6

Fiscal Policy and Government Finance

The Government embarked on a major reform drive in 2022 aimed at strengthening fiscal consolidation, along with the envisaged budget support from the IMF-EFF arrangement, which is conditional on ensuring public debt sustainability through a debt restructuring process. The impact of fiscal policy measures introduced by the Government thus far during 2022 is yet to be fully reflected in fiscal sector performance. Government revenue mobilisation in the first half of 2022 improved on a y-o-y basis particularly supported by certain tax measures, such as Surcharge Tax, increased VAT rates and Telecommunication Levy. Government expenditure rose, in nominal terms, in tandem with increased domestic interest rates, depreciated exchange rate, and high inflation as well as certain expenditure measures introduced in early 2022 to support public sector employees, pensioners, and low income earners during the crisis period. Consequently, budget deficit increased, in nominal terms, during the first half of 2022, over the same period in 2021. However, as a percentage of projected GDP, fiscal balances showed an improvement during the first half of 2022, compared to the same period in 2021. The outstanding central government debt increased notably with the sharp depreciation of the exchange rate in early 2022. The Government was compelled to finance the budget deficit primarily through monetary financing, given the tight liquidity conditions in the financial system and net foreign debt repayments amidst limited access to global capital markets. Going forward, Sri Lanka needs to ensure that prudent fiscal consolidation policies continue, while strictly committing to implementing long overdue structural reforms, including those of SOEs, some of which have already been initiated.

6.1 Fiscal Policy Direction and Measures

The persistent fiscal imbalances over a long period have resulted in unsustainable public debt levels, causing catastrophic macroeconomic consequences being witnessed at present. Consequently, the Government embarked on a path towards fiscal consolidation and debt restructuring to enhance fiscal sector performance while addressing macro-fiscal imbalances. In view of reversing the notable decline in government revenue evident in the past two years, the Government has introduced several revenue enhancement measures thus far in 2022. A retrospective one-off surcharge tax of 25% was imposed on individuals, partnerships, and companies, whose taxable income exceeded Rs. 2.0 bn for the tax assessment year 2020/2021, while the VAT rate on financial services was increased to 18% from 15%, with effect from January 2022. In May 2022, the Cabinet of Ministers granted approval for the implementation of several tax reforms to improve revenue collection of the Government. Consequently, the VAT rate was increased to 12% from 8%, while Telecommunication Levy was increased to 15% from 11.25%, with effect from 01 June 2022. In addition, the Government introduced a surcharge on several imported items for a period of six months with effect from 01 June 2022, considering the foreign exchange liquidity shortage in the country and the issues prevailing in issuing import licenses. In addition, several reforms pertaining to income taxes and VAT are to be effective from October 2022, whereas the betting and gaming levy will be amended from 2023. A Social Security Contribution Levy of 2.5% on turnover, applicable for importers, manufacturers, service providers, wholesalers, and retailers whose turnover exceeds Rs. 120.0 mn per annum, was imposed effective from 01 October 2022. The Interim Budget 2022 proposed, inter alia, to increase the VAT rate to 15% from 12% with effect from 01 September 2022 and introduced compulsory tax registration for all residents, who are above 18 years of age without considering their annual income and tax-free thresholds. Extending the Cabinet decision in May 2022, the Cabinet of Ministers, in September 2022, granted approval to revise downward the tax-free threshold for personal income taxes from Rs. 3.0 mn to Rs. 1.2 mn per annum, remove expenditure relief of Rs. 1.2 mn granted for expenditure incurred on education, health, contributions to pension scheme, interest paid on housing loans, etc., make PAYE/ APIT mandatory, revise personal income tax rates upward to 6%, 12%, 18%, 24%, 30% and 36% from 4%, 8%, 12%, 16%, 20% and 24%, respectively, revise tax slabs to Rs. 0.5 mn from Rs. 1.2 mn onwards, remove all sector specific corporate income tax exemptions and concessionary rates granted for companies, and revise VAT registration threshold downwards to Rs. 80 mn per annum, among others. Accordingly, the Inland Revenue (Amendment) Bill to amend the Inland Revenue Act, No. 24 of 2017 was gazetted on 11 October 2022.

Given the limited fiscal leeway, several expenditure rationalisation measures were introduced. In April 2022, the General Treasury issued a circular to restrict unproductive/non-essential capital expenditure and recurrent expenditure on overtime payments, new recruitments, stationary, printing costs, etc. A similar circular was issued in relation to commercial corporations, statutory boards, and government owned companies in August 2022. Having considered the increased expenses on essential activities, a supplementary allocation of Rs. 695 bn was approved by the Parliament in June 2022 to continue the expenses related to the relief package introduced by the Government in early 2022 for Samurdhi beneficiaries, estate communities, pensioners, and public servants with the aim of lessening the hardships of these communities caused by the prevailing adverse economic conditions. Accordingly, public sector employees, pensioners and disabled soldiers were paid a monthly allowance of Rs. 5,000 while the allowance for Samurdhi beneficiaries was increased by Rs. 1,000 per month. Further, Cabinet approval was granted in June 2022 to amend the Appropriation Act, No. 30 of 2021 attributable to the increased expenses on other essential activities apart from the functions for which budgetary allocations had already been made and the change in the structure of Ministries. Accordingly, the Appropriation (Amendment) Bill and Interim Budget 2022 were presented to the Parliament on 09 August 2022 and 30 August 2022, respectively. In the Interim Budget 2022, on the expenditure front, among other allocations, additional expenditure allocations have been made in relation to social safety nets, tourism promotion, dairy sector, youth entrepreneurship for agriculture and animal production sectors, and for the supply of seeds and planting materials.

The gross borrowing limit of Rs. 3,200 bn that was approved by the Appropriation Act, No. 30 of 2021 for the year 2022 was revised upward in early September 2022 to Rs. 3,844 bn by the Appropriation (Amendment) Act, No. 21 of 2022 in consideration of increased expenses incurred on other essential activities, apart from the functions for which allocations have been made under the Appropriation Act. Further, in October 2022, the Cabinet of Ministers granted approval to further increase the gross borrowing limit for 2022 to Rs. 4,507 bn on account of the higher gross borrowing requirement in terms of the face value of the borrowings to meet the cash requirement of the Government within a high interest rate environment.

As Sri Lanka no longer qualifies for the loans offered by the IBRD due to the downgrade of country's credit rating, the Cabinet of Ministers approved, in October 2022, a request to the World Bank to obtain access to funds from the IDA, which provides concessionary financing through the 'Gap' facility to highly vulnerable countries. Accordingly, the Government is pursuing a reverse graduation policy for Sri Lanka for a limited period.

> ***The Government embarked on a path towards fiscal consolidation and debt restructuring to enhance fiscal sector performance while addressing macro-fiscal imbalances...***

Considering the impending large foreign debt service payments and the inadequacy of liquid foreign reserves to honour such payments amidst the lack of forex liquidity in the domestic foreign exchange market, the Government, on 12 April 2022, announced a temporary suspension of selected foreign debt service payments. Subsequently, the Government appointed the financial and legal advisors, Lazard Ltd and Clifford Chance LLP, respectively, to facilitate the Government's debt restructuring process, which is currently underway. While discussions with the IMF for a staff level agreement were successfully completed in early September 2022, a comprehensive macroeconomic reform programme has been initiated to restore macroeconomic stability and ensure public debt sustainability in the medium to long term. Under the macroeconomic reform programme, a strong fiscal consolidation process is to be implemented through both revenue and expenditure measures, while institutional reforms to SOBEs are to be conducted, along with cost reflective pricing strategies for provisioning of utilities, among other reforms.

With the pre-emptive default of selected foreign debt service obligations, international sovereign credit rating agencies continued to downgrade the sovereign credit ratings of Sri Lanka during the first half of 2022. Standard and Poor's Global Ratings downgraded Sri Lanka's sovereign credit rating to 'CC (Negative)' from 'CCC (Negative)' on 13 April 2022, and further to the lowest rating of 'SD' (Selective Default) on 25 April 2022 following the non-payment of coupons on ISBs. Fitch Ratings also downgraded the country's sovereign credit rating to 'RD' (Restricted Default) from 'C' on 19 May 2022. Similarly, Moody's Investor Service also downgraded Sri Lanka's sovereign credit rating to 'Ca (Stable)' from 'Caa2 (Stable)' on 18 April 2022.

6.2 Government Budgetary Operations

Government Revenue

Benefitting from the increased tax and non tax revenue collection, government revenue, in nominal terms, enhanced during the first half of 2022, compared to the corresponding period of 2021. Government revenue and grants increased to Rs. 919.5 bn (4.1% of projected GDP[1]) during the first half of 2022 from Rs. 715.3 bn (4.0% of GDP) recorded in the first half of 2021. This amounts to 41.4% of the revenue target in the Budget 2022 and 43.9% of the revised revenue target in the Interim Budget 2022. Tax revenue increased by 24.6% to Rs. 798.8 bn during the first half of 2022, compared to the corresponding period of 2021. The increased revenue collections from income taxes, VAT, excise duties, and PAL mainly contributed to the increase in tax revenue collection, in nominal terms, during the first half of 2022. Revenue from income tax increased significantly to Rs. 234.9 bn during the first half of 2022 from Rs. 115.9 bn in the corresponding period of 2021, reflecting the additional flow of the Surcharge Tax, which became effective from 01 April 2022. Reflecting the combined effect of the sharp rise in inflation, increase in VAT rate applicable for financial services

1 As per the projections of the Central Bank of Sri Lanka.

Table 6.1
Economic Classification of Government Revenue

Rs. bn

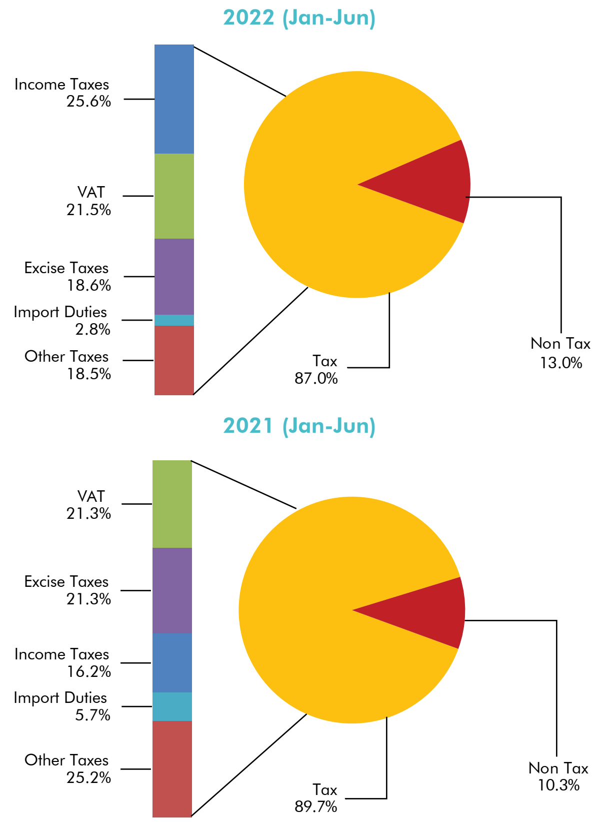
Item	2020 (a)	2021 (b)	2021 Jan - Jun (b)	2022 Jan - Jun (b)
Tax Revenue	**1,216.5**	**1,298.0**	**641.2**	**798.8**
Income Taxes	268.2	302.1	115.9	234.9
VAT	233.8	308.2	152.2	197.8
Excise Taxes	321.9	306.9	152.4	170.9
Import Duties	114.2	64.3	40.8	25.4
PAL	115.4	154.1	79.5	94.0
SCL	82.7	55.8	28.4	20.4
CESS	49.3	75.5	39.5	38.9
Other Taxes	30.9	31.0	32.6	16.5
Non Tax Revenue	**151.4**	**159.1**	**73.3**	**119.7**
Total Revenue	**1,368.0**	**1,457.1**	**714.5**	**918.5**

(a) According to the Ministry of Finance, fiscal sector statistics of 2020 have been adjusted as announced in the Budget Speech for 2020.
(b) Provisional

Source: Ministry of Finance, Economic Stabilisation and National Policies

effective from 01 January 2022, escalation of global commodity prices, and the depreciation of the Sri Lanka Rupee against the USD, the revenue from VAT increased by 29.9% to Rs. 197.8 bn during the period under review, compared to the corresponding period in 2021. The overall revenue collection from excise duties increased to Rs. 170.9 bn during the first half of 2022 from Rs. 152.4 bn in the corresponding period of 2021, mainly supported by the higher revenue collection from liquor production. Upward revision made to the excise duty structure on liquor production with effect from 12 November 2021 contributed to the increase in excise duties from liquor. Excise duties from motor vehicles remained considerably low at Rs. 12.1 bn in the first half of 2022, owing to the restrictions imposed on motor vehicle imports since March 2020. Meanwhile, excise duty from petroleum products declined by 3.4% to Rs. 26.5 bn during the first half of 2022, compared to the same period in 2021 due to the reduction of petrol and diesel imports amidst the foreign exchange liquidity shortage in the country. In addition, revenue from PAL increased to Rs. 94.0 bn during the period under review, supported by exchange rate depreciation and rise in global commodity prices. Following the restrictions imposed on the importation of non-essential goods, alongside the moderation of import demand due to forex liquidity stresses, revenues from import duties and CESS levy declined by 37.6% and 1.4%, respectively, to Rs. 25.4 bn and Rs. 38.9 bn, respectively, during the first half of 2022, compared to the corresponding period of the previous year. Revenue from SCL declined to Rs. 20.4 bn during first half of 2022 from Rs. 28.4 bn recorded in the corresponding period of 2021, mainly due to the downward revisions made to the SCL rates on certain commodities, such as potatoes, big onions, maize, sorghum, and dates.

Figure 6.1
Composition of Government Revenue



Sources: Ministry of Finance, Economic Stabilisation and National Policies
Central Bank of Sri Lanka

During the first half of 2022, non tax revenue increased to Rs. 119.7 bn in comparison to Rs. 73.3 bn in the corresponding period of 2021, mainly due to the significant increase in revenue collection from fees and charges and Central Bank profit transfers. Accordingly, revenue from fees and charges increased by Rs. 20.4 bn to Rs. 36.2 bn, while the Central Bank profit transfers increased by Rs. 15.0 bn to Rs. 30.0 bn, during the period under review.

Increased revenue collections from income taxes, VAT, excise duties, and PAL mainly contributed to the increase in tax revenue collection by 25% (y-o-y) during the first half of 2022...

Expenditure and Net Lending

Despite the expenditure rationalisation attempts in the latter part of the period under review, government spending was on a rising trend, in nominal terms, with the rigid non-discretionary spending that diverted resources away from pro-growth investment outlays. In nominal terms, total expenditure and net lending during the first half of 2022 increased by 21.8% to Rs. 1,822.1 bn (8.1% of projected GDP) from Rs. 1,495.5 bn (8.5% of GDP), compared to the corresponding period in 2021, with the rise in both recurrent and capital expenditure. Government expenditure in the first half of 2022 amounted to 47.3% of the expenditure estimate in Budget 2022 and 41.2% of the revised expenditure estimates in the Interim Budget 2022. During the period under review, recurrent expenditure rose by 19.9% to Rs. 1,571.6 bn over the corresponding period of 2021, mainly due to the increased expenditure on salaries and wages and domestic interest expenses along with additional expenditure requirements of public health services and direct and indirect financial

> ***Expenditure rose mainly due to the increased expenditure on salaries and wages (51.9% of government revenue) and domestic interest expenses (61.5% of government revenue) along with additional expenditure requirements of public health services and direct and indirect financial support provided to pandemic affected households and businesses...***

support provided to pandemic affected households and businesses. Compared to the first half of 2021, expenditure on subsidies and transfers grew by 14.0% to Rs. 360.8 bn, while expenditure on salaries and wages also increased by 14.7% to Rs. 477.1 bn reflecting the provision of a Rs. 5,000 monthly allowance from January 2022 for public sector employees and pensioners, during the first half of 2022. Absorbing 71.6% of total government revenue, interest expenditure increased by 29.8% to Rs. 657.8 bn during the period under consideration. Although domestic interest expenditure increased by 48.1% to Rs. 564.9 bn reflecting the impact of the rise in domestic interest rates as well as the outstanding domestic debt stock, foreign interest payments declined by 26.0% to Rs. 92.9 bn owing to the non-repayment of interest payments on selected debt following the announcement of

Table 6.2
Economic Classification of Government Expenditure

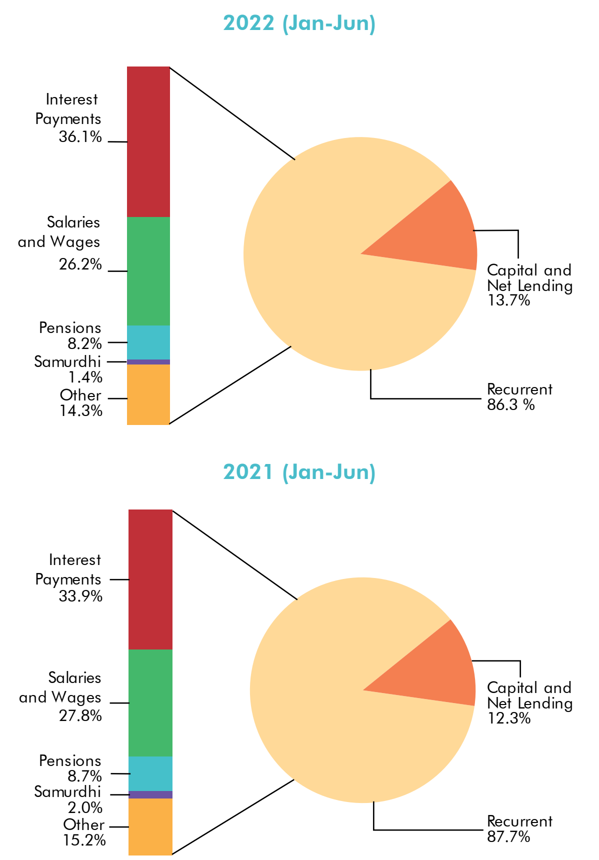
Rs. bn

Item	2020 (a)	2021 (b)	2021 Jan - Jun (b)	2022 Jan - Jun (b)
Recurrent Expenditure	**2,548.4**	**2,747.5**	**1,311.0**	**1,571.6**
Expenditure on Goods and Services	974.4	1,014.6	487.5	553.0
o/w Salaries and Wages	794.2	845.7	416.1	477.1
Interest Payments	980.3	1,048.4	507.0	657.8
Foreign	266.7	253.7	125.6	92.9
Domestic	713.6	794.6	381.4	564.9
Current Transfers and Subsidies	717.1	684.5	316.5	360.8
o/w Pensions	257.8	269.8	130.3	150.0
Samurdhi	52.4	55.4	30.4	26.1
Fertiliser Subsidy	36.7	21.2	8.0	19.7
Capital Expenditure and Net Lending	**492.6**	**774.2**	**184.5**	**250.5**
Total Expenditure and Net Lending	**3,041.0**	**3,521.7**	**1,495.5**	**1,822.1**

(a) Government expenditure and net lending in 2020 were adjusted by the Ministry of Finance by shifting a sum of Rs. 422.6 bn to 2019 in view of accounting for the payment of arrears spilled over from 2019. Accordingly, of the recurrent expenditure incurred in 2020, a sum of Rs. 123.4 bn was shifted to 2019, and of the capital expenditure and net lending in 2020, a sum of Rs. 299.2 bn was shifted to 2019.
(b) Provisional

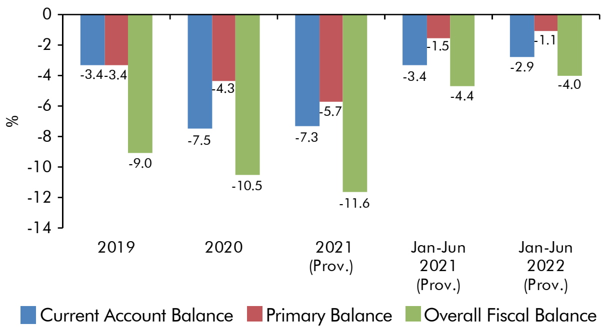
Source: Ministry of Finance, Economic Stabilisation and National Policies

Figure 6.2
Composition of Government Expenditure



Sources: Ministry of Finance, Economic Stabilisation and National Policies
Central Bank of Sri Lanka

Figure 6.3
Key Fiscal Balances (As a % of GDP) (a)



(a) Rebased GDP estimates (base year 2015) of the Department of Census and Statistics have been used for 2018-2021 and GDP projection of the Central Bank of Sri Lanka has been used for 2022.

Sources: Ministry of Finance, Economic Stabilisation and National Policies
Central Bank of Sri Lanka

the debt standstill. Capital expenditure and net lending increased by 35.8% to Rs. 250.5 bn during the first half of 2022 from Rs. 184.5 bn in the corresponding period of 2021.

Key Fiscal Balances

The key fiscal balances, except the primary balance, deteriorated in nominal terms during the first half of 2022 in comparison to the same period in last year, while these balances showed improvements as percentages of projected GDP. The budget deficit expanded to Rs. 902.7 bn (4.0% of projected GDP) during the first half of 2022 from Rs. 780.2 bn (4.4% of GDP) recorded in the corresponding period of 2021. The current account deficit, which reflects the dissavings of the Government, increased to Rs. 653.1 bn (2.9% of projected GDP) during the six months ending June 2022 from Rs. 596.5 bn (3.4% of GDP) compared to the same period in the previous year. The primary deficit, which accounts for the discretionary element of the fiscal policy and computed by the difference between government revenue and non-interest expenditure, reduced to Rs. 244.8 bn (1.1% of projected GDP) during the period under review from Rs. 273.2 bn (1.5% of GDP) reported in the corresponding period of preceding year, mainly reflecting the impact of fiscal consolidation measures introduced in 2022.

Financing of the Budget Deficit

The budget deficit was entirely financed through domestic sources, on net basis, during the first half of 2022, reflecting the restricted access to global capital markets amidst the debt standstill. Net domestic financing amounted to Rs. 947.1 bn during the period from January to June 2022, compared to Rs. 759.0 bn during the corresponding period in 2021. Of the net domestic financing during first half of 2022, Treasury bonds accounted for a large share, with a sum of Rs. 1,034.3 bn (109.2% of total domestic borrowing), compared to Rs. 364.4 bn (48.0% of total domestic borrowing) mobilised in the same period of 2021. Meanwhile, Rs. 660.2 bn (69.7% of total domestic borrowings) was mobilised via issuances of Treasury bills during the period from January to June 2022, in comparison to Rs. 178.4 bn (23.5% of total domestic borrowings) mobilised during the corresponding period in 2021. Further, a sum of Rs. 594.2 bn was repaid in relation to the overdraft facility of the Government during the first half of 2022. Meanwhile, net financing from the Central Bank increased substantially to Rs. 1,000 bn during the period under review, compared to the Rs. 310.0 bn recorded during the same period in 2021. The increased financing from the Central Bank is attributable to the factors such as low market subscription at Treasury bill auctions that had resulted in primary purchases by the Central Bank, direct allocation of Treasury bills to the Central Bank to finance spending needs of the Government including the payment of salaries, debt service payments, and provision of liquidity for state-owned-business enterprises (e.g., for Ceylon Petroleum Corporation). Meanwhile, borrowing from the non-bank sector also increased notably to Rs. 646.4 bn during the first half of 2022, compared to Rs. 258.8 bn during the same period in the previous year. Financing from licensed commercial banks recorded a net repayment of Rs. 699.4 bn during the period under review in 2022, compared to net financing of Rs. 190.3 bn during the comparable period in the preceding year.

The budget deficit was entirely financed through domestic sources, on net basis, during the first half of 2022, reflecting the restricted access to global capital markets amidst the debt standstill...

Total foreign financing recorded a net repayment of Rs. 44.4 bn during the first half of 2022, compared to a net borrowing of Rs. 21.2 bn in the corresponding period of 2021. Net foreign financing comprised Rs. 56.1 bn net borrowings from foreign project loans and a net repayment of Rs. 100.5 bn for ISBs in January 2022.

With the sovereign credit ratings downgrades by the international rating agencies and the government policy on debt standstill, access to global capital markets remained constrained during the period under consideration.

Government Debt and Debt Service Payments

Government Debt[2]

Central government debt rose sharply by the end June 2022, mainly reflecting the impact of the sharp depreciation of the domestic currency against major foreign currencies and the sizable budget deficit in nominal terms, during the first half of 2022. The central government debt stock elevated to Rs. 24,264.4 bn (122.4% of the GDP[3]) by end June 2022 from Rs. 17,589.4 bn (99.5% of the GDP) at end 2021. However, the outstanding central government debt estimate is highly provisional due to the impact of debt standstill announced on 12 April 2022. At end June 2022, total domestic debt witnessed an increase of Rs. 1,641.3 bn to Rs. 12,738.5 bn (64.3% of the GDP[3]), while foreign debt increased by Rs. 5,033.7 bn to Rs. 11,525.9 bn (58.1% of the GDP[3]) from the levels recorded at end 2021. As at end June 2022, the relative share of outstanding foreign debt of the central government increased to 47.5% of total central government debt, compared to 36.9% recorded as at end 2021, owing to the depreciation of the exchange rate.

Table 6.3
Outstanding Central Government Debt (a)

Rs. bn

Item	2020	2021 (b)	2021 End Jun (b)	2022 End Jun (c)
Domestic Debt (d)	**9,065.1**	**11,097.2**	**9,931.7**	**12,738.5**
By Maturity Period				
Short Term	2,197.6	3,139.8	2,702.6	3,355.2
Medium and Long Term	6,867.5	7,957.4	7,229.1	9,383.3
By Institution (e)				
Banks	4,731.7	5,467.1	5,214.9	6,071.4
Non Bank Sector	4,333.4	5,630.1	4,716.9	6,667.2
Foreign Debt	**6,052.2**	**6,492.2**	**6,632.8**	**11,525.9**
Concessional	2,988.1	3,097.6	3,151.9	5,265.4
Non Concessional	3,064.1	3,394.6	3,480.9	6,260.5
Total Government Debt	**15,117.2**	**17,589.4**	**16,564.5**	**24,264.4**

(a) As per the guidelines of compiling government debt statistics in the Manual of Government Finance Statistics published by the IMF in 2014, non resident holdings of outstanding SLDBs and outstanding ISBs have been classified under foreign debt and resident holdings of outstanding of SLDBs and outstanding ISBs of the Sri Lankan Government have been classified under domestic debt.
(b) Provisional
(c) Outstanding central government debt statistics as at end June 2022 are highly provisional, since data on some of the debt service payments which fell overdue after the announcement of the Interim Policy regarding the servicing of Sri Lanka's external public debt on 12 April 2022 are yet to be finalised.
(d) Excludes outstanding balance of foreign investment in Treasury bills and bonds and includes Treasury bonds of Rs. 78,441 million issued to CPC in January 2012 of which Rs. 21,778 million matured on 01 January 2017 and Rs 25,217 million matured on 01 January 2022 and the current outstanding is Rs. 31,446 million.
(e) The composition of domestic debt held by the banking and non banking sectors was revised from 2017 due to the adjustment for holdings of SLDBs by businesses and individuals.

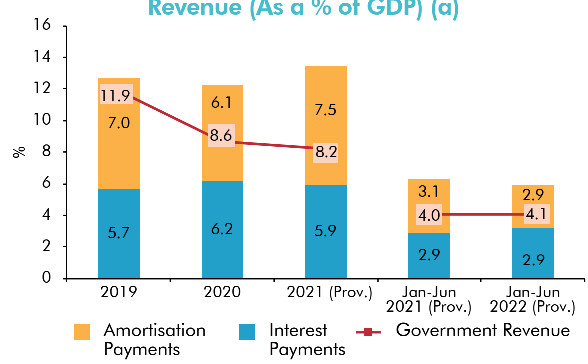
Sources: Ministry of Finance, Economic Stabilisation and National Policies
Central Bank of Sri Lanka

With the debt standstill announcement in relation to bilateral and commercial foreign debt, the share of non-concessional debt of the total foreign debt portfolio of the Central Government increased to 54.3% by end June 2022 from 52.3% at end 2021. In nominal terms, the outstanding balance of non-concessional debt increased to Rs. 6,260.5 bn at end June 2022 from Rs. 3,394.6 bn at end 2021. In contrast, the share of concessional loans of the total foreign debt declined to 45.7% by end June 2022 from 47.7% at end 2021.

Debt Service Payments

Total debt service payments during the first half of 2022 increased to Rs. 1,311.9 bn from Rs. 1,061.3 bn recorded in the corresponding period in 2021. During the first half of 2022, amortisation payments increased to Rs. 654.1 bn from Rs. 554.3 bn in the corresponding period in 2021, primarily with the maturity payments of medium and long term foreign loans. The interest payments increased to Rs. 657.8 bn during the period under review from Rs. 507.0 bn in the corresponding period in 2021, mainly due to higher interest payments

Figure 6.4
Government Debt Service Payments vs. Government Revenue (As a % of GDP) (a)



(a) Rebased GDP estimates (base year 2015) of the Department of Census and Statistics have been used for 2018-2021and GDP projection of the Central Bank of Sri Lanka has been used for 2022.

Sources: Ministry of Finance, Economic Stabilisation and National Policies
Central Bank of Sri Lanka

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2 Outstanding central government debt statistics as at end June 2022 are highly provisional, since data on some of the debt service payments which fell overdue after the announcement of the Interim Policy regarding the servicing of Sri Lanka's external public debt on 12 April 2022 are yet to be finalised.

3 Actual GDP for the second half of 2021 and first half of 2022 was used to estimate the outstanding stock of debt as a percentage of GDP as at end June 2022.

Interest payments increased by 29.8% (accounting for 71.6% of government revenue) mainly due to higher interest payments on domestic debt, particularly on account of Treasury bills and Treasury bonds...

on domestic debt, particularly on account of Treasury bills and Treasury bonds. During the first half of 2022, total domestic debt servicing on outstanding central government debt aggregated to Rs. 949.7 bn, compared to Rs. 783.6 bn in the corresponding period of 2021. Meanwhile, debt servicing on outstanding foreign debt of central government increased to Rs. 362.2 bn, in comparison to the debt service payments of Rs. 277.7 bn in the corresponding period of the previous year.

Abbreviations and Acronyms

APIT	:	Advance Personal Income Tax
bn	:	Billion
CESS	:	Commodity Export Subsidy Scheme
CPC	:	Ceylon Petroleum Corporation
EFF	:	Extended Fund Facility
GDP	:	Gross Domestic Product
IBRD	:	International Bank for Reconstruction and Development
IDA	:	International Development Association
IMF	:	International Monetary Fund
ISB	:	International Sovereign Bonds
LLP	:	Limited Liability Partnership
mn	:	Million
PAL	:	Ports and Airports Development Levy
PAYE	:	Pay As You Earn
SCL	:	Special Commodity Levy
SOBE	:	State-Owned Business Enterprises
SOE	:	State-Owned Enterprises
USD	:	United States Dollars
VAT	:	Value Added Tax
y-o-y	:	Year-on-Year