 amounted to Rs 52 million.

International trade oriented taxes generated a total sum of Rs 19,341 million as compared to Rs 16,495 million in the previous year. Despite the increase in the overall value of imports by 34 per cent, the revenue collection from import duties at Rs 16,792 million recorded only a moderate growth of 12.5 per cent over the revenue collection in 1989. Accordingly, the average duty rate declined from 18.6 per cent in 1989 to 15.6 per cent in 1990. However, import duties from the import of machinery, mechanical appliances, electrical equipment, motor vehicles and spare parts, photographic, musical and electronic equipment and accessories, etc. totalling Rs 4,140 million registered a growth of 41 per cent in 1990. Import duty collection from the import of intermediate goods, inclusive of petroleum products, amounted to Rs 7,330 million in 1990 as compared to Rs 6,534 million in 1989. Total revenue from export taxes amounted to Rs 2,549 million as compared to Rs 1,572 million in 1989. Revenue from export taxes on tea at Rs 1,601 million in 1990 registered a more than two-fold increase and was the outcome of both favourable prices and increased volume of exports.

The revenue collection from both corporate and personal income taxes totalling Rs 7,337 million registered an increase of 43 per cent. The personal income tax collection of Rs 2,957 million recorded a growth of 34 per cent while tax collection from corporate income taxes at Rs 4,380 million marked an increase of 49 per cent. These increases were largely due to a rapid growth in nominal income in 1990. A statistical summary of government revenue is given in Table 1.49.

FOREIGN GRANTS

Foreign grants utilized for budgetary purposes in 1990 totalled Rs 6,697 million in comparison to Rs 6,407 million in the previous year. As a proportion of GDP, foreign grants declined from 2.5 per cent in 1989 to 2.1 per cent in 1990. Total project grants at Rs 5,801 million was an increase of 15 per cent over the previous year. The receipts from commodity and food aid grants at Rs 896 million recorded a decline of 35 per cent. The grant disbursement from Japan at Rs 3,065 million formed 46 per cent of the total grants utilised for budgetary purposes in 1990 as compared to 40 per cent in the previous year.

CURRENT EXPENDITURE

The current expenditure in 1990 at Rs 71,771 million recorded an increase of 26 per cent over the previous year's expenditure commitment of Rs 56,884 million. The expenditure on goods and services at Rs 30,167 million accounted for 42 per cent of the total current expenditure in 1990 as compared to 45 per cent in 1989. The current transfers totalling Rs 20,936 million represented 29 per cent of the current expenditure in

TABLE 1:49
Summary of Revenue by Components

Rs. Million

| Item | 1986 | 1987 | 1988 | 1989 | 1990 Approved Estimate | 1990 Provi- sional | 1991 Approved Estimate |
|---|---------------|---------------|---------------|---------------|------------------------------|--------------------------|------------------------------|
| Tax Revenue | 31,272 | 35,119 | 35,946 | 47,513 | 55,920 | 61,206 | 64,899 |
| Income Taxes | 4,787 | 4,909 | 4,647 | 5,148 | 6,700 | 7,337 | 7,840 |
| Personal | 1,513 | 1,580 | 1,464 | 2,207 | 2,455 | 2,957 | 3,190 |
| Corporate | 3,274 | 3,329 | 3,183 | 2,941 | 4,245 | 4,380 | 4,650 |
| Taxes on Property | 648 | 1,568 | 1,777 | 2,697 | 2,525 | 3,140 | 2,937 |
| Tax on Treasury bills held by Central Bank | 0 | 0 | 0 | 2,345 | 3,350 | 2,618 | 2,500 |
| Taxes on Domestic Goods and Services | 14,787 | 15,667 | 17,021 | 20,828 | 25,973 | 28,770 | 32,272 |
| General Sales and Turnover Tax | 10,088 | 10,611 | 12,321 | 14,658 | 17,800 | 20,291 | 22,180 |
| Manufacturing | 3,270 | 3,675 | 3,610 | 4,496 | 5,765 | 6,798 | 7,450 |
| Non-manufacturing | 2,415 | 2,426 | 3,386 | 3,004 | 4,415 | 3,726 | 3,340 |
| Imports | 4,403 | 4,510 | 5,325 | 7,158 | 7,620 | 9,767 | 11,390 |
| Excise Tax | 4,414 | 4,716 | 4,420 | 5,812 | 7,780 | 8,170 | 10,060 |
| Liquor | 1,485 | 1,644 | 1,754 | 1,955 | 2,440 | 2,657 | 3,010 |
| Tobacco | 2,927 | 3,071 | 2,665 | 3,855 | 5,340 | 5,461 | 6,550 |
| Other | 2 | 1 | 1 | 2 | 0 | 52 | 500 |
| Licence Fees | 285 | 340 | 280 | 358 | 393 | 309 | 32 |
| Taxes on International Trade | 11,050 | 12,975 | 12,501 | 16,495 | 17,372 | 19,341 | 19,350 |
| Imports (a) | 9,414 | 11,051 | 10,671 | 14,923 | 15,330 | 16,792 | 17,500 |
| Exports | 1,636 | 1,924 | 1,830 | 1,572 | 2,042 | 2,549 | 1,850 |
| Tea | 996 | 1,152 | 872 | 628 | 750 | 1,601 | 875 |
| of which: ad-valorem | 62 | 262 | 264 | 355 | 500 | 1,311 | 600 |
| Rubber | 307 | 530 | 842 | 766 | 1,080 | 747 | 750 |
| Coconut | 232 | 148 | 67 | 126 | 150 | 151 | 150 |
| Other Exports | 101 | 94 | 49 | 52 | 62 | 50 | 75 |
| Non Tax Revenue | 5,966 | 7,026 | 5,803 | 6,466 | 5,342 | 6,758 | 6,630 |
| Property Income | 4,731 | 4,541 | 4,080 | 4,387 | 3,383 | 4,192 | 3,241 |
| of which: Central Bank Profits | 1,779 | 1,723 | 1,650 | 2,000 | 500 | 500 | 250 |
| Interest Income | 1,560 | 1,404 | 1,451 | 1,198 | 971 | 1,143 | 951 |
| Surplus of Trading Enterprises | 803 | 1,229 | 850 | 1,041 | 1,784 | 2,235 | 1,800 |
| Fees and charges | 347 | 334 | 412 | 627 | 660 | 835 | 853 |
| Other Non Tax Revenue (b) | 888 | 2,151 | 1,311 | 1,452 | 1,299 | 1,731 | 2,536 |
| Total | 37,238 | 42,145 | 41,749 | 53,979 | 61,262 | 67,964 | 71,529 |

(a) Net of import duty rebates
(b) Includes sales of capital goods

(Contd.)

TABLE 1.49 (Contd.)
Summary of Revenue by Components
(as a percentage of GDP)

| Item | 1986 | 1987 | 1988 | 1989 | 1990 Approved Estimate | 1990 Provi- sional | 1991 Approved Estimate |
|---|-------------|-------------|-------------|-------------|------------------------------|--------------------------|------------------------------|
| Tax Revenue | 17.4 | 17.9 | 16.2 | 18.9 | 19.7 | 19.1 | 17.7 |
| Income Taxes | 2.7 | 2.5 | 2.1 | 2.0 | 2.4 | 2.3 | 2.1 |
| Personal | 0.8 | 0.8 | 0.7 | 0.9 | 0.9 | 0.9 | 0.9 |
| Corporate | 1.8 | 1.7 | 1.4 | 1.2 | 1.5 | 1.4 | 1.3 |
| Taxes on Property | 0.4 | 0.8 | 0.8 | 1.1 | 0.9 | 1.0 | 0.8 |
| Tax on Treasury bills held by Central Bank | 0.0 | 0.0 | 0.0 | 0.9 | 1.2 | 0.8 | 0.7 |
| Taxes on Domestic Goods and Services | 8.2 | 8.0 | 7.7 | 8.3 | 9.2 | 9.0 | 8.8 |
| General Sales and Turnover Tax | 5.6 | 5.4 | 5.6 | 5.8 | 6.3 | 6.3 | 6.0 |
| Manufacturing | 1.8 | 1.9 | 1.6 | 1.8 | 2.0 | 2.1 | 2.0 |
| Non-manufacturing | 1.3 | 1.2 | 1.5 | 1.2 | 1.6 | 1.2 | 0.9 |
| Imports | 2.5 | 2.3 | 2.4 | 2.8 | 2.7 | 3.0 | 3.1 |
| Excise Tax | 2.5 | 2.4 | 2.0 | 2.3 | 2.7 | 2.5 | 2.7 |
| Liquor | 0.8 | 0.8 | 0.8 | 0.8 | 0.9 | 0.8 | 0.8 |
| Tobacco | 1.6 | 1.6 | 1.2 | 1.5 | 1.9 | 1.7 | 1.8 |
| Other | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 |
| Licence Fees | 0.2 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.0 |
| Taxes on International Trade | 6.2 | 6.6 | 5.6 | 6.5 | 6.1 | 6.0 | 5.3 |
| Imports | 5.2 | 5.6 | 4.8 | 5.9 | 5.4 | 5.2 | 4.8 |
| Exports | 0.9 | 1.0 | 0.8 | 0.6 | 0.7 | 0.8 | 0.5 |
| Tea | 0.6 | 0.6 | 0.4 | 0.2 | 0.3 | 0.5 | 0.2 |
| of which: ad-valorem | 0.0 | 0.1 | 0.1 | 0.1 | 0.2 | 0.4 | 0.2 |
| Rubber | 0.2 | 0.3 | 0.4 | 0.3 | 0.4 | 0.2 | 0.2 |
| Coconut | 0.1 | 0.1 | 0.0 | 0.1 | 0.1 | 0.0 | 0.0 |
| Other Exports | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Non Tax Revenue | 3.3 | 3.6 | 2.6 | 2.6 | 1.9 | 2.1 | 1.8 |
| Property Income | 2.6 | 2.3 | 1.8 | 1.7 | 1.2 | 1.3 | 0.9 |
| of which: Central Bank Profits | 1.0 | 0.9 | 0.7 | 0.8 | 0.2 | 0.2 | 0.1 |
| Interest Income | 0.9 | 0.7 | 0.7 | 0.5 | 0.3 | 0.4 | 0.3 |
| Surplus of Trading Enterprises | 0.4 | 0.6 | 0.4 | 0.4 | 0.6 | 0.7 | 0.5 |
| Fees and charges | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.3 | 0.2 |
| Other Non Tax Revenue | 0.5 | 1.1 | 0.6 | 0.6 | 0.5 | 0.5 | 0.7 |
| Total | 20.7 | 21.4 | 18.8 | 21.4 | 21.6 | 21.2 | 19.5 |

Source: Central Bank of Sri Lanka.

1990 in comparison to 30 per cent in 1989. The interest payments on government debt at Rs 20,668 million formed 29 per cent of current expenditure as against 25 per cent in the previous year.

The expenditure on goods and services consisted of Rs 15,749 million on account of salaries and wages and Rs 14,419 million for other goods and services. The expenditure on salaries and wages of government employees which accounted for about a fifth of total current expenditure rose by 9 per cent largely due to the increase in the cost of living allowance by Rs 200 per month to government employees whose initial salary was less than Rs 2,000 per month. The expenditure on other goods and services which include travelling expenses, electricity and communication charges, purchase of materials, office supplies and defence related goods, etc. forming 20 per cent of current expenditure marked an increase of 30 per cent almost entirely due to increased defence outlays.

Total current transfers in 1990 at Rs 20,936 million inclusive of Rs 4,490 million on account of pension payments was an increase of 23 per cent as compared to a 32 per cent growth in the previous year. Welfare expenditure consisting of Food Stamps, Kerosene Stamps, Mid-day Meal and the Janasaviya programme rose to Rs 8,368 million in 1990 from Rs 4,992 million in 1989 due to enhanced expenditure on account of the Janasaviya programme and the Mid-day Meal scheme. Meanwhile, the expenditure on other support programmes such as free text books, school season tickets, infant milk subsidy, etc. amounted to Rs 444 million in comparison to Rs 333 million in the previous year. Transfers to public corporations inclusive of non-commercial establishments totalled Rs 3,827 million, of which a sum of Rs 1,377 million was on account of the Restructuring programme for the Sri Lanka Transport Board. The operational losses of the government Railways and Postal departments declined to Rs 432 million in 1990 from Rs 670 million in 1989 largely due to the upward revision in railway fares. Current transfers to commercial public enterprises exclusive of restructuring cost amounted to Rs 1,372 million in 1990 in comparison to Rs 1,613 million in the previous year.

Public debt interest payments in 1990 amounted to Rs 20,668 million. This was a growth of 44 per cent over the previous year's expenditure of Rs 14,352 million. Interest payments on domestic debt rose by 54 per cent to Rs 16,990 million and consisted of Rs 6,857 million on Rupee loans, Rs 9,563 million on Treasury bills and Rs 570 million on other accounts. The interest payments on Rupee Loans rose by 16 per cent over the previous year while those on Treasury bills recorded a growth of 88 per cent due to the enhanced volume of borrowing and higher interest rates which averaged around 17 per cent.

CAPITAL EXPENDITURE AND NET LENDING

Capital expenditure in 1990 was Rs 19,161 million as compared with Rs 20,750 million in 1989. Accordingly, capital expenditure in relation to GDP declined from 8.2 per cent in 1989 to 6.0 per cent in 1990. Capital expenditure on the acquisition, construction and maintenance of fixed assets totalled Rs 11,664 million in comparison to Rs 13,069 million during the previous year. The capital transfers to statutory boards and public corporations declined to Rs 5,815 million in 1990 from Rs 6,330 million in 1989. Of the total capital transfers, the Road Development Authority utilized Rs 1,870 million on account of the road rehabilitation programme. Meanwhile, capital expenditure under the Mahaweli Development Authority declined to Rs 1,810 million in 1990 from Rs 2,475 million in 1989.

TABLE 1.50
Economic Classification of Expenditure and
Lending Minus Repayments

| Item | Rs. Million | | | | | | |
|-----------------------------------|---------------|---------------|---------------|---------------|-------------------------------|--------------------------|-------------------------------|
| | 1986 | 1987 | 1988 | 1989 | 1990 Approved Estimates | 1990 Provi- sional | 1991 Approved Estimates |
| Current Expenditure | 33,966 | 39,560 | 46,132 | 56,884 | 63,562 | 71,771 | 72,962 |
| Expenditure on Goods and Services | 15,154 | 18,466 | 20,654 | 25,508 | 25,779 | 30,167 | 31,782 |
| Salaries and wages | 8,027 | 8,006 | 10,016 | 14,446 | 14,129 | 15,749 | 18,110 |
| Other Goods and Services | 7,127 | 10,460 | 10,638 | 11,062 | 11,650 | 14,419 | 13,672 |
| Interest Payments | 8,762 | 10,157 | 12,590 | 14,352 | 19,941 | 20,668 | 22,189 |
| Foreign | 2,209 | 2,564 | 2,896 | 3,337 | 3,461 | 3,678 | 4,382 |
| Domestic | 6,553 | 7,593 | 9,694 | 11,015 | 16,480 | 16,990 | 17,807 |
| Current Transfers and Subsidies | 10,050 | 10,937 | 12,888 | 17,024 | 18,497 | 20,936 | 22,492 |
| To Public Corporations | 2,350 | 1,722 | 2,349 | 3,177 | 1,681 | 3,827 | 2,408 |
| To Other Levels of Government | 600 | 609 | 918 | 902 | 1,027 | 1,237 | 1,099 |
| To households and other sectors | 7,100 | 8,606 | 9,621 | 12,945 | 15,789 | 15,872 | 18,985 |
| Food stamps, Food subsidy etc. | 1,549 | 1,666 | 1,895 | 3,932 | 3,782 | 5,122 | 4,875 |
| Jana Saviya | 0 | 0 | 0 | 705 | 4,400 | 2,912 | 4,900 |
| Pensions | 2,984 | 3,242 | 4,128 | 4,735 | 4,967 | 4,490 | 6,333 |
| Fertilizer Subsidy | 614 | 511 | 600 | 796 | 0 | 0 | 0 |
| Other | 1,953 | 3,187 | 2,998 | 2,777 | 2,640 | 3,348 | 2,877 |
| Provision for Under Expenditure | 0 | 0 | 0 | 0 | -656 | 0 | -3,500 |
| Capital Expenditure | 23,236 | 22,816 | 22,878 | 20,750 | 21,653 | 19,161 | 28,118 |
| Acquisition of Real Assets | 7,788 | 10,983 | 12,006 | 13,069 | 13,336 | 11,664 | 16,460 |
| Capital Transfers | 15,448 | 11,833 | 10,872 | 7,681 | 9,767 | 7,497 | 14,659 |
| To Public Corporations | 14,874 | 11,185 | 9,684 | 6,330 | 7,792 | 5,815 | 12,047 |
| To Other Levels of Government | 472 | 571 | 1,123 | 1,322 | 1,715 | 1,574 | 2,311 |
| Other | 101 | 77 | 65 | 29 | 260 | 109 | 301 |
| Provision for Under Expenditure | 0 | 0 | 0 | 0 | -1,450 | 0 | -3,000 |
| Lending Minus Repayments | 1,991 | 1,518 | 7,522 | 4,530 | 4,647 | 8,882 | 6,471 |
| of which; Advance Accounts | -170 | -1,180 | 2,732 | -993 | 250 | 1,699 | 250 |
| Total | 59,193 | 63,894 | 76,532 | 82,164 | 89,862 | 99,814 | 107,551 |

(Contd.)

TABLE 1.50 (Contd.)
Economic Classification of Expenditure and
Lending Minus Repayments
(as a percentage of GDP)

| Item | 1986 | 1987 | 1988 | 1989 | 1990 Approved Estimates | 1990 Provi- sional | 1991 Approved Estimates |
|-----------------------------------|--------------|--------------|--------------|--------------|-------------------------------|--------------------------|-------------------------------|
| Current Expenditure | 18.93 | 20.11 | 20.78 | 22.58 | 22.42 | 22.35 | 19.89 |
| Expenditure on Goods and Services | 8.44 | 9.39 | 9.30 | 10.13 | 9.09 | 9.40 | 8.66 |
| Salaries and wages | 4.47 | 4.07 | 4.51 | 5.74 | 4.98 | 4.91 | 4.94 |
| Other Goods and Services | 3.97 | 5.32 | 4.79 | 4.39 | 4.11 | 4.49 | 3.73 |
| Interest Payments | 4.88 | 5.16 | 5.67 | 5.70 | 7.03 | 6.44 | 6.05 |
| Foreign | 1.23 | 1.30 | 1.30 | 1.32 | 1.22 | 1.15 | 1.19 |
| Domestic | 3.65 | 3.86 | 4.37 | 4.37 | 5.81 | 5.29 | 4.85 |
| Current Transfers and Subsidies | 5.60 | 5.56 | 5.81 | 6.76 | 6.52 | 6.52 | 6.13 |
| To Public Corporations | 1.31 | 0.88 | 1.06 | 1.26 | 0.59 | 1.19 | 0.66 |
| To Other Levels of Government | 0.33 | 0.31 | 0.41 | 0.36 | 0.36 | 0.39 | 0.30 |
| To households and other sectors | 3.96 | 4.37 | 4.33 | 5.14 | 5.57 | 4.94 | 5.17 |
| Food stamps, Food subsidy etc. | 0.86 | 0.85 | 0.85 | 1.56 | 1.33 | 1.60 | 1.33 |
| Jana Saviya | 0.00 | 0.00 | 0.00 | 0.28 | 1.55 | 0.91 | 1.34 |
| Pensions | 1.66 | 1.65 | 1.86 | 1.88 | 1.75 | 1.40 | 1.73 |
| Fertilizer Subsidy | 0.34 | 0.26 | 0.27 | 0.32 | 0.00 | 0.00 | 0.00 |
| Other | 1.09 | 1.62 | 1.35 | 1.10 | 0.93 | 1.04 | 0.78 |
| Provision for Under Expenditure | 0.00 | 0.00 | 0.00 | 0.00 | -0.23 | 0.00 | -0.95 |
| Capital Expenditure | 12.95 | 11.60 | 10.31 | 8.24 | 7.64 | 5.97 | 7.66 |
| Acquisition of Real Assets | 4.34 | 5.58 | 5.41 | 5.19 | 4.70 | 3.63 | 4.49 |
| Capital Transfers | 8.61 | 6.02 | 4.90 | 3.05 | 3.45 | 2.34 | 4.00 |
| To Public Corporations | 8.29 | 5.69 | 4.36 | 2.51 | 2.75 | 1.81 | 3.28 |
| To Other Levels of Government | 0.26 | 0.29 | 0.51 | 0.52 | 0.60 | 0.49 | 0.63 |
| Other | 0.06 | 0.04 | 0.03 | 0.01 | 0.09 | 0.03 | 0.08 |
| Provision for Under Expenditure | 0.00 | 0.00 | 0.00 | 0.00 | -0.51 | 0.00 | -0.82 |
| Lending Minus Repayments | 1.11 | 0.77 | 3.39 | 1.80 | 1.64 | 2.77 | 1.76 |
| of which; Advance Accounts | -0.09 | -0.60 | 1.23 | -0.39 | 0.09 | 0.53 | 0.07 |
| Total | 32.98 | 32.48 | 34.48 | 32.62 | 31.70 | 31.09 | 29.31 |

Source: Central Bank of Sri Lanka.

In 1990 the lending minus repayments (net lending) totalled Rs 8,882 million in comparison to Rs 4,530 million in 1989. The advance account transaction resulted in a net outpayment of Rs 1,699 million in 1990 as against a surplus of Rs 993 million in the previous year largely due to outflows in government officers' advance accounts and medical stores advance accounts. The acquisition of financial assets largely through on lending to public corporations amounted to Rs 7,587 million. The corresponding value in the previous year was Rs 5,901 million. The on-lending to the Ceylon Electricity Board for continuing development activities of the Samanalawewa and Rantambe Power Projects amounted to Rs 5,410 million in 1990 in comparison to Rs 3,775 million in the previous year.

Of the total capital expenditure and net lending, a sum of Rs 18,884 million (or 6.0 per cent of GDP) was channelled for the development of infrastructure facilities in respect of a wide range of economic activities. The corresponding amount in the previous year on this account was Rs 18,888 million (or 7.5 per cent of GDP). Energy and Water Supply, Agriculture and Irrigation, Transport and Communication continued to absorb a greater volume of resources than other economic services. An economic classification of total expenditure and net lending is given in Table 1.50.

FINANCING OF THE BUDGET DEFICIT

The budget deficit (after grants) of Rs 25,153 million in 1990 was an increase of 15 per cent over the previous year's deficit of Rs 21,778 million. Gross foreign borrowings in 1990 at Rs 16,550 million reflected an increase of 42 per cent over the previous year. However, foreign borrowings, net of Rs 4,906 million on account of debt repayments, totalled Rs 11,644 million, almost twice the amount received for budgetary purposes in the previous year.

In financing the deficit, the government borrowed a sum of Rs 26,084 million from domestic sources, consisting of Rs 22,535 million from non-bank sources and Rs 3,549 million from bank sources. Resources mobilized from non-bank sources through Rupee Securities and National Defence Bonds totalled Rs 12,846 million. However, as loan repayments on account of Rupee Securities amounted to Rs 7,287 million, the net borrowings through medium and long term government securities (Rupee Securities and National Defence Bonds) was only Rs 5,559 million. Meanwhile, Treasury bills (short term government paper) attracted a further sum of Rs 7,401 million from non-bank sources. The traditional captive sources; viz: the Employees' Provident Fund (EPF), the National Savings Bank (NSB), Employees Trust Fund (ETF), and the Insurance Corporation of Sri Lanka continued to be the principal subscribers to both short-term and long-term government paper. Meanwhile, the private sector proper subscribed Rs 3,401 million towards financing the budget deficit in 1990 as compared to Rs 3,955 million in 1989. Hence, net domestic borrowings from non-bank sources in 1990 was Rs 15,241 million as compared to Rs 15,659 million in 1989.

Gross borrowings from the banking system in 1990 amounted to Rs 3,549 million in comparison to Rs 1,132 million in the previous year. However, on account of a repayment of Rs 11 million to the banking system and a build-up of deposits to the tune of Rs 3,165 million, the net borrowings from the banking system for financing the budget deficit totalled Rs 374 million.

TABLE 1.51
Functional Classification of Expenditure

Rs. Million

| Item | 1986 | 1987 | 1988 | 1989 | 1990 Approved Estimates | 1990 Provi- sional | 1991 Approved Estimates |
|--|---------------|---------------|---------------|---------------|-------------------------------|--------------------------|-------------------------------|
| Current Expenditure | | | | | | | |
| General Public Services | 8,680 | 11,113 | 13,424 | 14,570 | 15,340 | 17,926 | 17,113 |
| Civil Administration | 2,884 | 2,943 | 6,145 | 6,761 | 6,353 | 6,606 | 6,706 |
| Defence | 4,351 | 6,001 | 4,732 | 4,573 | 4,907 | 6,736 | 6,884 |
| Public Order and Safty | 1,445 | 2,169 | 2,547 | 3,236 | 4,080 | 4,585 | 3,523 |
| Social Services | 11,004 | 12,714 | 15,251 | 19,568 | 23,104 | 23,956 | 29,994 |
| Education | 3,775 | 4,066 | 5,036 | 6,207 | 6,020 | 8,056 | 8,362 |
| Health | 11,841 | 2,401 | 2,420 | 3,379 | 3,501 | 3,670 | 4,443 |
| Welfare | 5,254 | 6,098 | 7,607 | 9,750 | 13,332 | 11,968 | 16,898 |
| Housing | 13 | 13 | 15 | 17 | 0 | 0 | 0 |
| Community Services | 121 | 136 | 173 | 215 | 251 | 261 | 291 |
| Economic Services | 3,960 | 2,905 | 4,047 | 3,819 | 2,470 | 4,293 | 2,723 |
| Agriculture & Irrigation | 1,336 | 1,086 | 1,399 | 963 | 873 | 965 | 905 |
| Fisheries | 38 | 40 | 40 | 47 | 46 | 46 | 54 |
| Manufacturing and Mining | 443 | 141 | 197 | 408 | 174 | 181 | 240 |
| Energy and Water Supply | 50 | 73 | 80 | 415 | 170 | 345 | 279 |
| Transport & Communication | 1,668 | 1,200 | 1,613 | 1,138 | 1,072 | 2,600 | 1,100 |
| Trade & Commerce | 152 | 190 | 415 | 849 | 134 | 156 | 145 |
| Other | 273 | 175 | 304 | 0 | 0 | 0 | 0 |
| Other | 10,323 | 12,828 | 13,410 | 18,927 | 22,648 | 25,597 | 23,132 |
| of which; Interest | 8,762 | 10,157 | 12,590 | 14,352 | 19,941 | 20,668 | 22,189 |
| Under Expenditure Provision | 0 | 0 | 0 | 0 | -656 | 0 | -3,500 |
| Total Current Expenditure | 33,966 | 39,560 | 46,132 | 56,884 | 63,562 | 71,771 | 72,962 |
| Capital Expenditure and Lending | | | | | | | |
| General Public Services | 1,217 | 1,676 | 2,772 | 2,503 | 2,221 | 3,617 | 2,735 |
| Civil Administration | 864 | 870 | 2,133 | 2,002 | 1,693 | 1,599 | 2,010 |
| Public Order and Safty | 353 | 806 | 639 | 501 | 528 | 2,018 | 725 |
| Social Services | 2,567 | 2,817 | 2,883 | 3,443 | 3,483 | 2,800 | 4,965 |
| Education | 1,252 | 787 | 855 | 1,417 | 1,281 | 944 | 1,961 |
| Health | 405 | 979 | 1,498 | 1,246 | 1,619 | 1,259 | 2,321 |
| Welfare | 15 | 53 | 13 | 10 | 25 | 25 | 21 |
| Housing | 575 | 505 | 429 | 687 | 428 | 413 | 360 |
| Community Services | 320 | 493 | 88 | 83 | 130 | 160 | 302 |
| Economic Services | 21,547 | 20,834 | 21,128 | 18,888 | 20,356 | 18,884 | 27,642 |
| Agriculture & Irrigation | 8,217 | 8,484 | 6,412 | 5,206 | 6,289 | 5,096 | 6,943 |
| of which; Mahaweli Project | 5,952 | 5,101 | 3,430 | 2,475 | 2,861 | 1,810 | 3,178 |
| Fisheries | 223 | 294 | 140 | 283 | 270 | 133 | 269 |
| Manufacturing and mining | 793 | 1,162 | 330 | 471 | 144 | 109 | 158 |
| Energy and Water Supply | 2,476 | 3,226 | 5,451 | 4,647 | 4,861 | 6,413 | 7,413 |
| Transport & Communication | 7,648 | 5,633 | 6,264 | 6,666 | 6,078 | 4,312 | 8,664 |
| Trade & Commerce | 445 | 309 | 103 | 47 | 6 | 5 | 232 |
| Other | 1,746 | 1,727 | 2,428 | 1,567 | 2,709 | 2,817 | 3,963 |
| Other | 574 | 648 | 1,188 | 1,351 | 1,975 | 1,682 | 2,612 |
| Under Expenditure Provision | 0 | 0 | 0 | 0 | -1,450 | 0 | -3,000 |
| Total Capital Expenditure and Lending | 25,905 | 25,975 | 27,971 | 26,185 | 26,585 | 26,984 | 34,954 |

Source: Central Bank of Sri Lanka.

GOVERNMENT DEBT

The outstanding debt at the end of the year totalled Rs 310,780 million and recorded an increase of 11 per cent over the outstanding debt of Rs 273,860 million registered in 1989. As in the previous year, domestic debt accounted for 43 per cent of the total outstanding government debt. The outstanding debt on account of Treasury bills at Rs 67,968 million represented 51 per cent of the total domestic debt as compared to 49 per cent an year ago. However, the share of outstanding Treasury bills held by the Central Bank sharply declined from 60 per cent at the end of 1989 to 45 per cent at the end of 1990. The outstanding debt held by the non-bank sector rose to Rs 83,981 million in 1990 from Rs 68,399 million recorded at the end of the previous year. Meanwhile, the outstanding foreign debt at Rs 176,883 million recorded a growth of 13 per cent over 1989. However, the share of project loans in total foreign debt rose to 75 per cent in 1990 from 72 per cent in the previous year. The outstanding debt by type of instrument and by ownership is given in Table 1.52.

Domestic Debt:

Total domestic debt at Rs 133,897 million recorded an increase of 14 per cent in 1990 as compared to a growth of 19 per cent in the previous year. The total domestic debt held by the banking sector amounting to Rs 48,254 million registered an increase of 3 per cent. The banking sector held 36 per cent of the domestic debt at the end of the year as compared to 40 per cent an year ago. The domestic debt held by the non-bank sector which totalled Rs 85,643 million in 1990, registered an increase of 21 per cent as compared to a growth of 26 per cent in 1989.

At the end of 1990, the medium and long term (maturity of more than one year) domestic debt totalled Rs 59,454 million. This was an increase of Rs 5,037 million during the year under review. The bulk of the increase in the medium and long term domestic debt in 1990 came through the issue of National Defence Bonds. Meanwhile, the outstanding short term domestic debt at Rs 74,444 million was an increase of Rs 11,298 million over the outstanding short term debt of Rs 63,146 million at the end of the previous year. The increase in short term debt is attributed to heavy borrowings through Treasury bills during 1990 which amounted to Rs 10,437 million.

The outstanding liabilities on account of Rupee Securities at Rs 54,677 million recorded a marginal increase over the previous year. A total sum of Rs 8,314 million was raised through the Rupee Loan Programme during the year as compared to Rs 8,672 million during 1989. However, the outstanding debt on account of Rupee Loans rose by only Rs 460 million as repayments of Rupee Loans amounted to Rs 7,854 million, of which Rs 568 million was met out of Sinking Fund balances. The Employees' Provident Fund invested Rs 5,896 million in Rupee Securities while the National Savings Bank subscribed Rs 1,975 million. Meanwhile, other provident funds invested Rs 329 million in Rupee Securities in 1990. National Defence Bonds which were introduced in 1990 raised Rs 4,532 million during the year. The traditional captive sources, namely the Employees' Provident Fund and the National Savings Bank subscribed a total sum of Rs 3,586 million to National Defence Bonds. Meanwhile, the Employees' Trust Fund and the Insurance Corporation of Sri Lanka contributed a total sum of Rs 935 million.

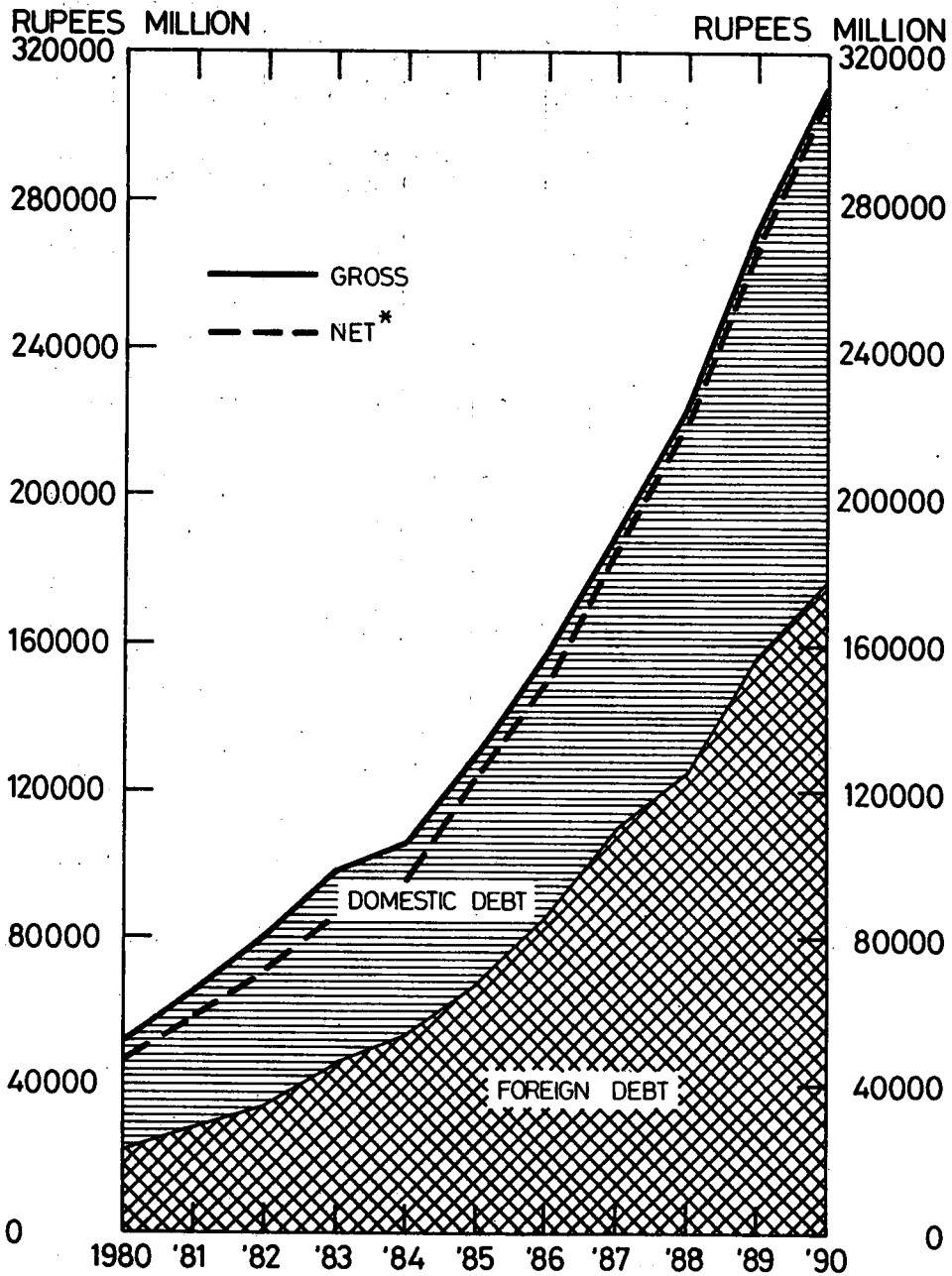
The outstanding liability on account of Treasury bills at Rs 67,968 million was an increase of Rs 10,722 million over the outstanding liability at the end of 1989. During 1989, total borrowings made by the issue of Treasury bills amounted to Rs 13,546

TABLE 1.52
Outstanding Central Government Debt 1986 - 1990 (end of period)

| | 1986 | 1987 | 1988 | 1989 | 1990 | Change | | | |
|--|---------|---------|---------|---------|---------|--------|--------|--------|--------|
| | | | | | | 1987 | 1988 | 1989 | 1990 |
| Total Domestic Debt | 68,498 | 78,999 | 98,596 | 117,562 | 133,897 | 9,501 | 18,597 | 18,967 | 16,334 |
| Medium and Long - Term | 39,285 | 45,149 | 49,970 | 54,417 | 59,454 | 5,864 | 4,821 | 4,447 | 5,038 |
| Short - Term | 30,213 | 33,850 | 48,626 | 63,146 | 74,444 | 3,637 | 14,776 | 14,520 | 11,296 |
| By Debt Instruments | | | | | | | | | |
| Rupee Loans | 39,130 | 44,958 | 49,797 | 54,217 | 54,677 | 5,828 | 4,839 | 4,420 | 480 |
| Treasury Bills | 26,173 | 29,850 | 43,700 | 57,246 | 67,968 | 3,677 | 13,850 | 13,546 | 10,722 |
| National Defence Bonds | 0 | 0 | 0 | 0 | 4,532 | 0 | 0 | 0 | 4,532 |
| Treasury Certificates of Deposits | 0 | 0 | 0 | 0 | 109 | 0 | 0 | 0 | 109 |
| Others | 4,195 | 4,191 | 5,099 | 6,100 | 6,611 | -4 | 908 | 1,001 | 512 |
| By Institutions | | | | | | | | | |
| Banks | 27,193 | 30,535 | 42,347 | 46,874 | 48,254 | 3,342 | 11,813 | 4,527 | 1,380 |
| Central Bank | | | | | | | | | |
| By Debt Instruments | 26,190 | 26,324 | 38,228 | 40,025 | 37,080 | 134 | 11,904 | 1,798 | -2,946 |
| Rupee Loans | 36 | 36 | 32 | 27 | 18 | 0 | -4 | -5 | -10 |
| Treasury Bills | 22,114 | 22,288 | 33,270 | 34,098 | 30,654 | 174 | 10,982 | 829 | -3,444 |
| Advances | 4,040 | 4,000 | 4,926 | 5,900 | 6,408 | -40 | 926 | 974 | 508 |
| Commercial Bank | | | | | | | | | |
| By Debt Instruments | 1,003 | 4,211 | 4,120 | 6,849 | 11,175 | 3,208 | -91 | 2,730 | 4,325 |
| Rupee Loans | 852 | 845 | 594 | 566 | 565 | -7 | -251 | -28 | -1 |
| Treasury Bills | 150 | 3,365 | 3,525 | 6,282 | 10,604 | 3,215 | 160 | 2,758 | 4,322 |
| National Defence Bonds | 0 | 0 | 0 | 0 | 5 | 0 | 0 | 0 | 5 |
| Other | 1 | 1 | 1 | 1 | 1 | 0 | 0 | 0 | 0 |
| By Institutions | 1,003 | 4,211 | 4,120 | 6,849 | 11,175 | 3,208 | -91 | 2,729 | 4,326 |
| Bank of Ceylon | 294 | 788 | 1,030 | 1,707 | 6,841 | 494 | 242 | 677 | 5,134 |
| People's Bank | 706 | 2,871 | 1,894 | 3,265 | 2,062 | 2,165 | -977 | 1,371 | -1,204 |
| Other | 3 | 552 | 1,196 | 1,877 | 2,272 | 549 | 644 | 681 | 395 |
| Non-Bank Sector | 37,497 | 43,989 | 53,416 | 68,399 | 83,981 | 6,492 | 9,427 | 14,983 | 15,582 |
| By Debt Instruments | | | | | | | | | |
| Rupee Loans | 33,434 | 39,602 | 48,339 | 51,335 | 52,433 | 6,168 | 6,737 | 4,996 | 1,098 |
| Treasury Bills | 3,909 | 4,197 | 6,906 | 16,865 | 26,710 | 288 | 2,708 | 9,960 | 9,845 |
| National Defence Bonds | 0 | 0 | 0 | 0 | 4,527 | 0 | 0 | 0 | 4,527 |
| Treasury Certificates of Deposits | 0 | 0 | 0 | 0 | 109 | 0 | 0 | 0 | 109 |
| Other | 154 | 190 | 172 | 199 | 202 | 36 | -18 | 27 | 4 |
| By Institutions | | | | | | | | | |
| National Savings Bank | 14,025 | 16,113 | 17,952 | 18,960 | 24,190 | 2,088 | 1,839 | 1,008 | 5,230 |
| Savings Institutions & Individuals | 1,626 | 2,528 | 6,081 | 15,175 | 20,960 | 902 | 3,553 | 9,094 | 5,785 |
| Employees' Provident Fund | 17,285 | 21,190 | 25,816 | 31,648 | 36,851 | 3,905 | 4,626 | 5,832 | 5,203 |
| Insurance & Finance Companies | 4,120 | 3,874 | 3,289 | 2,387 | 1,742 | -246 | -585 | -902 | -645 |
| Other | 441 | 284 | 278 | 229 | 238 | -157 | -6 | -49 | 9 |
| Departmental & Official Funds | 294 | 103 | 115 | 39 | 44 | -191 | 12 | -76 | 5 |
| Foreign Administrative Borrowings | 147 | 181 | 163 | 190 | 195 | 34 | -18 | 27 | 5 |
| Sinking Fund | 4,808 | 4,475 | 2,832 | 2,289 | 1,662 | -333 | -1,643 | -543 | -627 |
| Rupee Loans | 4,808 | 4,475 | 2,832 | 2,289 | 1,662 | -333 | -1,643 | -543 | -627 |
| Total Foreign Debt | 88,304 | 112,441 | 125,657 | 156,298 | 176,883 | 24,137 | 13,218 | 30,641 | 20,585 |
| By Type | | | | | | | | | |
| Project Loans | 53,897 | 73,356 | 85,745 | 113,120 | 132,338 | 19,459 | 12,389 | 27,375 | 19,218 |
| Non-Project Loans | 34,407 | 39,085 | 39,912 | 43,178 | 44,545 | 4,678 | 827 | 3,266 | 1,367 |
| Commodity | 26,383 | 32,894 | 35,886 | 41,117 | 43,393 | 6,511 | 2,992 | 5,231 | 2,276 |
| Other | 8,024 | 6,191 | 4,026 | 2,061 | 1,152 | -1,833 | -2,165 | -1,985 | -909 |
| By Institutions | | | | | | | | | |
| Concessional Loans | 78,013 | 101,300 | 115,288 | 146,144 | 166,202 | 23,287 | 13,988 | 30,856 | 20,058 |
| Multilateral | 24,648 | 31,453 | 36,409 | 48,698 | 59,526 | 6,805 | 4,956 | 12,289 | 10,828 |
| Bilateral | 53,365 | 69,847 | 78,879 | 97,446 | 106,676 | 16,482 | 9,032 | 18,567 | 9,230 |
| Commercial Loans | 10,291 | 11,141 | 10,369 | 10,154 | 10,680 | 850 | -772 | -215 | 526 |
| External Supplier's Credit | 515 | 525 | 340 | 333 | 107 | 10 | -185 | -7 | -226 |
| Total Outstanding Govt. Debt | 157,802 | 191,440 | 224,253 | 273,860 | 310,780 | 33,638 | 32,813 | 49,607 | 36,920 |
| Total Outstanding Govt. Debt Net of Sinking Fund | 151,785 | 186,262 | 220,059 | 270,609 | 308,412 | 34,477 | 33,797 | 50,550 | 37,803 |

Source: Central Bank of Sri Lanka.

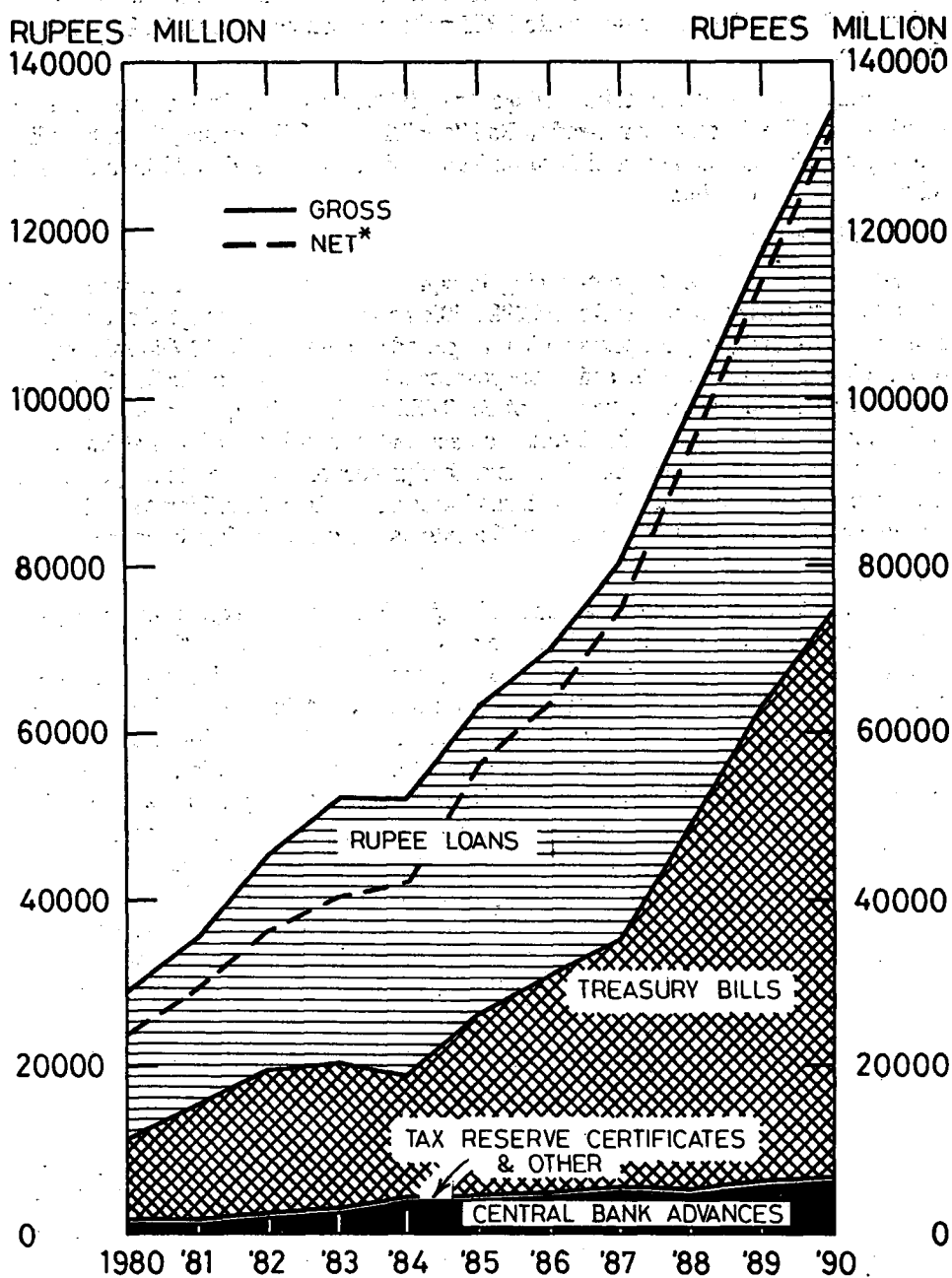
COMPOSITION OF GOVERNMENT DEBT



* Gross Government debt less sinking funds.

Central Bank of Sri Lanka.

COMPOSITION OF DOMESTIC DEBT



* Gross Domestic debt less sinking funds.

Central Bank of Sri Lanka.

million. The non-bank sector invested a total sum of Rs 9,845 million in Treasury bills as compared to Rs 9,960 million in the previous year. A total sum of Rs 5,475 million or nearly 56 per cent of the non-bank sector investment came from the National Savings Bank. The private provident funds invested Rs 3,072 million in Treasury bills in 1990 as compared to Rs 3,761 million in 1989. Meanwhile, investments made by public corporations in Treasury bills amounted to Rs 1,785 million as compared to Rs 2,888 million in the previous year.

During 1990, government borrowings through Central Bank's Provisional Advances totalled Rs 508 million as compared to Rs 974 million in 1989. Hence, the outstanding liability on this account increased from Rs 5,900 million at the end of 1989 to Rs 6,408 million at the end of 1990.

Foreign Debt:

At the end of 1990, the outstanding foreign debt of the government stood at Rs 176,883 million as compared to Rs 156,298 million a year ago. Although the net foreign borrowings for budgetary purposes during the period amounted to Rs 11,644 million, the outstanding foreign debt at the end of the year recorded an increase of Rs 20,585 million owing to an additional rupee liability of Rs 8,486 million arising from exchange rate variations during the year. The liability on account of multilateral loans at Rs 59,526 million accounted for 34 per cent of the total foreign debt as compared to 31 per cent at the end of the previous year. Bilateral loans increased by Rs 9,230 million to Rs 106,676 million and accounted for 60 per cent of the external government debt in comparison to 62 per cent in 1989.

The outstanding liability on account of project loans at Rs 132,338 million was an increase of 17 per cent over the project loan outstanding as at end of 1989. Gross foreign borrowings in the form of project loans during the year under review was Rs 14,922 million, 36 per cent higher than the amount utilized in the previous year. Meanwhile, net foreign borrowings by way of project loans amounted to Rs 12,598 million as there were repayments totalling Rs 2,325 million on account of existing liabilities. However, the outstanding rupee liability as at end of 1990 with respect to project loans recorded an increase of Rs 19,218 million due to an additional liability of Rs 6,620 million on account of exchange rate variations during the year. The gross disbursement of Rs 2,022 million on account of non-project loans was lower than the repayment of Rs 2,521 million on this account. However, the outstanding liability on this account recorded a marginal increase due to an additional liability of Rs. 1,866 million arising from exchange rate changes. The effect of exchange rate variation on foreign debt is given in Table 1.53.

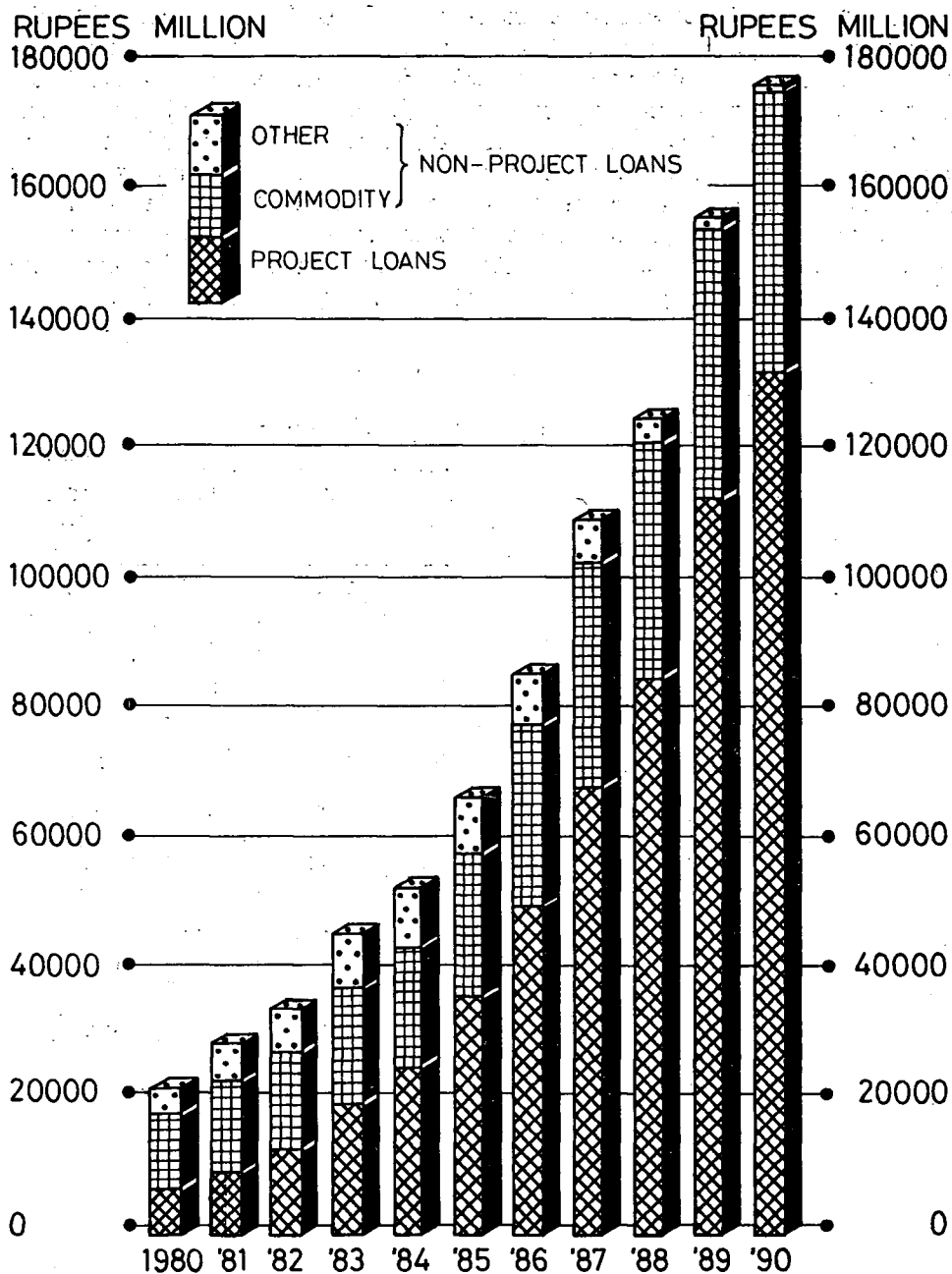
TABLE 1.53
Effect of Exchange Rate Variation on Foreign Loans 1986 - 1990 (a)

| Item | Rs. Million | | | | |
|---|-------------|-----------|-----------|-----------|--------------------------|
| | 1986 | 1987 | 1988 | 1989 | 1990 Provi- sional |
| 1. Gross receipts | 12,163.5 | 10,088.2 | 12,975.3 | 12,002.8 | 16,549.6 |
| 2. Repayments | 3,004.6 | 4,669.9 | 5,197.2 | 5,675.4 | 4,845.7 |
| 3. Net Receipts | 9,158.9 | 5,418.3 | 7,778.1 | 6,327.4 | 12,098.9 |
| 4. Change in liability due to Exchange rate variations | 9,692.4 | 18,718.5 | 5,438.0 | 23,258.8 | 8,486.3 |
| 5. Liability as at end of period | 88,304.0 | 112,440.8 | 125,656.9 | 156,297.5 | 176,882.7 |

(a) Data is based on value date recording system.

Source: Central Bank of Sri Lanka.

COMPOSITION OF FOREIGN DEBT



Central Bank of Sri Lanka.

Government Debt Service Payments:

Debt service payments consisting of amortization and interest payments totalled Rs 32,878 million in 1990, an increase of 38 per cent over the previous year's commitment of Rs 23,890 million. Accordingly, the debt service payments of the government as a proportion of GDP increased from 9.5 per cent in 1989 to 10.2 per cent in 1990. The debt service on foreign debt at Rs 8,584 million recorded a decrease of 5 per cent while that on domestic debt which stood at Rs 24,294 million registered an increase of 64 per cent. Amortization payments on account of domestic debt at Rs 7,304 million was almost twice the amount recorded in the previous year due to an uneven maturity pattern in outstanding Rupee Loans. Total interest payments on domestic debt amounted to Rs 16,990 million registering an increase of 54 per cent as compared to a 14 per cent rise in the previous year. The increase in interest payments was the combined outcome of higher interest rates and an enhanced volume of domestic debt to be serviced during the year. A statistical summary on government debt service is given in Table 1.54.

TABLE 1.54

Government Debt Service Payments - (1986 - 1990)

| Item | 1986 | 1987 | 1988 | 1989 | Rs. Million |
|------------------------------------|--------|--------|--------|--------|--------------------------|
| | | | | | 1990 Provi- sional |
| Debt Service Payments | 16,287 | 15,749 | 22,270 | 23,890 | 32,878 |
| (i) Amortization | 7,525 | 5,592 | 9,680 | 9,538 | 12,210 |
| (a) Domestic | | | | | |
| (Medium & Long Term) | 4,505 | 902 | 4,471 | 3,796 | 7,304 |
| (b) Foreign | 3,020 | 4,690 | 5,209 | 5,742 | 4,906 |
| (ii) Interest Payments | 8,762 | 10,157 | 12,590 | 14,352 | 20,668 |
| (a) Domestic | 6,553 | 7,593 | 9,694 | 11,015 | 16,990 |
| Short Term | 2,602 | 3,094 | 4,198 | 5,075 | 9,563 |
| Medium & Long Term | 3,951 | 4,499 | 5,496 | 5,940 | 7,427 |
| (b) Foreign | 2,209 | 2,564 | 2,896 | 3,337 | 3,678 |
| Interest / Current Expenditure (%) | 25.8 | 25.7 | 27.3 | 25.2 | 28.8 |
| Debt Service / GDP (%) | 9.1 | 8.0 | 10.0 | 9.5 | 10.2 |

Source: Central Bank of Sri Lanka.