

# GOVERNMENT FINANCE

## OVERALL TRENDS

Reversing a favourable trend observed over the last two years, the budgetary operations in 1991 witnessed some slippages in fiscal performance. In spite of the policy thrust placed on achieving a viable fiscal balance, the overall revenue/GDP ratio fell from 21.2 per cent in 1990 to 20.3 per cent in 1991, while sustaining the current expenditure/GDP ratio at 22.3 per cent—almost the same level as in the previous year. The inadequate growth in government revenue and the enhanced demand for current expenditure thus contributed to enlarge the current account deficit/GDP ratio from 1.2 per cent in 1990 to 2 per cent in 1991 undermining the required adjustment in the current account of the budget. Moreover, capital expenditure and net lending inclusive of the restructuring cost of public enterprises rose from 8.8 per cent of GDP to 9.5 per cent of GDP augmenting the overall expenditure/GDP ratio from 31.1 per cent in 1990 to 31.9 per cent in 1991, although the increase can partly be attributed to a once-and-for-all expenditure item of around Rs.5,500 million (1.5 per cent of GDP) on account of the public sector retrenchment and restructuring programme. The revenue and expenditure trends thus resulted in an overall deficit/GDP ratio of 11.6 per cent in 1991 as compared to 9.9 per cent in 1990 reversing the downward trend of the deficit/GDP ratio maintained since 1988.

In financing the budget deficit, domestic borrowings were contained at 4.3 per cent of GDP in 1991 as compared to 5.3 per cent in 1990 due to a substantial increase in foreign aid available under the economic restructuring credit for budgetary purposes during the year. However, domestic borrowings in 1991 exceeding the original target of 2.2 per cent of GDP by a considerable margin underscored the need for greater fiscal adjustments particularly at a time when the demand for investible resources from other sectors remained buoyant.

## FISCAL OUTTURN

Government revenue at Rs. 76,179 million recorded an overall growth of 12 per cent in 1991. In spite of enhanced revenue collections from import duties, excise levies, manufacturing turnover taxes, income taxes and interest income, the overall revenue growth fell below the increase in the nominal GDP largely owing to a moderate growth in turnover taxes on imports and a precipitous decline in export taxes. Accordingly, the revenue/GDP ratio stood at 20.3 per cent in 1991, a percentage point lower than the previous year.

On the expenditure front, current expenditure aggregating Rs. 83,756 million marked an increase of 17 per cent in 1991. Despite the continued restraint on operational expenditure of the Government, unanticipated large expenditure on defence contributed to augment the outlays on goods and services in relation to GDP from 9.4 per cent in 1990 to 9.5 per cent in 1991. Similarly, the considerable expenditure incurred on the Government's retrenchment programme and refugees was conducive to maintaining current transfers to households at 5.8 per cent of GDP as compared to 4.7 per cent in 1990. In contrast, interest payments on the Government debt as a percentage of GDP declined to 5.9 in 1991 from 6.4 in 1990. Hence, the current expenditure/GDP ratio remained at 22.3 per cent—almost the same level as in the previous year.

Reflecting the above trends in revenue and current expenditure, the current account of the budget was in deficit to the tune of Rs. 7,577 million-almost double the amount recorded in 1990. Accordingly, the current account deficit/GDP ratio deteriorated from 1.2 per cent in 1990 to 2 per cent in 1991. Meanwhile, capital expenditure and net lending in relation to GDP rose from 8.8 per cent in 1990 to 9.5 per cent in 1991 reflecting high restructuring expenditure on account of the Sri Lanka Transport Board (SLTB), a large outflow through advance account operations and an enhanced expenditure on public investment projects. Accordingly, the overall expenditure/GDP ratio in 1991 moved from 31.1 per cent in 1990 to 31.9 per cent in 1991.

Fiscal operations in 1991 thus generated an overall budget deficit (before grants) of Rs. 43,348 million (11.6 per cent of GDP) in comparison to a deficit of Rs. 31,850 million (9.9 per cent of GDP) in the previous year. However, increased financial assistance through program loans made available by the World Bank, the Asian Development Bank and the Government of Japan in support of the ongoing economic restructuring programme enabled the Government to contain domestic borrowings at Rs. 16,149 million (4.3 per cent of GDP) in comparison to Rs. 16,986 million (5.3 per cent of GDP) in 1990. In mobilising resources from domestic sources, almost the entirety of the domestic borrowing requirement was obtained from the non-bank sector. Although the overall domestic borrowings for budgetary purposes remained high, the Government avoided resorting to inflationary financing during the year. Meanwhile, total resources utilised by way of foreign loans and grants at Rs. 27,199 million (7.3 per cent of GDP) financed two-thirds of the deficit in 1991 as compared to 58 per cent in 1990. A summary of the Government fiscal operations during 1987-1991 is given in Table 1.49.

## REVENUE

Government revenue in 1991 totalled Rs. 76,179 million registering a growth of 12 per cent over 1990. Tax revenue at Rs. 68,157 million accounted for 90 per cent of total revenue as in the previous year. Domestic goods and services constituted the most important tax base in the economy providing 47 per cent of total tax revenue. Meanwhile, the share of international trade oriented taxes declined from 32 per cent in 1990 to 29 per cent in 1991 continuing the downward trend observed in recent years. The relative significance of income taxes increased from 12 per cent to 14 per cent in 1991.

Meanwhile, non-tax revenue totalling Rs. 8,022 million registered an increase of 19 per cent over 1990. Interest income at Rs. 2,617 million recorded a phenomenal growth of 129 per cent due mainly to an enhanced interest payment by the Ceylon Electricity Board. A transfer of Rs. 2,612 million by the Sri Lanka Telecom also contributed to the rise in non-tax revenue in 1991.

Revenue from taxes on domestic goods and services totalling Rs. 32,107 million in 1991 marked an increase of 12 per cent over the previous year. General sales and turnover taxes which formed two-thirds of taxes on domestic goods and services amounted to Rs. 21,430 million reflecting a moderate increase of 6 per cent over 1990. Revenue from manufacturing turnover taxes at Rs. 7,945 million rose by 17 per cent, keeping in line with the nominal growth in the value of industrial output in 1991. The reduction in turnover tax rates on banks from 5 per cent to 4 per cent and the transfer of turnover tax administration of wholesale and retail trade to Provincial Councils resulted in a lower collection of turnover taxes on non-manufacturing activities at Rs. 2,974 million. Despite an 18 per cent increase in the value of imports and a rise in the import

**TABLE 1.49**  
**Summary of Government Fiscal Operations**

Rs. Million

Item	1987	1988	1989	1990	1991 Approved Estimate	1991 Provi- sional	1992 Approved Estimate
Total Revenue and Grants	46,822	48,337	60,386	74,661	78,669	84,049	93,720
Total Revenue	42,145	41,749	53,979	67,964	70,669	76,179	85,000
Tax Revenue	35,119	35,946	47,513	61,206	64,899	68,157	76,575
Non-Tax Revenue	7,026	5,803	6,466	6,758	5,770	8,022	8,425
Grants	4,677	6,588	6,407	6,697	8,000	7,870	8,720
Expenditure and Lending minus Repayments	63,894	76,532	82,164	99,814	106,691	119,527	124,010
Current	39,560	46,132	56,884	71,771	72,962	83,756	84,327
Capital	22,816	22,878	20,750	19,161	28,118	25,968	34,475
Lending minus Repayments	1,518	7,522	4,530	8,882	5,611	9,803	5,208
Current Account Surplus/Deficit (-)	2,585	-4,383	-2,905	-3,807	-2,293	-7,577	673
Budget Deficit (before grants)	-21,749	-34,783	-28,185	-31,850	-36,022	-43,348	-39,010
Budget Deficit (after grants)	-17,072	-28,195	-21,778	-25,153	-28,022	-35,478	-30,290
Financing	17,072	28,193	21,777	25,152	28,022	35,478	30,290
Foreign Borrowings	5,716	7,128	5,926	11,644	19,883	19,329	20,793
Domestic Borrowings	11,356	21,065	12,373	16,986	8,139	16,149	9,497
Non-Market Borrowings (a)	1,415	1,685	1,822	3,538	0	1,667	0
Market Borrowings	9,941	19,380	10,551	13,448	8,139	14,482	9,497
Non Bank	6,400	9,227	13,837	13,074	12,639	15,358	9,497
Bank	3,541	10,153	-3,286	374	-4,500	-876	0

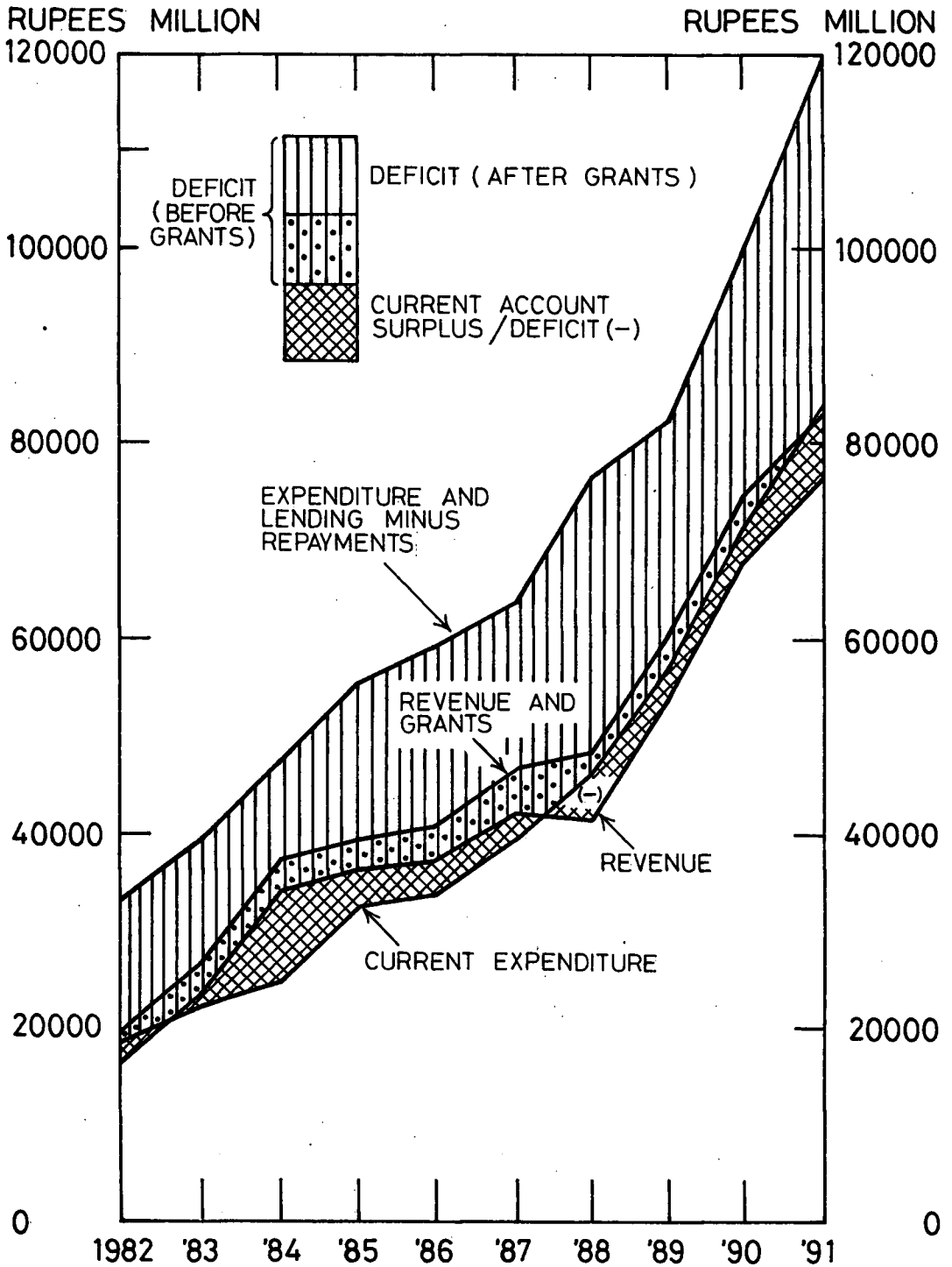
As a percentage of GDP

Total Revenue and Grants	23.8	21.8	24.0	23.3	21.4	22.4	21.2
Total Revenue	21.4	18.8	21.4	21.2	19.3	20.3	19.2
Tax Revenue	17.9	16.2	18.9	19.1	17.7	18.2	17.3
Non-Tax Revenue	3.6	2.6	2.6	2.1	1.6	2.1	1.9
Grants	2.4	3.0	2.5	2.1	2.2	2.1	2.0
Expenditure and Lending minus Repayments	32.5	34.5	32.6	31.1	29.1	31.9	28.0
Current	20.1	20.8	22.6	22.4	19.9	22.3	19.0
Capital	11.6	10.3	8.2	6.0	7.7	6.9	7.8
Lending minus Repayments	0.8	3.4	1.8	2.8	1.5	2.6	1.2
Current Account Surplus/Deficit (-)	1.3	-2.0	-1.2	-1.2	-0.6	-2.0	0.2
Budget Deficit (before grants)	-11.1	-15.7	-11.2	-9.9	-9.8	-11.6	-8.8
Budget Deficit (after grants)	-8.7	-12.7	-8.6	-7.8	-7.6	-9.5	-6.8
Financing	8.7	12.7	8.6	7.8	7.6	9.5	6.8
Foreign Borrowings	2.9	3.2	2.4	3.6	5.4	5.2	4.7
Domestic Borrowings	5.8	9.5	4.9	5.3	2.2	4.3	2.1
Non-Market Borrowings	0.7	0.8	0.7	1.1	0.0	0.4	0.0
Market Borrowings	5.1	8.7	4.2	4.2	2.2	3.9	2.1
Non Bank	3.3	4.2	5.5	4.1	3.4	4.1	2.1
Bank	1.8	4.6	-1.3	0.1	-1.2	-0.2	0.0

Source: Central Bank of Sri Lanka

(a) Adjusted for Rs. 3,478 million increase of arrears in expenditure in 1989 and Rs. 3,478 million decrease of arrears in expenditure in 1990.

### TRENDS IN FISCAL MAGNITUDES



duty collection by 11 per cent, turnover taxes on imports at Rs. 10,511 million in 1991 registered only a moderate growth of 8 per cent.

Excise taxes at Rs. 10,597 million recording a substantial growth of 30 per cent accounted for a third of tax revenue from domestic goods and services. Taxes on liquor generating Rs. 3,126 million in 1991 remained buoyant due to the increase in the specific levy on liquor by Rs. 5/- per bottle at the end of 1990 and a further increase of Rs. 5/- per bottle in mid-1991. Meanwhile, the excise revenue from tobacco at Rs. 6,884 million in 1991 also recorded a higher increase of 26 per cent due to upward revisions made in the excise duty on cigarettes by Rs.0.15 per cigarette in mid-1991 and a further increase of Rs. 0.10 per cigarette in November, 1991. The revenue collection from new excise taxes at Rs. 587 million in 1991 reflected the full year revenue impact of the Excise (Special Provisions) Act introduced in November, 1990 which permits the imposition of excise levies on imported and domestically manufactured articles.

International trade oriented taxes raised a sum of Rs. 19,754 million in 1991 recording a marginal growth of 2 per cent over the previous year. Although the value of imports increased by 18 per cent during the year under review, import duties totalling Rs. 18,617 million registered a lower growth of 11 per cent. Accordingly, the average duty rate declined from 15.6 per cent in 1990 to 14.7 per cent in 1991. The reduction in nominal tariffs to a maximum of 50 per cent except for a few selected items in November, 1990 and the introduction of a four-band tariff structure in November, 1991 are contributory factors for the moderate performance in external trade oriented taxes.

Revenue from export taxes totalling Rs. 1,137 million in 1991 registered a sharp decline of 55 per cent mainly due to unfavourable commodity prices and a reduction in export taxes. Revenue from export taxes on tea at Rs. 492 million in 1991 marked a decrease of nearly 70 per cent. The downward revisions made in both specific duty and ad-valorem tax on tea coupled with depressed prices prevailing during the year contributed to an erosion of the tax base. Meanwhile, revenue from rubber exports also declined by 36 per cent to Rs. 476 million in 1991 mainly due to unfavourable developments in both production and prices. Furthermore, the export duty on rubber was also reduced to 30 per cent in October, 1991. Revenue from coconut taxes at Rs. 125 million in 1991 registered a 17 per cent drop over the previous year due to a reduction in tax rates and also the volume of export.

Income taxes generated Rs. 9,722 million in 1991 recording an increase of 33 per cent over the previous year. The personal income tax collection at Rs. 3,539 million registered an increase of 20 per cent while corporate income taxes at Rs. 6,183 million recorded a growth of 41 per cent. The cessation of existing tax holidays for exporters, restriction of the application of the low rate of company taxes for quoted public companies and improvement in tax administration were instrumental in raising revenue from income taxes. Despite the reduction in stamp duty on Letters of Credit by half a percentage point to 2.5 per cent, the revenue collection from stamp duties and property transfer taxes at Rs. 3,541 million recorded an increase of 13 per cent. This was partly due to a better collection from wealth taxes and partly to the application of stamp duties on the full value of Letters of Credit. A statistical summary of Government revenue is given in Table 1.50.

**TABLE 1.50**  
**Summary of Revenue by Components**

Rs. Million

Item	1987	1988	1989	1990	1991 Approved Estimate	1991 Provi- sional	1992 Approved Estimate
<b>Tax Revenue</b>	<b>35,119</b>	<b>35,946</b>	<b>47,513</b>	<b>61,206</b>	<b>64,899</b>	<b>68,157</b>	<b>76,575</b>
Income Taxes	4,909	4,647	5,148	7,337	7,840	9,722	9,500
Personal	1,580	1,464	2,207	2,957	3,190	3,539	3,650
Corporate	3,329	3,183	2,941	4,380	4,650	6,183	5,850
Taxes on Property	1,568	1,777	2,697	3,140	2,937	3,541	2,975
Tax on Treasury bills held by Central Bank	0	0	2,345	2,618	2,500	3,033	2,430
Taxes on Domestic Goods and Services	15,667	17,021	20,828	28,770	32,272	32,107	38,190
General Sales and Turnover Tax	10,611	12,321	14,658	20,291	22,180	21,430	26,170
Manufacturing	3,675	3,610	4,496	6,798	7,450	7,945	10,390
Non-manufacturing	2,426	3,386	3,004	3,726	3,340	2,974	3,280
Imports	4,510	5,325	7,158	9,767	11,390	10,511	12,500
Excise Tax	4,716	4,420	5,812	8,170	10,060	10,597	12,000
Liquor	1,644	1,754	1,955	2,657	3,010	3,126	3,450
Tobacco	3,071	2,665	3,855	5,461	6,550	6,884	7,900
Other	1	1	2	52	500	587	650
Licence Fees	340	280	358	309	32	80	20
Taxes on International Trade	12,975	12,501	16,495	19,341	19,350	19,754	23,480
Imports (a)	11,051	10,671	14,923	16,792	17,500	18,617	21,800
Exports	1,924	1,830	1,572	2,549	1,850	1,137	1,680
Tea	1,152	872	628	1,601	875	492	880
of which: ad-valorem	262	264	355	1311	600	298	700
Rubber	530	842	766	747	750	476	700
Coconut	148	67	126	151	150	125	50
Other Exports	94	49	52	50	75	44	50
<b>Non Tax Revenue</b>	<b>7,026</b>	<b>5,803</b>	<b>6,466</b>	<b>6,758</b>	<b>5,770</b>	<b>8,022</b>	<b>8,425</b>
Property Income	4,541	4,080	4,387	4,192	3,241	5,964	5,670
of which: Central Bank Profits	1,723	1,650	2,000	500	250	500	650
Interest Income	1,404	1,451	1,198	1,143	951	2617	2,566
Surplus of Trading Enterprises	1,229	850	1,041	2,235	1,800	2,612	2,200
Fees and charges	334	412	627	835	853	917	895
Other Non Tax Revenue	2,151	1,311	1452	1,731	1,676	1,141	1,860
<b>Total</b>	<b>42,145</b>	<b>41,749</b>	<b>53,979</b>	<b>67,964</b>	<b>70,669</b>	<b>76,179</b>	<b>85,000</b>

(a) Net of import duty rebates

(Contd.)

**TABLE 1.50 (Contd.)**  
**Summary of Revenue by Components**  
**(as a percentage of GDP)**

Item	1987	1988	1989	1990	1991 Approved Estimate	1991 Provi- sional	1992 Approved Estimate
<b>Tax Revenue</b>	17.9	16.2	18.9	19.1	17.7	18.2	17.3
Income Taxes	2.5	2.1	2.0	2.3	2.1	2.6	2.1
Personal	0.8	0.7	0.9	0.9	0.9	0.9	0.8
Corporate	1.7	1.4	1.2	1.4	1.3	1.6	1.3
Taxes on Property	0.8	0.8	1.1	1.0	0.8	0.9	0.7
Tax on Treasury bills held by Central Bank	0.0	0.0	0.9	0.8	0.7	0.8	0.5
Taxes on Domestic Goods and Services	8.0	7.7	8.3	9.0	8.8	8.6	8.6
General Sales and Turnover Tax	5.4	5.6	5.8	6.3	6.0	5.7	5.9
Manufacturing	1.9	1.6	1.8	2.1	2.0	2.1	2.3
Non-manufacturing	1.2	1.5	1.2	1.2	0.9	0.8	0.7
Imports	2.3	2.4	2.8	3.0	3.1	2.8	2.8
Excise Tax	2.4	2.0	2.3	2.5	2.7	2.8	2.7
Liquor	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Tobacco	1.6	1.2	1.5	1.7	1.8	1.8	1.8
Other	-	-	-	-	0.1	0.1	0.1
Licence Fees	0.2	0.1	0.1	0.1	0.0	0.0	0.0
Taxes on International Trade	6.6	5.6	6.5	6.0	5.3	5.3	5.3
Imports	5.6	4.8	5.9	5.2	4.8	5.0	4.9
Exports	1.0	0.8	0.6	0.8	0.5	0.3	0.4
Tea	0.6	0.4	0.2	0.5	0.2	0.1	0.2
of which: ad-valorem	0.1	0.1	0.1	0.4	0.2	0.1	0.2
Rubber	0.3	0.4	0.3	0.2	0.2	0.1	0.2
Coconut	0.1	0.0	0.1	0.0	0.0	0.0	0.0
Other Exports	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Non Tax Revenue</b>	3.6	2.6	2.6	2.1	1.6	2.1	1.9
Property Income	2.3	1.8	1.7	1.3	0.9	1.6	1.3
of which: Central Bank Profits	0.9	0.7	0.8	0.2	0.1	0.1	0.1
Interest Income	0.7	0.7	0.5	0.4	0.3	0.7	0.6
Surplus of Trading Enterprises	0.6	0.4	0.4	0.7	0.5	0.7	0.5
Fees and charges	0.2	0.2	0.2	0.3	0.2	0.2	0.2
Other Non Tax Revenue	1.1	0.6	0.6	0.5	0.5	0.3	0.4
<b>Total</b>	<b>21.4</b>	<b>18.8</b>	<b>21.4</b>	<b>21.2</b>	<b>19.3</b>	<b>20.3</b>	<b>19.2</b>

Source: Central Bank of Sri Lanka.

## FOREIGN GRANTS

Total foreign grants utilised for budgetary operations in 1991 was Rs. 7,870 million as compared to Rs. 6,697 million in the previous year. Accordingly, total foreign grants in relation to GDP, remained at 2.1 per cent in 1991 as in 1990. Total project grants at Rs. 5,191 million was 11 per cent lower than the project grants utilised in the previous year. However, receipts of commodity and food-aid grants totalling Rs. 2,679 million registered a more than two-fold increase over 1990. The Governments of Japan and the U.S.A. continued to be the largest donors in providing outright grants to Sri Lanka.

## CURRENT EXPENDITURE

The current expenditure at Rs. 83,756 million reflecting an increase of 17 per cent accounted for 70 per cent of the total expenditure in 1991. Current outlays on the purchase of goods and services totalling Rs. 35,583 million witnessed a sharp rise of 18 per cent. Accordingly, these expenditures accounted for 42 per cent of current expenditure as in 1990. Despite an increase in current transfers by 25 per cent to Rs. 26,100 million, the share of such transfer payments in total current expenditure rose to 31 per cent from 29 per cent in the previous year. Meanwhile, interest payments on Government debt at Rs. 22,073 million recording a moderate growth of 7 per cent accounted for 26 per cent of current expenditure, as against 29 per cent in 1990.

The expenditure on goods and services in 1991 consisted of Rs. 17,985 million on account of salaries and wages and Rs. 17,598 million for other goods and services. Despite the retirement of nearly 40,000 government employees under the retrenchment scheme of 1990, the total expenditure on salaries and wages still recorded a rise of 14 per cent owing to the increase in the cost of living allowance by Rs. 200 - Rs. 300 per month per employee and an expansion in armed services during the year. Hence, the share of salaries and wages continued to account for a fifth of total current expenditure as in the previous years. Although stringent measures were continued to restrain expenditure particularly on other goods and services which include travelling expenses, supplies, purchase of materials, electricity and communication charges, the overall expenses on other goods and services registered a sharp increase of 22 per cent in 1991 owing to enhanced expenditure on defence related goods and services.

In 1991, current transfers aggregating Rs. 26,100 million accelerated its growth to 25 per cent in 1991 from 23 per cent recorded in 1990. The decline in current transfers to public corporations and expenditure on welfare programmes excluding those on refugees were conducive to moderating the trend in transfer payments. Transfers to public corporations inclusive of operational losses of the Sri Lanka Railways and the Postal Department declined to Rs. 2,009 million, a reduction of 24 per cent over the previous year. Similarly, welfare expenditure consisting of Food Stamps, Kerosene Stamps, Mid-day Meal and the Janasaviya Programme totalling Rs. 7,808 million recorded a reduction of 7 per cent due to better targeting of these Programmes. However, the expenditure on other household transfers which included Rs. 2,600 million on account of refugee expenses, rose to Rs. 4,907 million in 1991 registering a sharp increase of 80 per cent.

The expenditure on pension inclusive of, once and for all retrenchment gratuity payments in 1991 totalled Rs. 8,832 million - almost double the commitments in 1990. This phenomenal rise was largely attributed to the increase in the number of pensioners



by about 40,000 in 1991 who were also paid generous gratuity payments under the government retrenchment scheme of 1990.

Interest payments on government debt totalling Rs. 22,073 million marked a moderate increase of 7 per cent as compared to a 44 per cent rise in the previous year. While interest payments on foreign debt increased by 12 per cent, such payments on domestic debt grew only by 6 per cent. Total interest payments of Rs.10,410 million on Treasury bills which formed 48 per cent of total domestic debt recorded an increase of 9 per cent while those on rupee loans at Rs. 7,695 million registered a rise of 12 per cent owing to higher interest rates and an enhanced volume of outstanding short term domestic debt in 1991.

On a functional basis, nearly 40 per cent of the total current expenditure was allocated for social services including education and health. Total expenditure on these services at Rs. 31,594 million in 1991 recorded a substantial rise of 29 per cent due to increased costs of pension and gratuity payments. While expenditure on education and health declined marginally from 3.8 per cent of GDP in 1990 to 3.2 per cent of GDP in 1991, other welfare expenditure which included the Janasaviya, Food Stamp scheme, refugee expenses etc. rose from 2.3 per cent of GDP to 2.8 per cent of GDP. Meanwhile, the total cost of pension as a ratio of GDP increased from 1.4 per cent in 1990 to 2.4 per cent in 1991.

Current expenditure on general public services which include defence, public order and safety at Rs. 19,811 million registering an increase of 10 per cent accounted for about a fourth of the total current outlays in 1991. Meanwhile, total current expenditure on defence and national security at Rs. 14,199 million moderated its increase to 25 per cent in 1991 from the marked rise of 55 per cent in the previous year. Accordingly, these expenditures in relation to GDP rose from 3.5 per cent to 3.8 per cent. Current expenditure channelled for economic services for the provision of general extension services and maintenance also rose from 1.6 per cent of GDP in 1990 to 1.9 per cent of GDP in 1991.

### **CAPITAL EXPENDITURE & NET LENDING**

Total capital expenditure and net lending in 1991 amounted to Rs. 35,771 million. This reflected an increase of 28 per cent in comparison to a growth of 11 per cent in the previous year. However, the public investment proper rose only moderately from Rs. 26,748 million (8.3 per cent of GDP) in 1990 to Rs.32,590 million (8.7 per cent of GDP) in 1991. Capital expenditure directly incurred by Ministries and Departments for the construction and maintenance of fixed assets totalled Rs. 14,888 million recording an increase of 28 per cent as against a decline of 11 per cent witnessed in the previous year. Moreover, capital transfers provided for the statutory boards and corporations engaged in the implementation of the Public Investment Programme (PIP) amounting to Rs. 9,830 million registered an increase of 50 per cent as against a decline of 4 per cent in 1990. Of the total capital transfers, a sum of Rs. 7,110 million was utilised in major public investment projects undertaken by the Road Development Authority (RDA), the National Water Supply and Drainage Board (NWSDB), the Mahaweli Development Authority (MDA) and the Sri Lanka Telecom.

In line with the objectives of the public investment programme, the Government also provided a sum of Rs. 6,622 million by way of on-lending to commercial public enterprises, of which nearly 60 per cent was allocated to the Ceylon Electricity Board (CEB) for ongoing development work on the Samanalawewa and Rantambe power projects.

**TABLE 1.51**  
**Economic Classification of Expenditure and**  
**Lending Minus Repayments**

Item	Rs. Million						
	1987	1988	1989	1990	1991 Approved Estimates	1991 Provi- sional	1992 Approved Estimates
<b>Current Expenditure</b>	39,560	46,132	56,884	71,770	72,962	83,756	84,327
Expenditure on Goods and Services	18,467	20,654	25,508	30,167	31,782	35,583	36,324
Salaries and wages	8,006	10,016	14,446	15,748	19,330	17,985	19,437
Other Goods and Services	10,460	10,638	11,062	14,419	12,452	17,598	16,887
Interest Payments	10,157	12,590	14,352	20,668	22,189	22,073	26,139
Foreign	2,564	2,896	3,337	3,678	4,382	4,113	4,261
Domestic	7,593	9,694	11,015	16,990	17,807	17,960	21,878
Current Transfers and Subsidies	10,936	12,888	17,024	20,935	22,492	26,100	23,102
To Public Corporations	1,169	1,452	2,283	2,639	1,372	2,009	1,327
To Public Institutions	910	1,377	1,696	1,811	1,574	1,404	1,685
To Other Levels of Government	609	918	902	1,237	1,099	1,050	1,099
To households and other sectors	8,248	9,141	12,143	15,249	18,447	21,637	18,991
Food stamps, Food subsidy etc.	1,666	1,895	3,932	5,122	4,875	4,023	4,175
Jana Saviya	0	0	705	2,912	4,900	3,407	4,500
Pensions	3,242	4,128	4,735	4,490	6,333	8,832	6,878
Fertilizer Subsidy	511	600	796	0	0	0	0
Other	2,829	2,518	1,975	2,725	2,339	5,375	3,438
Provision for Under Expenditure	0	0	0	0	-3,500	0	-1,238
<b>Capital Expenditure</b>	22,816	22,878	20,750	19,161	28,118	25,968	34,475
Acquisition of Real Assets	10,983	12,004	13,069	11,664	16,459	14,888	18,243
Capital Transfers	11,833	10,874	7,681	7,497	14,659	11,080	17,559
To Public Corporations	3,552	3,503	1,499	1,249	4,366	2,882	6,885
To Other Levels of Government	8,005	6,962	5,354	5,296	8,904	6,948	8,823
To Abroad	77	65	29	109	301	300	1,186
Provision for Under Expenditure	0	0	0	0	-3,000	0	-1,327
<b>Lending Minus Repayments</b>	1,518	7,522	4,530	8,882	5,611	9,803	5,208
of which; Advance Accounts	-1,180	2,732	-993	1,699	250	1,819	250
<b>Total Expenditure and net Lending</b>	<b>63,894</b>	<b>76,532</b>	<b>82,164</b>	<b>99,814</b>	<b>106,691</b>	<b>119,527</b>	<b>124,010</b>

(Contd.)

**TABLE 1.51 (Contd.)**  
**Economic Classification of Expenditure and**  
**Lending Minus Repayments**  
**(as a percentage of GDP)**

Item	1987	1988	1989	1990	1991 Approved Estimates	1991 Provi- sional	1992 Approved Estimates
<b>Current Expenditure</b>	20.11	20.78	22.6	22.4	19.9	22.3	19.0
Expenditure on Goods and Services	9.39	9.30	10.1	9.4	8.7	9.5	8.2
Salaries and wages	4.07	4.51	5.7	4.9	5.3	4.8	4.4
Other Goods and Services	5.32	4.79	4.4	4.5	3.4	4.7	3.8
Interest Payments	5.16	5.67	5.7	6.4	6.0	5.9	5.9
Foreign	1.30	1.30	1.3	1.1	1.2	1.1	1.0
Domestic	3.86	4.37	4.4	5.3	4.9	4.8	4.9
Current Transfers and Subsidies	5.56	5.81	6.8	6.5	6.1	7.0	5.2
To Public Corporations	0.59	0.65	0.9	0.8	0.4	0.5	0.3
To Other Levels of Government	0.31	0.41	0.4	0.4	0.3	0.3	0.2
To households and other sectors	4.19	4.12	4.8	4.7	5.0	5.8	4.3
Food stamps,							
Food subsidy etc.	0.85	0.85	1.6	1.6	1.3	1.1	0.9
Jana Saviya	0.0	0.0	0.3	0.9	1.3	0.9	1.0
Pensions	1.65	1.86	1.9	1.4	1.7	2.4	1.6
Fertilizer Subsidy	0.3	0.3	0.3	0.0	0.0	0.0	0.0
Other	1.44	1.13	0.8	0.8	0.6	1.4	0.8
Provision for Under Expenditure	0.00	0.00	0.0	0.0	-1.0	0.0	-0.3
<b>Capital Expenditure</b>	11.60	10.31	8.2	6.0	7.7	6.9	7.8
Acquisition of Real Assets	5.58	5.41	5.2	3.6	4.5	4.0	4.1
Capital Transfers	6.02	4.90	3.0	2.3	4.0	2.9	4.0
To Public Corporations	1.81	1.58	0.6	0.4	1.2	0.8	1.6
To Other Levels of Government	0.10	0.16	0.3	0.3	0.3	0.3	0.2
Other	0.04	0.03	0.0	0.0	0.1	0.1	0.3
Provision for Under Expenditure	0.00	0.00	0.0	0.0	-0.8	0.0	-0.3
<b>Lending Minus Repayments</b>	0.77	3.39	1.8	2.8	1.5	2.6	1.2
<b>Total Expenditure and net Lending</b>	32.48	34.48	32.6	31.1	29.1	31.9	28.0

Source: Central Bank of Sri Lanka.

During 1991, the Government incurred Rs. 3,335 million for the implementation of the restructuring programme of the Sri Lanka Transport Board (SLTB) under which a substantial portion of its operations was brought under peopled companies. The restructuring cost also covered expenses in connection with the settlement of provident fund balances of Rs. 1,500 million and retrenchment of about 12,500 employees of the SLTB. Meanwhile, under the ongoing peopling programme, the Government was able to divest the ownership of a number of public enterprises such as the Ceylon Leather Corporation, Lanka Oxygen, Hunas Falls Hotel Limited, Lanka-Loha Hardware Limited, Pugoda Textile Mills Limited etc. which generated Rs. 841 million. Hence, the net restructuring cost during 1991 resulted in a budgetary burden of Rs. 2,494 million.

Meanwhile, the advance account operations which generally constitutes a major drain on the budget resulted in a net out-payment of Rs. 1,819 million adding further pressure on expenditure in 1991. The Government also recovered a sum of Rs. 1,132 million from loans to various enterprises. Hence, the combined effect of these transactions resulted in a net lending to the tune of Rs. 9,803 million, an increase of 10 per cent over the previous year. An economic classification of government expenditure is given in table 1.51.

As in the previous years, a great bulk of the public investment in 1991 was also routed for the development and rehabilitation of infrastructure facilities. Thus, investment directed for the development of economic infrastructure facilities aggregating Rs. 26,314 million marked a substantial increase of 37 per cent. Accordingly, the public investment as a ratio of GDP rose to 7.0 per cent in 1991 from 6.0 per cent in 1990. Moreover, nearly two-thirds of such investment was channelled for the development of the energy, water supply and transport and communication sub-sectors. Meanwhile, capital expenditure provided for social services at Rs. 2,964 million remained more or less at the previous year's level. Hence, as a proportion of GDP such investment declined marginally to 0.8 per cent in 1991 from 0.9 per cent in the previous year. The public expenditure in general administration and other services also dipped to a level of 1.0 per cent of GDP from 1.4 per cent in 1990. A statistical summary of the functional classification of Government expenditure is presented in table 1.52.

## **FINANCING OF THE BUDGET DEFICIT**

The budget deficit (after grants) in 1991 totalling Rs. 35,478 million marked a sharp increase of 41 per cent over the deficit of Rs. 25,969 million in the previous year. In financing this deficit, the Government utilised a sum of Rs. 25,327 million through concessionary foreign loans, of which a sum of Rs. 12,816 million was on account of programme loans earmarked to support the ongoing structural adjustment programme. However, net foreign borrowings for budgetary purposes during the year totalled Rs. 19,329 million as repayments on foreign debt amounted to Rs. 4,881 million. Net foreign borrowings mobilised in the previous year amounted to Rs. 11,644 million.

Domestic gross borrowings inclusive of Rs. 1,667 million on account of administrative borrowings for budgetary purposes in 1991 totalled to Rs. 33,390 million. In raising resources from domestic sources, the Government mobilised a gross amount of Rs. 26,004 million from non-bank sources through floatation of Rupee Securities, and a further sum of Rs. 2,218 million through the issue of Treasury bills during the year. A noteworthy feature of the Rupee Loan Programme in 1991 was the issue of short term (one year maturity) securities to the tune of Rs. 4,000 million - a departure from the

**TABLE 1.52**  
**Functional Classification of Expenditure**

Rs.Million

Item	1987	1988	1989	1990	1991 Approved Estimates	1991 Provi- sional	1992 Approved Estimates
<b>Current Expenditure</b>							
General Public Services	11,113	13,424	14,090	17,943	17,138	19,811	21,251
Civil Administration	2,943	6,145	6,781	6,622	6,731	5,612	7,399
Defence	6,001	4,732	4,073	6,736	6,884	10,317	10,148
Public Order and Safety	2,169	2,547	3,236	4,585	3,523	3,882	3,704
Social Services	12,927	15,592	19,976	24,449	30,270	31,594	31,047
Education	4,279	5,371	6,612	8,529	8,620	7,951	8,888
Health	2,401	2,427	3,381	3,685	4,458	4,110	4,215
Welfare	6,098	7,607	9,750	11,973	16,901	19,266	16,790
Housing	13	15	17	0	0	0	0
Community Services	136	173	216	262	292	267	1,154
Economic Services	3,147	4,189	4,579	5,138	3,500	7,274	3,920
Agriculture & Irrigation	1,090	1,412	976	982	962	912	961
Fisheries	40	40	47	46	54	98	49
Manufacturing and Mining	141	197	408	181	240	231	434
Energy and Water Supply	73	83	416	345	279	658	204
Transport & Communication	1,200	1,613	1,138	2,600	1,100	4,643	1,227
Trade & Commerce	271	313	950	159	149	153	338
Other	333	532	645	824	716	579	708
Other	12,373	12,927	18,240	24,241	22,054	25,077	28,110
of which; Interest	10,157	12,590	14,352	20,668	22,189	22,073	26,139
<b>Total Current Expenditure</b>	<b>39,560</b>	<b>46,132</b>	<b>56,884</b>	<b>71,770</b>	<b>72,962</b>	<b>83,756</b>	<b>84,327</b>
<b>Capital Expenditure and Lending</b>							
General Public Services	1,676	2,772	2,503	3,617	2,735	2,422	3,090
Civil Administration	870	2,133	2,002	1,599	2,010	1,680	2,362
Public Order and Safety	806	639	501	2,018	725	742	728
Social Services	2,937	3,198	3,667	3,019	5,441	2,964	5,774
Education	907	1,014	1,529	1,042	2,272	1,177	3,163
Health	979	1,504	1,258	1,279	2,386	1,119	1,429
Welfare	53	13	10	25	21	15	43
Housing	505	579	787	513	460	535	993
Community Services	493	88	83	160	302	117	147
Economic Services	21,085	21,591	19,653	19,160	28,389	26,314	30,374
Agriculture & Irrigation	8,122	6,526	5,234	5,215	7,337	6,063	9,175
of which; Mahaweli Project	5,101	3,430	2,475	1,810	3,178	2,410	2,712
Fisheries	294	140	283	133	269	147	159
Manufacturing and mining	1,162	330	471	120	211	171	177
Energy and Water Supply	3,261	5,461	4,719	6,500	7,569	6,266	7,239
Transport & Communication	5,633	6,264	6,666	4,312	8,668	10,810	10,620
Trade & Commerce	309	120	50	205	235	218	406
Other	2,306	2,751	2,230	2,674	4,101	2,638	2,598
Other	277	410	828	952	-1,611	1,250	524
<b>Total Capital Expenditure and Lending</b>	<b>25,975</b>	<b>27,971</b>	<b>26,651</b>	<b>26,748</b>	<b>34,954</b>	<b>32,951</b>	<b>39,762</b>

Source: Central Bank of Sri Lanka.

traditional practice of floating only medium and long term Rupee securities. However, in mobilising these resources from non-bank sources the Government continued to rely almost exclusively on traditional captive sources such as the Employees Provident Fund (EPF), the National Savings Bank (NSB) and the Employees Trust Fund (ETF).

Although borrowings made through Central Bank Provisional Advances and the net sale of Treasury bills to the banking system resulted in a gross borrowing of Rs. 3,464 million from the banking system, the overall budgetary operation ended up with a net cash balance of Rs. 876 million due to a build-up of deposit balances in the banking system by Rs. 4,340 million at the end of the year. However, this net cash build-up fell short by Rs. 3,624 million from the original target of Rs.4,500 million envisaged in the 1991 budget. Accordingly, the contractionary effect of budgetary operations in 1991 was well below the original expectations.

## **GOVERNMENT DEBT**

Total Government debt of Rs. 366,697 million as at end of 1991 registered an increase of 18 per cent over the debt stock of Rs.310,779 million at the end of 1990. The domestic debt at Rs. 152,118 million accounting for 41 per cent of the total debt recorded an increase of 14 per cent. Moreover, short term (maturity within one year) domestic debt at Rs. 84,503 million registering an equally high growth sustained the share of such debt at 56 per cent. Meanwhile, the outstanding domestic debt held by the non-bank sector at Rs. 99,132 million showed a growth of 18 per cent while the debt held by the banking sector totalling Rs. 52,146 million also recorded a moderate increase of 8 per cent. Accordingly, the share of debt held by the banking sector declined marginally to 34 per cent in 1991 from 36 per cent in 1990. Meanwhile, the outstanding liability on account of foreign debt at Rs. 214,579 million, of which nearly 80 per cent was in the form of project loans, marked an increase of 21 per cent, from Rs. 176,883 recorded in the previous year. A statistical summary of government debt is given in Table 1.53.

### **Domestic Debt**

Total domestic debt of Rs. 152,118 million in 1991 registered an increase of 14 per cent over the previous year's outstanding debt of Rs. 133,896 million. The debt held by the banking system amounted to Rs. 52,146 million at the end of the year as compared to Rs. 48,254 million an year ago. Moreover, the debt held by the Central Bank at Rs. 42,487 million recorded a growth of 15 per cent mainly due to an increase in the outstanding liability on account of Treasury bills from Rs. 30,654 million in 1990 to Rs. 35,032 million at the end of 1991. In contrast, the liabilities against commercial banks declined by 14 per cent to Rs. 9,659 million in 1991 due to reduced liabilities by way of both Treasury bills and Rupee securities.

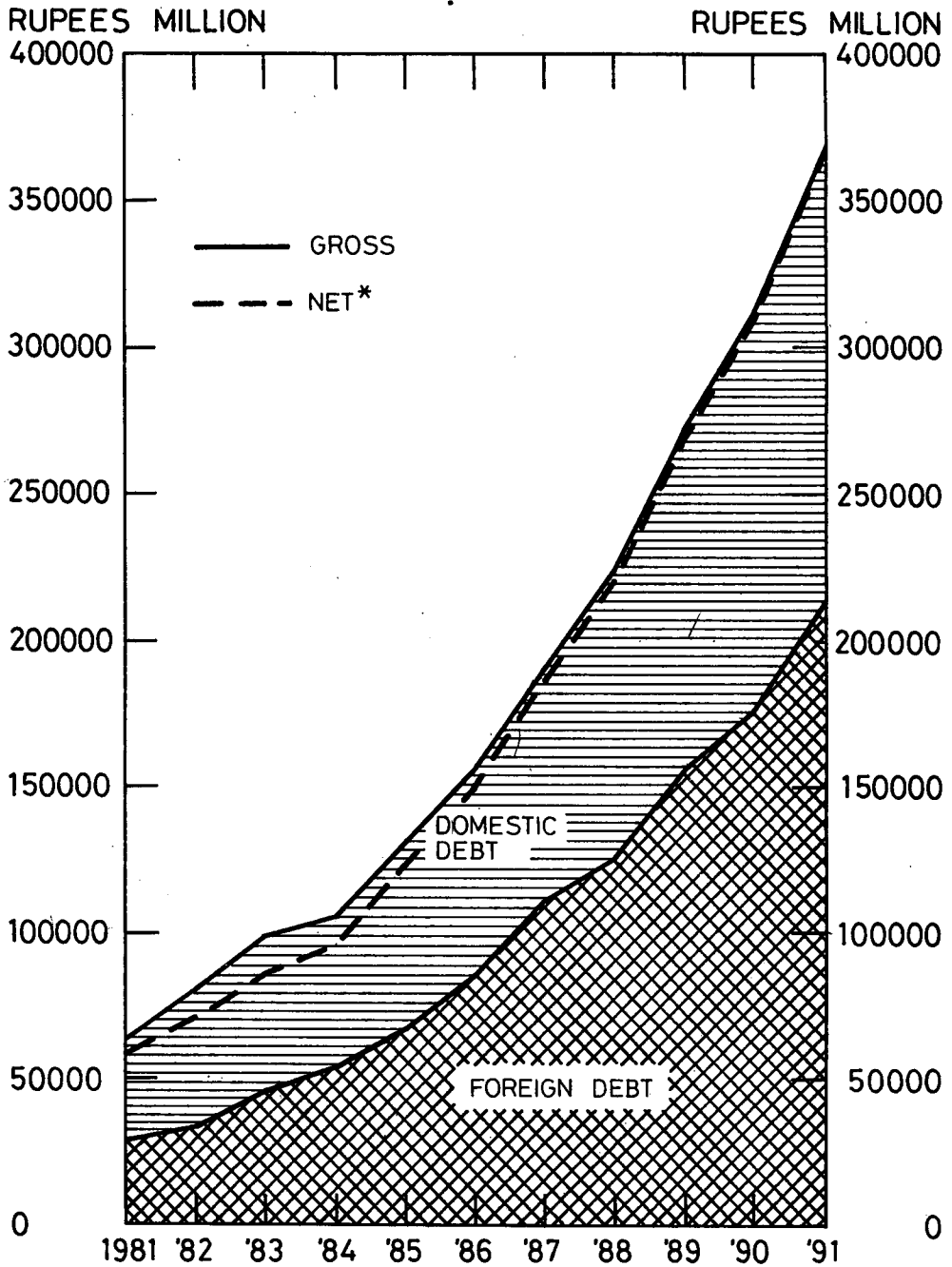
At the end of 1991, total short term debt amounted to Rs.84,503 million registering an increase of 14 per cent over 1990. As in the previous year, short term debt accounted for 56 per cent of the domestic debt. The outstanding Treasury bills liability which formed nearly 90 per cent of short term debt amounted to Rs. 72,968 million. However, its share in the total short term debt fell from 91 per cent in the previous year to 86 per cent in 1991 due to the issue of Rupee securities of one year's duration in 1991. Meanwhile, medium and long term debt consisting of mainly Rupee securities rose by Rs. 8,202 million to Rs. 67,615 million accounting for approximately 44 per cent of total domestic debt as in 1990.

**TABLE 1.53**  
**Outstanding Central Government Debt 1987 - 1991 (end of period)**

	Rs. Million				
	1987	1988	1989	1990	1991
<b>Total Domestic Debt</b>	<b>78,999</b>	<b>98,598</b>	<b>117,562</b>	<b>133,898</b>	<b>152,118</b>
Short-Term	33,850	48,626	63,146	74,378	84,503
Treasury Bills	29,850	43,700	57,246	67,968	72,968
Rupee Securities	0	0	0	0	4,000
Other	4,000	4,926	5,900	6,408	7,535
Medium and Long-Term	45,149	49,970	54,417	59,419	67,615
Rupee Securities	44,958	49,797	54,217	54,677	62,824
National Defence Bonds	0	0	0	4,532	4,532
Other	191	173	200	204	259
By Debt Instruments					
Rupee Securities	44,958	49,797	54,217	54,677	62,824
Treasury Bills	29,850	43,700	57,246	67,968	72,968
National Defence Bonds	0	0	0	4,532	4,532
Treasury Certificates of Deposits	0	0	0	109	153
Others	4,191	5,099	6,100	6,611	7,641
By Institutions					
Banks	30,535	42,347	46,874	48,254	52,146
Central Bank					
By Debt Instruments	26,324	38,228	40,025	37,080	42,487
Rupee Loans	36	32	27	18	11
Treasury Bills	22,288	33,270	34,098	30,654	35,032
Advances	4,000	4,926	5,900	6,408	7,444
Commercial Bank					
By Debt Instruments	4,211	4,120	6,849	11,175	9,659
Rupee Loans	845	594	588	566	414
Treasury Bills	3,365	3,525	6,262	10,604	9,239
National Defence Bonds	0	0	0	5	5
Other	1	1	1	1	1
By Institutions	4,211	4,120	6,849	11,175	9,659
Bank of Ceylon	788	1,030	1,707	6,841	6,791
People's Bank	2,871	1,894	3,265	2,082	2,182
Other	552	1,196	1,877	2,272	686
Sinking Fund	4,475	2,832	2,289	1,682	840
Rupee Loans	4,475	2,832	2,289	1,682	840
Treasury Bills	0	0	0	0	0
Other	0	0	0	0	0
Non-Bank Sector					
By Debt Instruments	43,989	53,416	68,399	83,981	99,132
Rupee Loans	39,802	46,339	51,335	52,433	65,559
Treasury Bills	4,197	6,906	16,685	26,710	28,697
National Defence Bonds	0	0	0	4,527	4,527
Treasury Certificates of Deposits	0	0	0	109	153
Other	190	172	199	202	196
By Institutions	43,989	53,416	68,399	83,981	99,132
National Savings Bank	16,113	17,952	18,960	24,190	26,659
Savings Institutions & Individuals	2,528	6,081	15,175	20,980	23,629
Employees' Provident Fund	21,190	25,816	31,648	36,851	45,882
Insurance & Finance Companies	3,874	3,289	2,387	1,742	2,758
Other	284	278	229	238	224
Departmental & Official Funds	103	115	39	44	34
Foreign Administrative Borrowings	181	163	190	195	190
Total Foreign Debt	112,441	125,657	156,298	176,883	214,579
By Type					
Project Loans	73,356	85,745	113,120	132,338	166,149
Non-Project Loans	39,085	39,912	43,178	44,545	48,430
Commodity	32,894	35,886	41,117	43,393	46,057
Other	6,191	4,026	2,061	1,152	2,393
By Institutions					
Concessional Loans	101,300	115,288	146,144	166,202	202,555
Multilateral	31,453	36,409	48,688	59,526	78,084
Bilateral	69,847	78,879	97,446	106,677	124,471
Commercial Loans	11,141	10,369	10,154	10,680	12,024
External Supplier's Credit	525	340	333	107	1,260
<b>Total Outstanding Govt. Debt</b>	<b>191,440</b>	<b>224,253</b>	<b>273,860</b>	<b>310,779</b>	<b>366,697</b>
<b>Total Outstanding Govt. Debt Net of Sinking Fund</b>	<b>186,262</b>	<b>220,059</b>	<b>270,609</b>	<b>308,412</b>	<b>365,857</b>

Source: Central Bank of Sri Lanka.

### COMPOSITION OF GOVERNMENT DEBT

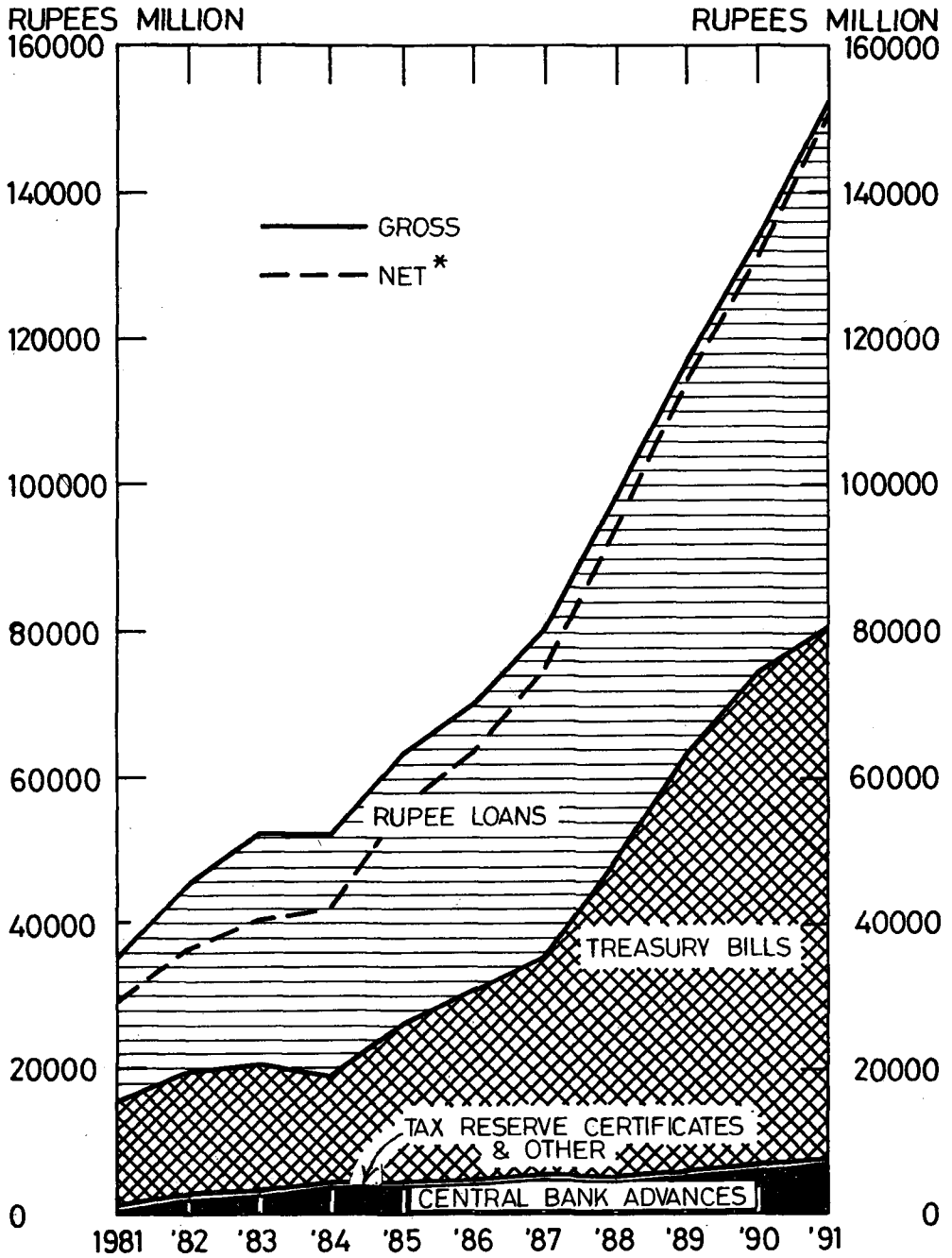


\* Gross Government debt less sinking funds.

Central Bank of Sri Lanka.



## COMPOSITION OF DOMESTIC DEBT



\* Gross domestic debt less sinking funds.

Central Bank of Sri Lanka.

The outstanding liabilities on Rupee securities at Rs.66,824 million in 1991 registered a growth of 22 per cent over the previous year. A notable feature of the Rupee Loan Programme of 1991 was the issue of short term Rupee Securities of one year's duration to meet the varying needs of investors. Gross borrowings through the floatation of Rupee securities during the year under review totalled Rs. 26,004 million with the Employee's Provident Fund (EPF) and the National Savings Bank (NSB) - the two principal captive sources-subscribing Rs. 13,363 million and Rs. 9,794 million, respectively. A further subscription of Rs. 1,500 million was made by the Sri Lanka Transport Board (SLTB) in restoring its employee's provident fund balances under the restructuring programme. The contributions made to the Rupee Loan Programme by other provident funds and insurance institutions during the year amounted to Rs. 413 million. Meanwhile, repayments on account of Rupee loans during the year under review totalled Rs. 13,857 million, of which Rs. 956 million was met out of Sinking Fund balances.

Government debt on account of Treasury bills rose from Rs. 67,968 million in 1990 to Rs. 72,968 million in 1991 reflecting a new issue of Treasury bills to the tune of Rs. 5,000 million during the year. Meanwhile, Treasury bill holdings of the banking sector increased by 7 per cent to Rs. 44,271 million while that of the non-bank sector also rose by a similar percentage point to Rs. 28,697 million. However, the increased holdings of Treasury bills by the banking sector was almost entirely borne by the Central Bank with the outstanding liability on account of Treasury bills rising from Rs. 30,654 million in 1990 to Rs. 35,032 million in 1991.

Government borrowings through the Central Bank's Provisional Advances in 1991 amounted to Rs. 1,036 million registering a more than two-fold increase over the previous year. Hence, the outstanding liability of this account rose from Rs. 6,408 million in 1990 to Rs. 7,444 million as at end of 1991.

### **Foreign Debt**

The outstanding liability on foreign debt at the end of the year totalled Rs. 214,579 million - an increase of 21 per cent over the sum of Rs. 176,883 million recorded at the end of the previous year. This was the combined result of net foreign borrowings of Rs. 21,088 million and an increased liability of Rs. 16,608 million on account of exchange rate variations. Foreign debt consisted of Rs. 202,555 million of concessional loans (94 per cent of the total) and Rs. 12,024 million of commercial loans. Bilateral loans at Rs. 124,471 million constituted 61 per cent of concessional loans, while multilateral loans at Rs. 78,084 million comprised the remaining 39 per cent.

The liability on account of Project loans rose by Rs.33,811 million to Rs. 166,149 million at the end of 1991 reflecting a net foreign borrowing of Rs. 20,985 million and an additional liability of Rs. 12,826 million on account of exchange rate variations. Gross foreign borrowings in the form of non-project loans during the year under review totalled Rs. 1,950 million while repayments on account of these loans amounted to Rs. 1,844 million. However, the total debt outstanding of these loans grew by Rs. 3,885 million due to an additional liability of Rs. 3,779 on account of exchange rate variations. The effect of exchange rate variation on foreign debt is given in Table 1.54.

**TABLE 1.54**  
**Effect of Exchange Rate Variation on Foreign Loans 1987 - 1991 (a)**

Item	Rs. Million				
	1987	1988	1989	1990	1991 Provi- sional
1. Gross receipts	10,088.2	12,975.3	12,002.8	16,549.6	25,969.1
2. Repayments	4,669.9	5,197.2	5,675.4	4,845.7	4,881.0
3. Net Receipts	5,418.3	7,778.1	6,327.4	12,098.9	21,088.0
4. Change in liability due to Exchange rate variations	18,718.5	5,438.0	23,258.8	8,486.3	16,608.0
5. Liability as at end of period	112,440.8	125,656.9	156,297.5	176,882.7	214,578.5

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

Source: Central Bank of Sri Lanka.

### GOVERNMENT DEBT SERVICE PAYMENTS

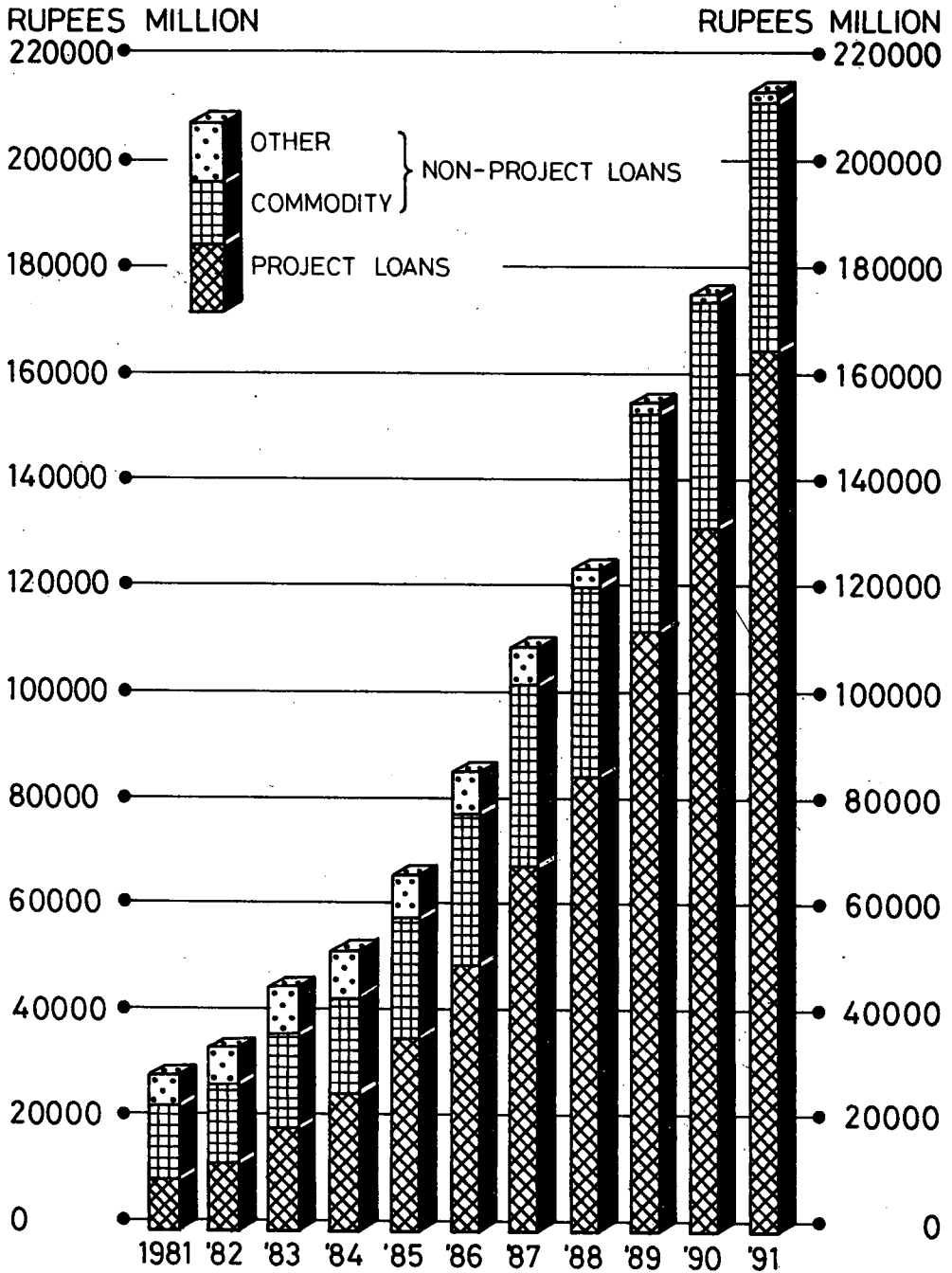
Total amortisation and interest payments on Government debt in 1991 at Rs. 39,855 million registered a growth of 21 per cent as compared to an increase of 38 per cent in 1990. Accordingly, debt service payments as a proportion of GDP rose marginally from 10.2 per cent in 1990 to 10.6 per cent in 1991. Total debt service payments on foreign debt at Rs. 8,994 million registered an increase of 5 per cent while such commitments on domestic debt at Rs. 30,861 million recorded a 27 per cent increase over the previous year. The rise in debt service payments on domestic debt was a result of an enhanced volume of domestic debt serviced at higher interest rates. A statistical summary of Government debt service payments is given in Table 1.55.

**TABLE 1.55**  
**Government Debt Service Payments - (1987 - 1991)**

Item	Rs. Million				
	1987	1988	1989	1990	1991 Provi- sional
Debt Service Payments	15,749	22,270	23,890	32,878	39,855
(i) Amortization	5,592	9,680	9,538	12,210	17,782
(a) Domestic (Medium & Long Term)	902	4,471	3,796	7,304	12,901
(b) Foreign	4,690	5,209	5,742	4,906	4,881
(ii) Interest Payments	10,157	12,590	14,352	20,668	22,073
(a) Domestic	7,593	9,694	11,015	16,990	17,960
Short Term	3,094	4,198	5,075	9,563	10,410
Medium & Long Term	4,499	5,496	5,940	7,427	7,550
(b) Foreign	2,564	2,896	3,337	3,678	4,113
Interest / Current Expenditure (%)	25.7	27.3	25.2	28.8	26.4
Debt Service / GDP (%)	8.0	10.0	9.5	10.2	10.6

Source: Central Bank of Sri Lanka.

### COMPOSITION OF FOREIGN DEBT



Central Bank of Sri Lanka.