

# GOVERNMENT FINANCE

## OVERALL TRENDS

The budgetary outcome in 1993 showed further progress in the on-going fiscal adjustments programme towards reducing fiscal imbalance with the containment of the overall deficit within the targeted level of about 8 per cent of GDP. In spite of a slight slippage in the revenue effort which caused the revenue/GDP ratio to drop from 20.2 per cent in 1992 to 19.8 per cent in 1993, the current account deficit declined marginally from 0.9 per cent of GDP to 0.5 per cent of GDP between the two years. This was brought about by a decrease in current expenditure in relation to GDP which declined from 22.5 per cent in 1991 to 21.1 per cent in 1992 and further to 20.3 per cent in 1993. In contrast to the experience in the previous year, government was able to maintain a high level of public investment which rose to 8.0 per cent of GDP in 1993 from 7.3 per cent in 1992 thereby avoiding undue adjustments in public investment to achieve fiscal consolidation. Reflecting the combined effect of lower current expenditure and higher capital outlays than in the previous year, the overall expenditure/GDP ratio was contained at 27.9 per cent in 1993. In 1992, the total expenditure/GDP ratio was 27.5 per cent but was coloured by a very low level of public investment. The overall revenue and expenditure flows in 1993 resulted in a budget deficit of 8.1 per cent - up from 7.3 per cent in the previous year.

A disturbing feature of fiscal performance in 1993 was the increased recourse to domestic borrowings which rose from 3.7 per cent of GDP in 1992 to 4.5 per cent of GDP in 1993. The high level of domestic borrowings by the government pre-empted resources otherwise available to the private sector exerting upward pressure on domestic interest rates. The overall developments in the fiscal front in 1993 thus underscored the need for greater fiscal consolidation towards generating a strong current account surplus conducive to maintaining a high level of public investment without resorting to high domestic borrowings.

## FISCAL OUT-TURN

Government revenue in 1993 totalled Rs.98,495 million recording an increase of 15 per cent over the previous year. However, as in the previous year, the overall revenue growth lagged behind the increase in nominal GDP resulting in a reduction in the revenue/GDP ratio, from 20.2 per cent in 1992 to 19.8 per cent in 1993. In spite of an additional revenue effort made through the enhanced defence levy, rationalisation of turnover taxes within a three rate band structure, increase in the uplift margin for import turnover tax and the imposition of special levies on selected enterprises, the overall revenue effort during 1993 weakened largely due to the removal of export taxes and the erosion in the tax base for import duties.

Meanwhile, current expenditure at Rs.100,951 million registered a growth of 12.6 per cent in 1993 compared to 7 per cent in 1992. However, reflecting a moderation in overall current outlays in relation to GDP, the current expenditure / GDP ratio declined to 20.3 per cent in 1993 from 21.1 per cent in 1992 - a welcome development in fiscal operations in 1993. Although salaries and wages rose by 25 per cent in 1993 due to the substantial wage increase extended to government employees, the overall expenditure on the purchase of goods and services at Rs.45,171 million registered only a moderate increase of 14 per cent reflecting continued restraint on other outlays. Underscoring this adjustment effort, expenditure on goods and services in relation to GDP was contained at 9.1 per cent in 1993 compared to 9.3 per cent in the previous year. In spite of a large expansion in pension outlays and social welfare expenditure on the Janasaviya and the Mid-Day Meal Programme, total transfer payments at Rs.26,853 million showed only a modest growth of 12

per cent. Consequently, these expenditures in relation to GDP declined from 5.6 per cent in 1992 to 5.4 per cent in 1993. Although interest payments on government debt rose by 11 per cent, such expenditure in relation to GDP fell slightly from 6.1 per cent in 1992 to 5.8 per cent in 1993.

In spite of a setback in maintaining the revenue effort, a modest growth in aggregate current expenditure was helpful in lowering the deficit in the current account of the budget from Rs.3,858 million in 1992 to Rs.2,456 million in 1993. Consequently, the current account deficit/GDP ratio which declined from 2.0 per cent in 1991 to 0.9 per cent in 1992 further dropped to 0.5 per cent in 1993 - a favourable outcome in continued adjustment efforts towards augmenting domestic savings. Meanwhile, public investment (capital expenditure and on-lending to commercial public enterprises) funded through the government budget increased to Rs.39,569 million in 1993 from Rs.31,195 million in the previous year resulting in a rise in the public investment/GDP ratio from 7.3 per cent in 1992 to 8.0 per cent in 1993. Despite this increase in public investment, total expenditure rose only to 27.9 per cent of GDP in 1993 from the previous year's level of 27.5 per cent of GDP due to lower current expenditure.

Underscoring these developments, the overall budget was in deficit (before grants) to the tune of Rs.40,109 million (8.1 per cent of GDP) in 1993. The overall budget deficit/GDP ratios in 1991 and 1992 were 11.6 per cent and 7.3 per cent respectively. With the use of foreign grants amounting to Rs.8,025 million (1.6 per cent of GDP), the deficit (after grants) totalled Rs.32,084 million (6.5 per cent of GDP) in comparison to Rs.22,912 million (5.4 per cent of GDP) in the previous year. Meanwhile, reflecting higher public investment, the utilisation of net foreign loans for budgetary purposes rose from Rs.7,361 million (1.7 per cent of GDP) in 1992 to Rs.9,855 million (2.0 per cent of GDP) in 1993. However, a large increase in capital expenditure in the context of a current account deficit resulted in a rise in domestic borrowings from Rs.15,552 million (3.7 per cent of GDP) in 1992 to Rs.22,229 million (4.5 per cent of GDP) in 1993. Nevertheless, due to aggressive open market operations by the Central Bank, domestic borrowings for budgetary operations were raised entirely from non-bank sources. Hence, the government was able to refrain from utilising resources from the banking system for financing the budget deficit. A summary of government fiscal operations during 1989-1993 is given in Table 1.55.

## REVENUE

Government revenue at Rs.98,495 million in 1993 registered a growth of 15 per cent in comparison with 13 per cent in 1992. As in the previous year, tax revenue accounted for 89 per cent of the total revenue collection in 1993. With the growing importance of the defence levy and turnover tax on domestic goods and services, the share of tax revenue from domestic goods and services continued to increase from 50 per cent in 1992 to 55 per cent in 1993. The enhanced collection on account of these taxes was largely attributable to further rationalisation of the turnover tax structure, increase in the uplift margin for import turnover tax and the full year impact of the high defence levy. In contrast, the share of international trade oriented taxes witnessed a drop of 4 percentage points to 24 per cent in 1993 reflecting the abolition of export taxes at the end of 1992 and the erosion in the tax base for import duty owing to the grant of duty waivers and exemptions on a wide range of commodities. Meanwhile, the share of income taxes further rose to 16 per cent in 1993 from 14 per cent in 1992 due partly to the expansion of the tax base for income taxes resulting from the imposition of the PAYE tax on corporate employees. The increase in the share of income taxes was also partly due to enhanced collections from the withholding tax imposed on interest payments on bonds issued for the restructuring of the two state banks. Meanwhile, the share of revenue on account of the non-refundable tax on Central Bank holdings of Treasury bills dropped from 3 per cent in 1992 to 1 per cent in 1993 reflecting the depleted Treasury bill stock in the Central Bank's portfolio, consequent to aggressive open market operations.

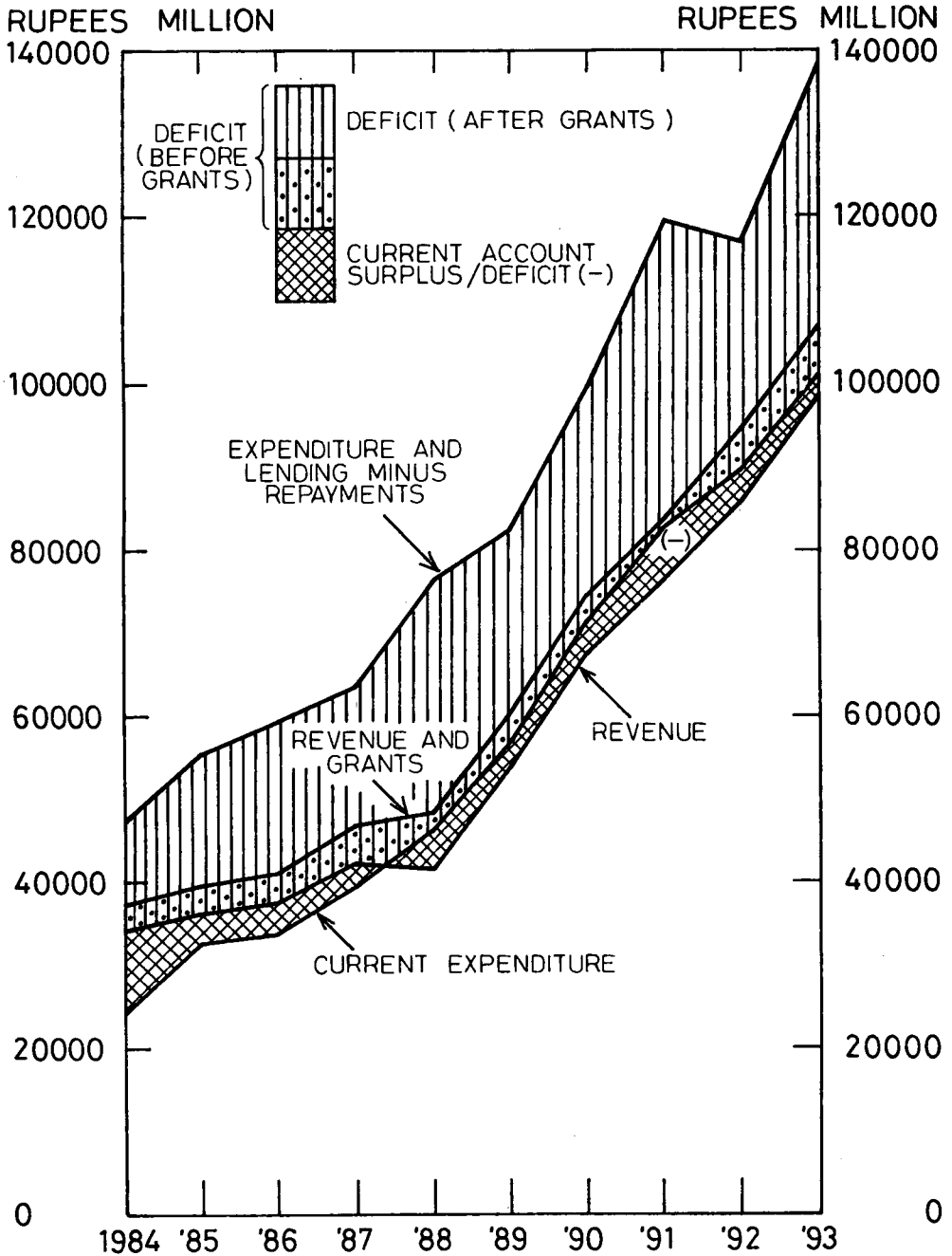
**TABLE 1.55**  
**Summary of Government Fiscal Operations**

Rs. Million

| Item  | 1989    | 1990    | 1991    | 1992    | 1993<br>Approved<br>Estimates | 1993<br>Provi-<br>sional | 1994<br>Approved<br>Estimates |
|---|---------|---------|---------|---------|-------------------------------|--------------------------|-------------------------------|
| Total Revenue and Grants                    | 60,386  | 74,662  | 84,049  | 94,061  | 110,927                       | 106,520                  | 123,220                       |
| Total Revenue                               | 53,979  | 67,964  | 76,179  | 85,781  | 101,977                       | 98,495                   | 115,634                       |
| Tax Revenue                                 | 47,513  | 61,206  | 68,157  | 76,353  | 94,377                        | 87,274                   | 105,276                       |
| Non-Tax Revenue                             | 6,466   | 6,758   | 8,022   | 9,428   | 7,600                         | 11,221                   | 10,358                        |
| Grants                                      | 6,407   | 6,697   | 7,870   | 8,280   | 8,950                         | 8,025                    | 7,586                         |
| Expenditure and Lending<br>minus Repayments | 82,164  | 99,814  | 119,527 | 116,973 | 141,917                       | 138,604                  | 154,219                       |
| Current                                     | 56,884  | 71,771  | 83,756  | 89,639  | 97,437                        | 100,951                  | 109,367                       |
| Capital                                     | 20,750  | 19,529  | 25,304  | 24,948  | 35,436                        | 33,777                   | 35,233                        |
| Lending minus Repayments                    | 4,530   | 8,514   | 10,467  | 2,386   | 9,044                         | 3,876                    | 9,619                         |
| Current Account                             |         |         |         |         |                               |                          |                               |
| Surplus/Deficit (-)                         | -2,905  | -3,807  | -7,577  | -3,858  | 4,540                         | -2,456                   | 6,267                         |
| Budget Deficit (before grants)              | -28,185 | -31,850 | -43,348 | -31,192 | -39,940                       | -40,109                  | -38,585                       |
| Budget Deficit (after grants)               | -21,778 | -25,153 | -35,478 | -22,912 | -30,990                       | -32,084                  | -30,999                       |
| Financing                                   | 21,778  | 25,152  | 35,478  | 22,913  | 30,989                        | 32,084                   | 30,999                        |
| Foreign Borrowings                          | 5,926   | 11,644  | 19,329  | 7,361   | 19,489                        | 9,855                    | 18,241                        |
| Domestic Borrowings                         | 15,852  | 13,508  | 16,149  | 15,552  | 11,500                        | 22,229                   | 12,758                        |
| Non-Market Borrowings                       | 2,650   | 305     | 691     | -3,205  | -                             | -                        | -                             |
| Market Borrowings                           | 13,202  | 13,203  | 15,458  | 18,757  | 11,500                        | 22,229                   | 12,758                        |
| Non Bank                                    | 13,735  | 12,946  | 15,423  | 21,079  | 13,000                        | 28,308                   | 12,758                        |
| Bank  | -533    | 257     | 35      | -2,322  | -1,500                        | -6,079                   | -                             |
| As a percentage of GDP                      |         |         |         |         |                               |                          |                               |
| Total Revenue and Grants                    | 24.0    | 23.2    | 22.6    | 22.1    | 22.4                          | 21.4                     | 21.7                          |
| Total Revenue                               | 21.4    | 21.1    | 20.4    | 20.2    | 20.6                          | 19.8                     | 20.3                          |
| Tax Revenue                                 | 18.9    | 19.0    | 18.3    | 17.9    | 19.1                          | 17.6                     | 18.5                          |
| Non-Tax Revenue                             | 2.6     | 2.1     | 2.2     | 2.2     | 1.5                           | 2.3                      | 1.8                           |
| Grants                                      | 2.5     | 2.1     | 2.1     | 1.9     | 1.8                           | 1.6                      | 1.3                           |
| Expenditure and Lending<br>minus Repayments | 32.6    | 31.0    | 32.1    | 27.5    | 28.7                          | 27.9                     | 27.1                          |
| Current                                     | 22.6    | 22.3    | 22.5    | 21.1    | 19.7                          | 20.3                     | 19.2                          |
| Capital                                     | 8.2     | 6.1     | 6.8     | 5.9     | 7.2                           | 6.8                      | 6.2                           |
| Lending minus Repayments                    | 1.8     | 2.6     | 2.8     | 0.6     | 1.8                           | 0.8                      | 1.7                           |
| Current Account                             |         |         |         |         |                               |                          |                               |
| Surplus/Deficit (-)                         | -1.2    | -1.2    | -2.0    | -0.9    | 0.9                           | -0.5                     | 1.1                           |
| Budget Deficit (before grants)              | -11.2   | -9.9    | -11.6   | -7.3    | -8.1                          | -8.1                     | -6.8                          |
| Budget Deficit (after grants)               | -8.6    | -7.8    | -9.5    | -5.4    | -6.3                          | -6.5                     | -5.4                          |
| Financing                                   | 8.6     | 7.8     | 9.5     | 5.4     | 6.3                           | 6.5                      | 5.4                           |
| Foreign Borrowings                          | 2.4     | 3.6     | 5.2     | 1.7     | 3.9                           | 2.0                      | 3.2                           |
| Domestic Borrowings                         | 6.3     | 4.2     | 4.3     | 3.7     | 2.3                           | 4.5                      | 2.2                           |
| Non-Market Borrowings                       | 1.1     | 0.1     | 0.2     | -0.8    | -                             | -                        | -                             |
| Market Borrowings                           | 5.2     | 4.1     | 4.1     | 4.4     | 2.3                           | 4.5                      | 2.2                           |
| Non Bank                                    | 5.5     | 4.0     | 4.1     | 5.0     | 2.6                           | 5.7                      | 2.2                           |
| Bank  | -0.2    | 0.1     | ...     | -0.5    | -0.3                          | -1.2                     | -                             |

Source : Central Bank of Sri Lanka

# TRENDS IN FISCAL MAGNITUDES



The revenue collection from Non-tax sources at Rs.11,221 million registered a growth of 19 per cent in 1993 in comparison to an increase of 17 per cent in 1992. As in the previous year, revenue from such sources accounted for 11 per cent of the total revenue collection. Revenue from profits and dividends at Rs.2,135 million rose by Rs. 1976 million due largely to the imposition of special levies of Rs.771 million on Sri Lanka Telecom and Rs.300 million on the Ceylon Petroleum Corporation (CPC) under the Finance Act. The share of interest income in non-tax revenue declined from 38 per cent in 1992 to 31 per cent in 1993. Central Bank profit transfers at Rs.1,000 million in 1993 were Rs.150 million lower when compared with 1992.

## TAX REVENUE

Reflecting a continuing structural shift towards domestic taxes from international trade oriented taxes, revenue from taxes on domestic goods and services amounting to Rs.48,417 million rose sharply by 27 per cent in 1993 compared with an increase of 19 per cent during the previous year. The enhanced importance of this source of taxation is attributed to the re-classification of commodities for turnover tax within a three band rate structure, increase in the tax base for turnover tax on imports with the imposition of a higher uplift margin, the full year impact of a 3 per cent defence levy and a recovery of the food, beverages and tobacco sub-sector which generate the bulk of indirect taxes.

Turnover tax at Rs.29,382 million showed a sharp rise of 22 per cent in 1993 in comparison to a growth of 12 per cent in 1992. The revenue collection on account of turnover tax on manufacturing activities totalled Rs.9,048 million recording a higher growth of 10 per cent compared to a 4 per cent rise witnessed during the previous year. This is largely attributed to the recovery of the food, beverages and tobacco manufacturing activities from the drought conditions that prevailed in the country during 1992. Moreover, under the impact of the increase in the uplift margin from 10 per cent to 25 per cent in February, 1993, revenue from import turnover tax at Rs.15,607 million registered a growth of 27 per cent - 10 percentage points higher than in the previous year. Thus, the share of import turnover tax in overall turnover tax collection increased from 51 per cent in 1992 to 53 per cent in 1993. With the increase in the rate of turnover tax on telecommunication services from 10 per cent to 20 per cent in February, 1993, the higher turnover tax of 10 per cent imposed on travel agents, hotels, auctioneers, etc. from September, 1993 onwards and the removal of the turnover tax exemption on the National Development Bank (NDB) and the Development Finance Corporation of Ceylon (DFCC) in November 1993, non-manufacturing turnover tax rose from Rs.3,546 million in 1992 to Rs.4,727 million in 1993. Meanwhile, with a view to facilitating the transition to the Value Added Tax (VAT), turnover tax was rationalised within a three band rate structure of 5, 10 and 20 per cent in place of the prevailing four band rate structure of 5, 10, 15 and 20 per cent.

Revenue from excise taxes generated Rs.12,410 million in 1993 registering an impressive growth of 21 percent in contrast to a decline of 3 percent during the previous year. This was largely brought about by an enhanced revenue collection on account of processed tobacco and cigarettes. In spite of a modest growth in the volume of sales resulting from a recovery in the production of processed tobacco, revenue from this source at Rs.7,428 million marked an increase of 33 percent in 1993 largely reflecting the full year impact of the excise duty revision of Rs.0.52 per cigarette effected in October, 1992. Meanwhile, the collection on account of liquor taxes at Rs.4,125 million in 1993 indicated a growth of 20 percent over the previous year due to an increased consumption of liquor during the year and the upward revision in duty by Rs.8 per bottle of arrack in October, 1993. Despite efforts to broad-base excise taxes with the introduction of excise duty on items such as petrol (Rs.2 per litre) in October 1993, diesel vans with a seating capacity of 10 - 15 persons (15 per cent) and video games (25 percent) in November, 1993, revenue under the Excise (Special Provisions) Act declined from Rs.1,225 million in 1992 to Rs.857 million in 1993 partly owing to duty reductions in items such as aerated water from Rs. 1 to Rs.0.50 per bottle in February, 1993 and thereafter to Rs.0.25 per bottle in November, 1993.

**TABLE 1.56**  
**Summary of Revenue by Components**

Rs. Million

| Item  | 1989          | 1990          | 1991          | 1992          | 1993<br>Approved<br>Estimate | 1993<br>Provi-<br>sional | 1994<br>Approved<br>Estimates |
|---|---------------|---------------|---------------|---------------|------------------------------|--------------------------|-------------------------------|
| <b>Tax Revenue</b>                            | <b>47,513</b> | <b>61,206</b> | <b>68,157</b> | <b>76,353</b> | <b>94,377</b>                | <b>87,274</b>            | <b>105,276</b>                |
| Income Taxes                                  | 5,148         | 7,337         | 9,722         | 10,967        | 12,430                       | 13,658                   | 15,781                        |
| Personal                                      | 2,207         | 2,957         | 3,539         | 4,067         | 4,250                        | 5,272                    | 5,504                         |
| Corporate <sup>1</sup>                        | 2,941         | 4,380         | 6,183         | 6,900         | 8,180                        | 8,386                    | 10,277                        |
| Taxes on Property                             | 2,697         | 3,140         | 3,541         | 3,597         | 3,420                        | 3,454                    | 4,191                         |
| Tax on Treasury bills held by<br>Central Bank | 2,345         | 2,618         | 3,033         | 1,991         | 1,440                        | 1,073                    | 540                           |
| Taxes on Domestic<br>Goods and Services       | 20,828        | 28,770        | 32,107        | 38,158        | 52,257                       | 48,417                   | 58,364                        |
| General Sales and<br>Turnover Tax             | 14,658        | 20,291        | 21,430        | 24,095        | 31,865                       | 29,382                   | 35,401                        |
| Manufacturing                                 | 4,496         | 6,798         | 7,945         | 8,262         | 11,275                       | 9,048                    | 11,518                        |
| Non-manufacturing                             | 3,004         | 3,726         | 2,974         | 3,546         | 3,470                        | 4,727                    | 4,134                         |
| Imports                                       | 7,158         | 9,767         | 10,511        | 12,287        | 17,120                       | 15,607                   | 19,749                        |
| Excise Tax                                    | 5,812         | 8,170         | 10,597        | 10,232        | 14,730                       | 12,410                   | 13,929                        |
| Liquor  | 1,955         | 2,657         | 3,126         | 3,434         | 4,650                        | 4,125                    | 5,013                         |
| Tobacco                                       | 3,855         | 5,461         | 6,884         | 5,573         | 8,410                        | 7,428                    | 7,148                         |
| Other   | 2             | 52            | 587           | 1,225         | 1,670                        | 857                      | 1,768                         |
| Defence Levy                                  | -             | -             | -             | 3,764         | 5,622                        | 6,566                    | 8,759                         |
| Licence Fees                                  | 358           | 309           | 80            | 67            | 40                           | 59                       | 275                           |
| Taxes on International Trade                  | 16,495        | 19,341        | 19,754        | 21,640        | 24,830                       | 20,672                   | 26,400                        |
| Imports                                       | 14,923        | 16,792        | 18,617        | 20,819        | 23,800                       | 20,615                   | 26,400                        |
| Exports                                       | 1,572         | 2,549         | 1,137         | 821           | 1,030                        | 57                       | -                             |
| Tea   | 628           | 1,601         | 492           | 360           | 596                          | 23                       | -                             |
| of which: ad-valorem                          | 355           | 1,311         | 298           | 226           | 516                          | -                        | -                             |
| Rubber  | 766           | 747           | 476           | 318           | 365                          | 16                       | -                             |
| Coconut                                       | 126           | 151           | 125           | 117           | 40                           | 4                        | -                             |
| Other Exports                                 | 52            | 50            | 44            | 26            | 29                           | 14                       | -                             |
| <b>Non Tax Revenue</b>                        | <b>6,466</b>  | <b>6,758</b>  | <b>8,022</b>  | <b>9,428</b>  | <b>7,600</b>                 | <b>11,221</b>            | <b>10,358</b>                 |
| Property Income                               | 4,387         | 4,192         | 5,964         | 6,262         | 4,750                        | 6,927                    | 6,879                         |
| of which: Central Bank Profits                | 2,000         | 500           | 500           | 1,150         | 1,000                        | 1,000                    | 1,000                         |
| Interest Income                               | 1,198         | 1,143         | 2,617         | 3,596         | 3,465                        | 3,509                    | 4,406                         |
| Surplus of Trading<br>Enterprises             | 1,041         | 2,235         | 2,612         | 1,179         | -                            | -                        | -                             |
| Fees and charges                              | 627           | 835           | 917           | 1,225         | 1,140                        | 1,303                    | 1,490                         |
| Other Non Tax Revenue                         | 1,452         | 1,731         | 1,141         | 1,941         | 1,710                        | 2,991                    | 1,989                         |
| <b>Total Revenue</b>                          | <b>53,979</b> | <b>67,964</b> | <b>76,179</b> | <b>85,781</b> | <b>101,977</b>               | <b>98,495</b>            | <b>115,634</b>                |

(Contd.)

1. Inclusive of the withholding tax on bonds issued for bank restructuring purposes.

**TABLE 1.56(Contd.)**  
**Summary of Revenue by Components**  
**(as a percentage of GDP)**

| Item  | 1989        | 1990        | 1991        | 1992        | 1993<br>Approved<br>Estimates | 1993<br>Provi-<br>sional | 1994<br>Approved<br>Estimates |
|---|-------------|-------------|-------------|-------------|-------------------------------|--------------------------|-------------------------------|
| <b>Tax Revenue</b>                            | <b>18.9</b> | <b>19.0</b> | <b>18.3</b> | <b>17.9</b> | <b>19.1</b>                   | <b>17.6</b>              | <b>18.5</b>                   |
| Income Taxes                                  | 2.0         | 2.3         | 2.6         | 2.6         | 2.5                           | 2.7                      | 2.8                           |
| Personal                                      | 0.9         | 0.9         | 0.9         | 1.0         | 0.9                           | 1.1                      | 1.0                           |
| Corporate <sup>1</sup>                        | 1.2         | 1.4         | 1.7         | 1.6         | 1.7                           | 1.6                      | 1.8                           |
| Taxes on Property                             | 1.1         | 1.0         | 1.0         | 0.8         | 0.7                           | 0.7                      | 0.7                           |
| Tax on Treasury bills held by<br>Central Bank | 0.9         | 0.8         | 0.8         | 0.5         | 0.3                           | 0.2                      | 0.1                           |
| Taxes on Domestic Goods and<br>Services       | 8.3         | 8.9         | 8.6         | 9.0         | 10.6                          | 9.7                      | 10.3                          |
| General Sales and<br>Turnover Tax             | 5.8         | 6.3         | 5.8         | 5.7         | 6.4                           | 5.9                      | 6.2                           |
| Manufacturing                                 | 1.8         | 2.1         | 2.1         | 1.9         | 2.3                           | 1.8                      | 2.0                           |
| Non-manufacturing                             | 1.2         | 1.2         | 0.8         | 0.8         | 0.7                           | 1.0                      | 0.7                           |
| Imports                                       | 2.8         | 3.0         | 2.8         | 2.9         | 3.5                           | 3.1                      | 3.5                           |
| Excise Tax                                    | 2.3         | 2.5         | 2.8         | 2.4         | 3.0                           | 2.5                      | 2.4                           |
| Liquor  | 0.8         | 0.8         | 0.8         | 0.8         | 0.9                           | 0.8                      | 0.9                           |
| Tobacco                                       | 1.5         | 1.7         | 1.8         | 1.3         | 1.7                           | 1.5                      | 1.3                           |
| Other   | ...         | ...         | 0.2         | 0.3         | 0.3                           | 0.2                      | 0.3                           |
| Defence Levy                                  | —           | —           | —           | 0.9         | 1.1                           | 1.3                      | 1.5                           |
| Licence Fees                                  | 0.1         | 0.1         | ...         | ...         | ...                           | ...                      | ...                           |
| Taxes on International Trade                  | 6.5         | 6.0         | 5.3         | 5.1         | 5.0                           | 4.2                      | 4.6                           |
| Imports                                       | 5.9         | 5.2         | 5.0         | 4.9         | 4.8                           | 4.1                      | 4.6                           |
| Exports                                       | 0.6         | 0.8         | 0.3         | 0.2         | 0.2                           | ...                      | —                             |
| Tea   | 0.2         | 0.5         | 0.1         | 0.1         | 0.1                           | ...                      | —                             |
| of which: ad-valorem                          | 0.1         | 0.4         | 0.1         | 0.1         | 0.1                           | ...                      | —                             |
| Rubber  | 0.3         | 0.2         | 0.1         | 0.1         | 0.1                           | ...                      | —                             |
| Coconut                                       | 0.1         | ...         | ...         | ...         | ...                           | ...                      | —                             |
| Other Exports                                 | ...         | ...         | ...         | ...         | ...                           | ...                      | —                             |
| <b>Non Tax Revenue</b>                        | <b>2.6</b>  | <b>2.1</b>  | <b>2.2</b>  | <b>2.2</b>  | <b>1.5</b>                    | <b>2.3</b>               | <b>1.8</b>                    |
| Property Income                               | 1.7         | 1.3         | 1.6         | 1.5         | 1.0                           | 1.4                      | 1.2                           |
| of which: Central Bank Profits                | 0.8         | 0.2         | 0.1         | 0.3         | 0.2                           | 0.2                      | 0.2                           |
| Interest Income                               | 0.5         | 0.4         | 0.7         | 0.8         | 0.7                           | 0.7                      | 0.8                           |
| Surplus of Trading<br>Enterprises             | 0.4         | 0.7         | 0.7         | 0.3         | —                             | —                        | —                             |
| Fees and charges                              | 0.2         | 0.3         | 0.2         | 0.3         | 0.2                           | 0.3                      | 0.3                           |
| Other Non Tax Revenue                         | 0.6         | 0.5         | 0.3         | 0.5         | 0.3                           | 0.6                      | 0.3                           |
| <b>Total Revenue</b>                          | <b>21.4</b> | <b>21.1</b> | <b>20.4</b> | <b>20.2</b> | <b>20.6</b>                   | <b>19.8</b>              | <b>20.3</b>                   |

Source : Central Bank of Sri Lanka.

1. Inclusive of the withholding tax on bonds issued for bank restructuring purposes.

The defence levy which was imposed in January, 1992 generated Rs.6,566 million in 1993 accounting for 1.3 per cent of GDP compared to 0.9 per cent in the previous year. The revenue from the defence levy strengthened in 1993 largely due to the increase in this levy from 1 per cent to 3 per cent in May, 1992, the full year impact of which was felt during the year under review. The defence levy has also become a buoyant revenue source as exemptions under this tax are confined only to exports.

With the abolition of export duties on tea, rubber and coconut in December, 1992 and the removal of remaining export duties such as those on ferrous waste and scrap in May, 1993, export duty as a source of revenue virtually disappeared in 1993. Thus, export duty revenue decreased from Rs.821 million in 1992 to Rs.57 million in 1993.

Despite the rapid growth in imports by 26 per cent in 1993, revenue collections through import duties at Rs.20,615 million virtually remained unchanged at the previous year's level. Consequently, the average import duty rate - the ratio between import duty and the value of imports - which declined from 14.7 per cent in 1991 to 13.6 per cent in 1992 dropped sharply to 10.6 per cent in 1993. The lacklustre performance in import duty collection was largely attributed to the grant of ad-hoc duty waivers on various products and duty free concessions extended to enterprises coming under the Board of Investment (BOI) status during the year. Thus, the total value of dutiable imports declined from Rs.75,788 million in 1992 to Rs.73,737 million in 1993 although the total value of imports rose from Rs.153,555 million to Rs.193,550 million between the two years.

Moreover, although the total value of imports increased at a rapid pace in 1993, imports of consumer durables on which high tariffs are applied increased only by 16 per cent, whereas investment goods which carry low import duty rates rose by 35 per cent. Thus, changes in the import structure also contributed to the stagnation in import duty revenue in 1993. Meanwhile, taking a further step towards rationalisation of the tariff structure, duties on textiles which were carrying high specific duties were converted to an ad-valorem rate of 100 per cent in April, 1993 which was further reduced to 50 per cent in November, 1993. Moreover, duties on motor vehicles were reduced to a range of 50 to 100 per cent. Meanwhile, a reduction in the maximum nominal tariff of 50 per cent in the four band rate structure (10, 20, 35 and 50) to 45 per cent in November, 1993 also contributed towards the stagnation in the import duty collection in 1993. These reforms in customs tariffs together with the abolition of export taxes showed continued progress in the on-going tax reforms to reduce reliance on international trade for government revenue purposes.

Revenue from income taxes raised Rs.13,658 million in 1993 reflecting a buoyant revenue growth of 25 per cent over 1992. Personal income taxes at Rs.5,272 million showed a remarkable growth of 30 per cent over 1992 due to the imposition of the PAYE tax on corporation employees in mid-1993 and higher remuneration of private sector employees. Meanwhile, corporate income taxes at Rs.7,386 million recorded a moderate growth of 7 per cent in spite of a reduction in the corporate tax rate from 45 per cent in 1992 to 40 per cent in April, 1993 and the rationalisation of the depreciation allowances for buildings and motor vehicles from 10 and 4 years to 15 and 6 years, respectively.

Stamp duties generated Rs.3,454 million in 1993 registering a drop of 4 per cent over the previous year. Meanwhile, revenue from the non-refundable tax on Central Bank holdings of Treasury bills at Rs.1,073 million declined sharply by almost 50 per cent reflecting the depleted stock of Treasury bills held by the Central Bank in 1993. A statistical summary of government revenue is given in Table 1.56.



## FOREIGN GRANTS

Total foreign grants utilised for budgetary purposes during 1993 at Rs.8,025 million registered a marginal decline of 3 per cent. Consequently, total foreign grants in relation to GDP which declined from 2.1 per cent in 1991 to 1.9 per cent in 1992 further dropped to 1.6 per cent in 1993. Receipts on account of project grants at Rs.5,121 million showed a decline of 15 per cent while commodity and food aid grants amounting to Rs.2,903 million registered a rise of 27 per cent. As in the previous year, Japan and the U.S.A. continued to be the largest donors providing nearly 70 per cent of Sri Lanka's grants.

## EXPENDITURE

Total expenditure at Rs.138,604 million marked an increase of 18 per cent over 1992. Current expenditure amounting to Rs.100,951 million accounted for 73 per cent of total expenditure compared to 77 per cent in the previous year. Current outlays on the purchase of goods and services accounted for the bulk of current expenditure. Meanwhile, public investments at Rs.39,569 million, which was largely concentrated in areas such as roads, and highways, water supply and drainage, communication, education and health, registered a growth of 27 per cent in 1993. An economic classification of government expenditure is given in Table 1.57.

## CURRENT EXPENDITURE

Current expenditure amounting to Rs.100,950 million reflected an increase of 13 per cent - slightly lower than the increase in nominal GDP in 1993. Expenditure on account of purchases of goods and services in the form of salaries and wages and other goods and services totalling Rs.45,171 million witnessed a growth of 14 per cent compared with 11 per cent in the previous year. Interest payments on government debt which accounted for 29 per cent of current outlays of the government showed a growth of 11 per cent. In contrast to a decline in the previous year, transfer payments to households which absorbed a fifth of current expenditure in 1993 registered a rise of 14 per cent over 1992.

Relaxing the wage restraint followed in recent years, the government announced a 30 per cent wage increase subject to a minimum of Rs.500 per month in the 1993 Budget. However, with a view to minimising the budgetary burden, this increase was implemented on a staggered basis over a two year period commencing January, 1993. Accordingly, employees in non-executive categories were granted 60 per cent of the increase effective from January, 1993 while the balance was given from July, 1993. As regards executive categories, 50 per cent of the wage increase was granted effective from January, 1993 while the balance was deferred for January, 1994. The staggered increase in salaries of government employees helped the government to contain expenditure on account of salaries and wages at Rs.25,971 million which was an increase of Rs.5,178 million or 25 per cent over the previous year. Consequently, expenditure on salaries in relation to GDP rose from 4.9 per cent in 1992 to 5.2 per cent in 1993.

Expenditure on other goods and services which include procurement of various goods, travelling, supplies and requisites, etc. was contained at Rs.19,200 million limiting the growth of such expenditure to a modest 2 per cent through pruning of wasteful and non-priority expenditure and improved cash management. Accordingly, these expenditures in relation to GDP declined to 3.9 per cent from 4.4 per cent in the previous year. The strong adjustment effort towards minimising outlays on goods and services thus enabled the government to reduce the overall expenditure on goods and services to 9.1 per cent of GDP from 9.3 per cent of GDP in 1992 in spite of the increased burden on account of salaries and wages in 1993.

**TABLE 1.57**  
**Economic Classification of Expenditure and Lending Minus Repayments**

| Item                                     | Rs. Million   |               |                |                |                               |                          |                               |
|--|---------------|---------------|----------------|----------------|-------------------------------|--------------------------|-------------------------------|
|  | 1989          | 1990          | 1991           | 1992           | 1993<br>Approved<br>Estimates | 1993<br>Provi-<br>sional | 1994<br>Approved<br>Estimates |
| <b>Current Expenditure</b>               | <b>56,884</b> | <b>71,771</b> | <b>83,756</b>  | <b>89,638</b>  | <b>97,437</b>                 | <b>100,950</b>           | <b>109,368</b>                |
| Expenditure on Goods and                 |               |               |                |                |                               |                          |                               |
| Services                                 | 25,508        | 30,167        | 35,848         | 39,691         | 42,702                        | 45,171                   | 47,936                        |
| Salaries and wages                       | 14,446        | 15,748        | 17,985         | 20,793         | 23,185                        | 25,971                   | 27,851                        |
| Other Goods and Services                 | 11,062        | 14,419        | 17,863         | 18,898         | 19,517                        | 19,200                   | 20,085                        |
| Interest Payments                        | 14,352        | 20,668        | 22,073         | 25,940         | 30,921                        | 28,926                   | 33,862                        |
| Foreign                                  | 3,337         | 3,678         | 4,113          | 4,739          | 4,602                         | 5,183                    | 5,904                         |
| Domestic                                 | 11,015        | 16,990        | 17,960         | 21,201         | 26,319                        | 23,743                   | 27,958                        |
| Current Transfers and Subsidies          | 17,024        | 20,936        | 25,835         | 24,007         | 25,829                        | 26,853                   | 27,570                        |
| To Public Corporations                   | 2,283         | 2,639         | 1,743          | 1,428          | 1,472                         | 1,357                    | 2,196                         |
| To Public Institutions                   | 1,696         | 1,811         | 1,405          | 1,649          | 2,101                         | 2,029                    | 2,360                         |
| To Other Levels of                       |               |               |                |                |                               |                          |                               |
| Government                               | 902           | 1,237         | 1,050          | 1,111          | 1,123                         | 896                      | 1,060                         |
| To households and                        |               |               |                |                |                               |                          |                               |
| other sectors                            | 12,143        | 15,249        | 21,637         | 19,819         | 21,133                        | 22,571                   | 21,954                        |
| Food stamps,                             |               |               |                |                |                               |                          |                               |
| Food subsidy etc.                        | 3,932         | 5,122         | 4,023          | 4,466          | 4,275                         | 4,558                    | 3,609                         |
| Jana Saviya                              | 705           | 2,912         | 3,407          | 3,098          | 5,150                         | 3,647                    | 3,906                         |
| Pensions                                 | 4,735         | 4,490         | 8,832          | 8,099          | 9,148                         | 10,460                   | 10,877                        |
| Fertilizer Subsidy                       | 796           | -             | -              | -              | -                             | -                        | -                             |
| Other                                    | 1,975         | 2,725         | 5,375          | 4,156          | 2,560                         | 3,906                    | 3,562                         |
| Provision for Under Expenditure          | -             | -             | -              | -              | -2,015                        | -                        | -                             |
| <b>Capital Expenditure</b>               | <b>20,750</b> | <b>19,529</b> | <b>25,305</b>  | <b>24,949</b>  | <b>35,435</b>                 | <b>33,778</b>            | <b>35,233</b>                 |
| Acquisition of Real Assets               | 13,069        | 12,025        | 14,072         | 12,604         | 21,050                        | 20,633                   | 20,595                        |
| Capital Transfers                        | 7,681         | 7,504         | 11,233         | 12,345         | 14,385                        | 13,145                   | 14,638                        |
| To Public Corporations                   | 1,499         | 1,249         | 2,993          | 4,610          | 5,358                         | 4,311                    | 4,139                         |
| To Public Institutions                   | 5,354         | 5,303         | 6,990          | 6,663          | 8,276                         | 7,753                    | 9,673                         |
| To Other Levels of                       |               |               |                |                |                               |                          |                               |
| Government                               | 799           | 843           | 950            | 1,028          | 708                           | 1,036                    | 708                           |
| Other                                    | 29            | 109           | 300            | 44             | 43                            | 45                       | 118                           |
| <b>Lending Minus Repayments</b>          | <b>4,530</b>  | <b>8,514</b>  | <b>10,467</b>  | <b>2,386</b>   | <b>9,044</b>                  | <b>3,876</b>             | <b>9,619</b>                  |
| Advance Accounts                         | -993          | 1,699         | 1,819          | -150           | 500                           | 250                      | 250                           |
| On-lending                               | 5,901         | 7,219         | 7,286          | 6,246          | 10,109                        | 5,791                    | 12,013                        |
| Restructuring Cost                       | -             | -             | 3,335          | 1,750          | 600                           | 1,465                    | 3,392                         |
| Privatisation Proceeds                   | -             | -             | -841           | -2,850         | -500                          | -1,200                   | -3,000                        |
| Loan Repayments                          | -378          | -404          | -1,132         | -2,610         | -1,665                        | -2,430                   | -3,036                        |
| <b>Total Expenditure and net Lending</b> | <b>82,164</b> | <b>99,814</b> | <b>119,528</b> | <b>116,973</b> | <b>141,916</b>                | <b>138,604</b>           | <b>154,220</b>                |

(Contd.)

**TABLE 1.57 (Contd.)**  
**Economic Classification of Expenditure and Lending Minus Repayments**  
**(as a percentage of GDP)**

| Item                                     | 1989        | 1990        | 1991        | 1992        | 1993<br>Approved<br>Estimates | 1993<br>Provi-<br>sional | 1994<br>Approved<br>Estimates |
|--|-------------|-------------|-------------|-------------|-------------------------------|--------------------------|-------------------------------|
| <b>Current Expenditure</b>               | <b>22.6</b> | <b>22.3</b> | <b>22.5</b> | <b>21.1</b> | <b>19.7</b>                   | <b>20.3</b>              | <b>19.2</b>                   |
| Expenditure on Goods and Services        | 10.1        | 9.4         | 9.6         | 9.3         | 8.6                           | 9.1                      | 8.4                           |
| Salaries and wages                       | 5.7         | 4.9         | 4.8         | 4.9         | 4.7                           | 5.2                      | 4.9                           |
| Other Goods and Services                 | 4.4         | 4.5         | 4.8         | 4.4         | 3.9                           | 3.9                      | 3.5                           |
| Interest Payments                        | 5.7         | 6.4         | 5.9         | 6.1         | 6.2                           | 5.8                      | 6.0                           |
| Foreign                                  | 1.3         | 1.1         | 1.1         | 1.1         | 0.9                           | 1.0                      | 1.0                           |
| Domestic                                 | 4.4         | 5.3         | 4.8         | 5.0         | 5.3                           | 4.8                      | 4.9                           |
| Current Transfers and Subsidies          | 6.8         | 6.5         | 6.9         | 5.6         | 5.2                           | 5.4                      | 4.8                           |
| To Public Corporations                   | 0.9         | 0.8         | 0.5         | 0.3         | 0.3                           | 0.3                      | 0.4                           |
| To Public Institutions                   | 0.7         | 0.6         | 0.4         | 0.4         | 0.4                           | 0.4                      | 0.4                           |
| To Other Levels of Government            | 0.4         | 0.4         | 0.3         | 0.3         | 0.2                           | 0.2                      | 0.2                           |
| To households and other sectors          | 4.8         | 4.7         | 5.8         | 4.7         | 4.3                           | 4.5                      | 3.9                           |
| Food stamps,<br>Food subsidy etc.        | 1.6         | 1.6         | 1.1         | 1.0         | 0.9                           | 0.9                      | 0.6                           |
| Jana Saviya                              | 0.3         | 0.9         | 0.9         | 0.7         | 1.0                           | 0.7                      | 0.7                           |
| Pensions                                 | 1.9         | 1.4         | 2.4         | 1.9         | 1.8                           | 2.1                      | 1.9                           |
| Fertilizer Subsidy                       | 0.3         | —           | —           | —           | —                             | —                        | —                             |
| Other                                    | 0.8         | 0.8         | 1.4         | 1.0         | 0.5                           | 0.8                      | 0.6                           |
| Provision for Under Expenditure          | —           | —           | —           | —           | -0.4                          | —                        | —                             |
| <b>Capital Expenditure</b>               | <b>8.2</b>  | <b>6.1</b>  | <b>6.8</b>  | <b>5.9</b>  | <b>7.2</b>                    | <b>6.8</b>               | <b>6.2</b>                    |
| Acquisition of Real Assets               | 5.2         | 3.7         | 3.8         | 3.0         | 4.3                           | 4.2                      | 3.6                           |
| Capital Transfers                        | 3.0         | 2.3         | 3.0         | 2.9         | 2.9                           | 2.6                      | 2.6                           |
| To Public Corporations                   | 0.6         | 0.4         | 0.8         | 1.1         | 1.1                           | 0.9                      | 0.7                           |
| To Public Institutions                   | 2.1         | 1.6         | 1.9         | 1.6         | 1.7                           | 1.6                      | 1.7                           |
| To Other Levels of Government            | 0.3         | 0.3         | 0.3         | 0.2         | 0.1                           | 0.2                      | 0.1                           |
| Other                                    | —           | —           | 0.1         | —           | —                             | —                        | —                             |
| <b>Lending Minus Repayments</b>          | <b>1.8</b>  | <b>2.6</b>  | <b>2.8</b>  | <b>0.6</b>  | <b>1.8</b>                    | <b>0.8</b>               | <b>1.7</b>                    |
| of which; Advance Accounts               | -0.4        | 0.5         | 0.5         | ...         | 0.1                           | 0.1                      | ...                           |
| <b>Total Expenditure and net Lending</b> | <b>32.6</b> | <b>31.0</b> | <b>32.1</b> | <b>27.5</b> | <b>28.7</b>                   | <b>27.9</b>              | <b>27.1</b>                   |

Source : Central Bank of Sri Lanka.

Interest payments on government debt at Rs.28,926 million registered a slower growth of 11 per cent in 1993 in comparison to a rise of 18 per cent observed during the previous year. Interest expenditure on domestic debt increased from Rs.21,201 million in 1992 to Rs.23,743 million in 1993 reflecting a moderate growth of 12 per cent compared with 18 per cent in 1992. Although the utilisation of government securities rose by Rs.8,200 million in 1993, compared to Rs.2,979 million in 1992 and the interest rates for government securities during 1993 increased from a range of 15 per cent - 17 per cent per annum in 1992 to a range of 16 per cent - 18.5 per cent per annum in 1993, interest expenditure on account of medium and long term debt marked a moderate growth of 16 per cent as the majority of Rupee securities was floated during the second half of the year. The interest burden on these loans is expected to fall in 1994 as interest payments on Rupee securities are made bi-annually. Meanwhile, although the outstanding liability on account of Treasury bills increased by a lower amount of Rs.10,100 million in 1993 compared with Rs.14,128 million in the previous year, interest payments on short term debt at Rs.12,971 million marked an increase of 9 per cent in 1993 owing to the generally high yields on Treasury bills which rose from a range of 18.88 - 18.99 per cent per annum in 1992 to 19.35 - 19.38 per cent per annum in 1993. Interest expenditure on foreign debt at Rs.5,183 million witnessed an increase of 9 per cent in 1993 in comparison to a 15 per cent rise during the previous year. The average interest rate on foreign debt declined to 1.9 per cent in 1993 from 2.0 per cent in 1992 reflecting a further improvement in the concessionary element in foreign debt of the government.

Total transfer payments at Rs.26,853 million in 1993 marked an increase of 12 per cent in contrast to a 7 per cent decline in the previous year. However, transfer payments as a percentage of GDP declined from 5.6 per cent to 5.4 per cent between the two years. Pension payments at Rs.10,460 million accounting for nearly 40 per cent of total transfer payments registered a sharp increase of 29 per cent in 1993 reflecting the rise in the monthly pension allowance of Rs.300 from January, 1993, the grant of Rs.260 per month on account of the cost of living allowance to pensioners in June, 1993 and the continuous rise in the total number of pensioners which stood at 305,000 at the end of 1993. Meanwhile, outlays on account of welfare programmes comprising food and kerosene stamps, mid-day meal, uniforms and the Janasaviya at Rs.8,376 million showed only a rise of 5 per cent due largely to a moderation in expenditure on food and kerosene stamps. Thus, expenditure on these welfare programmes declined from 1.7 per cent of GDP in 1992 to 1.6 per cent in 1993. Expenditure on other household transfers inclusive of expenditure on refugees in the North and East amounted to Rs.2,367 million.

In terms of the functional classification, current expenditure incurred for the provision of social services comprising education, health, welfare, housing and community services amounted to Rs.37,355 million, an increase of 14 per cent in 1993. However, lagging behind the growth in nominal GDP, such expenditure in relation to GDP declined from 7.7 per cent in 1992 to 7.5 per cent in 1993. While expenditure on education showed a moderate growth of 6 per cent, current expenditure on health reflected a sharp increase of 26 per cent. Welfare expenditure, providing a wide range of services particularly to the lower segment of the population and transfers to pensioners, totalling Rs.20,148 million marked an increase of 16 per cent in 1993 largely due to the expansion in pension payments. Current outlays on public administration and defence at Rs.27,564 million accounted for 5.5 per cent of GDP in 1993 compared to 5.7 per cent in 1992 reflecting a restraint on miscellaneous expenditure on account of civil administration. Meanwhile, defence expenditure at Rs.20,159 million showed a 16 per cent growth maintaining a GDP ratio of 4 per cent in 1993 in comparison to 4.1 per cent in 1992. Meanwhile, current expenditure on economic services channelled for the maintenance of economic services such as agriculture and irrigation, fisheries, transport and communication and trade and commerce showed a moderate growth of 7 per cent. A functional classification of government expenditure is presented in Table 1.58.

**TABLE 1.58**  
**Functional Classification of Expenditure**

Rs Million

| Item   | 1989          | 1990          | 1991          | 1992          | 1993<br>Approved<br>Estimates | 1993<br>Provi-<br>sional | 1994<br>Approved<br>Estimates |
|--|---------------|---------------|---------------|---------------|-------------------------------|--------------------------|-------------------------------|
| <b>Current Expenditure</b>                   |               |               |               |               |                               |                          |                               |
| General Public Services                      | 14,090        | 17,942        | 19,811        | 24,453        | 24,359                        | 27,564                   | 27,214                        |
| Civil Administration                         | 6,781         | 6,622         | 5,612         | 7,099         | 7,942                         | 7,405                    | 8,517                         |
| Defence                                      | 4,073         | 6,736         | 10,317        | 12,876        | 12,312                        | 15,413                   | 13,351                        |
| Public Order and Safety                      | 3,236         | 4,585         | 3,882         | 4,478         | 4,105                         | 4,746                    | 5,346                         |
| Social Services                              | 19,976        | 24,449        | 31,594        | 32,700        | 34,989                        | 37,355                   | 39,604                        |
| Education                                    | 6,612         | 8,529         | 7,951         | 10,533        | 10,725                        | 11,211                   | 12,355                        |
| Health                                       | 3,381         | 3,685         | 4,110         | 4,518         | 5,498                         | 5,711                    | 6,471                         |
| Welfare                                      | 9,750         | 11,973        | 19,266        | 17,378        | 17,786                        | 20,148                   | 20,250                        |
| Housing                                      | 17            | -             | -             | -             | -                             | -                        | -                             |
| Community Services                           | 216           | 262           | 267           | 271           | 980                           | 285                      | 528                           |
| Economic Services                            | 4,579         | 5,137         | 3,925         | 3,834         | 4,891                         | 4,111                    | 5,590                         |
| Agriculture & Irrigation                     | 976           | 982           | 912           | 1,398         | 1,340                         | 1,483                    | 2,017                         |
| Fisheries                                    | 47            | 46            | 98            | 68            | 806                           | 107                      | 83                            |
| Manufacturing and Mining                     | 408           | 181           | 231           | 349           | 288                           | 403                      | 356                           |
| Energy and Water Supply                      | 416           | 345           | 659           | 133           | 289                           | 93                       | 297                           |
| Transport & Communication                    | 1,138         | 2,600         | 1,308         | 1,208         | 1,355                         | 1,129                    | 1,944                         |
| Trade & Commerce                             | 950           | 159           | 137           | 232           | 163                           | 203                      | 158                           |
| Other  | 645           | 824           | 580           | 446           | 650                           | 693                      | 735                           |
| Other  | 18,240        | 24,241        | 28,425        | 28,652        | 35,214                        | 31,920                   | 36,961                        |
| of which; Interest                           | 14,352        | 20,668        | 22,073        | 25,940        | 30,921                        | 28,926                   | 33,862                        |
| Provision for under Expenditure              | -             | -             | -             | -             | -2,015                        | -                        | -                             |
| <b>Total Current Expenditure</b>             | <b>56,884</b> | <b>71,770</b> | <b>83,756</b> | <b>89,639</b> | <b>97,437</b>                 | <b>100,951</b>           | <b>109,367</b>                |
| <b>Capital Expenditure and Lending</b>       |               |               |               |               |                               |                          |                               |
| General Public Services                      | 2,503         | 3,617         | 2,422         | 1,970         | 3,543                         | 4,085                    | 3,522                         |
| Civil Administration                         | 2,002         | 1,599         | 1,680         | 1,256         | 2,804                         | 3,463                    | 2,719                         |
| Public Order and Safety                      | 501           | 2,018         | 742           | 714           | 739                           | 622                      | 803                           |
| Social Services                              | 3,667         | 3,019         | 2,964         | 6,137         | 7,744                         | 6,075                    | 8,056                         |
| Education                                    | 1,529         | 1,042         | 1,178         | 2,008         | 3,057                         | 2,845                    | 3,014                         |
| Health                                       | 1,258         | 1,279         | 1,119         | 2,023         | 2,285                         | 1,353                    | 2,460                         |
| Welfare                                      | 10            | 25            | 15            | 1,191         | 1,348                         | 1,084                    | 1,289                         |
| Housing                                      | 787           | 513           | 535           | 767           | 854                           | 604                      | 1,070                         |
| Community Services                           | 83            | 160           | 117           | 148           | 200                           | 189                      | 223                           |
| Economic Services                            | 22,129        | 18,798        | 26,022        | 20,444        | 31,680                        | 22,352                   | 34,844                        |
| Agriculture & Irrigation                     | 5,234         | 5,215         | 6,071         | 5,890         | 6,723                         | 5,093                    | 5,308                         |
| o/w Mahaweli Project                         | 2,475         | 1,810         | 2,410         | 2,670         | 2,676                         | 2,221                    | 2,504                         |
| Fisheries                                    | 283           | 133           | 181           | 175           | 286                           | 124                      | 381                           |
| Manufacturing and Mining                     | 471           | 120           | 171           | 184           | 137                           | 1,457                    | 72                            |
| Energy and Water Supply                      | 4,719         | 6,132         | 6,181         | 5,527         | 9,031                         | 4,268                    | 7,831                         |
| Transport & Communication                    | 6,666         | 4,319         | 10,921        | 4,363         | 8,490                         | 9,303                    | 15,923                        |
| Trade & Commerce                             | 50            | 205           | 218           | 365           | 366                           | 364                      | 413                           |
| Other  | 2,230         | 2,674         | 2,279         | 3,940         | 6,647                         | 1,743                    | 4,916                         |
| Other  | 828           | 952           | 1,250         | 1,072         | 751                           | 1,081                    | 826                           |
| <b>Total Capital Expenditure and Lending</b> | <b>26,651</b> | <b>26,387</b> | <b>32,658</b> | <b>29,622</b> | <b>43,719</b>                 | <b>33,592</b>            | <b>47,247</b>                 |

Source : Central Bank of Sri Lanka,

## **CAPITAL EXPENDITURE AND NET LENDING**

Capital expenditure and net lending in 1993 amounted to Rs.37,653 million. This was the combined result of an increased public investment of Rs.39,569 million and a reduction in other liabilities by Rs.1,915 million largely on account of proceeds from privatisation and recovery of loans from public corporations. Under the public investment programme, capital expenditure directly incurred by line ministries and departments for the construction and development of capital assets totalled Rs.20,633 million in 1993 in comparison to Rs.12,604 million in the previous year. A sum of Rs.3,710 million was utilised by the ministries of education and health for the development of infrastructure for such services.

Public investment projects undertaken by statutory boards and public corporations absorbed Rs.12,064 million in 1993 in comparison to Rs.11,273 million in 1992. The major capital projects under this category included road development, water supply and drainage systems, port services and Mahaweli development.

Capital expenditure incurred by public corporations from funds utilised by way of government on-lending at Rs.5,791 million showed a decrease due to a considerable under utilisation in allocations provided for the Ceylon Electricity Board (CEB). The actual expenditure incurred by the CEB was Rs.1,470 million as against a budgetary provision of Rs.4,540 million. Meanwhile, repayments on account of funds on-lent by the government in the past, totalled Rs.2,430 million in 1993 compared to Rs.2,610 million in the previous year.

In terms of the functional classification of capital expenditure and on lending, total investment for the development of economic infrastructure facilities in 1993 was Rs.22,352 million, up from Rs.20,444 million in 1992. Consequently, the public investment on economic infrastructure in relation to GDP declined from 4.8 per cent to 4.5 per cent. Capital investment for the development of the transport and communications sub-sector accounted for 42 per cent of total public investment in economic infrastructure in 1993. Meanwhile, public investments for the provision of infrastructure facilities in education, health and other social services at Rs.6,075 million showed a marginal decline of 1 per cent in 1993. Accordingly, such investment in relation to GDP which rose from 0.8 per cent in 1991 to 1.4 per cent in 1992 declined to 1.2 per cent in 1993. Total capital investment on the development of infrastructure for civil administration rose from 0.5 per cent of GDP in 1992 to 0.8 per cent of GDP in 1993.

The on-going privatisation programme showed further progress during the year under review generating Rs.1,200 million for the government. Enterprises that were divested during 1993 included Lanka Ceramics Limited, Ruhunu Cement, Colombo International School, Hotel Services Limited and Hingurana Sugar Industries Limited. Although Puttalam Cement Company Limited was sold in 1993, the sale proceeds of Rs.1,138 million spilled over to 1994. The total number of public enterprises and government owned business undertakings divested upto end of 1993 was thirty six.

## **FINANCING OF THE BUDGET DEFICIT**

The budget deficit (after grants) at Rs.32,084 million in 1993 showed an increase of Rs.9,172 million in contrast to a decline of Rs.12,566 million in the previous year. In financing this deficit, a sum of Rs.16,839 million was utilised from foreign sources. Foreign borrowings were mainly in the form of project loans which amounted to Rs.12,511 million. With a repayment of Rs.6,984 million, foreign borrowings in 1993 realised Rs.9,855 million on a net basis - an increase of Rs.2,494 million over 1992. However, reflecting an increase in domestically funded projects in public invest-

ments, the share of foreign resources in the total deficit declined from 50 per cent in 1992 to 45 per cent in 1993.

Gross borrowings for budgetary operations from domestic sources amounted to Rs.48,407 million in 1993 in comparison to Rs.39,479 million utilised during the previous year. In mobilising resources from domestic sources, the government used both short term and medium term debt instruments during the year. A gross borrowing of Rs.28,205 million was raised through the floatation of Rupee loans. However, with a total repayment of Rs.20,004 million, net borrowings through Rupee loans amounted to Rs.8,200 million, Rs.5,221 million higher than that in the previous year. The Employees Provident Fund (EPF) continued to be the largest single subscriber to the Rupee Loan Programme contributing Rs.21,358 million and accounting for three-fourths of the amount raised through Rupee securities in 1993. Meanwhile, a further sum of Rs.9,807 million was raised through the issue of Treasury bills in 1993. This included the issue of Treasury bills amounting to Rs.3,753 million of two year maturity. Although borrowings through Treasury bills amounted to Rs.9,807 million, the ownership of Treasury bills changed drastically in 1993 due to aggressive open market operations of the Central Bank which resulted in a reduction in Bank's holdings of Treasury bills by Rs.17,848 million. However, with increased holdings of Treasury bills by commercial banks, the net decline in Treasury bills in the banking system remained at Rs.14,227 million. This reduction together with additional issues of Treasury bills raised the non-bank holdings of Treasury bills by Rs.20,102 million. Accordingly, net borrowings from non-bank sources rose from Rs.21,079 million in 1992 to Rs.28,308 million in 1993. In financing the budget deficit, claims arising from Central Bank's provisional advances amounted to Rs.1,574 million, while cash items in the process collection totalled Rs.1,747 million. The government also used a sum of Rs.863 million by running down its deposit balances with the Central Bank. Nevertheless, with the reduction in Treasury bill holdings of the Central Bank net credit to government from the Central Bank declined by Rs.13,664 million.

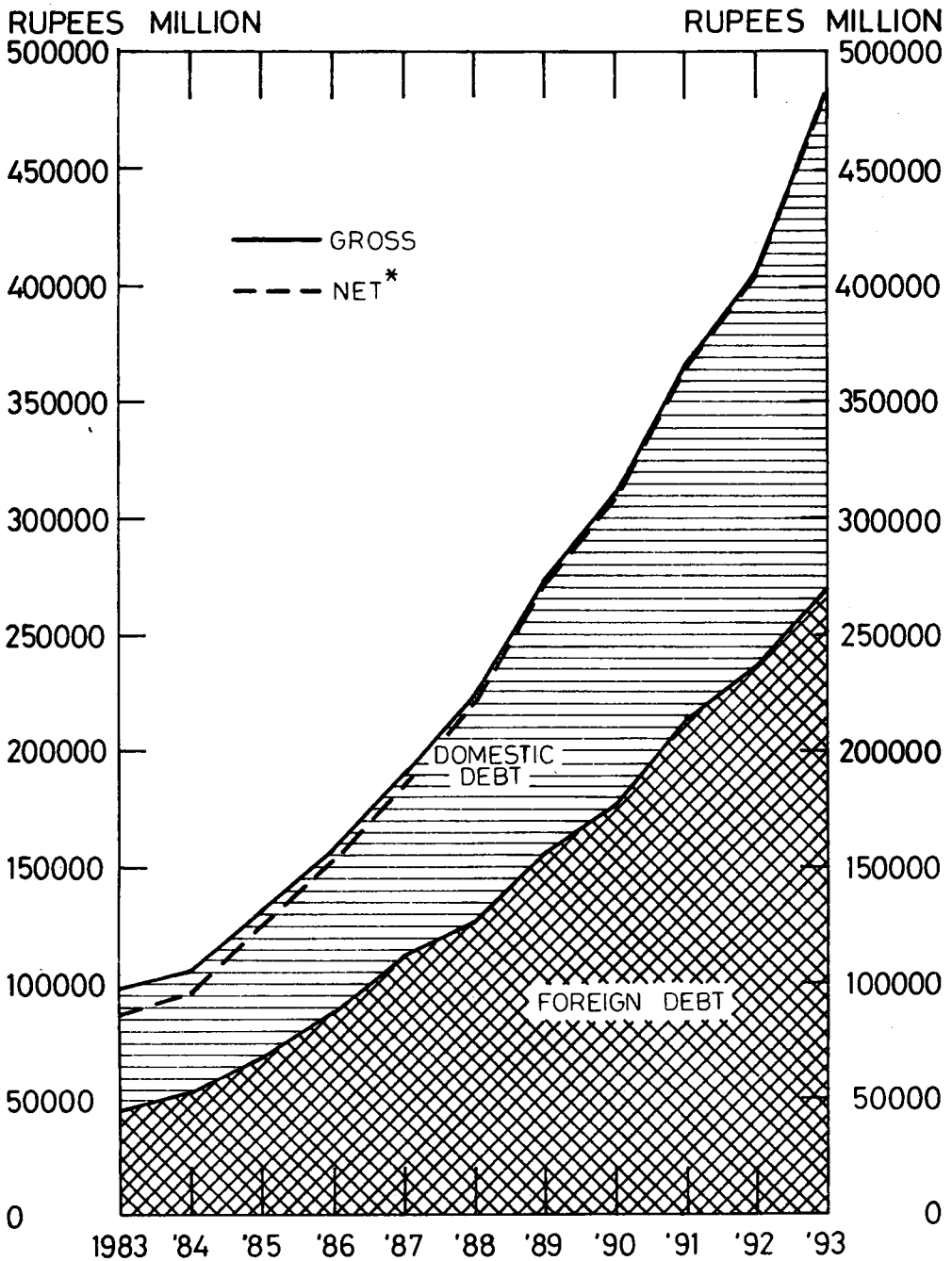
Financing of the budget deficit by commercial banks, however, increased by Rs.7,585 million due largely to a run down in government deposit balances with commercial banks by Rs.2,771 million and enhanced Treasury bill holdings of Rs.3,621 million. Hence, net borrowings by the government from the banking system declined only by Rs.6,079 million in 1993.

## GOVERNMENT DEBT

Government debt at the end of 1993 stood at Rs.483,568 million. This included Rs.24,088 million of long term bonds issued for the restructuring of the two state banks under the on-going financial sector reforms programme. Total government debt exclusive of these bonds amounted to Rs.459,480 million - an increase of 13 per cent in 1993 compared with 11 per cent in 1992. Domestic debt net of restructuring bonds at Rs.189,597 million accounted for 41 per cent of total debt in 1993, down from 42 per cent in the previous year. Short term debt (maturity of less than one year) in the domestic debt at Rs.101,845 million declined from 58 per cent in 1992 to 54 per cent in 1993. Meanwhile, medium and long term debt totalling Rs.87,752 million in 1993 increased its share of domestic debt from 42 per cent in 1992 to 46 per cent in 1993. The debt held by the Central Bank declined sharply from 20 per cent in 1992 to 9 per cent in 1993 due to aggressive open market operations.

Meanwhile, the outstanding liability on account of foreign debt at Rs.269,883 million rose by 15 per cent in comparison to a growth of 10 per cent during the previous year. Project loans at Rs.215,064 million continued to account for nearly 80 per cent of foreign debt. Concessional loans, largely in the form of bilateral loans, constituted 96 per cent of total foreign debt. A statistical summary of government debt is given in Table 1.59.

# COMPOSITION OF GOVERNMENT DEBT



\* Gross Government debt less sinking funds.

Central Bank of Sri Lanka.



**TABLE 1.59**  
**Outstanding Central Government Debt (as at end of year)**

|   | 1989           | 1990           | 1991           | 1992           | 1993<br>Provisional |
|---|----------------|----------------|----------------|----------------|---------------------|
| <b>Total Domestic Debt</b> .....                              | <b>117,561</b> | <b>133,898</b> | <b>152,119</b> | <b>170,020</b> | <b>213,685</b>      |
| Short-Term .....  | 63,145         | 74,376         | 84,412         | 97,924         | 101,845             |
| Treasury Bills .....  | 57,245         | 67,968         | 72,968         | 84,996         | 91,343              |
| Rupee Securities .....  | -              | -              | 4,000          | 4,000          | -                   |
| Provisional Advances .....                                    | 5,900          | 6,408          | 7,444          | 8,928          | 10,502              |
| Medium and Long-Term .....                                    | 54,416         | 59,522         | 67,707         | 72,096         | 111,840             |
| Rupee Securities (a) .....                                    | 54,217         | 54,677         | 62,823         | 65,180         | 105,707             |
| Treasury Bills .....  | -              | -              | -              | 2,100          | 5,853               |
| National Defence Bonds .....                                  | -              | 4,532          | 4,532          | 4,532          | -                   |
| Treasury Certificates of Deposit .....                        | -              | 109            | 153            | 102            | 114                 |
| Tax Reserve Certificates .....                                | 9              | 9              | 9              | 8              | 8                   |
| Other .....   | 190            | 195            | 190            | 174            | 158                 |
| <b>By Debt Instruments</b> .....                              | <b>117,562</b> | <b>133,898</b> | <b>152,120</b> | <b>170,020</b> | <b>213,685</b>      |
| Rupee Securities .....  | 54,217         | 54,676         | 66,823         | 69,180         | 105,707             |
| Treasury Bills .....  | 57,245         | 67,968         | 72,968         | 87,096         | 97,196              |
| National Defence Bonds .....                                  | -              | 4,532          | 4,532          | 4,532          | -                   |
| Treasury Certificates of Deposit .....                        | -              | 109            | 153            | 102            | 114                 |
| Tax Reserve Certificates .....                                | 9              | 9              | 9              | 8              | 8                   |
| Provisional Advances .....                                    | 5,900          | 6,408          | 7,444          | 8,928          | 10,502              |
| Other .....   | 191            | 196            | 191            | 174            | 158                 |
| <b>By Institutions</b> .....                                  | <b>117,562</b> | <b>133,898</b> | <b>152,120</b> | <b>170,020</b> | <b>213,684</b>      |
| Banks .....   | 46,874         | 48,254         | 52,145         | 58,111         | 90,134              |
| Central Bank .....  | -              | -              | -              | -              | -                   |
| By Debt Instruments .....                                     | 40,025         | 37,080         | 42,486         | 34,932         | 16,480              |
| Rupee Loans .....   | 27             | 18             | 10             | 6              | -                   |
| Treasury Bills .....  | 34,098         | 30,654         | 35,032         | 25,998         | 5,978               |
| Provisional Advances .....                                    | 5,900          | 6,408          | 7,444          | 8,928          | 10,502              |
| Commercial Banks .....  | -              | -              | -              | -              | -                   |
| By Debt Instruments .....                                     | 6,849          | 11,175         | 9,659          | 23,179         | 73,854              |
| Rupee Loans .....   | 566            | 565            | 414            | 413            | 24,088              |
| Treasury Bills .....  | 6,282          | 10,604         | 9,239          | 22,760         | 49,566              |
| National Defence Bonds .....                                  | -              | 5              | 5              | 5              | -                   |
| Other .....   | 1              | 1              | 1              | 1              | -                   |
| By Institutions .....   | 6,849          | 11,175         | 9,659          | 23,179         | 73,854              |
| Bank of Ceylon .....  | 1,707          | 6,841          | 6,791          | 15,753         | 40,333              |
| People's Bank .....   | 3,265          | 2,062          | 2,182          | 2,938          | 15,690              |
| Other .....   | 1,877          | 2,272          | 686            | 4,488          | 17,631              |
| Sinking Fund .....  | 2,289          | 1,662          | 840            | 359            | 239                 |
| Rupee Loans .....   | 2,289          | 1,662          | 840            | 359            | 239                 |
| Non-Bank Sector .....   | -              | -              | -              | -              | -                   |
| By Debt Instruments .....                                     | 68,399         | 83,982         | 99,134         | 111,550        | 123,311             |
| Rupee Loans .....   | 51,335         | 52,432         | 65,559         | 68,402         | 81,379              |
| Treasury Bills .....  | 16,865         | 26,710         | 28,697         | 38,338         | 41,652              |
| National Defence Bonds .....                                  | -              | 4,527          | 4,527          | 4,527          | -                   |
| Treasury Certificates of Deposit .....                        | -              | 109            | 153            | 102            | 114                 |
| Tax Reserve Certificates .....                                | 9              | 9              | 9              | 8              | 8                   |
| Other .....   | 190            | 195            | 190            | 173            | 158                 |
| By Institutions .....   | 68,399         | 83,982         | 99,134         | 111,551        | 123,311             |
| National Savings Bank .....                                   | 18,856         | 24,089         | 26,558         | 30,782         | 37,767              |
| Savings Institutions & Individuals .....                      | 9,110          | 13,018         | 13,031         | 14,981         | 13,165              |
| Employees' Provident Fund .....                               | 31,648         | 36,851         | 45,862         | 54,563         | 65,645              |
| Insurance Institutions .....                                  | 2,811          | 3,426          | 4,074          | 4,035          | 244                 |
| Finance Companies .....                                       | 2,011          | 1,446          | 2,427          | 3,131          | 5,868               |
| Other .....   | 3,964          | 5,153          | 7,182          | 4,060          | 622                 |
| Departmental & Official Funds .....                           | 53             | 62             | 34             | 428            | 453                 |
| Foreign Administrative Borrowings .....                       | 190            | 195            | 190            | 174            | 158                 |
| <b>Total Foreign Debt</b> .....                               | <b>156,298</b> | <b>176,883</b> | <b>214,579</b> | <b>235,538</b> | <b>269,883</b>      |
| By Type .....   | 156,298        | 176,883        | 214,579        | 235,538        | 269,883             |
| Project Loans .....   | 113,120        | 132,338        | 166,149        | 185,003        | 215,064             |
| Non-Project Loans .....                                       | 43,178         | 44,545         | 48,430         | 50,536         | 54,819              |
| Commodity .....   | 41,117         | 43,393         | 48,037         | 48,550         | 52,768              |
| Other .....   | 2,061          | 1,152          | 2,393          | 1,986          | 2,051               |
| By Institutions .....   | 156,298        | 176,883        | 214,579        | 235,538        | 269,883             |
| Concessional Loans .....                                      | 146,144        | 166,202        | 202,554        | 225,132        | 260,331             |
| Multilateral .....  | 48,698         | 59,526         | 78,084         | 91,067         | 109,325             |
| Bilateral .....   | 97,446         | 106,677        | 124,470        | 134,065        | 151,007             |
| Commercial Loans .....  | 10,154         | 10,680         | 12,024         | 10,406         | 9,551               |
| External Supplier's Credit .....                              | 333            | 107            | 1,260          | 1,094          | 1,065               |
| <b>Total Outstanding Govt. Debt</b> .....                     | <b>273,859</b> | <b>310,780</b> | <b>368,698</b> | <b>405,558</b> | <b>483,568</b>      |
| <b>Total Outstanding Govt. Debt Net of Sinking Fund</b> ..... | <b>271,570</b> | <b>309,119</b> | <b>365,858</b> | <b>405,199</b> | <b>483,329</b>      |

(a) Inclusive of Rs. 24,088 million of Long Term Bonds in 1993.

Source: Central Bank of Sri Lanka.

## DOMESTIC DEBT

Domestic debt exclusive of restructuring bonds totalling Rs.189,597 million in 1993 registered an increase of 12 per cent over the debt stock of Rs.170,020 million in 1992. Short term debt (less than one year maturity) at Rs.101,845 million registered a much lower growth of 4 per cent in 1993 in comparison to a higher growth of 16 per cent in the previous year. Reflecting continued high borrowings for budgetary operations, the outstanding liabilities on account of Treasury bills rose from Rs.87,096 million in 1992 to Rs.97,196 million in 1993 accounting for 51 per cent of domestic debt excluding restructuring bonds. Meanwhile, the outstanding liability on account of Central Bank's provisional advances rose by Rs.1,574 million to Rs.10,502 million.

With the issuance of Rupee loans of 4 - 5 year maturity in 1993 as against 2 - 3 year maturity in 1992, medium and long term debt at Rs.87,752 million showed a growth of 22 per cent in 1993. In 1992, medium and long term debt at Rs.72,096 million registered only a moderate increase of 6 per cent as the bulk of the budgetary requirement was raised through short term Treasury bills. The debt on account of Rupee securities rose sharply by Rs.12,439 million to Rs.81,619 million in 1993 in comparison to an increase of Rs.2,357 million during the previous year. The majority of Rupee loans floated during 1993 carried a maturity period of four to five years with interest rates of 16 per cent and 16.5 per cent per annum, respectively. Major subscribers to the Rupee loan programme continued to be the Employees Provident Fund (EPF) with an investment of Rs.21,358 million in 1993.

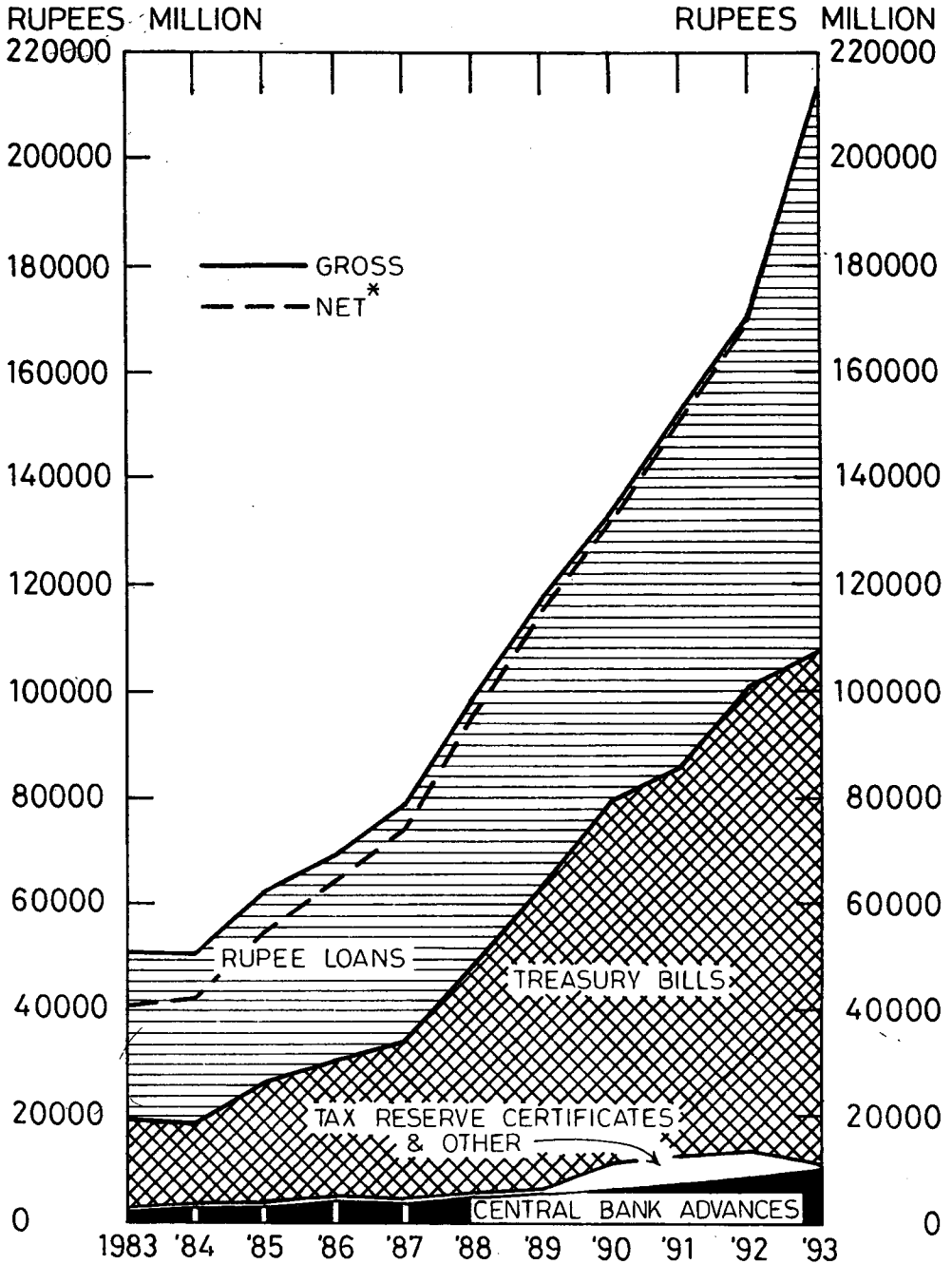
Meanwhile, the government issued 30 year bonds to the value of Rs.24,088 million to the two state banks for recapitalising their assets at an interest rate of 12 per cent per annum in 1993. The total value of bonds issued to the Bank of Ceylon amounted to Rs.13,547 million while that to the People's Bank was Rs.10,541 million.

The debt held by the banking sector inclusive of the Rs.24,088 million of restructuring bonds rose from Rs.58,111 million in 1992 to Rs.90,134 million in 1993. The debt stock exclusive of the long term bonds amounted to Rs.66,046 million - an increase of 14 per cent over the previous year. The debt held by the Central Bank dropped sharply by 53 per cent to Rs.16,480 million in 1993 reflecting aggressive open market operations during the year which resulted in a large reduction in the Bank's holdings of Treasury bills, from Rs.25,998 million in 1992 to Rs.5,978 million in 1993. Meanwhile, the debt held by commercial banks rose from Rs.23,179 million in 1992 to Rs.73,654 million in 1993 registering an increase of 218 per cent between the two years. This was partly due to the issue of Rs.24,088 million of restructuring bonds to the two state banks and partly to enhanced investments in Treasury bills by commercial banks in response to high yields on such investments.

## FOREIGN DEBT

The outstanding liability on account of foreign debt at Rs.269,883 million in 1993 registered an increase of 15 per cent over the debt stock of Rs.235,538 million in 1992. The rise in foreign debt was due to a net borrowing of Rs.9,855 million as well as an increased liability of Rs.24,490 million arising from exchange rate variations. The debt on account of project loans which constituted nearly 80 per cent of foreign liabilities rose by Rs.30,061 million to Rs.215,064 million - the combined outcome of a net borrowing of Rs.12,511 million and an additional liability of Rs.17,550 million on account of exchange rate variations. The outstanding liability on account of non-project loans in the form of commodity, cash and other loans increased from Rs.50,536 million in 1992 to Rs.54,819 million in 1993. As in the previous year, concessional loans at Rs.260,331 million accounted for 96 per cent of foreign debt in 1993. The outstanding bilateral loans amounting to Rs.151,007 million, showed an increase of 13 per cent while multilateral debt at Rs.109,325 million marked an increase of 20 per cent in 1993. The effect of exchange rate variations on foreign debt is given in Table 1.60.

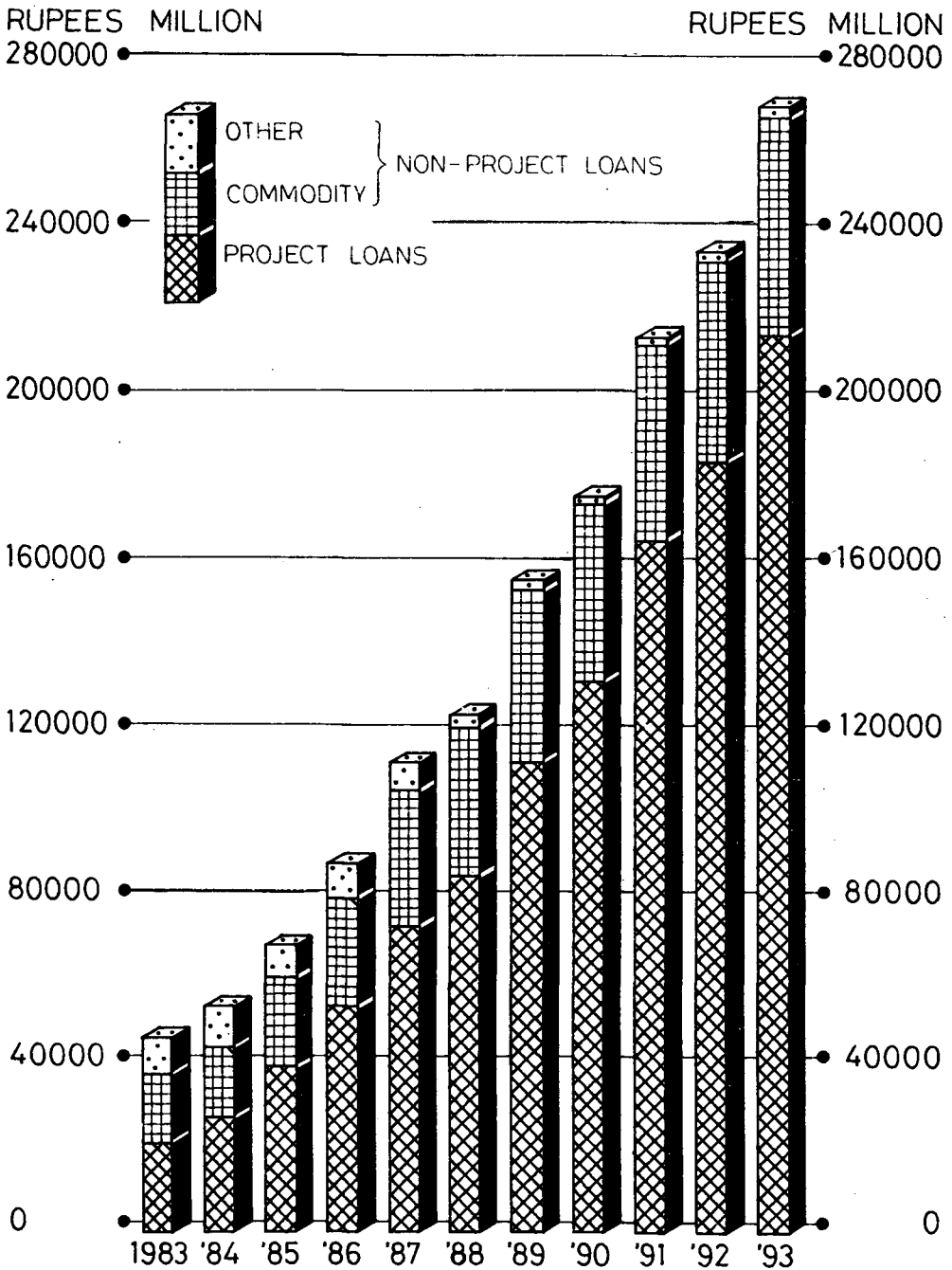
# COMPOSITION OF DOMESTIC DEBT



\* Gross domestic debt less sinking funds.

Central Bank of Sri Lanka.

# COMPOSITION OF FOREIGN DEBT



Central Bank of Sri Lanka.

**TABLE 1.60**  
**Effect of Exchange Rate Variation on Foreign Loans 1989 – 1993 (a)**

| Item  | Rs. Million |         |         |         |                          |
|---|-------------|---------|---------|---------|--------------------------|
|   | 1989        | 1990    | 1991    | 1992    | 1993<br>Provi-<br>sional |
| 1. Gross receipts   | 12,003      | 16,550  | 25,969  | 15,316  | 16,839                   |
| 2. Repayments   | 5,675       | 4,846   | 4,881   | 7,955   | 6,984                    |
| 3. Net Receipts   | 6,327       | 12,099  | 21,088  | 7,361   | 9,855                    |
| 4. Change in liability due to<br>Exchange rate variations | 23,259      | 8,486   | 16,608  | 13,599  | 24,490                   |
| 5. Liability as at end of period                          | 156,298     | 176,883 | 214,578 | 235,538 | 269,883                  |

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

Source : Central Bank of Sri Lanka.

### GOVERNMENT DEBT SERVICE PAYMENTS

Total service payments (amortisation and interest payments) on government debt at Rs.56,009 million in 1993 was an increase of 8 per cent, considerably lower than the rise of 30 per cent witnessed during the last year. Consequently, debt service payments as a ratio of GDP declined from 12.2 per cent in 1992 to 11.3 per cent in 1993. With a large volume of Rupee securities and defence bonds maturing in 1993, debt repayments on domestic debt amounted to Rs.20,099 million reflecting an increase of 11 per cent. Meanwhile, amortisation payments on foreign debt at Rs.6,984 million were lower by 12 per cent over 1992.

Reflecting higher yields on Treasury bills, interest payments on short term debt at Rs.12,971 million in 1993 marked an increase of 9 per cent over 1992. Interest on medium and long term debt amounted to Rs.10,772 million reflecting a moderate growth of 16 per cent in 1993 compared to 23 per cent in 1992. Meanwhile, interest payments on foreign loans rose by 9 per cent in 1993 to Rs.5,183 million in comparison to a growth of 15 per cent witnessed during the previous year. A statistical summary of government debt service payments is given in Table 1.61.

**TABLE 1.61**  
**Government Debt Service Payments (1989 – 1993)**

| Item                               | Rs. Million |        |        |        |                      |
|------------------------------------|-------------|--------|--------|--------|----------------------|
|                                    | 1989        | 1990   | 1991   | 1992   | 1993<br>Provi-sional |
| Debt Service Payments              | 23,890      | 32,878 | 39,855 | 52,018 | 56,009               |
| (i) Amortization                   | 9,538       | 12,210 | 17,782 | 26,078 | 27,083               |
| (a) Domestic                       | 3,796       | 7,304  | 12,901 | 18,123 | 20,099               |
| (b) Foreign                        | 5,742       | 4,906  | 4,881  | 7,955  | 6,984                |
| (ii) Interest Payments             | 14,352      | 20,668 | 22,073 | 25,940 | 28,926               |
| (a) Domestic                       | 11,015      | 16,990 | 17,960 | 21,201 | 23,743               |
| Short Term                         | 5,075       | 9,563  | 10,410 | 11,923 | 12,971               |
| Medium & Long Term                 | 5,940       | 7,427  | 7,550  | 9,278  | 10,772               |
| (b) Foreign                        | 3,337       | 3,678  | 4,113  | 4,739  | 5,183                |
| Interest / Current Expenditure (%) | 25.2        | 28.8   | 26.4   | 28.9   | 28.7                 |
| Debt Service / GDP (%)             | 9.5         | 10.2   | 10.7   | 12.2   | 11.3                 |

Source : Central Bank of Sri Lanka.