

GOVERNMENT FINANCE

OVERALL TRENDS

Reflecting a major adjustment effort towards reducing persistently large fiscal deficit, the budgetary out-turn for 1992 marked a considerable improvement over 1991. Although the overall revenue effort was slightly weakened with a reduction in the revenue/GDP ratio from 20.4 per cent in 1991 to 20.3 per cent in 1992, a sharp fall in current expenditure from 22.5 per cent to 21.0 per cent of GDP was conducive for generating a lower current account deficit of 0.6 per cent of GDP in 1992 in comparison to 2.0 per cent in the previous year. Moreover, a reduction in public investment from 8.7 per cent of GDP in 1991 to 8.0 per cent in 1992, together with higher receipts from the privatisation programme, helped in containing the total expenditure/GDP ratio at 27.8 per cent in 1992 as against 32.1 per cent in the previous year. Accordingly, budgetary operations in 1992 resulted in a lower overall deficit of 7.4 per cent of GDP in comparison to 11.6 per cent in 1991 - a major contribution towards sustaining macro-economic stability.

A welcome feature in fiscal developments in 1992 was the further reduction in domestic borrowings by almost 1 percentage point to 3.7 per cent of GDP with such borrowings confined to non-bank sources. The lower domestic borrowing requirement also facilitated the Central Bank in reducing its holdings of Treasury bills through open market operations during the year. Accordingly, fiscal operations in 1992 together with Central Bank's open market operations were conducive to reducing net credit to government from the banking system by Rs. 2,321 million (0.5 per cent of GDP).

FISCAL OUT-TURN

Government revenue at Rs.86,118 million in 1992 registered an increase of 13 per cent over 1991. However, the overall revenue growth lagged behind the increase in nominal GDP resulting in a reduction in the revenue/GDP ratio to 20.3 per cent in 1992 from 20.4 per cent in 1991. In spite of an additional revenue effort through the imposition of defence levy and the expansion of excise taxes and enhanced revenue collections from income taxes and turnover taxes on imports, the tax revenue/GDP ratio fell from 18.3 per cent in 1991 to 18.1 per cent in 1992. This is attributed to a sharp fall in excise taxes on tobacco, dismal growth in turnover taxes on manufacturing and continued decline in export taxes.

Meanwhile, current expenditure totalling Rs. 88,726 million showed a moderate growth of 6 per cent in 1992 as compared to a rise of 17 per cent in 1991. Accordingly, the current expenditure/GDP ratio declined from 22.5 per cent to 21.0 per cent. In spite of high defence expenditure amounting to Rs. 17,866 million (4.2 per cent of GDP), total current expenditure on the purchase of goods and services at Rs. 39,135 million registered only a 9 per cent growth in 1992 in comparison to a rise of 19 per cent in the previous year. Hence, these expenditures in relation to GDP declined to 9.2 per cent in 1992 from 9.6 per cent in 1991. Moreover, transfer payments declined from Rs. 25,835 million in 1991 to Rs. 24,308 million in 1992 due to a reduction in pension and refugee

expenses. Accordingly, total current transfers in relation to GDP declined to 5.7 per cent in 1992 from 7 per cent in 1991.

Underscoring the favourable trends in current expenditure components, the current account operations of the budget produced a considerably lower deficit of Rs. 2,608 million (0.6 per cent of GDP) in 1992 in comparison to a deficit of Rs. 7,577 million (2 per cent of GDP) in the previous year. Meanwhile, capital expenditure inclusive of on-lending to public enterprises at Rs. 34,027 million marked an increase of 4 per cent over 1991. However, the public investment/GDP ratio declined from 8.7 per cent to 8.0 per cent in 1992. In the meantime, higher receipts from the Privatisation Programme and enhanced receipts on account of loan repayments by public corporations to government were conducive towards reducing total expenditure and net lending from 32.1 per cent of GDP in 1991 to 27.8 per cent of GDP in 1992.

Fiscal operations in 1992 thus resulted in an overall budget deficit (before grants) of Rs. 31,509 million (7.4 per cent of GDP) - considerably lower than the deficit of Rs. 43,348 million (11.6 per cent of GDP) registered in 1991. With the use of foreign grants amounting to Rs. 8,280 million (2.0 per cent of GDP), the budget deficit (after grants) declined to Rs. 23,229 million (5.4 per cent of GDP) in 1992 from Rs. 35,478 million (9.5 per cent of GDP) in 1991. Meanwhile, the utilization of net foreign loans for budgetary purposes decreased from Rs. 19,329 million (5.2 per cent of GDP) to Rs. 7,984 million (1.9 per cent of GDP) due to a lower quantum of programme loans in 1992. However, the improved performance in current account operations together with lower capital expenditure and net lending due to higher privatisation proceeds enabled the government to contain net domestic borrowings at Rs. 15,246 million (3.6 per cent of GDP) in 1992 as compared to Rs. 16,148 million (4.3 per cent of GDP) in 1991. Thus, adhering to the policy of refraining from the use of resources from the banking system, domestic borrowings were raised almost exclusively from non-bank sources. A summary of government fiscal operations during 1988-1992 is given in Table 1.50.

REVENUE

Government revenue for 1992 at Rs. 86,118 million registered an increase of 13 per cent as compared to a 12 per cent growth in 1991. Tax revenue totalling Rs. 76,692 million accounted for 89 per cent of total revenue - almost the same level as in the previous year. Domestic taxes on goods and services continued to expand during the year generating 51 per cent of tax revenue as compared to 47 per cent in 1991. The increased importance of this source of revenue is attributed to the imposition of a defence levy in 1992 and the increase in the coverage of products under excise taxation. Meanwhile, taxes raised by way of import duties formed 27 per cent of total revenue as in 1991. Confirming the downward trend observed in recent years, the share of export taxes further declined to 1.1 per cent of total tax revenue in 1992. In spite of a reduction in tax rates, the share of income taxes improved from 14.3 per cent in 1991 to 15.1 per cent in 1992.

Non-tax revenue at Rs. 9,425 million was an increase of 17 per cent over the previous year. Interest income rose by 35 per cent and accounted for 38 per cent of

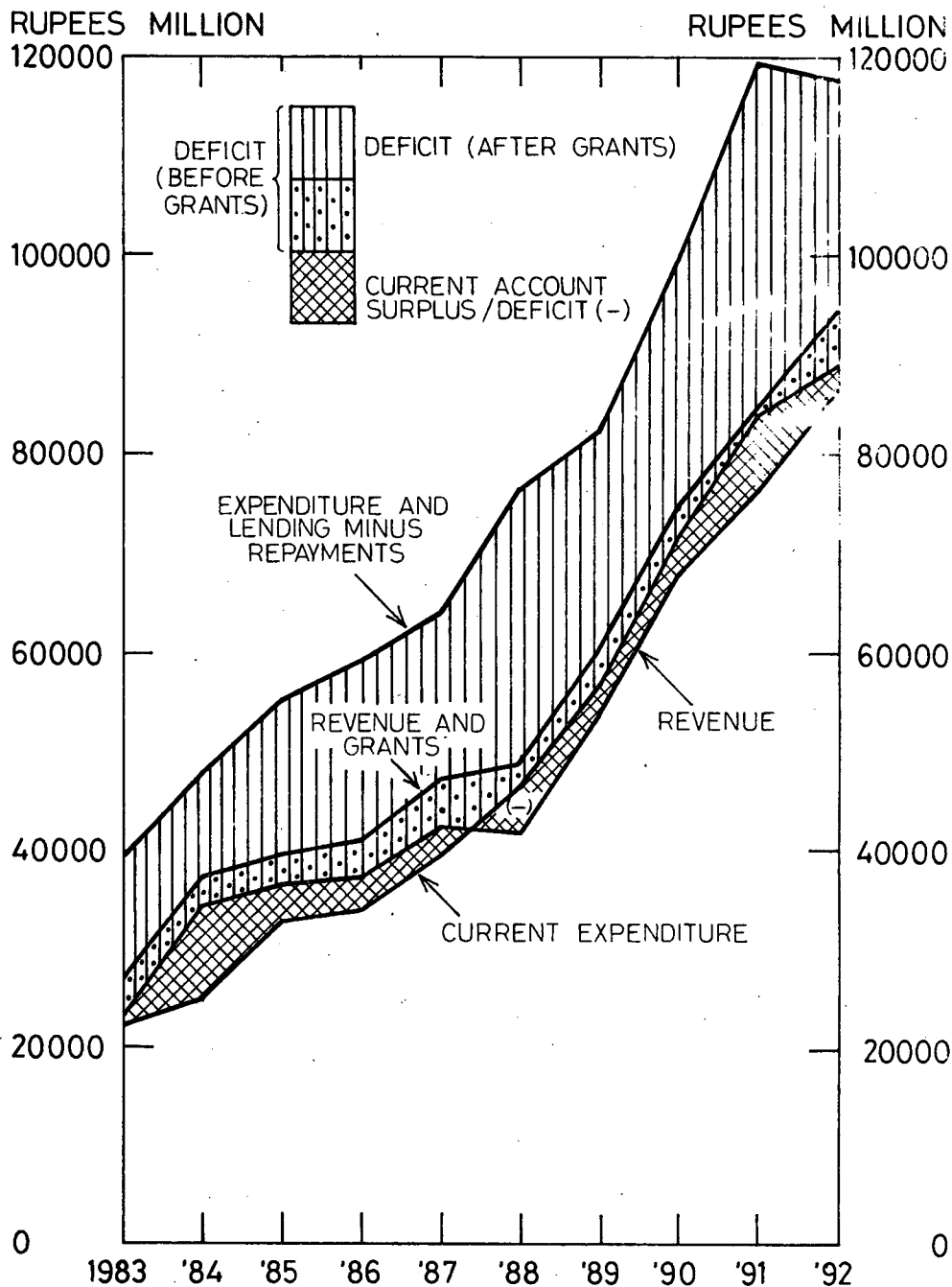
TABLE 1.50
Summary of Government Fiscal Operations

Rs. Million

Item	1988	1989	1990	1991	1992 Approved Estimate	1992 Provi- sional	1993 Approved Estimate
Total Revenue and Grants	48,337	60,386	74,661	84,049	93,719	94,398	110,927
Total Revenue	41,749	53,979	67,964	76,179	84,999	86,118	101,977
Tax Revenue	35,946	47,513	61,206	68,157	76,591	76,692	94,377
Non-Tax Revenue	5,803	6,466	6,758	8,022	8,408	9,425	7,600
Grants	6,588	6,407	6,697	7,870	8,720	8,280	8,950
Expenditure and Lending							
minus Repayments	76,532	82,164	99,814	119,527	124,010	117,627	141,916
Current	46,132	56,884	71,771	83,756	84,327	88,726	97,437
Capital	22,878	20,750	19,161	25,968	34,475	28,540	37,271
Lending minus Repayments	7,522	4,530	8,882	9,803	5,208	361	7,209
Current Account							
Surplus/Deficit (-)	-4,383	-2,905	-3,807	-7,577	672	-2,608	4,540
Budget Deficit (before grants)	-34,783	-28,185	-31,850	-43,348	-39,011	-31,509	-39,939
Budget Deficit (after grants)	-28,195	-21,778	-25,153	-35,478	-30,291	-23,229	-30,989
Financing	28,193	21,777	25,153	35,478	30,290	23,230	30,989
Foreign Borrowings	7,128	5,926	11,644	19,329	20,793	7,984	19,489
Domestic Borrowings	21,065	12,373	16,986	16,148	9,497	15,246	11,500
Non-Market Borrowings)	1,685	1,822	3,538	1,667	0	1,857	0
Market Borrowings	19,380	10,551	13,448	14,481	9,497	13,389	11,500
Non Bank	10,178	11,084	13,190	14,447	9,497	15,710	13,000
Bank	9,202	-553	258	34	0	-2,321	-1,500
Increases (+) / Decreases (-)							
in Arrears	0	3,478	-3,478	0	0	0	0
As a percentage of GDP							
Total Revenue and Grants	21.8	24.0	23.2	22.6	21.2	22.3	22.4
Total Revenue	18.8	21.4	21.1	20.4	19.2	20.3	20.6
Tax Revenue	16.2	18.9	19.0	18.3	17.3	18.1	19.1
Non-Tax Revenue	2.6	2.6	2.1	2.2	1.9	2.2	1.5
Grants	3.0	2.5	2.1	2.1	2.0	2.0	1.8
Expenditure and Lending							
minus Repayments	34.5	32.6	31.0	32.1	28.0	27.8	28.7
Current	20.8	22.6	22.3	22.5	19.0	21.0	19.7
Capital	10.3	8.2	6.0	7.0	7.8	6.7	7.5
Lending minus Repayments	3.4	1.8	2.8	2.6	1.2	0.1	1.5
Current Account							
Surplus/Deficit (-)	-2.0	-1.2	-1.2	-2.0	0.2	-0.6	0.9
Budget Deficit (before grants)	-15.7	-11.2	-9.9	-11.6	-8.8	-7.4	-8.1
Budget Deficit (after grants)	-12.7	-8.6	-7.8	-9.5	-6.8	-5.5	-6.3
Financing	12.7	8.6	7.8	9.5	6.8	5.5	6.3
Foreign Borrowings	3.2	2.4	3.6	5.2	4.7	1.9	3.9
Domestic Borrowings	9.5	4.9	5.2	4.3	2.1	3.6	2.3
Non-Market Borrowings (a)	0.8	0.7	1.1	0.3	0.0	0.4	0.0
Market Borrowings	8.7	4.2	4.1	4.0	2.1	3.2	2.3
Non Bank	4.6	4.4	4.1	4.0	2.1	3.7	2.6
Bank	4.2	-0.2	0.1	0.0	0.0	-0.5	-0.3
Increases (+) / Decreases (-)							
in Arrears	0.0	1.4	-1.1	0.0	0.0	0.0	0.0

Source : Central Bank of Sri Lanka

TRENDS IN FISCAL MAGNITUDES



Central Bank of Sri Lanka

non-tax revenue in 1992 in comparison to 33 per cent in 1991. Similarly, the transfer of Central Bank's profit at Rs. 1,150 million in 1992 was higher by Rs. 650 million. Meanwhile, revenue from non-industrial sales, administrative fees and regulatory charges reflecting a 53 per cent growth accounted for 27 per cent of non-tax revenue.

TAX REVENUE

Domestic taxes on goods and services consisting mainly of turnover taxes, excise duties, and the defence levy totalled Rs. 38,759 million registering a sharp rise of 21 per cent in 1992 in comparison to a growth of 12 per cent in the previous year. The imposition of the 1 per cent defence levy in January, 1992 and the enhancement of this rate to 3 per cent in May, 1992 were conducive to raising additional revenue during the year. The defence levy which is imposed on the turnover of manufacturers, importers and banking, insurance and other services brought in a revenue collection of Rs. 3,744 million or nearly 10 per cent of domestic taxes on goods and services in 1992.

Revenue from turnover taxes at Rs. 24,379 million marked a 14 per cent growth in 1992 largely due to a sharp rise in turnover taxes on imports. However, the revenue collection on account of turnover taxes on manufacturing at Rs. 8,233 million showed only a marginal increase of 4 per cent in 1992 in comparison to a much larger growth of 28 per cent in the previous year. The lacklustre performance of manufacturing turnover taxes was attributed largely to the reduced tax collection from the food, beverages and tobacco sub-category which registered only a 2 per cent increase over 1991. Keeping in line with a 14 per cent growth in overall imports and a higher revenue collection from import duties, revenue from the turnover tax on imports at Rs. 12,600 million showed a growth of 20 per cent over 1991. The increase in the standard turnover tax rate from 15 per cent to 20 per cent in November, 1992 also contributed towards augmenting revenue from this source during the year under review. Meanwhile, the turnover tax rate structure which was rationalised with four rate bands in May, 1992 was further simplified in November, 1992 by eliminating the 15 per cent rate band. Consequently, most essential items were classified under 5 and 10 per cent rate bands while non-essential items such as liquor, tobacco, beverages, petrol and consumer durables were brought under the standard rate of 20 per cent.

Meanwhile, in spite of a reduction in the turnover tax rate on banks from 3 per cent to 2 per cent, turnover taxes on non-manufacturing activities at Rs. 3,546 million marked a sharp increase of 19 per cent in 1992. This was partly due to a shift in the turnover tax rate on telecommunication services from 10 per cent to 20 per cent and partly to improved revenue collections from port and electricity services.

Revenue from excise taxes totalling Rs. 10,583 million in 1992 reflected a virtual stagnation in revenue collection owing to lower receipts on account of cigarette and tobacco taxes. In spite of an increase in excise duty on cigarettes by Rs. 0.10 per cigarette in February, 1992 and a further Rs. 0.50 in October, 1992, revenue from this source showed a 19 per cent decline partly due to a reduction in the volume of sales and partly to a shortfall in the production of processed tobacco resulting from the drought conditions that prevailed in 1992. Meanwhile, reflecting the revisions to the excise duty rate on liquor by Rs. 5 per bottle in February, 1992 and a further Rs. 7 per bottle in July, 1992 revenue from liquor taxes at Rs. 3,803 million registered a rise of 22 per cent over the

previous year. Moreover, with the expansion in the coverage of products to include items such as aerated water, cement, tyres and tubes, electrical appliances, etc. under the Excise (Special Provisions) Act from February, 1992, revenue from this source increased by more than two-fold reaching Rs. 1,225 million in 1992.

As in the previous year, revenue from international trade oriented taxes in the form of import and export taxes generated nearly one-third of the total tax revenue collection in 1992. With the full year's impact of the four band tariff structure being felt in 1992, the import duty collection at Rs. 20,721 million registered an increase of 11 per cent over 1991. Thus, in spite of adjustments made under the four band tariff schedule and the duty waivers granted for wheat and several other products, the average incidence of import duties fell only marginally from 14.7 per cent in 1991 to 14.3 per cent in 1992.

In the context of continued reductions in export duties, low output and depressed prices, revenue from export taxes totalling Rs.817 million showed a further decline of 28 per cent during the year under review in comparison to a reduction of 55 per cent in the previous year. Revenue from the ad-valorem tax and specific duty on tea together amounting to Rs. 358 million marked a drop of 27 per cent reflecting the combined effect of depressed prices, lower export volume and reduced tax rates in 1992. Similarly, revenue from export duty on rubber at Rs. 317 million fell short of the revenue collection of Rs. 476 million in the previous year due to an increase in the tax free threshold price, a reduction in the tax rate and lower volume of exports. Meanwhile, with the increase in the tax-free threshold for coconut oil, reduction in the duty rates on copra and desiccated coconut, export duty on coconut at Rs.117 million also recorded a marginal decline of 8 per cent over 1991. Thus, overall revenue from export taxes in 1992 registered a decline of nearly 30 per cent over 1991. Meanwhile, with a view to providing a further boost to exporters by way of enhanced producer margins, the government removed export taxes including the ad-valorem sales tax on tea in December, 1992.

In the wake of continued reforms in income taxation viz-a-viz the reduction in the marginal tax rates, increase in threshold income, higher tax credits on employment income and the withdrawal of qualifying payments, revenue from income taxes in 1992 at Rs. 11,561 million registered a growth of 19 per cent keeping in line with the nominal growth in GDP. In spite of a reduction in the maximum marginal rate of tax to 35 per cent, increase in the tax-free threshold income to Rs. 42,000 and a higher provision of Rs. 1,800 as tax credit for employment income, the personal income tax collection in 1992 at Rs. 4,454 million witnessed a growth of 26 per cent. This was mainly due to an enhanced revenue collection from non-employment income. Despite the reduction in the rate of withholding tax on interest income from 20 per cent in 1991 to 15 per cent in 1992, withholding taxes generated a higher collection due to a sustained increase in savings and fixed deposits in banking institutions. Moreover, revenue from corporate income taxes further rose to Rs. 7,107 million despite a five percentage point reduction in the tax rate to 40 per cent in April, 1992. This was due to the cessation of tax holiday status under Section 20-A of the Inland Revenue Act for a large number of companies and higher corporate profits during the year under review.

Meanwhile, reflecting the rate reduction in stamp duty on Letters of Credit from 2.5 per cent to 2 per cent in 1992 and the abolition of the wealth tax during the year under review, revenue from stamp duties and property transfers declined from Rs. 3,541 million

in 1991 to Rs. 2,845 million in 1992. A statistical summary of Government revenue is given in Table 1.51.

FOREIGN GRANTS

The utilisation of foreign grants for budgetary purposes during 1992 at Rs. 8,280 million registered a marginal growth of 5 per cent. Consequently, total foreign grants in relation to GDP dipped from 2.1 per cent in 1991 to 2.0 per cent in 1992. Foreign grants utilised by way of project grants at Rs. 6,002 million was an increase of 16 per cent over the quantum recorded during the last year. Meanwhile, commodity and food aid grants totalling Rs. 2,278 million showed a decline of 15 per cent in 1992 as against a two fold rise in the previous year. Japan and the U.S.A. continued to be the largest donors providing nearly 70 per cent of total outright grants to Sri Lanka. Grants provided by Japan and the U.S.A. during 1992 amounted to Rs. 2,817 million and Rs. 1,336 million, respectively.

EXPENDITURE

Total expenditure at Rs. 117,627 million in 1992 recorded a marginal decline of 2 per cent over 1991. Current expenditure at Rs. 88,726 million accounted for 75 per cent of total expenditure while the balance 25 per cent comprised capital expenditure and net lending. Current outlays on purchase of goods and services formed 44 per cent of current expenditure while interest payments accounted for 28 per cent. Meanwhile, public investment in 1992 totalled Rs. 32,816 million as compared to Rs. 32,590 million in the previous year. Major investment activities were concentrated in areas such as roads, water supply and drainage, irrigation, land development, education and health.

CURRENT EXPENDITURE

Current expenditure at Rs. 88,726 million registering a moderate increase of 6 per cent over 1991 accounted for 75 per cent of total expenditure in 1992 as compared to 70 per cent in previous year. Expenditure on account of purchase of goods and services in the form of salaries and wages and other goods and services at Rs. 39,007 million formed the bulk of current expenditure. Outlays on account of interest payments at Rs. 25,283 million in 1992 witnessed a sharp rise of 15 per cent over 1991 increasing its share in current expenditure from 26 per cent in 1991 to 28 per cent in 1992. Meanwhile, transfers to households and selected public corporations and other institutions at Rs. 24,436 million in 1992 reflected a drop of 5 per cent. Accordingly, the share of such outlays in current expenditure declined from 31 per cent in 1991 to 28 per cent in 1992.

Salaries and wages at Rs. 20,246 million marked an increase of 13 per cent over the expenditure outlay of Rs. 17,985 million in the previous year. As a percentage of total current expenditure, salaries and wages increased marginally from 21 per cent in 1991 to 23 per cent in 1992. This was mainly due to higher expenditure incurred on personal emoluments for defence personnel which marked a 20 per cent rise from Rs. 6,376 million in 1991 to Rs. 7,620 million in 1992. Meanwhile, reflecting stringent measures taken to contain current expenditure and tight cash management, expenses incurred by the government in procuring various goods and services including electricity, communication and supplies and requisites amounted to Rs. 18,762 million in 1992.

TABLE 1.51
Summary of Revenue by Components

Rs. Million

Item	1988	1989	1990	1991	1992 Approved Estimate	1992 Provisi onal	1993 Approved Estimate
Tax Revenue	35,946	47,513	61,206	68,157	76,591	76,692	94,377
Income Taxes	4,647	5,148	7,337	9,722	9,500	11,561	12,430
Personal	1,464	2,207	2,957	3,539	3,650	4,454	4,250
Corporate	3,183	2,941	4,380	6,183	5,850	7,107	8,180
Taxes on Property	1,777	2,697	3,140	3,541	2,975	2,845	3,420
Tax on Treasury bills held by Central Bank	0	2,345	2,618	3,033	2,430	1,991	1,440
Taxes on Domestic Goods and Services	17,021	20,828	28,770	32,107	39,191	38,759	52,257
General Sales and Turnover Tax	12,321	14,658	20,291	21,430	25,270	24,379	31,865
Manufacturing	3,610	4,496	6,798	7,945	9,840	8,233	11,275
Non-manufacturing	3,386	3,004	3,726	2,974	2,930	3,546	3,470
Imports	5,325	7,158	9,767	10,511	12,500	12,600	17,120
Excise Tax	4,420	58,12	8,170	10,597	12,000	10,583	14,730
Liquor	1,754	1,955	2,657	3,126	3,450	3,803	4,650
Tobacco	2,665	3,855	5,461	6,884	7,900	5,555	8,410
Other	1	2	52	587	6,50	1,225	1,670
Defence Levy	-	-	-	-	1,900	3,744	5,622
Licence Fees	280	358	309	80	21	53	40
Taxes on International Trade	12,501	16,495	19,341	19,754	22,495	21,538	24,830
Imports	10,671	14,923	16,792	18,617	20,800	20,721	23,800
Exports	1,830	1,572	2,549	1,137	1,695	817	1,030
Tea	872	628	1601	492	880	358	596
of which: ad-valorem	264	355	1311	298	700	224	516
Rubber	842	766	747	476	700	317	365
Coconut	67	126	151	125	65	117	40
Other Exports	49	52	50	44	50	25	29
Non Tax Revenue	5,803	6,466	6,758	8,022	8,408	9,425	7,600
Property Income	4,080	4,387	4,192	5,964	5,677	6,163	4,750
of which: Central Bank Profits	1,650	2,000	500	500	650	1,150	1,000
Interest Income	1,451	1,198	1,143	2,617	2,557	3,545	3,465
Surplus of Trading Enterprises	850	1,041	2,235	2,612	2,200	1,179	0
Fees and charges	412	627	835	917	895	974	1,140
Other Non Tax Revenue	1,311	1,452	1,731	1,141	1,837	2,288	1,710
Total Revenue	41,749	53,979	67,964	76,179	84,999	86,118	101,977

(Contd.)

TABLE 1.51(Contd.)
Summary of Revenue by Components
(as a percentage of GDP)

Item	1988	1989	1990	1991	1992 Approved Estimate	1992 Provi- sional	1993 Approved Estimate
Tax Revenue	16.2	18.9	19.0	18.3	17.3	18.1	19.1
Income Taxes	2.1	2.0	2.3	2.6	2.1	2.7	2.5
Personal	0.7	0.9	0.9	0.9	0.8	1.1	0.9
Corporate	1.4	1.2	1.4	1.7	1.3	1.7	1.7
Taxes on Property	0.8	1.1	1.0	1.0	0.7	0.7	0.7
Tax on Treasury bills held by Central Bank	0.0	0.9	0.8	0.8	0.5	0.5	0.3
Taxes on Domestic Goods and Services	7.7	8.3	8.9	8.6	8.8	9.2	10.6
General Sales and Turnover Tax	5.6	5.8	6.3	5.8	5.7	5.8	6.4
Manufacturing	1.6	1.8	2.1	2.1	2.2	1.9	2.3
Non-manufacturing	1.5	1.2	1.2	0.8	0.7	0.8	0.7
Imports	2.4	2.8	3.0	2.8	2.8	3.0	3.5
Excise Tax	2.0	2.3	2.5	2.8	2.7	2.5	3.0
Liquor	0.8	0.8	0.8	0.8	0.8	0.9	0.9
Tobacco	1.2	1.5	1.7	1.8	1.8	1.3	1.7
Other	-	-	-	0.2	0.1	0.3	0.3
Defence Levy					0.4	0.9	1.1
Licence Fees	0.1	0.1	0.1	0.0	0.0	0.0	0.0
Taxes on International Trade	5.6	6.5	6.0	5.3	5.1	5.1	5.0
Imports	4.8	5.9	5.2	5.0	4.7	4.9	4.8
Exports	0.8	0.6	0.8	0.3	0.4	0.2	0.2
Tea	0.4	0.2	0.5	0.1	0.2	0.1	0.1
of which: ad-valorem	0.1	0.1	0.4	0.1	0.2	0.1	0.1
Rubber	0.4	0.3	0.2	0.1	0.2	0.1	0.1
Coconut	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Other Exports
Non Tax Revenue	2.6	2.6	2.1	2.2	1.9	2.2	1.5
Property Income	1.8	1.7	1.3	1.6	1.3	1.5	1.0
of which: Central Bank Profits	0.7	0.8	0.2	0.1	0.1	0.3	0.2
Interest Income	0.7	0.5	0.4	0.7	0.6	0.8	0.7
Surplus of Trading Enterprises	0.4	0.4	0.7	0.7	0.5	0.3	0.0
Fees and charges	0.2	0.2	0.3	0.2	0.2	0.2	0.2
Other Non Tax Revenue	0.6	0.6	0.5	0.3	0.4	0.5	0.3
Total Revenue	18.8	21.4	21.1	20.4	19.2	20.3	20.6

Source : Central Bank of Sri Lanka.

In 1991, a total sum of Rs. 17,847 million was spent on such outlays. However, expenditure on goods and services as a ratio of GDP was contained at 4.3 per cent in 1992 in comparison to 4.7 per cent in 1991.

Expenditure on account of interest payments at Rs. 25,283 million rose by 15 per cent over 1991. Interest payments on domestic debt increased from Rs. 17,960 million in 1991 to Rs. 20,597 million in 1992. With interest rates varying in a range of 15 - 17 per cent per annum and a rise in the outstanding liabilities by 16 per cent, interest on medium and long term domestic debt at Rs. 9,242 million registered a rise of 21 per cent in 1992. Meanwhile, interest payments on account of Treasury bills at Rs. 11,355 million reflected a growth of 9 per cent owing to an increased volume of Treasury bills outstanding and a generally high level of yields which rose from a range of 16.33-17.43 per cent per annum in 1991 to 17.67-18.99 per cent per annum in 1992. Moreover, expenditure on foreign interest payments at Rs. 4,686 million witnessed an increase of 14 per cent in comparison to a rise of 12 per cent in 1991. The average interest rate on foreign debt at 2.2 per cent in 1992 continued to reflect the concessionary nature of foreign borrowings undertaken by Sri Lanka.

During the year under review, transfer payments amounting to Rs. 24,436 million witnessed a drop of 5 per cent. As a percentage of GDP, such expenditures declined from 7 per cent in 1991 to 5.6 per cent in 1992. This was attributed mainly to a reduction in pension payments by Rs. 791 million and reduced expenditure outlays on miscellaneous welfare expenditure programmes by Rs. 843 million. With increased thrust of government policy on commercialisation of public enterprises, transfers to such entities inclusive of railways and postal which in 1991 amounted to Rs. 2,009 million declined to Rs. 1,670 million in 1992. Pension payments which doubled in 1991 due to the implementation of the retrenchment programme for government employees in 1990 settled at a slightly lower level of Rs. 8,041 million in 1992 with the number of pensioners totalling 291,000. Meanwhile, outlays on account of special welfare programmes comprising food and kerosene stamps, Mid-Day-Meal and the Janasaviya at Rs. 8,306 million recorded a growth of 6 per cent due to enhanced expenditure on Janasaviya and the Mid-Day-Meal Programme. Moreover, a sum of Rs. 600 million was spent in 1992 for the provision of free uniforms for school children further augmenting overall welfare expenditure in the budget. Thus, expenditure on these special welfare programmes accounted for 2 per cent of GDP in 1992. Expenditure on other household transfers inclusive of about Rs. 1,800 million for refugee expenses amounted to Rs. 3,345 million.

On a functional basis, current expenditures incurred for the provision of social services such as education, health, welfare programmes at Rs. 29,003 million declined from 8.4 per cent of GDP in 1991 to 6.6 per cent of GDP in 1992. Expenditure on education at Rs. 7,657 million rose by 12 per cent over the previous year while outlays directed to the health sector increased from Rs. 4,110 million in 1991 to Rs. 4,571 million in 1992. However, total welfare expenditure at Rs. 16,620 million declined to 4 per cent of GDP in 1992 from 5 per cent in 1991. Meanwhile, current expenditures routed for economic services such as agriculture and irrigation, fisheries, energy and water supply, transport, communications, etc. were maintained more or less at the same GDP ratio of 1 per cent as in 1991. However, current expenditure channelled for general public services such as civil administration, public order and safety and defence although increased in absolute terms from Rs. 19,811 million in 1991 to Rs. 21,251 million in 1992 declined in relation to GDP from 5.3 per cent to 4.9 per cent between the two years.

CAPITAL EXPENDITURE AND NET LENDING

Capital expenditure and net lending in 1992 totalled Rs. 28,901 million. This consisted of Rs. 34,027 million on account of public investment and a reduction in government liabilities to the tune of Rs. 5,126 million largely due to proceeds from privatisation and loan repayments by public corporations. In terms of the public investment programme, capital expenditure directly incurred by Ministries and Departments for the construction and development of fixed assets totalled Rs. 15,426 million in comparison to Rs. 14,888 million in the previous year. A sum of Rs. 4,126 million was channelled through the Ministries of Education and Health for the development of capital assets in such services. Total capital expenditure incurred on various development projects by the Ministries of Public Administration and Policy Planning amounted to Rs. 3,015 million.

Moreover, capital transfers provided for statutory boards and public corporations engaged in the implementation of projects under the public investment programme amounted to Rs. 12,363 million in comparison to Rs. 9,830 million in 1991. Of these capital transfers, a sum of Rs. 8,858 million was utilised in major public investment projects implemented by the Road Development Authority (Rs. 2,998 million), National Water Supply and Drainage Boards (Rs. 2,769 million), Mahaweli Development Authority (Rs. 2,293 million) and the Sri Lanka Broadcasting Corporation (Rs. 798 million).

Capital expenditure incurred by public corporations from funds mobilised by way of government on-lending amounted to Rs. 5,487 million - considerably lower than the amount anticipated in the 1992 budget estimates. The investments by the Ceylon Electricity Board (CEB) amounted to Rs. 2,341 million as against a budgetary provision of Rs. 3,610 million due to the delayed implementation of various power projects. Similarly, investment by Sri Lanka Telecom amounted to Rs. 1,572 million - almost half the investment envisaged for 1992. On-lending to the Sri Lanka Ports Authority (SLPA) at Rs. 848 million for the development of port facilities also registered a decline of 25 per cent over the amount earmarked in the 1992 budget. Meanwhile, repayments on account of funds on-lent by the government totalled Rs. 2,633 million in comparison to Rs. 1,132 million in the previous year. Repayments by the CEB amounting to Rs. 1,043 million constituted nearly 40 per cent of the total.

During the year under review, the privatisation of public enterprises generated Rs. 3,115 million as compared to Rs. 841 million in the previous year. The enterprises which were divested during the year include the Asian Hotels Corporations Limited, Ceylon Oils and Fats Limited, Kelani Tyres Limited, Distilleries Company of Sri Lanka Limited, Veyangoda Textile Mills Limited and Lanka synthetic Fibre Company Limited. Meanwhile, the restructuring costs incurred by the government in terms of the on-going structural adjustment in the public sector amounted to Rs. 750 million - considerably lower than Rs. 3,355 million incurred in the previous year. Hence, privatisation proceeds net of restructuring cost in 1992 was Rs. 2,365 million - a positive contribution to contain a lower government deficit in 1992. An economic classification of government expenditure is given in table 1.52.

According to a functional classification of capital expenditure and on-lending, total public investment for the development of economic infrastructure facilities amounted to

TABLE 1.52
Economic Classification of Expenditure and Lending

Item	Rs. Million						
	1988	1989	1990	1991	1992 Approved Estimates	1992 Provi- sional	1993 Approved Estimates
Current Expenditure	46,132	56,884	71,770	83,756	84,327	88,726	97,437
Expenditure on Goods and Services	20,654	25,508	30,167	35,848	36,533	39,135	42,891
Salaries and wages	10,016	14,446	15,748	17,985	19,437	20,839	23,185
Other Goods and Services	10,638	11,062	14,419	17,863	17,096	18,296	19,706
Interest Payments	12,590	14,352	20,668	22,073	26,139	25,283	30,921
Foreign	2,896	3,337	3,678	4,113	4,261	4,686	46,02
Domestic	9,694	11,015	16,990	17,960	21,878	20,597	26,319
Current Transfers and Subsidies	12,888	17,024	20,935	25,835	22,893	24,308	25,640
To Public Corporations	1,569	2,283	2,639	1,743	1,083	1,722	1,472
To Public Institutions	1,377	1,696	1,811	1,405	1,723	1,479	1,912
To Other Levels of Government	918	902	1,237	1,050	1,099	1,103	1,123
To households and other sectors	9,024	12,143	15,249	21,637	18,988	20,004	21,133
Food stamps, Food subsidy etc.	1,895	3,932	5,122	4,023	4,175	4,536	4,275
Jana Saviya	0	705	2,912	3,407	4,500	3,572	5,150
Pensions	4,128	4,735	4,490	8,832	6,878	8,041	9,148
Fertilizer Subsidy	600	796	0	0	0	0	0
Other	2,401	1,975	2,725	5,375	3,435	3,854	2,560
Under Expenditure Provision	0	0	0	0	-1,238	0	-2,015
Capital Expenditure	22,878	20,750	19,161	25,968	34,475	28,540	37,271
Acquisition of Real Assets	12,004	13,069	11,657	13,987	18,483	16,359	21,075
Capital Transfers	10,874	7,681	7,504	11,981	17,319	12,181	16,196
To Public Corporations	3,503	1,499	1,249	3,741	7,345	4,480	7,183
To Public Institutions	6,962	5,354	5,303	6,990	8,123	6,950	8,261
To Other Levels of Government	345	799	843	950	665	708	708
Other	65	29	109	300	1186	43	43
Less : Provision for Under Expenditure	0	0	0	0	-1,327	0	0
Net Lending	7,522	4,530	8,882	9,803	5,208	361	7,209
of which; under Advance Accounts	2,732	-993	1,699	1,819	250	-150	500
Net cost of restructuring				2,494	0	-2,365	100
Total Expenditure and net Lending	76,532	82,164	99,814	119,527	124,010	117,627	141,916

(Contd.)

TABLE 1.52 (Contd.)
Economic Classification of Expenditure and Lending
(as a percentage of GDP)

Item	1988	1989	1990	1991	1992 Approved Estimates	1992 Provi- sional	1993 Approved Estimates
Current Expenditure	20.78	22.6	22.3	22.5	19.0	21.0	19.7
Expenditure on Goods and Services	9.30	10.1	9.4	9.6	8.2	9.2	8.7
Salaries and wages	4.51	5.7	4.9	4.8	4.4	4.9	4.7
Other Goods and Services	4.79	4.4	4.5	4.8	3.9	4.3	4.0
Interest Payments	5.67	5.7	6.4	5.9	5.9	6.0	6.2
Foreign	1.30	1.3	1.1	1.1	1.0	1.1	0.9
Domestic	4.37	4.4	5.3	4.8	4.9	4.9	5.3
Current Transfers and Subsidies	5.81	6.8	6.5	6.9	5.2	5.7	5.2
To Public Corporations	0.71	0.9	0.8	0.5	0.2	0.4	0.3
To Public Institutions	0.62	0.7	0.6	0.4	0.4	0.4	0.4
To Other Levels of Government	0.41	0.4	0.4	0.3	0.2	0.3	0.2
To households and other sectors	4.07	4.8	4.7	5.8	4.3	4.7	4.3
Food stamps, Food subsidy etc.	0.85	1.6	1.6	1.1	0.9	1.1	0.9
Jana Saviya	0.0	0.3	0.9	0.9	1.0	0.8	1.0
Pensions	1.86	1.9	1.4	2.4	1.6	1.9	1.8
Fertilizer Subsidy	0.3	0.3	0.0	0.0	0.0	0.0	0.0
Other	1.08	0.8	0.8	1.4	0.8	0.9	0.5
Provision for Under Expenditure	0.00	0.0	0.0	0.0	-0.3	0.0	-0.4
Capital Expenditure	10.31	8.2	6.0	7.0	7.8	6.7	7.5
Acquisition of Real Assets	5.41	5.2	3.6	3.8	4.2	3.9	4.3
Capital Transfers	4.90	3.0	2.3	3.2	3.9	2.9	3.3
To Public Corporations	1.58	0.6	0.4	1.0	1.7	1.1	1.5
To Public Institution	3.14	2.1	1.7	1.9	1.8	1.6	1.7
To Other Levels of Government	0.16	0.3	0.3	0.3	0.2	0.2	0.1
Other	0.03	0.0	0.0	0.1	0.3	0.0	0.0
Under Expenditure Provision	0.00	0.0	0.0	0.0	-0.3	0.0	0.0
Net Lending	3.39	1.8	2.8	2.6	1.2	0.1	1.5
Total Expenditure and net Lending	34.48	32.6	31.0	2.1	28.0	27.8	28.7

Source : Central Bank of Sri Lanka.

Rs. 24,589 million. The investment on economic infrastructure in relation to GDP was 5.6 per cent in 1992 in comparison to 6.9 per cent in 1991. Capital investment for the development of energy and water supply, transport and communications sub sectors continued to remain high absorbing nearly two-thirds of total public investment in economic infrastructure in 1992. Meanwhile, public investment for the provision of infrastructure facilities in education, health and other social services at Rs. 6,372 million showed two-fold increase over the previous year. Accordingly, as a proportion of GDP, such investment rose from 0.8 per cent in 1991 to 1.5 per cent in 1992. Total capital investment on general administration at Rs. 3,073 million represented 0.7 per cent of GDP as compared to 0.6 per cent in the previous year. A statistical summary of the functional classification of Government expenditure is presented in Table 1.53.

FINANCING OF THE BUDGET DEFICIT

The budget deficit (after grants) at Rs. 23,229 million in 1992 marked a sharp decline of Rs. 12,249 million over the deficit in 1991. In financing this deficit, a sum of Rs. 14,569 million was mobilised through concessionary foreign loans, of which Rs. 1,680 million was through programme loans from the World Bank and the Asian Development Bank (ADB) in support of the on-going structural adjustment programme. However, after allowing for loan repayments totalling Rs. 6,577 million, net foreign borrowings for budgetary purposes during the year amounted to only Rs. 7,984 million - almost half the quantum utilised in the previous year. Accordingly, the share of such funding in total deficit financing declined from 56 per cent in 1991 to 34 per cent in 1992. The bulk of foreign loans mobilised during 1992 was in the form of project loans and the amount utilised was Rs. 12,889 million on a gross basis.

Gross borrowings for budgetary purposes from domestic sources through the issue of Rupee loans and Treasury bills and by way of administrative arrangements amounted to Rs. 35,690 million as compared to Rs. 33,390 million in the previous year. Of the total gross borrowings of Rs. 20,919 million mobilised by issuing rupee securities, a sum of Rs. 20,281 million was raised from the Employees Provident Fund (EPF). However, with amortisation payments totalling Rs. 17,941 million, the net borrowings through Rupee loans in 1992 amounted to only Rs. 2,979 million as compared with Rs. 13,103 million in the previous year. Meanwhile, resources raised through the issue of Treasury bills amounted to Rs. 12,914 million. The National Savings Bank (NSB) investing Rs. 9,358 million became the major subscriber to Treasury bills in 1992. In financing the budget deficit, the government also utilised a sum of Rs. 1,857 million from the NSB through administrative arrangements. Accordingly, of the total net domestic borrowings of Rs. 15,302 million raised from non-bank sources, nearly 90 per cent was from the NSB and the EPF which had been traditional captive sources in subscribing to government paper.

Net borrowings from the banking system for financing the budget deficit witnessed a further decline in 1992. In spite of the use of resources through the Central Bank Provisional Advances amounting to Rs. 1,484 million and a further sum of Rs. 6,362 million by running down government deposit balances, Net Credit to Government from the Central Bank declined by Rs. 1,894 million due to a sharp reduction in Central Bank's holdings of Treasury bills by Rs. 8,062 million and a further reduction in cash items in the process of collection by Rs. 1,679 million. Meanwhile, in spite of the

TABLE 1.53
Functional Classification of Expenditure

Rs. Million

Item	1988	1989	1990	1991	1992 Approved Estimates	1992 Provi- sional	1993 Approved Estimates
Current Expenditure							
General Public Services	13,424	14,090	17,943	19,811	21,251	23,213	24,359
Civil Administration	6,145	6,781	6,622	5,612	7,399	6,618	7,942
Defence	4,732	4,073	6,736	10,317	10,148	12,136	12,312
Public Order and Safety	2,547	3,236	4,585	3,882	3,704	4,459	4,105
Social Services	15,475	19,976	24,449	31,594	31,067	29,003	34,809
Education	5,371	6,612	8,529	7,951	8,908	7,657	10,725
Health	2,427	3,381	3,685	4,110	4,215	4,571	5,318
Welfare	7,490	9,750	11,973	19,266	16,790	16,620	17,786
Housing	15	17	0	0	0	0	0
Community Services	173	216	262	267	1154	154	980
Economic Services	4,306	4,579	5,138	3,925	3,943	1,661	4,882
Agriculture & Irrigation	1,412	976	982	912	973	579	1,332
Fisheries	40	47	46	98	49	51	806
Manufacturing and Mining	197	408	181	231	434	188	288
Energy and Water Supply	83	416	345	659	206	133	289
Transport & Communication	1,613	1,138	2,600	1,308	1,226	129	1,355
Trade & Commerce	430	950	159	137	341	136	163
Other	532	645	824	580	715	446	650
Other	12,927	18,240	24,241	28,425	29,304	34,849	35,403
of which; Interest under Expenditure Provision	12,590	14,352	20,668	22,073	26,139	25,283	30,921
	0	0	0	0	-1,238	0	-2,015
Total	46,132	56,884	71,770	83,756	84,327	88,726	97,437
Capital Expenditure and Lending							
General Public Services	2,772	2,503	3,617	2,422	3,090	3,073	3,543
Civil Administration	2,133	2,002	1,599	1,680	2,362	2,374	2,804
Public Order and Safety	639	501	2,018	742	728	699	739
Social Services	3,198	3,667	3,019	2,964	5,022	6,372	7,730
Education	1,014	1,529	1,042	1,178	2,411	2,007	3,057
Health	1,504	1,258	1,279	1,119	1,429	2,020	2,271
Welfare	13	10	25	15	43	1,187	1,348
Housing	579	787	513	535	993	990	854
Community Services	88	83	160	117	147	168	200
Economic Services	21,591	19,653	19,167	26,854	31,407	22,084	33,015
Agriculture & Irrigation	6,526	5,234	5,215	6,071	9,188	5,361	6,723
O/W Mahaweli Project	3,430	2,475	1,810	2,410	2,712	2,293	2,676
Fisheries	140	283	133	181	198	95	286
Manufacturing and Mining	330	471	120	171	187	144	127
Energy and Water Supply	5,461	4,719	6,500	6,267	7,689	5,672	9,031
Transport & Communication	6,264	6,666	4,319	11,669	10,620	7,766	10,325
Trade & Commerce	120	50	205	218	406	363	366
Other	2,751	2,230	2,674	2,277	3,119	2,683	6,157
Other	410	828	952	1,250	524	751	1,043
Total Capital Expenditure and Lending	27,971	26,651	26,755	33,491	40,043	32,280	45,331

Source: Central Bank of Sri Lanka.

increased holding of Treasury bills and government securities by commercial banks to the tune of Rs. 922 million, the overall net credit from commercial banks also declined by Rs. 427 million due to a build up of deposit balances and a reduction in the holdings of import bills as well as cash items in the process of collection. Accordingly, overall fiscal operations during 1992 resulted in a reduction in Net Credit to Government from the banking system by Rs. 2,321 million.

GOVERNMENT DEBT

Government debt at the end of 1992 at Rs. 404,863 million registered an increase of 10 per cent over the debt stock at the end of 1991. Domestic debt at Rs. 170,013 million constituting 42 per cent of total debt showed a 12 per cent rise. Reflecting the heavy reliance on Treasury bills to raise funds for financing the budget deficit, the short term debt at Rs. 97,924 million recorded a growth of 16 per cent. This was conducive to raising the share of short term debt to nearly 60 per cent of total domestic debt. The debt held by the non-bank sector at Rs. 111,543 million accounted for 66 per cent of domestic debt. Meanwhile, foreign debt at Rs. 234,850 million showed a moderate growth of 9 per cent in 1992 in comparison to a sharp increase of 21 per cent in the previous year. Project loans totalling Rs. 184,886 million accounted for nearly 80 per cent of foreign debt. A statistical summary of government debt is given in Table 1.54.

Domestic Debt

Domestic debt at Rs. 170,013 million was an increase of 12 per cent in 1992 as compared to a growth of 14 per cent in 1991. Short term debt (maturity of less than one year) at Rs. 97,924 million marked an increase of 16 per cent over 1991. With increased reliance on Treasury bills to raise funds for budgetary operations, the debt outstanding on account of Treasury bills at Rs. 87,096 million in 1992 reflected new issues to the tune of Rs. 14,128 million.

Treasury bill holdings of the banking sector rose by Rs. 4,487 million to Rs. 48,758 million at the end of 1992. This was entirely due to an increase in the holdings of commercial banks, from Rs. 9,239 million in 1991 to Rs. 22,760 million in 1992. Simultaneously, the Treasury bill holdings of the Central Bank declined to Rs. 25,998 million in 1992 from Rs. 35,032 million in the previous year. Accordingly, total Treasury bill holdings of the banking system at the end of 1992 accounted for 56 per cent of total Treasury bills outstanding in comparison to 61 per cent an year ago. Meanwhile, the non-bank sector raised its stock of Treasury bills from Rs. 28,697 million in 1991 to Rs. 38,338 million in 1992 - an increase of Rs. 9,641 million during the year. The share of Treasury bills held by this sector thus rose from 39 per cent to 44 per cent. The National Savings Bank (NSB) with a total investment of Rs. 16,645 million remained the single largest subscriber to Treasury bills from the non-bank sector.

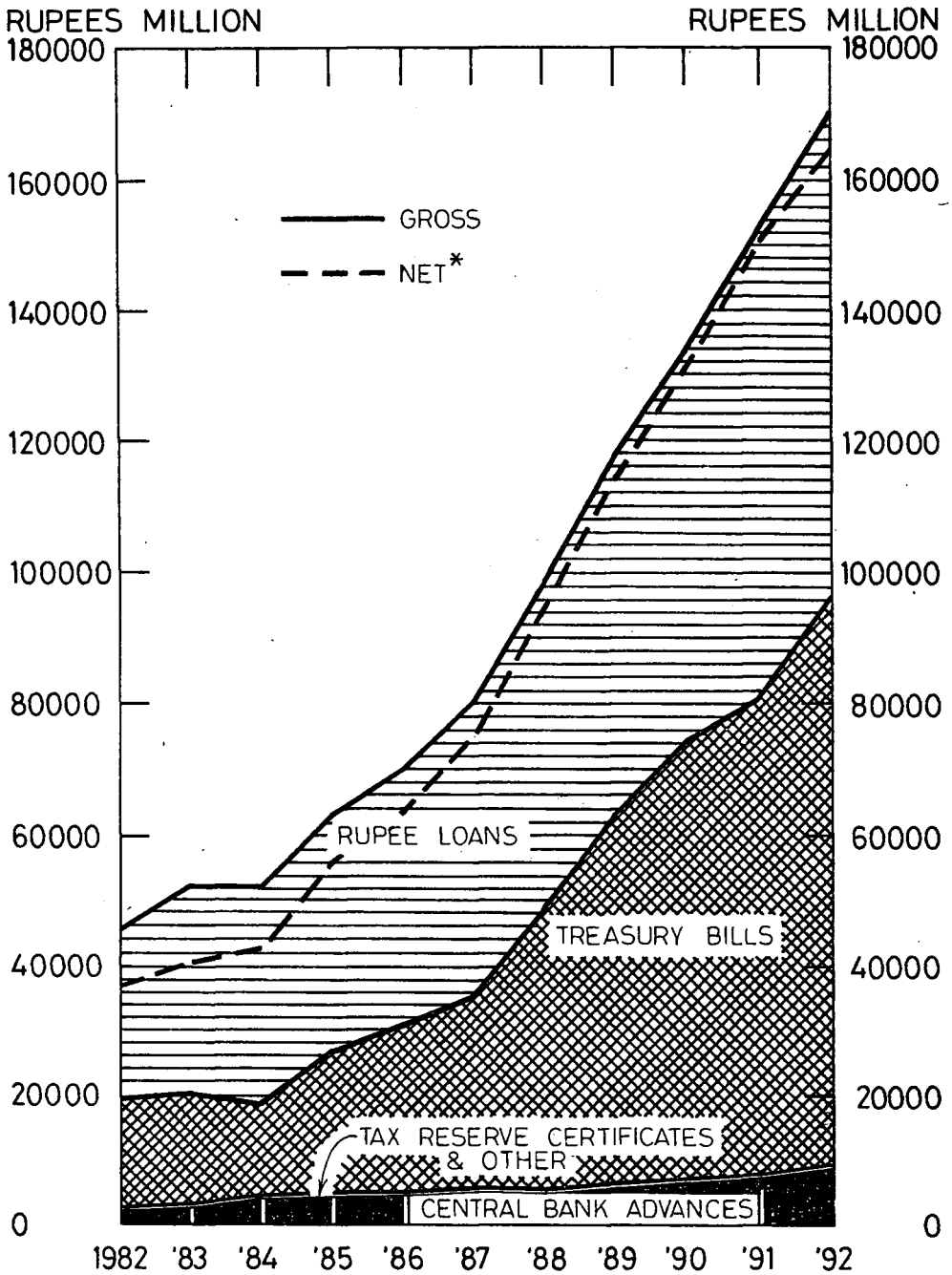
Despite an increase in the outstanding liability on account of Treasury bills by Rs. 14,128 million, short term debt raised through treasury bills rose by only Rs. 12,028 million due to the issue of long term Treasury bills during the year. However, with an increase in Central Bank's Provisional Advances by Rs. 1,484 million, the total short term debt rose by Rs. 13,421 million to Rs. 97,924 million at the end of 1992.

TABLE 1.54
Outstanding Central Government Debt (End Rs. Mn.)

	Rs. Million				
	1988	1989	1990	1991	1992 Provisional
Total Domestic Debt	98,596	117,562	133,896	152,118	170,013
Short-Term	48,626	63,146	74,376	84,503	97,924
Treasury Bills	43,700	57,246	67,968	72,968	84,996
Rupee Securities	0	0	0	4,000	4,000
Other	4,926	5,900	6,408	7,535	8,928
Medium and Long-Term	49,970	54,417	59,413	67,615	72,096
Rupee Securities	49,797	54,217	54,677	62,824	65,180
Treasury Bills	0	0	0	0	2,100
National Defence Bonds	0	0	4,532	4,532	4,532
Other	173	200	204	259	284
By Debt Instruments					
Rupee Securities	49,797	54,217	54,677	66,824	69,180
Treasury Bills	43,700	57,246	67,968	72,968	87,096
National Defence Bonds	0	0	4,532	4,532	4,532
Treasury Certificates of Deposits	0	0	109	153	102
Others	5,099	6,100	6,611	7,641	9,103
By Institutions	98,596	117,562	133,896	152,118	170,013
Banks	42,347	46,874	48,254	52,146	58,111
Central Bank					
By Debt Instruments	38,228	40,025	37,080	42,487	34,932
Rupee Loans	32	27	18	11	6
Treasury Bills	33,270	34,098	30,654	35,032	25,998
Advances	4,926	5,900	6,408	7,444	8,928
Commercial Bank					
By Debt Instruments	4,120	6,849	11,175	9,659	23,179
Rupee Loans	594	566	565	414	413
Treasury Bills	3,525	6,282	10,604	9,239	22,760
National Defence Bonds	0	0	5	5	5
Other	1	1	1	1	1
By Institutions	4,120	6,849	11,175	9,659	23,178
Bank of Ceylon	1,030	1,707	6,841	6,791	15,753
People's Bank	1,894	3,265	2,062	2,182	2,938
Other	1,196	1,877	2,272	686	4,487
Sinking Fund	2,832	2,289	1,662	840	359
Rupee Loans	2,832	2,289	1,662	840	359
Treasury Bills	0	0	0	0	0
Other	0	0	0	0	0
Non-Bank Sector					
By Debt Instruments	53,416	68,399	83,981	99,132	111,543
Rupee Loans	46,339	51,335	52,433	65,559	68,402
Treasury Bills	6,906	16,865	26,710	28,697	38,338
National Defence Bonds	0	0	4,527	4,527	4,527
Treasury Certificates of Deposits	0	0	109	153	102
Other	172	199	202	196	174
By Institutions	53,416	68,399	83,981	99,132	111,550
National Savings Bank	17,952	18,960	24,190	26,659	30,882
Savings Institutions & Individuals	6,081	15,175	20,960	23,629	22,522
Employees' Provident Fund	25,816	31,648	36,851	45,862	54,563
Insurance & Finance Companies	3,289	2,387	1,742	2,758	3,409
Other	278	229	238	224	174
Departmental & Official Funds	115	39	44	34	0
Foreign Administrative Borrowings	163	190	195	190	174
Total Foreign Debt	125,657	156,298	176,883	214,579	234,850
By Type					
Project Loans	85,745	113,120	132,338	166,149	184,886
Non-Project Loans	39,912	43,178	44,545	48,430	49,964
Commodity	35,886	41,117	43,393	46,037	47,978
Other	4,026	2,061	1,152	2,393	1,986
By Institutions					
Concessional Loans	115,288	146,144	166,202	202,555	224,492
Multilateral	36,409	48,698	59,526	78,084	91,167
Bilateral	78,879	97,446	106,677	124,471	133,325
Commercial Loans	10,369	10,154	10,680	12,024	10,358
External Supplier's Credit	340	333	107	1,260	0
Total Outstanding Govt. Debt	224,253	273,860	310,779	366,697	404,863
Total Outstanding Govt. Debt Net of Sinking Fund	220,059	270,609	308,412	365,857	404,504

Source: Central Bank of Sri Lanka.

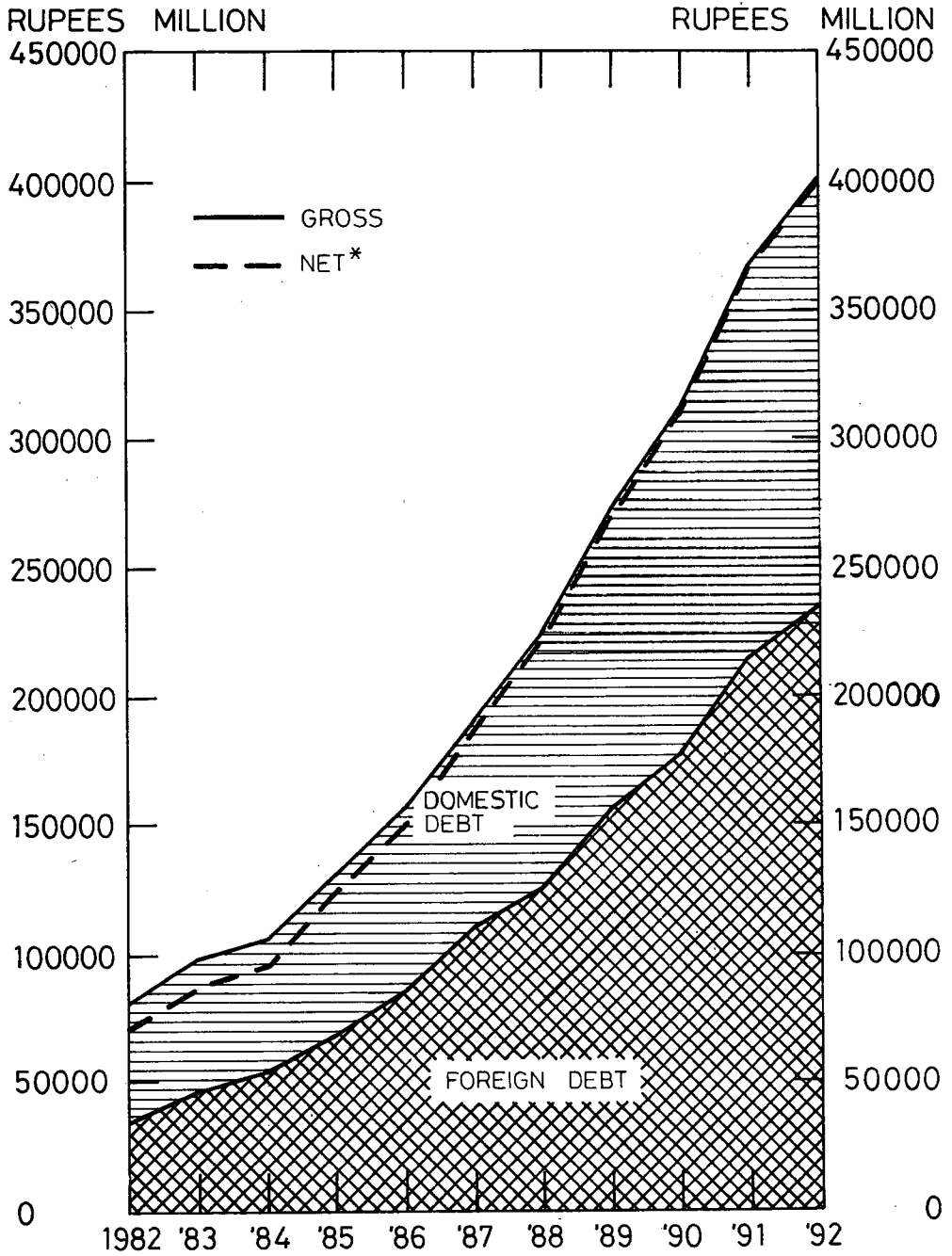
COMPOSITION OF GOVERNMENT DEBT



* 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.

Medium and long term domestic debt at the end of 1992 stood at Rs. 72,096 million registering a growth of 7 per cent over 1991. This was the combined outcome of an increase of Rs. 2,356 million on account of Rupee Securities and a rise of Rs. 2,100 million in respect of Treasury bills. The issue of long term Treasury bills (maturity over 1 year) was commenced in 1992 with a view to promoting the market for long term debt instruments.

The outstanding debt on account of Rupee Securities at Rs. 69,180 million in 1992 registered a moderate increase of 4 per cent in comparison to a much higher growth of 22 per cent recorded in the previous year. The Employees Provident Fund (EPF) continued to be the major subscriber to the Rupee Loan Programme raising its total investments in Rupee Securities from Rs. 42,607 million at the end of 1991 to Rs. 51,208 million at the end of 1992.

Foreign Debt

The outstanding foreign debt at Rs. 234,850 million marked an increase of Rs. 20,271 million or 9 per cent over the previous year. The rise in the foreign debt consisted of a net borrowing of Rs. 7,984 million and an increase in the outstanding debt by Rs. 12,289 million due to exchange rate variations during the year. Concessional loans at Rs. 224,492 million accounted for 96 per cent of foreign debt as compared to 94 per cent at the end of 1991. Meanwhile, outstanding liabilities on commercial loans at Rs. 10,358 million reflected a 14 per cent reduction over 1991 and accounted for a mere 3 per cent of total foreign debt. Bilateral loans at Rs. 133,325 million constituted 59 per cent of concessional loans at end 1992 in comparison to 61 per cent at end 1991.

Liabilities on account of project loans at Rs. 184,886 million at the end of 1992 reflected a net borrowing of Rs. 8,878 million and an additional liability of Rs. 9,859 million on account of exchange rate variations. Meanwhile, the outstanding liability on account of non-project loans rose to Rs. 49,956 million from Rs. 48,430 million at end 1991 an increase of Rs. 1,526 million. The effect of exchange rate variations on foreign debt is given in Table 1.55.

TABLE 1.55
Effect of Exchange Rate Variation on Foreign Loans 1988 - 1992 (a)

Item	Rs. Million				
	1988	1989	1990	1991	1992 Provi- sional
1. Gross receipts	12,975.3	12,002.8	16,549.6	25,969.1	14,569
2. Repayments	5,197.2	5,675.4	4,845.7	4,881.0	6,585
3. Net Receipts	7,778.1	6,327.4	12,098.9	21,088.0	7,984
4. Change in liability due to Exchange rate variations	5,438.0	23,258.8	8,486.3	16,608.0	12,289
5. Liability as at end of period	125,656.9	156,297.5	176,882.7	214,578.5	234,851

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

Source: Central Bank of Sri Lanka.

GOVERNMENT DEBT SERVICE PAYMENTS

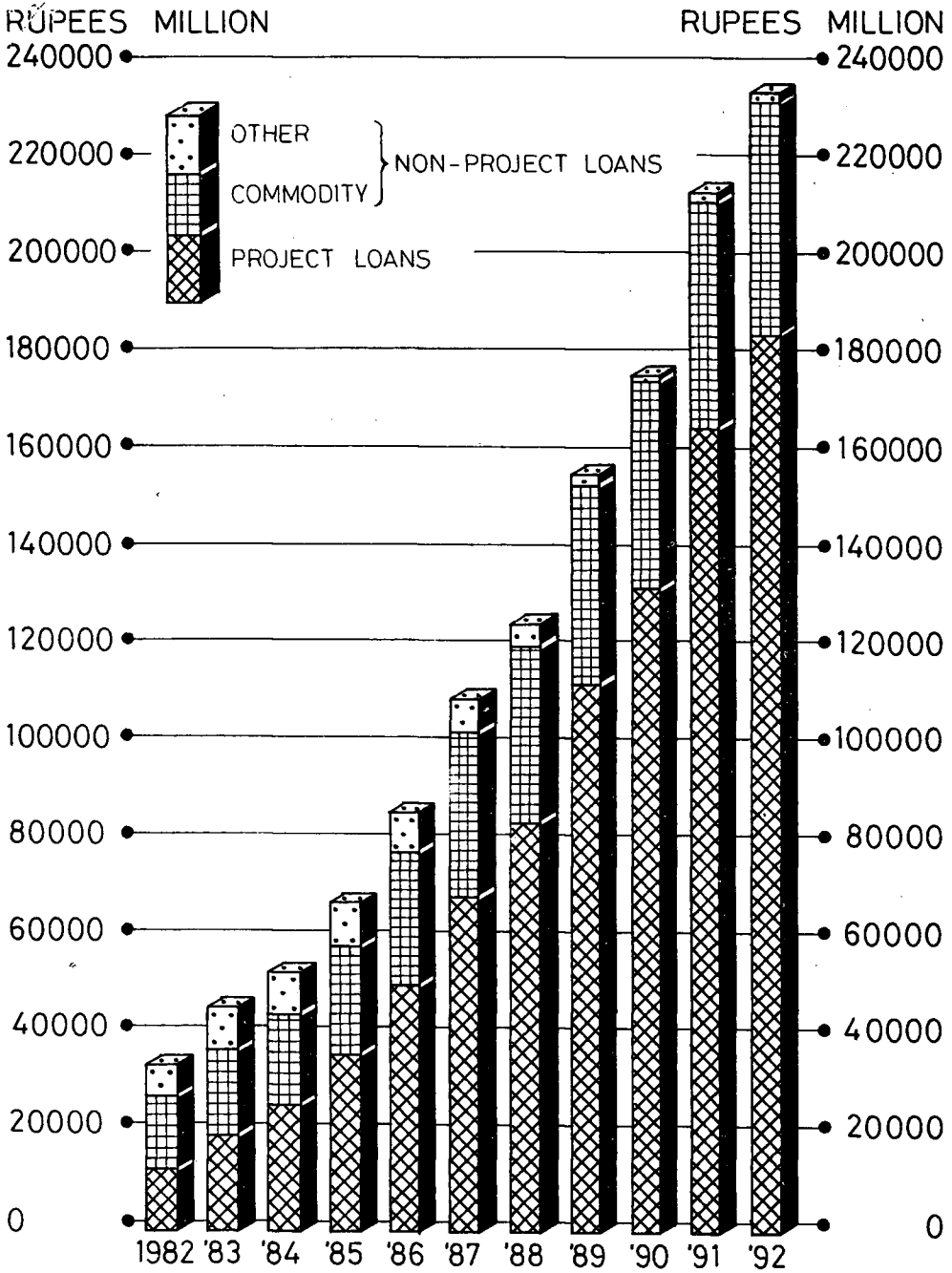
Total debt service payments of the government consisting of amortisation and interest payments amounted to Rs. 50,027 million in 1992 - an increase of 26 per cent over 1991. Accordingly, debt service payments as a ratio of GDP reached 11.8 per cent in 1992 as compared to 10.6 per cent in 1991. Amortisation payments at Rs. 24,708 million constituted 49 per cent of the total debt service commitment, while interest payments at Rs. 25,319 million comprised the balance. With a large volume of medium and long term loans reaching maturity in 1992, amortisation payments on account of domestic debt totalled Rs. 18,123 million - an increase of 40 per cent over 1991. Meanwhile, such payments on account of foreign debt rose from Rs. 4,881 million in 1991 to Rs. 6,585 million in 1992. Reflecting higher rates of interest and an increased volume of short term domestic debt, interest payments on such debt at Rs. 11,355 million marked an increase of 9 per cent. Similarly, with the prevalence of higher interest rates on medium and long term debt, and a further rise in the stock of such debt, interest payments at Rs. 9,278 million showed an increase of 23 per cent. Meanwhile, interest payments on foreign loans rose by 14 per cent to Rs. 4,686 million in 1992. A statistical summary of Government debt service payments is given in Table 1.56.

TABLE 1.56
Government Debt Service Payments - (1988 - 1992)

Item	Rs. Million				
	1988	1989	1990	1991	1992 Provi- sional
Debt Service Payments	22,270	23,890	32,878	39,855	50,027
(i) Amortization	9,680	9,538	12,210	17,782	24,708
(a) Domestic (Medium & Long Term)	4,471	3,796	7,304	12,901	18,123
(b) Foreign	5,209	5,742	4,906	4,881	6,585
(ii) Interest Payments	12,590	14,352	20,668	22,073	25,319
(a) Domestic	9,694	11,015	16,990	17,960	20,633
Short Term	4,198	5,075	9,563	10,410	11,355
Medium & Long Term	5,496	5,940	7,427	7,550	9,278
(b) Foreign	2,896	3,337	3,678	4,113	4,686
Interest / Current Expenditure (%)	27.3	25.2	28.8	26.4	29.1
Debt Service / GDP (%)	10.0	9.5	10.2	10.6	11.8

Source : Central Bank of Sri Lanka.

COMPOSITION OF FOREIGN DEBT



Central Bank of Sri Lanka.