Report No. 3901-CE

Economic Adjustment in Sri Lanka: Issues and Prospects

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South Asia Programs Department

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CURRENCY EQUIVALENTS a/

End-December	Currency Unit		
1976	US$1.00	=	Rs 8.83
	Rs 1.00	=	US$ 0.11
	Rs 1 million	=	US$113,250
1977	US$1.00	=	Rs 15.56
	Rs 1.00	=	US$ 0.06
	Rs 1 million	=	US$64,267
1978	US$1.00	=	Rs 15.51
	Rs 1.00	=	US$ 0.06
	Rs 1 million	=	US$64,475
1979	US$1.00	=	Rs 15.45
	Rs 1.00	=	US$ 0.06
	Rs 1 million	=	US$64,725
1980	US$1.00	=	Rs 18.00
	Rs 1.00	=	US$ 0.06
	Rs 1 million	=	US$55,556
1981	US$1.00	=	Rs 20.55
	Rs 1.00	=	US$ 0.05
	Rs 1 million	=	US$48,662

Annual Average Exchange Rates

	Official Rate	Foreign Exchange Entitlement Certificate (FEEC) Rate b/
1969-71	US$1.00 = Rs 5.95	Rs 9.22 (55% FEEC)
1972	US$1.00 = Rs 6.00	Rs 9.30 (55% FEEC)
1973	US$1.00 = Rs 6.40	Rs 10.56 (65% FEEC)
1974	US$1.00 = Rs 6.65	Rs 10.97 (65% FEEC)
1975	US$1.00 = Rs 7.05	Rs 11.63 (65% FEEC)
1976	US$1.00 = Rs 8.46	Rs 13.96 (65% FEEC)
1977 (Jan. 1 - Nov. 15)	US$1.00 = Rs 7.89	Rs 13.02 (65% FEEC)
1977 (Nov. 16 - Dec. 31)	US$1.00 = Rs 15.76	-
1977	US$1.00 = Rs 9.15	-
1978	US$1.00 = Rs 15.61	-
1979	US$1.00 = Rs 15.57	-
1980	US$1.00 = Rs 16.53	-
1981	US$1.00 = Rs 19.25	-

a/ The Sri Lanka rupee, which had been linked to the US dollar from November 6, 1971 was re-linked to the Pound Sterling from July 10, 1972 onward at a parity rate of 1.00 = Rs 15.60. Parity rates with all other currencies were determined from time to time by the Central Bank. The rupee was delinked from Sterling on May 24, 1976, linked to a weighted basket of currencies. On November 15, 1977, the exchange rate was unified, depreciated, and allowed to float at an initial rate of US$1.00 = Rs 16.00.

b/ This rate applied to all exports other than tea, rubber, and coconut, and all imports other than food, fertilizer, and drugs. FEECs were abolished on November 15, 1977.

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GLOSSARY

Asweddumized	-	Levelled and bunded land, suitable for paddy cultivation
CGR	-	Ceylon Government Railways
CDA	-	Coconut Development Authority
CPC	-	Ceylon Petroleum Corporation
CSC	-	Ceylon Shipping Corporation
CWE	-	Co-operative Wholesale Establishment
DFCC	-	Development Finance Corporation of Ceylon
DMEC	-	Department of Minor Export Crops
EDB	-	Export Development Board
FCBUs	-	Foreign Currency Banking Units
FEECs	-	Foreign Exchange Entitlement Certificates (see Currency Equivalents)
FIAC	-	Foreign Investment Advisory Committee
GCEC	-	Greater Colombo Economic Commission
GPS	-	Guaranteed Price Scheme
GWh	-	Gigawatt-hour (1,000,000 kilowatt-hours)
Ha	-	Hectare (one hectare equivalent to 2.741 acres)
JEDB	-	Janatha Estates Development Board
KIPZ	-	Katunayake Investment Promotion Zone
LIAC	-	Local Investment Advisory Committee
Maha	-	Northeast monsoon, October-February
MLT	-	Medium and Long Term
NDB	-	National Development Bank
NHDA	-	National Housing Development Authority
PMB	-	Paddy Marketing Board
Poonac	-	Copra cake
SDR	-	Special Drawing Right (IMF unit of account)
SLCTB	-	Sri Lanka Central Transport Board
SPC	-	State Plantation Corporation
UDA	-	Urban Development Authority
Yala	-	Southwest monsoon, May-September

Note: All weights and measures are metric unless otherwise specified.

TITLE : ECONOMIC ADJUSTMENT IN SRI LANKA: ISSUES AND PROSPECTS

COUNTRY : SRI LANKA

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ABSTRACT : Sri Lanka's economic growth performance improved substantially following the liberalization of the economy in 1977, but the process was accompanied by growing deficits in the budget and in the current account in the balance of payments, which reached unsustainable levels in 1980. Good progress towards the restoration of economic stability was made during 1981, yet it would now appear that this progress will not be maintained in 1982 and 1983. This report reviews these developments since 1977 and discusses the requirements and policy options for restoration of the adjustment momentum achieved in 1981, with special emphasis on budgetary policies, which have been the main source of instability, and on the need to keep the use of non-concessional finance to prudent levels. The report also focusses on the longer term requirements of a successful economic adjustment process including policies to strengthen the directly productive sectors and especially exports. In addition, the immediate balance of payments outlook is reviewed and estimates are provided of Sri Lanka's aid requirements during the next two years.

ECONOMIC ADJUSTMENT IN SRI LANKA: ISSUES AND PROSPECTS

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COUNTRY DATA - SRI LANKA

AREA	POPULATION a/	DENSITY
65,607 sq km	15.2 million (mid-1982) Rates of Growth: 1.7% (from 1971 to 1981)	235 per sq km (1981) 763 per sq km of agricultural land (1979)

POPULATION CHARACTERISTICS (1982)
Crude Birth Rate (per '000): 26.5
Crude Death Rate (per '000): 6.0
Infant Mortality (per '000 live births): 49

HEALTH (1980)
Population per physician: 7,184
Population per Hospital Bed: 340

INCOME DISTRIBUTION (1978)
% of national income, highest quintile: 54
lowest quintile: 4

DISTRIBUTION OF LAND OWNERSHIP
% owned by top 10% of owners -
% owned by smallest 10% of owners -

ACCESS TO PIPED WATER (1971)
% of population - urban: 77
rural: 5

ACCESS TO ELECTRICITY (1971)
% of dwellings - urban: 9
rural: 3

NUTRITION (1974-77)
Calorie intake as % of requirements: 91
Per capita protein intake (grams per day): 43

EDUCATION (1979)
Adult literacy rate: 85%
Primary school enrollment: 80%

GNP PER CAPITA in 1980: $270 b/

OUTPUT IN 1981 BY SECTOR / **ANNUAL RATE OF GROWTH (%, constant prices)**

	Value Added				
	$ million	%	1970-77	1978-81	1970-81
Agriculture	1,169	28.7	2.0	4.4	2.9
Industry c/	1,191	29.2	2.1	7.3	3.9
Services	1,718	42.1	3.7	7.3	5.0
Total d/	4,078	100.0	2.9	6.5	4.2

GOVERNMENT FINANCE

	Central Government			
	(Rs million)	% of GDP at Market Prices		
	1981	1975	1980	1981
Current Receipts e/	15,259	17.2	19.9	17.9
Current Expenditures f/	16,748	18.3	23.7	19.6
Current Surplus	-1,489	-1.1	-3.8	-1.7
Capital Expenditures g/	11,834	7.3	19.3	13.9
External Assistance	7,576	3.2	9.2	8.9

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a/ Based on Provisional 1981 Census estimates, and not consistent with Table 1.01.
b/ World Bank Atlas estimate.
c/ Manufacturing, mining, construction, and utilities.
d/ GDP at factor cost.
e/ Includes capital revenue.
f/ Includes advance accounts.
g/ Includes net lending.

COUNTRY DATA - SRI LANKA

MONEY, CREDIT, AND PRICES (end of period)	1970	1975	1976	1977	1978	1979	1980	1981
				(Rs million)				
Money and Quasi Money	3,061	4,712	6,251	8,636	10,803	14,957	19,709	24,286
Bank Credit to Public Sector	2,680	2,460	3,725	4,834	4,518	6,703	13,075	16,918
Bank Credit to Private Sector	1,446	3,363	3,919	5,714	8,666	11,853	16,343	20,563
				(Percentages or Index Numbers)				
Money and Quasi Money as % of GDP	22.4	17.8	20.9	24.0	25.3	28.7	31.7	28.4
General Price Index (1970 = 100)	100.0	143.3	145.2	147.0	164.8	182.6	230.3	271.7
Annual Percentage Changes in:								
General Price Index	+5.9	+6.7	+1.3	+1.2	+12.1	+10.8	+26.1	+18.0
Bank Credit to Public Sector	+15.9	+9.4	+51.4	+35.0	-6.5	+48.4	+95.1	+29.4
Bank Credit to Private Sector	+0.7	+5.5	+16.5	+45.8	+51.7	+36.8	+37.9	+25.8

BALANCE OF PAYMENTS

	1979	1980	1981
		($ million)	
Exports of Goods, NFS	1,137	1,295	1,331
Imports of Goods, NFS	1,583	2,211	2,099
Resource Gap (deficit = -)	-446	-916	-768
Interest Payments (net)	-9	-12	-80
Workers' Remittances	-	-	-
Other Factor Payments (net)	-6	-14	-6
Net Transfers	48	137	200
Balance on Current Account	-413	-805	-654
Direct Foreign Investment	47	43	50
Net MLT Borrowing	162	247	365
Disbursements	(225)	(309)	(408)
Amortization	(63)	(62)	(43)
Capital Grants	144	138	183
Other Capital (net)	+108	+157	+23
Change in Reserves (+ = increase)	+48	-220	-33
Gross Reserves (end-year)	626	377	451
Net Reserves (end-year)	+258	+38	+5

MERCHANDISE EXPORTS (1981)

	$ million	%
Tea	334	31.6
Rubber	150	14.2
Coconut Products	52	4.9
All Other Commodities	521	49.3
Total	1,057	100.0

EXTERNAL DEBT ($ million) a/

	December 1980	December 1981
Total Outstanding	2,385.5	3,074.0
Total Outstanding and Disbursed	1,327.4	1,584.9
DEBT SERVICE RATIO b/ (%)	9.4	8.7

RATE OF EXCHANGE

1967-71
US$1.00 = Rs 5.93
Rs 1.00 = US$0.17

End 1972
US$1.00 = Rs 6.70
Rs 1.00 = US$0.15

End 1973
US$1.00 = Rs 6.75
Rs 1.00 = US$0.15

End 1974
US$1.00 = Rs 6.69
Rs 1.00 = US$0.15

End 1975
US$1.00 = Rs 7.71
Rs 1.00 = US$0.13

End 1976
US$1.00 = Rs 8.83
Rs 1.00 = US$0.11

End 1977
US$1.00 = Rs 15.56
Rs 1.00 = US$0.06

End 1978
US$1.00 = Rs 15.51
Rs 1.00 = US$0.06

End 1979
US$1.00 = Rs 15.45
Rs 1.00 = US$0.06

End 1980
US$1.00 = Rs 18.00
Rs 1.00 = US$0.06

End 1981
US$1.00 = Rs 20.55
Rs 1.00 = US$0.05

IBRD/IDA LENDING, December 31, 1981 ($ million)

	IBRD	IDA
Outstanding and Disbursed	28.8	125.7
Undisbursed	-	392.1
Outstanding, including Undisbursed	28.8	517.8

Foreign Exchange Entitlement Certificate (FEEC) Rates c/

1968	US$1.00 = Rs 8.54 (44% FEEC)
1969 to 1971	US$1.00 = Rs 9.19 (55% FEEC)
1972 (end)	US$1.00 = Rs 10.38 (55% FEEC)
1973 (end)	US$1.00 = Rs 11.13 (65% FEEC)
1974 (end)	US$1.00 = Rs 11.04 (65% FEEC)
1975 (end)	US$1.00 = Rs 12.72 (65% FEEC)
1976 (end)	US$1.00 = Rs 14.57 (65% FEEC)
1977 (until Nov. 15)	US$1.00 = Rs 13.02 (65% FEEC)

a/ Repayable in foreign currencies and with a maturity over one year.
b/ Ratio of debt service, excluding short-term capital movements and IMF repurchases, to exports of goods and non-factor services.
c/ The certificates were abolished on November 15, 1977.

South Asia Programs Department
May 20, 1982

SUMMARY AND CONCLUSIONS

i. The past four years in Sri Lanka have seen considerable economic change. Perhaps most notable has been the country's success in breaking out of the low investment and low growth patterns of the 1970-77 period. These accomplishments are all the more remarkable in that they occurred during a period of considerable international economic turmoil - first, international inflation accelerated, led by a doubling of petroleum prices; then recession in the developed countries reduced demand for exports and, to some extent, constrained aid flows. Throughout, Sri Lanka's terms of trade declined, falling by 30% between 1977 and 1981. Nevertheless, real growth averaged 6.5%, largely due to the economic reforms which released the private sector from the extensive pre-1977 controls, and the stimulus of the public investment program. This growth was accompanied by concomitant gains in employment. Growth was particularly strong in the paddy sector, where largely owing to improved producer incentives, growth averaged 7% per annum and resulted in record harvests in every year. As a result, rice imports which had averaged one-third of consumption during 1970-77 declined to only 13% during 1978-81, and were it not for the drought in early 1982, Sri Lanka, for the first time this century, would probably have had no need to import rice. On the other hand, the major disappointments since economic liberalization have been the treecrop and exports sectors, and the savings performance. Treecrop production (including processing) has grown at an average of only 1.2% per year since 1977. An acceleration in overall exports growth was one of the principal objectives of the economic and exchange rate reforms; the 4% growth achieved during 1977-81 must be viewed as inadequate in light of the corresponding 11% average growth in imports volume and the decline in the terms of trade.

ii. Sri Lanka's weak savings performance should be seen in the context of the rapid growth in investment. Between 1977 and 1980, total investment rose from 14% of GDP to 34%, with growth being shared by both the public and private sectors. However, the growth in investment was not accompanied by any substantial increase in national savings, implying little shift in domestic resources from consumption to investment. This is borne out in budgetary performance, where despite the major reforms, which reduced the subsidy burden from 10% to 3% of GDP between 1977 and 1981, public savings have been more or less non-existent. Although recurrent expenditures as a whole have fallen significantly as a share of GDP, revenues as a share of GDP have fallen even faster. The principal cause of the revenues decline has been falling revenues from treecrop exports, which have been squeezed by weak international prices on the one hand and rising producer costs on the other. Revenue growth from other sources has failed to make up for this decline. The counterpart to the weak national savings effort has been a large increase in the use of foreign savings, which rose from 5% to 20% of GDP between 1978 and 1980. Although net aid receipts averaged a relatively high 9% of GDP throughout, national savings did not grow, meaning that most of the increase in investment had to be financed by drawing down international reserves and by resorting to commercial finance. As a result, additions to net international reserves declined from an inflow of 3% of GDP in 1978 to an outflow of 6% of GDP in 1980, while net use of commercial finance rose from -1% to 6% of GDP over the same period. The Government recognized that the large deficits on the budget and the current account in the balance of payments could not be sustained over time, and that early and significant adjustment measures were required to reduce them. It was nonetheless clear that the relative inflexibility in the public investment program meant that adjustment would have to be gradual and that it would be difficult to implement without strong donor support.

iii. The highest adjustment priority in 1981 was the budget, where the huge increase in bank borrowings in 1980 to cover the unfinanced deficit had been a significant factor behind the acceleration in inflation and, because over 40% of domestic expenditures leak into imports, also in the deterioration in the balance of payments. Through major cuts in the original budget allocations and strengthened expenditure controls, the Government was able to hold capital expenditures to below their 1980 level in nominal terms, implying a significant reduction in real terms and a decline from 18% to 14% of GDP. The overall budget deficit declined from 23% to 16% of GDP, and bank borrowings to cover the unfinanced deficit, from 10.7% to 4.5% of GDP. This was a remarkable achievement considering that between 1980 and 1981 cuts were made difficult by high inflation and that the development program was gathering full momentum. Budgetary measures were accompanied by policies to control monetary growth. Through a series of measures designed to increase the cost of credit to the private sector for non-priority purposes, and by reducing bank borrowings to cover the budget deficit, total credit growth declined from 70% in 1980 to 32% in 1981. To further help improve the balance of payments situation, these deflationary budgetary and monetary policies were supplemented by additional measures. The Lump Sum Depreciation allowance, which had permitted investors to amortize the costs of fixed investments in one year, was allowed to lapse, which led to reduced capital goods imports. It was also decided to greatly reduce imports of certain major subsidiary foods which could be produced domestically. Finally, the exchange rate was allowed to depreciate somewhat in response to high inflation in Sri Lanka relative to inflation abroad. During the course of 1981, the rupee depreciated by about 14% against the US dollar, and by about 4% against the SDR; nevertheless, the rupee continued to appreciate in real terms against most major currencies. The result of these measures was a 7% drop in imports volume, which was largely responsible for the decline in the current account deficit from the equivalent of 20% to 15% of GDP. Together with a marginal increase in non-monetary capital inflows, this decline in the current account deficit reflected itself in a reduced loss of net international reserves--$33 million in 1981 as compared to $220 million in 1980. Commercial borrowings, however, remained a high 5% of GDP. Sri Lanka's gross reserve position improved due to large net drawings on the IMF under the Extended and Compensatory Finance facilities - at end-1981, gross reserves stood at $451 million, equivalent to 11 weeks of imports.

iv. Economic prospects for 1982 have been affected by the drought early in the year, which has reduced expected agricultural production. But even allowing for the effects of the drought, it would appear that the adjustment momentum achieved in 1981 will unfortunately not be maintained in 1982, and deterioration in both budgetary and balance of payments performance is likely. Budget expenditures are likely to rise significantly as a share of GDP. Recurrent expenditures are expected to increase mainly due to the provision of drought relief and the decision to index civil servants' salaries; higher capital expenditures result from the increasing momentum of the public investment program, as well as the need for certain transfers for which no provision had originally been made in the 1981-85 investment program, but which had to be met from the 1982 budget. These included transfers to cover the losses of Air Lanka, working capital requirements of the urea factory, and a commitment to loan funds to a commercial hotel complex. Despite an increase in non-export tax revenues, this will be largely offset by the decline in treecrop export taxes, and overall receipts will remain about 18% of GDP. Much of the incremental expenditure will be covered by increased foreign finance, which is to include a $100 million Eurodollar borrowing. Nevertheless, domestic bank borrowings to cover the unfinanced deficit are expected to increase again, from Rs 3.9 billion in 1981 to Rs 5.0 billion in 1982, equivalent to almost 5% of GDP. Moreover, despite this significant slippage over 1981 performance, the budget could turn out to be worse still, to the extent expected underexpenditure does not materialize, advance accounts performance does not improve significantly, and subsidy and transfer payments are not kept at budgeted levels.

v. Although Sri Lanka's terms of trade are expected to show no significant change in 1982, the trade deficit is expected to increase by almost $250 million, or by almost 30%. Imports volume is projected to increase by 13%, mainly due to increased capital goods imports, but also in response to the drought of early 1982 which is likely to result in imports of 200,000 tons of rice. Exports are expected to decline marginally in volume, mainly because of the drought-induced decline in treecrop exports. Non-traditional exports are likely to grow more slowly than in recent years, as garments exports are constrained by quotas in overseas markets and petroleum re-exports will decline due to the requirements of the urea factory and increased thermal power generation. Other net current earnings growth will be constrained by rising interest payments, and will only partly offset the increase in the trade deficit. As a result, the current account deficit is likely to rise again from 15% of GDP in 1981 to 18% in 1982. Increased net non-monetary capital inflows, including a significant increase in commercial finance, will cover most of the current account deficit and limit the decline in net international reserves to about $25 million. By end-1982, Sri Lanka's gross international reserves, in the absence of net drawings on the IMF, would amount to only 8 weeks of imports coverage, even lower than they stood at the end of 1980.

vi. Unless further policy changes are made in 1982, the loss of the adjustment momentum would carry over into 1983 and be reflected in increasingly precarious budget and balance of payments positions. Although budgetary capital expenditures should decline slightly as a percentage of GDP, recurrent expenditures could increase significantly if subsidy and transfer payments are not kept at their present nominal levels. Current revenues are expected to decline further as a share of GDP, barring any new resource mobilization measures, while the unfinanced deficit to be covered by Central Bank borrowings would increase to at least Rs 6.9 billion, or to over 5% of GDP. Even though some 40% of the borrowings would, as in 1982, comprise interest payments to the Central Bank which would be effectively sterilized, the remaining credit growth, especially if adequate provision is made for the private sector, would add to pressures on inflation and the balance of payments. It is these pressures which could exhaust international reserves by early 1984 and could force the Government into drastic economic measures.

vii. In the absence of further adjustment measures, the current account deficit in the balance of payments in 1983 stands to improve only slightly over 1982 to about 16% of GDP. This improvement is inadequate considering that after allowing for net aid disbursements (which are likely to average a high 10% of GDP in 1982 and 1983), an average of about 7% of GDP will remain in each year to be financed by other less desirable means. If Sri Lanka were to undertake no borrowings beyond those already identified, and financed the remaining gaps from international reserves, gross reserves by end-1983 would amount to only 4 weeks of imports, and would be exhausted in early 1984. If, on the other hand, these gaps are covered by commercial borrowings, the debt service burden will increase sharply. Commercial borrowings already undertaken as well as those required to cover the gaps in 1982 and 1983 could, Bank staff estimates indicate, alone increase Sri Lanka's low present debt service ratio of about 8% to over 26% by 1986. While this is relatively high compared to most developing countries, it should be noted that exports themselves, at 30% of GDP, are also high compared to most low income countries; thus, the ratio of debt service to exports on its own tends to understate the true burden of debt service on the economy. These debt service projections also assume that Sri Lanka's current account deficit would have been reduced sufficiently by that time to enable it to cover its debt repayments without having to make new commercial borrowings; to the extent this does not occur, Sri Lanka would effectively find itself undertaking fresh borrowings to repay existing debt. Total commercial debt and interest payments would continue to increase, fueling a vicious circle of ever-increasing borrowings. While Sri Lanka could thus stave off an early foreign exchange crisis through heavy commercial borrowings, this strategy too must inevitably fail, forcing severe economic hardship upon the country.

viii. Sri Lanka obviously cannot continue to finance balance of payments gaps of these magnitudes, and immediate and comprehensive measures are needed to bring about significant improvement on the current account. These policies should begin with the budget. As long as bank borrowings remain high, these will put pressure on inflation and the balance of payments. Because of the 40% leakage of domestic expenditures into imports, good budgetary performance is an integral part of a viable balance of payments strategy. Similarly, to the extent inflationary pressures can be reduced, pressures on imports and the exchange rate can also be lowered. Furthermore, the more the government's credit needs can be reduced, the less of a need there will be to squeeze the private sector within reasonable overall credit growth. Reducing the need for bank borrowings must comprise policies to both increase revenues as well as reduce expenditures. An increased revenues effort would also enable the Government to eliminate the need for expensive Eurodollar borrowings for general budget support. Use of such finance should be limited to specific investments which are clearly self-financing in foreign exchange. It will not be easy to reduce expenditures growth, but however painful, steps must be taken. On the recurrent budget, the Government must continue to reduce the burden of consumer subsidies and transfers, while means must be found to shift some of the investment bulge in 1982-84 into 1985-86, where there are large unallocated provisions. This will require the entire investment program being carefully scrutinized to establish investment priorities, as well as the utmost in restraint on the part of Government and donors in introducing new projects before 1985.

ix. A sound budget alone would probably not be sufficient to bring about the required improvement in the balance of payments; this would need to be accompanied by a realistic exchange rate policy which takes account of inflation in Sri Lanka relative to abroad, and by more direct measures such as energy conservation and exports development. The recently completed World Bank/UNDP energy sector assessment report suggests that increased commercial energy needs through the mid-1980s, which will largely be met through petroleum, could result in net petroleum imports accounting for almost half of non-petroleum exports by 1985. The report recommends an urgent program to improve the efficiency of energy use, which it is estimated, could result in up to 20% petroleum savings in the commercial and industrial sectors. Implementing this will require much institutional strengthening, including an energy advisory and audit service to identify specific conservation possibilities and recommend cost-effective technical solutions. The discussion in Chapter IV indicates substantial potential for accelerating the growth of foreign exchange earnings over the medium to long term from a variety of sources, including the traditional tree crop exports, minor agricultural crops, fisheries, minerals, manufactures, tourism, port and shipping services, and private remittances by Sri Lankans working abroad. To realize this potential, concerted and sustained efforts aimed at the removal of supply and marketing constraints on individual exports should be initiated. Producer margins need to be consistently large enough to sustain production in the short term as well as to encourage rehabilitation and development of the longer term export base. The latter also calls for further inducements in the form of adequate planting subsidies and provision of quality planting material for crops; research and extension for crops, fisheries and manufactures; improved storage, grading and processing facilities for crops, fisheries, and minerals. In addition, urgent steps are needed to strengthen the management of the public corporations, especially in the treecrop sector. Market research and trade promotion would need to be complemented with wider dissemination of potential market information to small-scale producers, who also need to be organized for efficient marketing; and encouragement of public enterprises in their search for new markets and new marketing methods. The sound apex institution for export promotion, the Export Development Board, should be encouraged and supported further with additional resources to finance its export incentives and product development schemes. Finally, the policies which have increased receipts from invisibles should be continued. Particular attention needs to be paid to full utilization of recent infrastructure investments in tourism, ports and shipping; and to sustaining the fiscal and monetary incentives for repatriation of savings to Sri Lanka by nationals working abroad. But above all, a successful export development strategy will require establishing and maintaining an appropriate real exchange rate that makes Sri Lanka production competitive in both import substitution and export markets without excessive dependence upon import tariffs and export incentives beyond what might be a strictly developmental stage.

x. While it must be recognized that the tasks of restoring financial equilibrium and of revitalizing the export sector to lay the basis for sustained growth will not be easy, immediate remedial policies, as discussed throughout this report are essential to avoid a major economic crisis. Provided early measures are taken, it should be possible for Sri Lanka to regain the adjustment momentum of 1981, and begin moving once again towards sustainable deficits in the budget and the current account in the balance of payments. Supporting the Government's policy changes to this end and helping ensure that this movement takes place without jeopardizing the development strategy will require changes in the composition and volume of aid to Sri Lanka. In particular, Government and aid donors must exercise maximum restraint in introducing new projects to the investment program before 1985. New projects merely serve to reduce the resources available for all other projects, thereby lengthening their implementation periods, increasing their costs, and reducing their economic rates of return. Instead, donors should concentrate their aid on providing general budget support and support for the existing public investment program by increasing their commitments of food and commodity aid, by providing additional project aid to help cover financing gaps on existing projects, and through sector credits. Accordingly, we are recommending project aid commitments of about $475 million in 1982, and only about $205 million in 1983; and food and commodity aid commitments of $200 million in 1982 and $250 million in 1983. Although these recommendations imply a significant increase in food and commodity aid commitments, they result to a large extent from the shift in recent years away from such aid in favor of project aid, and the fact that Sri Lanka's aid needs have changed. To help ensure that available aid can be used quickly and effectively, as well as attract new commitments consistent with the volume and nature of Sri Lanka's needs, the Government should take steps to strengthen institutions and procedures related to project planning and approval, and aid disbursement and reimbursement. The list of the required policy measures to continue the adjustment process is long and implies difficult choices not only for Sri Lanka but also for the donors; however, such are the measures that are needed if Sri Lanka's ambitious development strategy is to eventually succeed.

I. ECONOMIC LIBERALIZATION - THE FIRST FOUR YEARS

1.01 It has been almost five years since Sri Lanka initiated its broad program of economic reforms designed to transform the economy from one in which almost all economic activity was controlled by the state to one in which the private sector played the lead role and in which market forces determined the allocation of resources. The initial round of reforms was far-reaching and included exchange rate unification and depreciation, price decontrol for most items, import liberalization, interest rate reform, and budgetary reform. These measures were, on the one hand, to provide the private sector with immediate incentives to invest and produce, leading to early gains in employment and output; and on the other, to provide the domestic resources to enable a massive increase in public investment, which would both make up for inadequate past investment, as well as provide the economic infrastructure to enable high economic growth to be sustained over the longer run. For this investment to materialize, however, an enormous increase in foreign resources, was also required. To mobilize the necessary foreign resources, which were to effectively finance most of the additional investment, the Government initiated an unprecedented drive for foreign aid.

1.02 The past four years have seen a period of international economic upheaval, and have been in retrospect a very difficult time in which to initiate a program of economic change as ambitious as Sri Lanka's. The international economic system has been buffeted first by high inflation which helped accelerate costs of Sri Lanka's major development schemes beyond all expectations, and then by world-wide recession which reduced Sri Lanka's ability to finance them. Sri Lanka's consequent financial difficulties are well known, and were the main focus of the Bank's 1981 report. They remain a major focus of this report. But while financial difficulties have tended to dominate the economic scene, reforms have continued at the sectoral level which have enabled high growth to be maintained, and resulted in considerable structural economic change. The private sector, in particular, has assumed economic responsibility in many sectors more readily than had generally been expected. However, performance in some areas, most notably treecrop agriculture and exports, has been disappointing. An acceleration in exports was a central element of the development strategy, and the weakness of the response in this sector is placing the overall development strategy in considerable jeopardy. The extent and nature of structural economic change since 1977 is the other major focus of this report. The extent to which it has or has not happened should, in the context of other economic developments, permit assessment of the present longer-term direction of the economy, and point the way for further adjustment.

ECONOMIC PERFORMANCE SINCE 1977

1.03 Perhaps the most notable achievement since 1977 has been the speed with which Sri Lanka broke out of the economic stagnation of 1970-77. While the dynamism and energy of the new government played no small part in this, releasing the private sector from the rigid system of controls was probably the key. The two areas in which the break from the past has been most dramatic have been those of economic growth and investment performance, although no less important gains have been made in tackling Sri Lanka's structural unemployment problems, and in reshaping the role of the public sector as manifested by the budget.

Economic Growth

1.04 Growth accelerated almost immediately following the introduction of the 1978 budget and the economic liberalization that accompanied it, and has been sustained at relatively high levels since. During 1970-77, real GDP had grown at only 2.9% per annum; during 1978-81, growth averaged 6.5%. As Table 1 below shows, this growth has been broad based except for the treecrop sector. Excluding the treecrop sector (which averaged only 1.2% growth annually), growth of all other sectors averaged an even higher 7.2%.

Table 1: COMPOSITION AND GROWTH OF GDP, 1970-81
(Rs million at constant 1970 factor cost prices)

	1970	1977	1978	1979	1980	1981
GDP	13,187	16,078	17,401	18,501	19,575	20,706
Agriculture	3,732	4,299	4,532	4,622	4,766	5,097
of which: Paddy	951	990	1,116	1,132	1,267	1,313
Treecrops	891	1,052	1,111	1,154	1,037	1,115
Mining and Quarrying	95	515	619	652	684	713
Manufacturing	2,197	2,357	2,541	2,659	2,681	2,820
Treecrop Processing	893	823	840	877	791	851
Other	1,304	1,544	1,701	1,782	1,890	1,969
Construction	744	619	794	960	1,066	1,034
Services	6,419	8,288	8,915	9,608	10,378	11,042

(Rates of growth in percent per annum)

	1970-77	1978-81	1978	1979	1980	1981
GDP	2.9	6.5	8.2	6.3	5.8	5.8
Agriculture	2.0	4.3	5.4	2.0	3.1	6.9
of which: Paddy	0.5	7.3	12.7	1.4	11.9	3.6
Treecrops	2.1	1.5	5.6	3.9	-10.1	7.5
Mining and Quarrying	27.3	8.5	20.2	5.3	4.9	4.2
Manufacturing	1.0	4.6	7.8	4.6	0.8	5.2
Treecrop Processing	-1.1	0.8	2.1	4.4	-9.8	7.6
Other	2.4	6.3	10.2	4.8	6.1	4.2
Construction	-2.6	13.7	28.3	20.9	11.0	-3.0
Services	3.7	7.4	7.6	7.8	8.0	6.4

Source: Central Bank of Ceylon

1.05 In field crop agriculture, the response in paddy production has been a powerful testimony to the effectiveness of the reforms and the responsiveness of the private sector. Paddy production has averaged 7.4% growth since 1977, achieving record harvests in every single year (see Table 2), despite below normal rainfall in some years. As a result, rice imports, which averaged 33% of total rice consumption during 1970-77 (and never declined to below 23%), declined to only 13% of consumption during 1978-81. Today, Sri Lanka is on the verge of self-sufficiency in rice, and were it not for the drought of early 1982, Sri Lanka would for the first time in this century, probably have had no need to import rice.

Table 2: PADDY INDICATORS, 1977-81

	1977	1978	1979	1980	1981
Gross Area Sown ('000 ha)	828	876	839	845	877
Net Area Harvested ('000 ha)	666	724	697	728	740
Paddy Production ('000 MT)	1,677	1,891	1,917	2,133	2,230
Average yield (kg/ha)	2,521	2,613	2,750	2,927	3,014

Source: Central Bank of Ceylon

1.06 As shown in Table 2, increased yields have accounted for most of the increase in production. Between 1977-81, average yields rose by 19.6% while the gross area sown rose by only 5.9%. Improved institutional support for the paddy sector undoubtedly played a role in the increase in yields. Nevertheless, probably the major factor has been the existence of strong producer incentives resulting from successive increases in the Government procurement price, adjustments to the retail price, the opening up of paddy marketing and processing to the private sector, and continued fertilizer subsidies. In 1978, the price for paddy under the Guaranteed Price Scheme (GPS) was increased from Rs 33 to Rs 40 per bushel, and further increases to Rs 50, Rs 52.5 and Rs 57.5 per bushel, took place in 1980 and 1981. Fertilizer prices were actually reduced in early 1979, but have since then been increased; nevertheless, higher farm gate prices appear to have maintained incentives for fertilizer use. Probably the most important factor, however, was the decision taken in September 1979 to replace the previous rice rationing scheme by a Food Stamps Scheme and to move to full-cost pricing on imported rice and wheat flour. As a result, retail prices for rice rose significantly, opening up profitable opportunities for the private sector and maintaining farm gate prices in general well above the GPS level. This led to a reduced Government procurement, and increased competition in the private sector which has reduced marketing costs and helped maintain and increase farmer incentives.

1.07 The consequence of these developments has been a major decline in the role of the state in the rice trade (Table 3). The role of the Paddy Marketing Board (PMB) in procurement has declined sharply, and it now serves mainly to hold a floor price for paddy, which is what the GPS price has effectively become. Similarly, the Food Department, in importing expected shortfalls, effectively holds a ceiling on rice prices by being prepared to sell on a no profit/no loss basis.

Table 3: ROLE OF STATE AGENCIES IN RICE/PADDY TRADE 1977-1981
('000 MT)

		1977	1978	1979	1980	1981
A.	PMB Paddy Purchases	512	675	541	211	128/a
B.	Total Paddy Production	1,677	1,891	1,917	2,133	2,230
	A as % of B	30.5	35.7	28.2	9.9	5.7
C.	Total Food Department Issues/b	722	671	447	318	159
D.	Total Apparent Rice Consumption	1,316	1,320	1,420	1,397	1,521
	C as % of D	54.9	50.8	31.5	22.8	10.5

/a Including 29 thousand tons purchased on tender.
/b Rice equivalent.

Source: Central Bank of Ceylon, and Statistical Appendix Table 7.02

1.08 In contrast to paddy, the absence of a consistent set of policies accounts for the mixed performance since 1977 of the subsidiary food crops sector 1/. During 1977-79, the availability of subsidized flour severely eroded production incentives for substitute crops such as cassava and maize. Although floor price schemes are in place for 11 such crops, the institutional structure has not developed to the point where prices can be supported effectively. Similarly, domestic production of other crops, most notably chillies, sugar and sugar substitutes were affected by a decision to import large quantities of these products to keep consumer prices low. On the other hand, the effect of a conscious and well-publicized decision not to import agricultural products that can be produced domestically was well demonstrated in 1981 when a decision not to import potatoes, chillies, and to import only limited amounts of onions resulted in sharp increases in production (para 1.38).

1/ For a list of the main subsidiary food crops, see Annex I, para 5.

1.09 The success story of paddy also stands in marked contrast to performance in tree crop agriculture, where the combined volume of tea, rubber, and coconut production has grown at an average annual rate of only 1.5% since 1977. This has primarily been the result of cumulative past neglect during the protracted nationalization process and its aftermath. Neglect was perhaps most serious in the area of replanting, large backlogs of which now exist for all three crops, but most notably for rubber and coconuts. Replanting has accelerated significantly since 1977, mainly as a result of increases in the replanting subsidies; nevertheless, replanting is still inadequate to cover current replanting needs as well as the backlog. While increases in replanting have inevitably resulted in some decline in current production, the acceleration in replanting for tea and rubber since 1977 does suggest improved future prospects. 1/ Similarly, the November 1981 reform of the coconut export duty structure should encourage some shift to the export market and, once world markets recover from their present depressed levels, this should help promote increased production in this smallholder dominated sector. These measures tackled one of the last sectors to have been largely by-passed by the earlier reforms, and effectively ended the insulation of the domestic market. Furthermore, by introducing a graduated export duty structure, they represented a balanced approach to the conflicting interests of producers and consumers while providing additional competitive pressures and production incentives for this important sector.

1.10 Import liberalization and the decontrol of most prices provided an immediate boost to manufacturing industry (excluding treecrop processing), one of the hardest hit sectors during 1970-77. Growth jumped to 10.2% in 1978, and averaged 6.3% for the 1978-81 period as a whole. Nevertheless, this performance is disappointing, since soon after liberalization growth of 8-9% seemed attainable. The relatively poor performance since 1978 is a reflection of slow growth in capacity utilization and of the industrial base. After increasing from 60% to 70% between 1977 and 1978, reflecting import liberalization, capacity utilization subsequently rose to only 73% by 1980. Furthermore, although industrial production in a number of sectors has risen rapidly, most notably petroleum refining and garments, domestic value-added in these sectors is low. Slow growth has also been a reflection of the relatively low level of investment in manufacturing. Prior to 1977, this was mainly the result of the sluggish economy and the poor investment climate. Subsequently, it has been a reflection of easier, higher, and more certain returns available in other sectors, most notably, tourism, trade, and real estate. And since the long history of high protection for import substituting industries has generally not resulted in efficient domestic industries, the easy availability of imported manufactures since 1977, which are often of higher quality than domestically produced products, was bound to divert some demand away from domestic products and make

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1/ For additional discussion of this sector, see Chapter IV.

investment in trade a lucrative proposition. Relatively slow growth in investment in manufacturing industry has also been due to the policy-induced decline in public investment in industry.

1.11 Although the Government has attached high priority to private investment in industry and has provided incentives for both foreign and domestic investors (see Chapter IV) the record is on balance mixed. In general, too much attention has been focused on attracting high-profile foreign investment through export processing zones and for the construction of luxury hotels and high-rise office buildings rather than in developing a broad, consistent set of policies designed to create a stable and attractive investment climate over the longer run. This is discussed in greater detail in Chapter II. While the results of the drive to attract foreign investors would seem impressive, especially considering Sri Lanka's past record on foreign investment, the net gains to Sri Lanka are likely to be relatively small. In the first place, much of the foreign investment in the Export Processing Zone has been in the garments industry. Not only was it probably unnecessary to have provided such generous incentives to get these industries to invest in Sri Lanka, but the net domestic value added (mainly labor) in most export processing zone industries is estimated not to exceed 20%. Net benefits to Sri Lanka are diminished further by the fact that large expenditure were incurred in developing infrastructure in the zone. Foreign investment outside the Export Processing Zone, while it has also grown rapidly, has tended to be concentrated in sectors with perceived quick returns - tourism, construction, and garments. While it is thus true that foreign investment policies pursued since 1977 have "put Sri Lanka on the map" in the eyes of the international investment community, that community until now continues to take a wary view of most investment in Sri Lanka, and has, with the exception of garments, generally avoided the manufacturing sector.

1.12 No sector showed as great a turnaround in performance as did the <u>construction</u> sector. After real output declined at an average annual rate of 2.6% per annum during 1970-77, growth accelerated to an average of 19.9% per annum during 1978-80. This rapid growth was the direct consequence of the sharp increase in private investment that came with liberalization, as well as the high level of public investment. Growth might have been even higher were it not for the limited capacity of the sector following the depressed conditions of 1970-77, which resulted in construction costs more than tripling between 1977 and 1981. The shortage of capacity in the domestic construction industry and the resulting escalation in costs led to a sharp increase in building material imports and an influx of foreign contractors, especially to undertake construction under the Government's housing and urban development programs. This not only tended to push construction costs still higher, but also further increased the import content of construction. In 1981, however, with the decline in aggregate demand brought about by the deflationary measures adopted by the Government, the construction industry experienced a 3% decline in output (see Table 1). This is in sharp contrast to the high growth of 1978-80 and comes unfortunately at a time when increased domestic capacity is coming on stream in response to the price increases. From the point of view of sector stability over the longer run, slower but steadier growth would probably have been more desirable.

1.13 Services as a whole grew at a relatively high and sustained 7.4% per annum over the 1978-81 period. This growth by and large reflected the liberalization of the economy, and the growth in other sectors. Output by public utilities increased sharply with the rapid growth in electricity consumption, while value added in trade jumped in response to import liberalization and price decontrol. Also, the tourism industry took off, with arrivals increasing by over 140% between 1977 and 1981, and tourism receipts more than tripling. There has also been a noticeable increase in growth in the transport sector. The private transport sector in particular benefited from the import liberalization which permitted it to replenish its depleted goods transport fleet, and from the 1979 Government decision to lift the public monopoly on road passenger transport. The private sector response to this latter move was phenomenal - between end-1978 and end-1981 over 6,500 new private buses were registered, more than nine times as many as in the previous eight years.

Employment

1.14 High unemployment, particularly among school leavers, has long been one of Sri Lanka's most pernicious social and economic problems. Lowering it has been one of the Government's top priorities. Cuts in public investment required to maintain financial stability have been painful to implement in part because of perceived likely adverse effects on employment creation. Likewise, employment creation has been an important primary criterion by which industrial investment proposals have been evaluated. In addition, the Government has encouraged Sri Lankans to work abroad; not only has this helped ease unemployment pressures, but the steadily growing inflow of remittances has become an important foreign exchange earner. Although migration abroad has not been without cost to the economy, these costs have been considered relatively minor; to help compensate for the loss, training programs have been stepped up.

1.15 As in most developing countries, employment-related statistics in Sri Lanka are among the weakest. Nevertheless, the Consumer Finance Surveys, last conducted in 1973 and 1978/79, provide a reasonable and relatively consistent basis for evaluating employment trends. These surveys indicate that unemployment declined from 24% in 1973 to 15% by 1978/79. Given the depressed economic conditions through 1977, most of this reduction would have occurred since 1977. Minimum wage data (Statistical Appendix table 10.01), which show a sharp acceleration in nominal and real wages since 1977, especially in the private sector, suggest a significant increase in the demand for labor. Only more recently has the Central Bank begun compiling statistics on actual wage rates in the unorganized private sector. This data too would suggest a tightening labor demand-supply situation - on the basis of consumer price movements (Table 7), most of the wages have shown significant real increases since 1979.

(Rs per day base wage)

Sector	1979	1980	1981
Paddy	15.13	20.06	24.83
Construction	20.23	26.87	34.04
Tea /a	13.22	16.15	18.38
Rubber/a	14.29	19.98	23.80
Coconut /a	14.28	18.60	23.36

/a Smallholder sector.

Budgetary Reforms

1.16 Probably the Government's most urgent initial task was to release the budget from the stranglehold of Sri Lanka's extensive system of consumer and producer subsidies, to help finance the large projected increase in public investment. Most of these subsidies had been introduced decades earlier and had effectively been financed through taxes on treecrops exports. Over the years, however, the cost of these programs rose more quickly than revenues and grew to the point where, together with other current expenditures, they resulted in no public savings being available to help finance public investment. On the other hand, these programs had also resulted in Sri Lanka having achieved better social conditions than countries with far higher per capita incomes, and had in fact come to comprise an important part of total household incomes. In order not to unduly affect living standards, the Government decided to reduce these expenditures gradually.

1.17 The Government began by tackling the food subsidy, which by 1977 had grown to account for 24% of revenues and 6% of GDP (Table 4). In February 1978, the more prosperous half of the population was removed from the rice ration. Then in September 1979, the rice ration was replaced by the Food Stamp Scheme under which recipients were given food stamps which they could spend on selected food items, the prices of which were increased to reflect full-cost pricing. The result was that the Government had effectively shifted uncertainties related to the cost of the program from the budget to consumers, and would in future be able to control the cost of the program to the budget. As a result of these measures and decisions in 1980 and 1981 not to increase the value of the stamps, the cost of the food subsidy/stamps declined in nominal terms and fell significantly as a share of revenues and GDP (Table 4).

1.18 The other major area of consumer subsidy was petroleum, where the government began raising prices to cost covering levels in 1979. By 1980, the Ceylon Petroleum Corporation was operating at an overall profit, and by early 1981, it was pricing all products except kerosene at cost-covering levels. This general price subsidy on kerosene is in addition to the kerosene stamps which had been introduced together with the food stamps in September 1979. The need to eliminate this double subsidy is discussed more fully in Chapter II. There have, however, been no further price increases since early 1981, as a result of which the CPC began to incur operating losses by end-1981. One side effect of increased petroleum prices was to increase the cost of public transport, which necessitated continuing subsidies despite major fare increases. By early 1981, the operating subsidy threatened to get completely out of hand, and the Government made major administrative and managerial changes in the bus transport system. The result was that in the course of the year SLCTB losses were reduced sharply from what had been expected to be Rs 415 million to about Rs 200 million.

Table 4: SELECTED SUBSIDIES AND TRANSFERS, 1977-81
(Rs million)

	1977 /a	1978	1979	1980	1981
Food Subsidy	2,300	2,163	2,326	305 /b	82 /c
Food Stamps	-	-	508	1,502	1,521
National Milk Board	83	83	54	53	44
Fertilizer Subsidy	600	597	432	803	1,080
Petroleum/Kerosene Stamps	400	528 /d	144	162	164
Income Supplement	-	123	243	98	-
Bus Transport	100	304	85	457	- /e
Total	3,483	3,798	3,792	3,380	2,891
Memorandum items:					
Total as % of GDP	9.6	8.9	7.2	5.1	3.4
Total as % of Revenues	35.7	34.1	31.5	25.5	18.9
Food Subsidy/Stamps as % of GDP	6.3	5.1	5.4	2.7	1.9
Food Subsidy/Stamps as % of Revenues	23.6	19.4	23.6	13.6	10.5

/a Adjusted as in Bank report 1937-CE of March 22, 1978 to eliminate the effect of the dual exchange rate prior to November 15, 1977.
/b Includes Rs. 200 million in net losses by Food Department.
/c Excludes about Rs 100 million in losses by the Food Department carried in the advance accounts.
/d Includes reimbursement for pre-1978 losses.
/e A Rs 200 million transfer to the SLCTB is in the advance accounts.

Source: Central Bank of Ceylon

1.19 Another major change in budgetary policy since 1977 has been the decision to cease financing investment by public corporations in the manufacturing sector through the budget, except as a channel for foreign aid. This reflected a decision that the public manufacturing sector should be given more autonomy over and responsibility for their operations. Public corporations with approved new investment proposals were thus directed to finance their investments from their own resources, or by borrowing. As a result, capital transfers to public manufacturing corporations under the present government comprised almost exclusively ongoing projects. Total transfers declined from Rs 1,245 million in 1978 to Rs 298 million in 1981, with the new urea factory of the State Fertilizer Manufacturing Corporation accounting for about three-quarters of the transfers over this period.

Investment, Savings, and Inflation

1.20 It is a remarkable achievement that the government has been able to lift the economy out of the low investment rut in which had been stuck since the early 1970s, when investment had averaged less than 16% of GDP. But perhaps even more remarkable was the speed and size of the private sector response. Together with the large increase in public investment, it led to overall investment rising from 14.4% to 33.8% of GDP. Table 5 below shows the composition and financing of investment growth.

Table 5: INVESTMENT-SAVINGS BALANCE, 1978-81
(as percentages of GDP at current market prices)

	1978	1979	1980	1981
Gross Fixed Capital Formation	20.0	25.3	31.3	28.7
Public/a	12.3	14.0	19.3	13.9
Private	7.7	11.3	12.0	14.8
Change in Stocks	0.1	0.5	2.5	0.4
Total Investment = Total Savings	20.1	25.8	33.8	29.1
Gross National Savings	15.6	13.5	13.8	14.4
Public	-1.4	0.2	-3.8	-1.7
Private	17.0	13.3	17.6	16.1
Foreign Savings /b	4.5	12.3	20.0	14.7
Net Concessional Aid /c	9.6	8.9	7.8	8.0
Use of Reserves	-3.4	-1.4	5.5	0.7
Net Commercial Borrowing	-1.4	0.2	5.7	4.9
Other (net) /d	-0.3	4.6	1.0	1.1

/a Net budgetary capital expenditure.
/b Equals current account deficit in the balance of payments.
/c Including IMF Trust Fund.
/d Includes direct foreign investment, SDR allocations, and errors and omissions.

Source: Central Bank of Ceylon, Ministry of Finance and Planning, and Bank staff estimates.

1.21 There have, however, been several disconcerting aspects to this rapid growth in investment. To begin with, it was not accompanied by any substantial increase in national savings; in fact, were it not for rapid growth in net private transfers from abroad which supported a sagging savings effort in the domestic economy, national savings would have declined since 1978.

(as percentages of GDP)

	1978	1979	1980	1981
Domestic Savings	15.4	12.6	11.0	11.8
Net Factor Income from Abroad	-0.6	-0.5	-0.6	-1.9
Net Private Transfers from Abroad	0.8	1.4	3.4	4.5
National Savings	15.6	13.5	13.8	14.4

This means that there has been no shift of resources from consumption to savings in the domestic economy to help finance the large increase in investment. This is borne out in budgetary performance, where despite the major reforms designed to reduce the subsidy burden, public savings have been more or less non-existent. Savings on subsidies have been more than offset by other current expenditure increases; nevertheless, current expenditure has still dropped considerably as a percent of GDP - from 23% in 1978 to 18% in 1981.1/ The more fundamental problem has been that revenues growth has failed to keep pace with the growth in GDP, declining from 26% of GDP in 1978 to 18% in 1981. The major cause of this decline was falling revenues from treecrop exports, which were squeezed by declining world prices on the one hand, and rising producer costs on the other. However, other revenues have also grown more slowly than GDP, indicating their relative inelasticity to growth. The consequent decline in overall revenues was a major factor behind the weak domestic savings effort, and a major reason why the level of consumption has not declined.

1.22 The counterpart of the weak national savings effort has been an increase in the use of foreign savings, which rose sharply between 1978 and 1980 from 4.5% to 20.0% of GDP. While Sri Lanka has received strong donor support since 1978, net aid disbursements have not increased to cover the growing gap between investment and national savings. To cover this gap, Sri Lanka has been forced to draw down its net international reserves and to resort to commercial finance. As a result, additions to net international reserves fell from the equivalent of an inflow of 3.4% of GDP in 1978 to an outflow the equivalent of 5.5% of GDP in 1980. Net use of commercial finance rose from -1.4% to 5.7% of GDP over the same period. Adjustment steps taken in 1981 reduced the net international reserve outflow to less than 1% of GDP, but use of commercial finance declined only slightly to 4.9% of GDP. This level of commercial borrowings is unsustainable given Sri Lanka's modest export prospects, and early steps are required to curtail them (see Chapter V).

1/ Excluding advance accounts.

1.23 Much of the increase in foreign savings (i.e., the current account deficit in the balance of payments) was the result of a steady and significant decline in the merchandise terms of trade. Bank staff estimates indicate that between 1977 and 1981 these declined by over 30% (see Table 6). The decline for Sri Lanka was especially sharp, as not only did import prices grow considerably more rapidly than international prices generally, but export prices also grew considerably more slowly. The rapid growth in import prices can largely be attributed to the sharp increases in international petroleum prices, especially since 1978, while the slow growth of export prices was due to weak treecrop export prices. If the effects of the weak treecrop prices and rapidly rising petroleum prices are eliminated, Sri Lanka's terms of trade would have declined by only 9% during 1977-81. Similarly, had import and export prices both moved in line with the international price index (implying no change in the terms of trade), the decline in the trade account during 1977-81, which amounted to $870 million, would have amounted to only about $340 million. Thus, 60% of the increase in the trade deficit can be attributed to the decline in the terms of trade; the remaining 40% results from the rapid growth of the volume of imports relative to the volume of exports.

Table 6: INTERNATIONAL TRADE PRICE INDICES, 1977-81
(1977=100)

	1977	1978	1979	1980	1981
Export Prices					
Treecrops	100.0	99.8	105.9	106.9	96.1
Petroleum	100.0	101.7	210.0	202.2	264.6
Other	100.0	117.3	135.2	149.8	137.4
Overall	100.0	103.3	120.1	127.9	120.5
Import Prices					
Petroleum	100.0	106.7	166.5	249.0	283.0
Other	100.0	114.8	130.3	156.3	151.1
Overall	100.0	113.3	136.2	171.4	172.7
Terms of Trade	100.0	91.2	88.2	74.6	69.8
International Price Index/a	100.0	118.3	135.5	151.4	144.6

/a Industrialized countries "CIF" index of US dollar prices of manufactured exports to developing countries.

Source: Bank staff estimates.

1.24 Perhaps the most serious domestic manifestation of Sri Lanka's financial difficulties has been high inflation. As table 7 below shows, inflation as measured on all major price indices accelerated sharply between 1978 and 1980, before subsiding significantly between 1980 and 1981.

Table 7: ANNUAL AVERAGE PRICE INCREASES, 1978-81
(percent per annum)

	1978	1979	1980	1981
Annual Average				
Colombo Cost of Living Index	12.1	10.8	26.1	18.0
Unpublished Cost of Living Index	9.1	19.0	37.8	23.7
Wholesale Price Index	15.8	9.5	33.7	17.0
GDP Deflator	8.3	15.5	20.0	21.4
December over December of previous year				
Colombo Cost of Living Index	17.0	14.7	24.7	18.3
Unpublished Cost of Living Index	13.6	31.8	28.2	23.5
Wholesale Price Index	7.6	16.2	32.0	14.4

Source: Central Bank of Ceylon.

1.25 Movements in the indices, particularly the consumer price indices, have been affected by two important factors. First, the indices reflect significant increases in administered prices. These increases were in the first instance made to eliminate consumer price subsidies, while further movements have reflected subsequent international price increases and exchange rate depreciation. Second, a large part of the inflation has reflected international price increases beyond Sri Lanka's control. And as roughly half of the price indices comprise traded goods, movements in international prices and the exchange rate have an important bearing on price developments in the domestic economy.

1.26 Accounting for these two factors casts a somewhat different light on recent price developments in Sri Lanka and tends to put inflation performance by the Government in a somewhat better light, especially through 1980. As the following breakdown of an unpublished cost of living index shows (Table 8), most of the violent movement in the index of recent years is accounted for by changes in the rate of increase in administered prices and in the rupee prices of traded goods.

Table 8: COMPONENTS OF ANNUAL AVERAGE INCREASES IN A (UNPUBLISHED) COST OF LIVING INDEX, 1979-81
(percent per annum)

	1979	1980	1981
Overall Index	19.0	37.8	23.7
Non-Traded Goods	19.1	27.1	24.9
Imported Goods	17.5	58.6	23.7
Exported Goods	20.9	40.2	18.4
Administered Prices	25.0	61.4	29.2
Non-administered Prices	15.5	22.9	19.1

1.27 Despite the improved overall performance in 1981, it is of some concern that both the index of non-administered prices and the index of non-traded goods prices, which the Government can influence through macro-economic policies, remained high and showed little drop in 1981. This must primarily be considered an effect of the rapid growth of the money supply, due in large part, to growth in Central Bank credit to the Government (see paras 1.34-1.37).

1.28 The sharp increase in investment between 1977 and 1980 could not prove sustainable over time. There had been no shift in resources from consumption to investment on the aggregate level, nor was there any significant attempt to adjust to the decline in the terms of trade. Instead, both consumption and investment grew, the growth in which Sri Lanka financed by drawing down its net foreign exchange reserves and with foreign commercial borrowings. The reserve drawdown could not safely be repeated, while continued large scale resort to commercial finance would fairly quickly result in an unmanageable debt service burden, given Sri Lanka's poor export prospects. Similarly, unconstrained growth in domestic bank borrowings to finance the budget deficit would only accelerate inflation. The Government was well aware of the magnitude of the financial deterioration that had occurred in 1980 and that a repeat would jeopardize the entire development program. In early 1981, it took a comprehensive series of stabilization measures to begin moving towards sustainable deficits in the budget and on the current account in the balance of payments. It is to that stabilization program and its effects on economic performance in 1981 that this chapter now turns.

THE ECONOMY IN 1981

1.29 The primary focus of the Bank's 1981 report was the need to reverse the trend of financial and economic deterioration that had set in by 1980. The report analyzed the domestic and external origins of the problem, and discussed the need to adjust to the changed international situation and adopt policies which would enable Sri Lanka to maintain economic growth and stability over the longer term. The report recognized that there were several special aspects to the adjustment problem. First, it would have to take place over time as there was relatively little flexibility in the public investment program - thus, 1981 was to be viewed as the first of several years of sustained economic adjustment. Also, donors would have to help Sri Lanka weather this difficult period by increasing their non-project aid, and aid to existing projects where due to high inflation in Sri Lanka and abroad, the proportion of foreign funding was now very much lower than originally envisaged. The Government was equally well aware of the need to undertake immediate economic adjustments, and the program it subsequently undertook was comprehensive, comprising budgetary, monetary, and trade and payments policies and included many of the recommendations of the Bank's 1981 report.

The Budget

1.30 Following the marked deterioration in the budgetary position during 1980, when Government expenditures rose to an unprecedented 43% of GDP and the overall deficit reached 23% of GDP, the Government initiated a series of corrective measures which proved remarkably successful (Table 9). Despite a two percentage point decline in the ratio of revenues to GDP in 1981, due primarily to repeated reductions in the levels of export taxation necessitated by declining treecrop prices and rising production costs, the Government successfully reduced the overall deficit to 15.6% of GDP, by reducing the share of its own spending in GDP by ten percentage points. Recurrent expenditures declined by over one percentage point of GDP and were contained well within the revised March 1981 allocation of Rs 15.7 billion. 1/ This was largely made possible by the improved performance of the Sri Lanka Central Transport Board, where the loss was much smaller than expected. Capital expenditures were lowered from 19% of GDP in 1980 to 14%, and again, successfully contained within the March 1981 revised capital expenditure estimate of Rs 12 billion. The full reason behind Government's success in holding capital expenditures in 1981 are discussed in Chapter III in this report. As with current expenditures, much tighter budgetary discipline played an important role. This was achieved by resisting supplementary demands beyond those agreed in March 1981, 2/ by eliminating the under-expenditure provision for capital expenditures, and by the curbs introduced on purchases of machinery and equipment. Budgetary expenditures would have been even lower, but for the large Rs 1.7 billion outflow on the advance accounts, which represented a major deterioration over the original budget estimates. These had anticipated a substantial swing under this head following

1/ For details of the March 1981 revisions see the Bank's Economic Report No. 3466-CE of May 15, 1981.

2/ With one major exception--the Ministry of Local Government, Housing and Construction. See Annex III-B.

Table 9: SUMMARY OF GOVERNMENT FINANCE, 1979-82
(Rs million)

	1979 Actual	1980 Provisional	1981 Budget	1981 Revised	1981 Provisional	1982 Budget
Receipts a/	12,029	13,262	14,621	15,050	15,259	18,179
of which: Export taxes b/	4,391	3,740	3,865	3,753	3,771	3,042
Current expenditures	10,887	12,730	14,506	15,710	15,025	19,566
Advance accounts	1,021	3,040	-675	-194	1,723	-100
Current surplus/deficit	+121	-2,508	+790	-466	-1,489	-1,287
Capital expenditures and net lending	7,347	12,857	11,016	12,111	11,834	17,067
Overall deficit	-7,226	-15,365	-10,226	-12,577	-13,323	-18,354
financed by:						
Foreign financing (net)	3,738	6,136	7,539	7,673	7,576	13,407
Domestic financing	3,488	9,229	2,687	4,904	5,747	4,947
Non-market borrowing	535	105	-	-350	454	-
Non-bank borrowing	2,320	2,089	2,691	1,491	1,446	1,977
Bank borrowing/and use of cash balances	633	7,035	-4	3,763	3,847	2,970
Memorandum Items:						
Selected transfers and subsidies d/	3,792	3,380	2,887	3,207	2,891	2,837
Wages and salaries	3,242	3,556	4,496	4,315	3,976	5,294
Pension	579	718	931	931	903	1,103
Interest	1,695	2,277	3,235	3,900	3,856	5,612
Domestic	(1,339)	(1,864)	(2,780)	(3,445)	(3,143)	(4,281)
Foreign	(357)	(413)	(455)	(455)	(713)	(1,331)
As Percent of Revenue						
Selected transfers and subsidies	31.2	24.5	19.7	21.3	20.5	15.6
Wages and salaries	27.0	26.8	30.8	28.7	26.1	29.1
Pension	4.8	5.4	6.4	6.2	5.9	6.1
Interest, Domestic	11.1	14.1	19.0	22.9	20.6	23.5
Interest, Foreign	3.0	3.1	3.1	3.0	4.7	7.3
Capital expenditures	61.1	96.9	75.3	80.5	77.6	93.9
As Percent of GDP at Market Prices						
Receipts a/	23.0	19.9	17.1	17.6	17.9	16.9
Export taxes b/	8.4	5.6	4.5	4.4	4.4	2.8
Current expenditures	20.8	19.1	17.0	18.4	17.6	18.2
Selected transfers and subsidies	7.2	5.1	3.4	3.7	3.4	2.6
Wages and salaries	6.2	5.3	5.3	5.1	4.7	4.9
Pension	1.1	1.1	1.1	1.1	1.1	1.0
Interest	3.2	3.4	3.8	4.5	4.5	5.2
Current budget savings	0.2	-3.8	0.9	-0.5	-1.7	-1.2
Capital expenditures	14.0	19.3	12.9	14.2	13.9	15.9
Overall deficit	-13.8	-23.1	-12.0	-14.7	-15.6	-17.1
Foreign financing	7.1	9.2	8.8	9.0	8.9	12.5
Bank borrowing	1.2	10.6	- c/	4.4	4.5	2.8
GDP at market prices	52,387	66,527	85,405	85,405	85,405	107,610

a/ Includes Capital Revenue.
b/ Includes Ad-Valorem Tea Tax.
c/ Insignificant.
d/ See Table 4.

Source: Central Bank of Ceylon

the massive Rs 3.0 billion outflow in 1980. The continued weakness of information and control systems in this area is discussed in greater detail in Chapter II.

1.31 Net foreign financing of the budget declined only slightly over 1980 and amounted to 8.9% of GDP. Since domestic non-bank borrowings declined both in nominal terms and as a proportion of GDP, bank borrowings still amounted to a sizable 4.5% of GDP or Rs 3.9 billion, although roughly one-third of the bank borrowings effectively comprised interest payments to the Central Bank which were largely sterilized. While this represented a substantial improvement over 1980 performance, it was still excessively high, especially since net foreign financing included a $75 million Eurodollar credit, equivalent to some 1.7% of GDP.

Monetary Policies

1.32 The rapid growth of credit during 1979 and 1980 undoubtedly contributed to the high and accelerating rate of inflation, especially in the non-traded and non-administered prices in those years. As Table 10 below shows, total domestic credit increased by 43% in 1979 and 70% in 1980. In 1980 alone, outstanding credit to government more than tripled, while credit to the private sector increased by 67%. It was only a massive outflow of external assets in 1980, that kept growth in total liabilities (i.e. broad money plus net other liabilities) to 34%. The Government was determined in 1981 to reduce the rate of growth in credit, especially as a further large outflow in external assets could not be permitted, and set a target growth rate of about 30% for total domestic credit creation. The Government, it was expected, would itself require about 70% of the total new credit created to finance the budget deficit; the remaining 30% was to be available to other sectors and implied a significant slow down in credit creation for these sectors (see Table 10).

1.33 During the first four months of 1981 credit to the non-government sector (i.e. public corporations, co-operatives, private sector, and others) grew at an annual rate of 44%. This was clearly excessive and the Central Bank acted to curb the growth. On May 11 it issued a directive to the commercial banks to freeze all net advances immediately, and to subsequently bring them down to their end March level by May 26. On June 2, these measures were replaced by others designed to curb credit growth by increasing its cost. These measures comprised raising the required reserves of the commercial banks at the Central Bank from 12 to 14% on demand deposits and from 5 to 6% on time and savings deposits, effective June 19; and reducing the amount that the commercial banks could borrow at the basic bank rate from Rs. 992 million to Rs. 638 million. All of this reduction was directed to come from credit reductions to non-export activities - export credit refinancing facilities remained unchanged at Rs. 530 million. The effect of these measures was to make borrowing from the Central Bank more expensive by lowering the level at which penalty borrowing rates begin to apply. To further increase the cost of credit, on August 17 the Bank Rate was raised from 12% to 14%, although the Rs. 530 million in export credit refinancing scheme could continue at 12%.

Table 10: MONETARY GROWTH, 1979-81
(Rs million)

	1979	1980	1981
Change in Domestic Credit	4,539	10,522	8,188
Increase in Credit to Government	1,057	6,052	3,817
Increase in Credit to Public Corporations	984	776	365
Increase in Credit to Co-operatives	233	-540	-74
Increase in Credit to Private Sector	2,022	4,544	4,055
Increase in Credit to Others	243	-310	25
Change in Net External Assets	1,218	-3,177	-690
Change in Total Assets and Liabilities	5,757	7,345	7,498
Increase in Broad Money	4,166	4,803	4,587
Increase in Other Liabilities (net)	1,591	2,542	2,911
Memorandum items:			
Percent Increase in Total Credit	42.9	69.6	31.9
Percent Increase in Total Net Assets and Liabilities	35.6	33.5	25.6
Government as Percent of Total Increase	23.3	55.7	46.6
Non-Government as percent of Total Increase	76.7	42.5	53.4
Percent Increase in Broad Money	38.2	31.9	23.1

Source: Central Bank of Ceylon

1.34 The effect of these measures and other stabilization policies on credit growth was profound. During the last eight months of the year non-government credit averaged only 18% growth at an annual rate. This slowdown, in conjunction with lower government borrowings reduced domestic credit growth from 70% in 1980 to 32% in 1981. Total monetary growth also declined, although the decline from 34% to 26% was not as pronounced as the decline in credit growth due to the reduced outflow in net external assets that accompanied the improved balance of payments performance. Thus, the inflationary pressures remained relatively high. While there was a significant decline in overall inflation in 1981, this was mainly due to lower increases in administered prices and in the prices of internationally traded goods. As Table 8 shows, non-administered and non-traded goods price inflation, which more closely reflect underlying inflation, declined only slightly in 1981 despite the sharp slowdown in credit growth.

Balance of Payments Policies

1.35 By early 1981, Sri Lanka's balance of payments problems had two aspects. To begin with, Sri Lanka had to begin addressing the severe structural imbalance that had emerged in the balance of payments between 1977 and 1980. Due to a combination of slow export volume growth relative to imports volume growth and a large deterioration in the terms of trade, total imports had grown to twice the value of exports by 1980. This disparity could obviously not be sustained over the longer run, and Sri Lanka had to begin efforts to improve export performance and reduce import needs. More immediate was the fact that the severe deterioration in the balance of payments in 1980 had reduced Sri Lanka's net international reserves by $220 million to $38 million. Gross international reserves had declined by an even larger $249 million and at end-year stood at $377 million, a decline from the equivalent of 21 weeks of imports to only 9. This coverage could barely be considered adequate for an economy in which imports amount to the equivalent of over 40% of GDP, and include such basic items as food, fertilizer, and petroleum; certainly, Sri Lanka could not afford a similar loss of gross reserves in 1981. Balance of payments policies in 1981 had to address both of these problems.

1.36 The principal cause of the heavy loss in net reserves in 1980 had been the increase in the current account deficit from $413 million in 1979 to $805 million in 1980, or from the equivalent of 12% to 20% of GDP. This increase was almost entirely due to deterioration in the trade account which was itself the combination of several factors - a 9% increase in import volume accompanied a 1% increase in export volume, and 15% decline in the terms of trade - which were only partly offset by other current earnings. Given Sri Lanka's inability to affect its terms of trade, and the relative inflexibility of exports given their heavy dependence on stagnant treecrop exports, it was clear that the bulk of the improvement in the trade account had to come through reduced imports.

1.37 The generally deflationary budgetary and monetary policies of 1981 were in part adopted to help improve the balance of payments. However, in addition, the Government took a number of other specific measures intended to more directly reduce imports growth.

(i) It allowed the rupee to depreciate somewhat more rapidly in response to the high difference between inflation in Sri Lanka and abroad. This would reduce the relative attractiveness of importing, which was increasing as long as inflation in Sri Lanka was much higher than abroad, and the rupee depreciated only slowly.

(ii) It allowed the Lump-Sum Depreciation (LSD) allowance to lapse on March 31. This scheme, which had enabled investors to amortize the value of investments in fixed assets against taxes in one year, had provided a powerful incentive to invest which had largely spilled over into imports.

(iii) In addition to a halving of rice imports, reflecting emerging self-sufficiency, a conscious decision was also taken to greatly reduce subsidiary food imports by the Cooperative Wholesale Establishment (CWE), particularly of chillies, potatoes, and onions, which were also being produced domestically. Together, these items had accounted for about 18% of total subsidiary food imports in 1980.

In addition, the Government took measures to further encourage remittances by Sri Lankans working abroad, which had become the most rapidly growing single foreign exchange earner since 1977 (see Chapter IV).

1.38 The combined effect of the stabilization policies as well as the relatively low 6% decline in the terms of trade, was a significant improvement in the current account deficit from $805 million in 1980 to $654 million 1981, or from the equivalent of 20% of GDP to 15% (Table 11). 1/ Most of the improvement came in merchandise imports which declined by 7% in both nominal dollar and in volume terms. Savings were achieved in most areas of imports, although the most significant were those achieved on consumer goods, as savings there would not imply any reductions in investment and growth. Reduced consumer goods imports accounted for 60% of the savings; lower food imports (excluding sugar) for most of this. Wheat grain and wheat flour imports declined by $43 million, despite a 30% increase in the wheat flour equivalent of the import volume. As wheat import prices increased only slightly between 1980 and 1981, this was primarily a reflection of the commissioning of the Prima flour milling complex in Trincomalee which permitted Sri Lanka to import all its flour needs in relatively cheaper wheat form. Even greater ($47 million) savings were achieved on other food imports, including fish and milk products. To a large extent this was the result of the decision to reduce CWE imports, which alone accounted for $25 million of the reduction. Other consumer goods imports (excluding food and textiles) dropped by $20 million, with automobiles accounting for half of this decline. To some extent this decline is believed to reflect a saturation of the market in recent years, and the likely build-up of significant stocks by traders prior to 1981. Petroleum imports dropped by 7% in volume, mainly due to a build-up of stocks in late 1980 in anticipation of the planned one month shutdown of the refinery for maintenance, but also to a decision to import increased amounts of relatively cheaper refined products. The reduced imports were reflected in lower re-exports, which declined by 30% in volume. Net petroleum imports rose by about 14% between 1980 and 1981, and rose to the equivalent of 39% of non-petroleum exports. Thus, petroleum, which had played a major part in

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1/ Due to the strengthening of the US dollar vis-a-vis other major currencies, nominal dollar trends in the balance of payments are somewhat misleading. Expressed in SDR terms, the decline was somewhat less, from SDR 619 million to SDR 555 million.

the growth of the trade deficit in recent years, had a relatively small additional impact in 1981. Other intermediate goods imports declined by about 3% in nominal terms, and capital goods imports declined by 11%, reflecting the slowdown in investment.

1.39 Merchandise exports declined marginally in nominal dollar terms, showing about 4% real growth over the drought-depressed 1980 level. Although treecrops exports volume rose by 6% over 1980, average export prices fell sharply for all three crops causing a 7% decline in nominal terms. These losses were largely offset by growth in non-traditional exports. Within non-traditional goods, manufactured exports, especially garments, continued their rapid growth (albeit at a slower rate), but gems, mineral, and petroleum exports all fell in nominal terms.

1.40 The services account, on which Sri Lanka had consistently shown a healthy surplus in recent years showed a surplus of only $9 million in 1981. While net non-factor services growth slowed down, mainly due to a deceleration in tourism growth, Sri Lanka nevertheless posted a record $95 million net surplus on that account. This was, however, almost entirely offset by an $86 million net outflow on the factor services account resulting from reduced interest earnings on reserves and increased interest payments. On the other hand, net private transfers, consisting mainly of workers remittances from abroad, continued their strong growth of recent years, increasing from $137 million in 1980 to $200 million in 1981. Since 1977, they have grown more than 15-fold.

1.41 Net non-monetary capital inflows increased by a relatively small $36 million over 1980; nevertheless, this increase, together with the sharp decline in the current account deficit, reduced the loss on net international reserves to $33 million. The increased inflow included $75 million in Eurodollar borrowings for budget support (an increase of $25 million over 1980), as well as a sharp increase in extra budgetary medium and long term borrowings. Use of short-term finance dropped sharply, however. Net drawings from the IMF amounted to SDR 135.3 million. 1/ Gross reserves rose from $377 million to $451 million, the equivalent of 11 weeks of imports.

1/ Comprising disbursements of SDR 150.3 million under the Extended Facility, SDR 25.3 million under the Compensatory Finance Facility, and SDR 18.8 million from the reserve tranche; total repurchases amounted to SDR 59.1 million (including SDR 5.0 million in repurchases under Schedule B).

Table 11: SUMMARY BALANCE OF PAYMENTS, 1979-81
($ million)

	1979	1980	1981
Merchandise Exports	984	1,063	1,057
Merchandise Imports	1,493	2,057	1,920
Non-Factor Services (net)	63	78	95
Factor Services (net)	-15	-26	-86
Private Transfers (net)	48	137	200
Current Account Balance	-413	-805	-654
Non-Monetary Capital (net)	461	585	621
Aid Disbursements (net)/b	298	314	353
Short-Term Finance (net)	-	157	22
Other Non-Monetary Capital (net)/a	163	114	246
Change in Net International Reserves financed by monetary movements	+48	-220	-33
Memorandum Items:			
Net Petroleum Imports ($ million)	172	300	342
Current Account Deficit as percent of GDP	12.3	20.0	14.7
Net Aid Disbursements as percent of GDP	8.9	7.8	8.0
Gross International Reserves ($ million)	626	377	451

/a Including SDR allocation and errors and omissions.
/b Including IMF Trust Fund.

Source: Central Bank of Ceylon

1.42 The depreciation of exchange rate against the US dollar undoubtedly had an effect in reducing import demand (Table 12). However, given the tendency to most closely follow the US dollar, the strengthening of the dollar vis a vis other major currencies in 1981 had the effect of undoing much of this depreciation. Thus, while the rupee depreciated by over 14.2% against the dollar during the course of 1981, the depreciation against the SDR, whose composition more closely resembles Sri Lanka's trade patterns, was a considerably less significant 4.2%. In fact, the rupee appreciated against Sterling, the French Franc, and the Deutsch Mark in nominal terms, and appreciated against the SDR and almost all major currencies in real terms.

Table 12: EXCHANGE RATE MOVEMENT IN 1981

	End of Period			Annual Average		
	1980	1981	% Change	1980	1981	% Change
Rs/US dollar	18.000	20.550	+14.2	16.534	19.248	+16.4
Rs/SDR	22.957	23.919	+4.2	21.519	22.696	+5.5

Source: IMF, International Financial Statistics

1.43 It is a strong tribute to the adjustment policies of 1981 that despite their deflationary effect, their implementation came at no apparent cost in growth. Preliminary estimates indicate that overall GDP maintained its 1980 growth rate of 5.8% through 1981, indicating that the expenditure-reducing policies were well focused towards reducing expenditures on non-essentials and on reducing the resource gap. Agriculture, showed strong overall growth of 6.9%, mainly reflecting the recovery from the 1980 drought in the treecrop sector. Manufacturing also showed strong growth over 1980, but this was primarily a reflection of the recovery in the treecrop sector, other manufacturing growth fell from 6.1% in 1980 to 4.2% in 1981, partly reflecting the extensive power shortages early in the year. Construction output slumped sharply - after 11% growth in 1980, real output fell by 3% in 1981, reflecting the overall decline in investment. Services growth also fell, due to the generally less expansionary policies followed in 1981.

Conclusion

1.44 The economic adjustments achieved in 1981 were a strong reflection of the determination of the Government to pursue sound economic management under difficult domestic and international circumstances, and an indication of the responsiveness of the Sri Lankan economy to a consistent, well-conceived package of adjustment policies. Nevertheless, the adjustment process has only just begun as the economy of Sri Lanka remains under pressure - the underlying rate of inflation remains high, and the current account deficit in the balance of payments is still considerably higher than Sri Lanka can maintain for more than a short time given its limited export prospects. High underlying inflation is an indication that the money supply continues to grow too rapidly and that among other policy measures, further reductions in bank borrowings to finance the deficit are needed. These must come through reductions in expenditure, as well as through increased domestic resource mobilization efforts. It is difficult to see how Sri Lanka can easily get over the investment bulge in the absence of an increased national savings effort. Although Sri Lanka is making relatively modest, although increasing, use of foreign commercial borrowings to finance the budget deficit, these borrowings in conjunction with much more rapidly growing extra-budgetary foreign borrowings have already put Sri Lanka's future balance of payments under considerable pressure, and must be reduced immediately to more reasonable levels. Modest prospects for increased aid mean that this reduction will have to be borne by a reduced current account deficit. These issues are the subject of the remainder of this report - Chapter II investigates the nature of the immediate stabilization task facing the government in 1982 and 1983 and the need and prospects for further structural reforms to sustain the momentum of economic growth. Chapter III reviews the public investment program, and the continuing pressure it is imposing on resources, both in the short-run, and in the context of the overall 1982-86 program. Chapter IV reviews the potential and prospects for early increases in exports. Chapter V reviews the balance of payments prospects for 1982 and 1983, and makes recommendations for new aid commitments in 1982-83 in the context of Sri Lanka's aid needs, and likely aid prospects, and looks at the likely future impact of the recent growth in non-concessional borrowing by Sri Lanka.

II. MACRO-ECONOMIC MANAGEMENT AND OUTLOOK

THE STABILIZATION TASK

The Macro-economic Problem

2.01 The discussion in Chapter I illustrated the considerable beneficial effects of Sri Lanka's economic liberalization process during the past four years, including high economic growth and employment creation. As was noted, the reforms entailed a wide-ranging change in the rules governing the economy and thus constituted substantial structural change. It is not surprising that some financial strains developed as a result of the increased economic activity and of the adjustments taking place throughout the economy. Some pressures on the domestic price level and on the balance of payments were bound to result.

2.02 To explain the severity of the current financial difficulties and outlook, however, three other contributory factors, apart from liberalization, may be recalled. First, there was the unprecedented increase in investment spending not accompanied by an increase in national savings. Second, in an economy heavily dependent on exports and imports there was a deterioration in the terms of trade of about 20% between 1978 and 1981, to which the economy also failed to adjust through a further reduction in consumption expenditures. Thus, while GDP grew at 6% per year in real terms between 1978 and 1981, Gross Domestic Income (GDP adjusted for the terms of trade effect) grew at only 3.3% per year. At the same time, consumption grew at 6% per year. Third, after the initial spurt in economic reforms, further structural change has faltered, even though its continuation is undoubtedly a condition *sine qua non* to sustain the liberalization process, and especially so in view of the increase in investment spending and the terms of trade deterioration. Nowhere is this more apparent than in the failure to revive the export sector; in a number of other areas (including some agricultural, industrial and energy policies, as discussed further below), insufficient progress has been made to remedy the economy's structural problems.

2.03 These problems can be summarized as a situation of excessive demand, reflected in severe budgetary and balance of payments difficulties, coupled with a structurally weak external sector, where relatively stagnant exports are unable to finance the growth in imports stimulated by excess demand. All indications are that Sri Lanka will not be able to continue financing its large trade deficits for much longer. Gross reserves have already been drawn down to the equivalent of only 11 weeks of imports and commercial borrowing has clear limits. There is therefore an urgent need to reduce excess demand, i.e. to either reduce expenditures or increase output, or both. In principle, currency depreciation is the normal means to both bring about improvements in the trade balance and stimulate output by increasing external demand for the country's exports and shifting internal demand from imports to import substitutes. Success of this policy, however, depends on the capacity of the economy to produce the required extra output and, in Sri Lankan conditions, this capacity is clearly very limited, at least in the short run. In these conditions, the restoration of economic stability in Sri Lanka must rely in the first place on a deliberate reduction in consumption and investment spending. Even so, it is important to recognize that the maintenance of a realistic exchange rate is a necessary complementary condition to help the stabilization process succeed as well as to permit the strengthening of the external sector in the medium term. Evidence indicates that the more rapid increase in domestic than in international prices in recent years has not been compensated for fully by movements in the exchange rate, which only contributes to perpetuate the structural weakness of Sri Lanka's external sector. A realistic exchange rate, however, is a necessary though not sufficient condition. The first task is to reduce spending and this must begin with the budget.

The Budget, 1982-83

2.04 As discussed in Chapter I, the progress made during 1981 towards stabilization and the adjustments, especially on the budget side, were impressive. Yet, as witnessed among others by a further decline in reserves and by substantial recourse to commercial borrowing, aggregate demand remained excessive, especially when seen in the context of the poor prospects for export growth in the medium term. There is thus a strong need for a continuation of the successful stabilization efforts initiated in 1981. Unfortunately, the current outlook for 1982 (and 1983) budgetary developments marks a reversal of the 1981 trend.

2.05 The 1982 budget, as originally presented in the November 1981 budget speech (Table 13), envisaged a substantial (36%) increase in spending levels over 1981, but a much larger (77%) increase in net foreign financing. As a result, the unfinanced gap to be filled by domestic bank borrowing was estimated at Rs 2,970 million, equivalent to about 2.8% of projected GDP, compared with 10.7% in 1980 and 4.5% in 1981, thus implying further progress towards economic stability. However, after several necessary revisions in the original budget estimates, especially higher spending forecasts, and because of some recent policy decisions with budgetary implications, the 1982 budget outcome now appears to be quite uncertain and also much less encouraging. The revised 1982 budget scenario, shown in Table 13, reflects, apart from a number of adjustments in estimates, the full impact of two major recent spending policy decisions which are already in effect: the newly introduced cost of living allowance for public employees together with further salary and benefits adjustments, and the expected expenditures on drought relief. This scenario may therefore be considered a "base scenario": its outcome, however, is subject to a number of major policy measures discussed further below. The "base scenario" is projected into 1983. 1/ As can be seen, possibly the most striking feature of Sri Lanka's

1/ See Annex II, page 3, for details. The estimates assume that the exchange rate is allowed to vary reflecting differences in movements in domestic versus international prices.

Table 13: CENTRAL GOVERNMENT BUDGET OPERATIONS

	1980	1981	Budget 1982	Revised 1982	1983
			(Rs million)		
Current Revenue	13,262	15,259	18,179	19,205	22,876
Current Expenditure	12,730	15,025	19,566	21,484	26,615
Advance Accounts	3,040	1,723	-100	300	-
Current Deficit	-2,508	-1,489	-1,287	-2,579	-3,739
Capital Expenditure	12,857	11,834	17,067	17,845	20,700
Overall Deficit	-15,365	-13,323	-18,354	-20,424	-24,439
Foreign Finance, net	6,136	7,576	13,407	13,407	14,856
Domestic Finance, net	9,229	5,747	4,947	7,017	9,583
(of which: Bank borrowing)	(7,102)	(3,885)	(2,970)	(5,040)	(6,873)
			(as percent of GDP)		
Current Revenue	19.9	17.9	16.9	17.9	16.9
Current Expenditure	19.1	17.6	18.2	20.0	19.6
Advance Accounts	4.6	2.0	-0.1	0.3	-
Current Deficit	-3.8	-1.7	-1.2	-2.4	-2.7
Capital Expenditure	19.3	13.9	15.9	16.6	15.3
Overall Deficit	-23.1	-15.6	-17.1	-19.0	-18.0
Foreign Finance, net	9.2	8.9	12.5	12.5	11.0
Domestic Finance, net	13.9	6.7	4.6	6.5	7.0
(of which: Bank borrowing)	(10.7)	(4.5)	(2.8)	(4.7)	(5.1)
GDP (Rs million)	66,527	85,405	107,610	107,610	135,589

Source: Annex II, Table II-2.

budgetary outlook is the substantial deterioration on the current account; in addition, the need for domestic bank borrowing is again estimated at about 4.7% of GDP in 1982 and at 5.1% of GDP in 1983. The corresponding balance of payments projections show net reserve losses of $25 million in 1982 and $130 million in 1983 (Annex II, Table II-3).

2.06 The main conclusions which emerge from a review of the "base scenario" can be summed up as follows. On the one hand, if the 1982 budget outcome were to deteriorate even further, which could easily occur in the absence of policy measures discussed in paragraph 2.07 below, the economic situation would quickly become extremely difficult to manage. Inflation would again accelerate, foreign commercial borrowing to prevent an exhaustion of gross reserves would probably not be forthcoming and, depending on the degree of deterioration and the degree to which an overvalued exchange rate was used to slow inflation, the need for import and other restrictions could surface as early as in 1983. On the other hand, even the "base scenario" is a substantial setback from the progress made towards stabilization in 1981 and cannot be sustained for long. Given the continued high level of excess demand, the rate of inflation is unlikely to decline from its current level of about 20%. In spite of the high use of credit by the public sector, a comfortable level of credit expansion to the private sector might still be possible, but only because international reserves would be declining rapidly. By the end of 1983, net reserves could easily be negative by $150 million. Taking account of $80 million of scheduled repayments to the IMF during 1982 and 1983, gross reserves would have declined to the equivalent of only about four weeks of imports. Thus, not only is it imperative not to allow slippage beyond the "base scenario", but efforts to improve upon this scenario in 1982 and lay the basis for a much sounder 1983 budget are equally essential.

Budgetary Policy Issues

2.07 The measures required to, first of all, prevent a deterioration from the "base scenario" are several and include prompt adjustments in administered prices, budgetary decisions and substantial improvements in budgetary discipline. First, assuming that a realistic exchange rate policy is followed, upward price adjustments will be required mainly in the case of petroleum products and of rice. Without these adjustments the losses of the Ceylon Petroleum Corporation (CPC) and of the Food Department together could amount to close to Rs 1,000 million in 1982. Second, it is imperative that expenditures on fertilizer subsidies and on food stamps during 1982 and 1983 be kept at the level of 1981 in nominal terms. It is clear that the value of food stamps has eroded significantly since 1979, when the Food Stamp Scheme was first introduced, and that an increase in stamp value would thus appear warranted to assist the lower income groups. However, budgetary constraints suggest that a general increase in the value of food stamps could only be accomodated if it is accompanied by a reduction in beneficiaries, currently about half the total population, so as to keep the budgetary burden manageable. Third, experience in recent years with advance account operations has been dismal. These accounts are meant to reflect temporary advances of funds by the Treasury to government departments or other public entities and the subsequent repayments by these entities to the Treasury. Thus, over time, outflows should roughly equal inflows. Annual budgetary provisions for advance accounts have tended to be based on this assumption. As shown below, however, during the past five years, the actual outcome on advance accounts has borne little resemblance to budgetary provisions (a minus sign indicates a repayment).

	1977	1978	1979 (Rs million)	1980	1981
Budgetary provision	-	100.0	-200.0	100.0	-675.0
Actual	430.1	1,830.9	1,028.3	3,239.8	1,723.0

The original 1982 budget provided for an inflow into advance accounts of Rs 100 million. The record clearly suggests that this is unlikely and the "base scenario" assumes an outflow of only Rs 300 million in 1982 and none in 1983. Obviously, to keep these outflows even to this level, will require much stricter

Table 14: SELECTED MACRO INDICATORS

	1980	1981	1982 (Revised)	1983
GDP				
In million Rs.	66,527	85,405	107,610	135,589
Real growth (percent)	5.8	5.8	5.0	5.0
Deflator (percent)	20.0	21.4	20.0	20.0
Percent of GDP				
Current Account Deficit	20.0	14.7	17.8	15.7
Resource Gap	22.7	17.3	20.4	18.5
Factor Services and Transfers	-2.7	-2.6	-2.6	-2.8
equals				
Government Budget Deficit	23.1	15.6	19.0	18.0
Current Revenues	-19.9	-17.9	-17.9	-16.9
Current Expenditures a/	23.7	19.6	20.3	19.6
Capital Expenditures	19.3	13.9	16.6	15.3
plus				
Private Savings Surplus (-)	-3.1	-0.9	-1.2	-2.3
Private Investment	14.4	15.2	14.6	12.0
Private Savings	-17.5	-16.1	-15.8	-14.3

a/ Includes Advance Accounts.

Source: Annex II.

financial control over all stages of the food distribution process as well as over other government departments' operations than in recent years. Finally, the original 1982 budget proposals contain provisions for underexpenditures amounting to Rs 458 million on current account and Rs 894 million on capital account. As discussed in Chapter III, this level of underexpenditure on the capital budget is unlikely to materialize, and further adjustments in capital spending will be needed to avoid the Rs 894 million from being spent. Current spending will clearly exceed the original budgeted amount on account of the cost of living allowance, but this has been included in the "base scenario". It may, however, be necessary to take special measures to prevent spending the additional Rs 458 million. Also, it is vital that requests for supplementary funds should not be entertained.

2.08 As suggested before, however, the solution to Sri Lanka's current financial problems hinges upon more than merely preventing deterioration from the "base scenario". It requires efforts to improve this budgetary outlook through measures to reduce government spending in relation to domestic budgetary resources and thus achieve a reduction in the country's total spending levels. There are a number of options for achieving this objective, including further adjustments in capital spending, reductions in some current spending items, and additional domestic resource mobilization. A desirable goal would be to raise revenues from the projected level of 17.9% of GDP in 1982 and 16.9% of GDP in 1983 (Table 13) to the equivalent of at least 18.5% of GDP and to achieve reductions in expenditures so that the level of domestic bank borrowing would be reduced to the equivalent of about two percent of GDP, which would approximately equal interest payments to the Central Bank on Treasury Bills. Assuming that most of these payments are effectively sterilized, as is the Goverment's intention, the budget would be non-inflationary. A most important complementary objective should be to stop using Eurodollar funds for general budget support.

2.09 As the capital budget has already been subjected to substantial cuts, further moves in that direction are bound to be extremely difficult, yet unavoidable if economic stability is to be restored. As discussed in Chapter III, the guiding principle in effecting capital budget cuts must be to preserve quick-gestation projects as well as those projects which are largely foreign financed or almost completed, and to reduce the burden of projects with longer term or relatively low yields, such as those in urban and social infrastructure. On the current expenditure side, further economies are also possible. There is e.g. a clear need and opportunity to reconsider the implications of the 1982 drought relief program as presently structured. Evidence indicates that the program is being administered without sufficient discrimination as the number of beneficiaries identified for drought relief apparently far exceeds those likely to have been affected by the drought. The decision not to require beneficiaries to engage in public works programs in exchange, adds to this problem. If this decision were to be reconsidered, considerable savings affecting both the budget and the balance of payments would result. A food-for-work or drought-relief public works program would be more likely to attract only the genuine hardship cases, which are estimated to be considerably less than half of the number of households now eligible. At the same time, there is much work that needs to be done such as digging shallow wells and maintaining tanks, which would increase irrigation benefits and directly assist future production. Over the medium term, a most important objective of current expenditure policy should be to further reduce the burden of subsidies.

2.10 While current spending as a share of GDP has actually declined significantly since 1978, revenues have declined even faster from a high of 26% of GDP in 1978 to 18% in 1981. A large part of this decline is the result of reduced earnings from export duties, to some extent because the gradual appreciation of the real exchange rate prevented export taxes from yielding their maximum. Even excluding export duties, however, current revenues dropped from 16% to 14% of GDP between 1978 and 1981. Moreover, in spite of the introduction of a number of significant resource mobilization measures in the 1982 budget (see Annex I), as a share of GDP, current revenues in 1982 are only expected to remain at the level of 1981, and to decline further in 1983 mainly owing to the slow growth in revenues from exports and other specific taxes. The inelasticity of revenues with respect to GDP is a structural problem which must be resolved if the inherent tendency to ever larger budget deficits is to be halted. Also, an increase in taxation is needed now if private consumption growth is to be checked. While the best prospects for raising revenues in the immediate future may lie in the field of indirect taxes (BTT, selective sales taxes, and import duties), a review of the widespread system of tax incentives and their impact on direct taxation efforts (as well as on economic growth) is urgently needed. Non-tax current revenues have also declined over time as a share of GDP, partly because of the low profitability of a number of public sector corporations. While efforts are now being made to improve the performance of public enterprises, there is good potential for raising revenues immediately. It may be recalled that an early increase in petroleum product prices is needed to prevent the CPC from becoming a burden on the Treasury. Yet, as petroleum product prices are still relatively low in Sri Lanka, prices could in fact be raised to such levels as to allow the CPC to generate a surplus: this policy would furthermore complement needed energy conservation efforts and reduce imports. The need for an early reform of the overall revenue system to make it more responsive to economic growth, illustrated by the built-in tendency towards increasing deficits on current account, becomes even more apparent when it is recognized that the effective utilization of the high levels of ongoing public investment expenditures will require much increased expenditures on current account in the future.

THE NEED FOR FURTHER STRUCTURAL CHANGE IN KEY SECTORS

2.11 It was suggested earlier that the prospects for continued economic growth in Sri Lanka depend crucially on a continuation of the economic reforms initiated in 1977. While the reforms introduced thus far are far-reaching and have clearly led to a substantial improvement in the living standards of the population, much more remains to be done to cure Sri Lanka's overriding long term problem, i.e. a structurally weak external sector. In the current process of reestablishing economic stability this objective should be kept in mind and much can be done towards that goal. Thus, to the extent that public investment is much more capital-and therefore import-intensive than private investment, reductions in total investment through lower public (rather than private) investment will decrease pressures on the balance of payments as will a move away from slowly gestating towards quick-yielding projects. Conversely, a strengthening of the productive sectors, faster output growth, and a revitalization of the export sectors will make the stabilization process easier and less painful as the required expenditure cuts will be less.

2.12 In order to channel private investment increasingly towards productive activities and projects which help redress the imbalance in the external trade account, a number of policy reforms, especially in the agricultural, industrial, and energy sectors are long overdue. On the whole, as discussed below, in spite of the substantial progress Sri Lanka has made in liberalizing and reactivating its economy, of which the paddy sector is the prime example, a number of the policy changes in recent years have been of an ad hoc nature, often in response to short term crises, and not far-reaching enough to provide lasting solutions. Yet, the country's potential for growth in output, and, as the discussion in Chapter IV suggests, in particular the opportunities to raise exports, are bright.

Agricultural Sector Policies

2.13 The Government's liberalization policies in agriculture, including its efforts to ensure adequate producer incentives and to provide appropriate support to allow private market forces to function effectively, have been focussed primarily on paddy. As discussed in Chapter I, strong institutional support, reflected in improved agricultural practices and water management, and adequate producer incentives have been the main factors behind the remarkable increases in paddy output. Provided institutional infrastructure is further strengthened and incentives are maintained, the prospects for paddy are promising, especially in view of the anticipated Mahaweli acreage increases.

2.14 The performance of other field crops has been mixed: existing floor price schemes have not proven very effective yet, as they lack the needed institutional back-up, while external trade and other policies affecting domestic output have been inconsistent over time. The output of minor export crops has grown substantially, even though margins in this sector are very low. The potential for expansion of both other field crops and of minor agricultural export crops is considerable, however, especially on unused lands and on lands being diversified out of other crops, such as tea. Strengthened institutional support, such as through improved marketing arrangements, and the provision of adequate producer incentives, especially through appropriate trade and exchange rate policies, are needed to realize this potential.

2.15 The primary disappointment in agriculture, on the other hand, is the performance of the crucial tree crop sector, with the combined production of tea, rubber and coconuts declining since 1977. While this is largely attributable to past neglect during years of uncertainty associated with the anticipation and then implementation of nationalization and land reform, continued managerial and institutional weaknesses and a failure to fully implement liberalization and producer incentives' policies are also to blame. Some adjustments to producer margins have been made over time, yet margins have often been negative as they are currently in the public sector state plantation corporations. Although increasingly successful replanting and rehabilitation programs have been launched, not enough has been achieved yet to offset past neglect. In the coconut sector, the November 1981 decision to remove all quantitative restrictions and introduce a graduated system of export duties for the main coconut kernel products augurs well for the future growth of this sector, but it will be important to monitor the workings of the new duty system and make adjustments as required. In all, the potential for growth in rubber and coconuts and for a reversal in the decline in tea production is good but its realization will take time and require further changes in public policies regarding these crops.

2.16 The developments in Sri Lankan agriculture since 1977 suggest that there are at least three major areas of policy which require urgent attention. First, the liberalization and incentives policies must be strengthened where they have been successful and extended to other sectors where they have yet to be consistently applied. Second, the long term recovery of the tree crop sector, and especially tea which is largely in the hands of public sector corporations, will, beyond adequate producer incentives, require careful investment planning and programs designed to strengthen the responsible institutions. Third, remunerative prices will, especially in the case of other field crops and minor export crops, have to be accompanied by improvements in institutional support if the potential of these subsectors is to be realized. The success of all of the above policy initiatives will furthermore require a careful review by Government of the role of the multiplicity of institutions involved in designing agricultural policies. Duplication of efforts and, at times, conflict in objectives and policies can only be avoided by improved coordination among governmental institutions.

2.17 In the area of producer incentives, which has proven to be a key ingredient in the success of paddy production but deficient for most other crops, government decisions still tend to evolve in an *ad hoc* manner with a large number of agencies, often with inconsistent objectives, involved in designing recommendations for change. While there are several important areas where early action is needed, they all point to the basic need for the creation of an institutional mechanism to systematically review producer incentives to ensure that changing conditions with respect to all crops are taken account of in the evolution of government policies. Currently, declining world prices and rising costs are eroding margins for tea and rubber and further reductions in export duties may be needed to restore adequate margins if exchange rate adjustments are not sufficient. Given that these margins are very sensitive to changing world conditions, timely and appropriate corrections are important to give the right signals to producers. Yet this does not appear to have happened during recent years. Similarly, government decisions on fertilizer prices and subsidies, which have important implications for the budget, now often have to be taken without sufficient knowledge of their effect on fertilizer use in different crops, given producer prices for these crops. There is thus a clear need for a systematic review of agricultural producer incentives leading to technical recommendations for agricultural pricing decisions based on appropriate statistical information, special surveys and analytical work.

2.18 Some preliminary proposals towards the creation of an institutional infrastructure to carry out such a systematic review and to make technical recommendations have been prepared by the Ministry of Finance and Planning. The proposals include the establishment of a central unit in the Ministry of Finance and Planning to coordinate and collaborate with other institutions involved in specific crops. The major responsibility for undertaking detailed survey work and analysis would lie with the line ministries, but the central unit would have the crucial role of ensuring a consistent methodology, of advising and monitoring the work of other departments and agencies, and of submitting joint recommendations to the Government. Thus far these are only proposals, yet a decision to establish such a mechanism and to make it operational should not be delayed.

2.19 An important component of a regular review of agricultural pricing and incentives policies will be a review of fertilizer pricing decisions and their implications for the economics of fertilizer use, taking into account output pricing decisions. One objective of fertilizer pricing decisions should be to contain and in the longer term reduce and eliminate the budgetary subsidy.

2.20 The future of the public sector estate corporations, which are responsible for about 80 percent of total tea production and about one-third of rubber output, will depend not only on the maintenance of adequate producer margins to cover costs and generate funds for investment, but also on their ability to use those investment funds to increase their productivity over the present low levels. To some extent the problems of low producer margins and the lack of an investment plan are interrelated. In 1979, 1980 and 1981, capital expenditures were substantially below the amounts projected by the corporations in their annual budgets. This largely reflected a lack of funds as production costs increased, export prices declined, and taxation was excessive. Yet the Government may feel reluctant to increase producer margins in the absence of an appropriate investment strategy. To overcome this, it will be essential to evolve an investment program (replanting, rehabilitation, infilling, factory modernization) on an estate-by-estate basis, taking into account the likely availability of investment resources and criteria for establishing priorities for the use of such resources. A proper investment program would attempt to optimize land use and identify areas for diversification out of tea, especially out of low yielding, high cost, mid-country tea. To ensure that such investment programs are effectively implemented there is a simultaneous need to strengthen the management information and incentives systems. This will require the development of management information and control systems designed to enforce improved technical and financial discipline, monitor performance of individual estates and managers, and establish a system for rectifying emerging problems and for rewarding/penalizing staff according to performance. It is encouraging to note that the corporations have decided to initiate such investment programs.

2.21 The development of the agricultural sector will also require further strengthening of institutional support for the smallholder tree crop sector and for minor field and export crops. Thus, the limited effectiveness to date of the floor price scheme for minor field crops will remain until the Government is successful in its efforts to achieve coordination in the policies of the major procurement agency (the PMB), the import agency (the CWE) and the Food Department. Support such as credit or extension services has been minimal for tea smallholders or for producers of minor export crops. In the case of the latter, the potential for growth is substantial, but this will require in addition appropriate trade policies, improved producer access to price information and the provision of adequate margins. In sum, now that the evolvement of institutional infrastructure for paddy is progressing satisfactorily, it is urgent to extend this to the other crops.

Industrial and Trade Policies

2.22 One of the major objectives of the 1977 reforms was to encourage export-led industrial development in contrast to the import substitution strategy which had characterized the period since the late fifties. First, industrial growth had slowed down considerably by the mid-seventies. Average capacity utilization was a low sixty percent partly reflecting foreign exchange shortages which had led to a restrictive import controls system for a sector importing seventy percent of its raw material needs. Other factors responsible for the poor growth performance included price controls, low efficiency and the small size of the domestic market. Excessive protection through quantitative restrictions and high tariffs meant that many industries were simply not competitive in free trade conditions and an uncertain policy environment limited private domestic investment and discouraged foreign investors. Second, it was recognized that the transition from controls to import liberalization could not be sustained for long unless exporting became sufficiently profitable to ensure a fairly quick and sizeable increase in export earnings to finance import growth. While the revised import duties system, introduced as part of the reforms, was partly designed to avoid major short-run disruptions in production, it was clear that the tariff structure would have to be revised over time to conform with the export strategy.

2.23 Early elements of the reforms package included the shift away from quantitative import restrictions, the elimination of most price controls and the unification of the exchange rate at a depreciated rate. In 1978, the Greater Colombo Economic Commission (GCEC) was established to promote investment in and attract foreign investors to an export processing zone; and in 1979, the Export Development Board was created to provide technical and financial assistance to industrial exporters. The response of the industrial sector to these various measures has been mixed. After an initial spurt in industrial growth in 1978, largely because average capacity utilization increased from 60 to 70 percent following import liberalization, growth has again slowed down considerably. The industrial sector's dependence on imports for its raw material needs has increased further to almost 90 percent (80 percent if the petroleum sector is excluded). Industrial exports did grow fairly rapidly, but this was mainly on account of petroleum product exports, which have already started a declining trend on account of supply constraints, and of garment exports which are now facing quota restrictions in the major markets. Indications are that new industrial investments, both domestic and foreign, which had increased sharply in recent years, are now starting to level off.

2.24 At present, the outlook for the growth of industrial output and exports is not encouraging, largely because the existing policy frame continues to discriminate against exporting in spite of the liberalization measures. Although protection granted to some industrial producers has been reduced and several highly inefficient firms have gone out of business, on the whole the domestic producer in Sri Lanka has been left with substantial margins of protection, while incentives designed to promote exports are insufficient to offset the anti-export bias. 1/ The findings of the recently completed study on effective protection in Sri Lanka has thrown much light on these issues. 2/ One of the more significant conclusions of the study results is that the pattern of protection does not reflect a clear and consistent set of policy objectives. In other words, an internally consistent industrial development strategy does not exist at the present time. The tariff structure (as well as the current exchange rate as discussed below) clearly favors the production of import substitutes over exportables. However, this is true only on the average: there are many instances of import substitutes which receive little or no protection; conversely there are some very highly protected (subsidized) export subsectors. The results also tend to indicate that employment creation is not a major tariff setting objective, as most highly protected industries also have low domestic value added. Nor do they indicate any clearly favored area of manufacturing--highly and lightly protected product groups often exist within the same subsector.

1/ These incentives include an import duty rebate system, an export grants scheme, preferential export finance and tax holidays for some export oriented investments.

2/ A.G. Cuthbertson and Mohammad Zubair Khan, Effective Protection to Manufacturing Industry in Sri Lanka. Colombo, 1981 (Prepared for the Ministry of Finance and Planning, financed by the World Bank Small and Medium Industry Project.)

2.25 The study shows in great detail the wide variation in effective protection coefficients (EPC) which range from negative, positive but less than one, to larger than one. 1/ Assuming that the data are reasonably reliable, a negative EPC indicates that national income is in these cases lowered by the existence of domestic production since, when valued at world prices, the value of inputs used exceeds the value of output. Interestingly, rubber goods and tanned hides, both predominantly export industries, fall in this category as inputs are obtained at below world market prices because the export tax on inputs is not levied when used in domestic manufacturing. The production of commodities with a positive EPC of less than one is discriminated against: many "consumer necessities" and, as suggested above, most exportables can be found in this group. As a rule, though with many exceptions, import-substitutes and so-called "luxuries" are generally found to have an EPC greater than one. Wide divergencies in effective protection are bound to result in substantial misallocation of resources. Highly protected activities, which would often not exist without the protection, attract resources away from activities where protection is low. The latter would normally be those where the country's comparative advantage lies.

2.26 The effective protection study suggests a gradual and staged approach to tariff reform so as to provide time for business to adjust, though the ultimate objective is to equalize effective protection rates for all activities. However, since almost five years have elapsed since the start of the liberalization process and relatively little progress has been made towards the achievement of one of the major objectives and requirements of this process, i.e. to put Sri Lankan industry on an internationally competitive and efficient footing and achieve a rapid increase in non-traditional export earnings, there is little reason to be unduly timid at this stage. If an export-oriented industrial development strategy is to succeed in the medium term, or, in other words, if Sri Lanka's import liberalization strategy is to succeed, a substantive tariff reform process must be initiated as soon as possible. Measures which are called for immediately include eliminating negative and very high positive EPC's as well as discontinuing duty exemptions to government imports and duty free imports. At the same time, a concrete program, designed to gradually move towards equalizing EPC's for most activities over say a five year period, so as to avoid undue hardship yet give well defined signals to

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1/ An effective protection coefficient (EPC) for an industry or production process is defined as the ratio of value added (value of output minus cost of inputs) measured in domestic prices to value added measured in world prices. An EPC of one indicates that the product is produced in a free trade environment, without protection or discrimination. If the coefficient is larger than one positive protection is given, and vice versa. However, a negative EPC denotes a higher degree of effective protection than a very high positive EPC.

producers, should be developed without delay. Nevertheless, in designing this program, it must be recognized that there will always be exceptions depending on the developmental stage of specific industries.

2.27 Only when effective protection coefficients for exportables and for domestic sales are the same is the incentives system neutral between these two activities. Yet as long as import duties remain the exchange rate is implicitly overvalued and offsetting incentives to exporting are justified. Economic efficiency objectives indicate that these should be provided as export grants in function of net foreign exchange earnings generated by exports. The existing export expansion grants scheme in Sri Lanka, managed by the EDB, is set as a function of the increase in net foreign exchange earnings and thus compensates those exporters of non-traditional products whose exports are rising but does not compensate exporters as a whole for the currency overvaluation. While the budgetary impact of such subsidies obviously must be taken into account, the impact in the early years will be limited by the still small value of net foreign exchange earnings from these exports. In addition, the short-term burden on the budget must be weighed against the alternative costs in terms of growth and thus government revenue foregone in the longer term. It is worth adding that the current financing mechanism of EDB activities through a 10 percent cess on highly dutied imports is internally contradictory as it accentuates the bias against exporting. The process of equalizing effective rates of protection, which will involve raising duties on items currently admitted duty free, should provide a much sounder base for financing export assistance. An export promotion technique supplementary to export subsidies is the provision of preferential export financing at terms matching Sri Lanka's main competitors. Also, as a second best solution to subsidies, temporary tax holidays on export related profits which would give domestic investors incentives similar to those now reserved for investors in the Free Trade Zone should be considered. Currently Sri Lanka does have a preferential export financing scheme and it would seem useful to compare this scheme with those in other countries such as Korea to assess the adequacy of the export incentives involved. The existing import duty rebate system for exporters is not an export incentive as such: rather it eliminates an export disincentive. The role of the EDB in all of these incentives schemes is crucial and the institution must be strengthened further as discussed in Chapter IV.

2.28 The design of tariff reforms and of incentives for efficient industrial development must, furthermore, take place within the context of the national economy. In Sri Lanka, at present, large export taxes on traditional exports provide the industrial sector with additional protection beyond that indicated by the tariff system. Over time, these export taxes should be lowered gradually at the rate at which alternative sources of budgetary revenue can be developed. As discussed in Chapter IV, the supply elasticity of tree crops is probably much higher than often assumed. Also, it is clear from the above discussion that, to the extent that traditional exports are taxed, these taxes should also be levied when these goods are used as inputs in domestic production.

2.29 The development of an efficient and growing industrial sector in Sri Lanka will require actions beyond tariff reforms and export incentives discussed above. Currently, a large part of industrial output originates in a generally inefficient public enterprises sector. The poor performance of this sector results from a number of factors, many of them directly or indirectly related to the nature of government intervention and controls. Flexibility in decision-making regarding investment, location, pricing or recruitment is often severely circumscribed; technical and managerial talent is hard to come by because pay is better in the rest of the economy. Recently the Government has begun to appreciate the importance of these shortcomings and it is now gearing up to develop a comprehensive action program. Budgetary transfers to public corporations are being reduced drastically so as to force the enterprises to increase profitability and to rely on their own funds and Bank borrowing to finance investments. Other measures to improve efficiency are being introduced such as in the case of the textile mills, where management contracts have been entered into with leading international firms with positive results. Initiatives, such as the latter, are still exceptional and no overall policy exists as yet. However, the Ministry of Finance is now considering the drafting of new legislation which would facilitate a gradual reorganization and recovery of the state industrial enterprises' sector and the attainment of the objectives of increased efficiency and profitability. There is a proposal to set up a Public Enterprise Cell in the Ministry of Industries and Scientific Affairs to prepare corporate plans for public enterprises. A major objective in the preparation of these plans would be to help remove those obstacles which now impede the efficient operation of the enterprises: greater corporate autonomy over day to day management decisions would be sought, along with general objectives which were clearly defined and fully agreed upon by the Government and the enterprise, and accompanied by performance monitoring schemes.

2.30 Finally, an effective protection reform should not be viewed narrowly in the context of redressing biases within the industrial sector only. There is a more general need for a review of all incentives for industrial and other investments, including taxation, pricing, interest rate and credit policies. Recent industrial investments appear to have been biased towards capital-import- and energy-intensive undertakings, while investments in real estate or housing appear to be preferred over those in industry. Although the tariff structure may help explain much of these trends including the low level of industrial investments itself because of the small size of the protected domestic market and the bias against exports, a more complete analysis deserves high priority.

Energy Policies

2.31 The acceleration in economic growth following the 1977 reforms led to a substantial increase in commercial energy consumption, which rose at about 7.5% per year during 1977-81 as compared with a slight decline during 1970-77. Moreover, while petroleum consumption fell considerably between 1970 and 1977, partly because the addition of new hydro capacity gradually reduced the need for thermal generation during those years, these trends have now been reversed: since 1977 rising electricity demand had to be met largely through additional oil-based thermal generation and the total consumption of petroleum products grew at 7.5% per year during 1977-81. This, coupled with rising oil prices, meant that the oil import bill tripled between 1978 and 1981 and that the proportion of non-petroleum export earnings absorbed by net petroleum imports rose from 12% in 1978 to about 39% by 1981. Even so, electricity supply has not been able to keep up with demand and severe power shortages occurred in both 1980 and early 1981.

2.32 The tight energy situation is not expected to ease before the mid-1980s when the first of the Mahaweli hydro-schemes should come on stream. Given continued economic growth, a large public investment program, and the addition of energy-intensive industrial and commercial enterprises, energy demand is expected to continue growing strongly and the bulk of additional electricity demand will have to be satisfied through oil-based thermal generation. Petroleum import requirements will thus continue to rise rapidly and by 1985 may well account for almost half of projected non-petroleum export earnings. The strain on Sri Lanka's tight balance of payments together with the further prospect of recurring power shortages suggest that judicious management of the energy sector in the immediate future is of crucial importance to sustain the momentum of economic growth.

2.33 Apart from exogenous factors such as international oil price developments or droughts affecting hydro output, the main reason for the current problems lies in poor investment planning in the past. Poor planning has also contributed to poor maintenance, a lack of conservation policies and, to some extent, deficient pricing policies. Inadequate planning for the development of the country's hydro potential meant that the surge in energy demand resulting from the economic turnaround after 1977 had to be accommodated largely through expensive thermal development based on imported oil. The preoccupation with meeting short-term demand also led to the neglect of maintenance of generating stations and of transmission and distribution systems, leading to increasing losses. Energy conservation programs are very few. With regard to pricing policies, substantial improvement has taken place since 1978 both in the level and structure of electricity and retail petroleum product prices so as to put the energy sector on a much sounder financial footing than in previous years; nevertheless, a number of problem areas remain as discussed further below. On the whole, Sri Lankan policies with respect to energy have been ad hoc reactions to emerging problems. Some, such as in the pricing policy area, are very commendable, yet at the same time a solid long-term energy policy, which would in fact have helped avoid many of the problems, has been lacking.

2.34 Presently, there is virtually nothing that Sri Lanka can do to increase the supply of energy before the mid-1980s other than through increased reliance on imported oil. The country's policy options in the short term to contain the energy import bill are thus limited to improving the efficiency of energy use and transformation. There is substantial scope for policy action in this regard. 1/

2.35 Improved maintenance and minor balancing investments in generation, transmission and distribution equipment could result in considerable reduction in system losses in a very short time. More significantly, the scope for savings through a more concerted effort at conservation in energy use is substantial, indeed. Preliminary estimates by World Bank staff suggest that in the industrial and commercial sectors alone (which account for about a third of primary energy consumption) a conservation program could save, in a very short time, 15-20 percent of the petroleum products, 5 percent of the electricity and 30-40 percent of the "non-commercial" (fuelwood) energy they currently consume. In the transport sector, fuel efficiency at the CTB could readily be improved by 10-15 percent. All of these savings could be achieved by very limited capital expenditures. The critical necessary ingredient at this time is the creation of an appropriate institutional mechanism to help these energy savings opportunities materialize. The establishment by the Government of an Energy Conservation Fund in November 1981, is a most important first step, yet what is needed now is the creation of an implementation mechanism such as an energy advisory and audit service to identify and promote specific conservation techniques and equipment.

2.36 Energy conservation efforts need to be complemented by further rationalization of energy pricing policies. First, starting in 1978 overall electricity tariffs have been raised substantially and in the process some improvements have been introduced in the tariff structure to bring relative delivery charges more into line with costs and to promote efficient energy use and administrative ease. Nevertheless, preliminary results of a comprehensive power tariff study suggest that there are still a number of distortions in the level and structure of tariffs as compared with the long-run marginal cost of electricity supply. Thus, for instance, further significant increases in the basic tariffs are required for the power company to be able to meet the local costs of its substantial capital investment program as well as its increased working capital requirements for thermal generation and the resources to service debt. Also, further changes in the structure of tariffs are needed such as a relative increase in peak demand charges to large consumers to help improve the overall load factor. Second, while petroleum product pricing has been generally sound since 1979, two remaining major deficiencies should be resolved promptly: kerosene subsidies and the price differential between light and heavy fuel oil. The current low kerosene price of Rs 17.68 per imperial gallon (IG) implies a

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1/ A very detailed review of policy options both with respect to supply management and efficiency of energy use is contained in the World Bank/UNDP Report: Sri Lanka: Issues and Options in the Energy Sector, 1982.

general yearly subsidy of about Rs 430 million, as a minimum. 1/ The basic rationale for this subsidy is concern for the welfare of the lower income groups for whom kerosene is an important lighting fuel. However, as is, the implicit subsidy obviously benefits all, not just the poor. In addition, evidence shows that kerosene, because of its relatively low price, is also used increasingly for industrial heating and stand-by generators. Its use for industrial heating, in fact, played a part in the Goverment's decision to forego desirable fuel oil price increases in 1981. In addition, kerosene is now being blended increasingly with diesel for transport. Most importantly, the existence of a generalized subsidy for kerosene in Sri Lanka to assist the lower income groups loses all meaning when it is recognized that the country simultaneously operates a kerosene stamp scheme (KSS) intended to target financial assistance directly to the poor.

2.37 The KSS was introduced in 1979 to benefit the poorer 1.59 million households (comprising about half the total population) at a time when kerosene prices were being increased dramatically. Poorer households use kerosene primarily for lighting and the KSS was fixed at Rs 9.50 per month, equivalent to 90% of the cost of one IG of kerosene at that time. In order to protect lower income households from a general kerosene price increase now, which for reasons indicated above appears fully warranted, there are a number of possible adjustments to the KSS the choice of which will depend on government policy on consumer subsidies. For purposes of illustration only, it could be assumed that the increase in the cost of one IG of kerosene to the consumer be added to the monthly food stamp value. If, for instance, the stamp value were increased by Rs 10, the yearly KSS would cost Rs 372 million compared with the present budgetary burden of Rs 181 million. 2/ Yet, at the same time, the generalized kerosene subsidy could be done away with at a savings of Rs 430 million, which could accrue to the budget, e.g. through an excise tax or increased administrative levies, or, alternatively, the CPC could finance the cost of the KSS and transfer net savings to the Treasury. These net savings would amount to Rs 239 million.

1/ Assuming current yearly kerosene sales of 47 million IG (1981 actual) and a CIF price of $1.30 per IG (1981 actual) or Rs 26.85 per IG at the current exchange rate, the subsidy amounts to Rs 9.17 per IG, or Rs 431 million. This estimate is a minimum, however, as it ignores such items as distribution costs or losses.

2/ The current CIF price exceeds the current domestic kerosene price by Rs 9.17 per IG. The current stamp value of Rs 9.50 per month for 1.59 million households entails a yearly expenditure of Rs 181 million; a stamp value of Rs 19.50 would involve an expenditure of Rs 372 million per year.

2.38 The major additional benefit of an efficient kerosene pricing policy as described above is that it would permit an increase in the price differential between heavy and light fuel oils without danger of increasing substitution by kerosene; higher prices for light fuel oil would encourage investments towards increased and more economical use of heavy fuel oils.

2.39 Finally, as noted earlier, retail petroleum product prices in Sri Lanka are still low in comparison with other oil importing developing countries. A generalized increase in petroleum product prices at this stage could provide a most valuable contribution to a precarious public finance situation.

2.40 Over the longer term, i.e. from about 1985 onwards, Sri Lanka's energy situation should improve as the Mahaweli hydro schemes come on stream, though oil import needs are expected to remain large. Nevertheless, if the potential improvement in the longer-term energy outlook is to materialize and in order to help expedite the necessary decisions on energy management issues in the short term, possibly the most important action to be taken now is a strengthening of the weak and fragmented institutional structure. At present, there is no single agency which formulates energy sector policy or coordinates and integrates the work of the various agencies involved. The newly created Ministry of Power and Energy, e.g., is nominally charged with developing energy policy but does not have a clear mandate or staff to do so, nor does it coordinate several of the more important agencies involved in the sector such as the Mahaweli Development Authority or the Petroleum Corporation. Similarly, the Natural Resources, Energy and Science Authority, created in June 1981, to bring together all major institutions concerned with energy still needs an express mandate and a proper energy secretariat staff if it is to do so. Whichever mechanism is ultimately chosen, the need for an effective coordinating body to plan and manage the energy sector is urgent in view of the major constraint energy is likely to place on future development. The tasks ahead are challenging. As discussed before, energy policy thus far has primarily depended on short-term pricing policy. Early measures in areas such as maintenance, energy conservation, and pricing are now crucial to help alleviate the expected short to medium-term bottlenecks. Longer-term planning must be initiated promptly given the long lead time required to develop most projects, such as the additional hydro or coal thermal developments now being considered; also, to have any appreciable impact in the foreseeable future, reforestation programs should be intensified now to reverse the current deforestation trends and prevent the emergence of fuelwood shortages.

III: THE PUBLIC INVESTMENT PROGRAM, 1982-86

Adjustment in 1981

3.01 The main brunt of Sri Lanka's successful adjustment process in 1981 was borne by the government's capital budget. Just as the substantial and uncontrolled increase in capital expenditures in 1980 to 19% of GDP (at current market prices) had been a major contributing factor to the massive deterioration in the balance of payments and domestic inflation in that year, the government's success in restoring budgetary discipline and cutting back capital expenditures to 14% of 1981 GDP was primarily responsible for the much reduced pressures on the balance of payments and the deceleration in domestic inflation. This result was made possible by a substantial reduction (32% in real terms) in investments in non-"lead" projects, while expenditures on the "lead" projects 1/ fell 8% in real terms.

	Rs million		% change	
	1980 actual	1981 revised	Current prices	Constant prices
Budgetary Capital Expenditures	12,857	12,350 /a	-4.0	-23.4
Lead Projects	4,525	5,251	16.0	-7.5
Non-lead Projects	8,332	7,099	-14.8	-32.1

/a Including capital expenditures financed under advance accounts (see Annex III-A).

3.02 The reduction in non-lead project expenditures reflects two successive across the board reductions of 25% and 10% from proposed allocations for these activities. Similar cuts were attempted unsuccessfully in the case of the lead projects. In the case of Mahaweli, the reduction of Rs 750 million to Rs 3,000 million was restored in March 1981. While an attempt was made to cut the Ministry of Local Government, Housing and Construction vote by Rs 220 million, 2/ this did not succeed because it was not accompanied by a sufficient reduction in the physical program (see Annex III-E and para 3.05). Moreover, some Rs 200 million of Urban Development Authority (UDA) expenditures on the Kotte administrative complexes were financed directly from the budget rather than from a debenture issue. Also, a supplementary of Rs 60 million proved necessary for the new Kotte parliament building.

3.03 The real success of 1981 lay not in the reduction of budgetary allocations for the non-lead projects--since such reductions were last minute and across the board, and were not based on an established set of priorities--but in the successful enforcement of budgetary discipline on line

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1/ The high priority programs of the Government, namely, the Mahaweli River Development Program, housing, the Sri Jayawardenapura capital complex at Kotte, and the Greater Colombo Economic Commission.

2/ The net effect of a number of adjustments within the Ministry's vote (see Annex III-A).

ministries. This enhanced budgetary discipline was attained in three ways. First, after the initial adjustments to the capital budget in March 1981 1/, and barring the Rs 200 million capital transfer to UDA, no supplementaries were permitted and the under-expenditure provision, a cause of much uncertainty, was eliminated. For the most part, the message of budgetary discipline appears to have been effectively conveyed. Second, the need for supplementaries was lessened by the freeze on purchases of equipment and machinery, vehicles etc., which is still in effect. Finally, the harshness and inequity of both these measures was greatly alleviated by two safety valves contained in the March 1981 measures: (i) the setting aside of Rs 500 million to meet essential needs of those ministries most severely affected by the budget cuts (most notably the Ministry of Lands and Land Development); these resources were more than fully utilized 2/; and (ii) the authority given to a sub-committee appointed by the Cabinet to review appeals against the freeze on equipment and vehicle purchases. The only slippage lay in the use of Rs 516 million of advance accounts to finance rupee capital expenditures which were reimbursable by foreign aid in 1982. This practice is not expected to be repeated on a significant scale in 1982, 3/ and but for it, capital expenditures would have been contained well within the Rs 12 billion provision of March 1981.

The 1982 Capital Budget

3.04 The 1982 capital budget was influenced by several considerations. The Ministry of Finance and Planning was anxious to present as realistic a budget as possible, responding to short-term pressures while trying to ensure that adequate provisions had been made for all high priority activities. This approach was partly a reaction to the pent up demand for funds following a year of extremely severe restraint on capital expenditures. The end result was an addition of Rs 2.2 billion to the capital expenditure provisions for 1982 contained in the May 1981 public investment program for 1981-85. The main elements in the divergence between the May 1981 projection and the November 1981 budget are summarized below 4/.

1/ See Report No.3466-CE, May 15, 1981, para 3.04; and Annex III-A in this report.

2/ Annex III-A sets out the March 1981 adjustments, and the actual adjustments made during the course of the year. Annex III-B compares the sectoral breakdown of expenditures for 1981 as intended in March 1981, and as actually transpired.

3/ From 1982, Ministries were asked to request for allocations from the Consolidated Fund wherever rupee capital expenditures were reimbursable by foreign aid. Most ministries have done so.

4/ See Annex III-B and III-C for sectoral details.

1982 capital budget	Rs million
May 1981 estimate	15,777 1/
Changes introduced in November 1981:	
(i) Additional Ministry of Finance and Planning votes to meet newly identified expenses:	1,025
Contribution to capital of Air Lanka	(300)
Working capital for urea fertilizer plant	(300)
Compensation payments to original owners of Government-owned business undertakings	(300)
Loan to Galadhari Hotel	(125)
(ii) Additional expenditures related to Kotte Parliament complex (Dept. of Buildings 213, Colombo District Reclamation Board 50)	263
(iii) Revoting of aided expenditures deferred from 1981 (ADB Rural Electrification 221, IDA Road Passenger Transport Project 136)	357
(iv) New aided projects either previously not identified, or significantly accelerated (ADB: Community Forest Resources 10, Primary Health Care 4; IDA: Power Transmission 120, Thermal Stage III 100; Japan: Sri Jayawardenapura Hospital 130, Sri Lanka Port Authority 173, State Printing Corporation 52)	589
(v) Increased allocation to Railways	87
(vi) Reduced allocations to selected sub-sectors (other irrigation - 179, animal husbandry - 25, plantations - 68, post and telecommunications - 40)	-312
(vii) Other (net), n.e.s.	224
Sub-total	2,233
Revised capital expenditure	18,010 2/
Less: adjustments	-49 3/
Revised capital expenditure	17,961
Less 5% under expenditure	-894
Capital expenditure provision	17,067

1/ For detailed sectoral breakdown, see Annex III-B. Not reclassified on an IMF basis, but excluding amortization payments and sinking fund contributions.

2/ For detailed sectoral breakdown, see Annex III-B. Excluding amortization payments and sinking fund contributions

3/ Reclassification on an IMF basis, of current items classified under capital (237) and capital items classified under current (188).

3.05 Taking into account these recent adjustments, the 1982 capital budget marks significant shifts in the composition of capital expenditure in favor of aided projects. Table 15 compares revised estimates of 1981 expenditures with 1982 allocations, ignoring the 5% under expenditure provision. Aided projects, including Mahaweli, account for almost 99% of the Rs 5.6 billion increase in capital expenditures over 1981 levels. The bulk of the increase is on account of the Mahaweli program (62%); however, non-Mahaweli aided projects are clearly also gaining momentum (37%). As a result, the share of aided projects (including Mahaweli) in total capital expenditures grows from 57% in 1981 to 70% in 1982 increasing the Government's inflexibility in curbing the level of capital expenditures. Non-aided activities increase by under 2% in current prices, their share dropping from 43% in 1981 to 30% in 1982. The increase is entirely due to the supplementary capital investment program of the Ministry of Finance and Planning referred to earlier (see para 3.04, sub para (i)). Housing and urban development programs have been cut by 33%, and now represent only 5% of government capital expenditures. All other non-aided expenditures decline substantially in nominal and real terms over 1981.

Table 15: BUDGETARY PUBLIC INVESTMENT 1981-82
(Rs million)

	1981 Actual	1982 Approved	Change Rs million	Change %
A. Capital Expenditure and Net Lending	12,350	17,961	+5,611	+45.4
of which:				
B. Mahaweli	3,750	7,217	+3,467	+92.4
C. Other Foreign Aided Activities	3,300	5,354	+2,054	+62.2
D. Non-aided activities	5,300	5,390	+90	+1.7
of which:				
(i) Housing and Urban Development	1,445	956	-489	-33.0
(ii) Ministry of Finance Supplementary Capital Investment	410	1,355	+945	+230.4
(iii) Other	3,445	3,079	-366	-10.6
Memorandum items				
Ratios (%)				
B as % of A	30.4	40.2	-	-
C as % of A	26.7	29.8	-	-
D as % of A	42.9	30.0	-	-
D(i) as % of A	11.7	5.3		

Source: Tentative Bank staff estimates based on preliminary data for 1981; Ministry of Finance and Planning for 1982.

3.06 Despite this severe restraint imposed on non-aided activities, approved capital expenditures in 1982 represent a 45% increase in current prices over

1981 revised estimates. Should this increase materialize, government capital expenditures will once again rise from 14.5% of 1981 GDP to 16.6% of 1982 GDP. For the third year in succession, capital expenditures will greatly exceed the non-bank resources available to finance them, placing a severe strain on domestic prices and the balance of payments. Revised budget estimates for 1982, which reflect adjustments in recurrent expenditure and revenue estimates, show that some Rs 13 billion of non-bank resources 1/ are available to finance the Rs 18 billion of approved capital expenditures, a financing gap of Rs 5 billion. The Government expects part of this gap to be met through under-expenditures amounting to 5% of approved estimates (Rs 894 million). It appears doubtful, though, that capital expenditures can be held down to Rs 17 billion for several reasons. First, significant under-expenditure on the Mahaweli program, which accounts for 40% of the approved capital estimates, appears unlikely. This is because allocations for the two headworks which are in the most advanced stage of implementation, Victoria and Madura Oya, are insufficient, especially if Victoria is to catch up nearer to its original schedule, and if Madura Oya is to be completed on schedule. Cost over-runs on the headworks will eat into any fat there is in the downstream allocations. 2/ Second, despite significant adjustments to the physical program, allocations for housing are insufficient to finance the ongoing program and meet the carry-over of outstanding liabilities from 1981 (Annex III-E). Third, the budget makes no allocation for the Urban Development Authority's three major projects other than the Kotte parliament. As indicated in Annex III-E, despite significant adjustments to the physical program, the proposed UDA debenture issue of Rs 280 million in 1982 will be insufficient to meet the UDA's financial commitments, and could necessitate recourse to budgetary support, directly or indirectly. Fourth, under-expenditure in other "non-aided activities" appears unlikely. The Ministry of Finance and Planning's supplementary capital investment program is more or less fully committed. Other "non-aided activities" already face a 12% decline in nominal terms over 1981, and under-expenditures would seem implausible. Finally, the foreign cost component of capital expenditures has been understated due to a variety of exchange rate assumptions. If supplementary estimates are permitted to accommodate at least exchange rate adjustments on aid-financed imports, an additional Rs 845 million will be needed. The main area where under-expenditure could occur is in foreign-aided projects outside the Mahaweli headworks. However, the net gain in terms of resources for the budget of such under expenditure may be modest because of a corresponding reduction in project aid disbursements. Foreign financing estimates in the budget deflate project aid disbursements other than Mahaweli headworks by 5% to reflect the under-expenditure provision. However, if the

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1/ Budgetary current surplus or deficit, foreign financing and domestic non-bank borrowing.

2/ Annex III-D shows the breakdown of Mahaweli expenditures by project in the 1981-86 period.

entire under-expenditure were to be concentrated in this category, such project aid disbursements ought to be adjusted downward by 17%.

3.07 This very large gap between identified financial resources and capital outlays in 1982 underscores the continuing lack of commitment to planning and an orderly budgetary process. In 1981, there was at least a major effort to close the financing gap, albeit through last minute across-the board cuts which did not reflect an agreed set of priorities. In 1982, the pressures on resources are substantially greater. This is due in part to the decline in export tax revenues, which have largely offset the additional revenues from the major resource mobilization effort contained in the 1982 budget. A second factor is the peaking of expenditures on ongoing aided projects, particularly Mahaweli. A third complication is the additional burden imposed on the budget by the drought and the new commitment to index Government wages. Given this situation, it became all the more important that a serious effort be made to reduce capital expenditures to a level more closely approximating available financial resources. While the Government's reluctance to repeat the last minute across-the-board cuts made in 1981 is understandable and appropriate, the alternative and more complex option of reducing 1982 capital expenditures through a detailed re-evaluation of ongoing projects, and by deferring all new projects and activities was not pursued. On the contrary, with a few exceptions, most adjustments to capital expenditures (para 3.04) were in an upward direction, and reflected the need to accommodate cost over-runs, slippages in aided activities and projects that the Government had failed to anticipate earlier, without compensating reductions elsewhere in the program. In sum, the opportunity for further adjustment through restraints on capital spending based on a strictly enforced set of rational priorities was foregone in 1982. Given the serious financial crisis facing the country, it is still not too late to re-examine the 1982 capital budget along the lines recommended in para 3.18, particularly since a failure to do so would greatly complicate the task of budget formulation in 1983.

The 1982-86 Program

3.08 The 1982-86 public investment program is the fourth successive five-year rolling program prepared by the Government of Sri Lanka. Table 16 provides a sectoral classification of proposed capital expenditures in the 1982-86 period, and compares these with the 1981-85 program. Total budgetary public investment during the five-year period increases in nominal terms from Rs 75 billion ($4.1 billion) to Rs 98 billion ($4.5 billion). The new program reverses the increase in the share of lead projects that took place in the 1981-85 program, with the lead projects now accounting for 36% of proposed expenditures as against 44% in the 1981-85 program, and shifts resources to the economic and social overheads, most notably non-Mahaweli power, water supply, education and health. Expenditures on the directly productive sectors have also been raised by three percentage points to 19% of the program.

Table 16: SECTORAL CLASSIFICATION OF BUDGETARY PUBLIC INVESTMENT PROGRAM, 1981-85 AND 1982-86
(Current Prices)

	1981-85		1982-86	
	Rs Million	% of Total	Rs Million	% of Total
Lead Projects	32,983	43.8	34,690	35.5
Mahaweli	28,990	38.5	30,629	31.3
Housing and Urban Development a/	3,753	5.0	3,761	3.8
Greater Colombo Economic Commission	240	0.3	300	0.3
Other Projects and Programs				
Directly Productive Sectors	11,837	15.7	18,265	18.7
Non-Mahaweli Irrigation	3,566	4.7	4,324	4.4
Plantation Agriculture	2,748	3.6	4,238	4.3
Field and Minor Export Crops	3,193	4.2	4,709	4.8
Animal Husbandry	547	0.7	859	0.9
Forestry and Lands	579	0.8	1,319	1.3
Fisheries	851	1.1	902	0.9
Industry	353	0.5	1,914	2.0
Major Economic Overheads	14,843	19.7	23,922	24.5
Non-Mahaweli Power	2,709	3.6	6,393	6.5
Ports, Transport and Civil Aviation	5,227	6.9	7,695	7.9
Posts and Telecommunications	2,083	2.8	3,557	3.6
Integrated District Development	1,518	2.0	2,463	2.5
Decentralized Budget	2,100	2.8	2,100	2.1
Other Construction	1,206	1.6	1,714	1.8
Social Overheads	6,796	9.0	12,878	13.2
Water Supply	3,500	4.6	5,558	5.7
Education	2,100	2.8	3,791	3.9
Health	896	1.2	3,005	3.0
Social Overheads, n.e.s. b/	300	0.4	524	0.5
Economic and Administrative Overheads, n.e.s. c/	4,472	5.9	2,230	2.3
Unallocated	4,397	5.8	5,750	5.9
GRAND TOTAL	75,328	100.0	97,755	100.0

a/ NHDA and UDA programs only. Other construction programs falling under the Ministry of Local Government, Housing and Construction are shown under Economic Overheads.
b/ Ministry of Social Services, Ministry of Labour, etc.
c/ Residual category.

Source: "Public Investment 1981-85" for the 1981-85 program, and Annex III-C for the 1982-86 program.

3.09 The major economic objectives of the 1982-86 program remain the same as in previous rolling programs. Public investment is seen as a crucial instrument in laying the foundations for long term growth through a major expansion in irrigation and power related investments. These two sub-sectors continue to dominate the program, accounting for two-fifths of projected public investment in the 1982-86 period. A second objective is a major rehabilitation program for economic and social infrastructure, partly designed to provide the support needed for private sector development. A third objective is direct support for programs designed to increase production in agriculture, forestry, and fishing. These are commendable objectives. However, in the past, these objectives have proven to be in conflict with one another as financial and real resources were swallowed up by the so called "lead" projects leaving little room for much progress on other fronts. The 1982-86 program is an attempt at reversing this trend.

3.10 The decline in the weight of the lead projects is accomplished mainly by reducing the share of Mahaweli in the total program by some seven percentage points. This is brought about by the planned completion of the three major ongoing headworks by 1985/86 (Annex III-D). Randenigala, the new project commencing in 1982, will be completed only in 1986, and construction on Rantembe will begin in 1984/85. However, even with these projects and tentative large allocations for new downstream activities (System A, System B right bank), allocations for Mahaweli decline from 40% of budgetary investments in 1982 to 20% of projected investments in 1986. The realization of such a scenario depends crucially on the timely completion of the ongoing headworks, and on ensuring that cost overruns on both ongoing and new schemes do not eat into available resources in 1985 and 1986. Simultaneous construction of three major headworks in 1983 and 1984 will not make the Government's task any easier.

3.11 The most welcome feature of the 1982-86 program is the fairly sizable adjustment made in the housing and urban development programs. Expenditures on those programs decline from 5.0% of budgetary public investment in 1981-85 to 3.8% in 1982-86. For the first time, these are not just adjustments on paper but reflect major decisions that will ease the pressure on real and budgetary resources, after 1983. The most important adjustment concerns the urban housing program, where rising costs per unit had made what was intended to be a middle class housing program into a luxury housing program, and which were absorbing the bulk of funds available for housing (see Annex III-E). The Government has now abandoned a number of these schemes, adjusted downwards the physical targets in others, and handed three of the five most costly schemes to foreign property developers who will complete the projects, effect sales and repay the Government the cost it has incurred. The Government has also greatly decelerated the electorate housing program and merged it into the more sensible aided self-help (A.S.H.) program. During 1982 and 1983, this A.S.H. program will be geared to completion of ongoing schemes, and all new starts are being deferred. Similar adjustments have been made in the Urban Development Authority's four major projects 1/ with a view to reducing the overall cost of the program. Although not all UDA expenditures are financed directly by the budget, they have a direct impact on resources available for the budget since they draw on the same pool of capital resources that the Government uses to undertake its domestic "non-bank" borrowing. Hence, the main adjustments, which consist of abandoning the proposed vegetable market development in Pettah 2/ and reducing for the time being the size of the two large administrative complexes for the new capital at Kotte lower expenditures on these low priority non-productive activities.

3.12 These adjustments in the lead projects enable a reduction in their share of budgetary investment from 46% of public investment in 1982 to 24% in 1986. Using the mechanism of allocations for unidentified "new projects", allocations for other sub-sectors has been raised correspondingly, with particularly large increases in the share of economic and social overheads which rises to about half of the total budgetary investment by 1986 (Annex III-C). While these directional shifts are to be generally welcomed as an indication of the Government's intention to get out of the strait-jacket imposed by its "lead" projects and other ongoing aided projects, the strait-jacket is firmly in place all the way through 1984, and as argued below, the front loading of investments in 1982-84 could result in slippages across the board that would absorb most of the resources now available for new projects in 1985 and 1986.

3.13 An overview of ongoing non-lead projects as a whole, particularly for the 1982-84 period shows few changes over the 1981-85 program (see Annex III-C). Inter-sectoral priorities have tended to be determined by the availability of project aid. Outside the lead projects, these aided investments are generally of high priority, and with some important exceptions, probably inadequate in relation to the large infrastructure development and rehabilitation needs. Proposed investments are adequate or excessive in the case of power, irrigation and water supply. The power investments outside Mahaweli are an appropriate and adequate response to the sharp acceleration in demand for energy since 1977, and the transmission needs arising from the major Mahaweli power investments. The large irrigation works outside the accelerated Mahaweli program are proving problematic because progress is being adversely affected by the strain on limited resources from the over-ambitious countrywide irrigation program, and by the cost-escalation resulting from it. Also, the water supply program has become over large due to an abundance of donor interest in this sub-sector. The initiation of new schemes, particularly in areas of low population density, is imposing a severe budgetary burden on the Government as water and sewerage charges, non-existent in most areas, could not possibly cover operation and

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1/ Two administrative complexes at Pelawatte and Battaramulla, a fish market (now complete) and a vegetable market.

2/ Now to be developed as a shopping cum commercial complex by a foreign property development.

maintenance (O&M) costs. Tentative projections of O&M costs suggest implied water and sewerage subsidies of Rs 128 million in 1983, Rs 214 million in 1984 and Rs 352 million in 1985. In the health sector, while investments are not excessive in relation to need, priorities within the sector are questionable. There is a tendency to support large investments with sizable potential O&M costs, which preempt resources needed for more cost effective programs with much larger benefits. For instance, health expenditures are emphasizing curative rather than preventive medicine. Among non-aided activities, allocations for "other construction" have been stepped up sharply from Rs 769 million in the 1981-85 program to Rs 1,277 million in the 1982-86 program. These are low priority expenditures, and at this particular juncture, need to be kept in check. Another area of concern are the fairly large ongoing investments to meet the infrastructure costs (roads, power, water supply, telecommunications, etc.) for the Sri Jayawardenapura capital complex at Kotte. In the 1982 budget, these amount to over Rs 150 million, and further investments are being anticipated, especially by the highways department. An excessively large proportion of highways expenditure is being devoted to Kotte roads to the neglect of highway maintenance and improvement needs in the rest of island. As with the housing program, the new capital complex must rank low in priority in relation to the country's many other urgent needs, particularly since resources devoted to it are not available to meet the local resource requirements for aided projects.

3.14 Largely absent from the investment program is a pointed focus towards quick yielding projects or projects which make an impact in the medium term on the country's balance of payments prospects. The Government sees this largely as a role for the private sector, but as the village tanks or coconut intercropping programs show, there are areas where government support for imaginative programs, particularly in the agricultural sector, could make a major impact on production and exports. Such an emphasis must be the central core of the new integrated rural development programs now in the process of being initiated in Badulla, Vavuniya and Mannar.

3.15 The "restructuring" of the public investment program, as noted above, partly rests on the assumption that resources are available for new projects as early as 1983. This is a questionable assumption. Table 17 shows available non-inflationary resources, as projected by the Government, in relation to projected public investment. This suggests that in all years of the 1982-86 program, budgetary investments exceed projected available resources. As argued in Chapter II, the resource projections are optimistic in the initial years, relying on quite large external financing, and on substantial additional resource mobilization and the containment of recurrent expenditures. This financing gap, however, is partly induced by provisions for new unidentified projects from 1984 onwards. These account for 9% of projected 1986 resources, 41% of 1985 resources, and 63% of 1985 resources. However, even if these provisions were scaled down, there is clearly severe overprogramming in the

Table 17: PHASING OF BUDGETARY PUBLIC INVESTMENT 1981-86
(Rs million)

		1982	1983	1984	1985	1986
A	Net Non-Expansionary Resources /a	12,970	16,232	16,133	17,618	20,325
B	Budgetary Public Investment /b	18,010	18,975	19,000	19,750	22,000
(i)	Ongoing Aided Mahaweli /c	7,217	6,973	5,911	3,354	1,744
(ii)	Other Aided Projects/d	5,354	7,597	6,730	3,627	1,712
	of which:					
	recent new projects with donors identified /e	(296)	(1,296)	(1,179)	(757)	(519)
(iii)	Non-aided Activities /f	4,389	3,850	3,665	3,975	4,225
(iv)	New Projects without donors	-	55	1,494	7,294	12,819
	of which:					
	identified /g	(-)	(55)	(828)	(2,946)	(3,486)
	unidentified /h	(-)	(-)	(666)	(4,348)	(9,333)
(v)	Unallocated /i	1,050	500	1,200	1,500	1,500
	Ratios:					
	Percent of net non-expansionary resources					
	B as % of A	138.9	116.9	117.8	112.1	108.2
	B (i) as % of A	55.6	43.0	36.6	19.0	8.6
	B (ii) as % of A	41.3	46.8	41.7	20.6	8.4
	B (iii) as % of A	33.8	23.7	22.7	22.6	20.8
	B (iv) as % of A	-	0.3	9.3	41.4	63.1
	B (v) as % of A	8.1	3.1	7.4	8.5	7.4
	Percent of GDP at market prices /j					
	Net non-expansionary resources	12.1	13.0	11.1	10.5	10.4
	Budgetary Investment	16.8	15.2	13.2	11.7	11.2

/a Non-bank resources: i.e., current surplus or deficit, net foreign finance and non-bank domestic borrowing. Ministry of Finance and Planning projections.
/b Excluding under-expenditure, and not reclassified on IMF basis, as in Table 15.
/c Annex III-C, Table 2, and Annex III-D.
/d Annex III-C, Table 2.
/e Annex III-C, Table 2a.
/f Annex III-C, Table 5.
/g Annex III-C, Table 3.
/h Annex III-C, Table 4.
/i Additional price contingencies. See Annex III-C, Table 5.
/j Based on Ministry of Finance and Planning estimates of GDP.

Source: 1981 data: Bank Staff estimates; 1982 and beyond: Ministry of Finance and Planning.

1982-84 period. A solution to this overprogramming must include additional resource mobilization efforts to fill the projected financing gap. However, the very high level of public investment in the 1982-84 period (13-17% of GDP) would suggest that even if financial resources were available, real resources could be overstrained, as in 1980. A close reexamination of the 1982-84 program with a view to cutting back public investment to levels closer to available real and financial resources is therefore vital.

3.16 This is clearly easier said than done. Ongoing aided activities account for 97% of available resources in 1982, 90% in 1983 and 78% in 1984. However, the weight of these ongoing activities falls sharply after 1984, to 40% in 1985 and 17% in 1986. This bunching of activities in the 1982-84 period does bring into question the proposed phasing of investment activities. As pointed out in para 3.07, over the past twelve months the Government had the opportunity to prevent this bunching through: (i) a rephasing of ongoing aided activities, in particular through a deferment of one of the four Mahaweli headworks; (ii) cutbacks on non-aided activities, and (iii) restraint in introducing new projects. The 1982-86 program represents a slippage on all three fronts. Reexamination of the ongoing aided activities in the course of preparing the 1982-86 program resulted in a reaffirmation of the decision to proceed simultaneously with both the Kotmale and Randenigala projects, aggravating the bunching of expenditures. As for other aided projects, while some projects have been pruned down, cost escalation and other considerations have resulted in significant acceleration in expenditures on other aided activities. In the case of non-aided activities, the major achievement has been the decision to cut housing expenditures and match these cuts with a scaling down of the physical works programs, and the elimination of the direct construction programs. However, the inclusion in the May 1982 capital budget of a number of specific capital expenditures such as compensation payments, losses to Air Lanka, etc. raises the question as to whether there may not be similar demands for such funds in future years for which there is at present no provision. Finally, despite the resolve not to introduce new projects, several projects have, in fact, been introduced. If some of these new projects are important activities and supersede ongoing activities as in some cases they do, they should substitute for ongoing activities rather than supplement them.

3.17 As we have argued in the past, there are several risks to the course being pursued. First, trying to do everything at once could result in slippages across the board. Not only would real resources be spread thinly over the entire program, resulting in implementation delays and cost escalation, but also, matching local resources for aided projects would prove insufficient. Second, delays across the board and the resulting escalation of costs and deferment of benefits would adversely affect economic returns on all projects. Third, aid disbursements could slow down significantly, alienating donors in the long term. Fourth, embarking on new activities without sufficient consideration to available resources could result in inadequate allocations for higher priority operation and maintenance (O&M) expenditures. The resulting erosion of the capital base would offset the gains from new projects. Furthermore, new projects may generate O&M expenditure requirements faster than is currently being anticipated.

3.18 For all these reasons, there is once again a case for rephasing investments so as to squeeze out the bulge in 1982-84 as much as possible, and accommodate it in 1985-1986 when resources will be available in somewhat greater abundance. The entire investment program needs to be scrutinized to establish priorities in line with available resources. The desirable approach would be to

(a) give <u>high priority</u> to:
- the early completion of bulky investments where the costs to the economy of delays would be serious;
- projects which are well financed through concessional aid and where work is on schedule and does not excessively strain real resources;
- projects where there are high and early economic returns;
- projects which ease balance of payments pressures;

(b) <u>rephase</u> projects and activities:
- which are underfinanced (less than 50-60%) in terms of concessional aid;
- which imply a substantial increase in O&M costs without an effective cost recovery program;
- which are facing severe implementation difficulties due to scarcity of real resources;

(c) <u>suspend</u> activities:

- which can be effectively transferred to the private sector;
- where implementation has been poor due to inadequate project design;
- where economic and social returns are proving to be negative or low;
- where the possibility of concessional donor finance is limited; and

(d) <u>defer</u> all new projects to beyond 1984:
- unless they are of such overriding importance that they substitute for ongoing activities that have been rephased or suspended;
- especially non-aid financed activities, such as infrastructure for the new capital complex.

3.19 The Government should find it possible--even at this late stage--to take action on the 1982 capital budget for projects and categories (c) and (d) above. Moreover, an early start to the preparation of the 1983 capital budget should provide an opportunity to make the further adjustments required in a timely fashion so as to ensure that 1983 does not see a repetition of the 1982 capital budget story. The size of the 1983 adjustments could be larger than is implied in Table 17 because resources available could be substantially lower and, as in 1982, the requirement for funds may have been understated. A carefully worked out program should increase the likelihood that the aid community will respond with understanding and flexibility, and facilitate the required rephasing, which can only benefit, rather than hinder, the overall performance of aided projects.

3.20 Once such a rephasing exercise has been completed, the Government can re-examine the resources available for new projects and how these can best be deployed to bring about the restructuring of the public investment program that it correctly desires. This task requires consolidating and building upon the substantial planning efforts that have been undertaken in the past three years. There are three important aspects to this work. First, the medium-term macro-economic framework underlying the projection of available resources has improved steadily over the years, and is now progressively being strengthened by a parallel flow-of-funds accounting matrix. Further improvements required in this area, and now under consideration, are the development of a formal internally consistent macro-economic model, based among others on more precise assumptions about government recurrent expenditures, (in particular O&M costs on existing and new capital stock), domestic borrowings by the government, and external financing and its implications for the external debt service. Second, a number of sector studies have been undertaken in recent years, 1/ while others are in the process of being initiated. An immediate need now is to identify important gaps in sector or sub-sector work so that these can be filled, perhaps by drawing on the resources of the international economic agencies. At the same time, follow-up action on the sector work already undertaken is necessary so as to develop a shelf of fundable projects. This will require project preparation work on the projects identified by the sector studies. Although resources for new projects are constrained through 1984, it is not too early to begin seeking technical assistance for project preparation. Third, once a shelf of projects is built up, these can be ranked by their relative economic and social returns and included in the investment program from 1985 and beyond. While the allocation of resources in 1985 and 1986 that results from this exercise may not be very different from that already indicated by the Government in the 1982-86

1/ In the agricultural area, sector studies already undertaken include the NEDECO study on the Mahaweli Ganga Development program and the more recent IDA financed study on the use of surplus Mahaweli waters, the Canadian financed Lower Uva region study, farm power, fertilizer distribution, sugar, tea and rubber. A forestry master plan and a food strategy study are about to be launched. A joint World Bank-UNDP report has examined investment requirements in the energy sector. Sub-sector work has been done in a number of other areas of economic and social infrastructure.

program (Annex III-C, Tables 3 and 4), there will be a much sounder basis for such allocations.

3.21 For this exercise to get underway and succeed, the Government will need to develop a much greater political commitment to medium-term planning than has so far been evident. Substantial resources are now being devoted to the task of transforming Sri Lanka's economy, and the Government owes it to itself as well as to the large number of its partners in development to ensure that these scarce and hard won resources are well spent and that their benefits are not undermined by fiscal and monetary instability. This implies (i) a firmer commitment to budgetary discipline and to ensuring that capital expenditures do not exceed available financial and real resources; (ii) a further tightening of project approval procedures so that projects which are low in priority either because their contribution to output and exports is weak or because their relative economic and social returns are low, do not escape through the net and compete for resources with high priority projects; and (iii) strengthening sector planning and project preparation skills at all levels of government so that investment opportunities in high priority activities are not ignored by default. This renewed commitment to medium-term planning will need to be accompanied by much greater sensitivity on the part of the donor community to the constraints facing the budget and to the need to show flexibility both with respect to ongoing and new aid programs in light of the difficult rephasing exercise necessary in the 1982-84 period. The role of donors is discussed further in Chapter V.

IV: EXPORTS: A CRITICAL AREA FOR LONG TERM GROWTH

4.01 The need to accelerate export growth results first from the location, resource endowment and size of Sri Lanka, which limit the scope for efficient import substitution; and second, from the urgency to contain the widening resource gap. Even taking into account other sources of foreign exchange--investment income and private remittances--total receipts covered only 65% of imports and debt repayments in 1980, compared to 80% in 1970. Sri Lanka's own export potential, as well as comparable experience elsewhere, 1/ suggests that this gap can be reduced provided the Government's stated strategy of export promotion is pursued with consistent measures of implementation.

4.02 The main opportunity for increasing and diversifying exports in the 1980s are the possibility for arresting declining volumes of tree crop exports (paras 4.05-4.14) and for expanding exports of other goods--besides petroleum products and garments--(paras 4.18-4.22). In addition, tourist attractions, well-developed port and shipping infrastructure, and buoyant receipts of private remittances can be expected to continue to grow and increase foreign exchange earnings. This chapter rev ews the prospects and requisite policy measures for accelerating the growth of earnings from various sources in the medium to long term, focussing mainly on issues of supply, marketing and profitability of exports. 2/ It is recommended that the Government's Export Development Plan identifying investments and policies for export promotion should be followed up with a suitable action program immediately in order for the substantial potential for export growth to be realized.

MERCHANDISE EXPORTS

4.03 Despite their declining share in total earnings over the last decade, merchandise exports still constitute a significant 67% of all foreign exchange earnings, and overall export performance in future will be determined largely by policies and trends in this area. Further, since over 50% of merchandise exports at present are tree crop products (over 60% if petroleum products are excluded), the prognosis of export performance must devote particular attention to tree crops.

1/ Among the oil-importing, primary-producing countries which effectively implemented export orientation in the latter half of the 1970s, the experiences of Ivory Coast, Thailand, and Tunisia are notable. Between 1975 and 1980, the Resource Gap:GDP ratio for Ivory Coast changed from 1.3% to 4%; for Thailand, from 5% to 6%; and for Tunisia, from 5% to 3%. The ratio in Sri Lanka changed from 5% to 20%, indicating a far slower export performance than that called for in the policy reforms introduced in 1977.

2/ Export institutions and policies for non-traditional products were reviewed in the World Bank's last economic report, "Sri Lanka: Policies and Prospects for Economic Adjustment," Report No.3466-CE, May 15, 1981.

Tree Crop Exports

4.04 Through the decade 1970-80, the volume of tea exports declined at an average annual rate of 0.9%; rubber, at 1.2%; and coconuts, at 10.3%. In each case, the rate of decline accelerated distinctly over time. Comparing the periods 1970-75 and 1975-80, the export volume decline of tea accelerated from 0.9% to 2.4% per year; rubber, from 0.5% to 2.2% per year; and coconuts, from 10.3% to 16.9% per year. These trends in Sri Lanka's principal exports were due, initially, to the uncertainties associated with land reforms and the erosion of incentives associated with heavy export taxation, both explicit and implicit. 1/ The ensuing neglect of standing stock, factory capacity and marketing infrastructure, which was not fully reversed even after land reforms were completed, and the role of producer incentives conceded in the latter half of the decade, resulted in declining yields and export volumes throughout the 1970s. Declining yields, in turn, showed up in increasing unit costs of production, which also rose due to increasing costs of inputs such as fertilizer, fuel, labor and, in the case of public sector estates, overhead charges. For exports in the 1980s, this situation has different implications for the three tree crop products, depending on Sri Lanka's relative share in world exports and the organization of production.

4.05 Sri Lanka's share in world tea exports, which face inelastic demand, is about 20% at present so that a mere expansion of export volumes cannot be expected to maximize net export earnings, because of the price deterioration that would result. However, lower costs of production and/or higher unit prices--obtainable through quality improvement--would allow the volume of exports to be increased at a profit. 2/ Since tea is produced largely at estate level by two public sector corporations, 3/ rehabilitation of the tea industry, including reduction in cost of production and improvement of quality, could be accomplished mostly by focussing efforts on these corporations. These efforts should include improvements in management information systems, financial

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1/ Implicit taxation of tree crop exports resulted from the Foreign Exchange Entitlement Certificate (FEEC) scheme during 1969-77. See inside cover page.

2/ Bank staff estimates indicate that a 10% decrease in the economic cost of production (Rs 17.2/kg actual in 1981) or a 10% increase in price (Rs 35.6/kg actual in 1981) would have made a 2% increase in the world market share (implying exports of 212 mn. kg instead of actual 195 mn kg in 1981) an economically optimal proposition.

3/ The public corporations, State Plantations Corporation (SPC) and Janatha Estates Development Board (JEDB), account for about 80% of total tea production, including about 10% of smallholder green leaf processed in public estate factories.

management, field level cost controls, and appropriate incentive schemes to ensure overall efficiency and high productivity. Quality improvements could be achieved through use of better varieties, raising plucking standards, improved green leaf transport, and factory rehabilitation. A first step towards improvement would be a medium term investment program for the public sector corporations that would depart from projections of physical works and expenditures based on traditional land use practices and instead take into account targets for improving use of estate lands including, where necessary and feasible, diversification of tea lands into alternative crops. In addition, separate programs will be needed to achieve greater efficiency in estate management. Promotion of higher yields and quality are also important for the smallholder sector which, despite offers of subsidies for replanting, new planting and infilling, is beset with problems of insufficient credit and planting material, inadequate fertilizer use, poor plucking practices, inadequate green leaf transport facilities, and delays in the administration of the replanting scheme.

4.06 The promotion and marketing of Sri Lankan tea has been rather passive in the face of increasing competition from new producers and inelastic world demand. In addition, the availability of close substitutes and oligopsony characterizing international tea auctions normally avails little bargaining power to sellers in Sri Lanka who are further pressed to move stocks quickly owing to lack of warehousing facilities in Colombo and shortage of funds to promote sales elsewhere. As such, the necessary outlays on storage, further development of tea bags and packets, and advertising should be undertaken and are likely to pay off in better prices and sales.

4.07 Exports of <u>rubber</u> from Sri Lanka constitute only 3% of world exports and total earnings could be increased by volume expansion without affecting world prices particularly since, beyond 1982, the world market outlook seems promising. The major issue confronting the sector is to ensure implementation of the replanting program in order to reverse declining yields from the increasingly overaged rubber stand. The extent of effort required is indicated by the Rubber Masterplan estimate that some 40,550 ha (nearly a fifth of area currently under tapping) would need replanting between 1981 and 1985, and an additional 50,485 ha between 1986 and 1990. Since the smallholder (private) sector accounts for about 62% of rubber production in Sri Lanka, achieving proper levels of replanting and tapping will depend heavily on adequate incentives to smallholders. For replanting, that translates into maintaining replanting payment levels which are representative of the costs involved while for tapping it means maintaining adequate margins.

4.08 There has been encouraging progress of the replanting program in recent years (1979-81) with annual replanting in 1980 and 1981 very close to and--by 1981 estimates--even exceeding, the Masterplan Program. This positive response in the smallholder sector implies that net replanting subsidies, together with proceeds from the sale of rubber firewood after uprooting, have been adequate. To sustain this situation, however, the Rubber Replanting Fund, which obtains resources from the Rubber Replanting Cess, must remain liquid. At the present cess level (Rs 0.75/kg), the Replanting Fund is expected to remain liquid only through 1982, and it is therefore important that it be replenished before 1983 by increasing the cess. While replanting payments strongly determine the rate of replanting and therefore potential long-term supplies, producer margins have predominantly short term supply effects through affecting the rate of tapping. They also affect overall producer confidence in the industry and consequently participation in the replanting and new planting schemes. Maintaining adequate margins therefore affects both short-term and long-term aspects of the rubber industry. Smallholder margins fell during 1980 and 1981 but are expected to improve somewhat in 1982 and beyond. To induce regular tapping, smallholder margins need to be sustained at about Rs 3.00/kg (1982 prices), whereas actual margins in 1982 are expected to be Rs 1.65/kg.

4.09 If rehabilitation of the rubber sector continues along the lines of the Masterplan recommendations, production will likely reach a low of about 100 million kg by 1986 (from estimated 1981 production of 125 million kg). Production will then begin to increase rapidly, as much of the replanted area begins to mature, regaining the 1978 peak production (of 156 million kg) by 1995 and reaching some 240 million kg--twice the current production--by the year 2010. The attainment of such levels of production, and the implied receipts of foreign exchange, will depend, in addition to sustained incentives (para 4.08), on strengthening extension to improve tapping practices; increased fertilizer use, particularly during maturation; and the use of yield stimulation in the few years before replanting. It would be important to ensure availability of good planting material, intercrop material, and fertilizer throughout the development period. With respect to processing, greater flexibility should be encouraged, in both private and public estate factories, to allow switching between crepe and sheet rubber production to capitalize on relative price changes which often occur. This could be done by expanding the present factory rehabilitation subsidy, covering 33% of approved improvements in crepe production, to include sheet production in factories currently producing only crepe.

4.10 Since the export of sheet rubber was opened up to the private sector in early 1981, 1/ private exporters have succeeded in finding new markets, particularly in Eastern Europe and the Soviet Union. The marketing of rubber exports is now more diversified and functions more efficiently. Therefore, private sector involvement should be further encouraged and the possibility of fully private marketing explored.

1/ Before then, international marketing of sheet rubber was confined to the Ministry of Trade and Shipping to facilitate the Rubber-Rice Pact with China. As the proportion of rubber exports thus traded decreased from 57% in 1975 to 30% in 1980 and 16% in 1981, the trade was opened up to offset marketing problems resulting from accumulated stocks.

4.11 Exports of coconut kernel products through much of the 1970s were heavily influenced by the overriding policy of stabilizing domestic consumer prices for coconuts and coconut oil. In addition, government policy chose to contain local prices of milk via cheap supplies of poonac to the livestock feed industry. Subsequently, the local milling and soap industry interests also favored cheap copra and coconut oil. An elaborate system of export taxation, quantitative restrictions and state marketing monopolies was evolved to effectively insulate the domestic market. As a result, local consumer prices were stabilized, but farmgate prices were well below border equivalent prices and producer incentives were eroded. Other consequences were wasteful consumption of cheap fresh nuts 1/; inefficient oil extraction; disincentives to development of alternative feed crops (cassava, soya) and oilseeds (groundnuts, sesame); and a progressive loss of world markets for coconut kernel products. 2/. During the last four years Government has made notable efforts to rehabilitate the coconut sector, paying attention to producer as well as consumer interests. The most recent measures removing all quantitative restrictions on exports and introducing a graduated system of export taxation for kernel products were announced in the 1982 budget (see Annex I). Producer response to various measures in recent years has been confounded by adverse weather, increases in fertilizer prices, and, more recently, by a serious decline in world prices brought on by the world recession. Nevertheless, the concern of policy to redress past neglect is correct and should elicit favorable production and export performance provided the policy momentum is sustained.

4.12 In the short run, it would be most important to keep the implicit return to the producer under continuous review to ensure adequate incentives, in particular for the use of fertilizer by smallholders, 3/ who account for about 90% of coconut land. Coconut fertilizer offtake fell considerably last year (37.7 thousand MT in 1981 compared to 55.8 thousand MT in 1980) and a survey conducted in October 1981 indicated that about 65% of land owners in the coconut triangle, mostly smallholders, had abandoned fertilizer application during the year owing to financial problems and low net returns to the cost of fertilizer

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1/ The 1981 Report of the (Coconut) Export Duty Review Committee noted that low prices of consumer nuts had contributed to wasteful consumption where at least 25% of the available oil and a good part of the proteins are thrown away as coconut refuse.

2/ Between 1970 and 1977-80 Sri Lanka's share in world exports of fresh nuts dropped from 15% to less than 1%; desiccated coconut, from 43% to 28%; copra and copra cake, each from about 2% to nothing; and coconut oil from 9% to 1.8%.

3/ World Bank, "Sri Lanka: Key Development Issues in the 1980s, Volume 2," Report No.2955-CE, May 29, 1980.

application. 1/ Although this should not imply a drop in current year production--since there is a response time lag of up to two years--it does underscore the need to provide incentives for regular use of fertilizer to raise production and exports in the short run. Government has attempted to do this by allowing farmgate prices to rise and introducing a fertilizer credit scheme, as well as by increasing the number of fertilizer outlets and these efforts should continue. The short run physical response to fertilizer on coconut lands is also significantly related to moisture conditions and recurrent droughts have often discouraged use of fertilizer, 2/ pointing to the need to consider irrigation of coconut lands. 3/ Another constraint experienced in promoting production has been shortage of extension officers and the inordinate amount of their time taken up administering the subsidy schemes. The outstanding issue of whether to institute a separate coconut extension service, or have the Ministry of Agriculture provide such support, needs to be resolved before extension staff and work can be expanded.

4.13 For the longer term, adequate incentives must continue to be reinforced with the ongoing subsidy schemes (underplanting, replanting, new planting, intercrops, pasture) as, given its predominantly smallholder characteristics, the industry is unlikely to be able to generate sufficient investment funds on its own to ensure the long-term health of the sector. The productivity of such investments will depend critically on the national coconut research and propagation activities relating to introduction of improved varieties, seed multiplication, plant protection, irrigation, and fertilizer applications. Strong policy and financial support for the coconut research establishment, infrastructure, and programs would have high social and economic returns.

4.14 In addition to the wide-ranging measures announced in the 1982 budget and freeing the local and export marketing of coconut products, the revival of the Copra Sales (Auction) Room and operation of a coconut oil buffer stock by the Coconut Development Authority (CDA) are being proposed to further strengthen producer prices. These measures are expected to have positive effects on

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1/ U.V.H. Perera and L. Ranbanda: "Factors affecting the Consumption of Fertilizer in 1981 in the Coconut Triangle", Economic Research Division, Coconut Development Authority, October, 1981.

2/ The risk of drought in the coconut triangle has been estimated at 15-20%. The survey mentioned above indicated that 35% of land owners had abandoned fertilizer application during 1981 owing to drought. Also, about 14% of land owners had, for some years past, abandoned fertilizer application owing to recurring drought.

3/ A first step was taken last year when the Minister for Coconut Industries approved a subsidy of Rs 10,000 per unit for growers interested in constructing tubewells.

production and exports of coconut products. As prices of coconut products are expected to increase in the medium term, export earnings should rise; to strengthen such prospects, a concerted effort at export promotion should be made, particularly to regain lost market shares in the world. The lower costs of production of desiccated coconuts from Sri Lanka accords it a competitive edge in world markets and this should be sustained and quality further improved. In this latter case, an encouraging start is being made in mill modernization with support from the CDA and the Mill Development Fund, which is financed from a levy on desiccated coconut exports.

4.15 Simultaneously with rehabilitating the production base of tree crop exports, prospects for accelerating the growth of earnings from other goods (minor agricultural products, minerals, manufactures) also need to be pursued. Currently, these constitute about one third of merchandise exports (about two fifths, excluding petroleum products). Besides helping to increase total exports, these goods provide an opportunity for diversifying the export base.

Other Merchandise Exports

4.16 During 1975-80, the value of this group of exports, excluding petroleum product re-exports, grew nearly four-fold though from a base that was small relative to tree crops. The most striking growth occurred in garments, especially after 1977, accounting for nearly two thirds of the 1975-80 growth in these exports. Notable growth also occurred in minor agricultural exports, processed foods (mostly fisheries products and fruit juices), and ceramics. Prospects for increased earnings would appear to depend upon measures to resolve a number of limiting factors, which can broadly be categorized as supply, marketing and profitability constraints. 1/

Supply Constraints

4.17 There seem to be two issues requiring attention here. One is to increase production of some exportables; the other is to develop new products. Good examples of the former may be minor agricultural export crops, fisheries products, and minerals.

4.18 Increasing production. Among minor export crops (MEC) favorable price prospects, high economic rates of return (no less than 25%), and Sri Lanka's small share in world trade (less than 3%) for coffee, pepper, cardamom, and cashewnuts, could raise earnings significantly if production were expanded. The present area under these four crops is estimated to be less than 25 thousand

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1/ Although these factors are interrelated, they are affected by different policy measures and, moreover, one or the other appears more binding for different products, as some examples will go on to illustrate.

hectares; and under all MEC about 50-60 thousand hectares 1/ mainly smallholdings. The Department of Minor Export Crops (DMEC) has set a target of about 80 thousand hectares under MEC cultivation by 1990, which is a good beginning, but well below the potential area (150-200 thousand hectares) that could be cultivated. 2/ Coffee and cashewnuts, for example, provide some indication of export potential. Last year, coffee exports were about 0.8 million kg against Sri Lanka's ICA quota of 2.7 million kg, set to increase by 10% per annum to 1990 and 5% per annum from then on. Cashewnut exports (about 1500 MT in 1981) from Sri Lanka are so small compared to world exports (about 100,000 MT) that ships are reluctant to call there for such small cargo when nearby India and East Africa offer far higher amounts of the same cargo. Overall, programs to expand production of MECs are constrained by paucity of data, particularly on area under cultivation and research information on crop suitability; and inadequate extension staff and facilities to serve smallholders. These constraints, in turn, impede efforts to design a coherent program of adequate incentives to expand production and promote marketing. Allocation of land to MEC production; strengthening the DMEC; suitable incentives involving adequate planting subsidies and producer prices; and promotion of local producer associations--as the Export Development Board envisages--should help to increase production and exports of these crops. In addition, production could be increased by a faster diversification of uneconomic tea and rubber lands from public estates, within the framework of the proposed medium term investment program for SPC and JEDB (para 4.05), and increased cropping on coconut lands, 80% of which are covered by donor-assisted projects.

4.19 Low supply of tropical fruit (e.g. passion fruit), inefficiency in collection and storage (30-40% of mango crop thus wasted) and unwillingness to produce new crops for which demand has been identified (e.g. cheri moya) have been cited as factors constraining the exports of processed fruit and fruit juices. Manufacturers with firm medium term orders and willing to develop fruit production, have had difficulties obtaining land allocation. It has also been pointed out that newly planted rubber land on estates could grow passion fruit--which matures in nine months and has an economic lifetime of about five years--for sale to guaranteed buyers and thus recover a significant part of the costs of new rubber plantings.

1/ Excluding area under sesame seed. Estimates by Minor Export Crops Research Station (Matale), Department of Minor Export Crops.

2/ This potential area includes under-and inter-cropping on coconut lands (about 120 thousand hectares); cropping on marginal tea lands (about 30 thousand hectares), and on land under management of the Land Reform Commission (about 10 thousand hectares in mid-country alone).

4.20 Exports of fisheries products grew rapidly from about $3 million in 1975 to about $15 million in 1980 and could be raised further if supplies are developed, as Sri Lanka's share of world exports of tropical fish and fish products is less than 1%. The 1979-83 Fisheries Masterplan emphasized increased production for domestic market, in particular from Coastal Fisheries, 1/ and succeeded in raising estimated production (of Coastal Fisheries) from about 137 thousand MT in 1978 to about 177 thousand MT last year. The bulk of exports (about 90%) during this period consisted of high valued crustaceans and molluscs, which began to fall in 1980 because of dwindling wild stocks. The Fisheries Masterplan had identified the possibility of increasing the supply of such products through culturing, especially in the estimated 120 thousand hectares of brackish water lagoons, estuaries and swamps. This still holds considerable potential for export development provided the specific problems of designing suitable breeding ponds, culturing techniques, skilled personnel shortages and investment fund for brackish water fish culture stations are addressed quickly. Some progress has occurred already, notably the initiation of pilot prawn farming projects, the stock assessment survey of North West Coast prawn resources, the availability survey of prawn post-larvae in Mullaitivu and Negombo, and procurement of technical assistance to develop techniques of brackish water prawn and fish culture. The offshore and deepsea fisheries with known resources of Skipjack, Yellowfin, and Bigeye tuna, offer another export potential provided the deep water fishing fleet and the complementary shore-based facilities are developed. The catch from these fisheries was only 2148 MT in 1980, compared to an estimated sustainable resource of about 30-60 thousand MT. 2/ Now that the development of coastal fisheries is well under way, more efforts could be devoted to developing the tuna resources of the offshore and deepsea fisheries. It is interesting to note that neighboring Maldives landed about 30,000 MT of tuna species in 1980 while Sri Lanka landed about 2,000 MT. Also, in 1980, total exports of all fisheries products from Maldives were about 22.7 thousand MT compared to 3.6 thousand MT from Sri Lanka. 3/

1/ Marine fisheries in Sri Lanka are classified into three sub-sectors: Coastal Fishery, the area up to a distance of about 25 miles from the coast; Offshore Fishery, the area between 25-60 miles from coast; and Deepsea Fishery, the area beyond 60 miles from coast.

2/ Ministry of Fisheries, "Investment Opportunities in Fisheries Sector in Sri Lanka", 1980.

3/ The higher volume of exports from Maldives was due to higher catch rather than any diversion from domestic consumption because per capita consumption in 1980 was 78 kg in Maldives and about 15 kg in Sri Lanka.

4.21 Efforts to develop production of the traditional mineral exports (gems, graphite and heavy mineral sand products) are also likely to increase earnings. Gemstones are known to occur over almost 90% of the island but, dictated by geological conditions, gemming is mostly a small-scale artisanal activity and it is difficult to trace and organize production and exports. Recent concessions to mechanical gemming in selected areas and the fiscal concessions for gems and jewellery granted in the 1980 budget are expected to improve prospects for gem exports. Furthermore, it seems that improvements in the lapidary industry and development of custom and costume jewellery may reduce the attraction of smuggling. Sri Lanka's natural graphite is a very high quality mineral and is preferred for a number of industrial applications (specialized lubricants, cathode ray tube coatings, electrical carbons, varnishes and paints, refractories, nuclear reactors). The limited production of 10 thousand MT per year is expected to increase by another 17 thousand MT per year if ongoing efforts to secure external assistance for modernizing existing mining machinery and opening new mines succeed. Average export prices received rose nearly four-fold between 1978 ($330/MT) and 1981 ($1300/MT) and are expected to remain high. The only threat to continued profitability is posed by high costs of production from deep mines of Sri Lanka, which makes the lower costs of surface mined graphite in competitor countries attractive to buyers who can then upgrade the lower quality of competitor graphite and still profit from the cost differential between surface and deep mined ore. As such, it would be important to complete detailed investigations of known deposits in order to locate more economic sites on the island. Recent surveys, onshore and offshore, have indicated significant additional deposits of heavy mineral sands. An adequate resource base thus exists for production and export of ilmenite, rutile, and zircon, the former two being important intermediary titanium products and zircon for use in foundry sands, refractories, ceramics, and production of zirconium metal and alloys. Production and marketing problems which had faced the Mineral Sands Corporation during 1978-80 now seem near resolution provided adequate capital for the planned ilmenite beneficiation project is obtained and marketing is pursued vigorously and admits the private sector as well.

4.22 Developing new products. The Export Development Board (EDB) has identified a number of products, some of which have been exported in small quantities in the past, for further expansion. A full list of priority products identified by EDB is included in Annex IV. These bear good potential for exports in the medium term and should receive appropriate investment and policy support in the Government's Export Development Plan. Also, the plans to expand exports of cut flowers (orchids and anthuriums), houseplants and landscaping plants could be pursued with rapid and high returns provided the intention of saturating the strong domestic demand (mainly from tourists) by the end of 1982 is realized. Production of orchids is currently carried out in about 2-3 thousand suburban household gardens as an income-supplementing hobby. Financial assistance of about Rs 3000-5000 per family managing a unit of 300 plants could induce many more growers to participate and standardization of product has been well advanced by the fully equipped modern tissue culture laboratory and nursery in Kalagedihena set up by the Ceylon Tobacco Company. Airfreight rates (which constitute 20% of c.i.f. price) for cut flowers have presented a problem in expanding this promising export. Arrangements for concessionary rates from Air Lanka, in line with concessions offered by other south east Asian carriers (Thai, Singapore Airlines), would help to develop markets in Europe and the Middle East.

4.23 Following the recent removal of export duties and controls on coconuts, a problem at hand now would be finding economic substitutes for coconut oil in soap manufacturing and substitutes for poonac in animal feed. An effective development and commercialization of known substitutes such as rubber seed oil, and rice bran oil for soap making, and cassava, maize, winged bean, soyabean meal, and molasses for animal feed would resolve these problems and reduce pressures to restrain exports of coconut products. The reform of domestic coconut producer and consumer prices implicit in this year's budget is expected to induce production of alternative oilseeds (groundnuts, sesame) and coconut exports could be sustained without undue deprivation of local consumption needs if the ongoing trials of coconut milk substitute succeed. 1/

Marketing Constraints

4.24 Besides international marketing issues for tree crops (paras 4.06, 4.10, and 4.14) the imposition of quotas in Sri Lanka's major markets for exports of garments, beginning in 1978, have presented a major problem that could intensify as the little slack (about 5% in 1980) in available quotas is used up by the large number of units approved to date. As garment production in Sri Lanka is largely concentrated on items most frequently subject to quota protection (over 90%) and sales to non-quota markets have been very low (6% in 1980), there is little room to maneuver by way of altering product mix or seeking alternative markets. Nevertheless, efforts on both counts have been made: generation of new capacity has been restricted; new approvals have been for non-quota knitted, hospital and industrial garments; and the EDB has explored new markets in West Africa, South America and Australia. Such efforts would be considerably strengthened by Sri Lanka's efforts to remain competitive in international markets and relaxation of quotas by major importers.

4.25 Other firms have also experienced marketing problems either because of intense competition--and its attendant tactics of price undercutting and dumping (e.g. cut flowers, graphite, mineral sands, soap)--or because of new exposure to international markets in cases where domestic markets are no longer protected

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1/ An important trial product is a soy cooking powder developed at the Soyabean Foods Research Centre (SFRC) for use as a coconut milk extender and a four ton/day dried soya milk plant is being set up at Maha-Illuppallama. SFRC is also investigating blends of soy milk and coconut milk for bulk dispensing in pasteurised form for urban households.

(e.g. crop processing machinery, ceramics). The response of various firms to this situation has been quite informative. Typically, private firms have responded to competition by diversifying their exports; co-opting technical and marketing knowledge of overseas competitors; forming joint ventures with overseas end-users; concentrating on alternative markets abroad by explicit or tacit international market sharing agreement; and active search for and contact with overseas buyers. Public sector firms, on the other hand, when aware of and proposing such possibilities, have experienced considerable delays in obtaining timely, or any, approvals at all. Such limitations experienced by some public sector firms with considerable export potential (crop processing machinery, ceramics, mineral sands) indicate a need for provision of information on potential markets and facilitating their export marketing efforts.

Export Profitability

4.26 The financial attraction of production for the domestic rather than external markets, and the mechanisms which have sustained it, were reviewed in chapter II (paras 2.24-26). It would be essential to redress such disincentives to exports in order to realize the potential discussed so far in the present chapter. Among other measures and instruments, the export promotion strategy would need to take into consideration the exchange rate, relative rates of inflation and the impact of export taxes and subsidies. Since, with very few exceptions (blue sapphires, natural graphite), Sri Lanka exports face close competition from other countries, it would be important to maintain the export-competing capability of the economy by constant review of exchange rate and price developments in Sri Lanka relative to competing countries. Data on this account seem to suggest that the competitive edge obtained by the exchange rate reform in 1977 has been maintained in nominal terms, but eroded in real terms. The actual developments in recent years are graphed in Annex IV (Graphs 1-5) showing, for the main products, indices of effective (export competitor-weighted) exchange rates (EER) and the corresponding indices of effective real exchange rates (ERER). 1/ The depreciation of the Rupee in nominal terms since December 1977 was offset by the generally higher inflation rates in Sri Lanka

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1/ The effective export competitor-weighted exchange rate provides an indicator of the relative cost and price performance of Sri Lanka vis-a-vis its major competitors. The indices of such an exchange rate attempt to measure, over time and from a chosen base, the changes in the relative position of Sri Lanka among its competitors. The index only accounts for developments on the supply side for the countries involved and not for demand factors. Also, this index does not incorporate export taxation in the supplying countries, which is a significant factor in determining export competitiveness. Nevertheless, from data not shown here, it is known that the proportion of export to total tax revenue was highest in Sri Lanka (1979 data) among the ten countries considered as competitors for various respective export commodities.

compared to competitor countries. As a result, the effective real rate appreciated for all exports during 1978-81, the only exception having been desiccated coconut and coconut oil during the second and third quarters of 1979, and the third and fourth quarters of 1981. The loss of Sri Lankan competitiveness implied therein does not seem to have been fully countered by the sum of export incentives offered so far. It would be important, therefore, to devote more resources to the Export Development Fund and the Export Credit Refinance Facility. The EDB, which manages the incentive scheme, is well aware of export promotion needs, enjoys the confidence of Government and exporters alike, and is in every way a highly effective institution that could be more so with additional resources at its disposal.

4.27 Some comparisons of export financing facilities in Sri Lanka and other countries may provide a notion of additional financing that could be considered in Sri Lanka. During the last four to five years, commercial bank loans and advances for exports grew, on average, at 30-35% per annum in Thailand and Korea compared to about 21% in Sri Lanka. In 1980, the concessions on interest rate given to exporters in Sri Lanka and Korea were about the same 1/; however, for over a decade, Korean exporters have had additional incentives by way of direct tax reductions; indirect tax exemptions, including business activity tax exemption; and tariff exemptions. Korean manufactured exports have traditionally received substantial government support largely through the rediscounting facilities of the central bank. In addition, Korea's Eximbank, financed by public funds as well as by borrowings on private domestic and foreign markets, gives preferential loans to Korean suppliers and for a variety of export related services, including credits to Korean firms providing technical services abroad; to overseas public and private importers of Korean goods and services; to Korean importers of essential raw materials, including those to be used in exported goods; and to Korean and foreign investors in other countries who would facilitate Korean exports. A medium to long term concessional loan to an exporter in Korea would have involved a grant element of 5.7% in 1979, compared to 0.9% currently for an exporter in Sri Lanka. 2/

1/ Interest rates on loans for exports were 15% and 13%, respectively in Korea and Sri Lanka in 1980 when average bank loan rates were 25% and 22%. But before the 1980 credit squeeze in Korea, exporters obtained loans at 7-9% when commercial prime rates were 15.5-18.5% during 1975-79.

2/ The grant element is one way of expressing the "softness" of a loan. It is the difference between the commitment value of a loan and the discounted present value of its contractual debt service expressed as a percentage of the amount committed. The above example for Sri Lanka was constructed using the terms obtainable under the Export Credit Refinance Fund (interest rate 13%; maturity 15 years; grace period up to 3 years) and the Central Bank advance rate (14%) as a discount rate. In Korea, such a loan in 1979 would have carried about 9% interest and the discount rate was 15%.

4.28 While the budgetary costs, domestic credit implications, appropriate investment choice and relevant international codes must all be taken into account in devising export financing facilities, there remains a case for improved facilities through means such as selective subsidies or, barring that, export financing at terms matching Sri Lanka's main competitors. Such measures, which must be made consistent with overall macroeconomic policies, along with the proposed tariff review, would seem to be essential to increasing the relative attraction of exporting.

NONFACTOR SERVICE RECEIPTS

4.29 Invisible earnings from nonfactor services grew steadily during the last decade and now constitute 16-17% of foreign exchange receipts from all sources. Nearly 60% of the invisible receipts are from tourism ($111 million in 1980) and Sri Lanka's port and shipping infrastructure ($37 million in 1980). While earnings from tourism have increased steadily, earnings from port and shipping have been conditioned by fluctuations in Sri Lanka's trade and by available infrastructure. In recent years, substantial investments have taken place in both sectors and, under favorable trade conditions, future earnings may be expected to continue to grow.

Tourism

4.30 By all indicators, the tourism sector has been dynamic and conferred substantial benefits to the economy (Annex IV, Table 1). To a large extent, the benefits--e.g. significant net foreign exchange earnings and employment creation--have been due to deliberate government policy, effective promotion and sound management. While recent import liberalization and expansion of graded accommodation capacity with foreign equity participation may have increased the current and prospective import intensity somewhat (to about 30-40%) it would be possible to revert to less import dependence by increasing the sector purchases of domestically available inputs (building materials, household supplies) which, however, have been less preferred in the past because of low quality.

4.31 For future development of tourism, it is thought that the heavy dependence on Western Europe and Asia for up to 85% of tourist traffic leaves the industry vulnerable to any significant fall in traffic from these two regions. However, to date arrivals from both these regions have increased regularly every year. A little more disconcerting may be the recent trend in tourist industry prices in Sri Lanka (Annex IV, Graph 6), indicating high rates of increase, particularly for accomodation in graded hotels. It would be important to address this problem and ensure that all investments in the sector continue to be fully utilized in future.

4.32 Provided the current promotion efforts are sustained, an appropriate real exchange rate is established and maintained, and the rate of inflation is brought under control, tourist traffic can be expected to continue to grow in

Sri Lanka, possibly surpassing, in 1984, the 500,000 mark projected by the sector masterplan which was drawn up in 1977. Actual arrivals in 1980 (351,780) and 1981 (370,742) already exceeded the projected arrivals for those years (respectively, 298,000 and 348,000). The Ceylon Tourist Board is already making preparations for another medium term plan (to 1990), which would take into account the various issues and recommendations contained in last year's sector study conducted in Sri Lanka. (See Source under Table 1, Annex IV).

Port and Shipping

4.33 The institutions, infrastructure and operations of these services in Sri Lanka have been developed considerably over the past decade. 1/ Net foreign exchange receipts from the combined port and shipping services 2/ have consistently exceeded the amounts that might have been expected given the volume of Sri Lanka's international trade and the size of its shipping fleet. The surpluses, however, were due entirely to port earnings rather than freight and insurance.

4.34 Several factors explain this trend in net earnings. To begin with, in both services (shipping and port), actual credits exceeded expected ones, implying good performance. The adverse balances of shipping were due to larger than expected debits, implying that there may be scope for the national carrier to compete for more load. So far the Ceylon Shipping Corporation (CSC) had been constrained from doing so by the aging of its fleet, 3/ which raised operational costs; high stevedoring costs in foreign ports, which cut into the CSC profits; competition from other lines; and the sluggish volume of total trade available. The ongoing fleet modernization and containerization programs--the latter expected to reduce stevedoring costs--are expected to place the CSC on a better footing to expand its operations and net earnings.

4.35 If export volumes from Sri Lanka would also expand, the CSC would be better placed still to obtain more trade, particularly on the routes where it

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1/ S.S. Jayawickrema, "Development in Shipping in Sri Lanka" and C.D. Chinnakone, "Ports and Port Development," Progress, Vol.I, Issue 1, March 1981.

2/ Shipping services taken to be merchandise freight and insurance activities only, to facilitate analysis of balance of payments data. These are not equivalent to foreign exchange receipts and payments of the Ceylon Shipping Corporation, which, besides its own fleet, also operates chartered ships and receives agency fees and commissions from other international liners. Port services include seaport and airport.

3/ In 1980, the youngest of the CSC fleet of 9 was 16 years old; and the oldest, 22 years old.

has a small share 1/ and on the planned new routes to the Persian Gulf ports (Dammam, Dubai, Kuwait) and the USSR. In order to attract more trade, however, the CSC freight rates would have to remain competitive particularly since the new container cargo capacity being created will make it imperative for the Corporation to engage in more cross trade to ensure full utilization of capacity. The promotional freight rates frequently offered by the CSC have been effective at various times. These could be sustained and consideration given to financial facilities to promote more cross trade when necessary. 2/

4.36 The Ports Authority has also expanded the shore-based container handling facilities in Colombo benefitting not only exporters--by reducing turnaround time for ships--but also attracting revenues from transhipment trade in containers, with shipping lines bringing in mother container vessels to discharge in Colombo from where feeder vessels then ply on to ports in neighboring countries. To cater to growing requirement for container freight stations, inland and adjacent to the port, private organizations have been permitted to set up stations outside the port area and Customs has permitted, with adequate security measures, container stuffing and destuffing outside the port area. These measures denote a positive policy and administrative response to an operationally felt need and should be continued to take full advantage of the investments made in port facilities.

PRIVATE REMITTANCES

4.37 Foreign exchange receipts from this source have become increasingly significant in recent years as receipts rose from $9 million (1.4% of current account receipts) in 1975 to $152 million (10.2% of current account receipts) in 1980 and an estimated $229 million (14% of current account receipts) in 1981. The increased inflow of private remittances has been associated with a significant increase in the number of Sri Lankan nationals going to work abroad, particularly the Middle East (Annex IV, Table 3).

4.38 While there has been concern at the loss of skilled personnel through emigration, there has been no official discouragement to seeking work abroad since it is realized that overseas employment opportunities have helped to reduce the pressure of unemployment in the country. At the same time, remittances from migrants have boosted foreign exchange receipts and various

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1/ The CSC share in total outward liftings in 1980 was about 23%, but much higher on some of its traditional routes such as UK (74% in 1979), Continental Europe (38% in 1979), and the Far East (63% in 1979).

2/ The Korean Eximbank, for example, has a facility to encourage the chartering of Korean ships to foreign entities, and committed about $34 mn for this purpose in 1977 and another $31 mn in 1978, the latest year for which data were available.

incentives have been offered to attract such transfers, 1/ in addition to the basic liberal trade and payments regime of the past few years. Available evidence, 2/ though limited in coverage, also seems to suggest localized instances of positive socio-economic benefits from migrant transfers such as the spread of banking habit, material prosperity, interest in children's education, capital improvements and acquisition particularly of housing and farm land, reduction of rural indebtedness, curtailment of crime, and better regard for blue collar work.

4.39 As the construction phase of the development of plant and infrastructure in the oil-rich middle eastern countries nears completion and reduces the demand for construction workers, the demand for skilled industrial and service operatives is expected to rise. This would continue to provide employment opportunities for Sri Lankans wishing to work abroad, as would the opportunities arising from migration to new areas such as the oil producing countries in West Africa. Hence, barring any official restrictions to migrate or disincentives to repatriate savings to Sri Lanka, private remittances can be expected to increase further in the medium term as the large numbers of those who left in 1979-81, accumulate and remit their savings, and as the high wages in the host countries relative to Sri Lanka continue to attract new migrants. 3/ To date, rather than restricting migration, Government response to perceived or anticipated scarcity of skilled personnel resulting from migration has been to expand vocational and technical training and to improve the facilities and work environment for

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1/ Some of the major inducements are the facilities to maintain Non-resident Foreign Currency (NRFC) accounts in any of the four major designated currencies (Pound Sterling, US Dollars, Deutsche Mark and Swiss Franc) or in any other approved foreign currency; the facility to maintain the NRFC account for a further period of ten years from the date of return to Sri Lanka of the account holder; interest payment in foreign currency on such accounts; exemption from wealth tax of sums deposited during the period of stay abroad and thereafter, for a further period of ten years commencing from the date of return of account holder; exemption of interest income in NRFC accounts from income tax up to the time of the account holders' return for permanent residence; and free disposal of funds in the NRFC accounts without any restrictions. A further facility offered is that the depositors in NRFC accounts qualify for bank advances irrespective of whether the investor saves in foreign currency or in Sri Lanka rupees.

2/ S.L. Tilakasiri and A.K. De Silva, "Socio-Economic Impact of Employment in the Middle East - A Study of Kurunduwatta Village in Ambalangoda" Economic Review, Research Dept., People's Bank, April 1981.

3/ The June 1979 study by MPD/MPI (see sources under Table 3 in Annex IV) found that, for various skill categories, average wages and salaries in the Middle East were 5-10 times higher than in Sri Lanka.

professionals in the country. Also, local public concern at instances of hardship experienced by Sri Lankan migrants have been met with efforts to safeguard the welfare of migrants through official representation abroad, through establishing procedures and guidelines for recruitment, 1/ and through provision of accurate information on wages and conditions of work abroad to potential migrants.

CONCLUSIONS

4.40 Given the need to contain a widening resource gap and service the growing external debt, this chapter has reviewed the prospects and requisite policy measures for accelerating the growth of foreign exchange earnings from key commodities (tree crops, minor agricultural crops, fisheries, minerals and selected manufactures) and services (tourism, port and shipping, private remittances). The potential for export growth in Sri Lanka is substantial (Table 18) and could be realized over the next 5 to 10 years provided ongoing efforts at export development are strengthened considerably and promptly. Some of the important issues and measures discussed in chapter II and in this chapter are summarized below:

4.41 First, the system of incentives for production and marketing of exports need to be strengthened and sustained. At the macro level, this would call for restoring relative attraction of exporting by a combination of flexible exchange rate and tariff policies (paras 2.24-26, 4.28). At individual sector levels, producer margins, particularly for agriculture, would need to be consistently large enough in order to sustain short term export production activities such as tea plucking, rubber tapping, fertilizer application and inter-cropping on coconut lands, subsidiary food crop and minor export crop cultivation, fruit and flower growing (paras 4.05, 4.08, 4.12).

4.42 Second, efforts to develop the export base over the medium to long term would need to be intensified immediately. This would call for a two pronged program of rehabilitating the traditional export base and developing new products which could be exported directly or used as substitutes for exportables that are now consumed locally (paras 4.17, 4.22). The rehabilitation of the rubber industry seems well under way (para 4.08) and a similar program for the tea industry, involving rationalization of the public sector estates (para 4.05) should be undertaken. Rehabilitation of the coconut industry, which holds the best prospects for medium and long term export development, should receive a very high priority at all times (paras 4.11, 4.13). While the rehabilitation of tree crops would call for raising productivity on existing area rather than expanding the area, the development of minor export crops, fruit and flowers would need to expand area under cultivation and raise productivity on all lands (paras 4.18-19). Adequate planting subsidies; provision of planting material;

1/ The Foreign Employment Agency Act of 1980.

research and extension; and improved storage, grading and processing facilities would be the essential determinants to augmenting the supplies of agricultural exports in the medium and long term. Development of fisheries exports needs to emphasize research and extension of culturing techniques for high valued products (crustaceans and molluscs) and exploitation of the tuna resources of Offshore and Deepsea Fisheries (para 4.20). The next fisheries masterplan would be a good medium for evolving such a program as the ongoing 1979-83 masterplan draws to a close. Exports of graphite, ilmenite, rutile and zircon could be sustained both from existing mines and development of new deposits indicated by recent surveys. It would be important to expedite arrangements for suitable external assistance being sought for essential new investments in graphite mining and the ilmenite beneficiation project (para 4.21).

4.43 Third, marketing constraints, both internal and external, would need to be addressed by a variety of measures. In addition to the familiar market research and trade promotion measures, there seems to be a particular need for dissemination of potential market information to small scale producers and adequate facilities and authorization to public sector enterprises to search for new markets and adopt new marketing methods (paras 4.24-25).

4.44 Fourth, export financing facilities at all stages would need to be increased and spread more widely subject, of course, to avoiding the excesses of a protected export sector. Measures here should be aimed at redressing known disparities in fiscal and monetary incentives between exporting and import substituting (paras 2.24-27); between different exporting units (e.g. GCEC and non-GCEC); and between exporters in Sri Lanka and those in competitor countries (para 4.27). The effectiveness of the institutionally and operationally well founded Export Development Board would be enhanced by increasing the resources at its disposal (para 4.26).

4.45 Fifth, the sound policies and institutions which have attracted receipts from invisibles (tourism, port and shipping, private transfers) should be continued and particular attention paid to full utilization of recent infrastructure investments in tourism, ports, and shipping (paras 4.31, 4.35-36). Efforts to estimate the social costs and benefits of migration and inflow of private remittances and to evolve suitable future policies should be continued as this is now a significant source of employment and foreign exchange receipts (paras 4.38-39).

4.46 On the basis of estimated production possibilities and market outlook, the prospects and measures discussed in this chapter would indicate the following medium- to long-term potential for export growth in Sri Lanka.

Table 18: POTENTIAL EXPORT GROWTH IN THE MEDIUM TO LONG TERM

	Actual 1980	Potential Earnings in 1985	1990
	(constant 1980 $ million)		
Merchandise Exports	1063	1450	1925
Tree Crops	574	729	840
Tea	(373)	(385)	(415)
Rubber	(156)	(149)	(160)
Coconuts /a	(45)	(195)	(265)
Other Agriculture	80	172	285
Minor Crops	(51)	(90)	(150)
Coconut By-products	(29)	(82)	(135)
Fisheries	15	32	100
Minerals	50	62	110
Manufactures	344	455	590
Nonfactor Services /b	148	281	515
Tourism	111	215	400
Port & Shipping	37	66	115
Private Remittances	152	450	725
Total /c	1363	2181	3165
	(% of Gross Domestic Product)		
Export of Goods	25.6	27.4	28.5
Nonfactor Services /b	3.6	5.3	7.6
Goods & Nonfactor Services	29.2	32.7	36.1
Memorandum Item:			
GDP, market price (1980 $mn)	4146	5290 /d	6750 /d

/a Kernel products only
/b Selected items only; namely, tourism, port and shipping
/c Of above items only
/d Assume 1980-90 growth rate 5%/yr.

Source: Annex IV, Table 4.

By far, the largest potential would seem to lie in agricultural exports (Tree Crops and Other Agriculture), which would provide about 60% of potential merchandise exports by 1985 and 1990. Among agricultural products, coconuts (kernel and by-products) could be the most significant earners, constituting 30-35% of potential agricultural exports by 1985 and 1990. Because of the brisk price prospects for crustaceans and molluscs, most of the potential growth in earnings from fisheries would come from these high-valued products. The potential growth of industrial exports, comprising minerals and manufactures, would continue to be dominated by exports of garments and petroleum products whose share, however, could decline (from 84% of industrial exports in 1980 to about 70% in 1990) as earnings from other products grow at a faster rate. The potential for earnings from tourism and private remittances will continue to remain substantial (up to a third of total earnings), but the rate of growth should begin to decelerate beyond 1985, particularly for private remittances, as limits are reached in the number of migrants willing or able to work abroad.

4.47 It must be emphasized that the estimates above represent the potential, and not forecast, of export growth in the medium to long term. To realize this potential, it would be necessary to establish and maintain an appropriate real exchange rate that makes Sri Lanka production competitive in both import substitution and export markets without excessive dependence upon import tariffs and export incentives beyond what might be a strictly developmental stage. Adherence to this principle and export promotion measures suggested in this chapter, beginning immediately with an action program, would help to accelerate and sustain export growth significantly over the medium to long term.

V. THE ROLE OF EXTERNAL FINANCE

5.01 It was always recognized that implementing Sri Lanka's ambitious development strategy would require large additional foreign finance. However, to give the economy the necessary time to revitalize itself, it had to be assumed that the bulk of this finance would be available on concessional terms. Although aid commitments have increased substantially in support of the development strategy, high inflation and a large and steady terms of trade deterioration have made them inadequate. Large financing gaps have emerged on many development projects which have resulted in strong budgetary pressures, while net overall aid flows at present barely cover half of the current account deficit in the balance of payments. To help cover the budgetary and balance of payments gaps, Sri Lanka has begun to resort to non-concessional finance on a significant scale. This finance was not part of the development strategy, and is placing its ultimate success in considerable jeopardy. This chapter first discusses Sri Lanka's short-term balance of payments prospects. It then examines the overall response of the aid community since 1977, and the role of new aid commitments in 1982 and 1983 in helping Sri Lanka respond to its current economic difficulties. The recommendations for the volume and composition of further aid are made in the context of the Government's own adjustment measures, Sri Lanka's balance of payments financing needs, likely aid availability, and Sri Lanka's need to greatly curtail commercial borrowings, especially for general budget support. As the concluding section of this chapter shows, commercial borrowings made and identified so far have already placed a heavy burden on the economy through at least the mid-1980's.

Balance of Payments Prospects, 1982-83

5.02 Although Sri Lanka was able in 1981 to reverse the adverse balance of payments trends that have persisted since 1978, pressures in 1982 and 1983 will remain strong even though no major further decline is likely in the terms of trade. After the sharp, largely policy-induced decline in 1981, merchandise imports in 1982 are projected to rise by 13% in real terms, and because of only a marginal increase in the import price level, by about 14% in nominal terms (Table 19). As a result, imports in 1982 will exceed the high 1980 level by almost 5% in real terms. Two-thirds of the overall increase between 1981 and 1982 is accounted for by capital goods imports, both in response to the large increase in budgetary investment, as well as a surge in extra-budgetary investment, largely by Air Lanka, the Ceylon Shipping Corporation, and the Ceylon Cement Corporation. Cereal imports, which were earlier projected to decline sharply, are now likely to remain at roughly the same level as in 1981, due to the sudden need for rice imports following the 1981/82 Maha drought. Sugar imports are likely to decline as a result of the fall in world prices and the large build-up in Food Department stocks in 1981. Petroleum imports are projected to increase sharply, mainly due to the need for large supplementary imports for thermal power generation, while the fertilizer import volume should drop by about one-half, due to the commissioning of the urea factory. These savings are likely, however, to be more than offset by resulting reduced naphtha and furnace oil exports.

Table 19: BALANCE OF PAYMENTS, 1980-83
($ million)

	1980	1981	1982	1983
Merchandise Exports	1,063	1,057	1,080	1,245
Merchandise Imports	2,057	1,920	2,190	2,430
Trade Balance	-994	-863	-1,110	-1,185
Non-factor Service Receipts	232	274	325	385
Non-factor Service Payments	154	179	215	245
Net Non-factor Services	78	95	110	140
Factor Service Receipts	47	29	32	25
Factor Service Payments	73	115	150	170
Net Factor Services	-26	-86	-118	-145
Private Transfers (net)	137	200	250	300
Current Account Balance	-805	-654	-868	-890
Debt Payments	-62	-43	-71	-75
Total Foreign Exchange Requirements	-867	-697	-939	-965
Financed by:				
Direct Foreign Investment (net)	43	50	50	50
Official Grants	138	183	163)	627
Concessional MLT Loans	212 /a	202	379)	
Official Non-Concessional MLT Loans	61	113	146	75
Other Non-Concessional MLT Loans	36	93	215	50
Short-term Finance (net)	+157	+22	+38	+33
Gross Non-Monetary Capital	647	663	991	835
SDR Allocation	16	14	-	-
Errors and Omissions /b	-16	-13	-77	-
Surplus or Unfinanced Gap	-220	-33	-25	-130
Monetary Movements (- = increase)	+220	+33	+25	+130
Memorandum Item				
Net International Reserves (end-year)	+38	+5	-20	-150

/a Includes IMF Trust Fund.
/b Including net progress payments and advances.

Sources: Central Bank of Ceylon, Ministry of Finance and Planning and Bank staff estimates. See Annex V-A for trade account details.

5.03 Merchandise exports are again likely to show poor performance in 1982, with the slow underlying growth being aggravated by a 4% drought-induced decline in tea and rubber exports volume and weak world prices for these commodities. Although the coconut export volume is expected to increase from the drought-affected level of 1981 and in response to export tax reforms in the sector, they will also suffer from weak world prices. Minor agricultural exports and non-garment manufactures are likely to continue their strong growth, but garments exports, which account for about 80% of non-petroleum manufactured exports, will grow only slowly due to overseas import quotas. Petroleum re-exports will also decline significantly, mainly due to

5.04 The overall trade deficit will increase by about $247 million over 1981; however, unlike in recent years, net service receipts will offset this increase to only a very small extent. Net non-factor service receipts should maintain their steady growth of recent years due to continued tourism growth, but these will be largely offset by a large increase in net factor service payments stemming mainly from the interest costs associated with sharp recent increase in commercial borrowing. Net private transfers should, however, continue their strong growth of recent years. As a result, the current account deficit is likely to increase from $654 million to $868 million, or from 15% to 18% of GDP.

5.05 Although concessional aid disbursements are projected to increase significantly in 1982, they will amount to less than three-fifths of foreign exchange needs to cover the current account deficit and debt repayments, about the same proportion as in 1981. The remainder is projected to be covered mainly by commercial finance which rises from $228 million (5.1% of GDP) in 1981 to $399 million (over 8% of GDP) in 1982, including a likely $100 million Eurodollar borrowing for general budget support. Despite these large non-monetary capital inflows, Sri Lanka is likely to experience a $25 million decline in net international reserves, which it can ill afford. By the end of 1982, net reserves would be negative, a further indication of Sri Lanka's increasingly precarious external position.

5.06 While this financing gap in the balance of payments could be met from present gross international reserves, it would reduce the already low level of imports coverage from 11 to only about 9 weeks. After allowing for the already scheduled SDR 49.1 million ($56 million) repurchases from IMF, gross reserves at end-1982 would in fact amount to only about 8 weeks of imports. This must be considered a minimum for an open economy in which imports amount to over 40% of expenditures and include many basic commodities. Sri Lanka should in fact be adding to its level of gross reserves, to ensure at least that present imports coverage is maintained. Table 20 below shows that Sri Lanka's overall foreign exchange requirements in fact would amount to $81 million in 1982, allowing for IMF repurchases.

Table 20: TOTAL FOREIGN EXCHANGE REQUIREMENTS, 1982-83
($ million)

	1982	1983
Unfinanced Gap from Table 19	25	130
Scheduled Repurchases from IMF /a	56	24
Addition to Gross International Reserves /b	-	42
Total Foreign Exchange Needs	81	196

a/ 1SDR = $1.14
b/ Addition to reserves required to maintain 8 weeks equivalent of imports coverage of goods and non-factor services.

Source: Bank staff estimates and IMF.

5.07 Most of the likely additional pressures on the balance of payments in 1982 discussed above stem from the drought, which has reduced projected treecrop export volumes; weak treecrop export prices; and the large increase in investment. The effects of the drought alone are estimated to add almost two percentage points of GDP to the current account deficit; the ship and aircraft imports, which had been anticipated and are fully financed, for a further three percentage points. Excluding these effects, the current account deficit would have amounted to about 13% of GDP, some two percentage points below 1981. While this would represent improvement over 1981 performance, it would still be inadequate when seen in the context of how the current account deficit is being financed. Although net aid disbursements are projected to increase from 8% to 10% of GDP, use of other less desirable finance is projected to increase from 7% to 8% of GDP. Although the increase is relatively small, it unfortunately represents movement in the wrong direction - Sri Lanka no longer has sufficient reserves to finance such a wide gap between the current account deficit and net aid receipts, nor do export prospects allow for a continued high level of non-concessional finance. Additional measures, including the continuation of appropriate exchange rate policies and steps to reduce the use of commercial finance are needed. Although their impact would probably be limited in 1982, it is important that they be in place as early as possible, to enable the momentum of improvement which began in 1981 to be regained by 1983.

5.08 The present, highly tentative, balance of payments outlook for 1983 is for a slight decline in the current account deficit over 1982 to about 16% of GDP. Imports are projected to decline by marginally in real terms, while exports should show about 4% real growth, due to an expected recovery in the treecrop sector. Overall services are projected to continue to remain in deficit, due to the steady growth in interest payments. Private transfers should continue to grow, although somewhat more slowly than in recent years.

5.09 Net non-monetary capital inflows in 1983 are likely to be somewhat lower than in 1982, but this is primarily the result of a decline in commercial borrowings. This decline includes the elimination of Eurodollar borrowings for general budget support, reflecting what we believe should be the Government's policy in this area. Aid receipts should increase significantly reflecting an acceleration in project aid disbusements from the pipeline, and the recommended increase in new quick-disbursing forms of aid (para 5.18). Net aid receipts would amount to about 10% of GDP, leaving a high 6% of GDP to be financed by less desirable means. Allowing for disbursements on already identified commercial borrowings and net direct foreign investment inflows, an unfinanced gap of $130 million would remain. Adding to this, scheduled IMF repurchases of SDR 20.8 million ($24 million) and the desirable increase in gross international reserves to maintain 8 weeks of imports coverage, Sri Lanka's total uncovered foreign exchange needs in 1983 would amount to $196 million (Table 20).

5.10 The balance of payments prospects for 1982 and 1983, and the measures to improve them, despite some extenuating circumstances, nevertheless reveal a failure to adequately tackle the basic structural problem of the trade imbalance. As long as imports are twice the level of exports, exports must grow twice as fast as imports merely for the trade deficit to remain unchanged. And as long as significant progress cannot be achieved in reducing the trade gap, Sri Lanka is likely to have large uncovered gaps on the overall balance of payments which will need to be covered at least in part by costly non-concessional borrowing. As paras 5.20-5.23 discuss, borrowing so far and likely new borrowing in 1982 and 1983 will already place a heavy debt service burden on Sri Lanka in the late 1980s; such borrowings must be reduced before they eventually cause serious economic disruption. This will not be easy given the significant decline in the terms of trade Sri Lanka has experienced in recent years, and the relative inflexibility of the public investment program. Nevertheless, like all countries, Sri Lanka has to adjust to changed circumstances. Provided Sri Lanka initiates the necessary adjustments on a significant scale now and steps up efforts to increase exports, it should be possible to carry out this adjustment process with a minimum of hardship. Doing so will, however, also require additional aid inflows. It is to the role of foreign aid and the response of the donors that this chapter now turns.

Aid Commitments and Disbursements, 1977-81

5.11 The response of the aid community to the government's efforts to mobilize increased aid has been strong. Between 1977 and 1981, the overall level of annual aid commitments more than tripled (Table 21). Just as significant has been the change in the composition of commitments - in 1977, project aid had accounted for 52% of total commitments; by 1981, this had risen to 83%. This was a reflection of the renewed emphasis on economic development in the government budget; in particular, of donor support for the large Accelerated Mahaweli Ganga Development Program, which has accounted for over 40% of total project aid commitments since 1977.

Table 21: AID COMMITMENTS, 1977-81
($ million)

	1977	1978	1979	1980	1981
Food Aid	23.2	57.5	38.9	39.4	39.0
Commodity Aid	96.3	145.7	114.8	82.8	103.2
Project Aid	130.0	196.9	415.0	505.3	672.4
	249.5	400.1	568.7	627.5	814.6
Memorandum Items					
Mahaweli Aid	-	13.3	225.1	118.2	376.2
Non-Mahaweli Aid	249.5	386.8	343.6	509.3	438.4
Aid per capita ($)	17.8	27.2	39.3	42.7	54.5

Source: Ministry of Finance and Planning

5.12 Due to the long-gestation nature of the Accelerated Mahaweli Program, it was agreed in 1978 that commitments to that scheme should be additional to normal aid flows. Although all donors were unable to meet this objective individually, non-Mahaweli commitments taken as a whole during 1979-81 averaged 11% higher than in 1978 in nominal terms. 1/ There was, however, a significant shift from non-project to project aid in the process. In 1978, project aid had comprised 47% of non-Mahaweli aid; by 1980, this had increased to 76%. While this trend would normally be welcomed, it unfortunately conflicted with Sri Lanka's need for additional general budget and balance of payments support. Initial underestimation of costs and subsequent unexpectedly high price escalation had greatly increased the costs of the Accelerated Mahaweli Program. 2/ The consequence was that there were now large financing gaps on the headworks. In order to finance the increased local costs without resorting to inflationary finance, the Government was going to have to squeeze other investments. Given that the Government had initiated a large program of investment outside Mahaweli, which was also gathering momentum and which donors were supporting, there was by 1980 almost no scope for introducing any new projects before the mid-1980s. In order to continue to be able to help the Government finance its investment program, the form of donor support was therefore going to have to change. The volume and nature of these changes were discussed in the Bank's 1981 report. The report recommended that donors shift back towards food and

1/ In real terms, however, they declined by an average of 9%.

2/ For the extent of foreign financing for Mahaweli as well as for other projects, see Annex III-F.

commodity aid, increase their financing of ongoing projects, and investigate new channels of support such as sector credits.

5.13 Aid commitments rose to a record $815 million in 1981, but donors were able to accommodate the Bank's 1981 aid recommendations only to a limited extent. Overall project aid commitments rose sharply, due entirely to aid commitments towards Mahaweli. Non-Mahaweli project aid commitments declined by $91 million or by 24%. Unfortunately, however, donors were able to only partly offset this reduction with higher commitments of food and commodity aid. Food and commodity aid commitments in 1981 increased by $20 million. However, USAID, through its Mahaweli sector support credit of $18.8 million, was able to commit sizable budget and balance of payments support through project aid channels.

5.14 The rapid rise in aid commitments since 1977 has so far only partly been reflected in increased disbursements. As table 22 below shows, aid disbursements have averaged only 17.3% growth since 1977, which amounts to about 6.9% annual growth in real terms. Consequently, the pipeline of undisbursed aid has grown rapidly, increasing by 250% between end-1977 and end-1981. There are several reasons for the slow growth of disbursements relative to commitments, and the consequent large build-up of the pipeline. Two reasons - the rapid acceleration in aid commitments themselves, and the shift towards project aid - reflect in no way adversely upon Sri Lanka. As most aid takes several years to disburse, it was inevitable in a period such as 1978-81, when commitments were growing rapidly, that disbursements growth would initially lag behind. Similarly, the relative shift from food and commodity aid towards slower disbursing project aid has also meant that some slowdown in the overall disbursement rate was to be expected. However, the slow overall disbursement rate has also been caused by several more specific factors stemming from institutional constraints within Sri Lanka. In particular, the machinery to administer aid and budgetary procedures governing the disbursement and reimbursement of aid have not been strengthened sufficiently to reflect the large increase in aid committed to Sri Lanka. In some cases, donor conditions governing the use of the aid have also resulted in slow disbursements.

Table 22: AID DISBURSEMENTS, 1977-81
($ million)

	1977	1978	1979	1980	1981
Food Aid	62.7	58.1	36.0	38.3	37.3
Commodity Aid	83.9	98.1	122.7	100.3	96.6
Project Aid	57.1	95.0	109.4	187.3	251.3
of which Mahaweli Aid	-	(1.3)	(31.3)	(79.2)	(86.2)
Total	203.7	251.2	268.1	325.9	385.2
Memorandum Item					
Aid per capita ($)	14.6	17.7	18.5	22.2	25.8

Source: Ministry of Finance and Planning

5.15 As table 23 below shows, the overall disbursement rate shows a marked decline from 40% in 1978 to 22% in 1981. This can largely be explained by the increase in relatively slower disbursing project aid, which rose from 76% to 88% of the opening undisbursed balance, which itself more than doubled between 1978 and 1981. The disbursement rates of individual types of aid have fallen far less significantly. In the case of project aid, the decline is mostly attributable to non-Mahaweli project aid, where the disbursement rate has fallen not only due to the acceleration in new commitments, but also due to budgetary developments. Between 1978 and 1980, line ministries devoted most of their efforts to introducing new projects rather than implementing those which had already been approved; as a result, disbursements on ongoing projects suffered. Since 1981, when budgetary control was greatly strengthened, disbursements have been constrained by the large cuts in non-Mahaweli capital expenditures, which will result in longer implementation periods for most projects. These cuts should not, however, result in any further slowdown in the disbursement rate, as foreign aided projects are generally being given priority in the budget allocation process, and with the large overall cuts, line ministries are now being forced to focus their energies on implementing ongoing projects. Project aid disbursements have also tended to lag as a result of budgetary procedures related to the reimbursement by donors of local cost expenditures. In many cases, the work has already been done by the line ministries under budgetary allocations from the Consolidated Fund, but the reimbursement claims to the donors have not been submitted. As a result, there is a significant backlog of aid which can be disbursed once the necessary claims are processed and submitted. With the 1982 budget, the Government has strengthened the procedures by which reimbursable local costs are initially financed, which should enable quicker reimbursements in future. It has also begun compiling an inventory of past such expenditures which have not been claimed in order to enable early disbursement of the associated aid. Mahaweli aid has so far presented no disbursement difficulties, an indication of the high priority being attached to the program, and the fact that most of the aid is going towards financing obligations to foreign contractors who are operating under tight schedules.

5.16 Although the 50-60% disbursement rates on commodity aid in table 23 represent a significant drop over the 81% achieved in 1978, even lower 45-48% rates were achieved during 1976 and 1977. The 1978 performance was therefore probably an anomaly, and suggests that actual performance during 1979-81 has been satisfactory. There would be grounds for concern with the decline in the disbursement rate were the undisbursed pipeline increasing, but as table 23 indicates, this has shown a steady decline through 1981 suggesting that Sri Lanka is already disbursing aid faster than it is receiving new commitments. The gains to further accelerating disbursements are therefore limited, unless commitments increase. As in 1981, our recommendations for 1982 and 1983 call for primary emphasis on food and commodity aid (para 5.17-5.18). In order for these commitments to translate into early disbursements, it is essential that both Sri Lanka and donors take every measure to ensure that the aid can be used rapidly. On the part of Sri Lanka, this means taking steps to ensure that whenever commodity aid is appropriate and available to finance certain imports, that it be used. There has been an increasing tendency in recent years for the users of commodity aid to avoid the relatively complex procedures associated with it by going directly to the banking system for foreign exchange. While this may indeed make importing easier for the individual importer, it is not in the best interests of the country as a whole. The Government should therefore continue to ensure that aid-financed imports are sufficiently attractive to justify their use. 1/ On their part, the donors should attempt to place as few restrictions as possible on their aid to allow Sri Lanka maximum flexibility and to ensure that the aid can in fact be readily utilized. Food aid, in contrast, disburses very quickly due both to donors commitment procedures and the relatively few institutions involved in Sri Lanka, and continues to provide one of the quickest and most effective sources of budget and balance of payments support.

Table 23: DISBURSEMENT PERFORMANCE, 1978-81
($ million)

	Project Aid		Non-Project Aid			
	Non-Mahaweli	Mahaweli	Commodity	Food	Total	of which Non-Mahaweli
1978						
Opening Pipeline	353.7	-	98.9	12.9	465.5	465.5
Pipeline Disbursements	92.6	-	80.1	12.9	185.6	185.6
Disbursement Rate	26.2	-	81.0	100.0	39.9	39.9
1979						
Opening Pipeline	443.8	11.0	187.6	3.5	645.9	634.9
Pipeline Disbursements	65.7	11.0	110.0	3.5	190.2	179.2
Disbursement Rate	14.8	100.0	58.6	100.0	29.4	28.2
1980						
Opening Pipeline	530.4	201.4	160.2	3.5	895.5	694.1
Pipeline Disbursements	74.7	48.8	81.6	3.5	208.6	159.8
Disbursement Rate	14.1	24.2	50.9	100.0	23.3	23.0
1981						
Opening Pipeline	810.7	240.4	140.5	4.5	1196.1	955.7
Pipeline Disbursements	119.0	59.4	78.0	4.5	260.9	201.5
Disbursement Rate	14.7	24.7	55.5	100.0	21.8	21.1

Source: Ministry of Finance and Planning

1/ At present, private sector importers get a 5-10% rebate on imports under aid lines as an incentive for their use.

Aid Recommendations for 1982 and 1983

5.17 The priorities for aid and the thrust of our aid recommendations remain largely the same as in 1981. The present outlook for project aid in 1982 is that new non-Mahaweli project aid commitments will total about $366 million (see Table 24). Although this is higher than what was recommended in the last report, it is all likely to be accounted for by projects already in the 1982-86 public investment program. Some of the projects, it should however be noted, were not in the 1981-85 investment program and are thus contributing to rather than helping ease budgetary pressures. With these commitments, almost all of the projects which are identified in the public investment program for implementation in 1982-84 and which are also likely to receive donor support will have received aid commitments. It is therefore important that donors and Government both resist the temptation to add new projects to the program at the present time. Even if they were fully financed, they would still put pressures on available resources, which would make it even more difficult to get back to reasonable budget and balance of payments deficits, and only serve to further slow down implementation, increase the costs, and reduce the economic returns to existing projects. This moratorium on new projects not identified in the investment program through 1984 should greatly reduce project aid commitments in 1983. The few remaining un-aided projects, supplementary financing aimed at reducing the financing gaps on ongoing projects, general sector support, and projects aimed at ensuring adequate credit for private sector investment could amount to about $150 million in new project aid commitments in 1983. In addition, donors are also likely to commit about $109 million towards on-going projects under the ongoing Accelerated Mahaweli Program in 1982, and about a further $55 million in 1983. By 1985-86, the bulge in public investment should be subsiding and project aid commitments could begin returning to more normal levels during 1984.

5.18 Although donors were able to increase their food and commodity aid commitments in 1981, they were well below what had been recommended, which in turn was relatively small in relation to Sri Lanka's needs. Our recommendation had represented what was felt to be a reasonable compromise between Sri Lanka's needs, and the amount of non-project aid that would probably have been available otherwise. The need for non-project aid remains high, and consequently our recommendations call for about $200 million in non-project aid commitments in 1982, and for about $250 million in 1983. There is also a strong case for early increases in food aid to Sri Lanka to help compensate for losses stemming from the drought in early 1982. Although much higher recommendations could be justified on budgetary and balance of payments grounds, these amounts would represent a reasonable division of the adjustment burden. These levels of aid would, provided the Government takes the necessary steps to reduce the budget and balance of payments deficits, help maintain a continued high level of resource transfer through the medium term. This transfer is a fundamental element of Sri Lanka's development strategy and is crucial to its success.

Table 24: SUMMARY AID PIPELINE, 1982-83
($ million)

	Non-Mahaweli Project	Mahaweli Project	Food and Commodity	Total	of which non-Mahaweli
1982					
Opening Balance	941.8	530.4	153.2	1,625.4	1,095.0
New Commitments	365.8	109.0	200.0	674.8	565.8
Disbursements from Past Commitments	182.5	164.4	80.3	427.2	262.8
Disbursements from New Commitments	19.9	24.0	71.3	115.2	91.2
Total Disbursements	202.4	188.4	151.6	542.4	354.0
1983					
Opening Balance /a	1,100.4	451.0	201.1	1,752.5	1,301.5
New Commitments	150.0	55.0	250.0	455.0	400.0
Disbursements from Pre-1982 Commitments	221.0	115.0	36.0	372.0	257.0
Disbursements from 1982 Commitments	35.0	35.0	74.0	144.0	109.0
Disbursements from New Commitments	5.0	31.0	75.0	111.0	80.0
Total Disbursements	261.0	181.0	185.0	627.0	446.0
1984					
Opening Balance	989.4	325.0	266.1	1,580.5	1,255.5

/a Excluding $4.8 million in non-Mahaweli project aid, and $0.5 million in commodity aid cancelled in 1982.

Source: Ministry of Finance and Planning and Bank staff estimates.

External Debt Position and Prospects

5.19 As table 25 below shows, Sri Lanka's debt service ratio has fallen significantly since 1976. In part, this has been due to some nominal growth in exports of goods and non-factor services, but it has mainly been the result of repayments on short to medium term borrowings which were undertaken in the mid-1970s following the first oil crisis. On the other hand, interest payments, which represent the true current cost to the economy have continued to grow steadily as shares of both exports and GDP. As at end-1981, Sri Lanka's disbursed external public and publicly guaranteed debt stood at $1,585 million, the equivalent of about 37% of GDP. While this is relatively high compared to most developing countries, over 80% of the debt comprises long-term concessional loans, with the consequence that the present debt service ratio, at about 8.7% of exports of goods and non-factor services and 2.6% of GDP, is relatively low.

Table 25: EXTERNAL DEBT SERVICE PAYMENTS, 1976-81
($ million)

	1976	1977	1978	1979	1980	1981
Amortization/a	82.0	81.7	91.1	64.5	62.5	43.2
Interest payments/b	22.5	26.8	31.1	48.5	59.4	73.1
Total	104.5	108.5	122.2	113.0	121.8	116.3
Total as a percent of Exports of Goods and Non-factor Services	16.7	12.9	12.9	9.9	9.4	8.7
Total as a percent of GDP	4.8	4.0	4.5	3.4	2.9	2.6
Interest as a percent of Exports of Goods and Non-factor Services	3.6	3.2	3.3	4.3	4.6	5.5
Interest as a percent of GDP	0.6	0.7	1.1	1.4	1.4	1.6

/a Excluding IMF repurchases.
/b Including IMF interest charges.

Source: Central Bank of Ceylon

5.20 The improving debt service trend and the relatively comfortable present position are about to end. Over the past four years, Sri Lanka's total external public debt (disbursed and undisbursed) has increased by over 150%. While the increase in obligations will eventually translate into an acceleration in debt service payments, the more significant factor has been the change in the composition of the total debt as a result of Sri Lanka's decision to begin commercial borrowing on a significant scale. The level of disbursed and undisbursed suppliers' credits (including official export credits) and loans by financial institutions (mainly Eurodollar borrowings) increased almost seven-fold between December 1978 and December 1981, and rose from 4.8% to 16.8% of the total public debt. 1/ As of December 1981, almost 60% of this debt had been disbursed, and

1/ A list of major such borrowings is given in Annex V-B.

most of the remainder is expected to disburse in 1982. This commercial debt is of relatively shorter maturity than official development assistance, and most of it carries market interest rates. In addition, the Government is projecting the need for $100 million for budget finance in 1982, while over $150 million will also be needed to cover the likely balance of payments gaps in 1982 and 1983. Moreover, Sri Lanka as of end-1981, had $404 million equivalent in outstanding IMF credit which will have to be repaid over the 1982-1991 period. Finally, since 1979, Sri Lanka has accumulated $180 million in outstanding short-term trade credits, which at present interest rates are adding about $25-30 million annually to the debt service bill.

5.21 Table 26 below presents Bank staff projections of Sri Lanka's external debt service position through the mid-1980s on the basis of commitments entered into to date, and likely new borrowings in 1982 and 1983. The main major new commercial borrowings assumed are $100 million in 1982 to help cover the projected budgetary deficit, and $81 million and $154 million in 1982 and 1983 respectively to cover the balance of payments deficits (Table 19) and the IMF repurchases (Table 20). The projections make no allowance for any increase in the level of outstanding short-term borrowings beyond 1983 and assume they will remain at around $250 million. In addition to interest payments to the IMF, the projections also include repurchases; however, these will be offset to the extent Sri Lanka receives disbursements under new arrangements with the IMF during the 1980s. Finally, it should be noted that two other items which could be considered "quasi-debt service" - lease payments and profit and dividend remittances abroad by foreign investors in Sri Lanka - have been excluded from the projections. Lease payments on the two new wide-body aircraft Air Lanka will take possession of in 1982 will amount to about $10 million annually for the next 12 years, while profits and dividend remittances to abroad already amount to about $10 million annually and are expected to grow steadily. These projections do not include debt service on loans that will be contracted after 1983, and thus represent an underestimate of Sri Lanka's debt service payments. 1/

1/ In the case of official MLT loans, the cutoff date is 1981.

Table 26: PROJECTED DEBT SERVICE PAYMENTS, 1982-1986/a
($ million)

	1982	1983	1984	1985	1986
Amortization					
Official MLT Loans	47	56	66	75	84
Commercial Borrowing/b	24	19	32	88	169
IMF Repurchases	56	24	25	39	57
Total Amortization	127	99	123	202	310
Interest Payments					
Official MLT Loans	33	35	37	38	41
Commercial Borrowings/c	74	93	113	109	96
On IMF Credit	23	18	17	16	13
Total Interest	130	146	167	163	150
Total Debt Service Payments	257	245	290	365	460

/a See para 5.21 for explanation of debt included in the projections.
/b Comprises amortization on suppliers' credits, official export credits, and Eurodollar borrowings.
/c Comprises interest on items in /b above as well as interest on short term outstanding debt.

Source: Bank staff estimates

5.22 The above payments represent a sizeable increase over the recent past - the projected payments of $460 million in 1986 for instance are almost four times those of 1981. The extent of the burden that these payments impose on foreign exchange reserves will depend on how quickly and comprehensively the Government is able to undertake the types of adjustment measures advocated elsewhere in this report, especially on how quickly it can increase exports. Recent goods and non-factor service export trends have not been encouraging, with both a low rate of growth in export volume, and a rate of price increase that has on average been only half that of international prices generally. The balance of payments projections in Table 19 assume that Sri Lanka can average 3% volume growth between 1981 and 1983, and that export prices will pick up and grow almost as fast as international prices generally. All of the above relatively optimistic assumptions notwithstanding, Sri Lanka's debt service ratio rises sharply, exceeding 21% by 1986 as Scenario I in Table 27 below shows. In contrast, Scenario II shows the effect of relatively pessimistic export assumptions - exports volume grows only half as fast as under Scenario I, while export prices increase on average only half as fast as international prices generally, in line with the overall trend since 1977. Under Scenario II, the debt service ratio would exceed 26% by 1986. While these ratios are relatively high compared to most developing countries, it should be noted that exports themselves, at 30% of GDP, are also high compared to low income countries; thus, the ratio of debt service to exports on its own tends to understate the true burden of debt service on the economy.

Table 27: DEBT SERVICE RATIO PROJECTIONS, 1982-86

	1982	1983	1984	1985	1986
A. Debt Service Payments ($ million) (from Table 26)	257	245	290	365	460
Scenario I					
B. Exports of Good and Non-Factor Services/b	1405	1630	1805	1990	2170
Debt Service Ratio (A/B in percent)	18.3	15.0	16.1	18.3	21.2
Scenario II					
C. Exports of Goods and Non-Factor Services/c	1405	1485	1560	1640	1715
Debt Service Ratio (A/C in percent)	18.3	16.5	18.6	22.3	26.8

/a See para 5.21 for explanation of debt included in these projections.
/b Assumes 3.0% volume growth 1984 onwards, and 7.5%, 7.0%, and 6.0% export price increases in 1984-86 respectively (For 1982-83 projections see Table 5.01)
/c Assumes 1.5% volume growth 1983 onwards, and 4.0%, 3.75%, 3.5%, and 3% price increases in 1983-1986 respectively.

Source: Bank staff estimates

5.23 As incomplete as the above analysis is, it serves to show that Sri Lanka's external position, already under intense pressure due to severe imbalance on the trade account, is about to come under even more pressure from debt service requirements. To avoid serious debt management problems, Sri Lanka will have to reduce gross foreign exchange requirements (defined as the current account deficit plus debt repayments) to the level at which they are more or less fully covered by official long-term capital inflows; i.e. gross aid disbursements. In 1984, for instance, this would mean Sri Lanka would have to achieve an overall balance of payments surplus, taking only long-term capital inflows into account, of $123 million, simply to have to avoid further commercial borrowings. The more the current account deficit can be reduced and the more concessional aid for balance of payments support Sri Lanka receives, the easier such a surplus will be to achieve. Given the rapid rise in debt service payments, Sri Lanka's already relatively high level of per capita aid inflows, and the limited prospects for higher non-project aid in general, any additional aid flows are likely to be relatively small compared to the projected gaps. Further drawings against gross international reserves are not a solution, as gross reserves as at end-1983 (assuming none of the additional borrowings shown in Table 20) would be insufficient to cover even 1984 debt service needs. Some additional borrowings to roll over part of the debt will be inevitable as even the most concerted efforts are unlikely to achieve the required savings on the current account, but these will only serve to lengthen the period it will take for Sri Lanka to start bringing the debt service ratio back down again. The danger is that Sri Lanka will soon find itself undertaking new commercial borrowings mainly to pay interest on the existing debt. This simply fuels a vicious circle of ever-increasing borrowings, which is usually compounded by tendencies for borrowing terms to harden in such circumstances - maturities shorten and interest rates rise. Such an internally unstable scenario must inevitably collapse, forcing severe economic hardship upon the country. And the longer the required adjustment measures are postponed, the more severe they must eventually be.

Conclusion

5.24 The ultimate success of Sri Lanka's bold program of economic liberalization and development depends upon prompt and significant measures being taken to improve the structure of the balance of payments. At present, the trade gap at 19% of GDP is unsustainably large. Although this gap is largely due to the deterioration in the terms of trade, these cannot be changed, and Sri Lanka like all other countries must adjust to them. So far, the adjustment has been insufficient, and Sri Lanka has in effect maintained the large trade gap in part through commercial borrowings. But as discussed above, this strategy cannot prove sustainable, and immediate steps must be taken to greatly reduce the need for such borrowings. The general route to improvement is clear--Sri Lanka must reduce imports and increase exports growth. Essential elements of such a strategy are the pursuit of an appropriate exchange rate policy, and reduction of the unfinanced budgetary deficits. However, more specific measures will also be needed, including a concerted effort at energy conservation--net petroleum imports by 1985 could account for half of all non-petroleum exports--as well as the adoption of policies to further reduce subsidiary food imports. A comprehensive and systematic program to increase exports must become a top development priority. At the same time, the use of commercial finance must be much more selective. In particular, new approvals should be made only in cases where investments are clearly self-financing in foreign exchange--i.e., they can repay their investment costs in net foreign exchange savings at least as quickly as the foreign loan must be amortized. The use of Eurodollar loans for general budget support should stop as it is effectively substituting for increased domestic resource mobilization, and permitting increased expenditures at the margin which are unlikely to result in net foreign exchange savings. To assist the Government in reducing the need for Eurodollar finance and bank borrowings, donors should significantly increase non-project aid and their financing for projects already in the public investment program.

5.25 The list of reforms accomplished by the Government since 1977 is long, and can provide a sound basis for a healthy mixed economy well into the future. These prospects are, however, being jeopardized by an overly-ambitious public investment program, inadequate budgetary control, and the massive increase in the trade deficit, due in large part to relatively poor exports performance. The determination with which the Government responded to the 1980 situation, and the subsequent response of the economy in 1981, suggests that given the necessary commitment, it should be possible to take the steps required to avoid serious balance of payments difficulties in the mid-to-late 1980's. To enable the development program to proceed smoothly, however, these measures must be taken promptly.

SELECTED POLICY CHANGES IN 1981

PRODUCTION

Agriculture

1. The guaranteed price for paddy was raised on two occasions - from Rs 50.00 to Rs 52.50 per bushel on February 1, and Rs 52.50 to Rs 57.50 per bushel on September 15. These price increases coincided with increases in fertilizer prices (see para 17).

2. To help improve tea producer margins, the average factory auction price at which the ad valorem tax on tea becomes applicable was raised from Rs 16.00 to Rs 18.00 per kg on April 1. The tax rate remained unchanged at 20%. (See also para 11 for revisions under the 1982 budget.)

3. Restrictions imposed in 1979 on the exports of coconut oil, fresh coconuts, and coconut rafters were removed with effect from May 20. No minimum export price was fixed for coconut oil, but a minimum export price of US$200 f.o.b. Colombo per 1000 nuts was set for fresh coconut exports. Effective June 4 the 15% export duty levied on coconut matress fiber in bales was also removed to improve producer margins. Following a continued decline in world coconut product prices, the export duties on these products were lowered subsequently. Government withdrew the specific export duty on coconut oil of Rs 1,650 per MT on August 13, and on October 9, the specific export duty on desiccated coconut was reduced from Rs 6,450 per MT to Rs 5,000 per MT. (See also para 11 for further changes under the 1982 budget.)

4. On March 21, the Ministry of Trade and Shipping announced that private sector rubber shippers would be permitted to export rubber in the form of RSS 1, 2, and 3. Previously all such rubber had been exported by the state under the rice-rubber pact with China. To improve rubber producer margins following a drop in world prices, the export duty was reduced on July 21. This revision increased the floor price at which the tax became applicable from Rs 8.80 to Rs 10.00 per kg, lowered the tax rate for f.o.b. prices up to Rs 24.88 per kg,and increased the tax for f.o.b. prices realized in excess of that. The revised rate structure is summarized below.

F.O.B. Price (Rs per kg)	Export Duty (Rs per kg) Old	New
8.80 and less	-	-
8.80 - 10.00	0 - 1.20	-
10.00 - 17.00	1.20 - 8.20	0 - 5.25
17.00 - 20.00	8.20 - 9.70	5.25 - 7.50
Over 20.00	9.70 plus 50% of the f.o.b. price in excess of Rs 20.00 per kg	7.50 plus 50% of the f.o.b. price in excess of Rs 20.00 per kg

(See also para 11 for revisions under the 1982 budget.)

5. The Ministry of Agricultural Development and Research announced new floor prices for minor food crops, in May for the 1981 Yala crop, and in November (effective January 1982) for the 1981/82 Maha crop. These changes together with the old floor prices are summarized below.

Crop	1980/81 Maha	1981 Yala (Rs per kg.)	1981/82 Maha
Maize	1.98	2.30	2.50
Chillies (dried)	20.98	24.00	21.00
Groundnuts (unshelled)	4.95	6.00	6.00
Sorghum 1/	1.32	2.00	-
Soyabeans	4.95	7.00	6.00
Tumeric (cured) 1/	16.50	10.00	-
Gingelly	6.60	7.00	6.00
Black Gram	3.85	3.85	4.00
Green Gram	6.60	6.60	6.75
Cowpea	5.50	5.50	5.50
Red Onions	-	2.20	2.30
Bombay Onions	4.95	4.95	5.00
Kurakkan 2/	-	-	2.00

1/ Dropped from floor price scheme.
2/ Added to floor price scheme.

6. At the time of the 1982 budget, changes in replanting and related subsidies were announced for the major treecrops.

Tea: The replanting subsidy for private growers was increased from Rs 10,000 to Rs 12,500 per acre for high- and mid- country teas, and from Rs 8,000 to Rs 10,000 per acre for low grown teas. No changes were announced for replanting subsidies for the JEDB and SPC.

Rubber: The replanting subsidy for rubber was increased from Rs 6,500 to Rs 7,500 per acre, and the new planting subsidy from Rs 2750 per acre to Rs 6,750 per acre. To finance these increases, the rubber cess was increased from Rs 0.50 to Rs 0.75 per kg, and in order to not adversely affect producer margins, a corresponding reduction in the sliding scale export duty was made.

Coconut: Coconut subsidies were raised as follows:

Subsidy	Old Subsidy (Rs/acre)	New Subsidy (Rs/acre)
Under-planting/Replanting	2,250	3,000
New planting	2,750	3,500
Under-cropping with Cocoa	1,500	2,250
Under-cropping with Coffee	1,375	2,125
Under-cropping with Pepper	1,875	2,625
New Planting in home gardens	28 per palm	35 per palm

7. To assist smallholders in the tea and rubber sectors a fertilizer credit scheme has been set up with the Central Bank, along the lines of an earlier pilot project in the coconut sector. Under the scheme, rubber and tea smallholders will be able to obtain loans at a rate of Rs 1000 per acre for tea and Rs 450 per acre for rubber. Loans up to Rs 10,000 will be available on personal guarantee supported by two sureties acceptable to the commercial banks. Loans in excess of Rs 10,000 will also be granted, but against mortgage of the land or the lease-hold rights. The loans for tea carry a grace period of 3 months; for rubber, 6 months; both are repayable over an 18 month period.

PUBLIC FINANCE

The Budget

8. As a result of continuous budgetary pressures, the Government took a number of successive revenue raising measures throughout the year, as well as major ones under the 1982 budget presented to Parliament on November 12. These measures are summarized below.

9. Turnover and Excise Taxes: On April 3, the Business Turnover Taxes (BTT) for ship chandlers, aircraft caterers, and financiers were increased from 5% to 10%, and that for pawnbrokers from 2% to 10%. These increases were, however, rescinded on May 1. On September 9, the BTT on domestically manufactured sugar and sugar syrup was reduced from 35% to 25%; on October 9, this was further reduced to 15%. In the 1982 budget, the entire BTT system was restructured, and the implementation was changed to apply to imports as well as domestic manufactures. (In cases where locally manufactured products include imported components, the turnover tax will be levied on a domestic value added basis). The number of basic tax rates was reduced to three--2%, 5%, and 10%, with the 2% rate applying to most manufacturing. (Domestic manufacturing had previously been taxed at 1%.) Under the new legislation, the following items were excluded from BTT: infant milk foods, fertilizer, crude oil, manufactured exports, and imported inputs used in the production of exports. At the same time, the BTT on services and professions were increased as follows:

	Old Rate (%)	New Rate (%)
Banks	2	5
Finance Companies	5	10
Pawn Brokers	2	5
Advertising receipts	5	10
Contractors	2	3
Architects and Building Consultants	5	10
Tourist Hotels	15	20
Tourist Restaurants	2	10

On December 28, the BTT exemptions were extended to cover the following:

a) Articles entitled to duty free clearance under Section 19 of the Customs Ordinance;

b) Imports by Government departments, other than those for resale or use in the production of other articles for sale;

c) Articles which have been granted duty exemption under Section 19A of the Customs Ordinance, or under the provisions contained in any other law;

d) Articles enumerated in the List of Exemptions to the Customs Tariff;

e) Articles entitled to duty-free clearance under the Passengers Baggage (exemption) regulations under Section 167 of the Customs Ordinance;

f) Articles imported or sold at a duty-free shopping complex;

g) Articles cleared duty-free on a free re-importation certificate as provided in schedule A of the Customs Ordinance;

h) Articles cleared ex-bond for use on ships, stores, or for re-export;

i) Articles imported for use by the disabled;

j) Articles imported by GCEC enterprises;

k) Water sold by the Water Supply and Sewerage Board or by any local authority;

l) Bread;

m) Rice (uncooked), wheat and wheat flour except at the stages of import or milling; and

n) Paddy.

Excise taxes on liquor were changed with the budget as follows:

Liquor	Old Rate	New Rate
	(Rs per proof liter)	
Molasses Arrack	38.40	44.00
Coconut Arrack	44.50	53.30
Processed Arrack	67.00	87.00
Locally-made foreign type liquor	78.00	98.00
Beer	12.50	8.50

The excise duty on tobacco was increased by Rs 41 per kg from Rs 241 to Rs 282 per kg. The import duty on raw tobacco was also adjusted accordingly.

10. Import Duties: As of June 5, the following import duties were changed: Capro Lactum (an input to the Nylon 6 plant), from 12 1/2% to 5%; prepared glues in packages of 5 kg or less, from 25% to 100%; A.C., D.C. generators and generating sets with internal combustion piston engines, from 5% to

duty-free; electric bulbs over 200 volts but not exceeding 200 watts, from 50% or Rs 1.50 per unit to 50% or Rs 2.50 per unit, whichever is greater. In August, the import duty on the import of live horses, asses, mules, and hinnies was reduced from Rs 20,000 to Rs 5,000 per animal. On September 22, the import duty on refined sugar was increased from Rs 2 to Rs 4 per kg. Duties on perfumes, soaps, varnish, articles of asbestos, cement, and certain electrical items were also raised on September 22. Under the 1982 budget, duties on machinery and essential raw materials were reduced from 12 1/2 to 5%, and it was announced that effective 1983, Government imports would no longer be exempt from import duties.

11. Export Duties: Under the 1982 budget the export duties for treecrops were adjusted as follows:

Tea - The export duty on bulk tea was reduced from Rs 10.50 to Rs 8.00 per kg; that on packeted tea, from Rs 8.50 to Rs 6.50 per kg. The *ad valorem* duty rate on tea was increased from 20% to 35%, but the average monthly factory sales price above which the tax is levied was increased Rs 18 to Rs 22 per kg.

Rubber - A small reduction in the rubber export duty was made to compensate for the increase in the rubber cess (para 6).

Coconuts - A complete restructuring of the coconut export duty system was effected in which the prevailing system of fixed and variable export duties was replaced by a sliding scale of duties which taxed coconut exports progressively. The new system is based on the price of coconut oil, one of the two main coconut product exports, and the product for which a broad market exists and for which international prices are regularly quoted. Duties are imposed only when the implicit price to the producer reaches Rs 1,450 per 1,000 nuts, which is assumed to correspond to a quoted price of coconut oil (the London c.i.f. cost for Philippine oil) of Rs 13,100 per MT. As prices rise above this level, a graduated duty structure is imposed which for coconut oil is set as follows:

	Price Range (Rs per MT)	Duty (%)
	13,100 and below	nil
Duty Slab 1	13,101 - 14,600	30
Duty Slab 2	14,601 - 16,100	40
Duty Slab 3	16,101 and above	50

The sliding scale export duties for other products are derived from that for coconut oil on a nut-equivalent basis, on the assumption that 8,000 nuts constitute one MT of coconut; 6,800 nuts, one MT of desiccated coconut; and 4,925 nuts, one MT of copra. In addition, as copra, desiccated coconut, and fresh nuts all enjoy price premia over coconut oil in the world market, additional specific duties for these products were established to equalize producer returns on all products to Rs 1,450 per 1,000 nuts. The specific duties were set as follows:

Edible grade copra	-	Rs 7,250 per MT
Desiccated coconut	-	Rs 3,500 per MT
Fresh nuts	-	Rs 1,000 per 1,000 nuts
Poonac	-	Rs 500 per MT

No specific duty was set for commercial grade copra as all supplies are currently processed in Sri Lanka. However, in the event exports of this product start, an appropriate specific export duty would be levied. The specific duty on mattress fiber was also removed at the same time.

12. Direct Taxes: The following revenue measures were announced with the 1982 budget.

a) Surcharge on income tax and wealth tax.
   (i) Companies and individuals with taxable incomes over Rs 25,000 per year would be subject to a surcharge on income tax of 5-15%.
   (ii) Wealth taxes would be subject to a 10% surcharge.
b) Tax holidays would cease as of March 31, 1983, to approved projects commencing after this date.
c) The tax exemption granted to foreign contractors under section 22 of the Inland Revenue Act was withdrawn.
d) Small companies with taxable income of over Rs 250,000 per year would be subject to taxation at the normal rate of 50%.
e) Withholding taxes were introduced as follows:
   (i) Incomes of foreign entertainers and artists - 33 1/3%.
   (ii) Accrued interest in minors' deposit scheme - 15% on interest element at time of withdrawal.
   (iii) Interest paid by Land Reform Commission - 10%.
f) Interest income on non-resident foreign currency accounts would be exempted from income tax for three years after the return to Sri Lanka of the depositor.
g) Earnings by resident companies and partnerships abroad are to be exempted from income tax.

13. License Taxes and Fees

a) On January 1, postal rates were increased by between 40% and 100%, and telephone charges were raised by up to 44%. On January 7, radio license fees were raised by 50%; the charge for additional sets, by 100%.

b) Under the 1982 budget, the following changes were introduced:

   (i) Liquor stores were made subject to stamp fees in addition to license fees.
   (ii) The stamp duty on cheques was increased from Rs 0.10 to Rs 0.25 per cheque.
   (iii) The license fee exemption for Government vehicles was withdrawn.

(iv) Nursing home registration fees were increased from Rs 100 to Rs 10,000. The annual license fee was raised from Rs 50 to Rs 2,000.

(v) License, registration, and transfer fees on motor vehicles were increased depending on the date of registration and the tare of the vehicle. Diesel powered vehicles were made subject to higher license fees due to the lower price charged for diesel, and heavy cars were subjected to higher fees to encourage the use of small fuel efficient vehicles.

(vi) Court fees, audit fees, Valuation Department fees, Survey Department fees, fees under the Weights and Measures Ordinance, fees under the Merchant Shipping Act, and fees charged for Registration of Companies were all doubled.

Administered Prices

14. On January 20, the Food Commissioner raised the retail price of both local and imported rice from Rs 4.60 to Rs 5.65 per kg; on February 2, the price of imported rice was further increased to Rs 6.15 per kg. The retail price of sugar was increased, from Rs 14.55 to Rs 17.50 per kg. Food prices were further adjusted when, effective March 10, the retail price of wheat flour was increased from Rs 5.22 to Rs 5.50 per kg (and the price of a one pound loaf of bread, from Rs 2.05 to Rs 2.30); and in April, when the price of sugar was reduced from Rs 17.50 to Rs 16.50 per kg. On September 19, the price of wheat flour was increased from Rs 5.50 to Rs 6.50 per kg., while the price of sugar was reduced from Rs 16.50 to Rs 15.00 per kg.

15. In February, milk prices were raised as follows:
Sterilized Full Cream Milk (568 ml) - from Rs 2.00 to Rs 2.20
Sterilized Flavored Milk (284 ml) - from Rs 1.75 to Rs 1.95
Pasteurized Full Cream Milk (568 ml) - from Rs 2.00 to Rs 2.10.

On March 16, the National Milk Board increased the producer price of milk from Rs 2.28 (3.5% milk fat) to Rs 2.45 per liter. Milk with different milk fat content received corresponding price increases.

16. The retail prices of all petroleum products except furnace oils were increased on January 19. The following table lists the Colombo spot price changes for major products.

Product	Rs per Imperial Gallon		Percent
	Old Price	New Price	Increase
Petrol	40.00	42.50	6
Kerosene	15.18	17.68	16
Auto Diesel	21.00	27.00	29
Super Diesel (Low Sulphur)	23.00	30.00	30
Industrial Diesel (High Sulphur)	20.80	25.80	24
Furnace Oil - 500 seconds	20.20	20.20	-
- 800 seconds	20.00	20.00	-
-1000 seconds	19.50	19.50	-
Bitumen	15.00	28.50	90

The transfer price for LPG from the Ceylon Petroleum Corporation to the Colombo Gas and Water Co. (CGWC) was also increased in January, and on February 2, the CGWC raised the retail price of LPG. The price of a 13 kg. cylinder for domestic use was increased from Rs 70 to Rs 90. On March 21, the price of a 40 kg. cylinder for industrial use was increased from Rs 320 to Rs 501. On April 4, the retail price of petrol was increased further to Rs 45.50 per imperial gallon. Unlike other products to which transport margins would continue to be added to sales outside Colombo, this price would apply island-wide.

17. Fertilizer prices increased on two occasions to help contain the fertilizer subsidy bill to the budgeted Rs 1000 million. On February 1, prices were increased by between 55% and 136%; on September 16, by a further 30%. The following table summarizes the ex-stores price changes (in Rs per MT) and the effective changes in individual subsidy rates.

Fertilizer Type	Price prior to Feb. 1	Subsidy Rate(%)	Price as of Feb. 1	Subsidy Rate(%)	Price as of Sept. 16	Subsidy Rate(%)
Sulphate of Ammonia	1,490	55	3,285	30	4,270	-
Muriate of Potash	1,065	75	2,230	60	2,900	40
Urea	980	85	2,140	75	2,785	65
Rock Phosphate	690	75	1,255	60	1,635	30
Triple Super Phosphate	1,335	75	2,065	75	2,685	65
Nitrogen Phosphate Potassium	1,250	75	2,140	65	2,785	52
Sulphate of Potash	1,420	75	2,595	60	3,375	-
Commercial Epsom Salt	1,000	75	2,115	60	2,750	-
Zinc Sulphate	2,020	75	4,245	60	5,520	-
Kieserite	1,230	75	2,645	60	3,440	35
Di-Ammonium Phosphate	1,980	75	4,670	60	6,075	-

MONEY AND BANKING

18. On January 1, the Central Bank increased the export credit refinance available for commercial banks from Rs 230 million to Rs 530 million. In addition, Rs 462 million was made available under the general facility. Total refinancing available to the commercial banks at the bank rate therefore stood at Rs 992 million.

19. On January 1, the State Mortgage and Investment Bank raised its interest rates on loans for construction and agricultural development from a range of 11-15% to a range of 12-22%. Those for the purchase of property were raised from a range of 16-18% to a range of 18-27%. The interest rate on the settlement of debts was increased from 19% to 24%.

20. To help mobilize increased long-term deposits, the People's Bank launched an Extended Deposit (Minors) scheme in January under which guardians/parents can make deposits in the name of a minor. Payments are made in

equal monthly installments over a five year period. The deposit is withdrawable after 22 years, and earns interest at 22% per annum. The Bank of Ceylon introduced a similar scheme in May.

21. The Bank of Ceylon introduced a National Pension Scheme on February 4, 1981 for persons between 16 and 55 years of age. Under the scheme, contributions would be made monthly in multiples of Rs 10 subject to a minimum of Rs 30 per month, for a period of 20 years. On completion of 20 years, contributors are entitled to draw on their contribution. In addition to the monthly pension, a bonus will be paid to account holders who have contributed for at least five years, and those who have contributed for at least two years will be eligible for special loans.

22. On April 21, the Central Bank of Ceylon introduced a scheme of trading in Treasury Bills through a secondary market. Until then, Sri Lanka Treasury Bills had always been held until maturity. Under the new scheme, the Central Bank will quote rates for the purchase and sale of Treasury Bills in the open market.

23. In order to contain the growth of bank credit, the Central Bank, under Circular 597 of May 11, requested all commercial banks to freeze advances to the private sector to the level that prevailed on that date. Further, they were requested to ensure that the level of such advances was brought down to its end-March level by May 26. These advances included loans, overdrafts, import bills, and local bills financed to the private sector, including public corporation and statutory boards, but excluding NDB, NSB, and DFCC.

24. The restrictions on private sector credit introduced on May 11 were lifted on June 2. They were replaced on June 15, through Circular 604, by measures to increase the cost of credit. The amount the commercial banks could borrow from the Central Bank at the bank rate was reduced from Rs 992 million to Rs 638 million, subject to a minimum entitlement of Rs 1 million for each bank. Of this amount, the amount available for exports remained at Rs 530 million (see para 18), while that for other purposes was reduced from Rs 462 million to Rs 108 million. In addition, the reserve requirement was raised from 12 to 14% on demand deposits, and from 5 to 6% on time savings deposits, effective June 19.

25. By Parliamentary resolution, the Treasury Bill ceiling was increased from Rs 10 billion to Rs 13 billion on July 8, and from Rs 13 billion to Rs 18 billion on November 24. Instead of the usual 3-month Treasury Bills, 6-month Treasury Bills were issued for the first time in July.

26. On August 17, the Bank Rate was increased from 12 to 14%. However, the refinance facility for exports remained at 12%.

27. On August 22, the National Savings Bank (NSB) began accepting two-year fixed deposits. The interest rate was set at 22%, with interest payable at maturity.

28. Beginning September 1, finance companies seeking deposits from the public through advertisements were required to present comprehensive information on the ownership, activities, financial position, and deposit conditions of the institution.

29. In October, the Central Bank extended its Medium and Long Term Credit Fund to include export-oriented projects of public corporations. The amount available for refinance is 80% of the lending bank's advances, subject to a maximum Rs 30 million.

30. The Central Bank introduced a Rs 1,000 currency note for the first time on December 23 to reduce pressure on the Rs 100 and Rs 50 notes. A Rs 500 denomination note followed in early 1982.

OTHER CHANGES

31. On January 1, the Internal Price Commission added a further 23 items, under the Consumer Protection Act, to the list of those items subject to price marking, exhibition of price lists, quality control, and prohibition of conditional sale.

32. Sri Lanka applied for membership to the International Coffee Organization (ICO) in order to continue to have access to present markets as the total coffee export volume grows. Under the International Coffee Agreement small exporters like Sri Lanka would not be able to export to signatures of the agreement once their exports exceeded 100,000 bags, unless they were members of the ICO.

33. On February 16, the incentive payment of Rs 500 per person for voluntary sterilization was reduced to Rs 200, due mainly to financial constraints.

34. The Sri Lanka Central Transport Board (SLCTB) and the nine Regional Transport Boards (RTBs) were reconstituted on February 17 to help improve efficiency and discipline. Under the new framework, the Secretary of the Ministry of Transport and Transport Boards became the Chairman of the SLCTB, and a directorate of four members was formed: Director-Operations, Director-Technical, Director-Finance, and a representative from the Treasury. In addition, a new post - Director-General, Road Transport - was created, and nine Competent Authorities were appointed to head the RTBs.

35. A new Ministry of Private Omnibus Transport was established on March 27, 1981, to provide better coordination and monitoring of the rapidly growing private passenger transport services.

36. Beginning April 1, importers were permitted to import teas for purpose of blending, packing, and making tea bags for export. Imports would require a permit from the Tea Board, and would have to be re-exported within six months. This scheme, it is felt, will improve value added and export earnings from Sri Lanka teas.

37. On October 30, a duty-free shopping complex was opened in Colombo for foreign-exchange purchases by tourists, diplomatic personnel, foreign employed on projects, foreigners on resident visas, and incoming residents to Sri Lanka. Returning residents could also use their duty free allowances at the complex.

TABLE II-1: NATIONAL ACCOUNTS AND PROJECTIONS (1978-83)

Current million Rs.	GDP	Consumption	Investment	Exports	Imports
1978	42,665	36,160	8,554	14,858	16,907
1979	52,387	45,809	13,527	17,714	24,663
1980	66,527	59,204	22,465	21,406	36,548
1981	85,405	75,330	24,859	25,622	40,406
1982	107,610	96,074	33,536	30,910	52,910
1983	135,589	123,699	36,970	39,120	64,200
Deflators					
1978	72.1	69.3	61.7	75.3	63.4
1979	83.3	80.5	73.8	87.4	75.6
1980	100.0	100.0	100.0	100.0	100.0
1981	121.4	121.4	125.4	110.6	116.5
1982	145.6	144.4	145.5	131.8	135.2
1983	174.8	173.8	176.3	158.7	163.8
Constant (1980) Prices					
1978	59,139	52,210	13,864	19,732	26,667
1979	62,877	56,903	18,329	20,268	32,623
1980	66,527	59,204	22,465	21,406	36,548
1981	70,371	62,064	19,824	23,166	34,683
1982	73,890	66,524	23,049	23,452	39,135
1983	77,585	71,159	20,970	24,650	39,194
Real Growth Rates (Percent)					
1979	6.3	9.0	32.2	2.7	22.3
1980	5.8	4.0	22.6	5.6	12.0
1981	5.8	4.8	-11.8	8.2	-5.1
1982	5.0	7.2	16.3	1.2	12.8
1983	5.0	7.0	-9.0	5.1	0.2
Avg. 1978-83	5.6	6.4	8.6	4.6	8.0
Ratios to GDP (current prices)					
1978	100.0	84.8	20.0	34.8	39.6
1979	100.0	87.4	25.8	33.8	47.0
1980	100.0	89.0	33.8	32.2	54.9
1981	100.0	88.2	29.1	30.0	47.3
1982	100.0	89.3	31.2	28.7	49.2
1983	100.0	91.2	27.3	28.8	47.3

Sources: Central Bank data and Bank Staff Projections for 1982-83; Exports and Imports are from balance of payments data, consumption is residual.

TABLE II-2: PUBLIC FINANCE SUMMARY AND PROJECTIONS (1978-83)

	1978	1979	1980	1981	Budget 1982	Revised 1982	1983
				(Rs million)			
Current Revenue a/	11,132	12,029	13,262	15,259	18,179	19,205	22,876
Current Expenditures	9,967	10,887	12,730	15,025	19,566	21,484	26,615
Advance Accounts	1,742	1,021	3,040	1,723	-100	300	-
Current deficit	-577	121	-2,508	-1,489	-1,287	-2,579	-3,739
Capital Expenditures	5,266	7,347	12,857	11,834	17,067	17,845	20,700
Overall deficit	-5,843	-7,226	-15,365	-13,323	-18,354	-20,424	-24,439
Foreign fin., net	3,838	3,738	6,136	7,576	13,407	13,407	14,856
Domestic fin., net	2,005	3,488	9,229	5,747	4,947	7,017	9,583
(of which: Bank borrowing)	(115)	(662)	(7,102)	(3,885)	(2,970)	(5,040)	(6,873)
				(as percent of GDP)			
Current Revenue	26.1	23.0	19.9	17.9	16.9	17.9	16.9
Current Expenditures	23.4	20.8	19.1	17.6	18.2	20.0	19.6
Advance Accounts	4.1	2.0	4.6	2.0	-0.1	0.3	-
Current deficit	-1.4	0.2	-3.8	-1.7	-1.2	-2.4	-2.7
Capital Expenditures	12.3	14.0	19.3	13.9	15.9	16.6	15.3
Overall deficit	-13.7	-13.8	-23.1	-15.6	-17.1	-19.0	-18.0
Foreign fin., net	9.0	7.1	9.2	8.9	12.5	12.5	11.0
Domestic fin., net	4.7	6.7	13.9	6.7	4.6	6.5	7.0
(of which: Bank borrowing)	(0.3)	(1.3)	(10.7)	(4.5)	(2.8)	(4.7)	(5.1)
GDP (Rs million)	42,665	52,387	66,527	85,405	107,610	107,610	135,589

a/ Includes capital revenue.

Sources: Appendix Table 5.01, Ministry of Finance and Bank Staff Projections.

Notes on National Accounts and Public Finance Projections

1. Real GDP growth in 1982 and 1983 is assumed at 5 percent per annum and the GDP deflator at 20 percent. Export and import data are from balance of payments' projections, investment is determined exogenously and consumption is a residual. The exchange rate has been allowed to vary reflecting differences in movements in domestic versus international prices.

2. The revised 1982 public finance data are the most recent government estimates.

3. For 1983, government current revenue and current expenditure projections are derived as follows. Revenues from tea and rubber export duties, from import duties and from liquor and tobacco taxes are estimated individually; all other revenues are estimated at the same percentage share of GDP as in 1982. Current expenditures on drought relief are assumed to end by January 1, 1983; expenditures on food stamps and on fertilizer subsidies are kept at the nominal level of 1982; interest payments are estimated separately; all other current spending is estimated at the same percentage share of GDP as in 1982. Projected capital spending for 1983 is the government estimate (Chapter III) adjusted for different inflation and exchange rate assumptions; net foreign financing derives from balance of payments data.

TABLE II-3: BALANCE OF PAYMENTS SUMMARY (1978-83)
($ million)

	1978	1979	1980	1981	1982	1983
Exports of goods and non-factor services	950	1,137	1,295	1,331	1,405	1,630
Imports of goods and non-factor services	1,081	1,583	2,211	2,099	2,405	2,675
Resource balance	-131	-446	-916	-768	-1,000	-1,045
Net factor services	-15	-15	-26	-86	-118	-145
Private transfers (net)	22	48	137	200	250	300
Current Account balance	-124	-413	-805	-654	-868	-890
Budget finance, net a/	245	240	371	394	609	619
Other finance, net	-27	221	214	227	234	141
Change in net reserves (+ = decrease)	-94	-48	220	33	25	130

a/ From Public Finance data.

Source: Text Table 19.

TABLE II-4: THE SAVINGS-INVESTMENT BALANCE 1980-83

	Public Investment		Private Investment		Total Investment	
	Rs million	% of GDP	Rs million	% of GDP	Rs million	% of GDP
1980:						
Public Savings	-2,508	-3.8	-	-	-2,508	-3.8
Private Savings	9,229	13.9	2,437	3.6	11,666	17.5
Foreign Savings	6,136	9.2	7,171	10.8	13,307	20.0
TOTAL	12,857	19.3	9,608	14.4	22,465	33.7
1981:						
Public Savings	-1,489	-1.7	-	-	-1,489	-1.7
Private Savings	5,747	6.7	8,011	9.4	13,758	16.1
Foreign Savings	7,576	8.9	5,014	5.8	12,590	14.7
TOTAL	11,834	13.9	13,025	15.2	24,859	29.1
1982:						
Public Savings	-2,579	-2.4	-	-	-2,579	-2.4
Private Savings	7,017	6.5	10,002	9.3	17,019	15.8
Foreign Savings	13,407	12.5	5,689	5.3	19,096	17.8
TOTAL	17,845	16.6	15,691	14.6	33,536	31.2
1983:						
Public Savings	-3,739	-2.7	-	-	-3,739	-2.7
Private Savings	9,583	7.1	9,766	7.2	19,349	14.3
Foreign Savings	14,856	11.0	6,504	4.8	21,360	15.7
TOTAL	20,700	15.3	16,270	12.0	36,970	27.3

Sources: Tables II-1, II-2 and II-3.

ANNEX III-A

ADJUSTMENTS TO THE 1981 CAPITAL BUDGET

(Rs million)

	March 1981	Actual
Originally Voted (IMF basis)	11,026	11,026
March 1981 adjustments		
Ministry of Mahaweli Development	+800	+750
Kotmale	(750)	(750)
Randenigala	(50)	-
Ministry of Local Government, Housing and Construction	-	+480 a/
NWSDB Consolidated Fund	(+280)	(+280)
UDA	-	(+200)
NHDA	(-280)	(-)
Ministry of Power and Energy	+451	+504
Rural Electrification	(+251)	(+191)
CEB	(+200)	(+313)
Fertilizer Warehouses	+60	-
Other	+500	+590 b/
Sub-Total	+1,811	+2,324
Less: reduced aid-financed NWSDB expenditure	-220	-220
Less 10% reduction in non-Mahaweli, MLGH&C votes	-576	-576
Total authorized expenditure	12,041	12,554
Further adjustments:		
Budgeted capital expenditures (reimbursable aid) financed from Advance Accounts c/		-201
SLCTB underexpenditure shifted to 1982		-136
Rural Electrification underexpenditure shifted to 1982/83		-251
Revised Total		11,966
Underexpenditure on balance		132
Revised Capital Expenditure		11,834
Add: Capital Expenditure financed through advance accounts		516
Total Capital Spending		12,350

a/ Excluding other supplementaries listed under "Other".

b/ Irrigation 203, Colombo Reclamation Board 30, Forestry 3, GCEC Local Authorities 3, Trade and Shipping 74, Building Department 135 (Kotte 60), Other MLGCH 5, Railways 21, Agriculture 11, Fisheries 8, Rural Ind. Dev. 17, Highways 60, Other n.e.s. 20.

c/ IDA 141, Danish aid 60.

ANNEX III-B

CAPITAL BUDGET 1981-82

(Rs million)

	1981		1982	
	(March)	(Revised)	Public Investment Program (May 1981)	Budget
LEAD PROJECTS	4,745	5,251	8,020	8,233
Mahaweli	3,800	3,750	7,217	7,217
Housing	720	1,020	703	703
Urban Development	165	425	40	253
GCEC	60	56	60	60
NON-LEAD PROJECTS				
Agriculture	1,741	1,586	2,352	2,137
Plantations	220	162	511	434
Field and Minor Export Crops	665	542	635	645
Other Irrigation	461	543	773	594
Animal Husbandry	115	112	121	104
Forestry and Lands	102	75	143	186
Fisheries	178	152	169	174
Industry	134	87	82	428
Economic Overheads	3,135	2,822	3,048	3,912
Non-Mahaweli Power	927	618	416	892
Road Transport (SLCTB)	405	172	390	529
Highways	174	215	236	255
Railways	454	459	331	396
Ports	30	104	33	203
Civil Aviation	40	32	80	76
Posts and Telecommunications	300	293	526	486
Other Construction	189	339	301	340
Integrated District Development Projects	196	175	315	315
Decentralized Budget	420	415	420	420
Social Overheads	1,068	773	1,585	1,721
Water Supply	613	342	929	979
Education	262	310	435	402
Health	133	100	156	239
Others	60	21	65	101
Administrative and Economic Overheads, n.e.s. a/ b/ c/	966	1,456	682	1,530
Advance accounts transactions n.e.s	-	375	-	-
Unallocated	500	-	-	-
Total Gross a/	12,289	-	-	17,961
Less: Underexpenditure Provision	-248	-	-	894
TOTAL	12,041	12,350	15,769	17,067

a/ Adjusted for transfer of current expenditures in capital votes to the recurrent Budget and capital expenditures in recurrent votes to current budget; hence not consistent with Annex III-C, Table 1 for 1982.
b/ Includes "Supplementary Capital Investment" under the Ministry of Finance votes.
c/ Residual item, includes items not classified elsewhere.

Source: Bank Staff estimates for revised 1981 and Ministry of Finance and Planning for 1982.

ANNEX III-C

BUDGETARY PUBLIC INVESTMENT - 1982-86

Annex III-C shows the overall sectoral classifications of the Public Investment that form the basis for text Tables 16 and 17, and reclassifies the major subsector allocations in the public investment program as follows:

Table 1: Budgetary Public Investment 1982-86.

Table 2: Allocations for Foreign Aided Projects and Activities.

Table 2A: Aided Projects introduced into the program since May 1981.

Table 3: Identified New Projects for which aid is being sought.

Table 4: Unidentified New Projects.

Table 5: Locally Financed Activities excluding Allocations for new projects.

Aided projects or activities are defind to exclude commercially financed activities such as the US Housing Guarantee loan. The major changes in the 1982-86 program over the 1981-85 program are summarized below:

(i) Allocations for the accelerated Mahaweli program remain at about the same level in nominal terms as in the 1981-85 program (Rs 30.6 billion). Approximately 55% of this is devoted to the four major headworks, and 29% to the ongoing downstream development (ss Annex III-D). The balance is for new projects beginning around 1984, mainly the Rantambe headworks, System A and the right bank development of System B. The Housing Program consists of Rs 2,538 million of ongoing activities and Rs 970 million for new projects to begin in 1984, mainly for aided-self-help programs. Allocations for "other construction", undertaken by the Department of Buildings, have been substantially raised from Rs 769 million in the 1981-85 program to 1,277 million in the 1982-86 program.

(ii) In the directly productive sectors, the allocation for non-Mahaweli irrigation declines as a percentage of the total program to 4%, partly because project costs are being understated in some cases (Kirindi Oya and Gal Oya Water Management). New projects, commencing in 1985, have not been identified, but will probably include a medium-sized tank rehabilitation program. The forestry program includes two identified new projects (Community Forest Resources and a Forestry Master Plan). There is little change in the program for field and minor export crops, fisheries and plantations. However, there is a substantial increase in allocations for the Sevanagela sugar project due to cost escalation. In the animal husbandry program, the IDA-supported dairy project has been eliminated, while a new ADB-financed livestock development project has been introduced.

(iii) In the economic overheads sector, the program for transport remains essentially the same, with the exception of increased provisions for an ongoing program of rehabilitation of railway wagons and carriages. Non-Mahaweli power allocations have been substantially stepped up due mainly to the Thermal Stage II diesel plant (Rs 1,000 million) and a preliminary provision for the Samanalawewa hydel project (Rs 1,000 million) in 1985/86. The integrated rural development program gets a substantial boost from three new district development programs (Badulla, Vavuniya and Mannar) starting in 1983/84. The airport project (Rs 1,276 million) is shown as locally financed in Table 5, but is likely to be supported by Japan.

(iv) In the social overheads sector, allocations for water supply programs have been stepped up by nearly Rs 1 billion, with substantially higher levels of expenditure in the 1982-84 period:

(Rs Million)	1982	1983	1984	Sub-total
1981-85 program	929	967	575	2,471
1982-86 program	979	1,336	1,140	3,455
Increase	+50	+369	+565	+984

This is because of the provision from 1983 for import duties, cost escalation, and the introduction of new projects (Harispattuwa, Matale, and Pollonaruwa). Health allocations increase threefold due to the introduction of the new Sri Jayawardenepura hospital at Kotte (Rs 780 million) and proposed new primary health care projects (Rs 995 million). Education allocations reinforce recent trends with large investments for university and technical education, including a new ADB-financed technical education project.

Table 1: SRI LANKA: BUDGETARY PUBLIC INVESTMENT 1982-86
(Rs million)

	1982	1983	1984	1985	1986	1982-86
LEAD PROJECTS	8,233	7,773	7,396	6,014	5,274	34,690
Mahaweli	7,217	6,973	6,726	5,294	4,419	30,629
Housing	703	740	610	660	795	3,508
Urban Development	253	-	-	-	-	253
Greater Colombo Economic Commission	60	60	60	60	60	300
NON-LEAD PROJECTS	9,777	11,202	11,604	13,736	16,726	63,045
Agriculture	2,137	3,010	3,091	3,541	4,572	16,351
Plantation Agriculture	434	731	857	932	1,284	4,238
Field and Minor Export Crops	645	883	815	987	1,379	4,709
Other Irrigation	594	872	841	901	1,116	4,324
Animal Husbandry	104	126	124	235	270	859
Forestry and Lands	186	219	273	301	340	1,319
Fisheries	174	179	181	185	183	902
Industry	428	107	177	501	701	1,914
Economic Overheads	3,912	4,623	4,034	4,934	6,419	23,922
Non-Mahaweli Power	892	1,378	923	1,300	1,900	6,393
Transport	1,180	946	866	1,039	1,701	5,732
Ports and Shipping	203	298	186	-	-	687
Civil Aviation	76	100	150	300	650	1,276
Posts and Telecommunications	486	620	518	855	1,078	3,557
Other Construction	340	376	436	349	213	1,714
Integrated District Development Projects	315	485	535	671	457	2,463
Decentralized Budget	420	420	420	420	420	2,100
Social Overheads	1,721	2,568	2,697	2,830	3,062	12,878
Water Supply	979	1,336	1,140	1,002	1,101	5,558
Education	402	580	800	1,000	1,009	3,791
Health	239	537	643	726	860	3,005
Others	101	115	114	102	92	524
Administrative and Economic Overheads, n.e.s.	529	394	405	430	472	2,230
Unallocated	1,050	500	1,200	1,500	1,500	5,750
Total: Gross Expenditures a/	18,010	18,975	19,000	19,750	22,000	97,735

a/ Treasury basis, and excluding under expenditure provisions.

Source: "Public Investment, 1982-86," Ministry of Finance and Planning, Government of Sri Lanka.

Note: The totals of Tables 2, 3, 4 and 5 will equal the totals shown here. The projects listed in Table 2A are included within the sector classifications shown in Table 2.

Table 2: ALLOCATIONS FOR FOREIGN AIDED PROJECTS AND ACTIVITIES a/
(Rs million)

	1982	1983	1984	1985	1986	1982-86
Mahaweli	7,217	6,973	5,911	3,354	1,744	25,199
Other Irrigation	446	753	738	620	17	2,574
Forestry and Lands	85	144	197	168	142	736
Field and Minor Export Crops	429	632	564	525	512	2,662
Plantations	373	645	758	589	375	2,740
Animal Husbandry	17	62	79	160	177	495
Fisheries	91	83	54	54	41	323
Industry	79	63	25	-	-	167
Housing	-	-	-	-	-	-
Other Construction	80	140	140	77	-	437
Urban Development	-	-	-	-	-	-
Railways	110	124	-	-	-	234
Road Transport	529	346	261	-	-	1,136
Highways	106	107	143	-	-	356
Ports and Shipping	203	298	186	-	-	687
Power	791	1,339	897	35	-	3,062
Post and Telecommunications	408	519	429	341	22	1,719
Integrated Rural Development Projects	315	470	495	436	237	1,953
Other Economic Overheads b/	52	-	-	-	-	52
Water Supply	979	1,336	1,140	202	31	3,688
Education	31	77	138	226	109	581
Health	152	375	407	133	-	1,067
Other Social Overheads	78	84	79	61	49	351
Total	12,571	14,570	12,641	6,981	3,456	50,219

a/ Includes ongoing and new projects, including projects included since May 1981, where donors have been clearly identified (listed in Table 2A). Activities which are not clearly defined projects, but which are supported by foreign aid are also included. However, in such cases, only the value of foreign aid has been taken into account.

b/ The airport project is shown under locally financed activities (Table 5).

Source: "Public Investment, 1982-86", Ministry of Finance and Planning, May 1982.

Table 2A: AIDED PROJECTS INTRODUCED INTO THE PROGRAM SINCE MAY 1981
(Rs million)

	1982	1983	1984	1985	1986	1982-86
ADB: Community Forest Resources	10	39	45	41	50	185
IDA: Forestry Master Plan	-	5	60	60	80	205
ADB: Livestock Development	-	52	74	150	177	453
Harispattuwa Water Supply and Sewerage	-	60	64	67	-	191
Matale/Pollonaruwa WSS	-	55	54	48	-	157
Thermal Stage III Diesel	100	600	300	-	-	1,000
Badulla IRD IFAD	-	108	120	132	144	504
State Printing Corporation	52	-	-	-	-	52
ADB: Technical Education	-	21	90	165	61	337
UNDP: Technical Educaton Project	-	-	3	14	3	20
UNFPA/FAO: Home Economics	-	-	3	5	4	12
Sri Jayawardenapura Hospital	130	330	320	-	-	780
ADB: Primary Health Care	4	26	46	75	-	151
TOTAL	296	1,296	1,179	757	519	4,047

Source: "Public Investment, 1982-86", Ministry of Finance and Planning, May 1982.

Table 3: IDENTIFIED NEW PROJECTS FOR WHICH AID IS BEING SOUGHT
(Rs million)

	1982	1983	1984	1985	1986	1982-86
Rantambe	-	-	-	625	635	1,260
System "A"	-	-	200	450	625	1,275
System "B" (Right Bank)	-	-	500	750	900	2,150
Samanalawewa	-	-	-	500	500	1,000
Vavuniya/Mannar Integrated Rural Development	-	-	20	220	220	460
Primary Health Care Master Plan	-	-	50	350	595	995
Educational White Paper	-	55	58	51	11	175
TOTAL	-	55	828	2,946	3,486	7,315

Source: "Public Investment 1982-86", Ministry of Finance and Planning, May 1982

Table 4: UNIDENTIFIED NEW PROJECTS
(Rs million)

	1982	1983	1984	1985	1986	1982-86
AGRICULTURE	-	-	30	662	2,880	3,572
Mahaweli	-	-	-	-	400	400
Other Irrigation	-	-	-	190	1,000	1,190
Field & Minor Export Crops	-	-	-	102	450	552
Forestry & Lands	-	-	-	55	120	175
Plantations	-	-	-	233	791	1,024
Animal Husbandry	-	-	-	42	59	101
Fisheries	-	-	30	40	60	130
INDUSTRY	-	-	111	456	653	1,220
HOUSING AND URBAN DEVELOPMENT	-	-	275	295	400	970
Housing	-	-	275	295	400	970
Urban Development	-	-	-	-	-	-
ECONOMIC OVERHEADS	-	-	100	1,885	3,760	5,745
Transport	-	-	100	700	1,380	2,180
Power	-	-	-	735	1,380	2,115
Post & Telecommunications	-	-	-	450	1,000	1,450
Other	-	-	-	-	-	-
SOCIAL OVERHEADS	-	-	150	1,050	1,640	2,840
Water Supply	-	-	-	800	1,070	1,870
Education	-	-	150	250	570	970
Health	-	-	-	-	-	-
Other	-	-	-	-	-	-
TOTAL	-	-	666	4,348	9,333	14,347

Source: "Public Investment, 1982-86", Ministry of Finance and Planning, May 1982.

Table 5: LOCALLY FINANCED ACTIVITIES EXCLUDING ALLOCATIONS FOR NEW PROJECTS a/
(Rs million)

	1982	1983	1984	1985	1986	1982-86
AGRICULTURE AND INDUSTRY						
Mahaweli	-	-	115	115	115	345
Other Irrigation	148	119	103	91	99	560
Forestry and Lands	101	75	76	78	78	408
Field and Minor Export Crops	216	251	251	360	417	1,495
Plantations	61	86	99	110	118	474
Animal Husbandary	87	64	45	33	34	263
Fisheries	83	96	97	91	82	449
Industry	349	44	41	45	48	527
HOUSING AND URBAN DEVELOPMENT						
Housing	703	740	335	365	395	2,538
Urban Development	253 b/	-	-	-	-	253 b/
ECONOMIC OVERHEADS						
Other Construction c/	260	236	296	272	213	1,277
Railways	286	209	192	159	121	967
Road Transport	-	-	-	-	-	-
Highways d/	149	160	170	180	200	859
Civil Aviation (airport)	76	100	150	300	650	1,276
Power d/	101	39	26	30	20	216
Posts and Telecommunications d/	78	101	89	64	56	388
Integrated Rural Development Projects	-	15	20	15	-	50
Decentralized Budget	420	420	420	420	420	2,100
GCEC	60	60	60	60	60	300
SOCIAL OVERHEADS						
Water Supply	-	-	-	-	-	-
Education	371	448	454	473	319	2,065
Health	87	162	186	243	265	943
Other Social Overheads	23	31	35	41	43	173
OTHER ECONOMIC AND ADMINISTRATIVE OVERHEADS e/	477	394	405	430	472	2,178
UNALLOCATED	1,050	500	1,200	1,500	1,500	5,750
TOTAL	5,439	4,350	4,865	5,475	5,725	25,854

a/ Annual programs of Ministries and capital transfers to public corporations and local authorities not financed by project aid.
b/ Kotte Parliament.
c/ Includes annual program of Ministry of Local Government, Housing and Construction.
d/ Includes provisions for Kotte and GCEC.
e/ Includes allocations for Cultural development shown under Housing, Water Supply and Urban Development by Ministry of Finance and Planning.

Source: "Public Investment 1982-86", Ministry of Finance and Planning, May 1982.

ANNEX III-D

MAHAWELI PROGRAM: PHASING OF EXPENDITURES 1981-86
(Rs million)

	1981 (Budget)	1981 (Actual)	1982	1983	1984	1985	1986	1982-86
			---Projected---					
Headworks	2,633	2,605	5,543	5,330	4,121	2,199	789	17,982
Maduru Oya	434	643	601	390	-	-	-	991
Victoria	1,058	970	1,714	1,970	1,580	250	-	5,514
Kotmale	1,139	974	1,980	2,000	1,500	230	-	5,710
Randenigala	2	18	1,248	970	1,041	1,094	154	4,507
Rantambe	-	-	-	-	-	625	635	1,260
Downstream	1,117	1,034	1,674	1,643	2,605	3,095	3,230	12,247
Minipe Anicut and Transbasin	407	335	325	-	-	-	-	325
System C								
Zone II	}	}	108	137	15	15	15	290
Zones III-VI	} 252	} 180	340	521	740	740	600	2,941
Access Road to B	-	-	37	25	80	60	-	202
System 'B' (left bank)	100	90	509	750	900	950	980	4,089
Studies, Transbasin etc.	2	62	4	-	-	-	-	4
System G	-	-	45	85	70	30	10	240
Mahaweli Ongoing Stages I, II & III	356	367	306	125	100	100	100	731
System 'A'	-	-	-	-	200	450	625	1,275
System 'B' (right bank)	-	-	-	-	500	750	900	2,150
Unallocated	-	-	-	-	-	-	400	400
GRAND TOTAL	3,750	3,639	7,217	6,973	6,726	5,294	4,419	30,629

Source: Mahaweli Authority of Sri Lanka.

ANNEX III-E

PUBLIC INVESTMENT: HOUSING AND URBAN DEVELOPMENT

HOUSING

The 1981 Program

1. The failure of the National Housing Development Authority (NHDA) to live within its revised (March 1981) budgetary allocation of Rs 720 million (Table 1) was primarily due to two factors. First, NHDA was carrying over 1980 liabilities amounting to Rs 366 million. This was due to the substantial acceleration of the housing program in 1980, which reflected both the initiation of a number of high cost direct construction programs and a sharp increase in construction costs brought about by this very acceleration. Second, NHDA began 1981 with an expenditure program of over Rs 1,100 million, some Rs 380 million above available resources to be transferred from the budget. Thus, taking into account the hang over of liabilities from 1980, there was a resources shortfall of Rs 760 million. NHDA then argued that this shortfall would be met largely through the sale of Rs 550 million worth of the houses constructed under the direct construction program, rather than through adjustments in the physical program. This proved to be an excessively optimistic scenario. The absence of housing finance institutions, and the fact that the houses being built were lower in quality and substantially higher in price for the particular income bracket they were intended for, resulted in a substantially lower volume of sales than was originally anticipated, despite increasingly favorable terms to buyers. In addition, construction costs continued to rise, particularly for the five large schemes given out to foreign contractors (Table 2). These schemes, being built at a cost of Rs 1.3 billion, dominated the 1981 program, accounting for 41% of expenditures on public housing construction, and 71% of the direct construction program expenditures.

2. By end September 1981, NHDA had virtually exhausted its budgetary allocations and had run up liabilities of Rs 280 million. This necessitated a fresh financing plan. NHDA took a number of steps to reduce its financial obligations. These included cancellation of contracts with public sector agencies, a freeze on all new direct construction schemes, reduction by over 3,000 in the number of units under construction in existing schemes, and a reduction in the pace of work of the Aided Self-Help (A.S.H.) programs. As is indicated in Table 3, the number of new units commenced fell to 40% of the 1980 level, and the number of new units completed fell by 68% over 1980 actuals. It is difficult to quantify the impact of these adjustments on 1981 expenditures. A rough estimate, based on the original 1981 budget would be Rs 70 million net of the additional cost of the overall program resulting from higher inflation than anticipated in the budget. The remaining gap was filled by sale of houses

(Rs 100 million), restoration of the original budget provision (Rs 280 million) and carry over of liabilities (around Rs 300 million).

The 1982 Budget

3. NHDA is once again facing a tight budgetary situation in 1982. This is despite a substantial 20% reduction in its projected financing requirements over 1981 actuals. This reduction has been accomplished through three separate decisions designed to reduce the budgetary burden of the housing program. First, three of the five luxury housing schemes, the two high rise complexes at Duplication Road and Bambalapitiya in Colombo and the Hantane Scheme in Kandy, have been handed over or are in the process of being handed over to the UDA to be developed as joint ventures with foreign property developers. This could result in budgetary saving in 1982 on these schemes of over Rs 100 million. Second, the Government has abandoned its original intention to further accelerate the electorate housing program by building another 40 units in each electorate during 1982. Instead, the focus of the program will be on completing the 30 units initiated in most electorates in 1981. Moreover, the electorate housing program is to be merged into the A.S.H. program. Third, the A.S.H. program will focus mainly on completing units already under construction. As a result of these changes, a 27% reduction in the ASH/electorate housing program is intended in nominal terms.

4. Nonetheless, the 1982 program will face a financing deficit of Rs 200-250 million, (on the assumption that the carry-over of liabilities does not exceed one month's billing by contractors) (Table 1). This is due to the reduction in budgetary transfers of Rs 300 million and implies the need for further downward adjustments in the physical program and/or greater efforts to recover some of the costs incurred by the program through sale of houses. The position improves in 1983 to the extent that the projected financing gap is met from sales of houses completed. Assuming that the direct construction program comes to a halt in 1983, as presently envisaged, the financial crisis facing NHDA should greatly ease from that year.

URBAN DEVELOPMENT

The 1981 Program

5. The Urban Development Authority (UDA) was faced with a similar financial crisis in 1981. The main element in this crisis was the substantial escalation in costs of all the five programs undertaken by the Authority (the new Parliament building, the two administrative buildings, the fish market, and the vegetable market). The cost of these five buildings rose from Rs 1.8 billion to Rs 3.3 billion (Table 4). Of these, the parliament complex is to cost Rs 967 million, and the other four

building Rs 2,353 million. Net financing requirements in 1981 totalled Rs 955 million, substantially above the available budgetary resources: Rs 165 million for the Kotte Parliament in the budget in the Department of Buildings votes and Rs 433 million as debenture issues. 1/ The gap of Rs 357 million was financed through a supplementary of Rs 60 million in the Department of Buildings votes, and a supplementary of Rs 200 million for UDA, with the balance being carried over as liabilities to 1982.

The 1982 Program

6. Faced with this situation UDA took steps to reduce its physical program. The Kotte parliament and the St. John's fish market have been completed early in 1982. The adjustment was, therefore, confined to the three remaining complexes. Expenditures on the administrative complexes are to be limited to the amounts indicated in the first and second stage contracts already signed. This was made possible by limiting construction to four floors instead of 12 and financing the "finishing" work envisaged in the Stage III contracts from the savings in the Stage II contracts. When resources permit, the buildings will be extended to the originally intended height. The vegetable market in Pettah has also been "transferred" to the private sector by attracting a foreign property developer to develop the site. As a result of these adjustments, UDA was able to scale down its program by Rs 1 billion, a substantial saving. Despite these adjustments, UDA will face a financing gap of Rs 140 million in 1982 if debenture issues are held, as originally proposed, at Rs 280 million. Since an increase in the size of UDA borrowings would be equivalent to a reduction in other government borrowings from captive institutions, the gap represents a burden on the budget which has so far not been taken into account (see para 3.06, in Chapter III). Moreover, since the public investment program does not provide any resources for UDA in 1983, there would be a further burden in that year of Rs 150 million. The construction program for the remaining two buildings will have been completed during 1983.

1/ UDA had originally been promised a debenture issue of Rs 520 million. The shortfall of Rs 87 million was covered by the Rs 200 million UDA supplementary; the balance of the supplementary went to cover the financing gap for the Kotte parliament building.

Table 1: FINANCING REQUIREMENTS FOR THE HOUSING PROGRAM 1980-83
(Rs million)

	1980	1981	1982	1983
Urban Housing	890	603	440	283
Public Servants Quarters	15	22	40	27
Aided Self-help	168	167)		
		)	293	330
Electoral Housing	176	233)		
Slum & Shanty Improvement	8	16	32	32
Land Compensation	-	-	40	40
Sub Total	1,257	1,041	845	712
Retirement of previous year's liabilities	65	366	286	318 a/
Total Financing Requirements	1,322	1,407	1,131	1,030
Met by:				
Carry over of liabilities	366	286	70 b/	60 b/
NHDA Revenues	16	101	110	n.a. c/
Budgetary transfers	940	1,020	703	740
Unfinanced gap	-	-	248	230 c/

a/ One month's contractural billings plus unfinanced gap in 1982.
b/ Equivalent to one month's contractual billing.
c/ Partly to be financed from National Housing Development Authority revenues.

Source: National Housing Development Authority.

Table 2: URBAN HOUSING - SELECTED SCHEMES
(Rs million)

	Total Cost	Cumulative Expenditure through 1980	1981 Actual	1982 Budget	1983 Projected
Duplication Road a/	120 b/	55	65	-	-
Bambalapitiya c/	170	45	46	65	14
Mattegoda	354	42	142	110	60
Attangalla	289	78	62	108	41
Hantane c/	230	31	111	88	-
Total	1,304	251	426	371	115

a/ Handed over to a UDA sponsored joint stock company for development.
b/ Original cost was Rs 261 million. This is the revised cost on the assumption that the balance cost will be incurred by the foreign investor.
c/ To be handed over to a UDA sponsored joint stock company for development. The outlays shown in 1982 and 1983 will, therefore, largely fall on the new company.

Source: National Housing Development Authority.

Table 3: PHYSICAL PROGRESS OF NATIONAL HOUSING DEVELOPMENT AUTHORITY PROGRAM 1978-81

Number of Units commenced during the year	1978	1979	1980	1981
Direct Construction	5,040	6,929	5,211	-
Public Servants Quarters	-	562	-	-
Aided Self Help Program	1,117	13,800	11,548	3,523
Electorate Housing Program	840	1,680	3,360	4,499
A. Sub Total	6,997	22,971	20,119	8,022
Number of Units Completed				
Direct Construction	1,680	2,701	2,799	2,364
Public Servants Quarters	-	-	35	239
Aided Self Help Program	370	1,141	7,188	5,942
Electorate Housing	840	1,680	3,360	491
B. Sub Total	2,890	5,522	13,382	9,036
Number of Units under Construction at the end of the year				
Direct Construction	3,360	7,588	10,000	4,482 a/
Public Servants Quarters	-	562	527	288
Aided Self Help Program	747	13,406	17,766	15,347
Electorate Housing	-	-	-	4,008
C. Sub Total	4,107	21,556	28,283	24,125 a/

a/ Direct construction: C 1981 should equal C 1980 + A 1981 - B 1981, but does not. Difference of 3,154 - due to Schemes shown as under construction at the end of 1980 being dropped.

Source: National Housing Development Authority.

Table 4: URBAN DEVELOPMENT AUTHORITY PROJECTS
STATUS AS AT END DECEMBER 1981
(Rs million)

Project	Original Cost Estimate	Revised Total Cost	Adjusted a/ Revised Total Cost as of Dec. 1981	Cumulative Expenditure through 1980	1981 Actual	1982 Budget	1983 Projection
Kotte - Parliamentary Complex	694	967	967	361	333	273	-
Administrative Complex - Pelawatte	300	783	443	19	302	102	20
Battaramulla	300	723	532	17	205	108	130
St. John's Fish Market	200	304	304	59	172	73	-
Vegetable Market - Kachcheri Road b/	350	543	56	15	41	-	-
Total	1,844	3,320	2,302	471	1,053	628	150
Retirement of Previous Year's Liabilities	-	-	166	-	-98	97	167 c/
Total Financing Requirements	-	-	2,468	471	955	725	317
Met by:							
Budgetary transfers	-	-	1,147	469	425	253	-
Debenture loans	-	-	813	100	433	280 d/	-
UDA revenues	-	-	50	-	-	25	25
Carry-over of liabilities	-	-	24	(98)	97	25 e/	-
Unfinanced gap	-	-	434	-	-	142	292

a/ Physical adjustments in program.
b/ Handed over to a joint stock company for development from 1982.
c/ On the assumption that the previous year's unfinanced gap is added to the carry-over of liabilities.
d/ Currently proposed level by Ministry of Finance and Planning.
e/ Equivalent to one month's contractual billings.

Source: Urban Development Authority.

FOREIGN FINANCE OF PROJECTS OVER Rs. 100 Million

Rs. million.

Project	Donor Agency	Expenditure 1982-86	Expenditure Balance	Expenditure Total	Foreign Cost 1982-86	Foreign Cost Balance	Foreign Cost Total	Aid Allocation Total	Aid Allocation As % of Expenditure	Aid Allocation As % of Foreign Cost
Mahaweli										
Madura Oya	CIDA	991	54	1,045	540	54	594	615	59	104
Victoria	UK	5,514	341	5,855	3,413	341	3,754	2,875	49	77
Kotmale	SIDA	5,710	430	6,140	4,296	430	4,726	3,675	60	78
Randenigala	FRG	4,507	332	4,839	3,318	332	3,650	3,600	74	99
Rantembe	-	1,260	1,963	3,223	1,523	1,963	3,485	-	-	-
System C Zone 2	EEC	290	2	292	19	2	21	217	74	1,033
System C Zone 3	IDA/Japan/Kuwait	2,941	104	3,045	1,037	104	1,141	2,344	77	205
Access Road L.B.	ADB	202	12	214	121	12	133	144	67	108
System B L.B.	USAID	4,087	161	4,250	1,608	161	1,769	1,525	36	86
System G	EEC	240	14	254	141	14	155	82	32	53
Mahaweli On-going	IDA, etc.	731	17	748	171	17	188	92	12	49
System A	-	1,275	5,576	6,851	510	2,388	2,898	-	-	-
System B (R.B.)	-	2,150	968	3,118	860	438	1,298	-	-	-
Other Irrigation										
Kirindi Oya	ADB/KfW/IFAD	1,232	49	1,281	493	49	542	515	40	95
Minor Tank Rehabilitation	IDA	716	18	734	179	18	197	400	54	203
Five Tank Modernization	IDA/UK	112	4	116	44	4	48	27	23	56
Gal Oya Water Management	USAID	198	10	208	109	10	119	62	30	52
Inginimitiya	OECF	273	14	287	137	14	151	135	47	89
Forestry and Lands										
Upper Mahaweli Fuelwood and Forest Extension	USAID	242	8	250	84	8	92	84	34	91
Community Forest Resources	ADB	185	76	261	82	76	158	82	31	52
Forestry Master Plan	IDA	205	12	217	123	12	135	149	69	110
Field and Minor Export Crops										
Sevenagala Sugar	ADB	968	68	1,036	678	68	746	678	65	91
A'pura Dry Zone	ADB	694	36	730	358	36	394	538	74	137
Regional Fertile Warehouse	FRG	212	8	220	84	8	92	84	38	91
Extension & Adoptive Research	IDA	395	19	414	189	19	208	292	71	140
Sri Lanka West German Cooperation	FRG	143	6	149	61	6	67	66	44	99
Plantations										
Smallholder Rubber Rehabilitation	IDA	416	35	441	416	35	451	235	53	52
Tea Rehabilitation I	IDA	376	27	403	73	27	100	222	55	222
Coconut Plantation	EEC/Italy	103	26	129	61	26	87	61	47	70
Integrated Tea Development	ADB	577	38	615	173	38	211	282	46	134
Coconut Development	ADB	500	36	536	225	36	261	380	71	146
Tea Rehabilitation II	IDA	759	22	781	198		220	518	66	235
Animal Husbandry										
ADB Livestock Development Project	ADB	453	25	478	286	15	301	286	60	95
Fisheries										
N.W. Coast	UAE	88	6	94	56	6	62	71	76	115
West Coast	ADB	126	12	138	121	12	133	122	88	92
Water Supply										
South-West Coastal WSS	IDA	218	12	230	70	12	82	46	20	56
Matara-Dikwella	ODM	213	-	213	89	15	104	63	30	61
Jaffna WSS	USAID	249	27	276	138	24	162	153	55	94
Greater Colombo W.S. & Sewerage	IDA	1,848	304	2,152	887	416	1,303	1,306	61	100
Harispattuwa WSS	Finland	191	33	224	125	22	147	191	85	130
Matale-Polonnaruwa WSS	DAMIDA	158	27	185	102	18	120	158	85	132
Trincomalee WSS	France	677	62	739	440	75	515	215	29	42
Transport										
Track Rehabilitation	UK	224	59	283	168	58	226	120	42	53
Road Transport	IDA	1,133	168	1,301	754	168	922	769	59	83
Road Rehabilitation	IDA	356	73	429	177	74	251	208	48	82
Power and Energy										
Cannyon	Sweden	220	23	243	144	23	167	142	58	85
Rural Electrification	ADB/OPEC	241	38	279	241	38	279	241	86	86
Transmission IV	World Bank	701	111	812	701	111	812	701	86	86
Transmission VI	World Bank	900	142	1,042	900	142	1,042	900	86	86
Post & Telecommunication										
CADS II	France	49	2	51	34	2	36	10	20	28
OCADS II	Japan	249	9	258	195	9	204	165	64	81
Rural Exchange	Netherlands	210	8	218	164	8	172	166	76	97
IDA Project	IDA	807	0	807	565	-	565	700	87	124
Cyclone Area	Japan	77	3	80	54	3	57	45	56	79
Parliamentary Complex	Japan	75	2	77	52	2	54	60	78	111
CADS III	France	240	8	248	168	8	176	225	91	128
Other Programs										
Kurunegala IRD	World Bank	428	25	453	171	25	196	296	65	151
Hambantota IRD	NORAD	188	11	199	72	11	83	188	94	227
Nuwara Eliya IRD	Dutch Govt.	129	7	136	47	7	54	129	95	239
Matale and Puttalam IRD	World Bank	664	32	696	222	32	254	609	88	240
Badulla IRD	FAO/IFAD	504	33	537	227	33	260	361	67	139
Colombo Port Development	Japan	687	83	770	528	83	611	687	89	112
Social Overheads										
Technical Education	ADB	336	65	401	220	65	285	220	55	77
Sri Jayawardanapura Hospital	Japan	780	-	780	710	-	710	710	91	100

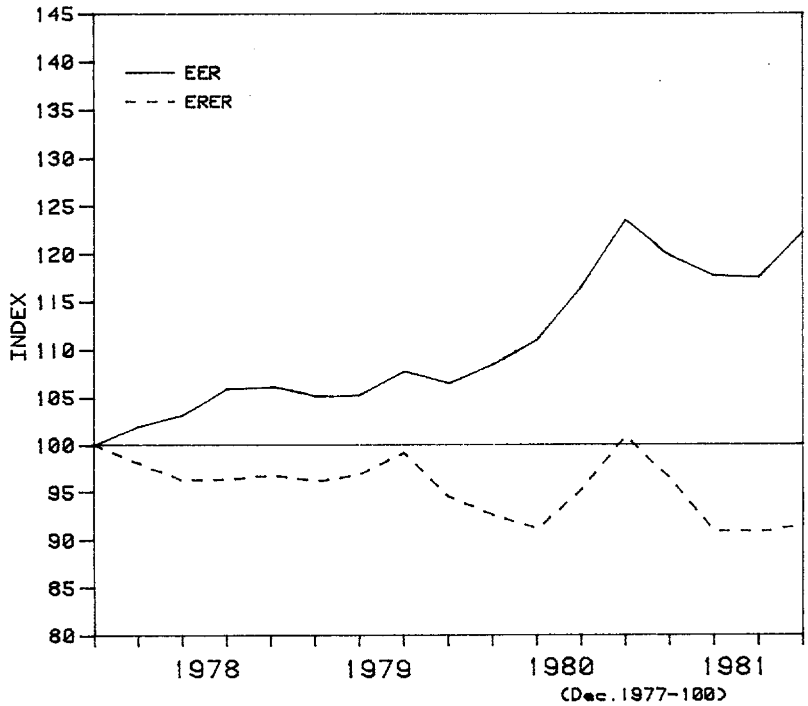
Note: Balance under Expenditure and Foreign Cost includes additional provision for exchange rate variation and for projects continuing beyond 1986.

Source: Ministry of Finance and Planning.

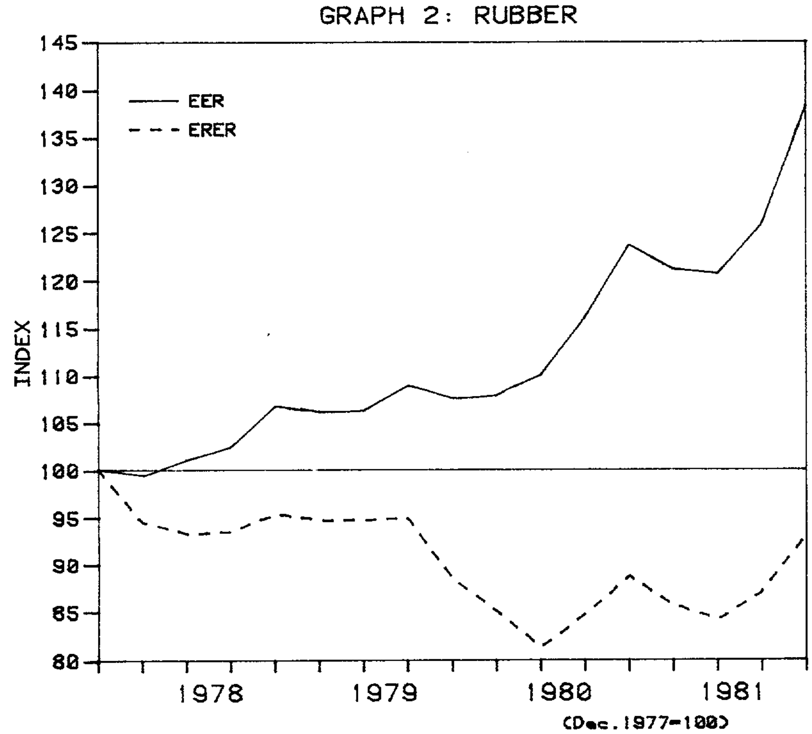
SUPPORTING DATA TO CHAPTER IV

Graphs 1-5 below depict indices of effective (export competitor-weighted) exchange rates (EER) and the corresponding indices of effective real exchange rates (ERER) for Sri Lanka's main exports. Index values below (above) 100 indicate an appreciation (depreciation) of the Rupee rate against a composite of competitor country currencies since the exchange rate reform of 1977.

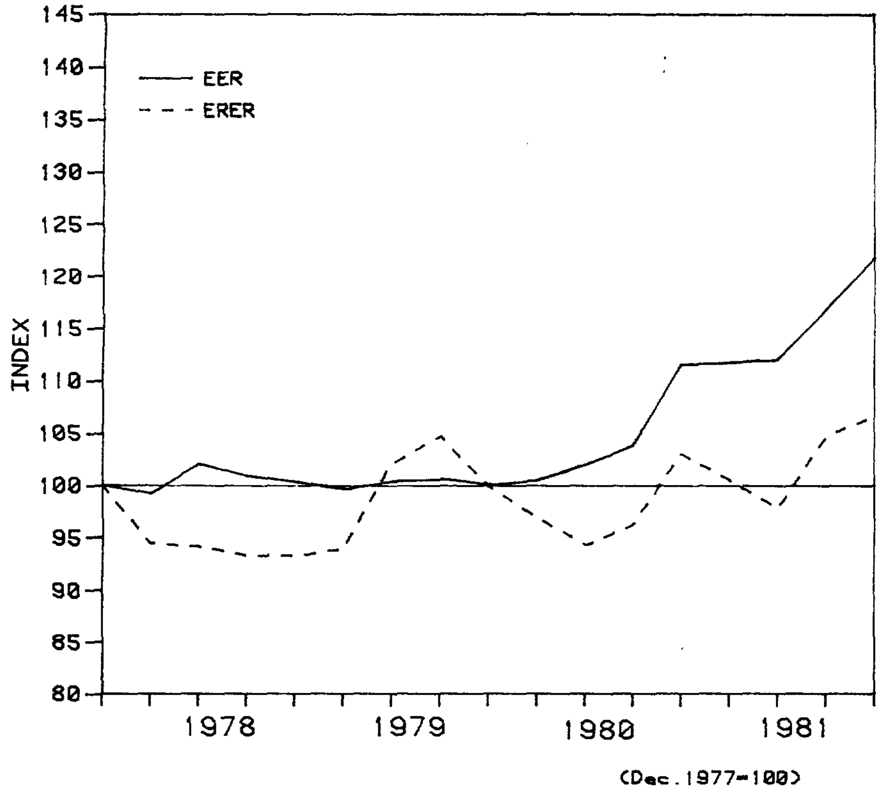
GRAPH 1: TEA



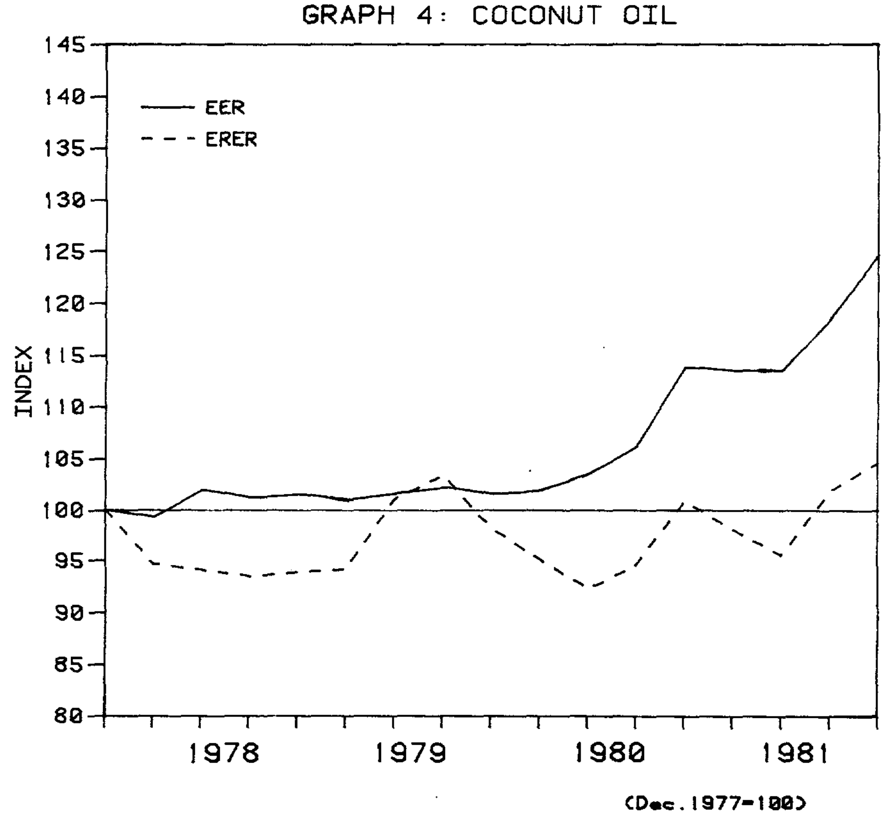
GRAPH 2: RUBBER

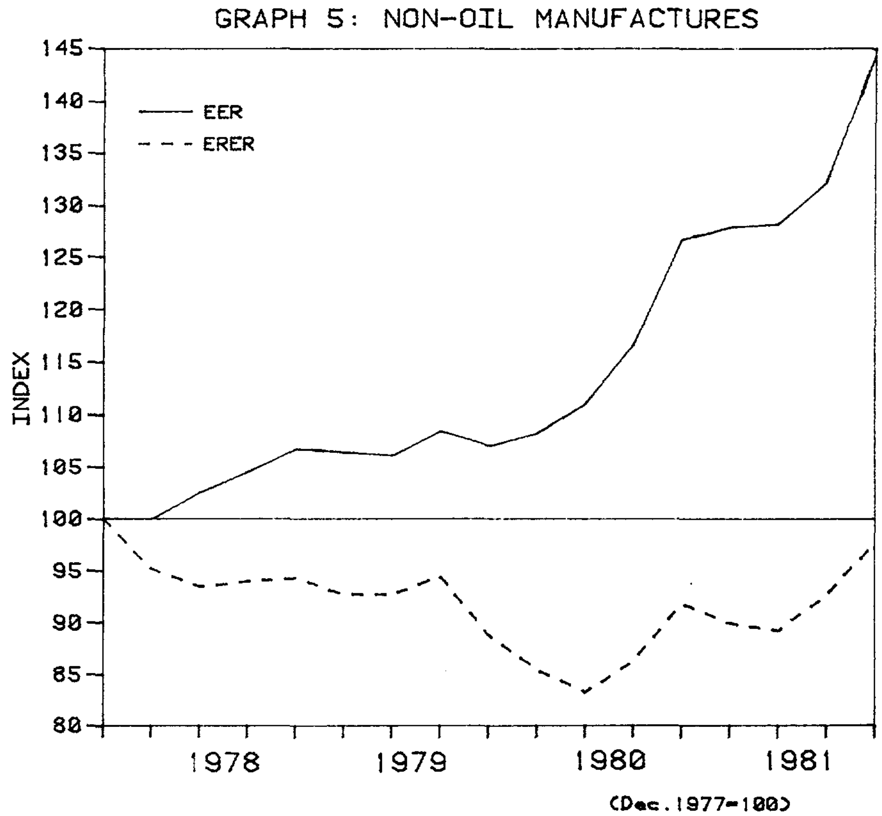


GRAPH 3: DESICCATED COCONUT

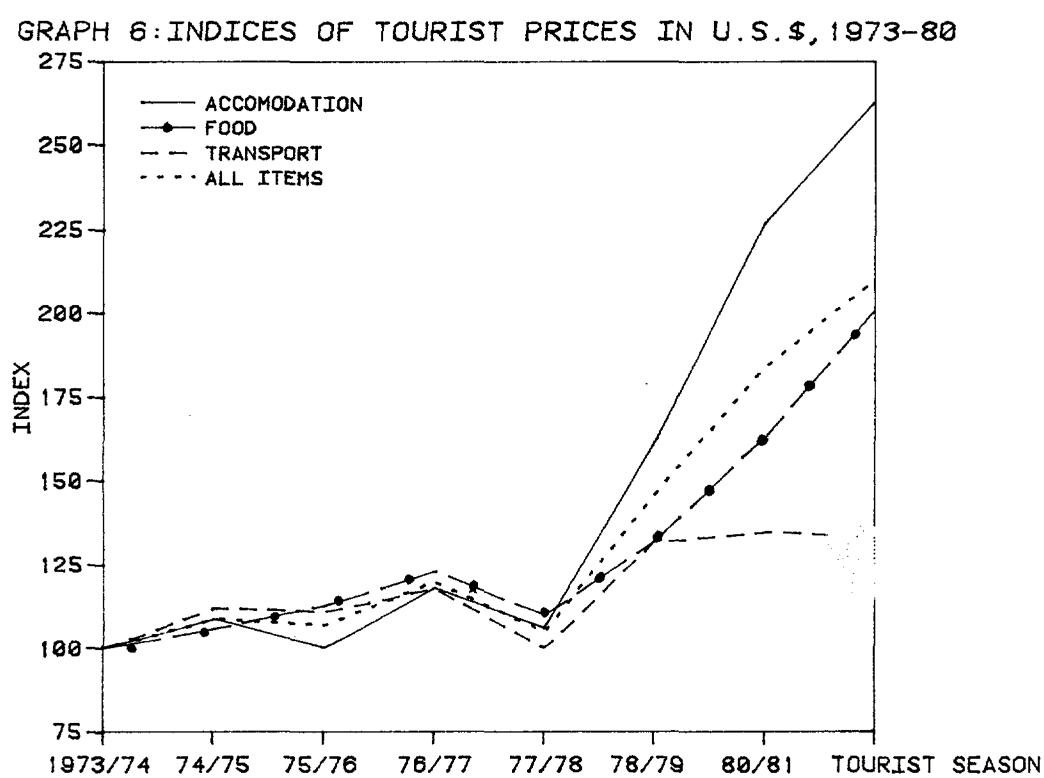


GRAPH 4: COCONUT OIL





SOURCES: (GRAPHS 1-5): COUNTRY TRADE DATA, IFS & BANK STAFF CALCULATIONS.



SOURCE: CEYLON TOURIST BOARD, ANNUAL STATISTICAL REPORT 1980. BANK STAFF CONVERSION OF RUPEE TO $ PRICE INDICES.

Table 1: SELECTED STATISTICS ON TOURISM

	1970	1975	1977	1980
Tourist Arrivals	46,247	103,204	153,665	321,780
Tourist Nights ('000)	489	1,015	1,645	3,548
Official Tourist Receipts ($ mn)	3.6	22.4	40.0	110.7
Graded Accommodation /a				
No. of Units	48 /c	73	90	101
No. of Rooms	1,891 /c	3,632	4,851	6,042
No. of Beds	3,646 /c	7,142	9,447	11,790
Supplementary Accommodation /b				
No. of Units	56 /c	95	104	81
No. of Rooms	374 /c	850	963	755
No. of Beds	743 /c	1,755	2,013	1,546
Room Occupancy Rate /d	42.8	36.8	42.0	57.8
Direct Employment	5,138	10,148	13,716	19,878

Memorandum items: /e

Sector import content (%)	36.1 (1972)	25.9 (1976)	24.5 (1978)	26.6 (1979)

National income multiplier 1.59 (est. from time series data to 1979)
Employment multiplier 1.4 (est. from survey data, 1979)
ICOR 2.86 (est. from investment during 1966-79 and value added in 1979)
Contribution to government revenue Rs 125 mn in 1979 (equivalent to 10.4% of gross tourism receipts)
Rate of return on: total investment 20.7% in 1979/80
equity investment 27.1% in 1979/80

/a Tourist hotels reckoned to be up to international standards of operation. Grading done by Ceylon Tourist Board.

/b Guest houses, rest houses, inns, youth hostels etc. approved by the Tourist Board as suitable for occupation by internatonal visitors.

/c 1972 data

/d In graded accommodation only

/e The various parameters under these were estimated in a 1981 study by Messrs. Attanayake, Samaranayake and Ratnapala. See Sources below.

Sources: Ceylon Tourist Board, Annual Statistical Report, 1980.
Dr. A. Attanayake, H.M.S. Samaranayake and Dr. N. Ratnapala, "The Impact of Internatonal Tourism on the Economy and Society of Sri Lanka: A Reappraisal of Policies and Programmes." Commissioned by I.D.R.C., Canada (Forthcoming).

Table 2: NET FOREIGN EXCHANGE EARNINGS FROM PORT AND SHIPPING SERVICES
($ million, current)

	Balances on					
	Shipping /a		Port /a		Port & Shipping	
	Actual	Expected /b	Actual	Expected /b	Actual	Expected
1972	-1.172	0.209	10.785	-0.190	9.613	0.019
1973	-0.596	0.253	10.814	-0.215	10.218	0.038
1974	-0.647	0.260	10.000	-0.293	9.353	-0.033
1975	-0.593	0.368	10.163	-0.332	9.570	0.036
1976	-0.494	0.440	8.510	-0.309	8.016	0.131
1977	-0.538	0.645	10.468	-0.385	9.930	0.260
1978	-1.281	0.260	10.250	-0.518	8.969	-0.258
1979	-1.079	-0.008	15.254	-0.645	14.175	-0.653
1980	-1.258	-0.397	23.606	-0.764	22.348	-1.161

/a See footnote , page .

/b Expected balances were estimated from the following empirical model of credit and debit items:

$$\log(SHC) = -3.728 + \underset{(3.54)}{} \underset{(3.80)}{0.852} \log(EX) + \underset{(1.64)}{0.251} \log(FLEET), \quad R^2 = 0.84$$

$$\log(SHD) = -2.704 + \underset{(3.81)}{} \underset{(8.00)}{1.144} \log(IM) - \underset{(1.91)}{0.174} \log(FLEET), \quad R^2 = 0.82$$

$$\log(PSC) = -5.442 + \underset{(4.59)}{} \underset{(3.01)}{1.187} \log(EX+IM) - \underset{(1.25)}{0.142} \log(FLEET), \quad R^2 = 0.82$$

$$\log(PSD) = -3.774 + \underset{(2.71)}{} \underset{(3.01)}{0.769} \log(EX+IM) + \underset{(1.25)}{0.210} \log(FLEET), \quad R^2 = 0.79$$

where: SHC and SHD denote, respectively, shipping (freight and insurance) credit and debit, in $;
PSC and PSD denote, respectively, port services credit and debit, in $;
EX and IM denote, respectively, merchandise exports and imports, f.o.b., in $;
FLEET denotes total merchant fleet registered in the country, in gross registered tonnage.

"Trade in Non-Factor Services: Past Trends and Current Issues", World Bank Staff Working Paper No.410, August 1980.

Sources: Central Bank of Ceylon, Review of the Economy, various issues.
Ceylon Shipping Corporation, Annual Report, various issues.

Table 3: ESTIMATED MIGRATION FOR EMPLOYMENT AND ASSOCIATED STATISTICS

Employment Level /a	Emigrating to All Countries /b 1971-76	Emigrating to the Middle East /c 1977	1978	1979	1980
High	3756	51	200	544	n.a.
Middle	537	343	609	1743	n.a.
Skilled	n.a.	3208	3613	5171	n.a.
Unskilled	n.a.	2031	3670	11502	n.a.
Unclassified	n.a.	-	-	2020	n.a.
Total d/	n.a.	5633	8092	20980	39237
Memorandum item:					
Net private remittances ($mn)	8	10	22	48	137

/a High Level includes doctors, engineers, accountants, architects etc; Middle Level includes surveyors, draughtsman, pharmacists, nurses, secretaries etc.; Skilled Level includes electricians, carpenters, masons, mechanics, plumbers, cooks etc.; Unskilled Level includes waiters, domestic aids, laborers etc.

/b Data for 1971-74 indicate that 66% migrated to U.K., U.S.A., Canada, Australia, New Zealand; 24% to African and Asian Commonwealth countries (Nigeria, Zambia, Malaysia); and the remaining 10% to other countries.

/c Data for 1976-79 indicate that 38% migrated to Saudi Arabia; 18% to U.A.E.; 12% to Oman; 11% to Kuwait; 9% to Iraq; and the rest (12%) to Bahrain, Jordan and Qatar.

/d Only of those recorded by the Departments of Labor and Emigration and 57 private employment agencies. Towards the end of 1979 there were 325 registered employment agencies in Sri Lanka, up from 125 at the end of 1978.

Sources: L.K. Ruhunage "Migration of Sri Lankans to the Middle Eastern Countries", Manpower Planning Division, Ministry of Plan Implementation (MPD/MPI), June 1979; L.K. Ruhunage, "Employment of Sri Lankans in West Asia", MPD/MPI, October 1980; "Middle East Migration", Economic Review April 1981, Research Dept. of People's Bank; R.B.M. Korale and I.M. Karunawathie, "Migration of Sri Lankans for Employment Abroad", MPD/MPI, December 1981; Ceylon Tourist Board, Annual Statistical Report 1980; Statistical Appendix Table 3.01.

Table 4: ESTIMATED EXPORT POTENTIAL IN THE MEDIUM AND LONG TERM

Item		Unit	Actual 1980	Potential 1985	Potential 1990	Remarks
Tea	Volume	mn kg	185	189	205	Export volumes in 1985 and 1990 equivalent to 90% of estimated production of 210 and 225 mn. kg., respectively (Tea Masterplan and Bank staff estimates). Prices in 1985 and 1990 are derived from Bank commodity price projections.
	Price	1980 $/kg	2.02	2.04	2.02	
	Value	1980 $ mn	373	385	415	
Rubber	Volume	mn kg	121	114	115	Export volumes in 1985 and 1990 equivalent to 96% of Rubber Masterplan production estimates of, respectively, 119 mn kg and 120 mn kg. Prices are derived from Bank commodity price projections.
	Price	1980 $/kg	1.29	1.31	1.38	
	Value	1980 $ mn	156	149	160	
Coconut kernel	Volume	mn nuts	240	700	1000	Export volume between 1982-85 assumed to grow at about 5%/yr from estimated 1982 level of 610 mn nuts. Between 1985-90, export volume could grow at about 7%/yr, if production programs are strengthened and substitutes are propagated for domestic consumption.
	Price	1980 $/kg	0.188	0.278	0.265	
	Value	1980 $ mn	45	195	265	
Coconut by-products		1980 $ mn	29	82	135	Equal to 42% of kernel export value in 1985. This was the average 1971-81 proportion. For 1990, assume improvements in product (white coir) and technology would raise the proportion to about 50% of kernel export value.
Minor agricultural exports		1980 $ mn	51	90	150	A scenario adding 500 ha/yr during 1983-90 to existing land under each of coffee, pepper, cardamom and cashews is taken as feasible target. About 1000 ha are added to other export crops in 1983 and 2000 ha/yr during 1984-90. Given existing area under cultivation, the above additions, crop productivities, maturity profiles of new plantings and demand, price prospects (all contained in Bank's Minor Export Crops Sector Review) the potential exports for 1985 and 1990 were derived.
Fisheries		1980 $ mn	15.1	32	100	Intensification of culturing could raise exports of crustaceans and malluscs to 3000 MT in 1985 (from 2160 MT in 1980) and 5000 MT in 1990. Real price trends have been 13.6%/yr increase during 1975-80. For projections here, a 10%/yr real price increase is taken from 1980 received price of $6.4/kg. Sea shell exports of 100 MT in 1985 and 90 MT in 1990 are taken and real price increase of 20%/yr from 1980 price of $1.85/kg. Other fisheries exports (tuna resources) could potentially grow to 1000 MT in 1985 and 20000 MT in 1990. Price prospects are about $775/MT in 1985 and increasing 5%/yr during 1985-90, in real terms.
Minerals		1980 $ mn	50.2	62	110	Existing and planned capacity for exports of Ilmenite, rutile and zircon give 1985 export potential of, respectively, 90, 15 and 6 (thousand MT) and 1990 exports of 150, 25 and 10 (thousand MT). Prices are assumed to remain at 1980 levels of, respectively, 18, 333 and 56.6 dollars/MT. Graphite export potential is 9800 MT in 1985 at 1980 $1363/MT and, in 1990, assuming planned exansion takes place, would be 26500 MT at 1980 $1430/MT. Gems exports in 1985 taken from macroframe projection $50 mn current deflated by its export price index to give 1980 $42 mn and in 1990 current $100 mn deflated by IPI to give 1980 $58 mn.

(continued)

(Table 4 continued)

Petroleum products	1980 $ mn	188	202	233	1985 exports $346.9 mn current deflated by price index to get 1980 $202 mn (see Annex IV-C of 1981 World Bank Economic Report). For 1990 assume no volume growth beyond 1985 but only a 15% real price increase over 1985 price (Bank commodity price projection).
Garments	1980 $ mn	143	200	260	For 1985, assume 7%/yr real increase over 1980 a la U.S. quota agreement. Between 1985-90 assume about 5%/yr real increase.
Other merchandise	1980 $ mn	12.7	30	75	Removal of supply, marketing and profitability constraints could obtain growth of about 20%/yr in real terms from 1980 base. The group includes fruit juices, edible fats, soaps and glycerols, activated carbon, ceramics, tree crop processing machinery, etc.
Possible: Cement	1980 $ mn	-	23	21	Cement industry sources (from MOFP files) indicate 1985 production of 1,760,000 MT v/s domestic demand of 1,400,000 MT giving exportable surplus of 360,000 MT at $65/MT. For 1990, assume 300,000 MT exportable at real price 5% above 1985 price.
Total Merchandise a/	1980 $ mn	1063	1450	1925	
Tourism	1980 $ mn	110.7	215	400	Assume arrivals grow at 15%/yr in 1980-85 (1980 arrivals = 321,780) and 10%/yr in 1985-90. Arrivals grew at 21.5%/yr in 1966-80. Average length of stay 11 nights/tourist and expenditures 1980 $30/tourist/night in 1985 and 1980 $35/tourist/night in 1990.
Shipping	1980 $ mn	3.4	6	10	Real growth of receipts in 1975-80 was 7.8%/yr. We assume 10%/yr real growth in 1980-85 and 1985-90 because of potential acceleration of exports, new capacity and routes (to USSR and Gulf ports).
Port Services	1980 $ mn	33.9	60	105	Real growth of receipts in 1975-80 was 9.7%/yr. Assuming potential acceleration of exports and given the capacity expansion, which has occurred, the 1980-90 real growth of receipts could be higher, say, 12%/yr.
Private Remittances	1980 $ mn	152	450	725	In 1981, there were about 74-75 thousand migrants in Mid-east sending an average 1980 $3000/migrant. By 1985, about 150,000 migrants could be sending such average amounts, implying 1980 $450 mn. Bank study on migrant remittances (Staff Working Paper 481 of August 1981) estimates considerable slow down in 1985-90 compared to previous decade. For Sri Lanka, it is assumed here that remittances will grow, in real terms, at 10%/yr in 1985-90 (compared to 20-30%/yr in 1975-85), giving 1980 $ mn 725.

a/ Rounded

Sources: Statistical Appendix Tables 3.01-3.03 and Bank staff estimates.

EDB Priority List of Products with Export Potential

Frozen Shrimp

Canned fruit

Canned fruit juices

Packeted tea

Tea bags

Essential oils (citronella, cinnamon, cardamom, clove, lemon grass)

Processed spices

Processed graphite

Processed mica

Salt and derivatives

Papain

Activated carbon

Soap

Micro-cellular sheets

Dipped rubber goods

Finished leather

Leather bags, travel goods and accessories

Paraquet flooring

Household utensils

Wooden tools and lamp fittings

Furniture

Educational toys

Handloom fabrics, furnishings, linen, garments

Batik fabrics, garments and personal/household items

Mill sector woven garments and knitwear

Embroidered garments

Coir yarn

Brooms and brushes

Rubber and leather footwear

Parts of footwear

Gems and jewelry

Electrical fittings and accessories

Tea machinery

Ceramic ware

Boats and luxury yachts

Water pumps

Craft products

Source: Sri Lanka Export Development Board.

I. MERCHANDISE EXPORTS 1980-81/a AND 1982-83 (PROJECTED)

($ million)

	1980	1981	1982	1983
Tea	373	334	342	404
Rubber	156	150	137	157
Coconut Kernal Products	45	52	65	63
Minor Agriculture	80	83	99	116
Coconut by-products	(29)	(22)	(24)	(27)
Other	(51)	(61)	(75)	(89)
Gems	41	34	38	42
Petroleum Products	188	173	131	156
Bunkers and Aviation	(120)	(103)	(108)	(126)
Other	(68)	(70)	(23)	(30)
Manufactures	143	190	218	247
Garments	(109)	(152)	(174)	(195)
Other	(34)	(38)	(44)	(52)
Minerals	8	7	8	10
Other	29	34	42	50
Total	1,063	1,057	1,080	1,245
Volumes				
Tea (million kg)	185	183	180	192
Rubber (million kg)	121	133	116	116
Coconuts (million nuts)	240	402	610	500
Export Prices				
Tea ($/kg)	2.02	1.82	1.90	2.10
Rubber ($/kg)	1.29	1.13	1.18	1.35
Coconuts ($/nut)	0.19	0.13	0.11	0.13

/a Customs estimates adjusted for Gems Corporation and Petroleum Corporation export estimates.

Source: Central Bank of Ceylon, Ministry of Finance and Planning, and Bank staff estimates.

II. MERCHANDISE IMPORTS 1980-81/a AND 1982-83 (PROJECTED)

($ million)

	1980	1981	1982	1983
Rice	52	49	49	-
Wheat Flour	110	1	-	-
Wheat Grain	44	112	111	139
Sugar	117	140	63	100
Fertilizer	79	62	45	56
Petroleum	494	515	590	690
Crude Oil	(442)	(448)	(493)	(575)
Refined Products	(52)	(67)	(97)	(115)
Other Consumer Goods	328	273	317	350
Textiles	(104)	(116)	(132)	(149)
Other Food	(101)	(54)	(185)	(201)
Other	(123)	(103)		
Other Intermediate Goods	334	324	385	435
Investment Goods	492	436	620	650
Other	7	8	10	10
Total	2,057	1,920	2,190	2,430
Volume ('000 MT)				
Rice	190	157	200	-
Wheat Flour	361	3	-	-
Wheat Grain	227	544	575	590
Sugar	200	238	180	250
Fertilizer	376	282	243	267
Crude Oil	1,861	1,711	1,900	2,000
Unit Prices ($/MT)				
Rice	274	312	275	-
Wheat Flour	305	446	-	-
Wheat Grain	194	206	193	236
Sugar	585	588	350	400
Fertilizer	210	220	185	210
Crude Oil	238	262	259	288

/a Customs data adjusted for main food importing agencies' estimates of rice, wheat grain and wheat flour imports, and Petroleum Corporation estimates.

Source: Central Bank of Ceylon, Ministry of Finance and Planning, and Bank staff estimates.

MAJOR MEDIUM-AND LONG-TERM COMMERCIAL FINANCING ARRANGEMENTS, 1979-1981 a/

Loan	Year	Amount	Borrower - Purpose	Maturity (years)	Grace (years)	Commitment Fee (percent)	Interest b/
Eurodollar	1979	$50.0m	Government of Sri Lanka- Budget Support	8	4	1/2	7/8(4), 1(4)
Eurodollar	1980	$40.0m	Air Lanka - Purchase of Aircraft and Support Facilities	8	3	1/2	3/4(2), 7/8(6)
Eurodollar	1980	$13.3m	Ceylon Shipping Corporation - Progress Payments on Ships	10	3	1/2	3/4(5), 7/8(5)
Argentina-Official Export Credit	1980	$45.4m	Ceylon Shipping Corporation - Purchase of Ships	12 c/	1	-	7.50%
Korea-Official Export Credit	1980	$33.5m	Ceylon Shipping Corporation - Purchase of Ships	10 c/	2	-	8.00%
Sweden-Official Export Credit	1980	SKr256.0m	Government of Sri Lanka - Kotmale Electro-mechnical Equipment	- d/	- d/	-	8.35%
UK-Official Export Credit	1980	Ł20.0m	Government of Sri Lanka - Victoria Electro-mechnical Equipment	- e/	- e/	-	7.50%
Eurodollar	1981	$25.0m	Ceylon Cement Corporation - Capacity Expansion	8	3	1/2	3/4(8)
Eurodollar	1981	$50.0m	Air Lanka - Purchase of Aircraft	8	3-1/2	1/2	3/4(8)
Eurodollar	1981	$24.0m	Air Lanka - Aircraft Progress Payments	1-3/4 f/	-	3/8	3/8(1), 1/2(3/4)
Eurodollar	1981	$75.0m	Government of Sri Lanka - Budget Support	8	5	1/2	5/8(6),3/4(2)

a/ Government and Government-guaranteed
b/ Unless specified, equals percentage points over LIBOR. Parentheses indicate number of years at each interest rate.
c/ From date of delivery.
d/ Repayable in 8 semi-annual installments commencing July 15, 1985.
e/ Repayable over 10 years beginning July 15, 1985.
f/ Repayable in one installment on December 31, 1982, or on the date of delivery of the aircraft, whichever is earlier.

Source: Ministry of Finance and Planning.

STATISTICAL APPENDIX

Table No.

Table No.

Table 1.01: POPULATION AND VITAL STATISTICS, 1963-82

Year	Population Mid-Year ('000)	Birth Rate	Death Rate	Net Migration Rate	Annual Natural Growth Rate
		----(per '000)----			
1963	10,651	34.1	8.6	-1.0	2.55
1964	10,889	33.2	8.8	-1.0	2.44
1965	11,133	33.2	8.2	-0.5	2.50
1966	11,439	32.3	8.3	-0.5	2.40
1967	11,703	31.6	7.5	-0.6	2.41
1968	11,992	32.0	7.9	-0.7	2.41
1969	12,252	30.4	8.1	-0.9	2.23
1970	12,516	29.4	7.5	-0.8	2.19
1971	12,608	30.4	7.7	-2.7	2.27
1972	12,861	30.0	8.1	-3.2	2.19
1973	13,091	28.0	7.7	-3.8	2.03
1974	13,284	27.5	9.0	-4.0	1.85
1975	13,496	27.8	8.5	-2.3	1.93
1976	13,717	27.8	7.8	-3.8	2.00
1977	13,942	27.9	7.4	-3.7	2.05
1978	14,184	28.5	6.6	-2.8	2.19
1979	14,471	28.7	6.5	-3.0	2.22
1980	14,738	27.6	6.1	-6.9	2.15
1981	15,024	27.0	6.0	-5.0	2.10
1982	15,450	26.5	6.0	-5.0	2.05

Note: Figures for 1980-82 are provisional; 1981 and 1982 figures are projected by Ministry of Finance and Planning.

Sources: Registrar Generals Department, based on Registrars General's estimates; and Department of Census and Statistics for census years.

Table 1.02: POPULATION AND LABOR FORCE, WITH PROJECTIONS FOR 1982 AND 1991

	Population ('000)			Labor Force ('000)			Labor Force Participation Rate (%)		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
1971	6,531	6,189	12,720	3,312	1,176	4,488	50.7	19.0	35.3
1975	7,015	6,623	13,638	3,366	1,341	4,707	48.0	20.2	34.5
1976	7,097	6,759	13,856	3,699	1,394	5,093	52.1	20.6	36.8
1978	7,296	6,894	14,190	3,496	1,899	5,395	50.4 a/	26.2 a/	38.2 a/
1982	7,877	7,738	15,585	4,309	1,818	6,127	68.0	37.0	54.0
1991	9,437	9,320	18,757	5,272	2,359	7,631	70.0	50.0	60.0
Male & Female Proportions (%)									
1971	51.3	48.7	100.0	73.8	26.2	100.0	-	-	-
1975	51.4	48.6	100.0	71.5	28.5	100.0	-	-	-
1976	51.2	48.8	100.0	72.6	27.4	100.0	-	-	-
1978	51.4	48.6	100.0	64.8	35.2	100.0	-	-	-
1982	50.3	49.7	100.0	71.5	28.5	100.0	-	-	-
1991	50.3	49.7	100.0	71.5	28.5	100.0	-	-	-

Assumed Age-Sex Specific Labor Force Participation Rates

	1976		1980		1982		1991	
Age Group	Male	Female	Male	Female	Male	Female	Male	Female
10-14	5	3	6	3	6	3	6	3
15-19	50	28	42	20	45	25	53	31
20-24	88	50	87	38	87	50	90	55
25-29	97	40	97	35	97	45	98	48
30-34	98	38	97	37	97	37	98	44
35-39	98	32	98	38	98	38	98	40
40-44	98	30	98	35	98	35	98	36
45-49	96	28	96	38	96	38	97	39
50-54	92	27	92	31	94	30	95	31
55-59	82	22	82	22	83	23	84	24
60-64	65	7	52	16	53	16	53	16
65+	40	6	52	16	53	16	53	16

a/ Figures based on activity rates derived from the findings of the Consumer Finance survey 1978/79, which was conducted in four rounds during the 12 month period - October, 1978 through September 30, 1979, and are not directly comparable with the population figures shown for 1978.

Sources: Census of Population, Vol. II, Department of Census and Statistics, 1976; Central Bank of Ceylon, revised data from the Land and Labor Utilization Survey, 1975; preliminary data from Consumer Finance Survey 1978; and from Socio Economic and Labor Force Survey 1980/81. 1982-1991 Projections by Ministry of Finance and Planning.

Table 1.03: EMPLOYMENT IN THE PUBLIC SECTOR, 1970-81 a/

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
Government Institutions												
Administrative, Technical and Professional Officers of staff rank	9,229	10,491	11,729	14,030	15,649	16,133	19,846	16,901	17,512	18,366	18,439	18,525
Subordinate Employees b/	95,474	103,050	114,000	130,338	144,186	150,891	118,309	185,893	195,922	206,319	207,533	209,242
Minor Employees c/	88,562	86,520	92,727	102,327	109,617	113,714	124,130	82,514	87,172	94,141	95,908	99,071
School Teachers	96,966	97,864	100,836	106,674	107,979	109,855	111,097	119,004	126,437	133,269	135,270	134,991
Others	27,586	30,738	30,950	32,652	34,853	35,272	32,999	18,335	19,042	18,093	18,936	19,646
TOTAL	317,817	328,663	350,242	386,021	412,284	425,865	406,381	422,647	446,085	470,188	476,086	481,475
Semi-Government Institutions d/												
Administrative, Technical and Professional Officers of staff rank	6,315	12,362	14,788	15,360	15,755	14,793	14,648	11,402	12,239	13,005	13,833	14,304
Subordinate Employees b/	31,311	24,919	29,395	31,176	34,891	37,596	50,656	50,184	60,711	72,936	80,503	83,309
Minor Employees c/	122,680	85,152	111,828	120,342	155,669	169,930	455,899	516,806	548,672	621,760	627,656	631,563
Others e/	9,909	52,927	45,345	42,728	40,686	36,865	19,841	38,641	37,782	41,333	47,130	49,023
TOTAL	170,215	175,360	201,296	209,606	247,001	259,184	541,044	617,033	659,404	749,034	769,122	778,199

a/ The employees are classified according to categories and status, and include temporary and casual workers.
b/ Clerical workers.
c/ Semi-skilled and unskilled workers.
d/ Growth of employment in this category (public corporations, universities, research institutions, etc.) was exaggerated in the period by the nationalization of agricultural lands.
e/ Principals, teachers and other education workers.

Source: Central Bank of Ceylon.

Table 1.04: UNEMPLOYMENT RATES a/ BY AGE, EDUCATION, AND SEX
(percentages)

Age Groups:

Education Level	1975 b/												1970 c/					
	15-19			20-29			Others			Total			15-24			25-34		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
No Schooling (Illiterate)	36	35	36	20	17	18	2	4	3	8	10	9	23	9	15	4	2	3
No Schooling (Literate)	27	8	17	25	0	14	1	0	1	5	1	4						
Primary	50	50	50	13	17	14	2	8	3	10	22	13	22	17	21	3	5	4
Secondary	61	76	67	30	56	37	3	21	5	20	55	29	38	53	42	8	32	11
O-Level/S.S.C.	81	95	89	36	75	52	1	22	7	23	63	38	52	78	63	9	37	18
A-Level/H.S.C.	100	100	100	35	72	54	0	25	7	22	65	41						
University Graduate	0	0	0	25	33	29	2	16	6	9	25	15	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other	0	0	0	25	17	20	0	0	0	2	4	3						
TOTAL	56	64	60	26	49	34	2	11	4	15	38	22						

a/ Unemployment as a proportion of the total labor force in each category.
b/ Land and Labor Utilization Survey, 1975. Revised data from the Central Bank of Ceylon.
c/ Socioeconomic Survey, 1969/70.

Note: The age periods were not the same in the two categories.

Source: Central Bank of Ceylon.

Table 1.05: COMPOSITION OF UNEMPLOYMENT a/ IN 1971, 1975 AND 1981 BY AGE, EDUCATION, AND SEX
(Percentages)

1971

AGE GROUPS:	15-19			20-24 b/			25-34 b/			Others (10-14 & 30-65)			Total (10-65)		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
EDUCATION LEVEL															
No Schooling	3.2	2.1	2.7	2.5	1.7	2.1	2.1	2.0	2.0	4.0	5.6	4.7	11.7	11.3	11.5
Primary	5.3	2.9	4.2	3.5	1.9	2.8	2.5	2.0	2.3	4.2	3.6	4.0	15.5	10.4	13.2
Secondary	14.2	10.5	12.6	16.5	11.5	14.4	9.1	7.4	8.3	7.0	6.3	6.7	46.8	35.8	42.0
O-Level	4.4	6.4	5.3	12.9	18.7	15.4	6.0	12.8	8.9	0.9	1.7	1.2	24.3	39.5	30.9
A-Level	0.1	0.1	0.1	0.7	1.2	0.9	0.3	0.8	0.5	*	*	*	1.1	2.0	1.5
University Graduates	*	*	*	0.1	0.2	0.1	0.2	0.4	0.3	0.1	*	*	0.3	0.6	0.5
Others	*	*	*	0.1	0.1	0.1	0.1	0.2	0.1	0.1	0.1	0.1	0.3	0.3	0.3
TOTAL	27.3	22.0	24.9	36.2	35.3	35.8	20.3	25.4	22.5	16.2	17.3	16.7	100.0	100.0	100.0

1975

	15-19			20-29 b/			Others (10-14 & 30-65)			Total (10-65)		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
No Schooling (Illiterate)	1.8	2.1	1.9	1.7	1.8	1.7	0.5	1.2	0.8	3.9	5.0	4.5
No Schooling (Literate)	0.3	0.1	0.2	0.4	0.0	0.2	0.2	0.0	0.1	0.9	0.1	0.5
Primary	13.8	9.5	11.7	6.7	3.5	5.1	3.6	2.4	3.0	24.1	15.5	19.8
Secondary	21.6	19.4	20.5	24.7	19.3	22.1	3.9	3.7	3.8	50.2	42.4	46.3
O-Level	3.8	6.2	5.0	14.4	22.8	18.6	0.4	3.2	1.8	18.6	32.2	25.3
A-Level Graduates	0.2	0.4	0.3	1.5	3.2	2.4	0.0	0.3	0.1	1.7	3.9	2.8
University Graduates	0.0	0.0	0.0	0.4	0.6	0.5	0.1	0.3	0.2	0.5	0.9	0.7
Others	0.0	0.0	0.0	0.1	0.1	0.1	0.0	0.0	0.0	0.1	0.1	0.1
TOTAL	41.4	37.6	39.5	50.0	51.4	50.7	8.7	11.1	9.8	100.0	100.0	100.0

1980/81 c/

	15-19			20-29			Others (10-14 & 30-65)			Total (10-65)		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
No Schooling										4.5	2.9	3.9
Primary Grade (Grades 1-5)										21.5	10.4	16.9
Middle Grade (Grades 6-10)										50.7	42.7	47.4
G.C.E.) O-Level) N.C.G.E.)										19.6	34.5	25.7
G.C.E.) A-Level) H.N.C.E.)										3.4	8.6	5.6
Passed Degree										0.2	0.7	0.4
Post Graduate Degree/Diploma										0.1	0.2	0.1
TOTAL	30.1	22.1	26.6	58.5	61.8	60.0	11.4	16.1	13.4	100.0	100.0	100.0

a/ Unemployed as a percentage of total unemployed.
b/ Data for the 25-29 age group, which would allow direct comparison with 1975 data, are not available.
c/ Further details not available.

Note: An asterisk (*) indicates less than 0.5%.

Sources: Census of Population, Vol. II, Part B, 1975; Land and Labor Utilization Survey, 1975; revised data from the Central Bank of Ceylon; 1980/81 data from Labor Force & Socio Economic Survey 1980/81, Department of Census & Statistics.

Table 2.01: *GROSS DOMESTIC PRODUCT: COMPOSITION AND SECTORAL DEFLATORS, 1970-81*
(Current Factor Prices)

	1970		1971		1972		1973		1974		1975		1976		1977		1978		1979		1980		1981 a/	
	Rs Mn.	% of GDP	Rs Mn.	% of GDP	Rs Mn.	% of GDP	Rs Mn.	% of GDP	Rs Mn.	% of GDP	Rs Mn.	% of GDP	Rs Mn.	% of GDP	Rs Mn.	% of GDP	Rs Mn.	% of GDP	Rs Mn.	% of GDP	Rs Mn.	% of GDP	Rs Mn.	% of GDP
Production																								
Agriculture b/	3,732	28.3	3,705	27.1	3,878	26.3	4,892	27.3	7,728	33.2	7,798	30.4	8,133	29.0	10,644	30.7	12,332	30.5	13,412	26.9	17,151	27.6	22,496	28.7
Mining	95	0.7	112	0.8	129	0.9	489	2.7	334	1.4	450	1.8	639	2.3	595	1.7	732	1.8	947	1.9	1,249	2.0	1,458	1.9
Manufacturing	2,197	16.7	2,399	17.5	2,592	17.6	3,122	17.4	4,342	18.6	5,158	20.1	5,620	20.0	8,023	23.1	8,094	20.0	9,484	19.1	11,048	17.7	13,656	17.4
Construction	744	5.6	751	5.5	711	4.8	802	4.5	1,011	4.3	1,018	4.0	1,164	4.2	1,133	3.3	1,965	4.8	3,218	6.5	5,552	8.9	7,001	8.9
Services	6,419	48.7	6,707	49.0	7,410	50.3	8,615	48.1	9,887	42.4	11,267	43.9	12,476	44.5	14,289	41.2	17,356	42.9	22,721	45.6	27,246	43.8	33,895	43.2
Utilities	101	0.8	113	0.8	130	0.9	136	0.8	154	0.7	164	0.6	171	0.6	194	0.6	239	0.6	398	0.8	601	1.0	808	1.0
Transport/Communications	1,258	9.5	1,270	9.3	1,405	9.5	1,596	8.9	1,853	8.0	2,079	8.1	2,286	8.1	2,723	7.9	2,994	7.4	4,744	9.5	5,293	8.5	6,483	8.3
Commercial Services	2,533	19.2	2,652	19.4	3,076	20.9	3,806	21.2	4,442	19.1	4,975	19.4	5,456	19.5	6,239	18.0	7,536	18.6	9,435	19.0	10,898	17.5	12,954	16.5
Financial Services	152	1.2	166	1.2	191	1.3	220	1.2	302	1.3	336	1.3	419	1.5	542	1.6	845	2.1	1,243	2.5	1,785	2.9	2,463	3.1
Housing Services	399	3.0	407	3.0	414	2.8	421	2.3	456	2.0	639	2.5	726	2.6	832	2.4	969	2.4	1,293	2.6	1,457	2.3	1,768	2.2
Public Administration	517	3.9	550	4.0	575	3.9	654	3.6	704	3.0	798	3.1	948	3.4	1,177	3.4	1,516	3.7	1,664	3.3	1,965	3.2	2,350	3.0
Other Services	1,459	11.1	1,549	11.3	1,619	11.0	1,782	9.9	1,976	8.5	2,276	8.9	2,470	8.8	2,582	7.4	3,257	8.1	3,944	7.9	5,247	8.4	7,069	9.0
Gross Domestic Product	13,187	100.0	13,674	100.0	14,720	100.0	17,920	100.0	23,302	100.0	25,691	100.0	28,032	100.0	34,684	100.0	40,479	100.0	49,782	100.0	62,246	100.0	78,506	100.0
Prices (Implicit Deflators)																								
Agriculture b/	100.0		101.7		103.2		131.3		196.0		214.2		208.9		247.6		272.1		290.2		360.0		441.4	
Mining	100.0		116.7		125.2		103.6		113.2		113.9		111.9		115.4		118.3		145.2		182.6		204.5	
Manufacturing	100.0		105.3		111.7		137.8		200.7		227.9		237.0		340.4		318.5		356.7		412.1		484.3	
Construction	100.0		106.1		109.2		120.6		142.0		156.9		169.9		183.0		247.5		335.2		520.8		677.1	
Services	100.0		103.4		108.9		122.9		132.3		141.6		160.3		172.4		194.7		236.5		262.5		306.9	
Utilities	100.0		125.6		128.7		127.1		142.6		140.2		140.2		148.1		151.3		209.5		287.5		345.3	
Transport/Communications	100.0		104.2		105.2		117.9		126.7		138.9		160.4		181.8		186.3		276.5		287.9		331.3	
Commercial Services	100.0		108.0		120.7		146.0		160.3		172.4		193.2		208.0		230.7		265.7		283.1		321.1	
Financial Services	100.0		100.0		109.1		120.9		141.8		121.7		170.3		183.7		265.7		355.1		444.0		533.1	
Housing Services	100.0		100.0		99.8		100.5		100.2		100.0		155.5		175.2		194.2		249.6		265.4		305.4	
Public Administration	100.0		100.0		98.6		102.0		102.3		109.5		124.7		148.8		177.5		183.9		204.9		235.7	
Other Services	100.0		96.9		98.5		104.8		111.3		122.0		125.9		123.0		147.2		165.9		204.0		254.4	
Gross Domestic Product	100.0		103.5		108.0		126.8		159.8		173.2		183.0		215.7		232.6		269.1		318.0		379.1	

a/ Provisional estimates.
b/ Includes forestry, hunting and fishing.

Source: Central Bank of Ceylon.

Table 2.02: GROWTH RATES OF GDP AND ITS COMPONENTS, 1970-81
(Rs Million at Constant 1970 Factor Prices)

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981 a/
Agriculture b/	3,732	3,642	3,755	3,725	3,942	3,847	3,894	4,299	4,532	4,622	4,766	5,097
Mining	95	96	103	472	295	395	571	515	619	652	684	713
Manufacturing	2,197	2,279	2,321	2,266	2,163	2,263	2,371	2,357	2,541	2,659	2,681	2,820
Construction	744	708	651	665	712	649	685	619	794	960	1,066	1,034
Services	6,419	6,484	6,801	7,010	7,473	7,833	7,910	8,288	8,915	9,608	10,378	11,042
Utilities	101	90	101	107	108	117	122	131	158	190	209	234
Transport/Communications	1,258	1,219	1,335	1,354	1,462	1,497	1,425	1,498	1,607	1,716	1,838	1,957
Commercial Services	2,533	2,456	2,548	2,607	2,771	2,886	2,928	2,999	3,267	3,551	3,849	4,034
Financial Services	152	166	175	182	213	276	246	295	318	350	402	462
Housing Services	399	407	415	419	455	463	467	475	499	518	549	579
Public Administration	517	548	583	641	688	729	760	791	854	905	959	997
Other Services	1,459	1,598	1,644	1,700	1,776	1,865	1,962	2,099	2,212	2,378	2,572	2,779
Gross Domestic Product	13,187	13,209	13,631	14,138	14,585	14,987	15,431	16,078	17,401	18,501	19,575	20,706
						Annual Growth Rate (%)						
Agriculture b/	3.8	-2.4	3.1	-0.8	5.8	-2.4	1.2	10.4	5.4	2.0	3.1	6.9
Mining	18.5	1.1	7.3	353.8 c/	-37.5	33.9	44.6	-9.8	20.2	5.3	4.9	4.2
Manufacturing	5.7	3.7	1.8	-2.3	-4.5	4.6	4.8	-0.6	7.8	4.6	0.8	5.2
Construction	14.4	-4.8	-8.1	2.2	7.1	-8.8	5.5	-9.6	28.3	20.9	11.0	-3.0
Services	2.8	1.0	4.9	3.1	6.6	4.8	1.0	4.7	7.6	7.8	8.0	6.4
Utilities	21.0	-10.9	12.2	5.9	0.9	8.3	4.3	7.4	20.6	20.3	10.0	12.0
Transport/Communications	1.4	-3.1	9.5	1.4	8.0	2.4	-4.8	5.1	7.3	6.8	7.1	6.5
Commercial Services	2.4	-3.0	3.7	2.3	6.3	4.2	1.5	2.4	8.9	8.7	8.4	4.8
Financial Services	3.8	9.2	5.4	4.0	17.0	29.6	-10.9	19.9	7.8	10.1	14.9	14.9
Housing Services	3.6	2.0	2.0	1.0	8.6	1.8	0.9	1.7	5.1	3.8	6.0	5.5
Public Administration	3.0	6.0	6.4	9.9	7.3	6.0	4.3	4.1	8.0	6.0	6.0	4.0
Other Services	3.9	9.5	2.9	3.4	4.5	5.0	5.2	7.0	5.4	7.5	8.1	8.0
Gross Domestic Product	4.3	0.2	3.2	3.7	3.2	2.8	3.0	4.2	8.2	6.3	5.8	5.8

a/ Provisional estimates.
b/ Includes forestry, hunting and fishing.
c/ The sudden increase is due to the sharp rise in gem exports through legal channels following the introduction of the Convertible Rupee Account Scheme.

Source: Central Bank of Ceylon.

Table 2.03: NATIONAL PRODUCT AND EXPENDITURE, 1970-81
(Rs Million at Current Prices)

PRODUCT	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981 a/
GDP at Factor Cost	13,187	13,674	14,720	17,920	23,302	25,691	28,032	34,684	40,479	49,782	62,246	78,506
Indirect Taxes less Subsidies	477	376	527	484	469	886	2,171	1,723	2,186	2,605	4,281	6,899
GDP at Market Prices	13,644	14,050	15,247	18,404	23,771	26,577	30,203	36,407	42,665	52,387	66,527	85,405
Net Factor Income from Abroad	-220	-188	-178	-183	-183	-213	-282	-252	-237	-240	-431	-1,675
GNP at Market Prices	13,444	13,862	15,069	18,221	23,588	26,364	29,921	36,155	42,428	52,147	66,096	83,730
EXPENDITURE												
Consumption	11,505	11,933	12,849	16,099	21,811	24,422	26,012	29,816	36,148	45,169	59,084	74,927
Public	1,623	1,764	1,897	2,016	2,743	2,480	3,021	3,118	4,043	4,798	5,685	5,944
Private	9,882	10,169	10,952	14,083	19,068	21,942	22,991	26,698	32,105	40,371	53,399	68,983
Gross Fixed Capital Formation	2,359	2,140	2,206	2,493	2,972	3,699	4,595	5,035	8,521	13,246	20,845	24,528
Government & Public Enterprises b/	570	493	517	590	811	1,095	1,631	1,542	3,077	3,809	4,709	5,375
Public Corporations c/	451	367	319	304	342	426	588	861	2,056)	)	)	)
									)	9,437)	16,136)	19,153)
Private	1,338	1,280	1,370	1,599	1,819	2,178	2,376	2,632	3,388)	)	)	)
Change in Stocks	230	258	432	35	763	441	301	224	33	281	1,620	331
Exports of Goods & NFS	3,478	3,458	3,404	4,481	6,283	7,306	8,773	12,311	14,835	17,660	21,434	25,701
Imports of Goods & NFS	3,908	3,739	3,644	4,704	8,058	9,291	9,478	10,979	16,872	23,969	36,456	40,082
Memorandum Items:												
Gross National Savings d/	1,930	1,900	2,150	2,125	1,773	1,974	4,003	6,539	6,622	7,732	9,446	12,650
External Current Account Balance e/	-659	-498	-488	-403	-1,962	-2,166	-893	1,280	-1,932	-5,795	-13,019	-12,209
(Percent of GDP at Current Market Price)												
GDP (at market prices)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
External Resources (net imports of GNFS) f/	3.1	2.0	1.6	1.2	7.5	3.1	2.3	-3.7	4.8	12.0	22.5	16.8
Total Resources Available (= total uses)	103.1	102.0	101.6	101.2	107.5	103.1	102.3	96.3	104.8	112.0	122.5	116.8
Consumption	84.2	85.0	84.2	87.4	91.7	91.9	86.1	81.9	84.7	86.2	88.8	87.7
Public	11.9	12.6	12.4	10.9	11.5	9.3	10.0	8.6	9.5	9.2	8.5	7.0
Private	72.3	72.4	71.8	76.5	80.2	82.6	76.1	73.3	75.2	77.0	80.3	80.7
Gross Fixed Capital Formation	17.3	15.2	14.5	13.6	12.5	13.9	15.2	13.8	20.0	25.3	31.3	28.7
Government & Public Enterprises b/	4.2	3.5	3.4	3.2	3.4	4.1	5.4	4.2	7.2	7.3	7.1	6.3
Public Corporations c/	3.3	2.6	2.1	1.7	1.4	1.6	1.9	2.4	4.8)	)	)	)
									)	18.0)	24.2)	22.4)
Private	9.8	9.1	9.0	8.7	7.7	8.2	7.9	7.2	7.9)	)	)	)
Change in Stocks	1.6	1.8	2.9	0.2	3.2	1.7	1.0	0.6	0.1	0.5	2.4	0.4
Memorandum Items:												
Gross National Savings d/	14.1	13.5	14.1	11.5	7.5	7.3	12.9	17.9	15.6	14.8	14.2	14.8
External Current Account Balance e/	-4.8	-3.5	-3.2	-2.2	-8.2	-8.3	-3.3	3.0	-4.5	-11.1	-19.6	-14.3

a/ Provisional estimates.
b/ Includes Railways, Ports, Harbor, Warehouse, Posts and Telecommunications. Since 1979, the Ports, Harbor, and Warehouse have become Public Corporations and are no longer included under Public Enterprises.
c/ Autonomous state-owned enterprises.
d/ Equals Gross Fixed Capital Formation plus Change in Stocks plus External Current Account Balance.
e/ External transactions during 1970-77 converted to rupee values using FEEC rates.
f/ Net imports of goods and non-factor services.

Source: Central Bank of Ceylon.

Table 2.04: PERCENTAGE OF TOTAL INCOME RECEIVED BY EACH TENTH OF INCOME RECEIVERS, 1963, 1973, AND 1978/79

Deciles	Urban			Rural			Estates			All Island		
	1963	1973 a/	1978/79	1963	1973 a/	1978/79	1963	1973 a/	1978/79	1963	1973 a/	1978/79
Highest	42.78	29.90	40.60	34.23	27.27	37.56	24.87	31.70	25.50	39.24	29.98	39.03
Second	15.64	15.42	15.07	16.51	15.44	15.42	13.31	13.51	14.58	16.01	15.91	15.27
Third	10.77	12.17	10.74	12.35	12.72	11.43	11.21	11.12	11.82	11.46	12.65	11.23
Fourth	8.31	10.25	8.52	9.96	10.68	9.39	10.42	9.53	10.41	8.98	10.56	9.12
Fifth	6.64	8.68	7.20	8.11	9.16	7.75	8.71	7.99	9.17	6.82	8.75	7.29
Sixth	5.13	7.45	6.04	6.45	7.79	6.36	8.71	6.91	7.58	5.55	7.10	5.93
Seventh	4.28	6.25	4.83	5.04	6.42	4.94	7.33	6.16	7.31	4.51	5.70	4.77
Eighth	3.16	4.75	3.66	3.73	5.18	3.66	6.86	5.58	5.90	3.56	4.38	3.60
Ninth	2.00	3.42	2.13	2.54	3.53	2.44	5.56	4.61	5.04	2.70	3.17	2.56
Lowest	1.29	1.70	1.21	1.08	1.81	1.05	3.02	2.89	2.69	1.17	1.80	1.20
	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

a/ For a variety of reasons, 1973 data are not directly comparable with 1963.

Source: Central Bank of Ceylon, Survey of Sri Lanka's Consumer Finances, 1963, 1973 and 1978/79.

Table 3.01: BALANCE OF PAYMENTS, 1970-81
($ million)

	1970	1973	1974	1975	1976	1977	1978	1979	1980	1981 a/
CURRENT ACCOUNT										
Receipts	382	435	586	644	644	869	1,009	1,235	1,496	1,594
Merchandise Exports, f.o.b.	339	367	511	555	556	747	846	982	1,065	1,062
Port, Transportation, & Insurance	19	28	26	29	25	27	20	29	44	51
Foreign Travel	4	9	14	18	23	33	48	68	99	118
Government Expenditure	5	5	5	6	6	6	7	8	8	10
Other Services	10	16	16	20	17	26	29	48	81	95
Investment Income	2	3	6	7	4	12	20	40	47	29
Private Remittances	3	7	8	9	13	18	39	60	152	229
Payments	453	473	764	831	709	791	1,133	1,607	2,294	2,228
Merchandise Imports, c.i.f.	392	413	701	757	640	716	999	1,450	2,051	1,904
Port, Transportation, & Insurance	5	10	10	12	11	12	20	26	34	39
Foreign Travel	3	2	1	2	3	3	29	29	34	39
Government Expenditure	5	3	4	4	4	5	5	5	7	7
Other Services	20	18	18	24	21	20	28	30	79	94
Non-Monetary Gold	-	-	-	1	-	-	-	-	-	-
Investment Income	23	20	22	25	24	27	35	55	73	116
Private Remittances	5	7	8	6	6	8	17	12	16	29
Net Current Account	-71	-38	-178	-187	-65	+78	-124	-372	-798	-634
CAPITAL ACCOUNT										
Non-Monetary Capital (net)	70	86	128	140	132	102	225	356	536	540
Medium and Long Term Capital										
Receipts	78	104	179	256	212	214	296	418	506	634
Direct Private Investment	1	1	2	1	1	1	2	49	46	52
Grants	13	13	42	77	58	60	58	144	138	162
Loans	50	52	70	126	111	136	236	186	262	(
Suppliers' Credits	14	38	65	52	42	17	-	39	60	(420
Repayments	34	39	59	100	82	83	68	62	127	94
Direct Private Investment	2	1	1	1	-	2	-	2	3	2
Loans	19	23	26	39	28	47	43	44	(	(
Suppliers' Credits	13	15	32	60	54	34	25	16	(124	(92
Short Term (net)	+26	+21	+ 8	-16	+ 2	-29	- 3	-	+157	+22
SDR Allocations	+13	-	-	-	-	-	-	+16	+16	+14
Capital, n.e.i. b/	+ 2	-11	- 7	-10	-10	+ 3	- 7	+48	+26	+25
Overall Balance c/	+14	+37	-57	-57	+57	+183	+94	+48	-220	+33
Monetary Movements	-14	-37	+57	+57	-57	-183	-94	-48	+220	-33
Memorandum Items:										
IMF Transactions d/	- 4	- 5	+33	+28	+10	+47	+20	+67	-4	+163
Drawings	23	21	57	52	32	70	48	105	39	226
Repurchases	27	26	24	24	22	23	28	38	43	63

a/ Provisional.
b/ Includes errors and omissions.
c/ Equals change in net international reserves.
d/ IMF Trust Fund borrowings are shown under loans in non-monetary capital; these amounted to $51 million in 1978, $38 million in 1979, $33 million in 1980, and $0.4 million in 1981.

n.a. = not available.

Note: This table is prepared by the Central Bank on the basis of Table 81 of the Review of the Economy (1981), which uses unadjusted Customs data for merchandise import and export estimates. The trade numbers in this table, as well as those in tables 3.02 and 3.03, thus differ from those used elsewhere by the Central Bank, and those in the text and Annex V of this report. Those numbers numbers have been adjusted according the estimates of the main importing and exporting agencies.

Sources: Central Bank of Ceylon; and IMF International Financial Statistics for IMF Transactions data.

Table 3.02: COMPOSITION OF EXPORTS, 1970-81

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
VALUE ($ million)												
Tea	188	193	194	197	204	274	248	410	411	367	373	335
Rubber	74	52	44	92	111	93	105	107	130	160	157	150
Major Coconut Products	40	47	44	22	59	55	44	36	62	83	46	53
Copra	(4)	(4)	(9)	(1)	(-)	(1)	(1)	(-)	(1)	(1)	(-)	(3)
Coconut Oil	(20)	(25)	(22)	(4)	(21)	(27)	(22)	(4)	(21)	(33)	(3)	(10)
Desiccated Coconut	(16)	(18)	(13)	(17)	(38)	(27)	(21)	(32)	(41)	(50)	(43)	(40)
Sub-total	302	292	282	311	374	422	397	553	603	610	576	538
Other Exports a/	40	36	53	98	148	136	171	188	245	369	469	531
of which:												
Precious & Semi-precious stones	(1)	(1)	(2)	(22)	(16)	(26)	(31)	(34)	(34)	(31)	(28)	(33)
Petroleum Products	(5)	(4)	(12)	(20)	(52)	(50)	(48)	(64)	(59)	(124)	(169)	(175)
TOTAL EXPORTS	342	328	335	409	522	558	568	741	848	979	1,045	1,069
	(Percent of Total Export Value)											
Tea	55.0	58.8	57.9	48.2	39.1	49.1	43.7	55.3	48.5	37.5	35.7	31.3
Rubber	21.6	15.9	13.1	22.5	21.3	16.7	18.5	14.4	15.3	16.3	15.0	14.1
Major Coconut Products	11.7	14.3	13.1	5.4	11.3	9.9	7.7	4.9	7.3	8.5	4.4	4.9
Sub-total	88.3	89.0	84.2	76.0	71.6	75.6	69.9	74.6	71.2	62.3	55.1	50.3
Other Exports a/	11.7	11.0	15.8	24.0	28.4	24.4	30.1	25.4	28.9	37.7	44.9	49.7
TOTAL EXPORTS	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
VOLUME												
Tea (million kg)	208	207	190	206	175	213	200	186	193	188	185	183
Rubber (million kg)	161	129	130	128	161	137	136	136	138	128	121	133
Major Coconut Products (million kg) b/	123	140	180	59	65	114	108	39	71	73	35	56
Copra (million kg)	(16)	(17)	(44)	(3)	(-)	(1)	(1)	(-)	(1)	(1)	(-)	(2)
Coconut Oil (million kg)	(58)	(70)	(87)	(18)	(22)	(54)	(61)	(9)	(30)	(32)	(3)	(17)
Desiccated Coconut (million kg)	(49)	(53)	(49)	(38)	(43)	(59)	(46)	(30)	(40)	(40)	(31)	(37)

a/ Other exports include coconut by-products, spices, minor agricultural crops, precious and semi-precious stones, manufactured goods, minerals, and petroleum re-exports.

b/ The approximate conversion ratios for nuts into kilograms for major coconut products are as follows: 4.93 nuts = 1 kg of copra; 13.33 nuts = 1 kg of coconut oil; and 6.80 nuts = 1 kg of desiccated coconut.

Note: Due to rounding off, components may not add up to totals. Data not necessarily consistent with exports data as compiled on payments basis (Table 3.01). Data for 1981 were estimated using average annual exchange rate and may thus differ from data used in the main report and in Annex V, which were calculated using adjusted customs data on a monthly basis wherever possible.

Sources: Unadjusted Sri Lanka Customs data as reported by the Central Bank of Ceylon.

Table 3.03: INDUSTRIAL EXPORTS, 1975-81
($ million)

	1975	1976	1977	1978	1979	1980	1981
Food, Beverages and Tobacco	5.64	11.17	11.93	16.42	23.60	18.71	21.86
of which: Fish and Fish Products	(3.13)	(8.88)	(9.30)	(14.89)	(19.75)	(14.95)	(17.99)
Textiles and Wearing Apparel	3.49	8.24	12.70	30.66	71.18	109.74	155.92
of which: Garments	(3.30)	(8.12)	(11.81)	(30.39)	(70.88)	(109.38)	(153.68)
Essential Oils	0.96	1.24	1.29	1.63	-	-	-
Chemical Products	1.58	1.39	1.06	1.43	3.15	3.87	2.67
Petroleum Products	50.03	60.27	63.74	59.38	123.72	188.86	175.39
of which: Naphtha	(8.09)	(12.47)	(10.53)	(9.72)	(28.01)	(38.71)	(29.30)
Bunkers and Aviation Fuel	(41.74)	(43.77)	(42.77)	(41.62)	(87.56)	(119.79)	(104.41)
Fuel Oil	(0.20)	(4.03)	(10.44)	(8.04)	(8.15)	(30.36)	(41.64)
Leather, Rubber, Wood and Ceramics	3.10	3.73	1.67	4.49	8.42	8.67	9.16
Other	2.12	0.33	0.45	1.14	1.30	1.89	1.89
TOTAL MANUFACTURING	66.92	86.37	92.84	115.15	231.37	331.74	366.89
Natural Graphite	1.76	1.89	2.20	3.80	4.79	4.82	4.56
Metallic Ores and Iron Pyrites	0.96	0.58	-	0.76	3.36	2.89	1.57
Ilmenite	1.04	1.05	0.57	1.52	0.53	0.39	0.82
Precious and Semi-precious Stones	25.56	30.90	28.92	34.02	31.48	40.17	32.95
TOTAL MINING AND QUARRYING	29.32	34.42	31.69	40.10	40.16	48.27	39.91
TOTAL INDUSTRIAL EXPORTS	96.24	120.79	124.53	155.25	271.53	380.01	406.80

Note: 1981 data was prepared using the average annual exchange rate. As a result, the data in this table may differ somewhat from estimates used in the main report and in Annex V which are derived from monthly data.

Source: Central Bank of Ceylon.

Table 3.04: COMPOSITION OF IMPORTS, 1970-81 a/
($ million)

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981 b/
CONSUMER GOODS of which:	217.5	191.6	178.2	222.5	321.5	376.0	204.7	308.6	358.8	501.7	614.4	479.2
Food and Drink	179.7	154.8	152.8	195.0	293.2	357.4	181.3	255.4	263.1	307.5	387.6	254.1
Rice	53.4	32.9	26.8	42.2	108.3	150.6	75.9	107.6	44.1	57.2	53.3	51.6
Flour	43.7	34.7	32.2	70.8	128.9	142.1	80.7	109.4	145.8	107.0	110.4	1.5
Refined sugar	28.6	50.0	41.3	50.2	28.6	35.2	7.6	21.4	32.9	60.1	122.5	146.9
Milk and milk products	9.2	7.9	9.5	10.9	10.5	11.6	9.6	11.7	25.4	30.8	32.5	25.1
Fish	11.4	12.1	13.7	8.1	7.5	6.2	3.0	2.1	2.1	12.2	17.8	5.3
Textiles (including clothing)	20.8	17.4	8.0	8.6	8.9	2.8	5.8	17.3	34.0	98.7	104.1	121.3
Other Consumer Goods	12.1	13.7	10.5	13.1	12.8	5.9	10.6	25.2	49.8	78.9	107.1	93.8
Medicinal & pharmaceutical products	4.9	5.7	6.8	5.6	6.6	9.8	7.0	10.5	11.7	16.2	15.7	10.0
INTERMEDIATE GOODS of which:	75.8	65.4	83.7	127.3	288.7	267.8	267.0	320.6	358.6	586.4	938.8	932.6
Wheat and meslin	3.8 c/	5.9 c/	7.3	9.5	17.6	19.3	17.1	17.7	8.7	19.0	34.8	98.2
Fertilizer	13.6	9.9	10.5	17.3	33.2	29.5	11.7	31.5	16.1	43.2	81.0	62.6
Petroleum	9.9	4.4	6.3	46.1	136.1	123.7	137.6	160.4	154.1	251.2	489.4	448.4
Chemicals, elements and compounds	9.4	11.1	12.2	16.7	34.9	16.3	10.6	16.3	28.6	32.2	32.9	34.5
Dyeing, tanning and coloring materials	1.7	1.9	2.3	1.9	3.3	2.7	3.1	4.5	7.7	9.6	12.3	12.0
Paper and paperboard	7.6	8.1	7.0	6.2	9.8	9.9	6.6	7.4	15.3	25.6	27.6	38.1
INVESTMENT GOODS of which:	91.8	70.7	73.0	70.6	68.7	92.6	76.0	82.6	215.9	350.5	492.5	413.5
Building materials	20.0	19.9	20.2	16.7	22.1	24.0	12.3	9.8	9.6	23.6	36.9	27.3
Transport equipment	21.1	12.8	17.8	14.8	13.7	16.4	20.7	27.3	63.3	103.7	146.5	115.9 d/
Machinery and equipment	46.4	33.7	30.2	35.0	27.5	45.7	43.0	37.0	118.4	186.2	254.7	201.5
UNCLASSIFIED IMPORTS	3.7	7.2	9.2	3.9	5.9	8.4	6.4	9.6	7.6	8.6	7.1	6.9
TOTAL IMPORTS	388.8	334.9	344.1	424.3	684.8	744.8	554.1	721.4	940.9	1,447.2	2,052.8	1,832.2
	PERCENT OF TOTAL IMPORTS											
Memorandum Items												
A. Consumer Goods	55.9	57.2	51.8	52.4	46.9	50.5	36.9	42.8	38.1	34.7	29.9	26.2
B. Intermediate Goods	19.5	19.5	24.3	30.0	42.2	36.0	48.2	44.4	38.1	40.5	45.7	50.9
C. Investment Goods	23.6	21.1	21.2	16.6	10.0	12.4	13.7	11.4	22.9	24.2	24.2	22.6
D. Food and Drink	46.2	46.2	44.4	46.0	42.8	48.0	32.7	35.4	28.0	21.3	18.9	13.9
E. Food, Fertilizer and Petroleum	52.3	50.5	49.3	60.9	67.5	68.6	59.7	62.0	46.1	41.6	46.6	41.8
F. Imports other than "E"	47.7	49.5	50.7	39.1	32.5	31.4	40.3	38.0	53.9	58.4	53.4	58.2

a/ Based on customs data and, therefore, not necessarily consistent with balance of payments data in Table 3.01.
b/ Provisional.
c/ Based on data supplied by the Ministry of Finance and Planning.
d/ Includes $19.5 million in aircraft imports not recorded by Customs.

Note: Due to rounding off, components may not add up to totals. Data for 1981 were estimated using the average annual exchange rate and may thus differ from data used in the main report and in Annex V which were calculated using adjusted Customs data on a monthly basis wherever possible.

Source: Unadjusted Sri Lanka Customs data as reported by the Central Bank of Ceylon.

Table 3.05: SELECTED FOOD IMPORTS, BY SOURCE OF FINANCE, 1970-81 a/

VALUE ($ million)	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
Rice												
Commercial Purchases	50.4	26.7	18.6	49.0	88.2	137.4	83.8	108.1	40.1	56.5	51.9	48.5
Aid-financed	8.2	3.8	4.1	-	29.9	-	1.1	4.6	-	0.1	-	-
Total	58.6	30.5	22.7	49.0	118.1	137.4	84.9	112.7	40.1	56.6	51.9	48.5
Wheat Grain												
Commercial Purchases	3.8	5.9	6.4	8.3	19.5	14.4	20.6	16.8	8.8	16.0	11.0	74.3
Aid-financed	-	-	-	-	1.8	6.2	-	-	-	-	34.3	33.9
Total	3.8	5.9	6.4	8.3	21.3	20.6	20.6	16.8	8.8	16.0	45.3	108.2
Flour												
Commercial Purchases	19.7	20.0	13.5	56.6	129.0	98.0	57.7	56.9	78.5	72.0	103.7	-
Aid-financed	17.7	13.2	20.9	14.9	18.2	48.0	33.8	41.9	54.0	32.8	3.4	-
Total	37.4	33.2	34.4	71.5	147.2	146.0	91.5	98.8	132.5	104.8	107.1	-
Sugar												
Commercial Purchases	25.4	37.0	39.9	51.0	20.1	33.7	14.1	22.2	37.3	59.4	116.7	106.4
Aid-financed	-	1.5	-	-	-	4.5	0.9	0.6	0.3	0.1	-	-
Total	25.4	38.5	39.9	51.0	20.1	38.2	15.0	22.8	37.6	59.5	116.7	106.4
TOTAL												
Commercial Purchases	99.3	89.6	78.4	164.9	256.8	283.5	176.2	204.0	164.7	203.9	283.3	229.2
Aid-financed	25.9	18.5	25.0	14.9	49.9	58.7	35.8	47.1	54.3	33.0	37.7	33.9
Total	125.2	108.1	103.4	179.8	306.7	342.2	212.0	251.1	219.0	236.9	321.0	263.1

VOLUME ('000 tons)	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
Rice												
Commercial Purchases	443	287	207	344	255	457	416	498	160	211	190	157
Aid-financed	91	52	59	-	77	-	3	28	-	1	-	-
Total	534	339	266	344	332	457	419	526	160	212	190	157
Wheat Grain												
Commercial Purchases	55	83	92	83	91	65	130	115	84	112	63	374
Aid-financed	-	-	-	-	9	28	-	-	-	-	164	170
Total	55	83	92	83	100	93	130	115	84	112	227	544
Flour												
Commercial Purchases	172	164	84	261	380	261	224	237	338	323	353	-
Aid-financed	205	159	243	110	68	201	157	279	268	143	8	-
Total	377	323	327	371	448	462	381	516	606	466	361	-
Sugar												
Commercial Purchases	244	276	217	194	43	48	45	94	165	245	200	168
Aid-financed	-	12	-	-	-	14	2	2	1	-	-	-
Total	244	288	217	194	43	62	47	96	166	245	200	168

a/ Based on information supplied to the Ministry of Finance and Planning by the main food importing agencies and, therefore, not necessarily consistent with Table 3.04, which is based on Customs data.

Source: Ministry of Finance and Planning.

Table 3.06: IMPORTS OF SELECTED CONSUMER AND CAPITAL GOODS, 1976-80

	1976	1977	1978	1979	1980
	Number				
Transport Equipment					
Motor Cars, etc.	2,297	2,576	7,149	10,248	6,124
Lorries, Vans	275	1,200	3,003	4,671	10,714
Buses	141	410	747	2,804	2,836
Tractors (including agricultural)	305	1,251	8,134	3,555	4,822
Motor Cycles, Auto-cycles and Cycles fitted with auxiliary motor	306	708	8,133	18,085	50,769
Cycles not motorized	91	612	12,351	33,206	289,863
Ships, Boats and other vessels	8	242	16	30	31,433
Machinery and Mechanical Appliances					
Steam and other vapor generating boilers	8	120	185	129	42
Air Conditioning and Refrigerator Equipment					
(i) Air Conditioning machine - complete Portable or Fixed Window Type and other	1,097	431	2,157	3,579	6,454
(ii) Refrigerators and Refrigerating Equipment Complete 16 cu. ft. capacity and other	621	472	2,467	3,612	7,935

	1976	1977	1978	1979	1980
	(Values in $ Million) a/				
Transport Equipment					
Railway locomotives, wagons and coaches	3.4	4.9	6.4	30.2	18.2
Motor Cars, etc.	1.0	6.4	62.6	43.5	32.6
Lorries, Vans	7.8	10.7	28.5	32.2	57.3
Buses, etc.	2.2	3.0	9.3	21.3	30.8
Tractors	0.9	4.4	21.1	23.5	22.4
Lifting, Handling & Loading Equipment	1.0	1.5	4.3	10.8	n.a.
Motor Cycles, Cycles, Carriages, etc.	0.9	1.2	6.6	13.4	38.0
Machinery and Mechanical Appliances					
Boilers and Engines, other than Internal Combustion Piston Engines	0.2	0.2	6.7	5.2	2.5
Air Conditioning and Refrigeration Equipment	2.0	1.0	3.4	6.3	9.4
Hand Tools and Implements	1.8	1.4	6.0	6.6	7.9
Excavating, Levelling and Turfing Equipment	2.8	5.9	5.9	10.5	24.6
Agricultural and Horticultural Machinery - Other	1.7	1.3	2.5	10.0	8.8
Communications Equipment	5.1	2.0	5.1	14.6	n.a.
Electrical Machinery and Equipment (including accessories)	9.0	8.2	21.9	31.2	n.a.

a/ The exchange rates used for 1976, 1977, 1978, 1979, and 1980 were US$1.00 = Rs 8.46, Rs 9.15, Rs 15.67, and Rs. 16.53, respectively.

n.a.: not available.

Sources: Sri Lanka Customs and Ministry of Plan Implementation (for data through 1979); and Bank staff estimates for 1980 based on Customs data.

Table 3.07: INTERNATIONAL LIQUIDITY, 1970-81
($ million)

	End of Period											
	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
Gross Official Reserves a/	43	50	60	86	57	58	92	293	398	517	246	327
Net International Reserves	-108	-69	-48	-11	-68	-124	-67	116	210	258	38	5
IMF Position												
Use of IMF Credit	79	78	81	89	125	146	156	206	242	309	269	404
of which:												
Compensatory Drawings	39	21	23	46	54	42	47	30	21	21	10	29
Oil Facility Drawings	–	–	–	–	42	76	90	93	87	63	37	12
Extended Facility	–	–	–	–	–	–	–	–	–	105	140	303
Credit Tranche Drawings	29	42	40	21	6	4	–	59	107	97	68	60
Trust Fund Loans Outstanding	–	–	–	–	–	–	–	–	53	93	122	111

a/ Excluding international reserves held by commercial banks.

Source: IMF, International Financial Statistics.

Table 3.08: AID COMMITMENTS, 1970-81
($ million)

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
AID GROUP												
Australia	-	2.1	2.1	0.4	7.8	6.1	2.0	1.6	7.3	3.7	2.1	8.2
Belgium	-	-	-	-	-	-	-	-	-	-	-	1.6
Canada	4.9	8.7	4.6	9.7	5.2	19.2	12.4	16.6	27.5	10.0	70.2	30.8
Denmark	-	-	2.8	-	-	3.7	-	0.5	-	5.8	-	2.3
EEC	1.2	-	-	1.4	7.4	6.5	5.4	6.9	6.7	9.5	9.9	27.8
Finland a/	-	-	-	-	-	-	-	-	-	-	1.0	3.3
France	0.5	6.5	0.7	6.4	7.2	8.2	7.7	6.3	1.0	22.9	15.6	25.6
Germany	0.9	5.9	1.5	18.1	18.8	29.7	8.4	3.3	23.0	24.5	13.3	186.6
India	-	7.2	-	7.9	0.6	11.0	7.8	8.0	12.4	12.4	-	12.7
Italy	-	1.3	-	-	1.4	-	-	0.7	-	-	-	-
Japan	0.1	8.3	11.4	14.0	14.7	16.6	16.7	25.6	66.6	36.7	105.2	96.7
Netherlands	-	-	-	-	-	9.5	11.5	16.0	35.7	19.9	35.8	16.4
Norway b/	-	-	-	-	-	-	-	2.8	6.2	7.9	10.7	8.7
Sweden	-	1.6	-	2.5	10.8	12.6	13.5	16.6	19.1	20.6	22.8	22.1
Switzerland	-	0.2	0.2	0.1	-	-	-	0.5	-	18.1	0.9	-
United Kingdom	9.5	16.0	0.1	4.6	6.3	7.4	5.7	23.9	41.1	209.1 c/	6.2	-
United States	15.3	17.2	14.7	7.0	3.2	37.4	67.4	14.0	78.9	51.4	66.5	70.3
of which: CARE	(1.3)	(1.8)	(1.5)	(1.1)	(3.2)	(4.9)	(5.5)	(5.0)	(5.5)	(5.4)	(7.8)	(6.1)
Asian Development Bank	6.3	7.8	9.3	2.8	2.5	30.0	-	22.6	20.2	36.9	55.0	50.5
UN Group	0.3	4.6	0.9	6.6	2.6	22.3	19.6	15.1	6.4	10.1	13.4	11.5 g/
of which: WFP	(0.2)	(1.7)	(0.6)	(0.4)	(1.5)	(12.4)	(16.4)	(8.9)	(0.8)	(2.7)	(1.6)	(1.5)
FAO	(-)	(-)	(-)	(-)	(-)	(-)	(0.8)	(2.2)	(0.8)	(1.4)	(-)	(-)
World Bank Group	29.0	-	-	6.0	24.0	29.5	-	46.0	25.5	68.0	151.5	161.0
Sub-total Aid Group	68.0	87.4	48.3	87.5	112.5	249.7	178.1	227.1	377.6	567.6	580.1	736.1
NON-AID GROUP												
Centrally Planned Economies	24.2	38.2	84.6	-	37.2	60.2	3.5	4.1	10.4	-	32.7	-
IFAD	-	-	-	-	-	-	-	-	12.0	-	-	14.5
Kuwait Fund	-	-	-	-	-	25.5	0.3	-	-	-	2.1	-
Iran	-	-	-	-	-	32.0	-	-	-	-	-	-
OPEC Fund	-	-	-	-	-	-	8.1	3.2	-	-	6.0	14.0
Saudi Fund	-	-	-	-	-	6.7	-	-	-	1.0 f/	-	50.0
UAE	-	-	-	-	12.0	-	5.2	-	-	-	-	-
Libya	-	-	-	-	-	-	-	15.0	-	0.1	-	-
Others d/	-	-	-	-	0.1	2.7	3.0	0.1	-	0.1	6.6 e/	-
Sub-total Non-Aid Group	24.2	38.2	84.6	-	49.3	127.1	20.1	22.4	22.5	1.1	47.4	78.5
TOTAL COMMITMENTS	92.2	125.6	132.9	87.5	161.8	376.8	198.2	249.5	400.1	568.7	627.5	814.6

a/ Annual commitments of Fm 4, 13, 25, 45 and 50 million respectively during 1980 through 1984.
b/ Annual commitments of Nkr. 15, 32, 40, 45 and 50 million respectively during 1977 through 1981.
c/ Excluding debt cancellation of US$51.7 million.
d/ Excludes Eurocurrency loans of US$50 million in 1979 and US$75 million in 1981.
e/ Including Iraq oil subsidy loan of $5.5 million.
f/ Cyclone relief assistance.
g/ Estimate.

Source: Department of External Resources, Ministry of Finance and Planning.

Table 3.09: AID DISBURSEMENTS, 1970-81
($ million)

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
AID GROUP												
Australia	0.9	1.0	1.1	2.2	4.2	8.3	2.0	1.7	1.7	2.9	4.2	5.7
Canada	8.4	5.5	5.6	3.7	5.1	11.5	11.5	14.7	14.0	16.6	27.8	28.9
Denmark	1.2	0.4	0.2	2.1	0.7	0.2	0.6	0.3	0.9	0.5	3.5	2.5
EEC	1.2	-	-	1.4	2.2	13.1	0.6	6.2	3.0	4.4	0.3	16.0
Finland	-	-	-	-	-	-	-	-	-	-	0.6	1.8
France	4.6	2.9	5.6	5.3	3.2	7.1	11.2	3.4	4.5	7.1	5.3	24.7
Germany	3.3	2.3	4.3	9.3	17.7	12.3	8.7	11.5	28.2	24.2	13.4	5.8
India	4.8	2.9	2.4	2.3	3.9	2.4	4.7	6.2	13.0	9.5	9.1	1.5
Italy	1.7	0.9	1.8	0.3	0.3	1.3	-	0.7	-	-	-	-
Japan	5.1	7.6	5.5	9.2	9.2	18.1	11.3	17.2	38.1	37.9	37.7	57.1
Netherlands	-	-	-	-	-	3.3	4.3	9.6	28.3	19.8	11.3	42.4
Norway	-	-	-	-	-	-	-	1.1	5.5	8.3	12.3	11.0
Sweden	-	1.6	-	2.4	3.5	8.6	6.8	9.4	7.4	34.4	22.8	22.1
Switzerland	-	-	-	-	-	-	-	-	-	-	0.1	0.6
United Kingdom	10.3	16.1	7.4	4.6	3.0	4.7	7.4	2.7	8.9	19.1	63.0	43.6
United States	9.9	10.9	25.6	8.5	8.4	26.6	32.7	40.6	39.9	46.2	61.2	37.8
of which: CARE	(1.3)	(1.8)	(1.5)	(1.1)	(3.2)	(4.9)	(5.5)	(5.0)	(5.5)	(5.4)	(7.8)	(6.1)
Asian Development Bank	1.5	2.8	4.0	3.8	3.0	5.0	8.2	7.7	28.2	10.3	5.3	10.2
UN Group	0.3	2.3	0.9	0.6	2.6	19.1	16.6	15.1	6.4	12.0	13.4	11.5 a/
of which: WFP	(0.2)	(1.7)	(0.6)	(0.4)	(1.5)	(6.9)	(13.3)	(8.9)	(0.8)	(2.7)	(1.6)	(1.5)
FAO	(-)	(-)	(-)	(-)	(-)	(-)	(1.9)	(2.2)	(0.8)	(3.3)	(-)	(-)
World Bank Group	1.9	7.5	5.8	10.5	15.6	18.7	6.4	13.9	12.8	12.2	20.2	28.0
Sub-total Aid Group	55.1	64.7	70.2	66.2	82.6	160.3	133.0	162.0	240.8	265.4	311.5	351.2
NON-AID GROUP												
Centrally Planned Economies	8.8	35.0	13.2	1.2	29.1	3.9	14.9	12.3	5.4	0.8	0.1	16.8
IFAD	-	-	-	-	-	-	-	-	-	-	2.7	3.4
Kuwait Fund	-	-	-	-	-	-	9.6	5.3	3.9	1.7	4.7	3.1
OPEC Fund	-	-	-	-	-	-	-	8.0	1.0	-	1.4	9.6
Saudi Fund	-	-	-	-	-	6.7	-	-	-	-	-	-
Others b/	-	-	-	-	-	34.5	12.6	16.1	0.1	0.2	5.5	1.1
Sub-total Non-Aid Group	8.8	35.0	13.2	1.2	29.1	45.1	37.1	41.7	10.4	2.7	14.4	34.0
TOTAL DISBURSEMENTS	63.9	99.7	83.4	67.4	111.7	205.4	170.1	203.7	251.2	268.1	325.9	385.2

a/ Estimate.
b/ Excluding the Eurocurrency loans of US$50 million & US$75 million disbursed during 1980 and 1981 respectively.

Source: Department of External Resources, Ministry of Finance and Planning.

Table 3.10: AID GROUP NON-PROJECT ASSISTANCE, 1965-81
VALUE OF COMMITMENTS, INTEREST RATE, GRACE PERIOD, AND REPAYMENT PERIOD

COMMITMENTS ($ million)

Country	Item	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	Total
Australia	Grant	1.5	1.0	1.0	1.7	1.9	0.9	1.1	2.0	3.0	4.0	6.4	2.0	1.6	3.2	2.3	2.2	4.8	40.6
Canada	Loan	0.9	0.5	1.2	1.9	1.9	2.1	2.4	1.0	1.0	4.3	12.0	4.1	9.0	17.0	-	-	-	59.3
	Grant	2.1	1.9	1.9	1.9	3.5	3.2	3.2	3.5	2.5	3.0	4.3	2.0	7.6	7.1	9.0	-	30.8	87.5
Denmark	Loan	-	-	-	-	2.7	-	3.0	-	-	3.7	-	-	-	-	-	-	-	9.4
Finland	Loan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Grant	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.0	3.2 h/	4.2
France	Loan	-	7.7	-	7.0	8.1	-	7.6	-	6.1	7.2	6.8	6.7	6.2	-	21.0 i/	16.6 j/	25.6 j/	126.6
	Grant	-	-	-	-	0.8	0.5	-	1.4	1.3	1.3	1.0	1.0	-	1.0	1.8	0.9	-	11.0
Germany	Loan	8.0	6.3	2.5	2.5	2.5	4.1	-	-	12.4	-	-	2.7	-	7.1 l/	2.9	-	3.5	54.5
	Grant	-	-	-	0.6	1.1	1.9	0.1	1.4	2.9	4.7	1.5	2.6	3.1	3.2	3.3	1.5	-	27.9
India	Loan	2.7	-	6.7	-	6.7	-	7.2	-	6.1	-	-	5.6	7.9	12.3	12.4	-	12.7	80.3
Italy	Loan	-	-	-	4.2	-	-	-	-	-	-	-	-	-	-	-	-	-	4.2
	Grant	-	-	-	-	1.3	-	-	-	-	1.3	-	-	0.7	-	-	-	-	3.3
Japan	Loan	5.0	5.0	5.0	5.0	5.0	8.0	11.6	-	12.1	14.0	15.3	15.6	16.8	29.1	13.5	16.1	25.4	202.5
	Grant	-	-	-	-	0.5	0.3	-	-	0.6	-	1.1	0.8	2.2	15.5	13.8 b/	13.7 c/	1.6 d/	50.1
Netherlands	Loan	-	-	-	-	-	-	-	-	-	-	4.3	3.5	9.4	28.1 m/	13.4	15.2	11.6	85.5
	Grant	-	-	-	-	-	-	-	-	-	-	4.1	2.6	2.9	1.5	6.5	19.9	4.8	42.3
Norway	Grant	-	-	-	-	-	-	-	-	-	-	-	-	1.1	4.2	6.6	8.4	6.6	26.9 k/
Sweden	Grant	-	-	-	-	-	-	1.6	0.8	2.5	6.8	12.4	10.1	11.9	14.0 e/	16.0 e/	18.8 e/	17.8 e/	112.7
Switzerland	Loan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	18.1	-	-	18.1
United Kingdom	Loan	10.0	10.0	8.6	6.0	10.6	12.0	6.4	-	3.4	7.2	-	-	-	-	-	-	-	74.2
	Grant	-	-	-	2.4	2.5	2.4	-	-	-	-	7.6	4.9	5.6	4.5	51.7 f/	-	-	81.6
United States	Loan	7.5	7.4	-	-	5.0	-	-	-	-	8.0	-	-	-	12.0	14.0	5.0	-	58.9
	Loan (PL 480 I)	4.5	7.6	13.8	17.5	14.0	-	15.4	10.0	5.9	24.5	22.0	30.9	-	35.4	17.0	25.0	18.2	261.7
	Grant (PL 480 II)	-	-	-	-	-	1.3	1.8	1.5	1.1	3.2	4.9	5.5	5.0	5.5	5.4	7.8	6.1	49.1
EEC	Grant	-	-	-	-	-	1.1	-	-	-	7.4	5.2	0.8	6.9	4.1	2.5	3.6	6.3	37.9
IDA	Loan	-	-	-	-	-	-	-	-	-	15.0	-	-	-	-	-	-	-	15.0
UN Group g/	Grant	-	-	-	-	0.2	0.2	1.7	0.6	0.4	3.4	17.4	13.8	2.2	0.8	1.4	-	-	42.1
TOTAL		42.2	47.4	40.7	50.7	68.3	38.0	63.1	22.2	61.3	119.0	126.3	115.2	100.1	205.6	232.6	155.7	179.0	1,667.4

a/ Classified as project aid in Table 3.11.
b/ Including debt relief grant of $1.6 million.
c/ Including debt relief grant of $1.4 million.
d/ Represents debt relief grant of $1.6 million.
e/ Import support which is being utilized for projects, and classified as project aid in Table 3.11.
f/ Debt cancellation.
g/ Excluding WFP and UN Technical Assistance commitments which are classified as project aid.
h/ $2 million classified as project aid in Tables 3.08 and 3.11.
i/ $12.2 million (FF 50 million) for Telecommunication project is classified as project aid in Tables 3.08 and 3.11.
j/ Classified as project aid in Tables 3.08 and 3.11.
k/ Represents the sum total of commodity components only.
l/ Under 1978 Loan of Dm 31 million, Dm 26 million used for import of locomotives and classified as project aid in Table 3.11.
m/ Hfl 5.5 million out of Hfl 34 million loan classified as project aid in Table 3.11.

INTEREST RATE (%)

Country	Item	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
Canada	Loan	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Denmark	Loan	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
France	Loan	–	6.0	–	5.5	5.5	–	3.5	–	3.25	5.4 a/	5.4 a/	5.9 a/	5.9 a/	5.5 a/	6.64 a/	5.88	5.75 a/
Germany	Loan	3.0	3.0	3.0	3.0	2.5	2.5	–	–	2.0	–	–	0.75	–	0.75	0.75	–	0.75
India	Loan	3.0	–	5.0	–	5.0	–	5.0	–	5.0	–	–	5.0	5.0	5.0	5.0	–	5.0
Italy	Loan	–	–	–	4.5	–	–	–	–	–	–	–	–	–	–	–	–	–
Japan	Loan	5.5	5.5	5.25	5.25	5.25	5.0	4.75 b/	–	4.5	4.0	4.0	3.5	3.5	3.0	2.75	2.75	2.75
Netherlands	Loan	–	–	–	–	–	–	–	–	–	–	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Switzerland	Loan	–	–	–	–	–	–	–	–	–	–	–	–	–	–	2.525 a/	–	–
United Kingdom	Loan	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
United States	Loan	2.5 c/	3.5	–	–	3.0 d/	–	–	–	–	3.0 d/	–	–	–	3.0 d/	3.0 d/	3.0	–
	Loan (PL 480)	2.5 e/	2.5 c/	2.5 d/	3.0 d/	3.0 d/	–	2.0	3.0 d/	3.0	3.0 d/	3.0 d/	3.0 d/	–	3.0 d/	3.0 d/	3.0	3.0 d/
IDA	Loan	–	–	–	–	–	–	–	–	–	0.75 f/	–	–	–	–	–	–	–

a/ Represents weighted average of the interest rates of the public and private components of loans.
b/ Rate of interest during grace period is 4.15%.
c/ Rate of interest during grace period is 1%.
d/ Rate of interest during grace period is 2%.
e/ PL 480 food assistance against local currencies.
f/ Service charge.

GRACE PERIOD (Years)

Country	Item	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
Canada	Loan	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	-	-
Denmark	Loan	-	-	-	-	7.0	-	7.0	-	-	10.0	-	-	-	-	-	-	-
France	Loan	-	-	-	0.5	0.5	-	2.0 a/	-	1.75 a/	2.25 a/	3.25 a/	3.25 a/	3.75 a/	3.75 a/	4.60 a/	5.25 a/	5.25 a/
Germany	Loan	7.0	7.0	7.0	7.0	8.0	8.0	-	-	10.0	-	-	10.0	-	10.0	10.0	-	10.0
India	Loan	-	1.0	1.0	-	2.0	-	2.0	-	3.0	-	-	3.0	1.0	3.0	3.0	-	2.5
Italy	Loan	-	-	-	2.0	-	-	-	-	-	-	-	-	-	-	-	-	-
Japan	Loan	2.0	2.0	2.0	4.0	5.0	7.0	7.0	-	7.0	7.0	7.0	10.0	10.0	10.0	10.0	10.0	10.0
Netherlands	Loan	-	-	-	-	-	-	-	-	-	-	8.0	8.0	8.0	8.0	8.0	8.0	8.0
Switzerland	Loan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6.5 a/	-	-
United Kingdom	Loan	3.0	3.0	3.0	3.0	3.0	3.0	7.0	-	7.0	8.0	-	-	-	-	-	-	-
United States	Loan	5.0	-	-	-	10.0	-	-	-	-	10.0	-	-	-	10.0	10.0	10.0	-
	Loan (PL 480)	b/	2.0	2.0	2.0	2.0	-	10.0	10.0	10.0	10.0	10.0	10.0	-	10.0	10.0	10.0	10.0
IDA	Loan	-	-	-	-	-	-	-	-	-	10.0	-	-	-	-	-	-	-

a/ Represents weighted average of the public and private components of loans.
b/ See footnote e/, page 2 of this table.

REPAYMENT PERIOD AFTER GRACE PERIOD (Years)

Country	Item	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
Canada	Loan	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0	-	-
Denmark	Loan	-	-	-	-	18.0	-	18.0	-	-	-	-	-	-	-	-	-	-
France	Loan	-	4.0	-	8.0	8.0	-	13.25 a/	-	16.0 a/	15.5 a/	14.5 a/	14.5 a/	14.0 a/	15.0 a/	14.4 a/	15.0 a/	15.0 a/
Germany	Loan	13.0	13.0	18.0	18.0	22.0	22.0	-	-	30.0	-	-	40.0	-	40.0	40.0	-	40.0
India	Loan	3.0	-	9.0	-	-	-	10.0	-	12.0	-	-	12.5	14.5	12.5	12.5	-	12.5
Italy	Loan	-	-	-	12.0	-	-	-	-	-	-	-	-	-	-	-	-	-
Japan	Loan	5.0	5.0	6.0	13.0	13.0	13.0	13.0	-	18.0	18.0	18.0	20.0	20.0	20.0	20.0	20.0	20.0
Netherlands	Loan	-	-	-	-	-	-	-	-	-	-	22.0	22.0	22.0	22.0	22.0	22.0	22.0
Switzerland	Loan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8.5 a/	-	-
United Kingdom	Loan	22.0	22.0	22.0	22.0	22.0	18.0	18.0	-	18.0	18.0	-	-	-	-	-	-	-
United States	Loan	20.0	20.0	-	-	30.0	-	-	-	-	30.0	-	-	-	30.0	30.0	30.0	-
	Loan (PL 480)	b/	19.0 c/	19.0 c/	19.0 c/	19.0 c/	-	30.0	30.0	30.0	30.0	30.0	30.0	-	30.0	30.0	30.0	30.0
IDA	Loan	-	-	-	-	-	-	-	-	-	30.0	-	-	-	-	-	-	-

a/ Represents weighted average of the repayment periods for public and private components of loans.
b/ See footnote e/, page 2 of this table.
c/ US$100,000 each during the first three years and the balance in 16 equal installments.

Source: Department of Public Debt, Central Bank of Ceylon.

Table 3.11: OVERALL AID PIPELINE, 1980-83
($ million)

	Non-Mahaweli Project	Mahaweli Project	Commodity	Food	Total	of which Non-Mahaweli
1980						
Undisbursed Balance 12/31/79	530.5	201.4	160.1	3.5	895.5	694.1
New Commitments	386.8	118.2	82.8	39.4	627.2	509.0
Disbursements from past commitments	74.7	48.8	81.6	3.5	208.6	159.8
Disbursements from new commitments	31.9	30.4	20.8	34.9	118.0	87.6
Total Disbursements 1980	106.6	79.2	102.4	38.4	326.6	247.4
1981						
Undisbursed Balance 12/31/80	810.7	240.4	140.5	4.5	1,196.1	955.7
New Commitments	296.0	376.2	103.1	39.0	814.3	438.1
Disbursements from past commitments	119.0	59.4	78.0	4.5	260.9	201.5
Disbursements from new commitments	45.9	26.8	18.7	32.7	124.1	97.3
Total Disbursements 1981	164.9	86.2	96.7	37.2	385.0	298.8
1982						
Undisbursed Balance 12/31/81	941.8	530.4	146.9	6.3	1,625.4	1,095.0
New Commitments	365.8	109.0	150.0	50.0	674.8	565.8
Disbursements from past commitments	182.5	164.4	74.0	6.3	427.2	262.8
Disbursements from new commitments	19.9	24.0	27.4	43.9	115.2	91.2
Total Disbursements 1982	202.4	188.4	101.4	50.2	542.4	354.0
1983						
Undisbursed Balance 12/31/82/a	1,100.4	451.0	195.0	6.1	1,752.5	1,301.5
New Commitments	150.0	55.0	190.0	60.0	455.0	400.0
Disbursements from pre-1982 commitments	221.0	115.0	36.0	-	372.0	257.0
Disbursements from 1982 commitments	35.0	35.0	67.9	6.1	144.0	109.0
Disbursements from new commitments	5.0	31.0	25.0	50.0	111.0	80.0
Total Disbursements 1983	261.0	181.0	128.9	56.1	627.0	446.0
1984						
Undisbursed Balance 12/31/83	989.4	325.0	256.1	10.0	1,580.5	1,255.5

/a Excluding $4.8 million cancelled non-Mahaweli project aid, and $0.5 million in cancelled commodity aid.

Source: Ministry of Finance and Planning and Bank staff estimates.

Table 4.01: EXTERNAL PUBLIC DEBT OUTSTANDING INCLUDING UNDISBURSED AS OF DEC. 31, 1981
DEBT REPAYABLE IN FOREIGN CURRENCY AND GOODS
(IN THOUSANDS OF U.S. DOLLARS)

TYPE OF CREDITOR CREDITOR COUNTRY	DEBT OUTSTANDING DISBURSED	 UNDISBURSED	 TOTAL	IN ARREARS PRINCIPAL	 INTEREST
SUPPLIERS CREDITS					
ARGENTINA	-	45,441	45,441	-	-
CZECHOSLOVAKIA	1,160	-	1,160	-	-
FRANCE	7,879	86	7,965	-	-
GERMAN DEM. REP.	34	19	53	-	-
GERMANY, FED.REP. OF	443	-	443	-	-
INDIA	886	-	886	-	-
ITALY	456	-	456	-	-
JAPAN	541	-	541	-	-
KOREA, REP. OF	-	33,536	33,536	-	-
ROMANIA	24,336	-	24,336	-	-
SWITZERLAND	2,015	-	2,015	-	-
UNITED KINGDOM	1,556	11	1,567	-	-
UNITED STATES	421	-	421	-	-
USSR	420	6	426	-	-
YUGOSLAVIA	701	84	785	-	-
TOTAL SUPPLIERS CREDITS	40,848	79,183	120,031	-	-
FINANCIAL INSTITUTIONS					
FRANCE	16,125	8,715	24,840	-	-
GERMANY, FED.REP. OF	104	-	104	-	-
SWEDEN	-	45,988	45,988	-	-
SWITZERLAND	1,427	8,094	9,521	-	-
UNITED KINGDOM	-	38,160	38,160	-	-
MULTIPLE LENDERS	236,210	41,064	277,274	-	-
TOTAL FINANCIAL INSTITUTIONS	253,866	142,021	395,887	-	-
MULTILATERAL LOANS					
ASIAN DEV. BANK	79,885	158,655	238,540	-	-
IBRD	28,795	-	28,795	-	-
IDA	125,742	392,085	517,827	-	-
IMF TRUST FUND	111,472	-	111,472	-	-
INTL FUND ARG(IFAD)	6,286	20,214	26,500	-	-
OPEC SPECIAL FUND	21,794	9,179	30,973	-	-
TOTAL MULTILATERAL LOANS	373,974	580,133	954,107	-	-
BILATERAL LOANS					
CANADA	93,463	38,939	132,402	-	-
CHINA	38,197	30,626	68,823	-	-
DENMARK	10,334	599	10,933	-	-
FRANCE	15,374	26,438	41,812	-	-
GERMAN DEM. REP.	1,123	29	1,152	-	-
GERMANY, FED.REP. OF	116,135	195,837	311,972	-	-
HUNGARY	326	-	326	-	-

Table 4.01: EXTERNAL PUBLIC DEBT OUTSTANDING INCLUDING UNDISBURSED AS OF DEC. 31, 1981
DEBT REPAYABLE IN FOREIGN CURRENCY AND GOODS
(IN THOUSANDS OF U.S. DOLLARS)

TYPE OF CREDITOR / CREDITOR COUNTRY	DEBT OUTSTANDING			IN ARREARS	
	DISBURSED	UNDISBURSED	TOTAL	PRINCIPAL	INTEREST
INDIA	32,708	22,816	55,524	-	-
IRAQ	5,517	-	5,517	-	-
ITALY	746	-	746	-	-
JAPAN	184,413	134,015	318,428	-	-
KUWAIT	21,712	1,386	23,098	-	-
LIBYA	10,379	-	10,379	-	-
NETHERLANDS	69,217	20,312	89,529	-	-
SAUDI ARABIA	-	48,755	48,755	-	-
SWITZERLAND	-	8,352	8,352	-	-
UNITED ARAB EMIRATES	12,675	4,496	17,171	-	-
UNITED STATES	294,721	92,772	387,493	-	-
USSR	9,158	62,451	71,609	-	-
TOTAL BILATERAL LOANS	916,198	687,823	1,604,021	-	-
TOTAL EXTERNAL PUBLIC DEBT	1,584,886	1,489,160	3,074,046	-	-

NOTES: (1) ONLY DEBTS WITH AN ORIGINAL OR EXTENDED MATURITY OF OVER ONE YEAR ARE INCLUDED IN THIS TABLE.
(2) DEBT OUTSTANDING INCLUDES PRINCIPAL IN ARREARS BUT EXCLUDES INTEREST IN ARREARS.
(3) THE FOLLOWING UNCOMMITTED PARTS OF FRAME AGREEMENTS AND STANDBYS ARE NOT INCLUDED IN THIS TABLE.

BILATERAL LOANS	
CHINA	38,749
GERMAN DEM. REP.	18,527
USSR	12,040
TOTAL	69,316
TOTAL UNCOMMITTED FRAME AGREEMENTS AND STANDBYS	69,316

Source: World Bank.

Table 4.02: SERVICE PAYMENTS, COMMITMENTS, DISBURSEMENTS AND OUTSTANDING AMOUNTS OF EXTERNAL PUBLIC DEBT

PROJECTIONS BASED ON DEBT OUTSTANDING INCLUDING UNDISBURSED AS OF DEC. 31, 1981
DEBT REPAYABLE IN FOREIGN CURRENCY AND GOODS
(IN THOUSANDS OF U.S. DOLLARS)

YEAR	DEBT OUTSTANDING AT BEGINNING OF PERIOD		TOTAL TRANSACTIONS DURING PERIOD					OTHER CHANGES	
	DISBURSED ONLY	INCLUDING UNDISBURSED	COMMIT-MENTS	DISBURSE-MENTS	SERVICE PAYMENTS			CANCEL-LATIONS	ADJUST-MENT *
					PRINCIPAL	INTEREST	TOTAL		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1977	691,572	1,087,538	154,873	150,160	101,248	21,405	122,653	3,226	53,767
1978	779,006	1,191,704	311,852	241,346	64,114	24,847	88,961	11,906	80,632
1979	1,017,375	1,508,168	350,883	187,158	48,057	28,240	76,297	53,351	-14,284
1980	1,091,066	1,743,359	720,637	285,785	49,135	32,391	81,526	24,630	-4,766
1981	1,327,404	2,385,465	871,151	368,937	42,195	48,698	90,893	8,070	-132,307
1982	1,584,886	3,074,044							
	* * * * * * THE FOLLOWING FIGURES ARE PROJECTED * * * * * *								
1982	1,584,886	3,074,044	-	399,211	73,900	73,983	147,883	-	6
1983	1,910,200	3,000,150	-	336,222	73,632	80,925	154,557	-	-1
1984	2,172,784	2,926,517	-	301,568	102,224	83,411	185,635	-	1
1985	2,372,129	2,824,294	-	203,919	123,882	80,221	204,103	-	-1
1986	2,452,166	2,700,411	-	112,596	151,512	73,648	225,160	-	-3
1987	2,413,246	2,548,896	-	61,592	154,373	62,996	217,369	-	-1
1988	2,320,463	2,394,522	-	35,106	150,502	53,127	203,629	-	-
1989	2,205,066	2,244,020	-	18,339	125,630	43,511	169,141	-	-4
1990	2,097,770	2,118,386	-	7,150	94,027	37,561	131,588	-	5
1991	2,010,898	2,024,364	-	4,724	85,012	35,203	120,215	-	-10
1992	1,930,600	1,939,342	-	4,360	89,850	32,599	122,449	-	-1
1993	1,845,109	1,849,491	-	4,383	83,976	30,119	114,095	-	-3
1994	1,765,512	1,765,512	-	-	82,583	27,995	110,578	-	-12
1995	1,682,917	1,682,917	-	-	77,513	25,863	103,376	-	-1
1996	1,605,403	1,605,403	-	-	75,307	24,065	99,372	-	-4
1997	1,530,092	1,530,092	-	-	72,052	22,423	94,475	-	-10
1998	1,458,030	1,458,030	-	-	72,114	20,968	93,082	-	3
1999	1,385,919	1,385,919	-	-	72,236	19,541	91,777	-	-7
2000	1,313,676	1,313,676	-	-	71,539	18,124	89,663	-	2
2001	1,242,139	1,242,139	-	-	69,628	16,808	86,436	-	2

* THIS COLUMN SHOWS THE AMOUNT OF ARITHMETIC IMBALANCE IN THE AMOUNT OUTSTANDING INCLUDING UNDISBURSED FROM ONE YEAR TO THE NEXT. THE MOST COMMON CAUSES OF IMBALANCES ARE CHANGES IN EXCHANGE RATES AND TRANSFER OF DEBTS FROM ONE CATEGORY TO ANOTHER IN THE TABLE.

Source: World Bank.

Table 4.03: SERVICE PAYMENTS ON EXTERNAL PRIVATE DEBT 1977-81 WITH PROJECTIONS THROUGH 1987 a/
($ Million)

		Transactions During Period				
			Service Payments			
Year	Debt Outstanding Beginning of Period Disbursed Only	Disbursements	Principle	Interest	Total	Adjustment b/
1977	139	278	10	-	10	2
1978	409	9	-	-	-	1
1979	419	753	96	18	114	2
1980	1,078	2,429	206	28	234	28
1981	3,329	2,149	1,524	422	2,946	34
1982	3,988					
PROJECTIONS						
1982	3,988	-	1,383	379	1,762	-
1983	2,605	-	1,182	273	1,455	-
1984	1,423	-	1,059	210	1,269	-
1985	364	-	288	64	352	-
1986	76	-	72	3	75	-
1987	4	-	4	-	4	-

a/ Amounts repayable in foreign currency only are shown above. Projections are based on debt disbursed as of December 31, 1981.

b/ This column shows the amount of arithmetic imbalance in the amount outstanding including undisbursed from one year to the next. The most common causes of imbalances are changes in exchange rates and transfer of debts from one category to another in the table.

Source: World Bank.

Table 5.01: SUMMARY OF BUDGETARY OPERATIONS, 1970/71-82 a/
(Rs Million)

	1970/71	1971/72	1973	1974	1975	1976	1977	1978	1979	1980	1981		1982
											Budget Estimates	Provisional	Budget Estimates
1. Current Revenue	2,576	2,928	3,601	4,264	4,516	5,097	6,021	10,979	11,816	13,154	14,441	15,073	18,071
2. Current Expenditure	2,846	3,007	3,507	4,209	4,871	5,180	6,053	9,967	10,887	12,730	14,506	15,025	19,566
3. Advance Account Payments	78	143	67	12	-66	374	66	1,742	1,021	3,040	-675	1,723	-100
4. Current Surplus (1-2-3)	348	-222	27	43	-289	-457	-98	-730	-92	-2,616	610	-1,675	-1,395
5. Capital Revenue	19	28	64	69	49	84	74	154	213	108	180	186	108
6. Capital Expenditure and Net Lending	742	888	1,175	1,410	1,978	2,671	2,093	5,266	7,347	12,857	11,016	11,834	17,067
7. Cash Deficit (6-4-5)	1,072	1,082	1,084	1,298	2,218	3,044	2,117	5,843	7,226	15,365	10,226	13,323	18,354
Financed by:													
Foreign Grants and Loans (Net)	461	262	514	474	1,228	1,005	1,070	3,838	3,738	6,136	7,539	7,576	13,407
Domestic Non-Market Borrowing (Net)	-98	267	-	113	-19	568	680	238	535	105	-	453	-
Domestic Market Borrowing from non-Bank Sources (Net)	492	442	623	686	827	867	1,082	1,595	2,320	2,094	2,691	1,446	1,977
Borrowing from Banking System (Net)	94	226	-116	-15	153	639	-224	115	662	7,102	-	3,885	2,970
Use of Cash Balances	123	-115	63	39	31	-33	-492	58	-28	-72	-4	-38	-
Memorandum: Intrabudgetary Receipts and Payments included in:													
Current Revenue (Line 1)	143	126	208	235	335	364	944	-	-	-	-	-	-
Current Expenditure (Line 2)	99	73	117	115	92	100	221	-	-	-	-	-	-
Capital Expenditure and Net Lending (Line 6)	44	53	91	120	243	264	723	-	-	-	-	-	-

a/ Before 1971/72, the Fiscal Year was from October 1 to September 30. Financial year 1971/72 covered a 15-month period from October 1, 1971, through December 31, 1972. As from 1973, the Fiscal Year corresponds to the calendar year. In this and the following tables, the data for 1971/72 have been pro-rated to a 12-month period. Column totals may not add up exactly due to rounding off.

Source: Central Bank of Ceylon.

Table 5.02: BUDGETARY REVENUE, 1970/71-82 a/
(Rs Million)

	1970/71	1971/72 b/	1973	1974	1975	1976	1977	1978	1979	1980	1981 Budget Estimates	1981 Provisional	1982 Budget Estimates
1. Taxes on Net Income and Profits	445	453	700	599	770	936	937	1,103	1,357	2,086	1,940	2,029	2,953
Corporate Income Tax	(c/	c/)	458	409	512	682	650	718	971	1,708	1,550	1,459	2,432
Non-Corporate Income Tax	(	)	246	190	258	254	287	385	386	378	390	570	521
Adjustment			-4	-	-	-	-	-	-	-	-	-	-
2. Taxes on Property and Property Transfers d/	50	60	77	69	93	88	106	144	143	258	164	282	274
3. Taxes on Goods and Services	838	1,087	1,251	1,443	1,575	1,731	2,172	3,102	3,209	3,600	4,817	4,952	7,536
Business Turnover Tax	326	394	536	604	646	711	662	1,075	1,195	1,640	2,720	2,829	4,875
Trade and Profession	(c/	c/)	(79)	(109)	(115)	(142)	(211)	(241)	(530)	(588)	(1,275)	(1,001)	c/
Manufacturing	(	)	(457)	(495)	(531)	(569)	(451)	(834)	(665)	(1,052)	(1,445)	(1,828)	c/
Selective Taxes on Goods e/	451	624	628	750	831	918	1,407	1,834	1,907	1,878	2,005	2,028	2,525
Liquor Excise f/	(166)	(267)	(247)	(216)	(206)	(190)	(241)	(555)	(498)	(683)	(735)	(749)	(970)
Tobacco Tax	(248)	(313)	(342)	(373)	(459)	(452)	(591)	(758)	(801)	(1,000)	(1,040)	(1,123)	(1,420)
Tea Tax, ad valorem g/	(37)	(44)	(39)	(161)	(166)	(276)	(575)	(510)	(223)	(102)	(100)	(86)	(135)
Administrative Levy on Coconut Oil	(-)		(-)	(-)	(-)	(-)	(-)	(60)	(385)	(93)	(130)	(69)	(-)
Selective Taxes on Services h/	15	16	29	31	34	38	49	69	20	-	-	-	-
License Fees	46	53	58	59	64	64	54	74	87	82	92	95	136
Business & Professional Licenses i/	(26)	(26)	(29)	(32)	(36)	(35)	(28)	(29)	(40)	(19)	(30)	(17)	c/
Vehicle License Tax and Other	(20)	(27)	(28)	(27)	(28)	(29)	(26)	(45)	(47)	(63)	(62)	(78)	c/
4. Taxes on Imports	282	258	222	277	336	476	559	1,469	2,271	2,925	3,100	3,226	3,600
Customs Duties on:													
Vegetable Products	32	25	23	26	28	26	54	38	75	109	100	50	(
Prepared Foodstuffs, Spirits, Vinegar and Tobacco	70	37	34	20	60	152	127	233	548	401	725	414	(
Mineral Products	16	20	3	6	4	4	9	17	41	28	60	48	(
Chemical Products	31	31	34	61	52	30	29	89	89	140	120	135	(c/
Papermaking Materials	8	12	11	18	18	18	21	55	63	83	100	125	(
Textile and Textile Articles	35	34	32	38	37	50	56	141	262	370	375	450	(
Base Metals and Base Metal Articles	16	19	16	23	25	33	32	135	198	257	290	353	(
Machinery, Equipment and Parts	23	25	21	23	34	51	67	280	370	736	475	725	(
Transport Equipment	20	25	25	30	36	62	92	280	346	371	450	464	(
Other	30	29	21	31	41	45	45	186	270	430	405	462	(
License Fees on Aid & Gift Imports	1	1	1	1	1	5	27	15	9	1	-	-	c/
5. Taxes on Exports	266	233	387	660	430	421	620	4,236	4,168	3,638	3,765	3,685	2,907
Coconut and Coconut Products	55	27	33	162	65	5	14	345	335	218	270	241	187
Tea j/	163	164	171	156	178	167	280	2,781	2,495	1,920	1,985	1,880	1,500
Rubber j/	14	11	142	284	140	197	261	1,001	1,239	1,386	1,410	1,434	1,095
Special Export Duty	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	35	31	41	58	47	51	65	109	99	113	100	130	125
6. FEEC Sale Proceeds, Net	350	467	585	866	930	938	1,066	329	7	-	-	23	-
From Outside Budget k/	209	343	379	634	877	838	(	329	c/	-	-	-	-
							(c/	-					
From Budget k/	141	124	206	232	53	100	(		-	-	-	-	-
7. Total Tax Revenue	2,231	2,558	3,222	3,914	4,134	4,590	5,460	10,383	11,155	12,507	13,786	14,196	17,268

	1970/71	1971/72 b/	1973	1974	1975	1976	1977	1978	1979	1980	1981 Budget Estimates	1981 Provisional	1982 Budget Estimates
8. Property Income	234	242	229	220	243	325	422	318	386	334	370	472	418
Current Surplus of Government Enterprises	25	68	46	66	56	51	12	72	68	9	162	149	6
Colombo Port Commission	(25)	(29)	(21)	(22)	(30)	(24)	(41)	(30)	(35)	(-)	(-)	(2)	(-)
Post & Telegraphs Department	(-22)	(-3)	(-15)	(23)	(10)	(16)	(6)	(50)	(52)	(89)	(236)	(259)	(218)
Railway	(22)	(42)	(40)	(21)	(16)	(11)	(-35)	(-8)	(-19)	(-80)	(-74)	(-112)	(-212)
Profits from Food Sales m/	78	49	22	-	-	-	-	-	-	-	-	-	-
Profits of Advance Account Activities	26	13	10	11	4	8	2	50	44	19	5	13	10
Interest, Dividends, Rent	95	102	142	135	171	250	391	177	255	287	181	291	380
of which: Items included in Voted Expenditure	(2)	(2)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(10)	(9)	(12)	(10)
National Lottery	10	10	9	8	12	16	17	19	20	19	22	19	22
9. Other Non-Tax Current Revenue	111	130	150	130	139	164	180	278	275	313	285	406	385
Proceeds from Non-Industrial Sales n/	24	56	49	38	49	44	60	132	68	102	62	119	82
Administrative Charges and Fees o/	53	41	63	54	52	56	67	71	101	108	111	151	199
Fines and Forfeits	10	12	14	15	12	32	13	21	51	47	57	72	52
Contributions to Pension Scheme p/	24	21	24	23	26	32	40	54	55	55	55	64	52
10. Non-tax Current Revenue (8+9)	345	372	379	350	382	489	602	596	661	647	655	878	803
11. Total Current Revenue	2,576	2,928	3,601	4,264	4,516	5,097	6,021	10,979	11,816	13,154	14,441	15,073	18,071
12. Capital Revenue q/	19	28	64	69	49	84	74	154	213	108	180	186	108
13. Total Revenue	2,595	2,956	3,665	4,333	4,565	5,181	6,095	11,133	12,029	13,262	14,621	15,259	18,179

a/ Please see footnote a/ to Table 5.01 for fiscal years.
b/ Figures are pro rata adjusted for a 12-month period.
c/ Breakdowns not available.
d/ Revenue Heads 1.7 (excluding 1.7.5) and 10.
e/ Including the profits of Arrack Monopoly and negligible revenue from match tax.
f/ Mainly profits of Arrack Monopoly through 1973, after which the monopoly was made independent of the Excise Department as the State Distilleries Corporation.
g/ Levied on both exports and local sals.
h/ Mainly banks debits tax (Revenue Head 1.7.5).
i/ Mainly liquor licenses.
j/ Including the revenues from export duties under the Medical Wants Ordinance, which are earmarked for health services for estate workers.
k/ Indicates approximate breakdowns.
l/ Excluding FEECs generated by government foreign debt servicing.
m/ Prior to 1971/72, profits were kept in the advance accounts. However, profits for this period are also indicated.
n/ Revenue Heads 5.3.4 and 6.1.
o/ Revenue Heads 6.2 and 8.1 excluding 8.1.2.2.
p/ Revenue Heads 7 and 4.2.1.3.
q/ Revenue Heads 9 and 12.

Sources: Central Bank of Ceylon; General Treasury.

Table 5.03: CURRENT EXPENDITURES, 1970/71-82 a/
(Rs million)

		1970/71	1971/72	1973	1974	1975	1976	1977	1978	1979	1980	1981 Budget Estimates	1981 Provisional	1982 Budget Estimates
1.	Administration	505	580	579	830 b/	903 b/	909	999	1,668	2,167 b/	2,438 b/	3,027 b/	2,850 b/	3,879 b/
2.	Social Services	747	800	857	912	1,021	1,223	1,367	1,561	1,837	2,218	2,746	2,561	3,171
	of which: Education	(483)	(519)	(563)	(583)	(655)	(788)	(860)	(982)	(1,132)	(1,388)	(1,811)	(1,599)	(2,066)
	Health	(238)	(254)	(262)	(292)	(324)	(386)	(455)	(518)	(632)	(740)	(818)	(858)	(963)
3.	Economic Services	152	145	166	165	165	194	212	241	358	437	499	492	635
		1,404	1,525	1,602	1,907	2,089	2,326	2,578	3,470	4,362	5,093	6,272	5,903	7,685
4.	Salaries and Wages of 1, 2 & 3 above	(n.a.)	(n.a.)	(n.a.)	(n.a.)	(n.a.)	(1,871)	(2,065)	(2,588)	(3,242)	(3,556)	(4,496)	(3,976)	(5,294)
5.	Interest	336	413	514	580	699	840	1,013	1,368	1,695	2,277	3,235	3,856	5,612
	Domestic Debt	(267)	(324)	(399)	(461)	(561)	(668)	(822)	(1,083)	(1,339)	(1,864)	(2,780)	(3,143)	(4,281)
	Foreign Debt c/	(69)	(89)	(115)	(119)	(138)	(172)	(191)	(285)	(357)	(413)	(455)	(713)	(1,331)
6.	Gross Food Subsidy d/	614*	574*	701*	952*	1,230*	938	1,424	2,163*	2,326*	305*	125	82	100
7.	Pensions	225	254	270	292	331	378	414	457	579	718	931	903	1,103
8.	Other Transfers to Households e/	102	104	122	185	245	432	323	1,254	728	2,378	2,499	2,573	2,672
9.	Transfers to Local Authorities	60	61	65	70	73	86	91	111	170	150	168	164	297
10.	Current Transfers to Public Corporations	24	23	166	164	134	129	146	1,081	920	1,583	1,406	1,434	1,464
11.	Other Transfer Payments	61	35	58	48	52	40	55	52	97	216	101	92	124
12.	Unclassified	20	18	9	11	18	11	9	11	10	11	161	18	967
13.	Total Current Expenditure by Central Bank Definition	2,846	3,007	3,507	4,209	4,871	5,180	6,053	9,967	10,887	12,730	14,898	15,025	20,024
	Less: Under Expenditure Provisions f/	-	-	-	-	-	-	-	-	-	-	392	-	458
14.	Other Adjustments g/	19	2	11	11	19	27	76	61	80	80	74	112	212
15.	Adjusted Total	2,865	3,009	3,518	4,220	4,889	5,208	6,130	10,027	10,967	12,810	14,580	15,137	19,778
	Plus: Advance Account Payments	78	143	67	12	-66	374	66	1,742	1,021	3,040	-675	1,723	-100
16.	Total Current Expenditure	2,943	3,152	3,585	4,232	4,823	5,583	6,196	11,769	11,988	15,850	13,905	16,860	19,678

a/ See footnote a/ to Table 5.01 for fiscal years.
b/ Includes a sum of Rs 150 million in 1974, Rs 125 million in 1975, Rs 583 million in 1979 and Rs 368 million in 1980 and Rs 700 million in 1981 approved estimates, Rs 412 million in 1981 provisional, and Rs 1,000 million in 1982 on account of the special allowance to state employees, etc.
c/ Including FEECs as follows:

1970/71	1971/72	1973	1974	1975	1976	1977	1978
24	32	44	45	52	64	55	76

d/ Figures with asterisks (*) include a part charged to Advance Accounts.
e/ Includes expenditure on Food Stamps from 1979 onwards (see Table 5.04).
f/ Under expenditure on recurrent votes and capital votes have been adjusted for items transferred from capital votes and vice versa.
g/ Operating deficits of Trading Enterprises.

Source: Central Bank of Ceylon.

Table 5.04: GOVERNMENT BUDGETARY SUBSIDIES AND TRANSFERS, 1970/71-1982
(Rs Million)

	1970/71	1971/72	1973	1974	1975	1976	1977	1978	1979	1980	1981		1982
											Budget Estimates	Provisional	Budget Estimates
Food Subsidy	613.6	714.8	698.9	951.8	1,230.4	937.6	1,424.1	2,162.7	2,325.9	305.0	125.0	81.5	100.0
of which: Rice	(603.0)	(658.0)	(563.0)	(744.1)	(785.5)	(679.3)	(943.0)	(1,066.1)	(1,215.6)	(-)	(-)	(-)	(-)
Flour	(-)	(28.2)	(110.0)	(147.1)	(218.0)	(52.0)	(363.6)	(1,027.9)	(894.1)	(-)	(-)	(-)	(-)
Sugar	(-)	(-)	(-)	(26.0)	(215.0)	(165.1)	(70.0)	(-)	(138.6)	(-)	(-)	(-)	(-)
Infant Milk Food	(-)	(3.2)	(4.0)	(8.5)	(11.9)	(16.2)	(15.3)	(68.7)	(77.7)	(305.0)	(125.0)	(81.5)	(100.0)
Other	(10.6)	(24.4)	(21.9)	(26.1)	(-)	(25.0)	(32.2)	(-)	(-)	(-)	(-)	(-)	(-)
Food Stamps	-	-	-	-	-	-	-	-	508.0	1,606.0	1,510.0	1,520.7	1,510.0
Kerosene Stamps	-	-	-	-	-	-	-	-	144.0	162.0	177.0	164.0	177.0
Income Supplement	-	-	-	-	-	-	-	123.0	243.0	115.0	-	-	-
Current Transfers to Public Corporations	22.0	23.6	166.1	163.5	134.3	129.1	146.3	1,081.3	920.4	1,582.7	1,405.6	1,433.5	1,464.2
of which:													
Ceylon Petroleum Corporation	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(528.0)	(87.0)	(-)	(-)	(-)	(-)
Ceylon Fertilizer Corporation	(-)	(-)	(-)	(56.5)	(-)	(-)	(-)	(-)	(395.0)	(550.8)	(1,000.0)	(1,080.3)	(1,000.0)
Milk Board	(-)	(-)	(54.4)	(66.0)	(86.0)	(86.0)	(79.1)	(82.8)	(54.0)	(53.0)	(75.0)	(44.3)	(50.0)
Central Transport Board	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(304.0)	(85.0)	(456.9)	(-)	(-)	(-)
Other Public Corporations	(22.0)	(23.6)	(11.7)	(41.0)	(48.3)	(43.1)	(67.2)	(166.5)	(299.4)	(522.0)	(330.6)	(308.9)	(414.2)
Current Transfers to Ceylon Government Railway	-	-	-	-	-	-	35.0	8.0	19.0	80.0	74.0	112.0	212.0
Interest Subsidy to National Savings Bank	-	-	-	19.7	12.6	12.6	12.6	112.6	91.6	257.8	400.0	388.0	450.0
Textbook Subsidy	-	-	-	-	-	-	-	-	-	53.0	70.0	50.0	65.0
Total	635.6	738.4	865.0	1,135.0	1,377.3	1,079.3	1,618.8	3,487.6	4,251.9	4,161.5	3,760.3	3,749.7	3,993.2

Sources: General Treasury; and Central Bank of Ceylon.

Table 5.05: CAPITAL EXPENDITURE AND NET LENDING, 1970/71-82 a/
(Rs million)

	1970/71	1971/72	1973	1974	1975	1976	1977	1978	1979	1980	1981 Budget Estimates	1981 Provisional	1982 Budget Estimates
Acquisition of Real Assets	435	537	603	710	1,062	1,425	1,113	2,174	3,748	4,591	3,700	3,693	5,076
Civil Administration	22	42	51	63	88	91	90	258	400	626	383	468	790
Social Services	103	133	133	122	199	304	239	614	1,281	1,249	1,190	980	1,834
Education	(43)	(49)	(39)	(41)	(53)	(123)	(116)	(157)	(259)	(458)	(294)	(275)	(396)
Health	(28)	(26)	(36)	(37)	(86)	(114)	(43)	(179)	(381)	(602)	(696)	(502)	(1,171)
Housing	(14)	(26)	(42)	(28)	(41)	(43)	(43)	(251)	(575)	(73)	(90)	(93)	(183)
Other	(18)	(32)	(16)	(16)	(19)	(24)	(37)	(27)	(67)	(116)	(111)	(109)	(85)
Economic Services	310	362	419	525	775	1,030	784	1,302	2,067	2,716	2,126	2,246	2,451
Agriculture & Irrigation	(132)	(133)	(160)	(253)	(307)	(411)	(336)	(360)	(567)	(910)	(787)	(992)	(921)
Fisheries	(3)	(4)	(3)	(13)	(31)	(36)	(21)	(33)	(71)	(178)	(178)	(160)	(154)
Manufacturing & Mining	(5)	(9)	(12)	(10)	(9)	(15)	(13)	(29)	(51)	(45)	(71)	(64)	(150)
Trade	(19)	(15)	(7)	(3)	(7)	(24)	(10)	(176)	(38)	(16)	(9)	(9)	(46)
Communications	(151)	(201)	(237)	(246)	(421)	(544)	(404)	(704)	(1,340)	(1,573)	(1,081)	(1,021)	(1,181)
Capital Transfers	320	306	445	402	806	1,023	937	2,588	3,438	6,261	5,489	6,885	10,582
Public Corporations	281	258	384	378	770	963	868	2,068	3,112	6,093	5,339	6,738	10,353
Other	39	48	61	24	36	60	69	520	326	168	150	147	229
Gross Lending b/	43	63	105	113	108	223	135	663	492	807	855	614	1,177
of which acquisition of financial assets of:													
Sri Lanka Electricity Board	(-)	(-)	(-)	(-)	(45)	(43)	(63)	(189)	(160)	(449)	(307)	(277)	(470)
Ceylon Transport Board	(-)	(-)	(-)	(64)	(-)	(50)	(-)	(-)	(247)	(209)	(442)	(262)	(526)
Unallocated Expenditure c/	2	6	9	20	10	6	8	-	51	298	976	645	1,065
Total Capital Expenditure and Net Lending by Central Bank Classification d/	800	912	1,161	1,245	1,987	2,676	2,194	5,424	7,729	11,957	11,019	11,837	17,899
Less: Under Expenditure Provisions	-	-	-	-	-	-	-	-	-	-	3	3	832
Less: Increase in Deposits of Government Corporations e/	58	24	-14	-165	9	5	101	157	383	-592	-	-	-
Capital Expenditure & Net Lending	742	888	1,175	1,410	1,978	2,671	2,093	5,266	7,347	12,857 f/	11,016	11,834	17,067

a/ See footnote a/ to Table 5.01 for fiscal years.
b/ Acquisition of financial assets.
c/ Unallocated cost of FEECs and the decentralized budget. For 1980-81 period, the details are as follows:

	1980	1981 Budget	1981 Revised	1982 Budget
Decentralized Budget	118	420	420	420
Supplementary Capital Investment Program	24	360	324	200
Integrated Rural Development Program	158	196	176	315
Unclassified	-	-	-	130

d/ More accurately, "Capital Expenditures" by Central Bank of Ceylon definition less loan repayment receipts. The Central Bank does not use the term "Net Lending."
e/ Refers to net change in Treasury deposits (i.e. Transfers net of withdrawals).
f/ Includes Rs 308 million being the repayment of special advances by the Central Bank.

Source: Central Bank of Ceylon.

Table 5.06: CENTRAL GOVERNMENT BUDGET DEBT SERVICES, 1970/71-82 a/
(Rs Million)

	1970/71	1971/72	1973	1974	1975	1976	1977	1978	1979	1980	1981 Budget Estimates	1981 Provisional	1982 Budget Estimates
Domestic Debt													
Amortization	107	135	197	290	248	293	422	664	683	903	1,059	1,002	2,023
Interest	267	324	399	461	561	668	822	1,083	1,339	1,864	2,780	3,143	4,280
Foreign Debt													
Debts held by Sinking Fund													
Amortization	2	2	2	2	38	-	-	-	-	-	-	-	-
Interest	4	5	5	5	3	-	-	-	-	-	-	-	-
Foreign Governments and International Organizations													
Amortization	134	192	231	269	308	368	525	502	499	600	561	607	783
Interest	65	84	110	114	135	172	191	285	357	413	455	713	1,331
Total Foreign Debt													
Amortization	136	194	233	271	346	368	525	502	499	600	561	607	783
of which: FEEC Cost	(46)	(69)	(89)	(93)	(125)	(136)	(91)	(-)	(-)	(-)	(-)	(-)	(-)
Interest	69	89	115	119	138	172	191	285	357	413	455	713	1,331
of which: FEEC Cost	(24)	(32)	(44)	(45)	(52)	(64)	(55)	(-)	(-)	(-)	(-)	(-)	(-)

a/ See footnote a/ to Table 5.01 for fiscal years.

Source: Central Bank of Ceylon.

Table 5.07: GOVERNMENT ENTERPRISES, 1970/71-82 a/
(Rs Million)

	1970/71	1971/72	1973	1974	1975	1976	1977	1978	1979	1980	1981 Budget Estimates	1981 Provisional	1982 Budget Estimates
Railway													
A. Revenue	140	169	178	218	232	237	229	292	373	423	508	488	500
B. Recurrent Expenditure b/ of which:	118	127	138	197	216	226	264	300	392	503	582	600	712
Interest, Dividend, Rent paid to Government	(2)	(2)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(10)	(9)	(12)	(10)
Other Payments to Government	(22)	(25)	(26)	(29)	(32)	(34)	(35)	(45)	(53)	(54)	(71)	(67)	(90)
C. Current Surplus (A - B)	22	42	40	21	16	11	-35	-8	-19	-80	-74	-112	-212
D. Capital Expenditure	43	26	47	50	152	196	132	297	565	505	520	462	399
Port, Harbor, Warehouse c/													
E. Revenue	51	54	47	53	64	59	80	75	79	-	-	2.0	-
F. Recurrent Expenditure b/	26	25	26	31	34	35	39	45	44	-	-	-	-
G. Current Surplus (E - F)	25	29	21	22	30	24	41	30	35	-	-	2.0	-
H. Capital Expenditure	17	19	12	8	9	10	11	15	54	-	-	-	-
Post and Telecommunications													
I. Revenue	85	105	113	151	154	178	202	262	317	392	583	628	646
J. Recurrent Expenditure b/	107	108	128	128	144	162	196	211	265	303	347	369	428
K. Current Surplus (I - J)	-22	-3	-15	23	10	16	6	51	52	89	236	259	218
L. Capital Expenditure	7	21	29	30	46	55	49	48	235	418	371	288	481

a/ On a cash basis. For fiscal years, see footnote a/ to Table 5.01.
b/ Based on the reclassified data used in the Central Bank Annual Report.
c/ Replaced by Sri Lanka Port Authority and Sri Lanka Cargo Corporation in 1979.

Source: Central Bank of Ceylon.

Table 5.08: CURRENT TRANSFERS TO PUBLIC CORPORATIONS, 1970/71-82 a/
(Rs Million)

	1970/71	1971/72	1973	1974	1975	1976	1977	1978	1979	1980	1981 Budget Estimates	1981 Provisional	1982 Budget Estimates
Agriculture & Irrigation													
Ceylon Fertilizer Corporation	-	-	-	56.5	-	-	-	-	395.0	550.8	1,000.0	1,080.3	1,000.0
River Valleys Development Board	9.7	12.6	9.2	-	-	-	-	-	-	21.6	-	-	-
Water Resources Board	0.3	0.3	0.4	0.4	0.4	0.4	0.5	0.5	4.0	4.0	8.0	7.8	5.0
National Water Supply & Drainage Board	-	-	-	-	-	-	-	1.4	0.8	1.5	1.5	-	71.5
Agrarian Research & Training Institute	-	-	-	-	-	-	1.9	1.4	2.0	2.0	2.0	1.9	2.2
Agricultural Insurance Board	-	-	-	-	-	-	2.4	2.8	6.1	7.5	4.0	4.1	4.5
Agricultural Development Authority	-	-	-	-	-	-	-	-	2.7	3.0	10.0	9.7	13.0
Contribution to Agrarian Services	-	-	-	-	-	-	-	-	1.0	1.1	1.9	0.4	1.9
J.E.D.B.	-	-	-	-	-	-	-	-	5.2	106.4	-	0.3	-
Others b/	-	-	-	-	-	-	-	-	-	-	-	-	-
Fisheries													
Ceylon Fisheries Corporation	-	-	9.5	8.2	9.4	6.5	4.7	20.3	21.0	58.0	-	3.5	-
Manufacturing & Mining													
State Flour Milling Corporation	-	-	-	-	-	-	-	-	-	21.5	-	-	-
Building Materials Corporation	-	-	-	-	-	-	-	-	-	15.0	-	-	-
Ceylon State Hardware Corporation	-	-	6.8	7.7	5.7	-	6.2	-	28.6	-	-	-	-
National Milk Board	-	-	54.4	66.0	86.0	86.0	79.2	82.7	54.0	53.0	75.0	44.3	50.0
Ceylon Petroleum Corporation	-	-	-	-	-	-	-	528.0	87.0	-	-	-	-
Paper Corporation	-	-	-	-	-	-	-	10.5	-	28.7	-	21.2	10.0
Industrial Development Board	-	-	2.8	1.4	-	-	-	-	5.0	-	9.6	-	8.0
C.I.S.I.R.	-	-	3.4	1.5	-	-	3.9	4.4	5.3	6.0	7.1	6.9	7.1
Sri Lanka Cashew Corporation	-	-	-	-	0.3	0.3	0.4	0.4	2.0	2.2	3.9	3.5	4.7
Silk & Allied Products Dev. Authority	-	-	-	-	-	-	0.5	2.3	4.0	5.6	8.4	6.5	7.4
Oils & Fats Corporation	2.2	2.2	-	-	9.0	2.0	-	16.4	27.0	41.9	-	-	-
Textile Corporation	-	-	-	-	-	-	-	-	13.4	26.6	-	-	-
Others b/	6.2	-	-	-	3.2	0.3	2.7	0.6	0.2	-	-	-	-
Other													
Ceylon Coconut Authority	-	-	19.6	2.2	-	-	7.0	2.8	-	0.3	2.4	2.1	2.5
Ceylon Tourist Board	-	-	6.0	-	9.6	11.0	16.7	19.4	26.0	41.8	53.5	51.8	55.0
Ceylon Transport Board	4.0	4.8	27.9	2.5	-	-	-	304.0	85.0	456.9	-	-	-
Port Cargo Corporation	-	-	7.0	0.5	-	2.0	5.0	-	-	-	-	-	-
State Engineering Corporation	-	-	16.2	4.8	4.7	2.1	-	-	-	-	-	-	-
Bureau of Ceylon Standards	1.5	2.6	2.0	-	-	-	2.5	1.9	2.5	2.7	4.0	3.5	4.7
National Youth Services Council	-	-	-	-	-	-	-	3.4	20.0	30.0	31.5	25.5	32.0
National Apprenticeship Board	-	-	-	-	-	-	-	19.0	30.0	41.0	50.0	48.5	50.0
National Development Service	-	-	-	-	-	-	-	-	3.0	15.4	17.9	13.0	18.0
Cooperative Management Service Center	-	-	-	-	-	-	-	-	-	1.0	1.4	1.2	1.4
Reimbursement of Losses to State Corporations	-	-	-	-	-	-	-	42.8	-	-	100.0	-	100.0
Greater Colombo Economic Commission	-	-	-	-	-	-	-	12.1	-	-	-	1.5	-
Cooperative Wholesale Establishment	-	-	-	-	-	-	-	-	49.6	2.3	-	75.5	-
Airport Development Authority	-	-	-	-	-	-	-	-	21.0	-	-	-	-
Others b/	-	1.1	9.1	12.5	6.0	17.9	12.7	4.2	19.0	34.9	12.2	20.5	15.3
TOTAL	23.9	23.6	166.1	163.5	134.3	128.5	146.3	1,081.3	920.4	1,582.7	1,405.6	1,433.5	1,464.2

a/ Please see footnote a/ to Table 5.01 for fiscal years.
b/ Entities which receive less than Rs 10 million every year in the period covered.

Source: Ministry of Finance and Planning.

Table 5.09: BUDGETARY CONTRIBUTIONS BY PUBLIC CORPORATIONS, 1970/71-82 a/
(LEVY TO THE CONSOLIDATED FUND)*
(Rs Million)

	1970/71	1971/72	1973	1974	1975	1976	1977	1978	1979	1980	1981 Budget Estimates	1981 Provisional	1982 Budget Estimates
Non-Financial Corporations	48.7	49.0	61.6	80.7	104.7	147.2	307.4	71.8	36.9				
Air Ceylon Ltd.	-	0.5	1.6	0.2	-	-	-	-	-				
Ceylon Cement Corporation	10.0	12.0	-	6.0	7.5	-	-	-	-				
Ceylon Ceramics Corporation	-	2.4	1.5	1.1	1.0	1.0	1.1	-	-				
Ceylon Electricity Board	5.0	4.0	1.3	-	3.9	3.9	-	-	-				
Ceylon Fertilizer Corporation	0.5	2.6	6.3	-	-	1.5	-	0.3	0.3				
Ceylon Mineral Sands Corporation	-	0.4	0.1	2.5	2.5	2.5	2.5	-	-				
Ceylon Petroleum Corporation	10.0	8.0	10.0	15.0	5.8	21.7	-	-	-				
Ceylon Shipping Corporation	-	-	0.5	1.0	1.0	3.0	-	1.0	1.5				
Ceylon Steel Corporation	-	0.5	3.8	7.3	4.0	6.0	1.0	0.3	2.1				
Ceylon Tyre Corporation	2.0	3.2	7.0	-	-	8.0	-	-	-				
Cooperative Wholesale Establishment	15.0	2.0	8.6	4.0	0.6	0.8	-	-	-				
Eastern Paper Mills Corporation	2.0	0.8	1.8	3.5	3.0	6.6	1.8	-	-				
National Salt Corporation	0.5	0.3	0.7	0.7	1.0	1.1	1.3	-	-				
National Textiles Corporation	2.0	2.0	3.5	0.8	4.0	3.2	-	-	-				
Paddy Marketing Board	-	-	-	1.9	5.0	-	-	-	-				
Paranthan Chemicals Corporation	0.4	0.2	0.2	0.4	0.6	1.0	1.0	0.7	1.0				
Port Tally & Protective Services Corporation	-	0.5	2.5	1.0	0.5	0.1	-	-	-				
Sri Lanka State Trading (General)	-	3.2	2.5	4.0	5.0	5.0	2.5	1.0	3.0				
Sri Lanka State Trading (Textiles) Salu-Sala	-	1.9	3.0	6.0	8.0	4.0	4.0	-	-				
Sri Lanka State Trading (Tractor)	-	0.8	-	0.5	0.5	1.0	3.0	3.0	-				
Sri Lanka Sugar Corporation	1.0	0.8	3.3	-	5.5	5.0	-	1.0	-				
Sri Lanka Tobacco Industries Corporation	-	-	0.2	1.5	1.0	6.0	0.5	-	-				
State Distilleries Corporation	-	-	-	-	25.0	45.0	40.5	31.1	18.8				
State Flour Milling Corporation	-	1.5	0.5	8.0	11.0	3.0	-	-	-				
State Gem Corporation	-	-	0.3	6.0	2.0	2.0	-	-	1.0				
State Graphite Corporation of Ceylon	-	-	1.0	0.9	0.8	0.3	0.3	-	0.5				
State Pharmaceuticals Corporation of Ceylon	-	-	-	1.2	1.2	1.2	0.9	0.9	-				
State Timber Corporation	-	-	-	3.0	-	-	-	-	-				
Weaving Supplies Corporation	-	1.2	0.5	2.0	2.0	5.6	-	-	-				
Building Materials Corporation	-	-	-	-	-	1.0	1.6	-	-				
State Plantation Corporation	-	-	-	-	-	3.0	90.0	-	-				
Sri Lanka State Trading (Consolidated Exports) Corporation	-	-	-	-	-	3.7	3.8	-	5.0				
State Film Corporation	-	-	-	-	-	1.0	1.2	1.2	0.6				
Janatha Estate Development Board	-	-	-	-	-	-	150.0	-	-				
Others c/	0.3	0.2	0.9	2.2	2.3	-	0.4	n.a.	n.a.				
Financial Institutions	5.4	8.7	12.9	13.4	15.6	20.9	18.1	17.0	26.6				
Bank of Ceylon	0.3	1.0	1.0	2.9	3.0	3.9	-	-	-				
Insurance Corporation of Ceylon	5.0	7.5	11.5	9.0	10.0	12.0	12.0	12.0	12.0				
National Savings Bank	-	-	-	1.0	2.1	2.0	3.1	5.0	14.6				
People's Bank	0.1	0.2	0.4	0.5	0.5	3.0	3.0	-	-				
TOTAL	54.1	57.7	74.5	94.1	120.3	168.1	325.5	88.8	63.5	132.3 b/	19.5 b/	75.4 b/	200.0 b/

a/ Please see footnote a/ to Table 5.01 for fiscal years.
b/ Breakdown not available.
c/ Ceylon Ayurvedic Drugs Corporation, Ceylon Hotels Corporation, Ceylon Oils & Fats Corporation.

Source: Ministry of Finance and Planning.

Table 5.10: CAPITAL TRANSFERS TO PUBLIC CORPORATIONS, 1970/71-82 a/
(Rs million)

	1970/71	1971/72	1973	1974	1975	1976	1977	1978	1979	1980	1981 Budget Estimates	1981 Provisional	1982 Approved Estimates
Agriculture & Irrigation	118.1	126.2	144.3	195.8	234.2	193.1	165.2	484.3	1,544.9	3,802.0	3,239.4	4,316.8	7,586.1
Mahaweli Development Board	47.6	54.3	59.9	113.9	161.1	131.0	101.8	415.9	1,437.1	3,380.9	3,000.0	3,750.0	7,217.0
River Valleys Development Board	68.5	68.2	79.7	72.0	64.8	54.8	47.5	45.6	60.0	35.1	35.0	35.0	35.0
State Plantations Corporation	1.0	2.6	4.6	9.9	2.3	3.0	-	-	6.2	118.1	67.1	74.8	194.0
Nat. Agr. Diversification and Settlement Authority	-	-	-	-	-	-	-	-	-	36.5	32.0	18.9	17.5
Coconut Research Board	-	-	-	-	4.6	1.3	4.8	9.4	11.7	12.9	16.6	10.4	14.7
Coconut Cultivation Board	-	-	-	-	-	-	-	-	12.3	27.7	45.9	33.9	7.3
Water Resources Board	-	-	-	-	-	-	-	2.8	10.6	4.8	5.2	4.4	5.0
Janatha Estate Development Board	-	-	-	-	-	-	-	2.0	-	178.7	20.0	29.5	54.2
Tea Small Holding Development Authority	-	-	-	-	-	-	-	-	0.5	2.5	11.5	11.9	37.6
Water Supply & Drainage Board	-	-	-	-	-	-	-	-	-	-	-	342.5	-
Others b/	1.0	1.1	0.1	-	1.4	3.0	11.1	8.6	6.5	4.8	6.1	5.5	3.8
Fisheries	11.0	17.6	7.8	9.0	28.5	17.9	16.9	35.4	45.9	94.6	19.2	28.8	18.0
Ceylon Fisheries Corporation and Fishery Harbors	11.0	17.6	7.8	9.0	28.5	17.9	16.9	35.4	45.9	94.6	19.2	28.8	18.0
Manufacturing & Mining	118.2	69.3	120.1	69.2	298.1	535.8	447.2	1,244.7	719.6 c/	537.2	331.3	298.3	669.0
Ceylon Cement Corporation	7.0	8.8	-	-	5.3	23.9	19.0	28.1	-	-	-	-	-
Ceylon Ceramics Corporation	-	-	21.9	2.5	15.3	49.0	19.0	-	-	-	-	-	-
Ceylon Mineral Sands Corporation	-	1.2	3.3	0.3	14.6	24.8	28.9	23.7	-	-3.9	-	-	-
Ceylon Plywood Corporation	24.9	9.0	20.1	5.2	2.6	6.1	8.7	0.3	-	-	-	-	-
Ceylon Steel Corporation	1.2	0.5	5.5	4.3	7.7	58.3	42.2	67.5	-	10.7	9.0	7.9	-
Eastern Paper Mills Corporation	17.6	8.7	29.2	37.3	174.4	78.9	47.7	33.7	-	40.4	-	-	-
National Milk Board	7.5	11.4	14.6	1.9	1.9	2.0	3.7	-	12.8	15.5	30.5	50.5	21.0
National Textile Corporation	27.4	18.7	9.0	3.9	30.1	51.8	32.3	4.2	10.3	-2.0	30.0	-	9.4
Sri Lanka Sugar Corporation	-	-	-	7.1	31.3	10.0	-	-	4.5	8.0	135.0	46.8	162.9
State Fertilizer Manufacturing Corp.	-	-	-	-	2.7	112.8	236.8	1,061.4	-	397.5	34.0	23.3	300.0
State Gem Corporation	15.0	-	-	-	-	-	-	-	-	-	-	-	-
State Timber Corporation	7.3	-	12.2	2.8	1.7	-1.3	0.4	-1.8	-	0.1	-	-	-
State Development & Construction Corp.	-	-	-	-	0.6	45.5	-	6.0	-	-	-	-	-
Ceylon Petroleum Corporation	-	-	-	-	-	60.0	-	8.2	-	10.7	-	-	-
Oil and Fats Corporation	-	-	-	-	1.0	4.1	-	-	-	25.1	50.1	34.7	38.0
State Fertilizer Corporation	-	-	-	-	-	-	-	-	25.0	9.3	41.5	33.1	86.0
Rubber Manufacturing Corporation	-	-	-	3.2	5.4	5.4	4.5	4.6	-	-	-	-	-
State Printing Corporation	-	-	-	-	-	-	-	-	-	-	-	-	51.6
Others b/	10.3	11.0	4.3	0.7	3.5	4.5	3.9	8.8	18.1	25.8	1.2	1.1	0.1
Other	34.1	45.0	112.1	105.8	209.2	216.4	238.9	303.8	801.4 c/	1,658.8	1,748.7	2,094.3	2,080.2
Ceylon Apprenticeship Board	-	-	-	-	3.3	11.0	-	-	-	-	4.0	3.6	41.5
Ceylon Electricity Board	-	-	25.6	10.0	10.0	15.0	6.5	42.3	32.4	116.7	152.6	438.8	305.4
Ceylon Shipping Corporation	-	-	12.1	15.5	-	-	-	-	-	-	-	-	-
Ceylon Transport Board	17.7	-	-	-	42.0	1.0	75.0	172.8	-	6.2	-	1.3	-
Industrial Development Board	7.5	9.1	12.5	-	-	-	-	-	-	21.2	11.0	10.0	18.0
Land Reform Commission	-	-	-	2.5	-	52.0	57.5	47.5	-	125.0	250.0	225.0	186.8
Livestock Development Board	-	-	0.5	1.0	24.2	36.3	14.5	-	8.0	15.8	22.5	8.5	22.0
Paddy Marketing Board	-	7.2	13.0	8.5	22.2	2.0	3.7	18.1	-	123.6	120.9	97.6	33.0
Research & Scientific Institute	1.4	10.1	27.8	14.9	-	0.1	-	-	2.0	-	-	-	-
State Engineering Corporation	-	-	0.5	40.0	-	-	-	-	-	-	-	-	-
Divisional Development Councils	-	-	-	-	-	43.7	40.4	-	-	-	-	-	-
Ceylon Broadcasting Corporation	2.6	0.8	3.3	1.0	24.4	2.8	2.0	1.0	6.0	-	-	-	-
Ceylon Hotels Corporation	-	-	-	0.5	33.3	9.9	-	-	-	2.2	-	2.0	-
Ceylon Coconut Authority	-	-	-	-	29.7	21.2	-	-	0.4	-	13.7	6.5	40.1
Greater Colombo Economic Commission	-	-	-	-	-	-	-	2.1	122.8	10.0	60.0	55.8	60.0
Airports Authority of Sri Lanka	-	-	-	-	-	-	-	-	-	16.6	40.0	31.9	76.0
National Housing Development Authority	-	-	-	-	-	-	-	-	-	976.0	1,000.0	1,020.0	703.0
Colombo Dist. Reclamation & Development Board	-	-	-	-	-	-	-	-	88.9	105.0	7.0	36.3	54.8
Urban Development Authority	-	-	-	-	-	-	-	-	24.1	80.0	-	200.0	-
Air Lanka	-	-	-	-	-	-	-	-	300.0	-	-	-	300.0
Sri Lanka Port Authority	-	-	-	-	-	-	-	-	-	-	-	-	202.7
Others b/	7.9	17.8	16.8	10.3	20.1	21.4	39.3	20.0	15.9	60.5	67.0	37.4	61.9
TOTAL	281.4	258.1	384.3	378.2	770.0	963.2	868.2	2,068.2	3,111.8	6,092.6	5,338.6	6,738.2	10,353.3

a/ Please see footnote a/ to Table 5.01 for fiscal years.
b/ Entities which received less than Rs 10 million every year in the period covered.
c/ Complete breakdown not available.

Source: Central Bank of Ceylon.

Table 6.01: INTEREST RATES OF MAJOR CREDIT AND SAVINGS INSTITUTIONS, 1970-82
(% per annum at end of period)

	1970	1975	1976	1977	1978	1979	1980	1981	1982 e/
Government Treasury Bills a/	4.75	5.00	5.00	9.00	9.00	9.00	13.00	13.00	13.00
Central Bank Rate b/	6.50	6.50	6.50	10.00	10.00	10.00	12.00	14.00	14.00
DEPOSIT RATES									
Commercial Banks									
12 Months Fixed Deposits	4.50-4.75	7.00-7.50	7.00-7.50	14.00-15.00	14.00-15.00	14.00-15.00	20.00	20.00-22.00	20.00-22.00
Savings Deposits	4.50	5.50	5.50	7.20	7.20	5.00-9.00	10.00-14.00	10.00-14.00	10.00-14.00
Savings Institutions									
National Savings Bank									
Savings Deposits	3.50-4.00 c/	7.20	7.20	8.40	8.40	8.40	12.00	12.00	12.00
12 Months Fixed Deposits	4.50 c/	7.50	7.50	15.00	15.00	15.00	20.00	20.00	20.00
10-Year Savings Certificates	5.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00
LENDING RATES									
Commercial Banks									
Secured	6.50-12.00	6.50-13.00	6.50-14.00	10.00-20.00	10.00-20.00	10.00-20.00	11.00-23.00	11.00-30.00	11.00-30.00
Unsecured	8.50-12.00	9.50-14.00	9.50-14.00	18.00-20.00	18.00-20.00	18.00-21.00	19.00-30.00	19.00-32.00	19.00-32.00
Long-Term Credit Institutions									
State Mortgage Bank d/	5.00-10.50	5.00-12.00	5.00-12.00	5.00-12.00	5.00-12.00	5.00-18.00	5.00-20.00	12.00-24.00	12.00-24.00
Agricultural and Industrial Credit Corporations d/	9.00-12.00	9.00-12.00	9.00-12.00	12.00-15.00	11.00-14.00	d/	d/	d/	d/
Development Finance Corporations	9.50-10.50	9.50-12.50	9.50-12.50	9.50-13.00	9.50-13.00	10.50-16.00	10.50-17.00	13.00-17.00	13.00-17.00
National Housing Department	11.00	6.00-9.00	6.00-9.00	6.00-9.00	6.00-9.00	6.00-9.00	6.00-9.00	6.00-9.00	6.00-9.00
National Savings Bank	10.00-12.00 c/	10.00-12.00	9.00-12.00	9.00-12.00	9.00-13.00	9.00-13.00	9.00-17.00	12.00-17.00	12.00-17.00

a/ Weighted average of bills issued on tender.
b/ Rate at which Central Bank provides advances to commercial banks secured by Government and Government guaranteed securities. Refinance facilities for productive purposes are currently available at rates ranging from 1.50-13.00%.
c/ Interest rates for the Ceylon Savings Bank, the Post Office Savings Bank, and the Savings Certificate Fund. These institutions were merged with the National Savings Bank on April 1, 1972.
d/ On January 1, 1979, the Agricultural and Industrial Credit Corporations were amalgamated into the State Mortgage Bank.
e/ End of March 1982.

Source: Central Bank of Ceylon.

Table 6.02: MONETARY SURVEY, 1971-81 a/
(Rs Million; end of period)

	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
Net Foreign Assets	-455	-376	- 28	-211	-429	38	3,625	5,500	6,706	3,477	2,780
Central Bank	-572	-551	-250	-530	-738	-432	2,517	4,408	5,362	1,602	1,049
Commercial Banks	117	175	222	319	309	470	1,108	1,092	1,344	1,875	1,731
Net Domestic Assets	5,010	6,016	5,426	6,450	6,924	8,365	10,258	12,848	17,963	32,040	39,618
Net Credit to Government	2,724	2,900	2,679	2,532	2,831	3,316	3,009	1,889	2,962 b/	9,100	12,889
Credit to Private Sector	1,760	2,187	2,165	3,239	3,404	3,985	5,785	8,812	11,082	16,208	20,763
Other Credit	29	13	15	86	20	15	21	-100	142	-168	-142
Other Assets	497	916	567	593	669	1,049	1,443	2,247	3,777	6,901	6,108
Central Bank (excluding Guarantees)	(68)	(71)	(81)	(78)	(149)	(278)	(681)	(681)	(1,462)	(2,938)	(1,857)
Commercial Banks	(429)	(845)	(486)	(515)	(520)	(595)	(1,165)	(1,566)	(2,315)	(3,963)	(4,251)
Monetary Liabilities	3,379	3,917	4,094	4,504	4,712	6,250	8,635	10,803	14,957	19,709	24,287
Money	2,128	2,461	2,757	2,922	3,064	4,133	5,332	5,895	7,643	9,333	9,950
Currency	(1,115)	(1,202)	(1,437)	(1,539)	(1,610)	(2,080)	(2,792)	(3,015)	(3,774)	(4,181)	(4,823)
Demand Deposits	(1,013)	(1,259)	(1,320)	(1,383)	(1,454)	(2,053)	(2,540)	(2,879)	(3,869)	(5,152)	(5,127)
Quasi-Money	1,251	1,456	1,337	1,582	1,648	2,117	3,303	4,908	7,314	10,376	14,337
Other Liabilities	1,176	1,723	1,302	1,735	1,783	2,153	5,247	7,546	9,713	15,808	18,111
Central Bank (excluding Guarantees)	456	490	522	634	708	957	2,806	3,970	5,329	9,124	9,572
Commercial Banks	720	1,233	780	1,101	1,075	1,196	2,441	3,576	4,384	6,684	8,539

a/ This table is not consistent with the Country Data sheet, which uses as a source the IMF's International Financial Statistics.
b/ Adjusted for amounts in Suspense Account Paddy Marketing Board and/or Goods Receipts.

Source: Central Bank of Ceylon.

Table 7.01: VOLUME OF AGRICULTURAL PRODUCTION, a/ 1970-81
(Indices, 1968 = 100)

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981 b/
Tea	94	97	95	94	91	95	87	93	89	92	85	94
Rubber	107	95	94	104	89	104	106	98	104	103	89	83
Coconut	97	100	114	82	85	92	80	74	86	91	81	91
Paddy	120	100	94	94	118	82	90	123	139	141	158	164
Highland Crops	130	157	164	222	254	284	295	310	310	286	298	n.a.
Livestock and Livestock Products	104	109	129	125	118	113	111	120	124	131	138	n.a.
Minor Export Crops	93	64	78	113	121	88	158	251	211	222	212	n.a.
TOTAL	105	102	105	105	112	109	111	123	129	131	135	144

a/ These indices are calculated on the basis of value added figure.
b/ Projections.

Source: Central Bank of Ceylon.

Table 7.02: PADDY CULTIVATED AREA AND PRODUCTION; RICE AVAILABILITY, PROCUREMENT AND DISTRIBUTION, 1970-81

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980 (Revised)	1981 (Provisional)
Cultivated Area ('000 hectares)												
Extent Asweddumized a/	570	575	586	583	607	622	621	643	659	653	659	n.a.
of which: Major Irrigation Scheme	(179)	(181)	(184)	(188)	(196)	(203)	(205)	(208)	(217)	(228)	(243)	n.a.
Minor Irrigation Scheme	(162)	(163)	(166)	(165)	(168)	(173)	(177)	(181)	(185)	(171)	(177)	n.a.
Gross Area Sown	760	726	727	725	825	696	724	828	876	839	845	877
Net Area Harvested ('000 ha)	611	590	543	571	681	509	541	666	724	697	728	740
Maha	384	375	356	373	447	302	363	431	471	494	496	501
Yala	227	215	187	198	234	207	178	235	253	203	232	239
Paddy Production and Yields												
Paddy Production ('000 tons)	1,616	1,396	1,312	1,312	1,602	1,154	1,252	1,677	1,891	1,917	2,133	2,230
Maha	1,033	867	883	876	1,098	719	882	1,144	1,286	1,393	1,453	1,523
Yala	583	529	429	436	504	435	370	533	605	524	680	707
Average Yield (kg per hectare harvested)	2,664	2,366	2,416	2,298	2,353	2,270	2,315	2,521	2,613	2,750	2,927	3,014
Rice Availability ('000 tons)												
Rice Production b/	1,131	977	918	918	1,121	808	876	1,174	1,286	1,304	1,450	1,516
Net Domestic Supply c/	995	860	808	808	958	711	771	1,033	1,132	1,148	1,276	1,334
Opening Stock of FC d/	n.a.	259	180	74	73	63	98	61	173	116	129	68
Opening Stock of PMB e/	n.a.	n.a.	n.a.	n.a.	12	49	17	15	103	128	62	38
Rice Imports f/	534	339	266	344	332	457	419	526	160	212	190	157
Total Consumption g/	1,228 h/	1,245 h/	1,150 h/	1,109 h/	1,255	1,134	1,197	1,316	1,320	1,420	1,397	1,521
Procurement and Distribution												
Rice Procured by PMB ('000 tons)	379	473	383	332	303	169	188	358	469	378	142	85
Rice Distributed by FC ('000 tons)	650	893	805	696	567	629	634	722	671	447	318 i/	159
Memorandum Items (as a percentage)												
Imports/Rice Consumption	43.5	27.2	23.1	31.0	26.5	40.3	35.0	40.0	12.1	14.9	13.6	10.3
Imports/Rice Distribution by FC	82.2	38.0	33.0	49.4	58.6	72.7	66.0	72.9	23.8	47.4	59.7	98.7
Procurement/Production	34.5	49.8	42.9	37.2	27.8	21.5	22.1	31.4	36.7	29.0	9.8	5.6
FC Distribution/Rice Consumption	52.9	71.7	70.0	62.8	45.2	55.5	53.0	54.9	50.8	31.5	20.3	10.4

a/ Leveled and bunded land suitable for paddy cultivation.
b/ Based on conversion factor of 1 metric ton of paddy = 0.68 metric tons of rice.
c/ Equals rice production less seed and wastage, estimated at 12% of total production.
d/ FC = Food Commissioner.
e/ PMB = Paddy Marketing Board.
f/ Total rice imports not adjusted for 2.5% slackage loss.
g/ Apparent consumption, estimated as net domestic rice supply plus imports, adjusted for slack, plus change in the stocks held by FC and PMB. Change in stocks of private traders is ignored.
h/ Does not take into account changes in stocks of PMB.
i/ Includes sales on tender.

Sources: Food Commissioner; and Central Bank of Ceylon.

Table 7.03: CULTIVATED AREA AND PRODUCTION OF SUBSIDIARY FOOD CROPS, 1972-81

	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981 (Estimates)
Cultivated Area ('000 hectares)										
Manioc (cassava)	31.3	51.5	91.3	79.2	69.4	54.6	39.9	33.5	27.0	38.1
Maize	16.3	24.2	38.5	40.1	30.4	36.7	28.6	23.6	23.4	28.0
Chillies	24.2	36.5	41.6	33.0	43.3	44.1	33.8	20.1	25.5	26.2
Red Onions	5.7	7.0	6.5	6.3	7.7	8.2	6.3	5.9	7.4	8.1
Groundnuts	4.8	6.2	7.7	7.8	6.7	6.5	8.3	5.1	11.2	12.0
Green Gram	2.9	5.3	10.7	9.3	8.4	12.3	12.2	12.2	14.2	18.0
Sorghum	0.1	0.3	2.2	3.8	1.0	1.4	0.6	0.2	0.1	0.1
Soyabean	0.2	0.2	1.3	1.1	0.7	1.0	1.9	1.2	1.1	2.3
Potatoes	3.2	2.8	2.2	2.0	2.8	3.2	2.6	4.2	5.2	2.7
Sesame	12.3	9.7	13.0	12.7	19.0	13.5	17.0	16.7	31.5	30.8
Cowpea	0.5	1.3	3.0	8.7	19.2	30.2	27.6	30.3	25.5	38.8
Black Gram	0.5	0.5	1.4	2.0	5.1	13.9	14.5	8.7	8.4	10.1
Dhal	0.03	0.2	1.3	0.3	0.07	0.03	0.04	0.07	n.a.	n.a.
Sweet Potatoes	6.0	11.9	23.1	21.2	15.0	12.8	8.8	6.4	6.3	9.1
Production ('000 tons)										
Manioc (cassava)	390.5	610.7	848.3	767.0	683.7	544.8	497.5	364.1	334.5	464.8
Maize	13.7	13.6	23.8	34.6	31.2	42.0	35.3	26.1	31.4	35.2
Chillies	12.0	19.6	18.5	16.4	19.1	32.1	28.3	21.9	25.5	15.8
Red Onions	59.0	68.2	71.0	72.8	76.7	66.3	72.0	62.5	79.1	79.3
Groundnuts	5.5	5.7	7.5	7.6	6.1	5.7	7.5	5.4	14.1	13.0
Green Gram	1.4	3.0	5.9	6.0	5.1	7.8	8.4	9.7	12.9	18.1
Sorghum	0.03	0.6	3.1	6.3	1.7	2.0	0.6	0.2	0.08	0.2
Soyabean	0.04	0.2	1.3	1.2	0.7	1.1	2.8	1.3	1.1	2.8
Potatoes	46.9	39.6	30.4	27.3	38.7	33.4	38.4	52.5	76.0	43.9
Sesame	7.1	4.6	4.9	6.4	8.6	7.4	9.7	17.2	23.5	19.6
Cowpea	0.5	0.6	2.4	7.6	12.0	21.3	22.6	18.8	23.5	37.2
Black Gram	0.4	0.4	0.7	1.0	2.4	11.7	8.7	6.1	5.5	7.3
Dhal	0.04	0.2	1.6	0.2	0.04	1.4	0.04	0.06	n.a.	n.a.
Sweet Potatoes	50.8	71.2	144.8	142.2	125.8	97.3	82.0	42.6	66.7	76.5

n.a. = not available.

Sources: Ministry of Agricultural Development and Research; and Department of Census and Statistics.

Table 7.04: TREE CROPS PRODUCTION STATISTICS, 1970-81

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979 (Revised)	1980 (Revised)	1981 (Estimates)
TEA												
Production (million kgs)	212	218	214	211	204	214	196	209	199	206	191	210
of which: High grown	81	85	81	81	80	80	76	79	72	77	73	81
Medium grown	72	76	75	70	71	73	65	67	61	63	55	59
Low grown	59	57	57	60	53	60	56	63	66	67	63	70
Exports (million kgs)	208	207	190	206	175	213	200	186	193	188	185	183
Planted area ('000 hectares)	242	242	242	242	242	242	241	242	243	244	245	245
Average yield (kgs per harvested hectare) a/	909	933	914	902	988	1,031	940	1,007	958	993	922	974
Replanted Annuals (hectares)	2,776	2,688	2,598	2,410	1,734	1,764	1,116	1,242	1,709	2,491	2,078	2,627
Replanted Cumulative (hectares)	16,310	18,998	21,596	24,006	25,740	27,504	28,619	29,861	31,570	34,061	36,139	38,766
RUBBER												
Production (million kgs) b/	159	142	140	155	132	149	152	146	156	153	133	124
of which: Sheet rubber	96	80	84	92	72	87	87	85	92	82	72	n.a.
Crepe rubber	63	61	56	62	58	59	62	59	59	57	50	n.a.
Exports (million kgs)	161	129	130	161	128	161	137	136	138	128	121	133
Planted area ('000 hectares)	230	230	230	229	228	228	227	227	226	227	227	223
Average yield (kgs per harvested hectare)	792	736	737	778	710	774	790	773	845	820	718	678
Replanted Annuals (hectares)	4,145	3,432	3,539	2,946	2,865	3,231	2,550	2,617	3,226	4,168	5,434	6,442
Replanted Cumulative (hectares)	115,940	119,372	122,911	125,857	128,721	131,952	134,502	137,119	140,346	144,514	149,948	156,390
COCONUT												
Production (million nuts)	2,510	2,610	2,963	1,935	2,031	2,398	2,330	1,821	2,207	2,393	2,026	2,258
of which: Coconut Oil c/	829	1,008	1,032	488	520	960	800	393	641	803	500	605
Desiccated Coconut c/	373	374	333	258	292	354	313	206	283	272	217	276
Exports (million nuts equivalent)	873	1,010	1,248	417	460	845	803	281	595	537	242	405

a/ Harvested area excludes area under immature tea and, effective 1974, abandoned tea lands. Data for 1974 onwards are calculated on the basis of the new definition of harvested area and thus are not strictly comparable with those of earlier years.
b/ Total includes "other" rubber not shown separately.
c/ In nut equivalent converted at 1 mt. ton oil = 8,000 nuts.
1 mt. ton Desiccated coconut = 6,800 nuts.

n.a. = not available.

Source: Central Bank of Ceylon.

Table 7.05: TEA PRODUCER MARGIN, 1970-81
(Rs per kg)

		1970	1975	1976	1977	1978	1979	1980	1981 (Provisional)
A.	Average Export Unit Value	5.37	9.08	10.50	18.86	33.22	30.51	33.41	34.00
	Less:								
	Export Duty	0.86	0.86	0.86	1.98 a/	15.50	13.27 a/	10.50	10.20 a/
	Cesses	0.22	0.23	0.26	0.42	0.70	0.90	0.90	0.90
	FOB Charges, Exporters Margins, etc. b/	0.52	1.09	0.13	0.15	2.76	4.04	3.68	3.35
B.	Colombo Auction Gross Price	3.77	6.90	9.25	16.32	14.36	12.30	18.33	19.55
C.	Sales Tax c/	0.22	0.86	1.52	3.07	2.82	1.19	0.59	1.84
D.	Colombo Auction Net Price (B-C)	3.59	6.04	7.73	13.24	11.44	11.11	17.73	17.71
E.	Cost of Production	3.55	6.73	7.44	8.63	12.19	13.70	15.45	18.66
	of which:								
	Transportation/Fuel Oil	n.a.	0.54	0.56	0.67	0.95	1.10	1.82	2.25
	Fertilizer	n.a.	0.78	0.86	0.56	0.85	0.85	0.79	1.11
	Tea Chests	n.a.	0.65	0.71	0.71	0.84	0.95	1.19	1.45
	Labor	n.a.	3.06	3.29	3.74	5.98	7.20	7.59	8.40
	Other Costs/Depreciation	n.a.	1.70	2.02	2.95	3.57	3.60	4.06	5.45
F.	Producer Margin (D-E)	0.24	-0.69	0.29	4.61	-0.75	-2.59	2.28	-0.95

a/ The specific export duty on tea was raised to Rs 15.50 per kg in November 1977 and then lowered in July 1979 to Rs 10.50. The average specific duty shown for 1977 and 1979 is calculated by dividing revenues from the specific duty by total exports. On November 13, 1981, the export duty was lowered to Rs 8/kg. The figure shown above is the estimated average for the year.
b/ Residual.
c/ Ad valorem tax receipts divided by total amount of tea sold at Colombo auctions.

Source: Central Bank of Ceylon.

Table 7.06: TEA IN THE PUBLIC SECTOR, 1980-81

	Extent in Bearing (ha) 1980	1981	Total Output ('000 kg) 1980	1981	Yield per Hectare[a/] (kg) 1980	1981	Cost of Production at Estate Level (Rs/kg) 1980	1981	Net Sales Price (Rs/kg) 1980	1981	Producers' Margin (Rs/kg) 1980	1981
JEDB:												
Avissawella	2,180	2,035	2,830	3,288	1,091	1,392	15.36	16.23	19.75	17.33	4.39	1.10
Hatton	8,955	8,722	10,299	11,332	1,100	1,243	16.13	17.50	17.40	17.96	1.27	0.46
Badulla	18,128	18,050	22,550	27,611	1,154	1,416	15.74	17.01	16.85	16.64	1.11	(0.37)
Kandy	8,801	6,606	9,205	7,299	866	1,001	15.90	16.95	16.11	15.69	0.21	(1.26)
Nuwara Eliya	14,207	16,238	21,338	24,707	1,417	1,454	14.70	15.85	16.15	16.06	1.45	0.21
Kegalle	1,774	1,569	2,326	2,425	955	1,169	16.85	17.40	18.90	17.75	2.05	0.35
Kurunegala	143	143	106	95	634	663	13.91	14.85	16.94	16.95	3.03	2.10
Nawalapitiya	7,189	6,948	8,855	8,847	975	1,038	16.70	18.45	15.04	15.18	(1.66)	(3.27)
Total/Average	61,377	60,311	77,509	85,604	1,150	1,304	15.65	16.86	16.60	16.47	0.95	(0.39)
SLSPC:												
Hatton & Matale	20,226	19,577	22,053	22,110	958	992	17.88	19.25	18.09	18.91	0.21	(0.34)
Nuwara Eliya, Haputale & Balangoda	26,317	25,997	32,398	33,780	1,059	1,198	16.43	16.88	17.96	16.99	1.53	0.11
Kalutara & Ratnapura	5,908	5,872	9,354	9,848	1,062	1,175	16.61	16.97	18.91	17.54	2.30	0.57
Galle & Matara	5,598	5,598	14,141	14,676	1,155	1,286	16.84	16.89	19.29	17.31	2.45	0.42
Total/Average	58,049	57,044	77,946	80,414	1,034	1,113	16.93	17.54	18.35	17.64	1.42	0.10
Grand Total	119,426	117,355	155,455	166,018	1,149	1,211	16.30	17.19	17.48	17.04	1.18	(0.15)

Memorandum Items:	Uprooting/ Cleaning (ha) 1980	1981	New Planting (ha) 1980	1981	In filling (ha) 1980	1981	Replanting (ha) 1980	1981	Fertilizer Application Quantity (tons) 1980	1981	Fertilizer Application (kg/ha) 1980	1981
JEDB	806	514	37	120	-	-	681	775	38,392	41,652	624	691
SLSPC	-	-	347	200	4,731	5,001	840	1,289	38,169	37,634	657	660

a/ Derived from yields obtained at the production level and differ somewhat from the output data indicated above.

Note: 1. C.O.P. is at estate level.
2. Excludes administration charges interest, lease rent to LRC, depreciation, audit fees and bonus.
3. Includes a crop charge of Rs 0.35/kg.

JEDB = Janatha Estates Development Board.
SLSPC = Sri Lanka State Plantation Corporation.

Sources: Ministry of Janatha Estates Development; and Ministry of State Plantations.

Table 7.07: RUBBER IN THE PUBLIC SECTOR, 1980-81

	Extent in Bearing (ha)		Total Output ('000 kg)		Yield per Hectare a/ (kg)		Cost of Production at Estate Level (Rs/kg)		Net Sales Price (Rs/kg)		Producers' Margin (Rs/kg)	
	1980	1981	1980	1981	1980	1981	1980	1981	1980	1981	1980	1981
JEDB:												
Avissawella	11,033	10,843	12,848	13,007	1,078	1,143	8.79	9.01	10.71	10.37	1.92	1.36
Badulla	1,451	1,158	697	725	557	625	10.06	9.16	9.51	9.78	(0.55)	0.62
Chilaw	41	40	39	22	963	545	8.51	9.06	8.84	7.45	0.33	(1.61)
Kegalle	5,847	5,673	6,967	7,046	1,121	1,180	8.75	9.05	9.90	10.05	1.15	1.00
Kurunegala	1,214	1,154	1,417	1,447	1,120	1,190	7.85	8.61	9.43	9.95	1.58	1.34
Total/Average	19,556	18,868	21,968	22,247	1,057	1,128	8.76	9.00	10.33	10.22	1.57	1.22
SLSPC:												
Matale	1,959	1,394	615	692	398	502	11.57	9.08	8.73	7.97	(2.84)	(1.11)
Balangoda	2,166	2,261	2,162	2,268	987	998	8.96	8.86	9.09	9.72	(0.13)	0.86
Kalutara & Ratnapura	17,227	16,994	18,878	18,815	1,009	1,045	9.22	8.92	9.76	10.20	0.54	1.28
Galle & Matara	6,107	6,107	5,936	6,211	954	1,057	9.05	8.91	9.60	9.86	0.55	0.95
Total/Average	27,459	26,756	27,591	27,986	951	1,015	9.18	8.91	9.62	10.03	0.44	1.12
Grand Total	47,015	45,624	49,559	50,233	995	1,062	9.01	8.95	9.95	10.11	0.94	1.16

Memorandum Items:	Uprooting/ Cleaning (ha)		New Planting (ha)		In filling (ha)		Replanting (ha)		Fertilizer Application Quantity (tons)		Fertilizer Application (kg/ha)	
	1980	1981	1980	1981	1980	1981	1980	1981	1980	1981	1980	1981
JEDB	1,307	944	99	89	-	-	1,189	1,304	3,061	4,328	157	229
SLSPC	-	-	359	576	-	480	2,005	1,560	9,428	9,555	343	357

a/ Derived from yields obtained at the production level and differ somewhat from the output data indicated above.

Note: 1. C.O.P. is at estate level.
2. Excludes administration charges interest, lease rent to LRC, depreciation, audit fees and bonus.
3. Includes a crop charge of Rs 0.35/kg.

JEDB = Janatha Estates Development Board.
SLSPC = Sri Lanka State Plantation Corporation.

Sources: Ministry of Janatha Estates Development; and Ministry of State Plantations.

Table 7.08: FERTILIZER ISSUES BY CROPS, 1970-81
('000 tons)

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981 (Provisional)
Paddy	88.5	96.9	89.8	127.5	98.0	97.9	72.4	128.7	136.1	130.4	190.0	155.6
Tea	108.4	112.8	98.9	93.4	102.1	106.7	95.3	80.1	115.5	105.2	109.9	103.3
Rubber	20.7	17.4	11.7	14.8	12.4	20.3	13.0	12.4	20.9	23.2	22.0	16.8
Coconut	64.8	59.1	49.0	39.2	40.1	40.6	30.7	29.1	42.6	49.6	55.8	37.7
Others	57.4	61.2	49.7	55.0	46.5	50.8	52.9	53.2	64.9	64.0	62.0	52.9
TOTAL	339.8	347.4	299.1	329.9	299.1	316.3	264.3	303.5	380.0	372.4	439.7	366.3

Sources: National Fertilizer Secretariat; Ceylon Fertilizer Corporation; A. Baur & Co. Limited.

Table 8.01: GROWTH OF INDUSTRIAL OUTPUT, a/ 1975-81

	1975	1976	1977	1978	1979	1980	1981 b/	1975-81 Annual Increase in Constant Prices
			(Rs million)					(%)
Gross Output at Current Prices								
Food, Beverages, Tobacco	1,503	1,715	2,295	2,609	2,856	3,899	4,496	5.2
Textiles, Clothing, and Leather	892	680	698	1,008	1,128	1,923	3,040	7.5
Wood and Wood Products, including Furniture	115	129	127	124	166	289	315	2.2
Paper and Paper Products	270	203	270	376	445	476	626	1.0
Chemicals, Petroleum, Coal, Rubber and Plastic Products	2,002	2,336	2,469	3,279	4,508	9,416	12,015	18.1
Non-metallic Mineral Products (except fuels)	244	360	411	592	710	1,006	1,060	12.2
Basic Metal Products	128	138	132	219	349	478	428	7.9
Fabricated Metal Products, Machinery and Equipment	381	474	571	590	569	620	782	-0.8
Other Manufactures	20	26	34	55	50	54	58	12.2
Total Manufacturing	5,555	6,061	7,007	8,852	10,781	18,161	22,820	10.8
All Manufacturing								
Value Added, Current Prices	2,320	2,462	2,688	3,109	3,437	4,726	n.a.	n.a.
Value Added, 1970 prices c/	1,018	1,039	790	953	964	1,147	n.a.	n.a.

a/ As covered in the Central Bank's Annual Survey under which questionnaires are sent to all firms believed to have an output of Rs 500,000 or more. Around 5,000 questionnaires are sent out, but there have long been around 1,500 responses only, employing in 1978, 136,000 (almost half of these in the public sector), or approaching 40% of total manufacturing employment.
b/ Provisional.
c/ Implicit deflator for manufacturing, 1970 = 100.

Source: Central Bank of Ceylon.

Table 8.02: MANUFACTURING SURVEY 1979 AND 1980

	No. of Firms		Employment ('000 persons)		Value of Production (Rs Million)		Value Added (Rs Million)		Value Added per Worker (Rs '000)		Wages Paid as % of Value Added		Capacity of Utilization a/		Import Content in Raw Material Use	
	1979	1980	1979	1980	1979	1980	1979	1980	1979	1980	1979	1980	1979	1980	1979	1980
Industrial Group																
Food, Beverages & Tobacco	158	165	31.6	32.4	2,856	3,899	1,417	1,795	44.8	55.4	14	11	72	70	48	69
	(11.0)	(12.1)	(21.6)	(20.9)	(26.5)	(21.5)	(41.2)	(38.0)								
Textiles, Wearing Apparel & Leather Industries	589	529	44.7	49.0	1,128	1,923	227	342	5.1	7.0	112	84	67	70	91	93
	(41.0)	(38.7)	(30.5)	(31.7)	(10.5)	(10.6)	(6.6)	(7.2)								
Wood & Wood Products	28	31	7.7	8.7	166	289	82	168	10.6	19.3	63	35	84	89	30	24
	(1.9)	(2.3)	(5.3)	(5.6)	(1.5)	(1.6)	(2.4)	(3.6)								
Paper & Paper Products	65	63	8.5	8.3	445	476	217	341	25.8	41.1	25	17	70	68	61	60
	(4.5)	(4.6)	(5.8)	(5.4)	(4.1)	(2.6)	(6.3)	(7.2)								
Chemicals, Petroleum, Coal, Rubber Plastic Products	193	216	16.4	17.2	4,508	9,416	686	1,083	42.1	63.0	22	15	65	79	95	96
	(13.4)	(15.8)	(11.2)	(11.1)	(41.8)	(51.9)	(20.0)	(22.9)								
Non-metallic Mineral Products (except Petroleum & Coal)	67	65	18.5	19.9	710	1,006	441	608	23.8	30.6	32	28	80	82	60	65
	(4.7)	(4.8)	(12.6)	(12.9)	(6.6)	(5.5)	(12.8)	(12.9)								
Basic Metal Products	1	1	2.1	2.2	349	478	84	80	40.0	36.4	26	40	72	62	100	100
	(0.1)	(0.1)	(1.4)	(1.4)	(3.2)	(2.8)	(2.4)	(1.7)								
Fabricated Metal Products, Machinery & Transport Equipment	301	268	15.3	15.1	569	620	272	297	17.9	19.7	33	31	60	58	78	80
	(21.0)	(19.6)	(10.5)	(9.8)	(5.3)	(3.4)	(7.9)	(6.3)								
Other Manufactured Products	33	28	1.5	1.8	50	54	11	12	7.9	6.7	55	67	74	70	59	73
	(2.3)	(2.0)	(1.1)	(1.2)	(0.5)	(0.3)	(0.3)	(0.2)								
TOTAL/AVERAGE	1,435	1,366	146.3	154.6	10,781	18,161	3,437	4,726	23.5	30.6	28	22	72	73	82	89
	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)								

a/ Only 68% of firms answered this question.

Note: 1. Due to rounding off, components may not add up to totals.
2. Figures in parentheses are percentage distributions.
3. For coverage, see note to previous table.

Source: Central Bank of Ceylon.

Table 8.03: PERFORMANCE OF MAJOR STATE INDUSTRIAL CORPORATIONS, 1976-81

Corporation	Value of Production (Rs Million) 1976	1977	1978	1979	1980	1981 a/	Net Profit (Rs Million) 1976	1977	1978	1979	1980	1981 a/
Ceylon Petroleum	2,018	2,165	2,169	3,679	8,216	n.a.	-77.0	-178.9	-374.1	192.0	108.8	n.a.
National Textiles	300	331	459	458	350	n.a.	-11.9	- 8.1	- 24.7	-87.3	n.a.	n.a.
State Flour Milling	227	147	182	264	317	391	30.4	- 15.3	45.5	10.4	1.0	-41.7
Ceylon Cement	150	140	209	293	756	677	-4.8	- 24.1	15.6	10.4	134.9	n.a.
Ceylon Steel	141	132	219	349	478	425	13.3	1.5	25.5	40.8	28.3	27.9
Sri Lanka Tyre	107	91	161	203	403	n.a.	6.5	2.4	42.9	28.4	58.3	n.a.
National Paper	89	111	204	210	247	355	17.7	12.3	14.0	-0.9	18.3	2.3
Ceylon Ceramics	90	62	79	115	120	150	12.1	2.6	13.8	18.1	44.5	34.1
Ceylon Plywoods	80	81	68	87	160	n.a.	-2.1	-12.0	-3.1	0.4	35.8	n.a.
Sri Lanka Tobacco	33	35	42	60	46	54	12.3	11.0	30.6	33.3	10.2	12.2
National Salt	9	8	12	11	32	44	8.2	5.6	6.7	8.3	14.2	19.2
State Hardware	20	22	26	27	47	n.a.	-11.9	-9.2	-1.3	0.8	1.0	n.a.
Ceylon Leather Products	11	14	20	24	32	30	1.1	0.7	3.6	6.8	4.2	1.9
Paranthan Chemicals	8	8	13	18	27	39	7.8	3.4	3.9	6.0	7.6	4.5
TOTAL/AVERAGE	3,283	3,347	3,863	5,798	11,231	f/	1.5	-208.1	-201.1	267.5	467.1 e/	f/
Excluding Petroleum	1,265	1,182	1,694	2,119	3,015	f/	78.5	-29.2	173.0	75.5	358.3 e/	f/

Corporation	1980 Net Profits as % of: Capital Investment b/	Sales	Employment (No.) 1979	1980	1981 a/	1980 Production per Worker (Rs '000)	Capital Investment per Worker b/ (Rs '000)	Capacity Utilization c/
Ceylon Petroleum	13	1	4,975	5,738	n.a.	1,432	151	76
National Textiles	-23	-29	11,156	8,573	n.a.	60	45	n.a.
State Flour Milling	2	d/	707	665	617	477	89	77
Ceylon Cement	34	18	3,858	6,304	7,670	120	62	85
Ceylon Steel	8	6	2,140	2,243	2,184	213	164	57
Sri Lanka Tyre	34	24	1,942	1,921	n.a.	210	70	91
National Paper	2	6	4,853	4,604	4,358	54	188	56
Ceylon Ceramics	17	23	5,590	5,819	6,136	22	44	105
Ceylon Plywoods	22	32	3,950	3,540	n.a.	45	46	49
Sri Lanka Tobacco	31	24	903	956	959	48	58	n.a.
National Salt	39	40	1,292	1,008	1,188	32	36	n.a.
State Hardware	2	2	1,679	1,578	n.a.	30	28	63
Ceylon Leather Products	10	14	1,092	1,087	1,062	29	39	124
Paranthan Chemicals	16	28	489	472	463	57	100	54
TOTAL/AVERAGE	13	4	44,626	44,508	f/	252	83	-
Excluding Petroleum	13	13	39,651	38,770	f/	78	73	-

a/ Provisional.
b/ Capital investment is defined as capital reserves and long-term liabilities - accumulated losses.
c/ Physical production as percent of nominal physical capacity, main products only (where appropriate, weighted) according to their contribution to turnover.
d/ Less than one percent.
e/ Excludes National Textiles Corporation for which data are not available.
f/ Not provided as information for five or more firms is not available.

n.a. = not available.

Sources: Central Bank of Ceylon; and Ministry of Industries and Scientific Affairs.

Table 8.04: ANNUAL PHYSICAL CAPACITY AND OUTPUT OF MAJOR STATE INDUSTRIES, 1976-80 a/

	Unit	Capacity					Output				
		1976	1977	1978	1979	1980 b/	1976	1977	1978	1979	1980 b/
Ceylon Petroleum	('000 tons)	n.a.	n.a.	n.a.	1,590	1,774	1,296	1,330	1,346	1,283	1,716
National Textiles	(million meters)	105	101	106	120	n.a.	58	57	62	36	n.a.
Ceylon Steel	('000 tons)	84	84	84	107	131	34	30	43	73	82
Ceylon Cement	('000 tons)	803	803	791	815	810	423	356	573	592	623
Sri Lanka State Flour Milling	('000 tons)	126	129	93	101	112	131	101	88	100	87
National Paper	('000 tons)	23	23	38	38	38	18	20	26	22	21
Sri Lanka Tyre	('000)	182 c/	182	182	198	220	367	331	498	544	475
National Milk Board											
Sri Lanka Sugar	('000 tons)	44	44	40	52	45	24	23	32	20	27
Ceylon Ceramics	('000 tons)	11	15	15	15	11	8	10	12	12	13
Ceylon Oils and Fats	('000 tons)	99	99	80	80	91	49	44	43	64	82
Ceylon Plywood	('000 sq. meters)	9,320	6,969	6,969	8,177	8,177	4,421	3,572	3,094	3,154	3,475
State Distilleries - Seeduwa	('000 litres)	2,730	2,503	2,503	2,503	n.a.	2,075	1,901	2,343	6,561	n.a.
State Timber	('000 cu. meters)	n.a.	n.a.	n.a.	93	85	82	85	70	103	195
Paranthan Chemicals	(tons)	5,060	3,680	7,980	5,950	7,200	2,838	2,739	3,992	4,037	4,786

a/ In the case of those industries manufacturing more than one product, capacity and output data are presented in respect of major products only.
b/ Provisional.
c/ Capacity based on standard tires.

Source: Central Bank of Ceylon.

Table 8.05: INDUSTRIAL INVESTMENTS APPROVED AND CONTRACTED BY GREATER COLOMBO ECONOMIC COMMISSION, 1978-81

Category	Number of Units				Foreign Investment (Rs million)				Total Investment (Rs million)				Employment Potential (Nos.)			
	1978	1979	1980	1981 a/	1978	1979	1980	1981 a/	1978	1979	1980	1981 a/	1978	1979	1980	1981 a/
APPROVALS																
Food, Beverage, and Tobacco	1	1	4	1	2	20	46	174	5	26	81	454	56	351	2,538	1,651
Textiles, Wearing Apparel, and Leather Products	31	18	11	4	621	544	429	210 b/	914	689	578	292 b/	14,301	7,837	8,638	5,129
Wood and Wood Products (including Furniture)	-	1	1	-	-	-	1	-	-	1	2	-	-	44	250	-
Paper and Paper Products	1	1	-	-	6	3	-	-	7	5	-	-	222	163	-	-
Chemicals, Petroleum, Coal, Rubber and Plastic Products	7	2	8	4	47	24	126	113	75	43	233	150	9,681	1,061	1,512	362
Non-metallic Mineral Products (except Petroleum and Coal)	2	2	1	1	497	61	5	18	383	68	8	35	832	157	106	649
Fabricated Metal Products and Transport Equipment	3	7	9	4	10	91	480	343 b/	10	159	634	527 b/	555	1,585	4,643	2,502 b/
Manufactured Products (n.e.s.)	7	5	14	4	19	27	228	122	25	50	337	225	848	1,971	4,611	1,115
Services	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	52	37	48	18	1,202	771	1,315	980	1,625	1,041	1,873	1,683	26,495	13,169	22,298	11,408
CONTRACTED																
Food, Beverage, and Tobacco	1	-	2	-	2	-	25	-	5	-	45	-	56	-	1,239	-
Textiles, Wearing Apparel, and Leather Products	20	9	5	2	73	126	755	111 b/	182	180	934	173 b/	13,662	2,789	10,582	2,914
Wood and Wood Products (including Furniture)	-	-	1	-	-	-	1	-	-	-	2	-	-	-	250	-
Paper and Paper Products	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Chemicals, Petroleum, Coal, Rubber and Plastic Products	3	-	2	3	22	-	44	43	37	-	86	71	740	-	615	661
Non-metallic Mineral Products (except Petroleum and Coal)	-	2	-	1	-	388	-	18	-	426	-	35	-	655	-	649
Fabricated Metal Products and Transport Equipment	1	1	3	1	9	8	377	33 b/	9	13	488	42 b/	395	275	3,572	237 b/
Manufactured Products (n.e.s.)	4	-	10	3	16	-	98	120	30	-	134	221	689	-	3,954	798
Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	29	12	23	10	122	522	1,300	325	263	619	1,689	542	15,542	3,719	20,212	5,259

a/ Provisional.
b/ Includes investment approvals for expansion of projects approved eariler.

Note: Data shown here refer to approvals granted and agreements signed each year and do not appear to be adjusted for subsequent cancellation or withdrawals of applications.

Source: Central Bank of Ceylon.

Table 8.06: INDUSTRIAL INVESTMENT APPROVALS BY FOREIGN AND LOCAL INVESTMENT ADVISORY COMMITTEE, 1978-81

Category	Number of Units				Foreign Investment (Rs million)				Total Investment (Rs million)				Employment Potential (Nos.)			
	1978	1979	1980	1981 a/	1978	1979	1980	1981 a/	1978	1979	1980	1981 a/	1978	1979	1980	1981 a/
FOREIGN INVESTMENT ADVISORY COMMITTEE (FIAC)																
Food, Beverage, and Tobacco	-	6	8	13	-	37	527	178	-	77	589	229	-	292	1,080	872
Textiles, Wearing Apparel, and Leather Products	7	29	12	8	20	261	16	30	31	688	43	55	1,437	6,749	1,384	1,906
Wood and Wood Products (including Furniture)	-	-	2	-	-	-	1	-	-	-	6	-	-	-	52	-
Paper and Paper Products	-	3	3	2	-	3	6	3	-	12	24	20	-	462	161	84
Chemicals, Petroleum, Coal, Rubber and Plastic Products	11	7	12	15	24	36	183	100	36	75	385	210	528	428	1,757	937
Non-metallic Mineral Products (except Petroleum and Coal)	1	1	-	6	9	4	-	89	21	12	-	235	78	116	-	596
Fabricated Metal Products, Machinery and Transport Equipment	2	9	10	13	21	41	226	232	33	97	361	362	342	678	1,215	1,164
Manufactured Products (n.e.s.)	-	6	19	6	-	5	90	9	-	10	177	50	-	491	1,336	290
TOTAL	21	61	66	63	74	387	1,049	642	121	971	1,585	1,161	2,385	9,216	6,985	5,849
LOCAL INVESTMENT ADVISORY COMMITTEE (LIAC)																
Food, Beverage, and Tobacco	109	103	40	22	-	-	-	-	99	103	34	32	3,182	1,283	587	1,323
Textiles, Wearing Apparel, and Leather Products	1,315	998	168	78	-	-	-	-	454	504	51	22	20,122	17,646	3,786	2,546
Wood and Wood Products (including Furniture)	(		4)		-	-	-	-			1)		(		46)	
Paper and Paper Products	(184	68	52)	55	-	-	-	-	200	21	17)	18	(1,535	2,168	1,389)	680
Chemicals, Petroleum, Coal, Rubber and Plastic Products	347	232	162	127	-	-	-	-	179	74	105	88	7,092	2,636	3,165	2,083
Non-metallic Mineral Products (except Petroleum and Coal)	126	128	66	43	-	-	-	-	21	45	44	22	2,262	4,281	2,005	1,130
Fabricated Metal Products, Machinery and Transport Equipment	304	256	171	117	-	-	-	-	108	123	67	69	9,120	4,317	2,971	2,559
Manufactured Products (n.e.s.)	-	18	36	16	-	-	-	-	-	5	18	3	-	286	1,422	320
TOTAL	2,385	1,803	699	458	-	-	-	-	1,061	875	337	254	43,313	32,617	15,371	10,641

a/ Provisional.

Source: Central Bank of Ceylon.

Table 9.01: PETROLEUM IMPORTS, 1970-81

	1970	1975	1976	1977	1978	1979	1980	1981
Value ($ million)								
Crude Oil	22.0	132.6	135.9	139.2	143.7	201.6	435.8	448.4
Gasoline	0.6	-	-	0.3	0.6	1.2	-	-
Avtur	-	0.5	-	3.3	8.2	22.3	22.5	16.4
Kerosene	3.2	-	1.3	4.9	3.6	12.1	-	-
Automotive Diesel	1.6	-	1.1	2.8	10.7	51.9	14.8	35.5
Other	3.7	8.6	5.8	6.4	8.3	8.6	20.3	14.9
TOTAL	31.1	141.7	144.1	156.9	175.2	297.7	493.4	515.2
Volume ('000 tons)								
Crude Oil	1,819.5	1,464.6	1,447.1	1,529.6	1,443.9	1,444.0	1,861.1	1,710.5
Gasoline	32.9	-	-	2.2	3.7	6.5	-	-
Avtur	-	4.2	-	15.8	55.7	65.3	58.4	45.0
Kerosene	99.0	-	9.8	32.2	25.4	41.9	-	-
Automotive Diesel	69.8	-	9.2	26.7	82.7	198.6	42.6	110.9

Note: 1) Totals may not add up due to rounding.
2) Data may differ with Customs data used elsewhere in this report.

Source: Ceylon Petroleum Corporation.

Table 9.02: IMPORTS OF CRUDE OIL BY COUNTRY OF ORIGIN, 1970-81
('000 tons)

	1970	1975	1976	1977	1978	1979	1980	1981
Saudi Arabia	-	1,143.3	796.6	849.0	939.1	787.0	950.0	1,248.8
Iran	1,819.5	319.3	650.5	680.7	504.8	293.4	629.7	432.2
Iraq	-	-	-	-	-	304.7	281.5	-
Libya	-	-	-	-	-	58.9	-	-
Malaysia	-	-	-	-	-	-	-	29.4

Source: Ceylon Petroleum Corporation.

Table 9.03: PETROLEUM PRODUCT EXPORTS, 1970-81

	1970	1975	1976	1977	1978	1979	1980	1981
AVIATION AND MARINE SALES								
Value ($ million)								
Avtur	-	7.8	7.5	12.5	14.6	27.5	43.0	47.7
Marine Gas	-	1.8	1.8	2.9	3.7	7.7	7.7	6.7
Marine Diesel	-	3.4	3.2	7.1	6.1	10.9	12.3	7.3
Furnace Oil	-	12.8	12.3	27.2	20.9	42.9	55.8	40.7
Other	-	0.3	0.3	1.0	0.1	0.6	0.8	0.8
TOTAL	6.4 a/	26.1	25.1	50.7	45.3	89.6	119.6	103.2
Volume ('000 tons)								
Avtur	-	84.7	68.2	68.1	81.1	73.8	193.0	101.7
Marine Gas	-	24.5	20.2	22.1	25.3	26.2	19.1	16.2
Marine Diesel	-	45.2	47.9	52.3	43.0	33.5	30.7	18.2
Furnace Oil	-	340.9	316.4	359.7	263.2	316.6	306.9	195.0
DIRECT EXPORTS								
Value ($ million)								
Naphtha	1.9	7.2	7.5	10.6	9.2	28.1	38.2	28.4
Gasoline	-	neg.	0.1	0.1	0.1	0.2	0.2	0.2
Furnace Oil	1.4	-	3.3	4.4	5.8	8.0	30.1	41.2
Other	-	0.1	0.3	0.1	neg.	neg.	neg.	0.1
TOTAL	3.3	7.3	11.2	15.2	15.1	36.3	68.5	69.9
Volume ('000 tons)								
Naphtha	115.0	127.7	108.8	101.0	75.0	99.3	130.3	91.2
Gasoline	-	0.1	0.3	0.3	0.4	0.3	0.3	0.4
Furnace Oil	161.0	-	92.5	59.1	87.5	55.5	182.9	236.5
TOTAL EXPORTS ($ million)	9.7	55.1	60.1	95.8	60.4	125.9	188.1	173.1

a/ Details not available.

Note: 1) Individual columns may not add up due to rounding.
2) Data may differ from Customs figures used elsewhere in this report.

Source: Ceylon Petroleum Corporation.

Table 9.04: DOMESTIC PRODUCTION OF PETROLEUM PRODUCTS, 1970-81
(tons)

	1970	1975	1976	1977	1978	1979	1980	1981
Gasoline	143,441	86,788	99,448	103,348	120,623	97,843	109,371	99,553
Diesel, Automotive	266,636	255,178	276,336	276,620	242,200	246,002	384,311	308,632
Diesel, Other	158,331	87,259	88,318	91,708	117,243	90,196	95,758	107,186
Furnace Oil	698,461	537,473	513,678	545,349	547,377	534,756	744,877	699,392
Kerosene	266,990	195,470	188,311	185,447	211,318	186,936	179,341	148,519
Naphtha	113,263	107,391	103,484	102,197	82,372	90,237	150,850	153,964
Bitumen	30,467	20,721	26,921	25,202	24,872	24,100	26,174	15,516
LPG	32	1,030	2,130	3,101	5,355	6,199	7,477	6,410
Avtur	-	54,879	76,884	71,482	34,465	31,325	62,171	83,772
Solvents	-	1,700	1,863	2,130	2,565	3,374	2,350	2,749
Total	1,677,621	1,347,889	1,377,373	1,406,584	1,388,390	1,310,968	1,762,680	1,625,693
Memorandum Items								
Energy Products	1,533,891	1,218,077	1,245,105	1,277,055	1,278,581	1,193,287	1,583,306	1,453,464
Non-Energy Products	143,730	129,812	132,268	129,529	109,809	117,681	179,374	172,229
Light Distillates	256,736	196,051	205,968	209,782	209,629	195,954	268,986	262,676
Middle Distillates	691,957	593,644	630,806	626,251	606,512	556,158	722,643	648,109
Heavy Ends	728,928	558,194	540,599	570,551	572,249	558,856	771,051	714,908

Source: Ceylon Petroleum Corporation.

Table 9.05: LOCAL SALES VOLUME OF PETROLEUM PRODUCTS, 1970-81
(tons)

	1970	1975	1976	1977	1978	1979	1980	1981
LPG a/	35	582	807	3,108	2,432	6,404	7,110	6,445
Gasoline	148,411	95,057	101,065	111,491	129,994	115,146	107,691	109,017
Kerosene	272,514	209,764	206,593	212,886	244,832	229,918	188,288	168,248
Diesel, Automotive	254,530	245,515	257,557	261,988	308,792	349,404	397,710	421,107
Diesel, Marine b/	-	5,232	5,183	5,497	5,869	3,726	3,027	4,084
Diesel, Industrial	87,831	37,314	35,663	46,245	62,015	64,188	63,953	106,625
Furnace Oil, Domestic	208,810	143,664	125,578	135,530	162,556	183,539	259,731	242,295
Furnace Oil, Marine	-	20,108	20,088	18,762	21,233	16,099	12,887	21,598
Avtur	-	13,571	8,614	16,499	6,749	8,169	22,843	30,690
Lubricants c/	16,128	15,648	19,696	14,933	17,345	18,899	21,312	18,876
Bitumen	30,924	22,444	26,023	25,152	26,190	24,265	10,259	14,930
Naphtha	-	-	-	-	-	-	33,642	70,220

a/ Since March 1977, reflects transfers to Colombo Gas & Water Company.
b/ Includes Marine Gas Oil, Marine Diesel Oil and Heavy Diesel.
c/ Other than marine and aviation lubricants.

Source: Ceylon Petroleum Corporation.

Table 9.06: PRODUCTION, TRADE, AND APPARENT CONSUMPTION OF ENERGY PETROLEUM PRODUCTS, 1970-81
('000 tons)

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
Production	1,534	1,334	1,519	1,489	1,304	1,218	1,245	1,277	1,279	1,193	1,583	1,626
Imports	321	208	46	33	20	6	20	78	168	312	102	156
Exports	276	121	223	184	120	129	203	160	163	155	314	328
Bunkers	565	510	410	462	358	412	385	435	332	377	357	229
Aviation	12	105	84	95	74	85	69	68	81	74	93	102
Apparent consumption	1,002	806	848	781	772	598	608	692	871	899	921	1,123
Per Capita consumption a/	80.07	63.51	65.94	59.66	58.12	44.31	44.32	49.63	61.38	62.12	62.41	74.70

a/ In kilograms.

Source : Ceylon Petroleum Corporation.

Table 9.07: PETROLEUM PRODUCT PRICE CHANGES, 1970-81 a/
(Rs per Liter; Rs per Imperial Gallon in Parentheses) b/

	Gasoline								Industrial Diesel d/				Furnace Oil e/					
	Super		Regular c/		Kerosene		Automotive Diesel		Low Sulphur f/		High Sulphur		500 Seconds		800 Seconds		1,000 Seconds	
Prevailing Prices January 1, 1970:	0.78	(3.56)	0.70	(3.16)	0.18	(0.80)	0.37	(1.66)	-	-	0.22	(1.00)	-	-	0.15	(0.70)	-	-
Subsequent Changes:																		
1970 - October 26	0.84	(3.81)	0.75	(3.41)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1971 - March 1	0.90	(4.10)	0.82	(3.75)	0.20	(0.92)	0.40	(1.81)	-	-	0.25	(1.15)	-	-	0.19	(0.85)	-	-
- October 28	1.10	(5.00)	1.00	(4.55)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1972 - February 22	1.15	(5.25)	1.06	(4.80)	0.24	(1.08)	-	-	0.29	(1.30)	0.26	(1.20)	0.21	(0.95)	0.20	(0.90)	0.14	(0.65)
- December 31	1.26	(5.75)	1.17	(5.30)	0.29	(1.32)	0.47	(2.14)	0.36	(1.63)	0.34	(1.53)	0.28	(1.28)	0.27	(1.23)	0.26	(1.18)
1973 - August 24	1.44	(6.55)	1.34	(6.10)	0.42	(1.92)	0.60	(2.74)	0.49	(2.23)	0.47	(2.13)	0.41	(1.88)	0.40	(1.83)	0.39	(1.78)
1974 - January 9	2.75	(12.50)	2.64	(12.00)	-	-	-	-	-	-	-	-	-	-	-	-	0.84	(3.80)
- January 10	-	-	-	-	0.79	(3.60)	1.06	(4.80)	1.08	(4.90)	1.01	(4.60)	0.88	(4.00)	0.86	(3.90)	-	-
1975 - October 3	2.93	(13.30)	2.82	(12.80)	0.90	(4.08)	1.17	(5.30)	1.19	(5.40)	1.12	(5.10)	0.99	(4.50)	0.97	(4.40)	0.95	(4.30)
1977 - March 15	-	-	-	-	0.77	(3.48)	-	-	-	-	-	-	-	-	-	-	-	-
1978 - December 21	4.40	(20.00)	4.07	(18.50)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1979 - June 13	6.60	(30.00)	-	-	-	-	2.31	(10.50)	2.64	(12.00)	2.27	(10.30)	2.13	(9.70)	2.09	(9.50)	1.98	(9.00)
- September 1	-	-	-	-	2.35	(10.68)	-	-	-	-	-	-	-	-	-	-	-	-
1980 - January 26	8.25	(37.50)	-	-	3.01	(13.68)	2.97	(13.50)	3.41	(15.50)	2.93	(13.30)	2.79	(12.70)	2.75	(12.50)	2.64	(12.00)
- June 20	8.80	(40.00)	-	-	3.34	(15.18)	4.62	(21.00)	5.06	(23.00)	4.58	(20.80)	4.44	(20.20)	4.40	(20.00)	4.29	(19.50)
1981 - January 19	9.35	(42.50)	-	-	3.89	(17.68)	5.94	(27.00)	6.60	(30.00)	5.68	(25.80)	-	-	-	-	-	-
April 4	10.00	(45.50)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

a/ Prices are Colombo spot prices; a margin to cover transport costs is added to out-station prices for all products except gasoline, which as of April 1981, sells at a uniform price island-wide.
b/ Although Sri Lanka has officially gone metric, prices for petroleum products continue, for the time being, to be specified in imperial gallons terms. Liter prices have been obtained by dividing imperial gallon prices by 4.5461.
c/ Marketing of regular grade gasoline was discontinued in early 1979.
d/ Industrial diesel is often referred to as heavy diesel; the two terms are used interchangeably in Sri Lanka. Prior to 1972, low sulphur industrial diesel was not marketed.
e/ Differentiated furnace oil was not marketed prior to 1972.
f/ As of January 1981, low sulphur industrial diesel is marketed as Super diesel.

Sources: Ceylon Petroleum Corporation; and Central Bank of Ceylon.

Table 9.08: CEB ELECTRICITY GENERATION, 1970-81

	Generation Capacity (MW)		Energy Generated (GWh)					
						Thermal Energy Components		
	Installed	Effective	Hydro	Thermal	Total	Kelanitissa Steam	Gas Turbines	Other a/
1970	268	243	740.3	41.6	781.9	2.0	-	39.6
1971	268	243	825.2	23.8	849.0	17.9	-	5.9
1972	268	243	848.3	93.7	942.0	87.5	-	10.2
1973	268	243	698.3	281.9	980.2	260.9	-	21.0
1974	365	339	997.9	14.3	1,012.2	12.5	-	1.8
1975	365	339	1,077.8	1.2	1,079.0	1.2	-	0.1
1976	405	377	1,108.5	24.3	1,132.8	23.9	-	0.4
1977	405	365	1,214.5	2.1	1,216.6	1.7	-	0.3
1978	402	365	1,365.7	19.3	1,385.0	14.0	-	5.2
1979	402	365	1,461.2	64.0	1,525.2	58.0	-	6.0
1980	422	399	1,479.4	188.8	1,668.2	140.1	18.4	30.3
1981	502	519	1,571.3	300.3	1,871.6	98.0	182.7	19.6

a/ Primarily Chunnakam (6.0 MW) and Pettah (5.1 MW) diesel plant.

Note: Capacity figures are end-year.

Sources: Ceylon Electricity Board, and Central Bank of Ceylon (1981).

Table 9.09: CEB ELECTRICITY SALES, 1970-81
(in GWh)

	Domestic	Industrial	Commercial	Local Authorities	Other	Total
1970	62.0	331.0	87.0	165.0	11.0	656.0
1971	65.0	373.0	93.0	180.0	1.1	712.1
1972	72.0	447.0	99.0	193.0	1.3	812.3
1973	80.5	436.7	107.7	198.4	44.7	868.0
1974	80.9	463.6	117.3	201.9	16.1	879.8
1975	86.4	519.2	123.6	230.3	-	959.5
1976	93.0	513.5	134.5	237.3	18.7	997.0
1977	105.7	526.4	153.8	254.6	20.8	1,061.3
1978	115.7	589.2	162.0	275.6	6.1	1,148.3
1979	153.2	631.7	201.1	296.3	16.0	1,298.3
1980	199.0	649.0	233.0	347.0	18.0	1,446.0
1981 a/	227.0	709.0	230.0	397.0	9.0	1,572.0

a/ Provisional.

Source: Ceylon Electricity Board.

Table 10.01: MINIMUM WAGE RATE, 1968-81
(1970 = 100)

Year		Private Money	Private Real a/	Public Money	Public Real a/
1968		99	103	90	103
1969		99	105	93	98
1970		100	100	100	100
1971		102	99	100	97
1972		110	97	100	92
1973		119	99	105	88
1974	1st Qtr.	136	105	111	87
	2nd Qtr.	151	113	121	91
	3rd Qtr.	153	112	121	88
	4th Qtr.	156	112	121	86
1975	1st Qtr.	163	115	128	90
	2nd Qtr.	173	121	132	92
	3rd Qtr.	174	121	132	91
	4th Qtr.	174	121	132	91
1976	1st Qtr.	174	121	138	96
	2nd Qtr.	175	120	138	95
	3rd Qtr.	175	121	138	95
	4th Qtr.	175	120	138	95
1977	1st Qtr.	191	130	138	95
	2nd Qtr.	216	147	138	94
	3rd Qtr.	216	147	138	94
	4th Qtr.	242	164	146	99
1978	1st Qtr.	291	186	161	103
	2nd Qtr.	303	186	161	101
	3rd Qtr.	314	187	161	95
	4th Qtr.	326	189	161	93
1979	1st Qtr.	325	187	183	105
	2nd Qtr.	338	192	183	104
	3rd Qtr.	417	227	191	104
	4th Qtr.	472	239	207	105
1980	1st Qtr.	483	228	207	98
	2nd Qtr.	479	210	207	91
	3rd Qtr.	480	203	207	88
	4th Qtr.	490	201	228	93
1981	1st Qtr.	492	192	238	93
	2nd Qtr.	476	178	238	89
	3rd Qtr.	485	176	238	87
	4th Qtr.	494	172	259	90

a/ Money wage deflated by Colombo Consumer Price Index.

Source: Central Bank of Ceylon.

Table 10.02: COLOMBO CONSUMER PRICE INDEX NUMBERS, 1976-81
(By Commodity Group)

		All Items	Food	Clothing	Fuel	Rent a/	Misc.
Weights		100.0	61.9	9.4	4.3	5.7	18.7
				Index (1970 = 100)			
1976		145.2	148.0	154.2	194.8	100.0	133.0
1977		147.0	148.8	163.0	189.2	100.0	136.0
1978		164.8	173.9	164.7	192.6	100.0	146.7
1979		182.6	192.7	168.4	241.4	100.0	164.7
1980		230.3	248.7	174.7	414.3	100.0	191.8
1981		271.7	292.5	187.8	564.2	100.0	225.7
1978	1st Qtr.	156.2	161.8	164.2	189.9	100.0	141.5
	2nd Qtr.	162.7	172.1	164.5	190.7	100.0	142.3
	3rd Qtr.	168.2	178.6	164.5	194.1	100.0	148.6
	4th Qtr.	172.3	183.0	165.8	195.5	100.0	154.5
1979	1st Qtr.	174.0	184.0	167.1	198.2	100.0	159.3
	2nd Qtr.	175.8	185.9	168.0	198.2	100.0	161.4
	3rd Qtr.	183.1	192.7	169.1	241.4	100.0	167.0
	4th Qtr.	197.2	208.6	169.4	327.6	100.0	171.1
1980	1st Qtr.	212.4	227.5	170.1	367.1	100.0	179.9
	2nd Qtr.	228.4	249.1	172.0	385.7	100.0	188.9
	3rd Qtr.	236.0	256.7	175.8	436.3	100.0	190.8
	4th Qtr.	244.3	261.6	181.0	468.0	100.0	207.5
1981	1st Qtr.	256.2	271.1	183.8	531.8	100.0	222.6
	2nd Qtr.	268.2	287.6	186.7	563.2	100.0	224.0
	3rd Qtr.	274.5	296.1	188.9	579.9	100.0	225.2
	4th Qtr.	287.8	315.3	191.6	581.8	100.0	230.9

a/ Movement of this index reflects controlled rents.

Source: Central Bank of Ceylon.

Table 10.03: WHOLESALE PRICE INDEX, 1977-81
(1974 = 100)

							1980				1981			
	Weights	1977	1978	1979	1980	1981	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.
All Items	100.0	135.3	156.7	171.6	229.6	268.5	213.1	216.8	234.6	253.5	263.7	267.3	263.8	278.9
By commodity:														
Food	67.8	140.8	155.5	161.3	214.2	249.5	201.3	201.1	216.3	237.9	246.4	249.4	241.5	260.9
Alcoholic drinks	2.9	125.8	136.2	156.4	202.1	252.9	176.4	204.0	204.0	223.9	247.2	252.9	252.9	259.2
Textile and footwear	4.0	168.6	238.4	245.6	249.0	279.3	245.7	249.4	250.5	252.4	253.1	277.6	288.7	299.0
Paper products	1.4	117.6	152.8	194.1	279.0	288.3	237.2	291.3	291.3	296.3	286.2	289.1	289.1	289.1
Chemicals and chemical products	5.1	62.7	80.5	91.5	108.5	173.2	102.9	105.9	112.0	113.0	154.5	175.1	181.1	182.1
Petroleum products	6.4	109.4	109.4	183.1	355.6	467.3	300.9	328.6	396.4	396.4	451.0	471.9	473.3	473.3
Non-metallic products	1.8	172.7	254.1	282.2	407.4	412.6	401.7	405.8	409.8	412.2	412.2	412.2	411.6	413.5
Metal products	0.9	95.1	116.9	151.5	174.0	206.0	163.3	171.8	178.8	181.4	182.6	207.8	214.2	219.4
Transport equipment	0.8	127.4	141.6	148.1	171.0	193.9	149.6	150.0	191.4	192.9	193.9	193.9	193.9	193.9
Electrical appliances and supplies	1.0	117.3	123.6	138.3	154.4	185.3	147.9	149.0	154.9	165.9	172.9	179.7	190.8	197.6
Machinery	1.3	102.6	109.2	124.2	139.2	161.7	127.2	134.0	191.4	154.3	156.8	159.5	165.0	165.6
Fuel and light	1.8	179.5	253.8	319.5	388.9	402.5	368.1	385.4	401.1	401.1	402.1	402.6	402.6	402.6
Miscellaneous	4.8	150.8	222.9	260.8	328.7	337.9	296.5	291.1	328.6	398.7	357.1	317.6	324.1	352.5
By sector:														
Domestic	50.3	115.4	133.9	144.5	177.0	217.0	137.5	141.9	144.6	153.4	198.2	213.9	218.0	238.3
Imports	27.2	93.0	138.8	164.9	237.6	301.4	153.5	147.5	173.1	185.5	287.6	302.9	305.6	309.7
Exports	22.5	229.9	229.1	241.3	337.0	343.7	231.8	209.2	250.8	270.3	382.0	344.8	315.7	332.4
By sector:														
Consumer	75.3	140.7	157.2	167.6	227.1	252.8	169.0	153.8	164.9	183.2	252.2	251.7	244.8	262.7
Intermediate	20.5	116.7	152.4	184.1	249.5	318.2	167.4	171.1	195.9	201.7	298.8	318.5	323.3	332.0
Investment	4.2	130.6	169.2	195.2	264.7	305.1	179.5	185.9	193.7	218.3	298.2	304.4	307.4	310.2

Source: Central Bank of Ceylon.

Table 10.04: PRICES OF BUILDING MATERIALS, 1970-81
(Rs per unit)

Item	Units	1970	1975	1976	1977	1978	1979	1980	1981
Cement	kgs	0.22	0.36	0.36	0.36	0.44	0.65	1.41	1.51
Steel M.S. Bars	kgs	1.67	4.11	4.11	4.02	4.32	7.22	7.94	8.99
Timber Sawn	Cu. meter	584.45	701.35	822.83	822.83	1,266.38	2,207.15	3,729.00	4,353.00
Bricks (Hand-molded)	'000	85.00	140.00	140.00	140.00	241.50	256.50	354.16	348.33
Roof Tiles, Flat a/	'000	365.00	556.83	538.00	638.50	1,027.50	1,724.50	2,611.00	2,516.65
Metal (3/4")	Cubes	125.00	155.00	186.00	210.63	422.83	666.50	770.83	717.50
Sand	Cubes	22.50	46.25	48.50	57.50	104.50	141.08	170.00	187.50
Lime	Cu. meter	111.11	187.50	188.89	191.67	342.78	430.56	578.62	647.04
Corrugated Asbestos Sheets	Sq. meter	9.68	21.82	25.38	23.98	28.06	34.73	52.26	55.47
Paint Emulsion	Liter	12.13	36.25	29.21	26.59	24.88	27.44	33.75	33.75
Hardware, Wire Nails	kgs	2.07	6.40	6.40	6.78	8.71	9.55	10.82	12.05
Sanitaryware b/	Number	112.25	304.50	306.00	312.00	358.00	312.42	416.55	446.50
P.V.C. Pipes	Meter	2.72	5.67	5.67	6.95	8.66	11.01	12.46	12.46
Electrical Wire P.V.C.	Meter	0.33	0.85	0.88	0.83	0.91	1.16	1.29	1.44
Cadjans	100 prs.	15.00	20.00	20.50	27.75	40.00	55.00	70.00	75.00
Glass, plain 3 mm.	Sq. meter	21.51	35.27	44.73	41.61	62.90	82.80	82.80	82.80
Concrete Mixer Hire	per day	85.00	150.00	150.00	150.00	150.00	160.00	305.00	385.00
Unskilled Labor	per day	4.84	7.68	7.76	7.76	10.97	12.17	18.28	26.81
Skilled Labor	per day	7.39	12.57	13.26	13.26	14.12	16.92	24.27	31.39

a/ Average of Crs. A and B.
b/ Washbasins, 22x15" with fittings and one tap (colored).

Notes:
1. Prices for some items, such as cement, are at controlled prices.
2. Prices are average for public sector and private sector for items distributed by both sectors.
3. Prices for cement, steel, and timber are ex-factory; prices for cadjan and sand are at areas within a mile from collection point.
4. Rates of skilled and unskilled wages for 1977 are average wages of Central Price Fixing Committee, District Price Fixing Committee, State Engineering Corporation, Labor Gazette (Building Trade) and Private Contractor.
5. Prices are average for the periods indicated.
6. Timber price for the period 1969-75 is the average of all classes of timber used in building work; 1976 and 1977 prices are for Class I timber of the State Timber Corporation (Col. area price).

Source: Ministry of Local Government, Housing and Construction.

Table 10.05: COST INDICES FOR SELECTED BUILDING MATERIALS, 1970-81
(1970 = 100)

Item	1970	1975	1976	1977	1978	1979	1980	1981
Cement	100.0	163.6	163.6	163.6	200.1	295.4	636.0	686.4
Steel (M.S. Bars)	100.0	246.1	246.1	240.7	258.7	432.3	474.4	538.3
Bricks (Hand molded)	100.0	164.7	164.7	164.7	284.1	301.8	416.8	410.0
Asbestos Sheet (Corrugated)	100.0	225.4	262.2	247.7	289.9	358.8	540.1	573.3
Timber (Sawn)	100.0	120.0	140.8	140.8	216.7	377.6	634.4	744.8
Metal (3/4")	100.0	124.0	148.8	168.5	338.3	533.2	616.7	745.4
P.V.C. Pipes (3/4")	100.0	208.4	208.4	255.5	318.4	404.8	457.8	458.1

Source: Ministry of Local Government, Housing and Construction.

Table 10.06: ADMINISTERED PRICES OF BASIC CONSUMER GOODS, 1977-81
(Rs)

	Unit	Dec. 1977	Dec. 1978	Dec. 1979	Dec. 1980	June 1981	Dec. 1981
Rice for Food Stamps	kg	2.15	2.15	3.48	4.48	6.15	6.15
Rice (Open Market)	kg	3.70	4.24	5.13	6.72	6.07	8.60
Flour	kg	1.32	2.47	3.00	5.23	5.50	6.65
Bread	kg	1.32	2.21	2.76	4.52	5.06	5.95
Kerosene	liter	0.76	0.76	2.35	3.34	3.89	3.89
Electricity	unit	0.12	0.31	0.31	0.35	0.35	0.35
Bus Fare	journey	0.50	0.60	0.60	1.60	1.60	1.60
Coconuts	each	1.42	1.00	1.82	2.48	2.02	2.58
Coconut Oil	bottle	4.58	4.24	7.06	8.38	8.43	8.50
Milk Powder	kg	12.13	12.13	18.74	26.28	32.50	31.25
Sugar (Open Market)	kg	6.62	6.62	6.62	14.55	16.50	13.50

Source: Central Bank of Ceylon.

Table 11.01: SELECTED SOCIAL INDICATORS, 1946-80

	1946	1953	1963	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
EDUCATION														
Adult Literacy (%)	58	65	72	-	78	-	-	-	-	85	-	-	-	-
School Enrollment Ratio (ages 5-14)	41	58	65	99	100	89	86	-	-	80	-	94	-	-
HEALTH AND DEMOGRAPHY														
Life Expectancy	43	56	63	-	66	-	65	-	-	-	69	67	66	-
Infant Mortality (per '000)	141	71	56	48	45	46	46	51	45	44	42	37	-	-
Crude Birth Rate (per '000)	37.4	38.7	34.3	29.4	30.4	30.0	28.0	27.5	27.8	27.8	27.9	28.5	28.7	27.8 a/
Crude Death Rate (per '000)	20.2	10.9	8.6	7.5	7.7	8.1	7.7	9.0	8.5	7.8	7.4	6.6	6.5	6.1 a/
Rate of Natural Population Increase (%)	1.7	2.8	2.6	2.2	2.3	2.2	2.0	1.9	1.9	2.0	2.1	2.2	2.2	2.2
Net Migration (per '000)	5.2	5.2	-1.0	-8.0	-2.7	-3.2	-3.8	-4.0	-2.3	-3.8	-3.7	-2.8	-3.0	-6.9
Average Age at Marriage:														
Male	27.0	27.2	27.9	-	28.0	27.9	27.4	27.3	27.3	27.6	27.5	-	-	-
Female	20.7	20.9	22.1	-	23.5	23.0	22.7	22.7	22.8	23.3	23.4	-	-	-
Number of New Family Planning "Acceptors" (per '000)	-	-	-	55	49	71	96	72	71	88	75	76	92	153
Female (Crude) Labor Force Participation Rate (all ages, %)	-	-	15.5	19.5	19.1	-	-	-	20.3	20.6	-	-	-	-

a/ Provisional.

Source: Central Bank of Ceylon.

Table 11.02: MAJOR SOCIAL EXPENDITURES IN RELATION TO TOTAL CURRENT BUDGETARY EXPENDITURES AND TO GDP, 1969/70-82

Year	Total Current Expenditure Adjusted a/ (Rs million)	% of Total Current Expenditures Adjusted					% of GDP (current market price)				
		Health b/	Education b/	Total Social Services b/	Net Food Subsidies c/	Total Social Services and Net Food Subsidies b/	Health Total b/	Education Total b/	Total Social Services b/	Net Food Subsidies c/	Total Social Services and Net Food Subsidies b/
1969/70	2,577	9.15	18.33	28.44	12.66	41.10	2.00	4.01	6.22	2.77	8.99
1970/71	3,019	7.89	16.01	24.74	17.76	42.49	1.99	4.03	6.23	4.48	10.71
1971/72	4,023	6.31	16.13	19.88	16.34	41.20	2.47	5.06	7.80	5.13	12.93
1973	3,777	6.94	14.90	22.69	17.98	39.82	1.42	3.06	4.48	3.69	8.17
1974	4,565	6.40	12.77	19.98	20.86	40.02	1.23	2.45	3.68	4.00	7.69
1975	5,265	6.15	12.43	19.39	23.37	41.95	1.23	2.48	3.71	4.66	8.37
1976	5,602	6.89	14.07	21.83	16.73	37.70	1.29	2.63	3.92	3.13	7.05
1977	6,553	6.94	13.13	20.86	21.73	41.79	1.26	2.39	3.65	3.95	7.60
1978	10,491	4.95	9.37	14.89	20.33	35.21	1.22	2.31	3.66	5.00	8.66
1979	10,887	5.81	10.40	16.87	21.36	38.24	1.21	2.16	3.51	4.44	7.95
1980	12,730	5.81	10.90	17.42	2.40	19.82	1.11	2.09	3.33	0.46	3.79
1981 d/	15,025	5.71	10.64	17.04	0.55	17.59	1.00	1.87	3.00	0.10	3.09
1982 e/	19,566	4.92	10.56	16.21	0.51	16.72	0.89	1.92	2.95	0.09	3.04

a/ Total current expenditure adjusted = total current expenditure - gross food subsidy + net food subsidy.
b/ Expenditures on current account only.
c/ In 1968/69, Sri Lanka introduced a dual exchange rate. However, food imports, which determine much of of the cost of the food subsidy, were valued at the official exchange rate and not at the FEEC rate thus understating the true cost to the budget. The gross food subsidy, valued at the new Rs 16 exchange rate, would amount to 6.4% of GDP in 1977.
d/ Provisional.
e/ Budgetary estimates.

Source: Calculated from Statistical Appendix Tables 2.01, 5.03, and 5.04.

Table 11.03: HEALTH STATISTICS, 1969/70-80

	1969/70	1970/71	1972	1973	1974	1975	1976	1977	1978	1979	1980
Hospitals (practicing Western medicine) a/	455	459	457	456	457	458	460	467	484	483	480
Persons per Hospital	27,503	27,617	28,142	28,708	29,068	29,467	29,819	29,850	29,306	29,961	30,704
Persons per Bed	320	320	325	329	332	331	334	336	341	341	340
Central Dispensaries	332	336	343	349	356	355	351	356	379	369	347
Persons per Dispensary	37,692	38,000	37,495	37,510	37,315	38,017	39,080	39,157	37,425	39,217	42,473
Number of Doctors	1,932	1,893	2,038	2,089	2,127	2,138	2,248	2,168	2,258	2,263	2,051
Persons per Doctor	6,477	8,744	6,310	6,267	6,250	6,312	6,102	6,429	6,282	6,394	7,186
Number of Asst. Medical Practitioners	1,225	1,225	1,205	1,125	1,111	1,075	1,059	1,015	1,178	931	1,008
Persons per Asst. Medical Practitioner	10,215	10,422	10,673	11,636	11,966	12,554	12,953	13,733	12,041	12,284	n.a.
Number of Nurses	5,542	5,542	5,003	6,925	5,288	5,695	5,732	5,640	6,169	6,848	6,227
Persons per Nurse	2,269	2,303	2,571	1,890	2,514	2,369	2,393	2,472	2,299	2,113	2,367
Number of Inpatients ('000)	2,054	2,007	2,052	2,038	1,926	2,146	2,282	2,188	2,174	2,425	2,334
Number of Outpatients	29,690	24,473	22,029	20,577	20,316	27,654	31,649	25,764	28,419	29,400	31,891
New Acceptors of Family Planning Methods	55,269	49,323	71,044	95,931	71,927	71,308	88,215	74,890	76,180	92,156	151,871
Loops	15,799	11,446	18,599	27,528	29,693	32,144	27,030	28,321	23,085	20,187	17,022
Sterilization	4,971	245	9,576	20,248	42,234	39,164	35,588	19,055	21,949	35,643	99,758
Other Methods	34,499	37,632	42,869	48,155	-	-	25,597	27,514	31,146	36,326	35,091
Recurrent Expenditure (Rs million)	236	238	254	262	292	324	386	455	518	632	740
Capital Expenditure (Rs million)	38	28	26	36	37	86	114	43	179	381	602
Total (Rs million)	274	266	280	298	329	410	500	498	697	1,013	1,342
Expenditures per Person (Rs) b/	18.0	18.0	27.2	22.8	24.8	30.4	36.4	35.7	49.5	70.0	91.1
Total Expenditures as % of GDP	2.1	1.9	1.9	1.7	1.4	1.6	1.8	1.4	1.7	2.0	2.2

a/ Includes maternity homes.
b/ Includes capital expenditures, grants and contributions.

Sources: Data from Department of Health Services and Department of Census and Statistics.

Table 11.04: EDUCATION STATISTICS, 1970-80

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
Total Number of Schools	9,921	9,777	9,697	9,660	9,645	9,675	9,683	9,671	9,726	9,626	9,794
Elementary	8,188	7,957	6,549	6,288	7,684	7,656	7,657	7,638	4,026	3,873	7,399
Secondary	1,446	1,537	2,868	3,102	1,701	1,730	1,767	1,773	5,444	5,519	1,718
Others	283	283	280	270	260	289	259	260	256	234	677
Number of Government Schools	8,745	8,585	8,551	7,868	8,571	9,386	8,655	8,673	9,072	9,052	9,117
Total Number of Pupils	2,716,187	2,829,070	2,626,726	2,698,854	2,622,424	2,543,641	2,571,984	2,561,381	3,083,725	3,208,191	3,389,776
Grades 1 to 8	2,654,503	2,492,754	2,539,435	2,475,433	2,431,626	2,461,503	2,462,147	2,990,105	3,135,716	n.a.	2,738,226
Grades 9 to 12	174,567	133,972	159,419	146,991	112,015	110,481	104,234	93,620	72,475	n.a.	651,550
Private School Teachers	5,754	4,233	n.a.	2,222	n.a.	n.a.	n.a.	n.a.	n.a.	3,719	2,278
Government School Teachers	90,672	90,625	92,558	96,703	98,691	99,067	105,950	113,379	125,466	138,488	136,714
Pupil/Teacher Ratio	28	29	28	26	25	25	23	22	25	24	24
Number of University Students	11,545	11,813	11,727	11,705	13,440	13,260	13,250	12,739	16,164	18,383	16,384
Number of University Teachers	1,011	1,163	1,297	1,398	1,490	2,000	2,025	2,048	2,079	1,639	1,604
New Admissions	3,129	3,457	3,338	3,420	3,653	3,482	3,854	4,366	4,717	4,286	4,688
Number Graduated	4,137	3,941	3,941	4,087	3,325	3,146	3,350	3,802	3,850	3,372	3,252
Recurrent Expenditure (Rs million)	472	483	519	563	583	655	788	860	982	1,132	1,388
Capital Expenditures (Rs million)	40	43	49	39	41	53	123	116	157	259	458
Total (Rs million)	512	526	568	602	624	708	911	976	1,139	1,391	1,846
Total Expenditure as % of GDP	3.9	3.8	3.9	3.4	2.7	2.7	3.2	2.8	2.7	2.7	2.8

n.a.= not available.

Source: Central Bank of Ceylon.

Table 11.05: TOURISM: ARRIVALS BY REGION, 1975-81
(Number)

	1975	1976	1977	1978	1979	1980	1981
Western Europe	60,660	73,149	104,726	128,234	163,206	215,650	245,190
Asia	23,779	24,207	26,158	35,996	56,187	72,022	87,894
North America	7,823	7,685	10,137	12,426	13,941	15,408	16,554
Eastern Europe	5,002	5,902	4,552	6,163	5,595	4,938	5,284
Australia	3,638	4,120	5,407	6,510	7,334	8,720	9,570
Others	2,302	3,908	2,685	3,263	3,901	5,042	6,250
TOTAL	103,204	118,971	153,665	192,592	250,164	321,780	370,742
Memorandum Items:							
Tourist Nights ('000)	1,015	1,194	1,645	2,061	2,777	3,548	4,000 c/
Guest Nights a/ ('000)	656	847	1,109	1,350	1,637	2,068	2,160
Rooms in Graded Accommodation	3,632	4,581	4,851	5,347	5,590	6,042	7,061
Tourist Receipts b/ ($ Million)	22.4	28.2	40.0	55.8	77.7	110.7	130.0 c/

a/ Tourist nights in Graded Accommodation.
b/ Data not consistent with the foreign travel receipts data presented in Table 3.01 which is based on Central Bank of Ceylon data.
c/ Provisional.

Source: Ceylon Tourist Board.

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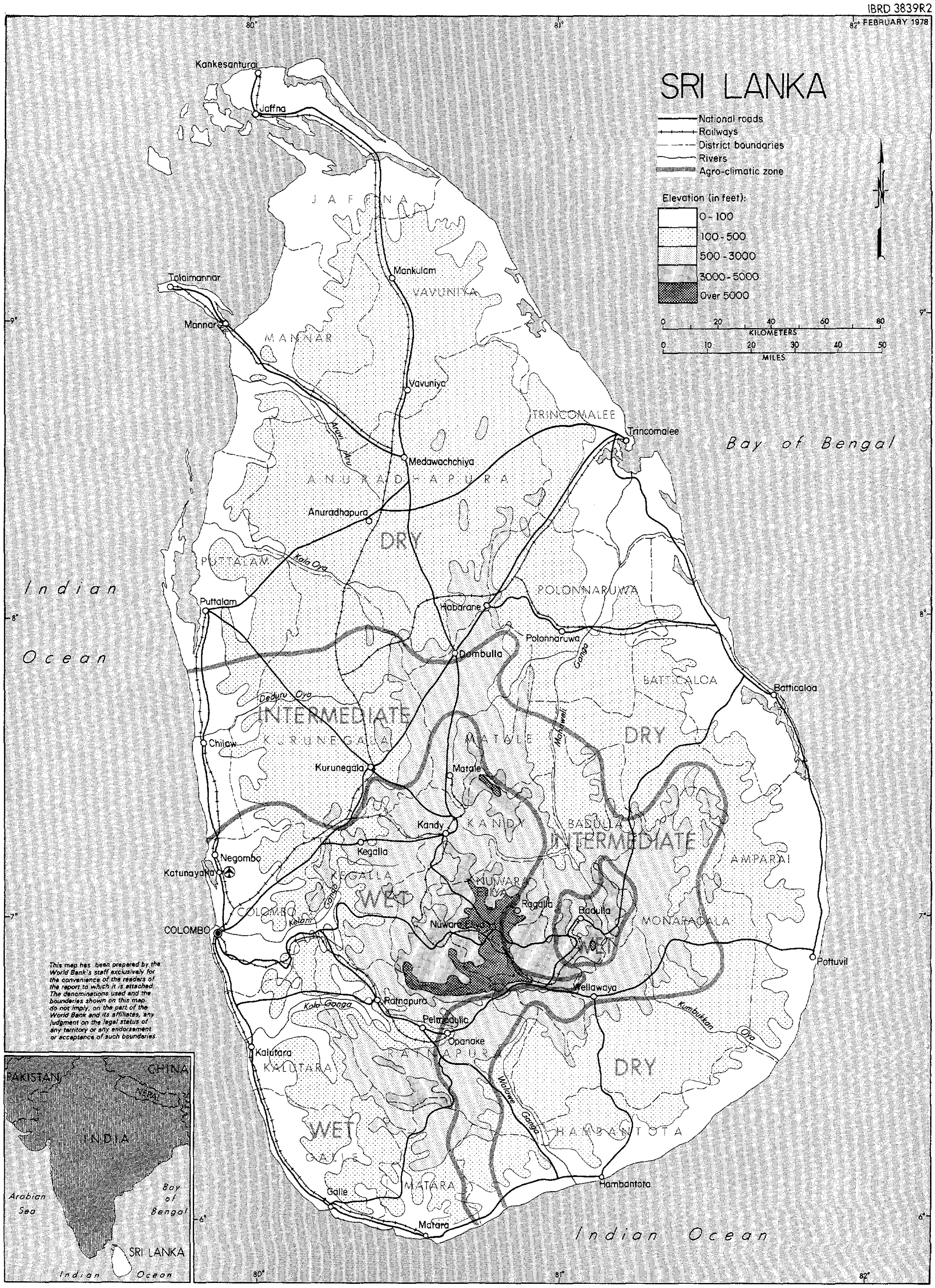
FEBRUARY 1978
SRI LANKA
National roads
Railways
District boundaries
Rivers
Agro-climatic zone
Elevation (in feet):
0 - 100
100 - 500
500 - 3000
3000 - 5000
Over 5000
KILOMETERS
MILES
Bay of Bengal
Indian Ocean
Indian Ocean
Kankesanturai
Jaffna
JAFFNA
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Talaimannar
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MANNAR
Vavuniya
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Anuradhapura
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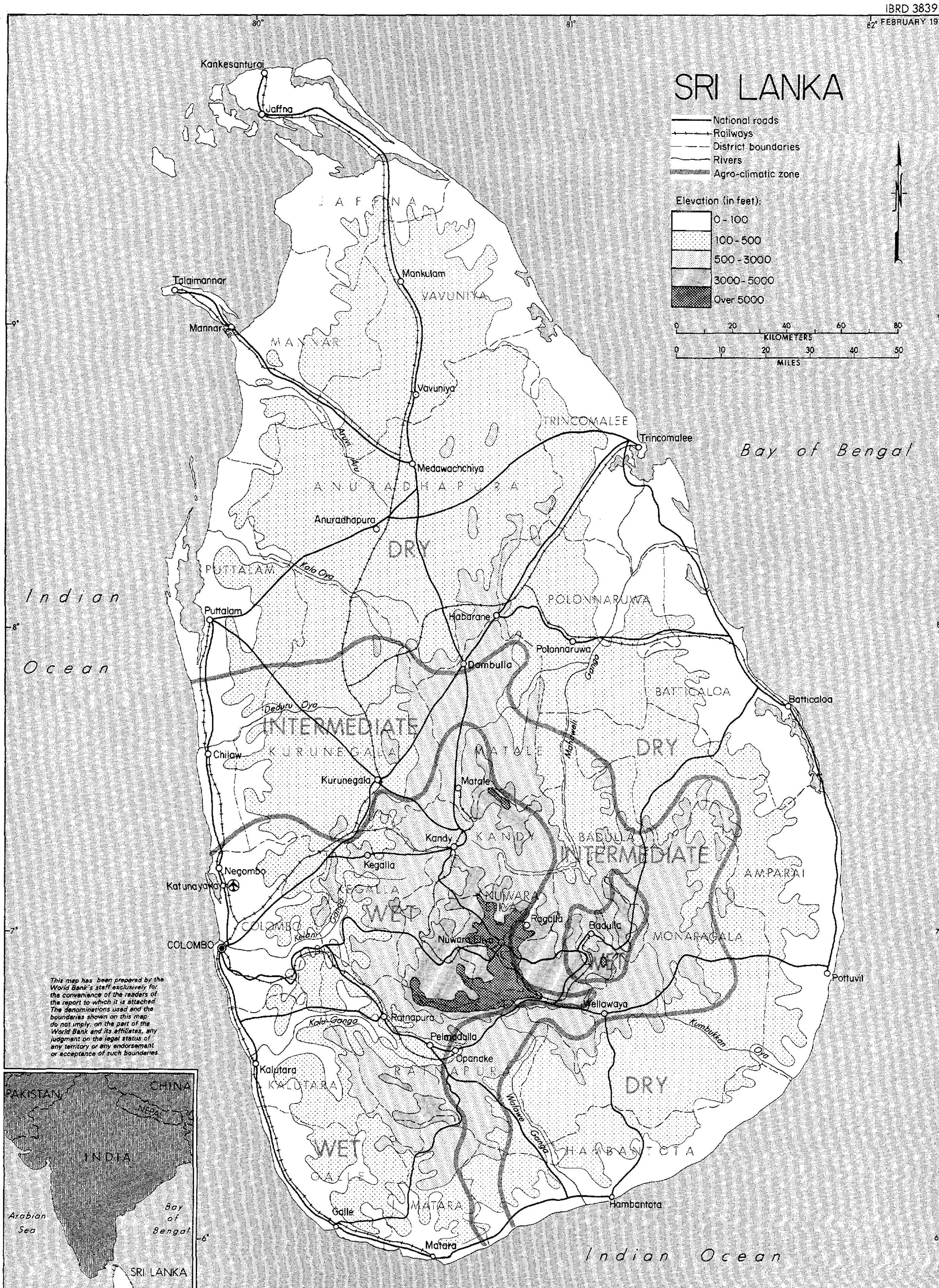
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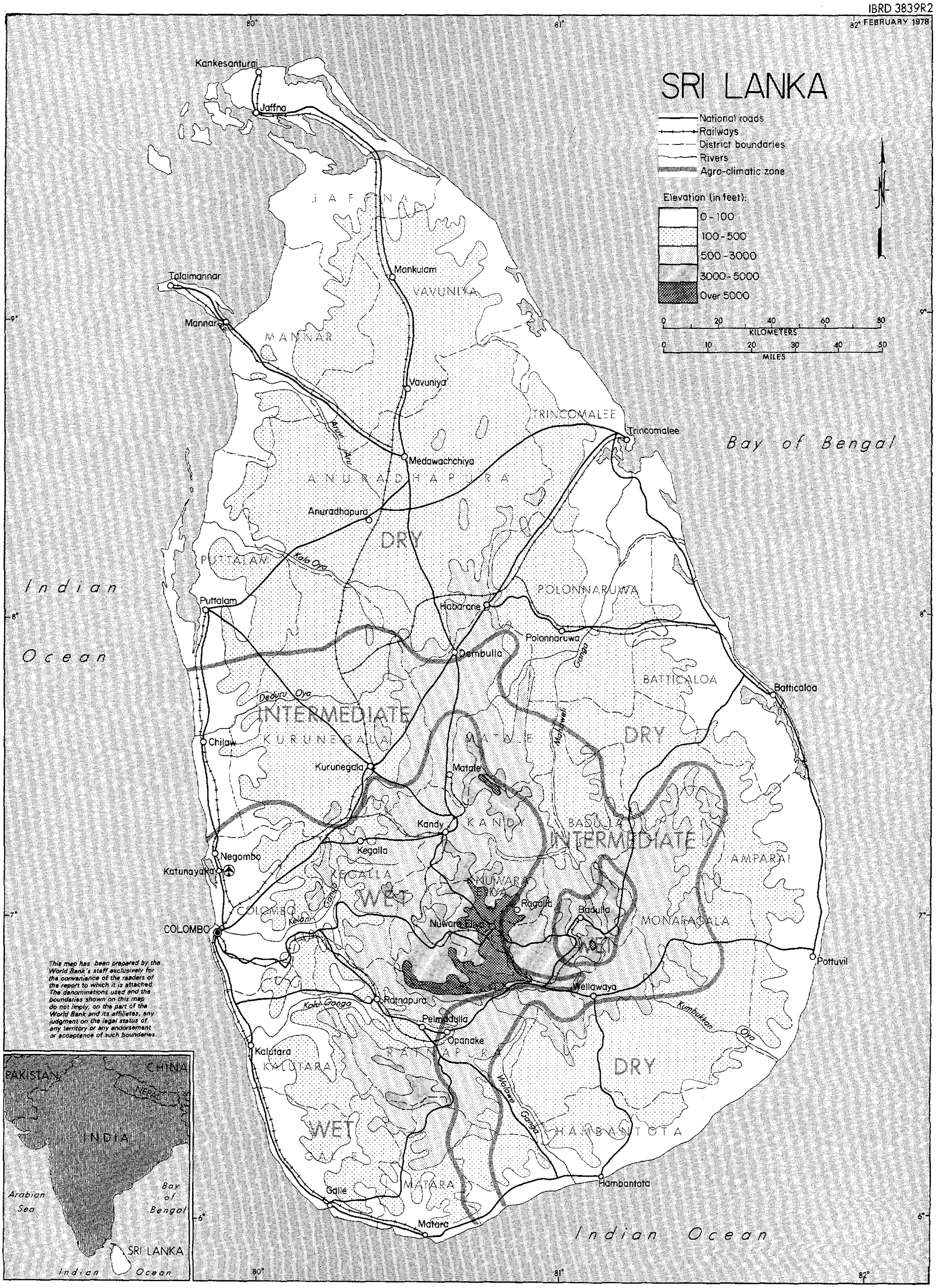
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